

Registered number 5356574

Travelex Holdings Limited

**Report and consolidated financial statements
for the year ended 31 December 2010**

**Travelex Holdings Limited
Directors and advisers**

Directors

L M Dorfman CBE
C F Hill
J P Jackson
Lord Stevens
P A Hodgkinson
S Grabiner
G C Laws
J E Ruane
M R Phillips

Company Secretary

S M Pignet

Independent auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

Solicitors

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

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Travelex Holdings Limited
Directors' report
for the year ended 31 December 2010

The Directors present their report and the audited financial statements of Travelex Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2010. The Group financial statements comprise the consolidated financial statements of the Company including its subsidiary and associated undertakings as defined by International Financial Reporting Standards as adopted by the European Union (EU IFRS).

Principal activities

The Group's principal activities are the sale of foreign currency banknotes, prepaid cards and other foreign exchange related products to retail consumers and the provision of cross-border payment services to business customers.

The Group was restructured into the following three divisions, effective from 1 January 2010: Currency Services, Global Business Payments and Cards & Mobile Payments.

Currency Services

Travelex is the world's leading retail foreign exchange specialist, with over 1,200 branded retail and ATM outlets, principally located in airports and tourist locations. The business sells banknotes and other foreign exchange and travel related products and provides services to individuals travelling for business and leisure purposes. The business also provides outsourced travel money services by supplying the foreign currency needs of financial institutions, supermarkets and travel agencies, as well as by fulfilling the individual orders of their customers.

Products and services include cash fulfilment and wholesale banknote supply, remittances, the distribution of insurance policies and the issuance or provision of Cash Passports. Cash Passports are pre-loaded currency cards that can be used to withdraw cash at ATMs worldwide or to pay retailers at point of sale using the VISA or MasterCard network.

Global Business Payments

Travelex is one of the world's leading specialist providers of commercial cross-border payment services. The business provides international payment services to 34,000 businesses making £21billion in payments each year with products comprising multi-currency spot contracts, forward contracts and some options contracts.

Cards & Mobile Payments

Travelex is the world's largest provider of prepaid foreign currency cards. The business issues cards and manages card programs on behalf of financial institutions, supermarkets and travel agencies as well as on behalf of the Currency Services division.

In the case of some financial institutions Travelex supplies both outsourced cards and foreign currency cash services. Travelex's Cards & Mobile Payments division also offers a Currency Select product. Currency Select is a service that uses Dynamic Currency Conversion (DCC) technology to instantly recognise foreign credit cards, allowing retail and online merchants to offer foreign cardholders the option of paying in the cardholder's home currency. It also allows financial institutions to DCC-enable their ATMs and point of sale systems, providing cardholders with withdrawals which are fixed in their home currency.

The Group operates through its subsidiaries and branches in four regions: the United Kingdom; Americas; Asia Pacific and Europe, Middle East and Africa (EMEA).

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Businesses Held For Sale

In December 2010, the Group announced the sale of the prepaid card program management operations to MasterCard for £290m in cash, with an earnout of up to an additional £35m if certain performance targets are met. The transaction is expected to close in the first half of 2011.

As part of the transaction, the Group signed a long-term contract whereby MasterCard will provide program management services for the Travelex Cash Passport prepaid card which will continue to be sold through Travelex stores, online channels and selected partners. The deal is an extension of a strong and long-term partnership between MasterCard and the Group. Last year, the two companies expanded their relationship by agreeing to convert the majority of Travelex card programs to the MasterCard brand and by implementing the global prepaid transaction processing capabilities of MasterCard Integrated Processing Solutions™ (IPS).

During the course of the year the Directors decided to sell two small businesses within Currency Services which have also been classified as Held for Sale during the year. Sale processes are underway for both businesses and are expected to complete during 2011.

Strategy

The Group has built a valuable, internationally recognised brand around its core competencies in foreign exchange and cross-border payment services focussing on the needs of both retail consumers and business customers. The Group's strategy is to grow the incomes of its consumer and business focused operations organically and through selective acquisitions, to improve profitability through a focus on margins and cost control, and to maximise cash generation.

i. Organic growth

The primary strategy is to pursue organic growth opportunities where the Group has leading competitive positions.

Currency Services aims to win profitable market share by focusing on core retail disciplines aimed at consumers. The business aims to expand into new geographies and open in new airports and downtown locations where it is economically attractive to do so and where it can generate economies of scale. It aims to also develop new channels such as ATMs and online, and exit less profitable or non core locations. It will continue to market and sell Travelex branded prepaid cards through multiple channels under the long term contract with MasterCard. The cash fulfilment business uses its expertise in managing banknote supply and distribution by targeting the needs of financial and other institutions for foreign currency banknotes, wholesale banknotes and insurance products.

Global Business Payments aims to win new customers across geographies and will target attractive vertical markets such as financial institutions, educational establishments and law firms. The division will continue to develop and maintain existing accounts by increasing its share of their business and introducing new products to them.

ii. Acquisitions and disposals

The Group will continue to consider selective acquisition opportunities where it can develop its geographic footprint, achieve economies of scale and create significant synergies. As outlined above, the Group will also consider disposals of businesses where we create better shareholder value by doing so.

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iii. Improve profitability

Each business will focus on delivering excellent customer service, managing foreign exchange margins and reducing the costs of delivery and overheads to maximise economies of scale.

iv. Focus on cash generation

The Group will continue to maximise available cash flow through the implementation of cost saving and efficiency initiatives and a disciplined approach to working capital management and capital expenditure.

Key strengths

Some of the key strengths of the Group are summarised as follows:

i. Diversified business profile

Travelex has a unique international business that benefits from a diversified business profile in terms of its geographic footprint and customer base. The Group operates in 29 countries giving it a local presence in major business centres around the world and reducing its exposure to regional fluctuations in business or travel activity. Travelex has a broad base of customers and customer types, limiting its exposure to any individual retail or corporate customer. In 2010 the Group conducted over 19 million transactions for retail consumers, fulfilled approximately 700 customer contracts, issued over 1.4 million Cash Passports and served 34,000 business customers. The largest customer accounted for approximately 1% of the Group's income.

ii. Strong brand with market leading positions

The Travelex brand is internationally recognised and has been promoted by the Group's extensive retail network of prominent outlets in key airports and downtown locations. Strong brand recognition helps the Group to maintain strong relationships with its existing customers whilst also making it an attractive partner for new customers.

Travelex is the leading specialist in both of its business segments which are well positioned to benefit from the global economic recovery and the underlying trends in global trade and international travel. Currency Services' retail growth is driven by expansion of the business into new geographies and development of new channels in which to transact with customers. Cash fulfilment growth is driven by financial institutions, supermarkets and travel agencies outsourcing the provision of foreign exchange banknotes. The Global Business Payments division competes by offering competitively priced products and differentiated service. Market penetration of specialist international payments businesses remains low and Travelex is well placed to gain market share from the traditional bank providers of payment products.

iii. Extensive retail network

Travelex's global retail network of over 1,200 branches and ATMs in airports and downtown tourist locations represents a significant competitive advantage. Presence in many of the world's busiest airports gives Travelex access to a large proportion of international air passenger traffic. The size and presence of the network, together with Travelex's high level of brand recognition and operational expertise, makes the Group a prime partner for co-concessionaires and an attractive tenant for gateway landlords.

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iv. Long-term contracts and relationships

The Group's Currency Services business benefits from long-term contracts and the Group's Global Business Payments division benefits from long-standing customer relationships. Currency Services has a strong record of maintaining and renewing retail contracts not only with airports but also through a portfolio of long-term contracts with major financial institutions and travel agents, including Barclays, RBS, National Australia Bank, Suncorp and Thomas Cook. Travelex's Global Business Payments systems are versatile and flexible, allowing a broad service offering to clients as well as allowing them the ability to tailor the system for their own requirements.

Performance measurement

Throughout the financial statements EBITDA is defined as earnings before finance costs, tax, depreciation, amortisation and exceptional items.

The Group's most significant Key Performance Indicators (KPIs) are income growth, EBITDA growth and cash generation. Each division has a management team responsible for the operations of the division worldwide and they use a number of financial and non financial KPIs in order to manage and develop the business to achieve the Group's strategic objectives. These are discussed in the operating reviews of each business below.

Operating review

Income and EBITDA from continuing operations are summarised in the following table. These are internally reported numbers and the reconciliation to statutory reported results is included in note 2 to the financial statements. The adjustments are the deconsolidation of certain investments, principally in Travelex Currency Services Limited, which provides outsourced foreign currency services to banks and travel agents in the UK, and which are accounted for as joint ventures under IFRS.

£m	Year ended 31 December	2010	2009	Growth
Income				
	Currency Services	515.4	441.3	17%
	Global Business Payments	141.8	125.2	13%
	Cards & Mobile Payments	73.5	59.2	24%
	Continuing operations	730.7	625.7	17%
	Non core operations	9.0	9.8	(8%)
		739.7	635.5	16%
EBITDA				
	Currency Services	103.3	92.0	12%
	Global Business Payments	41.7	44.1	(5%)
	Cards & Mobile Payments	15.3	9.7	58%
	Other	(33.5)	(30.0)	n/a
	Continuing operations	126.8	115.8	9%
	Non core operations	3.8	3.5	9%
		130.6	119.3	9%

Continuing operations grew income 17% in 2010 with growth reported across all divisions. This growth was achieved against a continuously challenging economic environment coupled with the impact of inclement weather conditions in several regions, airline strike action in the UK and the disruption to global air travel experienced as a result of the eruption of the Eyjafjallajökull volcano in Iceland.

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Management changed the operating structure of the Group from 1 January 2010 to place more emphasis on customers and increase focus on the development of the prepaid cards business. The Group benefited from prior year investment in product and platform development which positioned it well as the economic recovery emerged. EBITDA from continuing operations was up 9% on 2009. The result also includes the impact of investment in Global Business Payments whose performance grew strongly over the second half of the year. The development and success of the Group continues to be recognised externally with 18 industry awards won globally during the year.

On 9 December 2010 an agreement was signed with MasterCard International to sell the prepaid cards program management operations for £290m. It is expected to close by the end of April 2011, where upon the Group intends to use £150m to pay down debt and the balance to be available for investment in further development.

Currency Services

Currency Services grew income by 17% and EBITDA by 12% compared to 2009.

The business restructure brought together retail and cash fulfilment channels under Currency Services and the year saw a recovery in both business and leisure travel which had been greatly affected by the economic decline in 2009. Walk up transaction numbers globally were 4% up on 2009, with average transaction values also up 4%.

The global retail network continued to expand at airports and tourist locations and in supermarkets in the UK. Additional distribution was developed with the roll out of ATMs in the UK, US and Asia Pacific and the launch of a new online platform in the US.

The business was awarded new contracts in New Zealand airports during the year and successfully renewed existing contracts for railway stations in the Netherlands and airports in Kansai, Shin-Chitose, London City, Atlanta, Abu Dhabi and Frankfurt with no significant contract losses. Further developments were announced in December with the announcement of the acquisition of a significant shareholding in FX Africa, one of South Africa's leading consumer foreign exchange providers and the business assumed control of its Bahrain retail joint venture. Developments in Asia Pacific included the granting of full licences by the State Authority for Foreign Exchange (SAFE) for an additional 10 stores in China and in EMEA, the business completed a full year's trading at Charles de Gaulle and Orly Paris airports. The retail network now operates in 23 countries and over 1,200 outlets, up 18% on 2009.

Outside of the retail network, the Wholesale Banknotes business recovered from a quieter 2009 driven by much larger volumes, particularly in Africa. UK cash fulfilment had a significant win with the signing of a five year contract with Lloyds Banking Group. The business also opened in 60 further supermarket stores in the UK and now has contracts in place with 3 of the largest operators in the market. The US Insurance business saw 17% EBITDA growth on 2009 largely as a result of new products introduced in 2009.

In the following commentary all numbers exclude the impact of year on year movements in foreign exchange rates:

- UK income was flat with the roll out of additional ATM machines and supermarket locations offsetting the decline in the cash business. Although transaction numbers were down, average transaction values were up against the prior year. Costs overall for the region were 1% below prior year and EBITDA of £36.4m was up 4%;
- Americas income grew 10% with a 4% increase in transactions offset by a 1% fall in average transaction values. Insurance income was up 28% and EBITDA of £5.4m up 17% in the year due to a strong performance from new products launched in late 2009. Total costs for the region were 13% up on 2009 largely as a result of investment in online development with EBITDA of £14.4m, 3% down compared to 2009;

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- Asia Pacific income grew 10%. Transaction growth was driven by an increase in the number of stores in Japan, New Zealand and China. EBITDA in the region grew by 9% to £17.6m;
- EMEA income grew 33%. Income from wholesale banknote fulfilment increased by 58% on 2009 and EBITDA of £19.5m grew 77% driven by strong relationships with a small number of large customers in Scandinavia and Africa. There was strong growth in all EMEA retail businesses. Costs for the region increased 33% year on year driven by banknotes trading costs. Overall EBITDA in the region grew by 32% to £42.3m.

Global Business Payments

Global Business Payments grew income by 13% and EBITDA reduced by 5% compared to 2009.

World trade volume suffered significantly as a result of the global financial crisis and was still falling at the start of 2010. However, the investment put into sales teams, product development and customer retention through the "Every Customer Counts" campaign succeeded in stabilising the business in the first half of the year and returning to growth in the second half. Customer retention levels are now the highest they have ever been and the appeal of innovative and market leading products have enabled the business to accelerate in winning new customers. New relationships were established in the year with hotel chains and a number of universities including Oxford and Sydney. In December the division's online cross-border payment service went live at Rakuten Bank, marking the launch of the Japanese business. There has also been external recognition with the GEO global clearing product winning the Financial magazine 'Innovation of the Year' award.

In the following commentary all numbers exclude the impact year on year movements in foreign exchange rates:

- In the United Kingdom, income increased by 13%, with additional new business and increased transaction numbers offsetting the impact of falling average transaction values. Costs were up 5% against 2009 and EBITDA of £21.4m was up 23%;
- In the Americas, the limited economic recovery compared to other regions resulted in income remaining flat on 2009. Underlying costs increased by 12% and EBITDA of £16.6m was down 17% with the prior year release of provisions against customer forward contracts restricting EBITDA growth;
- Within the Asia Pacific region, income increased by 13% driven by an increase in new business and increased transactions numbers. Increased costs resulted in the region delivering EBITDA of £8.7m, excluding the impact of FX rates, 16% down on 2009;
- EMEA income increased by 21% with the opening of an additional office and additional sales heads in France. EBITDA of £2.3m increased by 1% over 2009 reflecting the year 1 impact of this investment.

The division continues to maintain its focus on credit risk and has not suffered any significant bad debts during the year.

Cards & Mobile Payments

Cards & Mobile Payments grew income by 24% and EBITDA by 58% compared to 2009.

Cash Passport income grew 30% with the number of new cards issued up 49%, average transaction values up 4% and the number of cards reloaded up 35% year on year. Growth was driven by key markets in the UK, Brazil and Australia and expansion into new markets, including South Korea, the Netherlands, France and China. The penetration of card sales across the retail network continues to increase and two significant milestones were reached on 12 September, when 1m of cards had been issued for the year, and then on 11 October, when volume loaded reached £1bn. The business also

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obtained the first money remittance licence in Japan and was the first company to launch Chip and PIN foreign currency prepaid cards in the US.

The business invested in infrastructure early in the year to support volume growth with the introduction of a new operating platform and general ledger. The transition to the MasterCard IPS processing platform is underway and will generate additional productivity. This platform will continue to support the distribution of Travelex Cash Passports under a long term contract once the sale of the Card Program Management business to MasterCard is complete.

Currency Select income grew 17% in the year continuing the strong organic growth in the Asia Pacific region. Cost base control resulted in the business establishing profitability. EBITDA of £0.6m was £0.7m above 2009.

Cash fulfilment income grew 5% in the year with legacy corporate cash customers not yet converted to cards. EBITDA of £2.8m was £0.4m below 2009.

