Registered number 5356574

Travelex Holdings Limited

Report and consolidated financial statements
for the year ended 31 December 2012

Travelex Holdings Limited
Directors and advisers

Directors

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Registered number

5356574

Travelex Holdings Limited
Directors' report
for the year ended 31 December 2012

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 2012. 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

Travelex is the world's leading retail foreign exchange specialist, with over 2,500 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 fulfilling the individual orders of their customers.

Products and services include cash fulfilment and wholesale banknote supply, remittances, the distribution of travel 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 MasterCard Incorporated or VISA network.

Travelex 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 cardholders' home currency. It also allows financial institutions to DCC-enable their ATMs and point of sale systems, providing cardholders with withdrawals and payments which are fixed in their home currency.

During the year, the Group operated through its subsidiaries and branches in four regions: the United Kingdom and Europe; Americas; Asia Pacific; and Middle East, India and Africa (MEIA).

Acquisitions

On 27 May 2011, the Group announced the agreement to acquire Grupo Confidence, the largest independent foreign exchange provider in Brazil. The acquisition is subject to Brazilian Central Bank (BACEN) and Presidential approval which has now been granted, and formal notification of these approvals is expected from BACEN shortly. Travelex will initially acquire 49% of the business with a commitment to acquire the remaining 51% shareholding by November 2014.

Disposals

During the year the Group disposed of its Asia Travel business and the French operations of its Global Business Payments business for £6.4m and £3.1m respectively.

Strategy

The Group has built a valuable, internationally recognised brand around its core competency in foreign exchange focusing on the needs of retail consumers. The Group's strategy is to grow the income of its global operations organically and through selective partnerships and acquisitions, to improve profitability through a focus on customer service, margins and cost control, and to maximise cash generation. A key driver of operating efficiency results from the continuing commitment of the Board to invest in IT.

i. **Organic growth**

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

Travelex 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 has a successful strategy of developing new channels such as ATMs and online, and exiting less profitable or non core locations. It markets and sells Travelex branded pre-paid cards through multiple channels under a long-term contract with MasterCard Incorporated. 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.

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 it creates better shareholder value by doing so.

iii. **Improve profitability**

The Group 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 25 countries, across six continents, 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 and works with a wide range of partners, limiting its exposure to any individual retail or corporate customer. In 2012, the Group conducted over 20 million transactions for retail consumers. The largest customer accounted for approximately 2% of the Group's income.

ii. **Strong brand with market leading positions**

The Travelex brand is internationally recognised and is 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 currency services and is well positioned to benefit from the global economic recovery and the underlying trends in global trade and international travel. Retail growth is driven by expansion of the business into new geographies, the development of new channels which allow Travelex to attract new customer segments, and the introduction of convenient new products, such as the pre-paid currency card. Cash fulfilment growth is driven by financial institutions, supermarkets and travel agencies which are increasingly outsourcing the provision of banknotes and foreign exchange services.

iii. **Extensive retail network**

Travelex's global retail network of over 1,350 stores and 1,150 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. Travelex also operates e-commerce sites across 21 countries, providing foreign exchange for pick-up and home delivery and increasingly online international payments, through its partnership with OzForex.

iv. **Long-term contracts and relationships**

The Group benefits from a portfolio of long-term contracts and has a good 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.

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. The management team responsible for the operations of the business uses 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 review section below.

Following the sale of the Card Program Management and Global Business Payments businesses in 2011, the Group was restructured and is now managed on a geographical divisional basis. The following operating review is presented under this new basis.

Operating review

Income and EBITDA for ongoing operations are summarised in the following table. A reconciliation to statutory reported results is also shown.

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£m	2012	2011	Growth
Income			
UK and Europe	**306.0**	299.2	2%
Americas	**110.6**	95.2	16%
Middle East, India and Africa	**28.1**	16.9	66%
Asia Pacific	**173.7**	160.6	8%
Other	**4.4**	3.1	42%
Core operations	**622.8**	575.0	8%
Non core operations	**7.6**	8.1	(6%)
Total ongoing operations	**630.4**	583.1	8%
EBITDA			
UK and Europe	**79.2**	81.1	(2%)
Americas	**8.2**	13.2	(38%)
Middle East, India and Africa	**4.8**	6.4	(25%)
Asia Pacific	**19.0**	5.2	265%
Other	**(45.1)**	(48.0)	6%
Core operations	**66.1**	57.9	14%
Non core operations	**4.2**	4.6	(9%)
Total ongoing operations	**70.3**	62.5	12%

Reconciliation of statutory reported results for the year to ongoing operations

£m	2012		2011	
	Income	**EBITDA***	Income	EBITDA*
Statutory reported results – continuing operations	**570.9**	**41.0**	554.8	281.5
Disposed business included within continuing operations:				
Asia Travel	**(0.9)**	**(0.3)**	(3.6)	(1.5)
Card Program Management	-	-	(14.1)	(1.2)
Gain on sale of businesses	-	**(4.2)**	-	(248.5)
Disposal Adjustments:				
Card Program Management	-	-	(0.8)	(1.2)
Global Business Payments	-	-	(0.3)	(4.8)
Other adjustments	**60.4**	**33.8**	47.1	38.2
Total ongoing operations	**630.4**	**70.3**	583.1	62.5

*Statutory reported results: Operating profit before depreciation, amortisation and impairment

The adjustments include the removal of disposals which are included in continuing operations for statutory reporting purposes. Other adjustments represent the deconsolidation of certain investments, principally 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, as well as £9.6m of charges (2011: £12.2m) which are considered exceptional for management purposes. All other measurement policies used in preparing these results are consistent with those used in preparing these financial statements.