Non core operations

Since the Group ceased issuing travellers' cheques in early 2008 it has focused on managing the orderly wind down of the business. Operating costs have reduced substantially and the winding down of the business is proceeding according to plan with liquidity and encashments in line with expectations. The business has transitioned to a new operating platform requiring significantly lower support costs. The non core business generated £3.8m of EBITDA compared to £3.5m in 2009.

Loss for the year

After a strong operating performance, the Group reported a statutory loss after tax of £59.6m (2009: £165.2m) for the year.

The Group's Balance Sheet and Income Statement are significantly influenced by the capital structure, which is typical of a private equity owned business with a high degree of debt financing. The consequence of this financing is a significant finance charge to the Income Statement and there is a distinction to be made between the cash costs of servicing debt and this accounting charge. Understanding of the cashflow and the impact of debt service is key to assessment of the financial position of the Group.

£m	2010	2009
EBITDA	130.6	119.3
Adjustment for accounting for joint ventures	(7.5)	(7.9)
Depreciation and amortisation	(32.9)	(29.2)
Exceptional items for statutory purposes after tax	14.8	(84.2)
Adjustment for management exceptional items	(13.4)	0.2
Net finance costs in respect of cash pay items	(52.5)	(45.9)
	39.1	(47.7)
Net finance costs in respect of non-cash pay items	(110.1)	(110.8)
Tax	11.4	(6.7)
Statutory loss after tax	(59.6)	(165.2)

An explanation of the items contributing to the statutory loss are detailed below.

Depreciation and amortisation

The Group charged £19.2m of amortisation of intangibles in the year (2009: £16.7m), the majority of which relates to the Ruesch acquisition in 2007. The depreciation charge for the year was £13.7m (2009: £12.5m).

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Exceptional items

The management reported exceptional items of £11.8m are not considered exceptional for statutory reporting purposes. These relate to one off non recurring contract implementation, internal reorganisation and other miscellaneous items.

The statutory exceptional charges are as follows:

Corporate transaction costs, primarily related to the sale of the prepaid card program management operations, of £5.4m have been treated as exceptional in the year.

The Directors are required to estimate the expected life of the term loans which have a maturity of between 2012 and 2035. They have considered a range of potential refinancing structures available to the Group and selected October 2012 (2009: October 2011). The reassessment during the year of the maturity date has resulted in an exceptional credit of £25.8m (2009: £nil). This is an accounting credit and has no impact on the cashflow of the Group.

An exceptional charge of £8.6m arose on the retranslation of United States Dollar denominated debt at year end exchange rates. This debt is supported by United States Dollar denominated assets on which associated foreign exchange gains and losses on translation are taken through equity, and hence there is no net exposure.

Capital structure and net finance costs

Balance Sheet debt is divided between 'cash-pay' debt, which is debt that requires cash interest and repayment, and 'non cash-pay debt', which is debt whose interest compounds and does not require settlement until maturity.

	£m	% of total debt	Term	Interest payable
Borrowings from non shareholders				
Overdrafts and other borrowings	9.9			Typically monthly
Term loans – senior debt	641.0		2012 to 2014	Half yearly
Total cash pay	650.9	39%		
Other notes – senior PIK notes	271.9		2015	On redemption
	922.8	55%		
Borrowings from shareholders				
Preference shares classified as borrowings	112.7		2020	On redemption
Loan notes and preference certificates	654.3		2016 to 2035	On redemption
	767.0	45%		
Total Debt	1,689.8	100%		

The table above highlights that 39% of debt is cash pay debt. This debt required £40.7m of cash interest (2009: £42.5m) and £11.0m of repayment during the year (2009: £15.8m). The Group serviced these requirements from the £150.1m of cash generated from operating activities. £34.3m of this debt falls due for repayment in 2011 and 2012 which the Group will service from cash generated from operating activities. In addition the Group will use £150m from the proceeds of the sale of its prepaid card program management operations to pay down existing senior debt.

Of the total amount of debt, 45% is from shareholders and 55% from non-shareholders.

The Group is subject to financial covenants on the senior debt as follows: cashflow to net debt service, EBITDA to net finance charges, total net debt to EBITDA and capital expenditure. The Group has complied with all its financial covenants throughout the year.

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Tax

The tax credit before exceptional items was £11.4m (2009: £6.7m charge) which arose principally on the loss for the year. Cash corporation tax paid was £6.3m (2009: £2.7m). For further details of the tax credit see note 7.

Cashflow

As highlighted in the operating review of each business, the key measure of performance is EBITDA and this is consistent with management's significant emphasis on cashflow generation. Cash is required for debt service requirements and for investment in business development. The Group has a high EBITDA to cash conversion based upon modest working capital requirements and this enables it to service the senior secured debt which requires cash interest and repayment. The Group generated £156.3m of cash before debt servicing costs and investment in capital expenditure and acquisitions.

£m	2010 Core	2010 Non core	2010 Group	2009 Group
Operating profit before depreciation, amortisation and impairment	90.3	3.8	94.1	104.8
Working capital movements	29.0	14.0	43.0	(21.9)
Cash Passport liabilities	19.3	-	19.3	6.4
Dividends from joint ventures	6.2	-	6.2	7.4
	144.8	17.8	162.6	96.7
Tax			(6.3)	(2.7)
			156.3	94.0
Net finance costs			(51.7)	(45.9)
Net capital expenditure			(29.1)	(26.4)
Net cash acquired with subsidiary undertaking			2.4	-
Cash generated before debt principal repayment			77.9	21.7

Dividends

No interim dividends were declared during the current or prior years and the Directors do not recommend the payment of a final dividend.

Outlook

The Board has approved a detailed budget for 2011 which is based on realistic and achievable income, EBITDA and cash generation expectations. The underlying performance of the Group is expected to show modest growth in the year with an expectation that trading conditions will remain challenging throughout 2011. The Group expects Global Business Payment transaction volumes to continue to recover in line with a gradual recovery in international trade. In Currency Services, the Group expects a return to passenger volume growth, although this will remain below long term trends. The Group anticipates that the increased focus on prepaid cards and Currency Select will result in increased volumes in those products in 2011. International trade volumes and airport passenger volumes are key external dependencies and uncertainties around their development may have an impact on performance. The Group plans to continue its investment in the development of its product portfolio, IT infrastructure and alternative channels to extend the reach of its products.

The Group has prepared projections through to December 2012, taking into account possible changes in trading performance. These projections indicate that the Group will meet its financial covenant tests with a good level of headroom. The Board is also satisfied that there are adequate financial resources available to meet the expected encashment profile of the outstanding travellers' cheques over this period.

In the first two months of 2011 the Group has performed as expected.

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The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis and this is the basis which has been applied.

Post reporting date events

Material events since the balance sheet date are described in note 30.

Risk management

The Group risk management framework is designed to embed management of business risks throughout the organisation. The Board is responsible for the review and challenge of the framework on an annual basis and more frequently through the Group Audit and Risk Committee.

Group Audit and Risk Committee

The Group Audit and Risk Committee is responsible for the evaluation and review of risks to the Group. The Committee meets at least four times a year and comprises Phil Hodkinson, who chairs the Committee, and two further non-executive directors. The Committee monitors the ongoing process of identifying, evaluating and managing all significant risks throughout the Group.

The Committee also reviews the scope and results of the internal audit function and is responsible for ensuring that internal audit processes are properly co-ordinated and work effectively. During the year an evaluation of the effectiveness of the internal and external audit functions was undertaken and the Group is in the process of implementing the recommendations arising from that review.

The Committee reviews the scope and results of the external audit and ensures the independence and objectivity of the external auditors, including the nature and amount of non audit work that they undertake.

The Committee receives periodic reports from the Group Compliance and Regulatory Director covering all areas of regulatory control, including money laundering, and from internal and external auditors relating to the system of internal controls and significant financial reporting issues.

Regulatory and compliance risk management

Regulatory and Compliance policy is set centrally and compliance teams in each division implement and monitor adherence to risk policies and oversee the development of formalised procedures. Travelex's internal audit function provides an independent assessment of compliance with the Group's policies and procedures.

Key Risks

During the year, Management established a Risk Committee that meets monthly and reports into the Group Audit and Risk Committee. The Risk Committee oversaw a thorough review of the Group's risk map, risk management processes and controls during the year. The Committee comprises the Group Executive Committee, the Head of Internal Audit and other key personnel by invitation. Monthly Divisional board meetings review risks to identify areas of operational non-compliance and ensure action is taken promptly and report into the Risk Committee.

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Travelex has identified the following key risks:

i. Financing assumptions and leverage

As set out above, the Group has substantial borrowings which are subject to financial covenants. The Board is satisfied that there is a good level of headroom against these covenants based upon the detailed projections and scenarios that have been prepared as part of the Group's budgeting and forecasting processes. The assumptions underlying these budgets and forecasts are viewed as realistic and achievable based on recent trading performance and the current outlook for the business, both of which are actively monitored and revalidated by the Board.

ii. Currency risk

The Group has significant overseas operations conducting business in several foreign currencies. As a result, it is subject to foreign exchange exposures arising from the translation of the results and underlying net assets of its overseas subsidiaries and joint ventures into Sterling. These exposures are not hedged. Borrowings are held in the key foreign currencies in which the Group generates income. The Group also generates spot and forward foreign currency exposures in fulfilling customer requirements. These are hedged to within pre-determined limits. Travelex conducts all foreign exchange transactions within the Group's risk management framework and established exposure limits. In certain cases where the Group has borrowed in foreign currency and lent internally to subsidiaries but has not designated the transaction as a hedge, gains and losses will be recognised in the income statement with offsetting amounts shown through the statement of comprehensive income. There is no material net impact as a result.

iii. Physical risk

Physical risk arises from the Group's exposure to theft and misappropriation or damage to its physical assets, principally cash in tills, vaults and in transit. The Group employs a full time physical risk team which includes both centrally and regionally based resources to develop appropriate policies and procedures to mitigate this risk. These arrangements are reviewed by third parties on an ad hoc basis. The Group also maintains appropriate levels of insurance to limit its exposure.

iv. Credit risk

Credit risk arises from the possibility that the Group will incur losses from its customers' failure to meet their obligations. Credit exposures can arise, normally for a short period of time, as the Group depends on its customers to pay for monies and services provided and to perform on Global Business Payments forward and option contracts. The Group has also relied on its agents to convey funds received from the sale of Cash Passports. Credit risk arises from financial institutions obligations to the Group under spot and forward contracts and from funds placed on deposit. All material customer credit exposures require approval by authorised individuals who are separate from those who generate business. Credit exposures are monitored regularly against approved risk limits and client margins are called.

v. Liquidity risk

The settlement of spot and forward contract obligations requires adequate liquidity which is provided through intra-day settlement facilities. These facilities are provided by a diversified set of 18 financial institutions with which the Group has a substantial trading history. In addition, the Group provides significant ancillary business to the majority of these counterparties. The Group also has available a committed revolving credit facility, of which £71.8m was undrawn as at 31 December 2010, to provide the appropriate short term liquidity.

The most significant liquidity risk facing non core operations is the risk that the encashment profile of outstanding travellers' cheques does not match the term or amount of the investment of the travellers' cheques float. This risk has been mitigated by using external actuarial valuations of the encashment profile to determine the profile of the deposits of the float. Additionally a £20.0m overdraft facility is available to cover any short term liquidity issues.

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vi. Operational risk

Operational risk is defined as the risk arising from within the organisation from inadequate or failed internal processes, inadequately designed or maintained systems, inappropriate staffing levels or inadequately skilled or managed people. Operational risk exposures are identified, managed and controlled by divisional management. Internal controls include a segregated operations structure and the delegation of authority within authorised limits. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The Group's operational budgets include appropriate investment levels to ensure that critical systems and processes are maintained, that customer data is protected and that staff are properly trained and developed.

vii. Regulation and compliance risk

Regulatory and compliance policy is led centrally by the Head of regulatory and compliance and there is a dedicated team in each of the divisions to ensure compliance with Anti Money Laundering (AML), sanctions and other legal, regulatory and licensing requirements. Money Laundering Reporting Officers (MLROs) are employed throughout the Group to implement Group policies and monitor transactions. The Group's legal team, in conjunction with external legal advisers, advises on the regulatory environment in which the Group operates and provides advice on any measures required to maintain operating licenses as appropriate. The Group has prepared for, and submitted licences in respect of, compliance with the European Union Payment Services Directive, which impacts the Group's Global Business Payments operations in the United Kingdom, France, Czech Republic and Malta.

viii. Litigation

The Group is involved in a number of legal proceedings and commercial disputes which are not expected to materially affect its business.

Contractual arrangements

The Group has a small number of key contractual arrangements which are important to the business; amongst those are contracts with RBS and Barclays. RBS is the 20% minority shareholder in Travelex Currency Services Limited, and Barclays is the provider of finance to the non core travellers' cheques business. In addition, both RBS and Barclays are also customers of the Group's foreign currency services, suppliers of banknotes and providers of trading lines. Within the prepaid card business, the Group has key contractual relationships with both VISA and MasterCard who act as scheme providers and with Fidelity and IPS who operate the card processing platforms. Currency Services have a number of key relationships with airport landlords including BAA in the United Kingdom and Sydney Airport Corporation Limited in Australia.

Controlling interest

The Group is a portfolio company of funds advised and managed by Apax Partners. These funds jointly have a controlling interest in the Group. Michael Phillips and James Ruane, who are both Directors of the Company, exercise oversight on behalf of Apax Partners.

Travelex Holdings Limited
Directors' report
for the year ended 31 December 2010

Directors

The following were Directors during the year and held office throughout the year, unless otherwise indicated:

Executive Directors	J P Jackson ¹ C F Hill	Chief Executive Officer Chief Financial Officer
Representatives of Apax	M Phillips ² J Ruane ³	Non-Executive Director Non-Executive Director
Other Directors	L M Dorfman CBE P A Hodgkinson ⁴ S Grabiner ⁵ Lord Stevens G C Laws ⁶	Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director

Notes

- ¹ J P Jackson was appointed on 29 March 2010
² M Phillips was appointed on 24 November 2010
³ J Ruane was appointed on 16 December 2010
⁴ P A Hodgkinson is chairman of the Audit and Risk Committee
⁵ S Grabiner was formerly a representative of Apax and is Chairman of the Remuneration Committee
⁶ Representative of Standard Chartered

M O Ransford served as a Director and chairman of the Remuneration Committee until his resignation on 16 December 2010.

Corporate and Social Responsibility (CSR)

i. Employee engagement

The Group's vision is to be the world's leading foreign exchange and international payments specialist. Our objectives are to deliver long term, sustainable income and profit growth; to deliver great service to our customers; to deliver attractive options for our shareholders and to be a great place for our people to work. Our core values are:

- Integrity, trust and honesty
- Passion for great customer service to create long term value
- A focus on results
- Belief in our people and commitment to their development
- Pride in Travelex

The Group is committed to employee involvement as it believes that its business objectives are best achieved if the Group's employees understand and support the Group's strategy. Employees are kept informed of performance through briefing meetings, supplemented by monthly business updates and a range of other internal communications. Executives regularly visit business locations to discuss matters of current interest with the local teams and hold open forum meetings, whereby local employees are invited to ask questions to management. The Group's financial performance is presented and explained to employees throughout the year. The Group has established a European Works Council which comprises an employee representative of each European country in which the Group operates and members of senior management to represent the Group.

Travelex Holdings Limited
Directors' report
for the year ended 31 December 2010

The Council provides an additional information and consultation forum, helping to enhance communication with employees at a European level. In addition, we achieved above average participation in our sixth month engagement survey carried out by a third party. The results for December 2010 show employee engagement increased in the six month period from June to December and remains above the global norm.

ii. Community involvement

As we operate through a wide global network, our CSR activity is currently managed locally so that we can remain close to the communities we operate in. We also donate our global Christmas card fund to an appropriate appeal and this year supported Shelter, helping homeless people across the UK. Travelex continues to support London's National Theatre through its Travelex £12 ticket programme which makes the theatre more widely accessible by selling tickets for certain productions at a subsidised price.

iii. Payments to creditors

The Group's policy is to fix terms of payment for all suppliers when agreeing the terms of business transactions, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The Group's trade creditors, which primarily represent amounts payable under contracts to supply foreign currency, are typically settled within 3 days (2009: 3 days) of purchase. The Company did not have any trade creditors at the end of the current or prior year.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Travelex Holdings Limited
Directors' report
for the year ended 31 December 2010

Auditors

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware. In addition, the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Company has dispensed with the requirement to hold an Annual General Meeting and the Board will reappoint PricewaterhouseCoopers LLP as auditors during the course of the year.

By order of the Board



S M Pignet
Company Secretary
25 March 2011

Registered office
65 Kingsway
London
WC2B 6TD

Company registration number
5356574

Travelex Holdings Limited

Independent Auditors' report

to the members of Travelex Holdings Limited
for the year ended 31 December 2010

We have audited the Group and Company financial statements (the financial statements) of Travelex Holdings Limited for the year ended 31 December 2010 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated changes in equity, the Consolidated and Company balance sheet, the Consolidated cashflow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- the Company financial statements give a true and fair view of the state of the Parent Company's affairs as at 31 December 2010;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

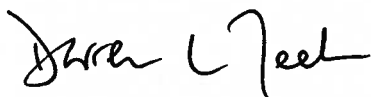
Travelex Holdings Limited
Independent Auditors' report

to the members of Travelex Holdings Limited
for the year ended 31 December 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 March 2011

Travelex Holdings Limited
Consolidated income statement
for the year ended 31 December 2010

£m	Note	2010 Before exceptional items	2010 Exceptional items (Note 3)	2010 Total	2009 Before exceptional items	2009 Exceptional items (Note 3)	2009 Total
Income	2	695.6	-	695.6	599.1	-	599.1
Operating profit before depreciation, amortisation and impairment	2	99.5	(5.4)	94.1	104.8	-	104.8
Operating profit (loss)	5	66.6	(5.4)	61.2	75.6	(105.8)	(30.2)
Finance income	4	3.2	-	3.2	5.6	30.0	35.6
Finance costs	4	(165.8)	17.2	(148.6)	(162.3)	-	(162.3)
Share of profit in equity accounted investments	10	10.2	-	10.2	6.8	-	6.8
Loss before tax	5	(85.8)	11.8	(74.0)	(74.3)	(75.8)	(150.1)
Tax	7	11.4	3.0	14.4	(6.7)	(8.4)	(15.1)
Loss for the year		(74.4)	14.8	(59.6)	(81.0)	(84.2)	(165.2)
Loss for the year attributable to							
Non controlling interests	26	0.5	-	0.5	0.4	-	0.4
Equity holders of the parent		(74.9)	14.8	(60.1)	(81.4)	(84.2)	(165.6)
		(74.4)	14.8	(59.6)	(81.0)	(84.2)	(165.2)

The notes form an integral part of these financial statements.

Travellex Holdings Limited
Consolidated statement of comprehensive income
for the year ended 31 December 2010

£m	2010	2009
Exchange differences on overseas subsidiaries	(7.4)	(23.7)
Current tax on exchange differences	(1.6)	10.8
Net movement on cash flow hedges	5.1	7.3
Deferred tax on cash flow hedges	(1.4)	(2.1)
Movement on unrecognised gain on available for sale investments	(0.3)	0.4
Deferred tax on unrecognised gain on available for sale investments	0.1	(0.3)
Actuarial loss on post retirement benefit obligations	1.2	(1.6)
Movement on deferred tax relating to post retirement benefit obligations	(0.3)	0.3
	(4.6)	(8.9)
Loss for the year	(59.6)	(165.2)
Total comprehensive income for the year	(64.2)	(174.1)
Attributable to		
Non controlling interests	0.5	0.4
Equity holders of the parent	(64.7)	(174.5)
	(64.2)	(174.1)

Consolidated statement of changes in equity
for the year ended 31 December 2010

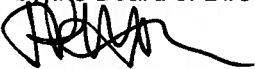
£m	2010	2010	2010	2009	2009	2009
	Equity	Non	Total	Equity	Non	Total
	interests	controlling		interests	controlling	
		interests			interests	
At 1 January	(806.2)	1.8	(804.4)	(630.7)	1.4	(629.3)
Changes in equity	-	0.7	0.7	(1.0)	-	(1.0)
Total comprehensive income for the year	(64.7)	0.5	(64.2)	(174.5)	0.4	(174.1)
Share based employee remuneration	4.9	-	4.9	-	-	-
At 31 December	(866.0)	3.0	(863.0)	(806.2)	1.8	(804.4)

The notes form an integral part of these financial statements

Travellex Holdings Limited
Consolidated balance sheet
for the year ended 31 December 2010

£m	Note	2010	2009
Non current assets			
Intangible assets	8	598.1	639.9
Property, plant and equipment	9	43.1	42.2
Investments accounted for using the equity method	10	73.6	70.0
Investments	13	152.6	159.4
Post retirement benefit asset	23	3.6	1.9
Trade and other receivables	12	3.2	3.8
Tax receivable		-	4.8
Deferred tax asset	20	20.5	17.0
		894.7	939.0
Assets included in disposal group classified as held for sale	22	70.1	-
Current assets			
Inventories	11	0.9	1.7
Trade and other receivables	12	58.2	66.2
Investments	13	17.4	58.1
Available for sale investments	14	0.9	1.2
Tax receivable		3.2	-
Deferred tax asset	20	-	2.1
Derivative financial assets	18	50.3	23.2
Cash and cash equivalents	15	546.6	485.6
		677.5	638.1
Current liabilities			
Trade and other payables	16	(700.6)	(708.5)
Financial liabilities	17	(25.6)	(20.3)
Tax payable		(9.3)	(20.2)
Provisions	19	(8.2)	(8.2)
Derivative financial liabilities	18	(49.1)	(36.1)
Net current liabilities		(115.3)	(155.2)
Non current liabilities			
Trade and other payables	16	(3.8)	(10.9)
Financial liabilities	17	(1,664.2)	(1,562.8)
Deferred tax liabilities	20	(8.9)	(14.5)
Non current liabilities		(1,676.9)	(1,588.2)
Liabilities included in disposal group classified as held for sale	22	(35.6)	-
Net liabilities		(863.0)	(804.4)
Equity			
Share capital	25	0.3	0.3
Share premium account	26	26.5	26.0
Retained earnings	26	(875.1)	(822.2)
Translation reserve	26	(17.7)	(10.3)
Deficit attributable to equity holders of the parent		(866.0)	(806.2)
Non controlling interests	26	3.0	1.8
Total equity deficit		(863.0)	(804.4)

The notes form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 25 March 2011 and were signed on its behalf by:


J P Jackson
Director


C P Hill
Director

Travellex Holdings Limited
Consolidated cashflow statement
for the year ended 31 December 2010

£m	Note	2010	2009
Cash flows from operating activities			
Cash generated from operations	24	152.9	85.7
Other cash interest received		3.5	3.9
Taxation paid		(6.3)	(2.7)
		150.1	86.9
Cash flows from investing activities			
Interest received		1.2	1.3
Purchase of property, plant, equipment and software		(29.2)	(29.6)
Proceeds from sale of property, plant, equipment and software		0.1	3.2
Dividends received from joint venture		6.2	7.4
Net cash acquired with subsidiary undertakings		2.4	-
		(19.3)	(17.7)
Cash flows from financing activities			
Interest paid		(40.7)	(42.5)
Cash inflows on interest rate swaps		0.1	0.3
Cash outflows on interest rate swaps		(11.9)	(4.9)
Net investment in own shares		-	(1.0)
Proceeds from sale and leaseback		-	0.7
Repayment of borrowings		(11.0)	(15.8)
Capital element of finance lease payments		(0.4)	(0.1)
		(63.9)	(63.3)
Exchange gains (losses) on cash and cash equivalents and bank overdrafts		3.9	(11.9)
Net increase (decrease) in cash and cash equivalents and bank overdrafts		70.8	(6.0)
Cash, cash equivalents and bank overdrafts at the beginning of the year		472.1	478.1
Cash, cash equivalents and bank overdrafts at the end of the year		542.9	472.1
Comprising:			
Cash and cash equivalents	15	546.6	485.6
Bank overdrafts	17	(8.1)	(13.5)
Bank overdrafts included in disposal group classified as held for sale	22	(0.3)	-
Cash and cash equivalents included in disposal group classified as held for sale	22	4.7	-
		542.9	472.1

The notes form an integral part of these financial statements.

Travelex Holdings Limited
Consolidated financial statements
Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies

General information

Travelex Holdings Limited (the Company) is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The registered office and principal place of business is 65 Kingsway, London, WC2B 6TD.

Basis of preparation

The consolidated financial statements of the Company have been prepared under the historical cost convention, modified to include the revaluation of financial instruments, and in accordance with applicable accounting standards and the Companies Act 2006 applicable to all companies reporting under IFRS. The functional and presentational currency of the Company is Sterling. The presentational currency of the Group is Sterling. The Group accounting policies dealing with material items are set out below.

The Group financial statements comprise the consolidated financial statements of the Company including its subsidiaries and joint ventures. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006 applicable to all companies reporting under IFRS. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no material impact on the Group's consolidated financial statements for the years presented.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. Equity accounting is applied for all associates and joint ventures.

Unrealised gains and losses on transactions between the Group and its subsidiaries are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Business combinations are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition.

Changes in accounting policy

The Group has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2010:

Travelex Holdings Limited
Consolidated financial statements
Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies (continued)

Adoption of IFRS 3 Business Combinations (Revised 2008) – The revised standard on business combinations (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. Business combinations for which the acquisition date is before 1 January 2010 have not been restated. There has been no material impact on the consolidated financial statements resulting from the adoption of IFRS 3R.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008) – The adoption of IFRS 3R required that the revised IAS 27 (IAS 27R) is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non controlling (formerly called minority) interests and the loss of control of a subsidiary. These changes are applied prospectively. During the current period, the Group had no material transactions with non controlling interests.

Adoption of Improvements to IFRSs 2009 (Issued in April 2009) – The Improvements to IFRSs 2009 made several minor amendments to IFRSs. The only amendment relevant to the Group relates to IAS 17 'Leases'. The amendment requires that leases of land are classified as finance or operating by applying the general principles of IAS 17. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

Accounting standards, interpretations and amendments to published standards issued but not yet effective and have not been adopted early by the Group

At the date of signing of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Group. The Directors anticipate that the Group will adopt these standards, interpretations and amendments on their effective dates. Unless stated below the adoption of these standards, interpretations and amendments are not expected to have a significant impact on future financial statements;

Annual Improvements 2010 (effective from 1 July 2010 and later) – The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The '2010 Improvements' amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the '2010 Improvements' will not have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013) – The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Travelex Holdings Limited
Consolidated financial statements
Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies (continued)

Disposal groups classified as held for sale

Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. Management must be committed to the sale at a realistic price which must be highly probable to be completed within twelve months of the balance sheet date and be available for immediate sale in its present condition.

All assets and liabilities are classified as held for sale and presented separately in the balance sheet if they are directly associated with a disposal group.

Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. From the date of classification as held for sale, no depreciation or amortisation is charged on assets included within this classification.

Investments in joint ventures

Entities whose economic activities are controlled jointly by the Group and others are initially recorded at cost and subsequently accounted for under the equity method. The investment is initially recognised at cost using the acquisition method. Any goodwill or fair value adjustments attributable to the Group's share in the entity are included in the carrying value of the investment.

All subsequent changes to the Group's share of interest in the equity of the joint venture are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the joint venture are reported in the income statement.

When the Group's share of losses in an equity accounted investment exceeds its interest in the associate, the Group does not recognise further losses, unless obliged to make good these losses on behalf of the entity. If the entity subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in the entity. Amounts reported in the financial statements of the joint ventures have been reviewed to ensure consistency with the accounting policies of the Group.

However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Income recognition

Given the nature of the Group's business, earning fees, commissions and currency margins on its products provided to customers and currency hedging activities, the Directors believe income to be a more meaningful term than revenue. The key components of income are described below:

i. Currency Services

Foreign currency income is the difference between the cost and selling price of currency (foreign currency margin) and the revaluation of open foreign exchange positions to market value, together with commissions on the sale and purchase of currencies. Margin and commission income is recognised when the transaction is made.

Travelex Holdings Limited
Consolidated financial statements
Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies (continued)

Income earned through ATM transactions comprises commission based fees on customers making ATM transactions and interchange fees.

Income relating to outsourced travel money services for banknotes and wholesale banknote fulfilment consists of margin, commission and fees charged on the fulfilment of currency orders, net of rebates. Income is recognised when the transaction is made.

Income from the sale of insurance policies is recognised at the time of sale of the insurance policy and represents the commission earned on the sale of the policy.

ii. Global Business Payments

Income is the currency margin on transactions undertaken in the period at the rates prevailing on the transaction date as adjusted through the revaluation of foreign exchange positions to market value, plus any commissions charged. In addition, income includes income from investment activities which is derived from the interest earned on the investment of funds generated from the receipt of customer monies that have yet to be paid away, which is recognised in the period to which it relates.

iii. Cards & Mobile Payments

Income from Cash Passport cards primarily consists of the income from the foreign exchange margin and associated fees which are recognised on sale or encashment, combined with income from investing activities derived from the interest earned on the investment of funds generated from Cash Passport sales for the period from original issue to their encashment, which is recognised in the period to which it relates.

Income relating to outsourced travel money services for banknotes consists of margin, commission and fees charged on the fulfilment of currency orders, net of rebates. Income is recognised when the transaction is made.

Currency Select income earned through ATM transactions comprises commission based fees on customers making ATM transactions and interchange fees.

iv. Non core operations

Income from travellers' cheques consists of income from investment activities, which is derived from the interest earned on the investment of funds generated from the issue of travellers' cheques for the period from their original issue to the date of their encashment. This is recognised in the period to which it relates. Commissions and fees are recognised when earned.

Cost of sales

Cost of sales comprises direct selling costs including direct salaries, shop rental costs and incentive commissions.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a clearer understanding of the Group's financial performance.

Travelex Holdings Limited
Consolidated financial statements
Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies (continued)

Intangible assets

Goodwill

The excess of the fair value at the date of acquisition of the cost of investments in subsidiaries over the fair value of net assets acquired which is not otherwise allocated to individual assets and liabilities is determined to be goodwill. Goodwill is initially measured at cost, and is reviewed at least annually for impairment. The goodwill recognised before the transition to IFRS was accounted for under UK GAAP. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

Other intangible assets

Computer software comprises off the shelf packages, modified to meet the Group's requirements, software developed in house and software purchased as part of business combinations. Internal and external costs are capitalised to the extent that they are directly attributable to the development of modified software provided they meet the recognition criteria under IFRS. Capitalised costs are amortised on a straight line basis over their estimated useful lives.

Customer relationships represent the cost incurred when acquiring major outsourcing agreements and relationships recognised on business combinations, which are being amortised on a straight line basis over the term or expected term of the relationships. Trade names and other intangible assets, which comprise non compete agreements and lease rights at retail locations, are measured at cost and amortised over their expected useful lives.

Amortisation is calculated on a straight line basis using the following rates:

Computer software	10% - 33% per annum
Customer relationships	10% per annum
Other	12.5% - 50% per annum

Property, plant and equipment

Property, plant and equipment are initially recorded at cost and depreciated so as to write off the cost of the asset over its estimated useful life. Cost includes expenditure which is directly attributable to bringing the asset into working condition for its intended use.

Depreciation is calculated on a straight line basis using the following rates:

Freehold land	Nil
Freehold and long leasehold property	2% per annum or over the lease term if shorter
Short leasehold property	10 - 20% per annum or over the lease term if shorter
Fixtures and fittings	10 - 50% per annum
Computer hardware	33.3% per annum
Motor vehicles	25% per annum

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some at a cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

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1. Accounting policies (continued)

Cash generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In order to calculate fair value, the Group estimates the discounted present value of future cashflows over a three year period, plus terminal value. The data used for the Group's impairment testing procedures are directly linked to the Group's latest approved budget.

Impairment losses for cash generating units reduce first the carrying amount of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

The Group also assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults in payment are considered an indication that the receivable is impaired. The carrying amount of the asset is reduced and the amount of the provision is recognised in the income statement.