The Core operations results for the period exclude those of the Asia Travel business which was disposed of on 30 March 2012. The prior year comparatives have been adjusted on the same basis.

Core operations income grew 8% in 2012 with reported growth across all regions. This growth was achieved against a continued backdrop of fragile economic conditions in key markets. The Asia Pacific region recovered from the impact of natural disasters in previous years including the Japanese earthquake and tsunami. The Americas region reported significant revenue growth due to the roll out of ATMs in shopping malls during the year.

Other, including overhead and shared service costs has decreased 6% in the year reflecting a focus on cost control.

2012 saw further signs of recovery in both business and leisure travel which had been affected by the economic decline in earlier years. Walk up transaction numbers globally were 10% up on 2011, with average transaction values also up 3%.

In the year the global retail network continued to expand at airports and tourist locations and in UK supermarkets.

The business won the airport contracts for Manchester UK, Atlanta USA, Marseille and Lyon France and Doha Qatar and the Group continued to extend its geographical footprint by opening more stores in China, Japan, Macau and Malaysia, thereby gaining a strong foothold in the Asian market. The retail network now operates in 25 countries and over 1,350 stores.

The online channel continues to demonstrate significant growth, with global turnover up 30% year on year. Further expansion of the Group's online proposition is planned for 2013.

ATMs show significant growth for the Group with global turnover up 57% year on year due to increased rollout in the UK and throughout a network of shopping malls in the Americas.

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

- UK and Europe income grew by 2% due to the further roll out of 67 ATM machines and 59 supermarket locations during the year. EBITDA of £79.2m was 2% down compared to 2011 due to increased rent and staff costs offsetting the revenue growth.

- Americas income grew by 16% due to new stores at Toronto airport and the rollout of ATMs in the USA. EBITDA of £8.2m was down 38% compared to 2011 due to increased rent and other start up costs for new locations in the period.

- Middle East, India and Africa income grew by 66% driven by the FX Africa acquisition which completed in November 2011. EBITDA fell by 25% to £4.8m due to initial start up costs for new stores.

- Asia Pacific income grew by 8% driven by an increase in the number of stores and continued recovery following the impact of natural disasters in the region in previous years. Cost pressure from higher rent was offset by better than expected sales tax recovery and cost saving initiatives across the region.

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. This is proceeding to plan with liquidity and encashments in line with expectations. The non core business generated £4.2m of EBITDA compared to £4.6m in 2011.

(Loss) profit for the year

The Group reported a statutory loss after tax of £136.0m (2011: £377.6m profit) for the year. The profit in 2011 was driven by the profits on disposal of the Card Program Management and Global Business Payments businesses.

In common with many private equity owned businesses, the original equity investment is largely structured in the form of debt. As in previous years, the interest charged on this debt is the key driver of the statutory loss in 2012, but this shareholder debt has no cash interest cost, is fully subordinated to senior debt and is long-dated. In practice it will only become repayable when the business is sold.

£m	2012	2011
EBITDA from ongoing operations	**70.3**	62.5
Adjustment for accounting for joint ventures	**(8.7)**	(8.2)
Depreciation and amortisation	**(19.4)**	(16.5)
Adjustment for discontinued activities	**0.5**	45.1
Adjustment for management exceptional items	**(9.6)**	(12.2)
Net finance costs in respect of cash pay items	**(6.0)**	(44.2)
	27.1	26.5
Net finance costs in respect of non-cash pay items		
Borrowings from shareholders	**(106.8)**	(79.8)
Borrowings from non shareholders	**(26.0)**	(38.4)
Exceptional items for statutory purposes before tax	**(26.4)**	39.0
Gain on sale of businesses before tax	**6.8**	435.6
Tax on exceptional items	**(0.8)**	(11.2)
Tax	**(9.9)**	5.9
Statutory (loss) profit after tax	**(136.0)**	377.6

An explanation of the items contributing to the statutory (loss) profit is detailed below.

Depreciation and amortisation

The Group charged £4.9m of amortisation of intangibles in the year (2011: £5.7m). The depreciation charge for the year was £14.5m (2011: £10.8m).

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Exceptional items

Management reporting included exceptional items of £9.6m (2011: £12.2m) that 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 items are as follows:

The profits on disposal of the French Global Business Payments division and the Asia Travel business totalling £6.8m have been treated as exceptional in the year. Residual costs of £7.1m relating to the 2011 sales of the Global Business Payments and Card Program Management businesses were incurred during 2012 and treated as exceptional. Other exceptional costs, principally relating to the research phase of a group-wide IT platform currently under development, the creation of an onerous property provision and other corporate transactions costs of £5.8m have been treated as exceptional in the year. An impairment of £14.5m has been taken on the goodwill relating to the UK Retail business during the year. The tax charge on exceptional items was £0.8m.