Income taxes

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. This provision is not discounted. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Management bases its assessment of the probability of future taxable income on the Group's latest approved forecasts, which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The specific tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset that deferred tax asset is recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

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1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences on long term monetary assets funding overseas subsidiaries are taken to the translation reserve. Assets and liabilities of overseas subsidiaries are translated at the closing exchange rate. Income and expenditure of these subsidiaries are translated at the average rates of exchange during the year. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are released into the income statement upon disposal or partial disposal of the foreign operation. All other exchange gains and losses, which arise from normal trading activities, are included in the income statement as incurred.

Cash and cash equivalents

Cash and cash equivalents includes all notes and coins held in tills and vaults, in transit and in distribution centres, bank accounts and term deposits which comprise deposits with financial institutions with an original maturity of less than three months.

Travellers' cheques, investments and structured deposits

Investments include travellers' cheque float and structured deposits which relate to monies received in advance on issuance of travellers' cheques. These are restricted to use within the travellers cheques business. These monies received in advance are placed in a series of structured deposits with financial institutions and these are discounted to net present value.

A liability is recorded at fair value for all travellers' cheques issued but not encashed. The liability is denominated in the currency of the cheque and translated at the balance sheet date. The travellers' cheques are payable on demand and hence shown within trade payables due within one year.

As a consequence of the difference in accounting treatment the liability exceeds the value of the associated asset.

Derivative financial instruments

Derivative financial instruments are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The instrument is derecognised from the balance sheet when the contractual rights or obligations arising from that instrument expire or are extinguished.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

A derivative financial instrument that meets the criteria for hedge accounting in accordance with documented hedging policies may be designated as a hedge. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. This gain or loss is then recycled from the hedging reserve to the income statement in line with the recognition of cash flows on the hedged items. Any ineffective portion of the hedge is recognised immediately in the income statement.

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1. Accounting policies (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged transaction remains in place, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Classification of non-derivative financial assets and liabilities

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are measured at fair value on initial recognition. Gains and losses arising from subsequent measurement are recognised directly in equity. When an investment is disposed of or is determined to be impaired, any cumulative gain or loss previously recognised in equity is transferred to the income statement. The fair value of available for sale financial assets is determined by reference to a valuation technique. In the case of equity securities classified as available for sale financial assets, a significant or prolonged decline in the fair value of the securities below their cost is considered to be an indicator that the securities are impaired.

Loans and receivables are non-derivative unquoted financial assets with fixed and determinable payments. Loans and receivables are measured at amortised cost using the effective interest rate method.

All non-derivative financial liabilities are designated as other financial liabilities. These are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Loans

Loans are recognised initially in the balance sheet at fair value less attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash payments over the expected life of the loans to the net carrying amount of the loans.

Where there are changes to the Group's estimation of the future cash flows attributable to loans and receivables and other financial liabilities, the new estimated cash flows are discounted at the original effective interest rate established at the time the assets or liabilities were initially recorded, with any resulting gain or loss taken to the income statement.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity, forming part of shareholders' funds, only to the extent that they meet the following two conditions:

- i. They include no contractual obligations upon the Company, or Group as the case may be, to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company or Group; and
- ii. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or it is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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1. Accounting policies (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for share capital and share premium exclude amounts in relation to those shares.

Arrangement and related fees associated with financial liabilities are dealt with as part of finance costs. Arrangement and related fees associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Under IFRS 7, financial instruments are measured at fair value based on a three level hierarchy that reflects the significance of the inputs in the fair value measurements. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly

Level 3 – Inputs that are not based upon observable market data

Employee benefits

Contributions to the Group's defined contribution pension schemes are charged to the income statement as incurred.

The Group operates a defined benefit pension scheme in the Netherlands. A full independent actuarial valuation is carried out on a triennial basis and updated to each balance sheet date. The assets of the scheme are held separately from those of the Group. Scheme assets are measured at fair value using the bid price. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Any past or current service costs are recognised within the income statement. The net of the interest cost on the scheme's liabilities, and the Group's expected return on the scheme's assets, are included in the income statement as finance costs.

Actuarial gains and losses are recognised immediately through the statement of comprehensive income. The net surplus or deficit is presented within other assets or liabilities on the balance sheet. The related deferred tax is shown within other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up front at the date of inception of the lease. Leases of land and buildings are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised.

Subsequent accounting for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

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1. Accounting policies (continued)

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. 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. Long term provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of management.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. These contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Share based employee remuneration

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the awards at the date of grant. The fair value excludes the effect of non market based vesting conditions. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 6.

The fair value determined at the date of grant of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of that period and of the equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Unallocated or repurchased shares held by the employee share trust are included within retained earnings.

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1. Accounting policies (continued)

Significant management estimates and judgements in applying accounting policies

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Due to inherent uncertainty involved in making estimates and assumptions, actual outcomes could differ from those assumptions and estimates. The critical judgements that have been made in arriving at the amounts recognised in the Group's financial statements and the key sources of estimation and uncertainty that have a significant risk of causing material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

Impairment of Goodwill

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the cost of sale or value in use. In order to calculate fair value, the Group estimates the discounted present value of future cashflows over a three year period, plus terminal value. In the process of measuring fair value management makes assumptions about future profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. The Group's impairment result is disclosed in note 8.

Loans

The legal maturity dates of the Group's loan facilities range from 2012 to 2035. On drawdown, and at each reporting date thereafter, the Directors are required to estimate the expected life of the loans. They have considered the range of potential future financing structures available to the Group and selected seven years with a maturity in October 2012 (2009: October 2011). The reassessment of the maturity date has resulted in an exceptional credit of £25.8m.

Provisions

Provisions have been made relating to employee benefits and onerous contracts. These provisions are estimates and the actual costs and timing of future cash flows are dependant on future events. Any difference between expectations and the actual future liability will be accounted for when such determination is made.

Income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest budget forecasts, which are adjusted for significant non taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operate are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. See note 20.

Going concern assessment

The Directors assess the Group's going concern for a period of 18 months from the balance sheet date and take into account the facts and circumstances during that period.

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1. Accounting policies (continued)

In making this assessment the Directors consider:

- Whether there is sufficient liquidity and financing to support the business in corporate transactions and future trading;
- Whether post balance sheet trading is in line with expectations;
- If the Group would be able to trade after the impact of a reasonable downside scenario on performance and covenants;
- The adequacy of insurance cover;
- Continued availability of financing facilities and trading lines; and
- The effectiveness of risk management policies, in particular, business continuity, compliance, regulatory and counterparty risks.

After making enquiries and considering a range of scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has therefore prepared these financial statements on a going concern basis.

Deferred taxation

Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. The Directors have made an assessment of how much is expected to be utilised against future taxable income based on future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. The Group has decided to recognise an asset of £40.8m in respect of tax losses and other temporary differences as a result of this assessment.

Employee share based remuneration

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the award at the date of grant. The Group is required to make an assessment of the initial fair value of the award. In the process of measuring fair value management makes assumptions about future profits and discount rates. The Directors estimated the fair value of the award made to be £35.4m. The Group is also required to estimate the expected vesting period and any potential leavers from the scheme. The Directors have estimated this to be 3 years. Accordingly, a charge of £4.9m and a corresponding credit against equity has been recognised in the current year.

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2. Segmental reporting

Segmental information has been prepared in accordance with IFRS 8 'Operating Segments'. The information disclosed is based on that used by the Executive Committee (the Group's Chief Operating Decision Maker) and the Board to allocate resources and assess the performance of the business: Currency Services; Global Business Payments; Cards & Mobile Payments and Non core operations. Non core operations consist of the travellers' cheques business. Other includes shared Group functions.

The information previously reported to the Executive Committee was based on four business segments: Global Business Payments; Retail; Outsourcing and Non core operations. The restructuring of the business segments during the year has resulted in the Retail and Outsourcing segments being restructured into Currency Services and Cards & Mobile Payments. Cards & Mobile Payments includes Prepaid Cards, Currency Select and the cash fulfilment services provided to prepaid card customers. All other operations are included in Currency Services. There have been no changes to Global Business Payments and non core operations. As part of the divisional reorganisation, the Group has reassessed its allocation of overheads. The comparatives have been restated accordingly. There has been no effect on reported operating profit.

Transactions between segments are undertaken on mutually agreed terms.

Results of operating segments as internally reported

£m	Currency Services	Global Business Payments	Cards & Mobile Payments	Non core operations	Other	2010 Total
Income	515.4	141.8	73.5	9.0	-	739.7
Rental costs	(171.7)	(6.0)	(1.4)	-	(4.1)	(183.2)
Payroll costs	(132.9)	(57.3)	(16.1)	(0.7)	(20.1)	(227.1)
Other costs	(107.5)	(36.8)	(40.7)	(4.5)	(9.3)	(198.8)
EBITDA	103.3	41.7	15.3	3.8	(33.5)	130.6

£m	Currency Services	Global Business Payments	Cards & Mobile Payments	Non core operations	Other	2009 Total
Income	441.3	125.2	59.2	9.8	-	635.5
Rental costs	(144.7)	(5.4)	(1.1)	-	(3.7)	(154.9)
Payroll costs	(114.2)	(46.2)	(12.2)	(0.9)	(21.7)	(195.2)
Other costs	(90.4)	(29.5)	(36.2)	(5.4)	(4.6)	(166.1)
EBITDA	92.0	44.1	9.7	3.5	(30.0)	119.3

EBITDA is defined as earnings before finance costs, tax, depreciation, amortisation and exceptional items.

Other represents the costs of the Group functions which are managed separately from the operating segments and are not reallocated for management reporting purposes.

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2. Segmental reporting (continued)

Included within income is interest earned on bank deposits and money market instruments on the investment of funds generated from travellers' cheques sales, Cash Passport sales and Global Business Payment transactions. This is analysed by segment as follows: Global Business Payments £1.6m (2009: £2.7m); Cards & Mobile Payments £1.4m (2009: £0.7m) and non core operations £9.1m (2009: £9.6m).

Included under the 'adjustment' heading in the tables below are some Group investments, which under IFRS are accounted for as joint ventures. For internal reporting purposes these investments are fully consolidated into the results of the Group. All other measurement policies used in internal reporting are consistent with those used in preparing these financial statements. In addition, there are £11.8m of charges (2009: £0.2m credit) which are considered exceptional for management purposes.

Reconciliation of internally reported EBITDA to operating profit under IFRS:

£m	Internally reported	Adjustments	2010 Financial statements	Internally reported	Adjustments	2009 Financial statements
Income	739.7	(44.1)	695.6	635.5	(36.4)	599.1
Rental costs	(183.2)	3.5	(179.7)	(154.9)	2.3	(152.6)
Payroll costs	(227.1)	(4.8)	(231.9)	(195.2)	5.3	(189.9)
Other costs	(198.8)	8.9	(189.9)	(166.1)	14.3	(151.8)
EBITDA / Operating profit	130.6	(36.5)	94.1	119.3	(14.5)	104.8

Financial position of operating segments as internally reported

£m	Currency Services	Global Business Payments	Cards & Mobile Payments	Non core operations	Other	2010 Total
Intangible assets	332.5	346.4	32.4	1.0	1.0	713.3
Property, plant and equipment	33.6	4.7	3.1	-	5.4	46.8
Investments accounted for using the equity method	0.1	-	-	-	-	0.1
Other assets	64.0	53.6	16.2	7.0	23.9	164.7
Investments	0.1	-	0.9	159.3	9.7	170.0
Cash and cash equivalents	126.8	130.3	93.6	81.7	139.0	571.4
Total assets	557.1	535.0	146.2	249.0	179.0	1,666.3
Liabilities	(133.1)	(168.1)	(115.7)	(374.5)	(1,744.4)	(2,535.8)
Net assets (liabilities)	424.0	366.9	30.5	(125.5)	(1,565.4)	(869.5)
Non current asset additions	9.0	7.5	8.2	-	4.5	29.2

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2. Segmental reporting (continued)

£m	Currency Services	Global Business Payments	Cards & Mobile Payments	Non core operations	Other	2009 Total
Intangible assets	333.8	345.7	28.4	1.1	1.7	710.7
Property, plant and equipment	31.8	5.4	3.3	0.2	4.2	44.9
Investments accounted for using the equity method	0.5	-	-	-	-	0.5
Other assets	61.9	28.1	13.4	10.9	6.5	120.8
Investments	-	-	-	217.5	-	217.5
Cash and cash equivalents	121.5	82.1	76.7	53.5	167.4	501.2
Total assets	549.5	461.3	121.8	283.2	179.8	1,595.6
Liabilities	(121.0)	(132.4)	(92.7)	(404.2)	(1,639.9)	(2,390.2)
Net assets (liabilities)	428.5	328.9	29.1	(121.0)	(1,460.1)	(794.6)
Non current asset additions	13.0	6.2	7.0	1.4	3.2	30.8

Reconciliation of position reported to the Executive Committee to the position reported under IFRS:

£m	Internally Reported	Adjustments	2010 Statutory accounts	Internally Reported	Adjustments	2009 Statutory accounts
Intangible assets	713.3	(115.2)	598.1	710.7	(70.8)	639.9
Property, plant and equipment	46.8	(3.7)	43.1	44.9	(2.7)	42.2
Investments accounted for using the equity method	0.1	73.5	73.6	0.5	69.5	70.0
Other assets	164.7	(3.6)	161.1	120.8	1.1	121.9
Assets classified as held for sale	-	70.1	70.1	-	-	-
Investments	170.0	-	170.0	217.5	-	217.5
Cash and cash equivalents	571.4	(24.8)	546.6	501.2	(15.6)	485.6
Total assets	1,666.3	(3.7)	1,662.6	1,595.6	(18.5)	1,577.1
Liabilities	(2,535.8)	45.8	(2,490.0)	(2,390.2)	8.7	(2,381.5)
Liabilities classified as held for sale	-	(35.6)	(35.6)	-	-	-
Net liabilities	(869.5)	6.5	(863.0)	(794.6)	(9.8)	(804.4)

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2. Segmental reporting (continued)

By geography

Group wide geographical analysis of income as internally reported is based on the region in which a transaction is initiated. This analysis would not be materially different if performed based on the geographical destination of the transaction.

£m	2010	2009
United Kingdom	231.8	212.1
Americas	143.6	146.7
Asia Pacific	204.5	159.7
EMEA	159.8	117.0
	739.7	635.5

The net book value of non current assets, comprising intangible assets and property, plant and equipment is as follows:

£m	2010	2009
United Kingdom	246.5	272.5
Americas	197.8	215.2
Asia Pacific	109.5	109.2
EMEA	87.4	85.2
	641.2	682.1

3. Exceptional items

£m	2010	2009
Net operating expenses		
Goodwill impairment	-	(105.8)
Corporate transaction costs	(5.4)	-
Exceptional items charged to operating profit	(5.4)	(105.8)
Finance income (costs)		
Gains on extension of estimated life of term loans	25.8	-
Exchange (losses) gains on intercompany loans	(8.6)	30.0
	17.2	30.0
Tax attributable to exceptional items	3.0	(8.4)
	14.8	(84.2)

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3. Exceptional items (continued)

Transactions costs of £5.4m have been charged in the year primarily relating to the sale of the Cash Passport program management business which, while announced in 2010, is due to close in 2011.

The Directors are required to estimate the expected life of the loans and, having considered a range of potential future financing structures available to the Group, selected October 2012 (2009: October 2011). The reassessment of the maturity date has resulted in an exceptional credit of £25.8m in the year (2009: £nil).

An exceptional debit of £8.6m (2009: £30.0m credit), was booked arising on the retranslation of Group debt, which is financing overseas subsidiaries and where it is held in the non functional currency of a reporting entity. The Group economically hedges the debt with structural intercompany loans. Under IFRS the exchange differences arising on the retranslation of the structural intercompany loans are posted directly to equity.