The Directors are required to estimate the expected life of the term loans which have a maturity of between 2015 and 2035. They have considered a range of potential refinancing structures available to the Group and selected October 2014 (2011: October 2014) as being their best estimate of when such refinancing is expected to occur. The reassessment in 2011 of the expected maturity date resulted in an exceptional credit of £56.0m in the prior year. This is an accounting credit and has no impact on the cashflow of the Group.

An exceptional credit of £1.0m (2011: £1.3m debit) arose on the retranslation of currency swaps used to hedge structural intercompany loans that finance overseas subsidiaries. Under IFRS the exchange differences arising on the retranslation of the structural intercompany loans are posted directly to equity.

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. The table below highlights that as at the end of the year 99% of the Group's debt is non cash pay, and of this 74% is from shareholders.

The Group's senior credit facility matures on 31 August 2014 and the senior PIK matures on 1 April 2015. The Board have taken external advice that the Group has sufficient debt capacity to refinance this non-shareholder debt.

	£m	% of total debt	Term	Interest payable
Borrowings from non shareholders				
Overdrafts and other borrowings	7.0			Typically monthly
Total cash pay	7.0	1%		
Other notes – senior PIK notes	318.4	25%	2015	On redemption
	325.4	26%		
Borrowings from shareholders				
Preference shares classified as borrowings	136.4		2020	On redemption
Loan notes and preference certificates	792.2		2016 to 2035	On redemption
	928.6	74%		
Total Debt	**1,254.0**	**100%**		

If the borrowings from shareholders were excluded from the Group's liabilities, the Group would report £304.5m (2011: £340.8m) of net assets.

Tax

The tax charge for the continuing business before exceptional items was £9.9m (2011: tax credit £5.9m). This includes prior year tax adjustments of £5.9m principally from the derecognition of UK capital allowances and other temporary differences reflecting the reduced likelihood of utilisation within an acceptable time period. Cash corporation tax paid was £15.3m (2011: £13.6m). For further details of the tax charge see Note 6.

Cashflow

As highlighted in the operating review of the business, the key measure of performance is EBITDA and this is consistent with management's significant emphasis on cashflow generation. The Group generated good EBITDA to cash conversion in the year enabling it to invest in business development. The Group generated £18.2m of cash before debt servicing costs, investment in capital expenditure, and the impact of acquisitions and disposals.

£m	2012 Core	2012 Non core	**2012 Group**	2011 Group
Operating profit before depreciation, amortisation and impairment	28.2	4.2	**32.4**	76.9
Travellers' cheques awaiting redemption	-	(41.2)	**(41.2)**	(35.9)
Structured deposits movements	-	20.8	**20.8**	11.5
Float deposits movements	-	(23.3)	**(23.3)**	(0.3)
Cash Passport liabilities movements	27.5	-	**27.5**	(1.9)
Other working capital movements	8.2	-	**8.2**	37.0
Dividends from joint ventures	9.1	-	**9.1**	8.4
	73.0	(39.5)	**33.5**	95.7
Tax			**(15.3)**	(13.6)
Cash generated before debt servicing costs, investment in capital expenditure, acquisitions and disposals			**18.2**	82.1
Net capital expenditure			**(32.6)**	(32.4)
Net finance costs			**(9.0)**	(43.0)
(Cash outflow) cash generated before debt principal repayment, acquisitions and disposals			**(23.4)**	6.7

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 2013 which is based on realistic and achievable income, EBITDA and cash generation expectations. The underlying performance of the Group is expected to show growth in the year despite the loss of the Gatwick contract and the usual pressure that the business experiences on margins from contract renewals. The Board expects that there will be growth in Asia, the Middle East and South Africa but trading conditions will remain challenging in other territories.

Airport and other transport related passenger volumes are key external dependencies and uncertainties around their development may have an impact on performance. The Group expects passenger volume growth to remain subdued and is therefore focussing on new growth markets and expansion in existing territories, the continued rollout of ATMs and e-commerce and mobile solutions to underpin growth in the budget period and in the longer term. 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 continues to focus on cost control and has planned efficiency initiatives to drive down overheads and working capital to allow further investment in the business.

In the first two months of 2013 the Group has performed as expected. 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. The assessment of going concern has been undertaken by considering the factors detailed in the significant estimates and judgements section of the accounting policies note (see Note 1).

Post reporting date events

Presidential approval for the acquisition of Grupo Confidence was received on 14 March 2013. Brazilian Central Bank (BACEN) approval had been granted in late 2012. We are still awaiting formal notification from BACEN that both the Presidential and BACEN approvals have been granted. On receipt of formal notification, the Group is required to complete the acquisition of the initial 49% shareholding within 15 business days.

Risk management

The Group risk management framework is designed to ensure that material business risks throughout the organisation are identified and effectively managed.

Travelex operate a three lines of defence risk management model and responsibility for risk management resides at all levels within Travelex, from the Board and the Executive Committee down through the organisation to each business manager. These responsibilities are distributed so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, Internal Audit, the independent Risk function, Business Risk Committees, Group Audit and Risk Committee and ultimately the Board.

Group Audit and Risk Committee

The Group Audit and Risk Committee monitors the ongoing process of identifying, evaluating and managing significant risks to the Group. The Committee meets five times a year and is chaired by Phil Hodkinson.

The Committee receives periodic reports from the Group Compliance and Risk Director covering the effectiveness of the systems of internal control and all areas of regulatory risk including money laundering. Results of the internal audit function are also reviewed and the Committee is responsible for ensuring that internal audit processes are properly co-ordinated and operating effectively.

The Committee also 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.

Management Group Risk Committee

The management Group Risk Committee meets monthly and reports into the Group Audit and Risk Committee. The Committee is chaired by the Group Compliance and Risk Director and comprises the Group Executive Committee, the Head of Internal Audit and other key personnel by invitation. The committee reviews the strategic risks to the business and undertakes a rolling review of the key risks that the business faces in order to evaluate the overall effectiveness of internal control. The committee also determines the mitigation approach on Group material risk areas and monitors the remediation of Group level control issues.

Travelex has identified the following key areas of risk:

i. Financing assumptions and leverage

During the year the Group entered into a new £125m senior credit facility. The Directors consider that this in combination with other credit facilities and cash at bank provide sufficient liquidity to meet the Group's funding requirements.

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. 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. 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. Credit risk also arises from financial institutions obligations to the Group under spot and forward contracts and from funds placed on deposit. All significant customer credit exposures require approval by authorised individuals who are separate from those who generate business.

iv. Liquidity risk

The settlement of spot and forward contract obligations and trade and other liabilities requires adequate liquidity which is provided through intra-day settlement facilities. These facilities are provided by a diversified set of 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 senior credit facility of £125m, of which £46.8m was undrawn as at 31 December 2012, 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 requirements.

v. Operational risk

Operational risk exposures are identified, managed and controlled through the Travelex Risk Management Framework. This is designed to manage, rather than eliminate, the risk to the achievement of business objectives. The Group's operational budgets include appropriate investment levels to ensure that critical systems and processes are maintained, that customer data is protected and staff are properly trained and developed.

vi. 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 dedicated physical risk team which develops appropriate policies and procedures to mitigate this risk and oversees the compliance with the policies. These arrangements are reviewed by third parties on a periodic basis. The Group also maintains appropriate levels of insurance to limit its exposure.

vii. Regulation and compliance risk

Regulatory and compliance policy is led centrally by the Group Compliance and Risk Director and there is a dedicated team in the business 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.

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. The Group also has a number of key relationships with airport landlords, including Heathrow Airport Holdings (formerly BAA) in the United Kingdom and Sydney Airport Corporation Limited in Australia. The Group also has key contractual relationships with both MasterCard Incorporated and Western Union Incorporated to deliver transitional services to the Group's disposed businesses and to continue to offer their prepaid card and money transfer products as part of the Group's product offering.

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.

Directors

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

Executive Directors	J P Jackson	Chief Executive Officer
	M D Ball	Chief Financial Officer
Representatives of Apax	M R Phillips	Non-Executive Director
	J E Ruane	Non-Executive Director
Other Directors	L M Dorfman CBE	Chairman
	P A Hodkinson[1]	Non-Executive Director
	S Grabiner[2]	Non-Executive Director
	Lord Stevens	Non-Executive Director
	G C Laws	Non-Executive Director

Notes

1 P A Hodkinson is Chairman of the Group Audit and Risk Committee
2 S Grabiner was formerly a representative of Apax and is Chairman of the Remuneration Committee

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. One of our five key goals is 'To be a great place to work' because we value creating a great colleague experience. 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. 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

It is therefore critical to us that we are regularly listening and responding to feedback from our people. Employee engagement is measured each year through a survey administered by Ipsos Mori, an independent research company. Ipsos Mori ensure the confidentiality of all survey data. The survey helps management teams to understand what's working well for employees and where we could seek to improve. Since initiating the survey in August 2011 we have conducted four survey cycles and have seen our employee engagement score increase by 8% over the period. We measure engagement in three areas in particular – alignment, involvement and loyalty to the business.

In our Wave 4 survey results, the highest positive score was colleagues agreeing that they are kept regularly informed about Travelex's results and performance (83%) and their team's results and performance (81%). Employees are kept informed of business performance through briefing meetings, supplemented by quarterly business updates and a range of other internal communications. Executives visiting business locations discuss matters of current interest with 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. Wave 4 results demonstrated further positive engagement - 79% of employees feel clear about their personal objectives and 77% understand the connection between their personal objectives and Travelex's objectives. We also saw an increase in the number of colleagues who agree that they are adhering to Travelex's ethical responsibilities and conduct (up 4% from 2011). 63% of employees feel proud to work for Travelex which has been driven by better communication, performance management and team working.