4. Finance income and costs

£m	2010	2009
Finance income		
Interest receivable	1.3	1.4
Interest receivable on interest rate swaps	1.9	-
Other finance income	-	0.5
Net exchange gains	-	33.7
	3.2	35.6
Finance costs		
Bank loans and overdrafts	(1.7)	(2.0)
Term loans	(111.6)	(133.2)
Interest payable on interest rate swaps	(13.3)	(14.3)
Finance costs on preference shares classified as liabilities	(10.2)	(9.3)
Expected return on pension scheme assets	2.1	2.3
Interest cost on pension scheme liabilities	(2.6)	(2.7)
Other finance costs	(2.3)	(3.1)
Net exchange losses	(9.0)	-
	(148.6)	(162.3)

In accordance with the Group's accounting policy, £12.1m (2009: £13.0m) of interest receivable on bank deposits and money market instruments on the investment of funds generated from travellers' cheque sales, Cash Passport sales and Global Business Payments transactions is classified and disclosed within income.

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5. Loss before tax

Operating profit (loss) is analysed as follows:

£m	2010	2009
Income	695.6	599.1
Cost of sales	(390.1)	(324.1)
Gross profit	305.5	275.0
Net operating expenses	(211.4)	(170.2)
Operating profit before depreciation, amortisation and impairment	94.1	104.8
Depreciation and amortisation	(32.9)	(29.2)
Goodwill impairment	-	(105.8)
Operating profit (loss)	61.2	(30.2)

Loss before tax is stated after charging (crediting):

£m	2010	2009
Depreciation of owned property, plant and equipment	13.7	12.5
Net loss (gain) on disposal of property, plant and equipment	0.2	(2.0)
Amortisation of intangible assets	19.2	16.7
Goodwill impairment	-	105.8
Hire of machinery and equipment	1.6	0.9
Minimum operating lease payments	109.6	89.8
Contingent operating lease payments	78.9	54.5
Auditors remuneration:		
Audit fee in respect of Company and Group financial statements	0.2	0.2
Audit fee in respect of subsidiary financial statements pursuant to legislation	2.0	1.7
Other fees relating to taxation	0.2	0.4
All other services	1.4	0.3

6. Employees and directors

Average number	2010	2009
Currency Services	5,251	4,095
Global Business Payments	1,135	1,052
Cards & Mobile Payments	465	356
Non core operations	153	148
Other	94	121
	7,098	5,772

Employee costs

£m	2010	2009
Wages and salaries	199.0	167.6
Share based employee remuneration	4.9	-
Social security costs	20.4	16.1
Other pension costs	7.6	6.2
	231.9	189.9

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6. Employees and directors (continued)

Directors' remuneration

£m	2010	2009
Aggregate emoluments	3.4	1.5

One Director has benefits accruing under defined contribution pension arrangements (2009: one). The emoluments of the highest paid Director were £1,580,000 (2009: £641,000) and the Company made no contribution to the highest paid Director's pension arrangements in either of the years reported.

Equity settled share based payments

On 20 July 2010 100,000 M ordinary shares were issued with a nominal value of £0.01 each to senior management and certain non executive directors at a price of £5.00 per share. The M ordinary Shares allow shareholders to receive one-ninth of the aggregate amount paid or payable to the TP Loan Note Holders, or holders of the Primary Ordinary Shares or Preference Shares by way of dividend or otherwise upon the return of capital on liquidation, reduction of capital or other return of capital.

These shares are held in trust on behalf of the beneficiaries of the incentive scheme, by the Travelex Employee Share Trust. They are expected to vest in July 2013 at which date the Group estimates that the shares will realise value. The shares have been valued using the discounted cash flow model using forecast results through to July 2013, a long term growth rate assumption of 2% and debt discounted rate. The Directors estimate the fair value to be £35.4m. Accordingly, a charge of £4.9m and a corresponding credit against equity is recognised in the current year.

The Group has no legal or constructive obligation to repurchase these shares.

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7. Income tax charge

The relationship between the expected tax charge (credit) based on the domestic effective tax rate of the Group at 28.0% (2009: 28.0%) and the reported tax charge (credit) in profit or loss can be reconciled as follows, also showing major components of the tax charge (credit):

£m	2010	2009
Loss before tax	(74.0)	(150.1)
Less share of result in equity accounted investments	(10.2)	(6.8)
Group loss before tax	(84.2)	(156.9)
Domestic tax rate for the Group	28.0%	28.0%
Expected tax credit	(23.6)	(43.9)
Recognition of tax losses brought forward	(2.1)	-
Other adjustments in respect of prior periods	(10.4)	1.9
Adjustments for tax rate differences in foreign jurisdictions	(0.3)	0.6
Adjustment for non deductible expenses		
Non-deductible finance costs	18.5	25.7
Goodwill impairment	-	29.6
Other non deductible expenses	3.5	1.2
Net actual tax (credit) charge	(14.4)	15.1
Tax (credit) charge comprises:		
Current tax (credit) charge	(6.1)	18.5
Origination and reversal of temporary differences		
Tax losses	(4.1)	5.6
Other temporary differences	(4.2)	(9.0)
Net tax (credit) charge	(14.4)	15.1
Tax (credit) charge on ordinary activities	(11.4)	6.7
Tax (credit) charge on exceptional items	(3.0)	8.4
	(14.4)	15.1

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8. Intangible assets

£m	Goodwill	Computer software	Customer relationships	Other	Total
Cost					
At 1 January 2009	999.5	75.4	56.3	3.3	1,134.5
Additions	-	13.1	-	-	13.1
Adjustment in respect of prior year business combination	(1.8)	-	-	-	(1.8)
Disposals	-	(0.3)	-	-	(0.3)
Exchange adjustments	(28.3)	(2.7)	(3.8)	(0.3)	(35.1)
At 1 January 2010	969.4	85.5	52.5	3.0	1,110.4
Additions	-	15.3	-	-	15.3
Reclassified to held for sale	(40.4)	(11.4)	(11.3)	-	(63.1)
Disposals	-	(5.5)	-	-	(5.5)
Exchange adjustments	9.6	4.1	1.5	-	15.2
At 31 December 2010	938.6	88.0	42.7	3.0	1,072.3
Amortisation					
At 1 January 2009	328.0	26.3	11.3	1.1	366.7
Charge for the year	-	10.1	5.9	0.7	16.7
Goodwill impairment	105.8	-	-	-	105.8
Exchange adjustments	(18.2)	0.2	(0.6)	(0.1)	(18.7)
At 1 January 2010	415.6	36.6	16.6	1.7	470.5
Charge for the year	-	13.0	5.5	0.7	19.2
Reclassified to held for sale	(9.0)	(1.5)	(7.7)	-	(18.2)
Disposals	-	(5.5)	-	-	(5.5)
Exchange adjustments	6.1	1.7	0.4	-	8.2
At 31 December 2010	412.7	44.3	14.8	2.4	474.2
Net book value					
At 31 December 2010	525.9	43.7	27.9	0.6	598.1
At 1 January 2010	553.8	48.9	35.9	1.3	639.9
At 1 January 2009	671.5	49.1	45.0	2.2	767.8

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8. Intangible assets (continued)

The carrying amount of goodwill is allocated to the following cash generating units:

£m	Goodwill		Impairment	
	2010	2009	2010	2009
Currency Services				
UK	48.3	48.3	-	-
Americas	31.0	31.0	-	-
Asia Pacific	37.3	37.3	-	-
EMEA	63.4	63.4	-	-
Wholesale Cash	63.6	63.6	-	-
Insurance	-	15.9	-	-
Global Business Payments				
UK	123.3	123.3	-	83.9
Americas	97.0	93.5	-	17.1
Asia Pacific	51.6	51.6	-	-
EMEA	10.4	10.4	-	4.8
Cards & Mobile Payments				
Cash Passport	-	15.5	-	-
	525.9	553.8	-	105.8

The recoverable amounts for the cash generating units were determined based on fair value less costs to sell calculations using a detailed 2011 budget (15% higher than 2010 current year actuals) and applying an appropriate multiple.

The key assumptions are the multiples applied to the budgeted 2011 results of each cash generating unit, which have been determined based on a combination of past experience of the markets in which the Group operates and market information of a comparable set of companies available at year end.

The goodwill attributable to the Cash Passport and Insurance cash generating units has been reclassified to the disposal group classified as held for sale.

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9. Property, plant and equipment

£m	Land and buildings	Fixtures and fittings	Computer hardware	Total
Cost				
At 1 January 2009	24.3	40.2	24.2	88.7
Additions	3.6	10.1	4.0	17.7
Disposals	(2.6)	(3.0)	(0.9)	(6.5)
Exchange adjustments	(0.1)	(2.0)	(0.1)	(2.2)
At 1 January 2010	25.2	45.3	27.2	97.7
Additions	3.1	7.2	3.6	13.9
Reclassified to held for sale	-	(1.9)	(1.3)	(3.2)
Disposals	(0.3)	(11.6)	(12.3)	(24.2)
Acquisition	-	0.4	-	0.4
Exchange adjustments	2.2	2.6	2.1	6.9
At 31 December 2010	30.2	42.0	19.3	91.5
Depreciation				
At 1 January 2009	12.1	23.2	14.6	49.9
Charge for the year	2.3	6.1	4.1	12.5
Disposals	(1.9)	(2.9)	(0.8)	(5.6)
Exchange adjustments	(0.1)	(1.1)	(0.1)	(1.3)
At 1 January 2010	12.4	25.3	17.8	55.5
Charge for the year	3.0	6.6	4.1	13.7
Reclassified to held for sale	-	(1.3)	(0.5)	(1.8)
Disposals	(0.3)	(11.4)	(12.2)	(23.9)
Exchange adjustments	1.3	1.8	1.8	4.9
At 31 December 2010	16.4	21.0	11.0	48.4
Net book value				
At 31 December 2010	13.8	21.0	8.3	43.1
At 1 January 2010	12.8	20.0	9.4	42.2
At 1 January 2009	12.2	17.0	9.6	38.8

Motor vehicles are included within fixtures and fittings. The net book value of property, plant and equipment includes £2.0m (2009: £1.4m) in respect of assets held under finance leases and hire purchase contracts.

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10. Investments accounted for using the equity method

£m	Interest in joint ventures
At 1 January 2009	70.6
Share of profit after tax	6.8
Distributions	(7.4)
At 1 January 2010	70.0
Share of profit after tax	10.2
Distributions	(6.2)
Increase in share capital	0.7
Disposals	(1.1)
At 31 December 2010	73.6

The Group's significant joint venture interest is its 80% shareholding in the ordinary share capital of Travelex Currency Services Limited (TCS), a company incorporated in England and Wales. The principal activity of TCS is the provision of foreign currency services to financial institutions and travel agents. The Company has been equity accounted as a joint venture because financial and operating decisions require the approval of both shareholders under the terms of the shareholder agreement.

The disposal relates to Travelex Bahrain WLL which has been explained in note 21.

The Balance Sheet and Income Statement of TCS is summarised as follows:

£m	2010	2009
Current assets	21.3	11.4
Non current assets	8.1	11.1
Current liabilities	(18.8)	(13.8)
Non current liabilities	(1.6)	(2.0)
Net assets	9.0	6.7
Income	55.7	53.4
Expenses	(44.0)	(42.6)
Profit before tax	11.7	10.8
Taxation	(2.7)	(4.2)
Distributions	(6.7)	(8.0)
Retained profit (loss) for the year	2.3	(1.4)

11. Inventories

Inventories of £0.9m (2009: £1.7m) relate to other non cash items sold through the retail shops. The 2009 comparative include Cash Passport cards which have been reclassified to held for sale in the current year.

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12. Trade and other receivables

£m	2010	2009
Current		
Trade receivables	29.2	37.1
Amounts due from travellers' cheques agents	2.6	2.7
Other receivables	10.2	8.4
Prepayments and accrued income	12.8	14.8
Amounts due from joint ventures and associates	3.4	3.2
	58.2	66.2
Non current		
Prepayments and accrued income	3.2	3.8
	61.4	70.0

13. Investments

Investments restricted for use within the non core travellers' cheques business are as follows:

£m	2010	2009
Current		
Travellers' cheques float deposits	5.4	45.2
Money on structured deposits	12.0	12.9
	17.4	58.1
Non current		
Money on structured deposits	152.6	159.4
	170.0	217.5

14. Available for sale investments

Available for sale investments represent equity shares available for sale. Within reserves £0.9m (2009: £1.2m) is held as an unrecognised gain.

£m	2010	2009
At 1 January	1.2	0.8
Revaluation	(0.3)	0.5
Exchange adjustments	-	(0.1)
At 31 December	0.9	1.2

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15. Cash and cash equivalents

£m	2010	2009
Cash at bank and in hand	467.3	424.9
Term deposits with original maturities of less than three months	79.3	60.7
	546.6	485.6

Included within the cash and cash equivalents balance of £546.6m (2009: £485.6m) are the following balances:

- £59.5m (2009: £78.3m) of cash held in tills and vaults throughout the Currency Services network;
- £79.0m (2009: £56.5m) of Global Business Payments customer settlements received in advance;
- £84.6m (2009: £63.2m) of monies received from Cash Passport customers whose use is restricted to the settlement of associated liabilities; and
- £81.3m (2009: £65.2m) of cash and term deposits with original maturities of less than three months which are ring fenced with its use restricted to the travellers' cheques business.

The remaining £242.2m (2009: £222.4m) is deposited in bank accounts throughout the Group and in certain jurisdictions is subject to regulatory and legal restrictions as to its use.

16. Trade and other payables

£m	2010	2009
Current		
Trade payables	119.6	111.9
Travellers' cheques awaiting redemption	362.0	395.5
Cash Passports awaiting redemption	84.6	65.3
Other tax and social security	7.2	5.7
Other payables	30.0	35.5
Accruals and deferred income	93.1	87.9
Amounts due to joint ventures and associates	4.1	6.7
	700.6	708.5
Non current		
Accruals and deferred income	3.8	10.9
	704.4	719.4

Travellers' cheques and Cash Passports awaiting redemption represent travellers' cheques and balances on Cash Passports issued but not encashed. These balances are presented in accordance with their contractual maturity dates, although the expected encashment profile of travellers' cheques awaiting redemption is not reflective of this contracted maturity date.

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17. Financial liabilities

£m	2010	2009
Current		
Bank loans and overdrafts	8.1	13.5
Obligations under finance leases	0.4	0.4
Term loans	17.1	6.4
	25.6	20.3
Non current		
Obligations under finance leases	1.4	0.9
Preference shares classified as liabilities	112.7	102.5
Term loans	1,550.1	1,459.4
	1,664.2	1,562.8
	1,689.8	1,583.1

Included in preference shares classified as liabilities is £51.4m (2009: £41.2m) relating to unpaid finance costs on preference shares that are not expected to be paid within one year.

The maturity profile of loans and other borrowings is as follows:

£m	2010	2009
Within one year	25.6	20.3
Between one and two years	17.6	16.1
Between two and five years	885.5	603.1
After five years	761.1	943.6
	1,689.8	1,583.1

The legal maturity of the Group's term loans range from 2012 to 2035, as detailed below. The Directors estimate the expected life of the term loans to be October 2012 (2009: October 2011) having considered a range of potential financing structures available to the Group. The reassessment of the maturity date in the year has resulted in an exceptional credit of £25.8m (2009: £nil).

£m	Term	Interest Rates 2010	Interest Rates 2009	2010	2009
Senior Debt	2012 to 2014	Libor plus 2.00% to 3.00%	Libor plus 2.00% to 3.00%	641.0	624.7
Preference certificates	2035	10.00%	10.00%	10.3	9.4
Loans and PIK notes	2020	10.00%	10.00%	581.7	529.0
Senior PIK notes	2015	Libor plus 9.25%	Libor plus 7.25% to 9.25%	271.9	246.1
Loans and PIK notes	2016	10.00%	10.00%	62.3	56.6
				1,567.2	1,465.8

Certain loan and PIK notes due 2020 are listed on the Main Securities Market of the Irish Stock Exchange. £17.1m of the Senior Debt is due for repayment in 2011. In addition to the term loans, the Group has a £100.0m (2009: £100.0m) revolving credit facility, of which £1.6m has been provided by a bank which is currently in administration and therefore not available, which can be used for borrowing or issuing guarantees and expires in October 2012. Interest is charged on utilised amounts at LIBOR plus 2.00% to 2.05%. As at the end of the year the Group had utilised £nil (2009: £nil) of the cash borrowing facility and £28.2m (2009: £28.1m) was utilised by guarantees.