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. The Council provides an additional information and consultation forum, helping to enhance communication with employees at a European level.

ii. **Equal opportunities**

The Group's policy is not to discriminate against anyone, on any grounds. Training is available and provided to all levels of staff, and investment in employee development is a priority. Within this policy, the Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of age, sex or sexual orientation, race, colour, disability or marital or civil partnership status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

iii. **Community involvement**

As we operate through a wide global network we generally manage community activity at a local level supporting the communities we operate in, for example in the UK we supported BBC's Children in Need. Globally, we provide charitable support to an elected charity each year; in 2012 we donated our Christmas fund to Unicef, who specifically work to help improve the lives of children in crises areas caused by famine, war and other natural disasters around the world. Travelex continues to support London's National Theatre through its Travelex £12 ticket season which makes the theatre more widely accessible by selling tickets for certain productions at a subsidised price. The Travelex shows have played to an audience of nearly 2 million since inception in 2003. Example local community activities include the NVQs that we sponsor for our Peterborough colleagues and the Apprenticeship programme we run in Peterborough.

As we are a business driven by entrepreneurial leaders we also look to promote entrepreneurs in the communities we work within. In London we offer annual placements to young British entrepreneurs through our support of the New Entrepreneurs Foundation.

iv. **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 (2011: 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.

Travelex Holdings Limited
Directors' report
for the year ended 31 December 2012

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.

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
19 March 2013

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 2012

We have audited the group financial statements of Travelex Holdings Limited for the year ended 31 December 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, 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 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. In addition, we read all the financial and non-financial information in the Report and consolidated financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
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 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 group financial statements are prepared is consistent with the group financial statements.

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:

- 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.

Travelex Holdings Limited
Independent Auditors' report
to the members of Travelex Holdings Limited
for the year ended 31 December 2012

Other matter
We have reported separately on the parent company financial statements of Travelex Holdings Limited for the year ended 31 December 2012.

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2013

Travelex Holdings Limited
Consolidated income statement
for the year ended 31 December 2012

£m	Note	**2012 Before exceptional items**	**2012 Exceptional items** (Note 2)	**2012 Total**	2011 Before exceptional items	2011 Exceptional items (Note 2)	2011 Total
Continuing operations							
Income		**570.9**	**-**	**570.9**	554.8	-	554.8
Operating profit before depreciation, amortisation and impairment		**44.2**	**(3.2)**	**41.0**	40.6	240.9	281.5
Operating profit	4	**24.8**	**(17.7)**	**7.1**	24.1	232.8	256.9
Finance income	3	**5.9**	**1.0**	**6.9**	5.1	-	5.1
Finance costs	3	**(144.7)**	**-**	**(144.7)**	(167.5)	54.7	(112.8)
Share of profit in equity accounted investments	9	**8.1**	**-**	**8.1**	10.2	-	10.2
(Loss) profit before tax	4	**(105.9)**	**(16.7)**	**(122.6)**	(128.1)	287.5	159.4
Tax	6	**(9.9)**	**-**	**(9.9)**	5.9	(8.4)	(2.5)
(Loss) profit for the year from continuing operations		**(115.8)**	**(16.7)**	**(132.5)**	(122.2)	279.1	156.9
Discontinued operations							
(Loss) profit for the year from discontinued operations	22	**0.2**	**(5.5)**	**(5.3)**	36.4	-	36.4
Gain on sale of discontinued operations		**-**	**1.8**	**1.8**	-	184.3	184.3
(Loss) profit for the year		**(115.6)**	**(20.4)**	**(136.0)**	(85.8)	463.4	377.6
(Loss) profit for the year attributable to							
Non controlling interests	27	**0.8**	**-**	**0.8**	1.8	-	1.8
Equity holders of the parent		**(116.4)**	**(20.4)**	**(136.8)**	(87.6)	463.4	375.8
		(115.6)	**(20.4)**	**(136.0)**	(85.8)	463.4	377.6

The notes form an integral part of these financial statements.

Travelex Holdings Limited
Consolidated statement of comprehensive income
for the year ended 31 December 2012

£m	2012	2011
Exchange differences on overseas subsidiaries	(5.9)	2.7
Exchange differences recycled on disposal of business	-	10.1
Current tax on exchange differences	-	(0.4)
Net movement on cash flow hedges	-	5.5
Deferred tax on cash flow hedges	-	(2.4)
Movement on unrecognised gain on available for sale investments	0.3	0.3
Deferred tax on unrecognised gain on available for sale investments	(0.1)	(0.1)
Actuarial (loss) gain on post retirement benefit obligations	(6.3)	(0.8)
Movement on deferred tax relating to post retirement benefit obligations	1.6	0.2
	(10.4)	15.1
(Loss) profit for the year	(136.0)	377.6
Total comprehensive (loss) income for the year	(146.4)	392.7
Attributable to		
Non controlling interests	0.8	1.8
Equity holders of the parent	(147.2)	390.9
Total comprehensive (loss) income for the year	(146.4)	392.7
Total comprehensive (loss) income attributable to equity shareholders arises from		
Continuing operations	(142.9)	172.0
Discontinued operations	(3.5)	220.7
	(146.4)	392.7

Consolidated statement of changes in equity
for the year ended 31 December 2012

£m	2012 Equity interests	2012 Non controlling interests	2012 Total	2011 Equity interests	2011 Non controlling interests	2011 Total
At 1 January	(480.7)	4.8	(475.9)	(866.0)	3.0	(863.0)
Changes in equity	(2.6)	(1.1)	(3.7)	-	-	-
Total comprehensive (loss) income for the year	(147.2)	0.8	(146.4)	390.9	1.8	392.7
Net investment in own shares	1.9	-	1.9	(3.2)	-	(3.2)
Share based employee remuneration	-	-	-	(2.4)	-	(2.4)
At 31 December	(628.6)	4.5	(624.1)	(480.7)	4.8	(475.9)

The notes form an integral part of these financial statements

Travelex Holdings Limited
Consolidated balance sheet
as at 31 December 2012

£m	Note	2012	2011
Non current assets			
Intangible assets	7	**269.2**	269.8
Property, plant and equipment	8	**46.1**	44.9
Investments accounted for using the equity method	9	**78.1**	75.4
Investments	12	**122.4**	140.5
Post employment benefit asset	24	**-**	1.8
Trade and other receivables	11	**4.6**	2.3
Deferred tax asset	20	**11.2**	24.1
Restricted cash	15	**-**	42.0
		531.6	600.8
Assets included in disposal group classified as held for sale	23	**-**	11.4
Current assets			
Inventories	10	**0.6**	0.8
Trade and other receivables	11	**122.7**	115.7
Investments	12	**38.9**	18.3
Available for sale investments	13	**1.5**	1.2
Tax receivable		**8.7**	10.4
Derivative financial assets	18	**1.9**	17.4
Cash and cash equivalents	14	**502.8**	519.3
Restricted cash	15	**72.8**	58.5
		749.9	741.6
Current liabilities			
Trade and other payables	16	**(603.3)**	(650.7)
Financial liabilities	17	**(7.9)**	(4.2)
Tax payable		**(3.0)**	(14.8)
Provisions	19	**(19.1)**	(9.4)
Derivative financial liabilities	18	**(0.5)**	(16.6)
Net current assets		**116.1**	45.9
Non current liabilities			
Trade and other payables	16	**(2.2)**	(3.8)
Financial liabilities	17	**(1,264.2)**	(1,120.0)
Post employment benefit liability	24	**(5.1)**	-
Deferred tax liabilities	20	**(0.3)**	(1.4)
Non current liabilities		**(1,271.8)**	(1,125.2)
Liabilities included in disposal group classified as held for sale	23	**-**	(8.8)
Net liabilities		**(624.1)**	(475.9)
Equity			
Share capital	26	**0.3**	0.3
Share premium account	27	**26.5**	26.5
Retained earnings	27	**(644.6)**	(502.6)
Translation reserve	27	**(10.8)**	(4.9)
Deficit attributable to equity holders of the parent		**(628.6)**	(480.7)
Non controlling interests	27	**4.5**	4.8
Total equity deficit		**(624.1)**	(475.9)

The notes form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 19 March 2013 and were signed on its behalf by:

J P Jackson (Director)

M D Ball (Director)

Travelex Holdings Limited
Consolidated cashflow statement
for the year ended 31 December 2012

£m	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	25	**24.1**	85.2
Other cash interest received		**0.3**	2.1
Taxation paid		**(15.3)**	(13.6)
		9.1	73.7
Cash flows from investing activities			
Interest received		**1.4**	1.8
Purchase of property, plant, equipment and software		**(33.2)**	(35.1)
Proceeds from sale of property, plant, equipment and software		**0.6**	2.7
Dividends received from joint venture		**9.1**	8.4
Net cash acquired with subsidiary undertakings		**-**	3.8
Proceeds on disposal of businesses net of costs		**17.4**	775.1
Net cash disposed of		**(1.0)**	(113.6)
Cash paid in advance for future acquisitions (including costs)		**-**	(54.8)
Cash paid on investment in subsidiaries		**(3.7)**	(3.7)
Cash paid on investment in joint ventures (including costs)		**(3.8)**	(5.1)
		(13.2)	579.5
Cash flows from financing activities			
Interest paid		**(6.8)**	(39.4)
Cash outflows on interest rate swaps		**-**	(4.8)
Repayment of borrowings		**-**	(630.0)
Net sale (purchase) of own shares for employee share schemes		**1.6**	(3.2)
Capital element of finance lease payments		**(3.6)**	(0.6)
		(8.8)	(678.0)
Exchange gains (losses) on cash and cash equivalents and bank overdrafts		**(10.2)**	0.8
Net increase (decrease) in cash and cash equivalents and bank overdrafts		**(23.1)**	(24.0)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**518.9**	542.9
Cash, cash equivalents and bank overdrafts at the end of the year		**495.8**	518.9
Comprising:			
Cash and cash equivalents	14	**502.8**	519.3
Bank overdrafts	17	**(7.0)**	(3.7)
Cash and cash equivalents included in disposal group classified as held for sale	23	**-**	3.3
		495.8	518.9

The notes form an integral part of these financial statements.

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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

There are no new Accounting Standards or revisions or amendments to IFRS issued by the International Accounting Standards Board, relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2012.

1. Accounting policies (continued)

Accounting standards, interpretations and amendments to published standards issued but not yet effective and which 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.

IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective for accounting periods beginning on or after 1 July 2012). The amendment to IAS 1 will require items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Management do not expect the amendment to have a significant impact on the disclosures in the financial statements.