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17. Financial liabilities (continued)

Other bank overdrafts are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the currency in which the borrowing is incurred. The most significant facility is a £20.0m (2009: £20.0m) overdraft facility provided to the travellers' cheques business to fund short term liquidity requirements committed until June 2012. Interest is charged on utilised amounts at LIBOR plus 1.75%. As at the end of the year the Group had utilised £nil (2009: £nil) of the overdraft facility.

The Group has given fixed and floating charges and other security over £1,655.8m of its assets in relation to the debt and overdraft facilities provided by lenders to the Group. In addition, the Group is subject to financial covenant ratios involving measures such as cashflow to net debt service, EBITDA to net finance charges, total net debt to EBITDA and capital expenditure. If covenants are breached these borrowings would be reclassified as due on demand.

Preference share capital

	2010 Number	2010 £m	2009 Number	2009 £m
10.0% cumulative preference shares of £1 each	61,287,636	61.3	61,287,636	61.3

The 10.0% cumulative preference shares do not carry voting rights and are redeemable on 2 August 2020, on sale of the Company, or at any time upon the Company giving 10 days written notice to the holders. Shareholders are entitled to dividends at 10.0% per annum on the par value of these shares on a cumulative basis. Any preference dividend that is due and remains unpaid is entitled to 10.0% interest per annum until the date of actual payment. On winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share and any dividends accrued but unpaid in respect of their shares.

18. Financial instruments

Derivative financial instruments

£m	2010 Assets	2010 Liabilities	2010 Net assets (liabilities)	2009 Assets	2009 Liabilities	2009 Net assets (liabilities)
Foreign currency forward and swap contracts	48.6	(41.9)	6.7	22.1	(23.3)	(1.2)
Foreign currency options	1.7	(1.7)	-	0.9	(0.9)	-
Interest rate swaps	-	(5.5)	(5.5)	0.2	(11.9)	(11.7)
	50.3	(49.1)	1.2	23.2	(36.1)	(12.9)

The interest rate swaps have been designated as derivatives used for hedging and all other derivative financial instruments have been classified at fair value with gains and losses charged through the income statement.

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18. Financial instruments (continued)

Non-derivative financial instruments

For the purposes of the disclosures in this note, the following classifications have been used as required under IFRS 7:

£m		2010	2009
Receivables - non current	Non financial instruments	3.2	3.8
Receivables - current	Loans and receivables	43.4	50.5
	Non financial instruments	14.8	15.7
Receivables - included in disposal group classified as held for sale	Loans and receivables	16.9	-
		78.3	70.0
Investments - non current	Loans and receivables	152.6	159.4
Investments - current	Loans and receivables	17.4	58.1
Financial current asset investments	Available for sale	0.9	1.2
Trade and other payables - non current	Non financial instruments	3.8	10.9
Trade and other payables - current	Other financial liabilities	688.5	699.1
	Non financial instruments	12.1	9.4
Trade and other payables - included in disposal group classified as held for sale	Other financial liabilities	31.1	-
	Non financial instruments	4.5	-
		740.0	719.4
Financial liabilities - non current	Other financial liabilities	1,664.2	1,562.8
Financial liabilities - current	Other financial liabilities	25.6	20.3
		1,689.8	1,583.1

Credit risk

The Group's credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. Credit risk arises principally from cash and cash equivalents, current asset investments, trade receivables, derivative financial instruments and to a lesser extent from other contractual financial obligations. As at 31 December 2010 the Group held £9.7m (2009: £7.4m) of cash collateral against customers' open derivative positions and had deposited cash collateral of £1.8m (2009: £1.5m) with trading bank counterparties.

For trade receivables and derivative financial instruments there was no relevant concentration of credit risk by type of counterparty at the end of the current and prior years. In accordance with the Group's credit policy, new customers are reviewed for creditworthiness before standard payment and delivery terms and conditions are entered into. Individual credit terms are set and monitored regularly.

Current asset investments comprise money market deposits and structured deposits which are placed with a single top tier (AA- rated) financial institution. The Group invests cash with major banks of a high credit standing around the world. At the end of 2010, the Group's largest counterparty accounted for 53% (2009: 48%) of the Group's total exposure to current asset investments and cash and cash equivalents.

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18. Financial instruments (continued)

The credit risk from other financial contractual relationships, including other receivables and amounts due from joint ventures and associates, are not material.

With respect to financial assets past due but not impaired there are no indications that counterparties will be unable to meet their obligations. Furthermore, no indications of default are recognisable for financial assets that are neither past due nor impaired. Financial assets past due but not impaired are as follows:

£m	0-3 months	3-6 months	Over 6 months	2010 Total
Trade receivables	4.3	0.2	0.1	4.6
Other receivables	0.1	-	-	0.1
Forward foreign currency contracts	6.8	1.6	0.1	8.5
	11.2	1.8	0.2	13.2

£m	0-3 months	3-6 months	Over 6 months	2009 Total
Trade receivables	7.1	0.1	0.1	7.3
Other receivables	1.0	0.1	0.2	1.3
Forward foreign currency contracts	8.0	0.1	0.1	8.2
	16.1	0.3	0.4	16.8

As at 31 December 2010 impaired financial assets based upon the Group's expectations of the counterparties' ability to settle included trade receivables of £2.2m (2009: £2.8m), other receivables of £0.1m (2009: £0.1m) and £1.6m (2009: £1.2m) of forward foreign currency contracts. There was no collateral held against the impaired forward currency contracts (2009: £nil). There was no collateral held against impaired trade receivables, amounts and other receivables in either the current or prior year.

Interest rate risk

The Group borrows and invests at both fixed and floating rates of interest and utilises interest rate swaps to manage interest rate exposures. The Group has designated a number of these interest rate swaps as cash flow hedges of issued debt.

The Group has managed interest rate exposure in senior borrowing facilities by entering into a series of interest rate swaps that mature in 2011. The swaps hedge the cash flow interest rate risk of the liabilities by swapping the floating interest rate on the liabilities into fixed rates. 64% of forecast debt principal is covered between 0 to 12 months.

The cash flows of the hedging instruments match the related interest payments on the debt. The swaps are transacted in the currency of the debt and the weighted average fixed rates of the swaps are GBP 1.8%, EUR 1.6%, USD 1.5% and AUD 5.4%.

During the year interest rate swaps with a fair value of £2.4m (2009: £(1.1)m) at the balance sheet date were designated as cash flow hedges. At 31 December 2010 the fair value, including accrued interest, of all interest rate swaps designated as cash flow hedges was £(5.3)m (2009: £(11.7)m). During the year unrecognised losses on hedges of £5.1m were taken from equity to the income statement (2009: £5.5m taken from equity) and gains of £1.4m (2009: £(6.0)m losses) were taken to the income statement due to ineffectiveness.

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18. Financial instruments (continued)

There were no derivatives outstanding at the balance sheet date which were designated as fair value hedges.

Interest rate sensitivity

At 31 December 2010, if interest rates at that date had been 10 basis points lower with all other variables held constant, the loss after tax for the year would have been £0.1m higher (2009: £0.2m higher) and other components of equity would have been £0.2m lower (2009: £0.4m lower). If interest rates had been 10 basis points higher, with all other variables held constant, the loss after tax for the year would have been £0.1m lower (2009: £0.2m lower) and other components of equity would have been £0.2m higher (2009: £0.4m higher).

Capital management policy and liquidity risk

The Group's policy is to manage its capital requirements and liquidity through a combination of retained earnings, bank borrowings and other term debt, details of which are laid out on page 12 of the Directors' report. The aim of the policy is to balance certainty of funding with a cost effective and flexible borrowing structure.

Global cash management is an important daily activity and the Group operates a policy of centralising surplus cash in order to facilitate intra-group funding and to minimise external borrowing requirements. The Group has a £100.0m (2009: £100.0m) revolving credit facility to provide short term liquidity to meet operating cash needs, of which £1.6m has been provided by a bank which is currently in administration and therefore not available.

The daily settlement flows in respect of both financial asset and financial liability spot and forward contracts require adequate liquidity which is provided through intra-day settlement facilities. Travellers' cheques can be encashed at any time following issue, although the encashment profile of travellers' cheques awaiting redemption is not reflective of this contractual maturity date. The encashment profile of travellers' cheques awaiting redemption is monitored on a monthly basis to ensure the Group has the liquidity to meet encashments once made. The Directors estimate that at year end exchange rates £38.0m (2009: £46.4m) of the travellers' cheques awaiting redemption will be encashed within twelve months of the balance sheet date.

The table overleaf analyses the Group's gross, undiscounted financial assets and liabilities at the balance sheet date by their contractual maturity date:

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18. Financial instruments (continued)

£m	Within one year	Between one and two years	Between two and five years	After five years	2010 Total
Financial assets					
Current asset receivables	49.0	-	-	-	49.0
Amounts due from joint ventures	3.4	-	-	-	3.4
Non current asset investments	-	19.9	58.8	141.0	219.7
Current asset investments	20.0	-	-	-	20.0
Financial current asset investments	1.6	-	-	-	1.6
Cash and cash equivalents	551.3	-	-	-	551.3
Foreign currency forward and swap contracts	2,644.1	18.3	0.1	-	2,662.5
Foreign currency options	88.5	-	-	-	88.5
Financial liabilities					
Bank loans and overdrafts	(8.4)	-	-	-	(8.4)
Trade payables	(124.9)	-	(0.7)	(0.8)	(126.4)
Amounts due to joint ventures	(4.1)	-	-	-	(4.1)
Other liabilities	(144.3)	-	(2.7)	(4.5)	(151.5)
Obligations under finance leases	(0.4)	(0.6)	(0.8)	-	(1.8)
Preference shares classified as liabilities	-	-	-	(281.2)	(281.2)
Term loans	(34.4)	(46.8)	(1,127.2)	(1,789.0)	(2,997.4)
Travellers' cheques and Cash Passports awaiting redemption	(579.0)	-	-	-	(579.0)
Foreign currency forward and swap contracts	(2,639.4)	(16.3)	(0.1)	-	(2,655.8)
Foreign currency options	(88.5)	-	-	-	(88.5)
Interest rate swaps	(5.5)	-	-	-	(5.5)
	(271.0)	(25.5)	(1,072.6)	(1,934.5)	(3,303.6)

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18. Financial instruments (continued)

The table below analyses the Group's gross, undiscounted financial liabilities at 31 December 2009 by their contractual maturity date.

£m	Within one year	Between one and two years	Between two and five years	After five years	2009 Total
Financial assets					
Current asset receivables	47.3	-	-	-	47.3
Amounts due from joint ventures	3.2	-	-	-	3.2
Non current asset investments	-	11.7	38.6	109.1	159.4
Current asset investments	58.1	-	-	-	58.1
Financial current asset investments	1.2	-	-	-	1.2
Cash and cash equivalents	485.6	-	-	-	485.6
Foreign currency forward and swap contracts	1,706.7	32.8	-	-	1,739.5
Foreign currency options	55.1	3.5	-	-	58.6
Interest rate swaps	-	0.4	-	-	0.4
Financial liabilities					
Bank loans and overdrafts	(13.5)	-	-	-	(13.5)
Trade payables	(111.9)	-	-	-	(111.9)
Amounts due to joint ventures	(6.7)	-	-	-	(6.7)
Other current liabilities	(119.7)	-	-	-	(119.7)
Obligations under finance leases	(0.4)	(0.4)	(0.5)	-	(1.3)
Preference shares classified as liabilities	-	-	-	(281.2)	(281.2)
Term loans	(38.6)	(50.5)	(705.2)	(2,251.8)	(3,046.1)
Travellers' cheques and Cash Passports awaiting redemption	(597.7)	-	-	-	(597.7)
Foreign currency forward and swap contracts	(1,707.4)	(33.3)	-	-	(1,740.7)
Foreign currency options	(55.1)	(3.5)	-	-	(58.6)
Interest rate swaps	(12.6)	(0.2)	-	-	(12.8)
	(306.4)	(39.5)	(667.1)	(2,423.9)	(3,436.9)

Foreign currency risk

The Senior Debt has been drawn down in currencies that match the key underlying subsidiary cash flows. This creates a natural cash hedge so that regional currency profits are used to make interest payments. It also means that there is an effective translational hedge protecting the Group result after interest from currency movements.

The Group's balance sheet currency exposure is primarily managed by matching currency assets with currency borrowings and currency swap transactions, most notably in relation to the United States Dollar. The largest currency liabilities are created from the sale of travellers' cheques, Cash Passports and the Global Business Payments division. All such liabilities are hedged either by ensuring investments are held in the same currencies as the liabilities or by forward foreign currency transactions.

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18. Financial instruments (continued)

The following table shows the effect on the loss after tax had, at 31 December 2010, the exchange rates for the United States Dollar, Australian Dollar and Euro been weaker (+10%) or stronger (-10%) against sterling, with all other variables held constant.

£m	2010	2010	2009	2009
	+10%	-10%	+10%	-10%
United States Dollar	(26.8)	32.7	(28.5)	34.9
Australian Dollar	-	-	-	-
Euro	0.6	(0.7)	1.4	(1.7)

Had the United States Dollar been 10% weaker, there would be an offsetting loss of £26.1m (2009: £25.4m) recognised directly in equity. Had the United States Dollar been 10% stronger, there would have been an offsetting gain of £31.9m (2009: £31.0m loss) recognised directly in equity.

The following tables detail the foreign currency receivables and payables on financial instruments in their Sterling equivalents at the year end.

£m	United States Dollar	Australian Dollar	Euro	Other	2010 Total
Amounts receivable					
Trade receivables	5.3	5.8	8.4	10.2	29.7
Amounts due from travellers' cheques agents	2.3	-	0.2	-	2.5
Other receivables	2.7	0.2	7.1	3.3	13.3
Foreign currency forward and swap contracts	967.3	300.4	426.2	337.8	2,031.7
Foreign currency options	36.4	46.2	3.5	1.7	87.8
Cash and cash equivalents	148.2	27.9	105.9	83.1	365.1
Current asset investments	182.1	12.2	12.5	7.6	214.4
Financial current asset investments	0.9	-	-	-	0.9
Amounts payable					
Bank loans and overdrafts	(2.3)	(0.3)	(0.3)	(1.6)	(4.5)
Trade payables	(47.5)	(11.7)	(29.5)	(18.9)	(107.6)
Other liabilities	(35.5)	(19.2)	(19.3)	(18.8)	(92.8)
Term loans	(416.5)	(99.8)	(30.1)	-	(546.4)
Foreign currency forward and swap contracts	(941.3)	(291.1)	(427.3)	(355.7)	(2,015.4)
Foreign currency options	(36.4)	(46.2)	(3.5)	(1.7)	(87.8)
Interest rate swaps	(4.3)	(0.4)	(0.4)	-	(5.1)
Travellers' cheques and Cash Passports awaiting redemption	(272.1)	(37.7)	(53.9)	(22.8)	(386.5)
	(410.7)	(113.7)	(0.5)	24.2	(500.7)

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18. Financial instruments (continued)

£m	United States Dollar	Australian Dollar	Euro	Other	2009 Total
Amounts receivable					
Trade receivables	5.6	4.6	11.1	7.4	28.7
Amounts due from travellers' cheques agents	2.4	-	0.1	-	2.5
Other receivables	1.6	0.2	4.6	2.5	8.9
Foreign currency forward and swap contracts	593.7	136.6	278.6	296.5	1,305.4
Foreign currency options	23.3	30.0	2.0	2.5	57.8
Interest rate swaps	0.2	-	-	-	0.2
Cash and cash equivalents	128.9	23.5	117.5	65.8	335.7
Current asset investments	202.4	12.0	13.6	7.4	235.4
Financial current asset investments	1.2	-	-	-	1.2
Amounts payable					
Bank loans and overdrafts	(5.1)	(0.1)	(1.3)	(2.0)	(8.5)
Trade payables	(32.6)	(10.3)	(34.3)	(17.0)	(94.2)
Other liabilities	(29.2)	(16.5)	(16.3)	(17.9)	(79.9)
Term loans	(405.5)	(85.3)	(31.2)	-	(522.0)
Foreign currency forward and swap contracts	(569.0)	(153.2)	(285.6)	(287.5)	(1,295.3)
Foreign currency options	(22.0)	(33.0)	(1.1)	(2.5)	(58.6)
Interest rate swaps	(2.8)	(1.2)	-	-	(4.0)
Travellers' cheques and Cash Passports awaiting redemption	(289.1)	(34.8)	(54.1)	(20.4)	(398.4)
	(396.0)	(127.5)	3.6	34.8	(485.1)

Fair values

With the exception of the structured deposits and the term loans, the fair values of financial instruments approximate to the carrying values. As at 31 December 2010 the fair value of the structured deposits was £172.8m (2009: £184.6m) and the term loans was £1,213.1m (2009: £1,019.7m).