IAS 19, 'Employee benefits' (effective from 1 January 2013). The amendment to IAS 19 will replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit or liability. Management do not expect the amendment to have a significant impact on the financial statements.

IAS 32, 'Financial instruments: Presentation' (effective from 1 January 2014). This amendment clarifies the guidance on when financial assets and financial liabilities may be offset on the balance sheet. Management do not expect the amendment to have a significant impact on the financial statements.

IFRS 7 'Financial instruments: Disclosures' (effective from 1 January 2013). The amendment to IFRS 7 enhances current disclosures where financial assets and financial liabilities are offset on the balance sheet. Management have yet to assess the impact this amendment is likely to have on the disclosures in the financial statements of the Group.

IFRS 9 'Financial Instruments' (effective from 1 January 2015) – 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 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this standard is likely to have on the financial statements of the Group. However, they do not expect to implement the changes until all chapters of IFRS 9 have been published and they can comprehensively assess the impact.

IFRS 10 'Consolidated Financial Statements' (effective from 1 January 2014). IFRS 10, which replaces parts of IAS 27, 'Consolidated and Separate Financial Statements and all of SIC-12, 'Consolidation – Special Purpose Entities', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, 'Separate Financial Statements', currently contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable to the Group's consolidated financial statements. Management do not expect the standard to have a significant impact on the financial statements

1. Accounting policies (continued)

IFRS 11 'Joint Arrangements' (effective from 1 January 2014). IFRS 11, which replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities – Non-monetary Contributions by Venturers', requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. The proportionate consolidation method is prohibited. IAS 28, 'Investments in Associates and Joint Ventures', was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it sets out the requirements for the application of the equity method when accounting for joint ventures. This standard is not expected to have a significant impact on the Group's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective from 1 January 2014). IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11. Management have yet to assess the impact that this amendment is likely to have on the disclosures in the financial statements of the Group.

IFRS 13 'Fair Value Measurement' (effective from 1 January 2013). IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. Management do not expect the standard to have a significant impact on the financial statements.

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 joint venture, 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.

1. Accounting policies (continued)

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 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:

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 as earned when the transaction is made.

Income earned through ATM transactions comprises commission based fees on customers making ATM transactions and interchange fees and is recognised as earned when the transaction is made.

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 order is fulfilled and contractual terms are complied with.

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.

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 and are recognised as incurred.

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.

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

1. Accounting policies (continued)

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.

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 value in use, 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 should be reversed.

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.

1. Accounting policies (continued)

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.

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 using the effective interest rate method.

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. Travellers' cheques issued by the Group prior to 1 January 2004 which the Directors believed, as at 1 January 2004 would not be encashed, have been derecognised in these financial statements from the balance of travellers' cheques awaiting redemption as permitted by IAS 39.

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

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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 substantiall 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.

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.

1. Accounting policies (continued)

Share based employee remuneration

The Group operates a cash settled share based payment scheme. The fair value of the awards is recognised as a liability. The fair value of the ongoing liability from the scheme is calculated at the balance sheet date based on the fair value of shares at that time and any changes in vesting, exercise and other factors. Any change in the calculated liability is recognised in the income statement.

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

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 an asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and value in use. In order to calculate value in use, the Group estimates the discounted present value of future cashflows over a three year period, plus terminal value. In the process of measuring the recoverable amount of an asset or cash generating unit, 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 carrying amount of the Group's assets within the next financial year. The Group's impairment result is disclosed in Note 7.

Loans

The legal maturity dates of the Group's loan facilities range from 2015 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 nine years with a maturity in October 2014 (2011: October 2014).

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.

1. Accounting policies (continued)

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, and expectations regarding future financing costs. 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 at least 18 months from the balance sheet date and take into account the facts and circumstances during that period. 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;
- The funding requirements of the non-core travellers' cheques operations;
- The regulatory environment in which the Group operates; 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.

Employee share based remuneration

Awards to employees and others providing similar services under the employee share based remuneration scheme are measured at the fair value of the award at the date of grant. In the process of measuring fair value management makes assumptions about future performance and value of the business, and discount rates.

The settlement method of the scheme was changed from equity to cash following the cash settlement of some of the M Shares in the prior year. The Directors estimated the fair value of the scheme at the point of transfer based on the period which has already vested and this amount was recognised as a liability at the date of change of settlement method. Subsequently the fair value of the liability is reassessed based on the expected vesting period, projected performance and value of the business and other factors. Any change in the fair value at the end of the period is reflected in the income statement.