The fair values of derivative financial instruments and structured deposits are estimated using the present value of the cash flows of the contracts based on the market rates at the balance sheet date. The fair value of term loans is determined by reference to prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques.

The book value of all financial assets represents the maximum credit risk at the balance sheet date.

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18. Financial instruments (continued)

The table below shows the fair value hierarchy of the Group's financial instruments measured at fair value:

£m	Level 1	Level 2	Level 3	2010 Total
Financial assets at fair value through profit and loss				
Foreign currency forward and swap contracts	-	48.6	-	48.6
Foreign currency options	-	1.7	-	1.7
Financial current asset investments				
Available for sale	-	-	0.9	0.9
Financial liabilities at fair value through profit and loss				
Foreign currency forward and swap contracts	-	(41.9)	-	(41.9)
Foreign currency options	-	(1.7)	-	(1.7)
Financial liabilities designated as hedging instruments				
Interest rate swaps	-	(5.5)	-	(5.5)

£m	Level 1	Level 2	Level 3	2009 Total
Financial assets at fair value through profit and loss				
Foreign currency forward and swap contracts	-	22.1	-	22.1
Foreign currency options	-	0.9	-	0.9
Financial assets designated as hedging instruments				
Interest rate swaps	-	0.2	-	0.2
Financial current asset investments				
Available for sale	-	-	1.2	1.2
Financial liabilities at fair value through profit and loss				
Foreign currency forward and swap contracts	-	(23.3)	-	(23.3)
Foreign currency options	-	(0.9)	-	(0.9)
Financial liabilities designated as hedging instruments				
Interest rate swaps	-	(11.9)	-	(11.9)

Assets measured at fair value classified as Level 3 represent equity shares classified as available for sale financial assets:

£m	2010	2009
At 1 January	1.2	0.8
Total gains recognised in equity	(0.3)	0.5
Exchange adjustments	-	(0.1)
At 31 December	0.9	1.2

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19. Provisions for liabilities and charges

£m	Onerous contracts	Employee related provisions	Other	Total
At 1 January 2010	1.4	4.0	2.8	8.2
Exchange adjustments	-	0.3	-	0.3
Charged to income statement	1.4	0.8	0.5	2.7
Written back to income statement	(0.5)	(0.1)	(1.5)	(2.1)
Utilised in the year	(0.1)	(0.7)	(0.1)	(0.9)
At 31 December 2010	2.2	4.3	1.7	8.2

Onerous contract provisions are in respect of certain retail shop lease contracts and are expected to be utilised over the next two to four years. Employee related provisions, including early retirement costs, are expected to be utilised over the next year.

20. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

£m	2010	2009
Deferred tax assets - non current	20.5	17.0
Deferred tax assets - current	-	2.1
Deferred tax liabilities	(8.9)	(14.5)
	11.6	4.6

The movement in deferred tax is as follows:

£m	2010	2009
At 1 January	4.6	1.7
Exchange adjustments	0.3	1.6
Income statement credit	8.3	3.4
Tax charged direct to equity	(1.6)	(2.1)
At 31 December	11.6	4.6

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20. Deferred tax (continued)

The movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment	Intangible assets	Tax losses	Pension	Other temporary differences	Total
Assets						
At 1 January 2009	4.9	-	12.4	-	17.0	34.3
Credited (charged) to the income statement	3.1	-	(5.6)	-	6.6	4.1
Credited (charged) direct to equity	-	-	-	-	(2.1)	(2.1)
Exchange adjustments	(0.1)	-	(0.7)	-	-	(0.8)
At 1 January 2010	7.9	-	6.1	-	21.5	35.5
Credited (charged) to the income statement	(1.1)	0.1	4.1	-	2.2	5.3
Credited (charged) direct to equity	-	-	-	-	(1.4)	(1.4)
Exchange adjustments	0.3	-	0.1	-	1.0	1.4
At 31 December 2010	7.1	0.1	10.3	-	23.3	40.8
Liabilities						
At 1 January 2009	-	(29.6)	-	(0.8)	(2.2)	(32.6)
Credited (charged) to the income statement	(0.3)	1.8	-	(0.1)	(2.1)	(0.7)
Credited (charged) direct to equity	-	-	-	0.3	(0.3)	-
Exchange adjustments	-	2.4	-	0.1	(0.1)	2.4
At 1 January 2010	(0.3)	(25.4)	-	(0.5)	(4.7)	(30.9)
Credited (charged) to the income statement	(0.1)	3.4	-	(0.2)	(0.1)	3.0
Credited (charged) direct to equity	-	-	-	(0.3)	0.1	(0.2)
Exchange adjustments	-	(0.8)	-	0.1	(0.4)	(1.1)
At 31 December 2010	(0.4)	(22.8)	-	(0.9)	(5.1)	(29.2)

Other temporary differences of £18.2m (2009: £16.8m) consist primarily of deferred tax assets relating to provisions and accruals of £9.2m (2009: £7.6m) and derecognition of Travellers Cheques issued but not expected to be encashed of £5.8m (2009: £6.2m) and £6.4m (2009: £nil) in relation to USA short term differences relating to interest.

There are £16.4m unrecognised deferred tax assets relating to unused tax losses at the year end (2009: £1.3m).

There is a £4.7m deferred tax liability (2009: £5.7m) associated with investments in subsidiaries and joint ventures which has not been provided for as reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

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21. Acquisition

Travelex owns 60% of the shares in Travelex Bahrain WLL, a company incorporated in Bahrain. On 13 December 2010 the Group signed a new shareholders agreement which, whilst not changing its equity percentage, gave it control over the Board and other key operating decisions, allowing it to be consolidated as a subsidiary undertaking. Prior to this date Travelex Bahrain WLL was accounted for as a jointly held arrangement.

An analysis of the identifiable net assets as at the date of control is as follows:

£m	Book and Fair value
Property, plant and equipment	0.3
Trade receivables	0.4
Cash and cash equivalents	2.4
Trade payables	(0.8)
Other net liabilities	(0.5)
Net identifiable assets	1.8
Non controlling interests	(0.7)
Consideration	1.1

Consideration is equivalent to the fair value of the Group's share of the identifiable net assets at the date of change in control. As no further consideration was paid, no goodwill has been recognised.

The Group recognised a profit of £1.2m in financial income as a result the entity of being equity accounted for as an associate. If the acquisition was completed at the beginning of the year, Group revenues would have increased by £4.0m to £699.6m and Group net loss reduced by £0.8m to £58.8m.

22. Disposal groups classified as held for sale

On 9 December 2010 the Board agreed to sell its prepaid card program management operations, which is reported principally in the Cards & Mobile Payments division, to MasterCard Incorporated for £290m (USD458m) in cash, with an earn-out of up to £35m (USD55m) if certain performance targets are met. The transaction is expected to close in the first half of 2011. The date of classification as held for sale of these operations is 31 August 2010.

On 12 October 2010 the Board decided to sell its Travel and Insurance operations, which are both reported in the Currency Services segment. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and their assets and liabilities presented as held for sale separately on the balance sheet.

The proceeds of the disposals are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

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22. Disposal groups classified as held for sale (continued)

The carrying amounts of assets and liabilities in this disposal group are summarised as follows:

£m	Cash Passport	Other	Total
Non current assets			
Intangible assets	29.0	15.9	44.9
Property, plant and equipment	1.3	0.1	1.4
Deferred tax asset	0.4	-	0.4
Current assets			
Inventories	1.8	-	1.8
Trade and other receivables	13.3	3.6	16.9
Cash and cash equivalents	3.6	1.1	4.7
Assets classified as held for sale	49.4	20.7	70.1
Non current liabilities			
Trade and other payables	(4.5)	-	(4.5)
Current liabilities			
Trade and other payables	(23.9)	(7.2)	(31.1)
Liabilities classified as held for sale	(28.4)	(7.2)	(35.6)
Net assets of disposal group	21.0	13.5	34.5

Intangible assets include £15.9m and £15.5m of goodwill relating to the Insurance and Cash Passport businesses respectively.

The carrying values of trade and other payables are considered to be an approximation of fair value as all amounts are held for less than three months.

23. Retirement benefits

The principal pension arrangements in the United Kingdom and overseas are defined contribution schemes, the assets of which are held separately from those of the Group in independently administered funds. The cost of these schemes which amounted to £7.1m (2009: £5.7m) was charged to the income statement as incurred. At the end of the year £0.3m (2009: £0.7m) of contributions were outstanding.

In addition, the Group operates one defined benefit pension scheme in the Netherlands.

The Netherlands pension scheme is open to employees over 21. The scheme rules state that the age of retirement is 65 with the retirement benefit based on average pay accrued at a rate of 2.25% of pensionable salary per year of employment. The widow's pension is 70%, and the orphan's pension 14%, of the retirement benefits the employee would have attained at the age of 65. Pension payments are paid by the employer, being an actuarial premium, and the employee, being 2% of the annual salary. There are no post employment medical benefits included in the scheme.

The principal assumptions used by the actuary in the valuation of the scheme were that the rate of increase in salaries would be 2.0% (2009: 2.0%), inflation would be 2.0% (2009: 2.0%), there would be no pension increase for pensioners and deferred pensioners (2009: 0.5%) and the applicable discount rate was 5.2% (2009: 5.4%). The AG-Generation 2010–2060 mortality table was used (2009: AG-Generation 2005–2050), with an adjustment of one year for men and women.

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23. Retirement benefits (continued)

The assets (liabilities) of the scheme as at the year end and the expected rate of return, based on current market expectations, were:

£m	2010	2009	2008
Fixed interest bonds	54.4	51.9	56.2
Expected rate of return	3.0%	4.1%	4.4%
Present value of scheme liabilities	(50.8)	(50.0)	(51.7)
Surplus in scheme	3.6	1.9	4.5

Analysis of amounts recognised in statement of comprehensive income:

£m	2010	2009	2008
Actual return less expected return on pension scheme assets	2.3	(1.8)	(1.2)
Experience (losses) gains arising on the scheme liabilities	(1.1)	0.2	-
Changes in assumptions underlying the plan liabilities	-	-	1.0
Actuarial gain (loss) recognised in statement of comprehensive income	1.2	(1.6)	(0.2)

The cumulative actuarial gains and losses recognised in the statement of comprehensive income at 31 December 2010 were £(1.4)m (2009: £(2.6)m, 2008: £(1.0)m). The Group expects to make £4.1m of contributions to the scheme in 2011. The actual return on plan assets was £4.4m (2009: £0.5m, 2008: £1.2m).

Analysis of the amount (credited) debited to other finance costs:

£m	2010	2009
Expected return on pension scheme assets	2.1	2.3
Interest cost on pension scheme liabilities	(2.6)	(2.7)
	(0.5)	(0.4)

Included within net operating expenses is £0.5m (2009: £0.5m) in respect of current service costs and £nil (2009: £nil) in respect of curtailments.

The actual return less expected return on the pension schemes' assets as a percentage of the schemes' assets was 4.2% (2009: (3.5)%). The experience gains and losses arising on the schemes' liabilities as a percentage of the present value of the scheme's liabilities was 2.1% (2009: (0.4)%). The actuarial gain recognised in the statement of comprehensive income as a percentage of the present value of the schemes' liabilities was 2.3% (2009: 3.3% loss).

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23. Retirement benefits (continued)

Reconciliation of the defined benefit schemes assets and obligations:

£m	Asset	Obligation	2010 Total	Asset	Obligation	2009 Total
At 1 January	51.9	(50.0)	1.9	56.2	(51.7)	4.5
Current service cost	-	(0.5)	(0.5)	-	(0.5)	(0.5)
Expected return on pension scheme assets	2.1	-	2.1	2.3	-	2.3
Interest cost on pension scheme liabilities	-	(2.6)	(2.6)	-	(2.7)	(2.7)
Actuarial gain (loss)	2.3	(1.1)	1.2	(1.8)	0.2	(1.6)
Contributions by the Group	1.8	-	1.8	0.2	-	0.2
Contributions by scheme participants	0.3	(0.3)	-	0.3	(0.3)	-
Benefits paid	(2.2)	1.9	(0.3)	(1.5)	1.5	-
Exchange adjustments	(1.8)	1.8	-	(3.8)	3.5	(0.3)
At 31 December	54.4	(50.8)	3.6	51.9	(50.0)	1.9

24. Cash generated from operating activities

£m	2010	2009
Operating profit (loss)	61.2	(30.2)
Depreciation and amortisation	32.9	29.2
Impairment	-	105.8
Loss (profit) on disposal of property plant and equipment	0.2	(2.0)
Share based employee remuneration	4.9	-
Difference between the pension charge and cash contributions	(1.3)	0.3
(Increase) decrease in inventories	(1.1)	1.0
(Increase) decrease in receivables	(29.7)	111.3
Increase (decrease) in payables	46.1	(102.3)
(Decrease) in travellers' cheques awaiting redemption	(33.5)	(94.7)
Increase in Cash Passports awaiting redemption	19.3	6.4
Decrease in structured deposits	7.7	26.5
Cash interest income received	(3.5)	(3.9)
Decrease in float deposits	39.8	37.3
Foreign exchange translation differences	9.9	1.0
Cash generated from operating activities	152.9	85.7

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25. Share capital

The share capital of the Company is as follows:

	2010		2009	
	Number	£m	Number	£m
A Ordinary shares of 1p each	22,500,000	0.2	22,500,000	0.2
B Ordinary shares of 1p each	390,740	-	2,500,000	-
C Ordinary shares of 1p each	275,676	-	817,926	-
D Ordinary shares of 1p each	406,800	-	2,971,749	0.1
M Ordinary shares of 1p each	89,670	-	-	-
Deferred ordinary shares of 1p each	5,226,789	0.1	-	-
	28,889,675	0.3	28,789,675	0.3

The A and B ordinary shares rank pari passu in all significant respects. The C and D ordinary shares do not carry voting rights and holders can only receive dividends no greater than one third of those paid to the holders of the A and B ordinary shares. In addition, dividends paid to the holders of the C and D ordinary shares require the approval of both the shareholders and the Board of Directors. If the Group is acquired by a third party or is subject to an initial public offering the A and B ordinary shares will be converted into new ordinary shares on a one for one basis. The C ordinary shares will convert into new ordinary shares and deferred shares on the basis of a multiplier based on the exit value of the business. The D ordinary shares will convert into deferred shares and vest on the basis of a multiplier based on the exit value of the business.

On 20 July 2010 100,000 M ordinary shares were issued with a nominal value of £0.01 each to senior management and non-executives directors P A Hodgkinson and Lord Stevens at a price of £5.00 per share. The M ordinary Shares do not carry any voting rights but allow shareholders to receive one-ninth of the aggregate amount paid or payable to the TP Loan Note Holders, or holders of the Primary Ordinary Shares or Preference Shares by way of dividend or otherwise upon the return of capital on liquidation, reduction of capital or other return of capital.

Since 20 July 2010 all B, C, D and M ordinary shares which are not allocated automatically convert into deferred ordinary shares. Deferred ordinary shares carry no voting rights and can be converted back into B, C, D and M ordinary shares should they be allocated.

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26. Reserves

The movement on Group reserves is as follows:

£m	Share capital	Share premium account	Retained earnings	Translation reserve	Non controlling interest	Total equity
At 1 January 2009	0.3	26.0	(670.4)	13.4	1.4	(629.3)
Total recognised income and expense	-	-	(150.8)	(23.7)	0.4	(174.1)
Net investment in own shares	-	-	(1.0)	-	-	(1.0)
At 1 January 2010	0.3	26.0	(822.2)	(10.3)	1.8	(804.4)
Total recognised income and expense	-	-	(57.3)	(7.4)	0.5	(64.2)
Acquisition	-	-	-	-	0.7	0.7
Share based employee remuneration	-	-	4.9	-	-	4.9
Net investment in own shares	-	-	(0.5)	-	-	(0.5)
New share capital subscribed	-	0.5	-	-	-	0.5
At 31 December 2010	0.3	26.5	(875.1)	(17.7)	3.0	(863.0)

Retained earnings includes the following reserves:

£m	Cash flow hedge reserve	Available for sale financial assets	Defined benefit pension reserve
At 1 January 2009	(12.0)	0.8	(1.6)
Current year (loss) gain	(2.0)	0.5	-
Reclassification to profit and loss	7.2	-	-
Actuarial movement on pension scheme	-	-	(1.6)
Deferred tax	(2.1)	(0.3)	0.3
Exchange adjustments	2.1	(0.1)	-
At 1 January 2010	(6.8)	0.9	(2.9)
Current year gain (loss)	10.2	(0.3)	-
Reclassification to profit and loss	(4.7)	-	-
Actuarial movement on pension scheme	-	-	1.2
Deferred tax	(1.4)	0.1	(0.3)
Exchange adjustments	(0.4)	-	-
At 31 December 2010	(3.1)	0.7	(2.0)

Share capital is determined using the nominal value of shares that have been issued. The share premium account includes premiums received on the initial issuing of the share capital. Retained earnings are the accumulated retained losses of the Group. The translation reserve records exchange differences on consolidation of foreign subsidiaries.

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26. Reserves (continued)

At the end of the year 1,600,510 (2009: 1,562,635) B ordinary shares, 235,050 (2009: 211,950) C ordinary shares, 1,021,749 (2009: 909,249) D ordinary shares and 83,500 (2009: nil) M ordinary shares were held by Travelex Employee Share Trusts at a cost of £1.6m (2009: £1.6m), £nil (2009: £nil), £0.3m (2009: £0.3m) and £0.4m (2009: £nil) respectively. This is disclosed within retained earnings. Members of the Group's senior management team may be invited to subscribe for the unallocated shares.

27. Obligations under non-cancellable operating leases

The Group's future minimum operating lease payments under non-cancellable operating leases are as follows:

£m	2010			2009		
	Land and buildings	Other	Total	Land and buildings	Other	Total
Due within one year	124.5	0.3	124.8	100.3	0.3	100.6
Due between one and five years	303.0	0.6	303.6	276.8	0.4	277.2
Due after five years	62.8	0.1	62.9	52.2	-	52.2
	490.3	1.0	491.3	429.3	0.7	430.0

Land and buildings held under operating leases include shops at airport locations. These arrangements typically include a fixed amount payable each year, plus a contingent element payable based on passenger numbers. A number of leases permit the Group to extend the lease beyond its current term based on market rates at the time of the extension. There are no purchase options contained within the operating leases held by the Group.

28. Related party transactions

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are settled in cash.

Key management compensation

£m	2010	2009
Short term employee benefits	3.2	2.8
Share based employee remuneration	1.7	-
Post employment benefits	0.2	0.1
Termination benefits	-	0.3
Total	5.1	3.2

Key management in the table above are the members of the Group's Executive Committee.

Transactions with entities with significant influence over Travelex Holdings Limited

During the year the Group paid fees amounting to £50,000 (2009: £105,000) to Apax Europe VI (Apax Partners) for the services of M Ransford, S Grabiner, J Ruane and M Phillips.

J Ruane and M Phillips were appointed in the last quarter of 2010 following the resignation of M Ransford. Fees paid in 2009 also include the services of R Gogel.

During the year the Group paid £218,000 to Esselco LLP, a company owned by L M Dorfman, for services provided to the Group.

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28. Related party transactions (continued)

The Group has outstanding loans with certain companies and key management. These loans are recorded as a component of term loans in these financial statements using an effective interest rate methodology. The loans and related interest are presented below based on contractual amounts due to be paid rather than the effective interest methodology within the financial statements.

£m	2010	2009
Balance outstanding		
Funds advised and managed by Apax Partners	377.6	343.3
L M Dorfman	267.0	242.7
Other key management	3.0	2.7
	647.6	588.7
Interest charged		
Funds advised and managed by Apax Partners	34.3	40.1
L M Dorfman	24.3	22.1
Other key management	0.3	0.2
	58.9	62.4

Transactions with joint ventures

Trading balances of £2.4m (2009: £4.8m) are owed to the Group by Travelex Currency Services Limited at the year end. Management fees of £2.7m (2009: £3.4m) have been charged by the Group in the year.

Other related party transactions

Certain Directors and key management have participated in the Group's long term incentive plan and are eligible to receive loans in order to allow them to participate in this plan. As at 31 December 2010, the balances held by C F Hill, Lord Stevens and P A Hodgkinson were £55,000, £2,500 and £2,500 respectively. The total amount of the loans to key management was £175,900.

Directors and staff occasionally transact with subsidiary undertakings of the Company, primarily with regard to the provision of foreign currency or foreign currency payment transactions. These transactions are normally undertaken at a discount to normal commercial terms. The Board has considered the financial effect of these transactions with Group companies and has concluded that they are not material to the Group or the individuals concerned.

29. Contingent liabilities

A bank letter of credit for £50.0m (2009: £50.0m) has been issued on behalf of Travelex guaranteeing the performance of the travellers' cheques business in fulfilling encashments. As permitted by IAS 39 the Directors have adopted the recognition and derecognition of financial instruments principles from 1 January 2004. Travellers' cheques issued by the Group prior to 1 January 2004 which the Directors believed, as at 1 January 2004, would not be cashed have been derecognised in these financial statements from the balance of travellers' cheques awaiting redemption amounting to £147.8m (2009: £143.0m).

A total of £29.4m (2009: £29.5m) of bank guarantees (including performance guarantees) have been issued on behalf of the Group. In addition £65.5m (2009: £56.2m) of surety guarantees have been issued to certain states in the US on behalf of the Group.

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for the year ended 31 December 2010

29. Contingent liabilities (continued)

The Company and its subsidiaries may, from time to time, be party to legal claims arising in the ordinary course of business. The Directors do not anticipate that the outcome of any of these proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position.

30. Post reporting date events

On 15 December 2010, the Group signed an agreement to acquire 46.2% share of FX Africa Foreign Exchange (Propriety) Limited, a company incorporated in South Africa, for £3.7m (ZAR37.8m). The company is licensed by the South African Reserve Bank (SARB) to trade in certain foreign exchange products and services and operates in six countries across southern Africa.

The acquisition is conditional on approval from SARB and this had yet to be received at the date of the signing of these accounts.

31. Principal subsidiary undertakings and joint ventures

The principal subsidiary undertakings and joint ventures of the Group are shown below. All are wholly owned, except where stated.

Name	Country of incorporation
Travelex Limited	Australia
TP Financing 1 Limited	Jersey
TP Financing 2 Limited	Jersey
TP Financing 4 Limited	Jersey
Travelex Canada Limited	Canada
Travelex UK Limited	England and Wales
Travelex Agency Services Limited	England and Wales
Travelex Banknotes Limited	England and Wales
Travelex Card Services Limited	England and Wales
Travelex Global Business Payments Limited	England and Wales
Interpayment Services Limited	England and Wales
Travelex Global and Financial Services Limited	England and Wales
Travelex Currency Services Limited (80% owned)	England and Wales
Travelex Central Services Limited	England and Wales
Travelex Limited	England and Wales
Banque Travelex SA	France
Travelex Currency Exchange Limited	Hong Kong
GWK Travelex NV	The Netherlands
Travelex Japan KK	Japan
Travelex Currency Services Inc	USA
Travelex Inc	USA
Travelex Insurance Services Inc	USA
Travelex Global Business Payments Inc	USA

Travelex Holdings Limited
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Balance Sheet
as at 31 December 2010

£m	Note	2010	2009
Current assets	4	2.4	1.7
Creditors - amounts falling due within one year	5	(18.1)	(13.3)
Net current liabilities		(15.7)	(11.6)
Creditors - amounts falling due after more than one year	6	(112.7)	(102.5)
Net liabilities		(128.4)	(114.1)
Capital and reserves			
Share capital	7	0.3	0.3
Share premium account	8	26.5	26.0
Profit and loss reserve	8	(155.2)	(140.4)
Total equity shareholders deficit		(128.4)	(114.1)

A statement of total recognised gains or losses has not been presented as all gains and losses are reflected in the profit and loss account.

The financial statements were approved by the Board of Directors on 25 March 2011 and were signed on its behalf by:

J P Jackson
Director

C F Hill
Director

Travelex Holdings Limited
Company financial statements
Notes to the Company financial statements
for the year ended 31 December 2010

1. Accounting policies

Basis of preparation

These financial statements have been prepared under United Kingdom Generally Accepted Accounting Principles (UK GAAP) under the historical cost convention. The functional and presentational currency of the Company is Sterling.

The Company is exempt from the disclosure requirements of FRS 29 'Financial instruments: Disclosures' and has not prepared a cashflow statement in accordance with FRS 1 'Cashflow statements' on the grounds that it prepares consolidated financial statements, in which the results and net assets of the Company are included. These consolidated financial statements are publicly available.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment.

Deferred taxation

In accordance with FRS 19, 'Deferred Tax', full provision is made for deferred tax liabilities arising from timing differences due to the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the average tax rates that are expected to apply when the timing differences are expected to reverse. This provision is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets unless there is a binding commitment to dispose of the assets at the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not provided on unremitted earnings of overseas subsidiaries where dividends have not been accrued as receivable or where there is no binding agreement for the overseas subsidiary to remit those earnings.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. All other exchange profits and losses, which arise from normal trading activities, are included in the profit and loss account as incurred.

Financial Instruments

Loans and receivables are non-derivative unquoted financial assets with fixed and determinable payments. Loans and receivables are measured at amortised cost using the effective interest rate method. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults in payment are considered an indication that the receivable is impaired. The carrying amount of the asset is reduced and the amount of the provision is recognised in the profit and loss account.

All non-derivative financial liabilities are designated as other financial liabilities. These are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

In accordance with FRS 26 'Financial instruments: recognition and measurement', interest bearing loans are recognised initially in the balance sheet at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash payments over the expected life of the loans to the net carrying amount of the loans.

Travellex Holdings Limited
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1. Accounting policies (continued)

Where there are changes to the Company's estimation of the future cash flows attributable to loans and receivables and other financial liabilities, the new estimated cash flows are discounted at the original effective interest rate established at the time the assets or liabilities were initially recorded, with any resulting gain or loss taken to the profit and loss account.

Share based employee remuneration

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the awards at the date of grant. The fair value excludes the effect of non market based vesting conditions. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 6 of the Group's consolidated financial statements.

Where the service related to the award is provided within the Company fair value determined at the date of grant of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of that period and of the equity instruments that will eventually vest. Where the service is provided to the subsidiaries of the Company, an increase in the cost of investment in the subsidiary is recognised with a corresponding credit to equity. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Unallocated or repurchased shares held by the employee share trust are included within retained earnings.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- i. They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- ii. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or it is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2. Profit and loss account

As permitted under section 408 of the Companies Act 2006 applicable to all companies reporting under UK GAAP, the Directors have not presented a profit and loss account for the Company. The Company made a loss after taxation of £19.2m in the year (2009: £12.6m).

Travelex Holdings Limited
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3. Fixed asset investments

The Company holds the entire share capital of TP Financing 0 Limited, a company incorporated in Jersey, with a cost of £85.4m (2009: £85.4m) and a net book value of £nil (2009: £nil).

During the year, the Company made investments in various subsidiaries of £3.3m which have been fully impaired.

The principal subsidiaries of the Company, which are subsidiaries of TP 0 Financing Limited, are set out in note 31 of the Group's consolidated financial statements.

4. Debtors

£m	2010	2009
Group relief receivable	1.6	1.2
Amounts due from subsidiary undertakings	0.8	0.5
	2.4	1.7

5. Creditors – amounts falling due within one year

£m	2010	2009
Amounts due to subsidiary undertakings	18.0	13.3
Other creditors	0.1	-
	18.1	13.3

6. Creditors – amounts falling due after more than one year

Creditors falling due after more than one year consist of preference shares classified as liabilities of £112.7m (2009: £102.5m) based upon the expected maturity of more than five years. Included within the balance is £51.4m (2009: £41.2m) relating to unpaid finance costs on preference shares which will be settled in more than one year.

Preference share capital

	2010 Number	2010 £m	2009 Number	2009 £m
10.0% cumulative preference shares of £1 each	61,287,636	61.3	61,287,636	61.3

The 10.0% cumulative preference shares do not carry voting rights and are redeemable on 2 August 2020, on sale of the Company, or at any time upon the Company giving 10 days written notice to the holders. Shareholders are entitled to receive dividends at 10.0% per annum on the par value of these shares on a cumulative basis. Any preference dividend that is due and remains unpaid is entitled to 10.0% interest per annum until the date of actual payment. On winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share and any dividends accrued but unpaid in respect of their shares.

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7. Share capital

The share capital of the Company is as follows:

	2010		2009	
	Number	£m	Number	£m
A Ordinary shares of 1p each	22,500,000	0.2	22,500,000	0.2
B Ordinary shares of 1p each	390,740	-	2,500,000	-
C Ordinary shares of 1p each	275,676	-	817,926	-
D Ordinary shares of 1p each	406,800	-	2,971,749	0.1
M Ordinary shares of 1p each	89,670	-	-	-
Deferred Ordinary shares of 1p each	5,226,789	0.1	-	-
	28,889,675	0.3	28,789,675	0.3

The A and B ordinary shares rank pari passu in all significant respects. The C and D ordinary shares do not carry voting rights and holders can only receive dividends no greater than one third of those paid to the holders of the A and B ordinary shares. In addition, dividends paid to the holders of the C and D ordinary shares require the approval of both the shareholders and the Board of Directors. If the Group is acquired by a third party or is subject to an initial public offering the A and B ordinary shares will be converted into new ordinary shares on a one for one basis. The C ordinary shares will convert into new ordinary shares and deferred shares on the basis of a multiplier based on the exit value of the business. The D ordinary shares will convert into deferred shares and vest on the basis of a multiplier based on the exit value of the business.

On 20 July 2010 100,000 M ordinary shares were issued with a nominal value of £0.01 each to senior management and non-executives directors P A Hodgkinson and Lord Stevens at a price of £5.00 per share. The M ordinary Shares do not carry any voting rights but allow shareholders to receive one-ninth of the aggregate amount paid or payable to the TP Loan Note Holders, or holders of the Primary Ordinary Shares or Preference Shares by way of dividend or otherwise upon the return of capital on liquidation, reduction of capital or other return of capital.

Since 20 July 2010 all B, C, D and M ordinary shares which are not allocated automatically convert into deferred ordinary shares. Deferred ordinary shares carry no voting rights and can be converted back into B, C, D and M ordinary shares should they be allocated.

8. Reserves

£m	Profit and loss account	Share premium account
At 1 January 2010	(140.4)	26.0
Loss for the year	(19.2)	-
Share based employee remuneration	4.9	-
Net investment in own shares	(0.5)	-
New share capital issued	-	0.5
At 31 December 2010	(155.2)	26.5

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8. Reserves (continued)

At the end of the year 1,600,510 (2009: 1,562,635) B ordinary shares, 235,050 (2009: 211,950) C ordinary shares, 1,021,749 (2009: 909,249) D ordinary shares and 83,500 (2009: nil) M ordinary shares were held by Travelex Employee Share Trusts at a cost of £1.6m (2009: £1.6m), £nil (2009: £nil), £0.3m (2009: £0.3m) and £0.5m (2009: £nil) respectively. This is recorded within retained earnings. Members of the Group's senior management team may be invited to subscribe for the unallocated shares.

Details of related party transactions are set out in note 28 of the Group's consolidated financial statements.