2. Exceptional items

£m	2012	2011
Net operating expenses (income)		
Gain on sale of Asia Travel business	**4.2**	-
Residual costs/gain on sale of Card Program Management business	**(1.6)**	248.5
Impairment of equity accounted investments and goodwill	**(14.5)**	(8.1)
Corporate transaction costs and other exceptional items	**(5.8)**	(7.6)
	(17.7)	232.8
Finance income (costs)		
Gains on extension of estimated life of term loans	**-**	56.0
Exchange gains (losses) on intercompany loans	**1.0**	(1.3)
	1.0	54.7
Tax attributable to exceptional items	**-**	(8.4)
Discontinued operations		
Residual cost on disposal of Global Business Payments business	**(5.5)**	-
Gain on sale of Global Business Payments business	**2.6**	187.1
Tax attributable to gain on sale of Global Business Payments business	**(0.8)**	(2.8)
	(3.7)	184.3
	(20.4)	463.4

The profits on the disposal of the Asia Travel and Global Business Payments businesses are shown net of transaction costs. Corporate transaction costs and other exceptional items of £5.8m relate primarily to the research phase of a group-wide IT platform currently under development, the creation of an onerous property provision and other corporate transaction costs. Transaction costs of £7.6m in 2011 were primarily related to the acquisition of FX Africa and Grupo Confidence and the disposal of the Asia Travel Business.

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, have determined that this should remain as October 2014 (2011: October 2014). The reassessment of the maturity date in the prior year resulted in an exceptional credit of £56.0m in 2011.

An exceptional credit of £1.0m (2011: £1.3m debit), was booked arising on the retranslation of currency swaps used to hedge structural intercompany loans that finance overseas subsidiaries. Under IFRS the exchange differences arising on the retranslation of the structural intercompany loans are posted directly to equity.

An impairment of £14.5m has been taken against goodwill for the UK Retail business (see Note 7). £4.2m of the 2011 impairment relates to FX Africa Foreign Exchange (Proprietary) Limited of which £2.9m relates to goodwill on acquisition and the remainder represents the impairment of net assets at 31 December 2011. The remaining £3.9m of the 2011 impairment relates to goodwill on the acquisition of South American Card Services Ltda (SACS).

3. Finance income and costs

£m	2012	2011
Finance income		
Interest receivable	**4.8**	1.8
Interest receivable on currency and interest rate swaps	**-**	3.3
Net exchange gain	**2.1**	-
	6.9	5.1
Finance costs		
Bank loans and overdrafts	**(1.2)**	(0.3)
Term loans	**(125.5)**	(89.1)
Interest payable on currency and interest rate swaps	**(0.2)**	(0.8)
Finance costs on preference shares classified as liabilities	**(12.4)**	(11.3)
Expected return on pension scheme assets	**1.4**	1.7
Interest cost on pension scheme liabilities	**(2.5)**	(2.6)
Other finance costs	**(4.3)**	(5.8)
Net exchange losses	**-**	(4.6)
	(144.7)	(112.8)

In accordance with the Group's accounting policy, £7.4m (2011: £8.6m) of interest receivable on bank deposits and money market instruments from the investment of funds generated from travellers' cheque sales and Cash Passport sales is classified and disclosed within income. This interest receivable is excluded from the table above.

4. (Loss) profit before tax

Operating profit for the continuing business is analysed as follows:

£m	2012	2011
Income	**570.9**	554.8
Cost of sales	**(359.1)**	(334.7)
Gross profit	**211.8**	220.1
Net operating expense	**(170.8)**	(187.1)
Gain on sale of Card Program Management business	**-**	248.5
Operating profit before depreciation, amortisation and impairment	**41.0**	281.5
Depreciation and amortisation	**(19.4)**	(16.5)
Impairment of equity accounted investments and goodwill	**(14.5)**	(8.1)
Operating profit	**7.1**	256.9

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4. (Loss) profit before tax (continued)

(Loss) profit before tax is stated after charging (crediting):

£m	2012	2011
Depreciation of owned property, plant and equipment	**14.5**	10.8
Net loss on disposal of property, plant and equipment	**0.9**	0.7
Amortisation of intangible assets	**4.9**	5.7
Impairment of goodwill and equity accounted investments	**14.5**	8.1
Hire of machinery and equipment	**0.9**	1.4
Minimum operating lease payments	**130.8**	118.4
Contingent operating lease payments	**67.1**	55.8
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	**1.4**	2.2
Audit-related assurance services	**0.2**	0.2
Tax compliance services	**0.2**	0.3
Tax advisory services	**0.2**	0.3
Other assurance services	**0.1**	0.1
Other non-audit services	**0.3**	1.2

5. Employees and Directors

Average number	2012	2011
UK Retail and Europe	**3,650**	3,369
Americas	**814**	787
Middle East, India and Africa	**148**	73
Asia Pacific	**1,462**	1,479
Non core operations and other	**446**	395
Continuing operations	**6,520**	6,103
Discontinued operations - Global Business Payments	**16**	919
	6,536	7,022

Employee costs

£m	2012	2011
Wages and salaries	**148.2**	147.8
Share based employee remuneration	**5.9**	7.0
Social security costs	**16.5**	16.3
Other pension costs	**5.6**	5.6
	176.2	176.7

Directors' remuneration

£m	2012	2011
Aggregate emoluments excluding company pension contributions	**3.9**	3.5
Company contributions to money purchase pension schemes	**0.1**	0.1
Aggregate emoluments	**4.0**	3.6

5. Employees and Directors (continued)

Aggregate emoluments include a non-cash amount for the IFRS 2 charge to the income statement in the year related to the number of M shares held by the employee share trust on behalf of individual Directors.

Two Directors have benefits accruing under defined contribution pension arrangements (2011: 3). The emoluments of the highest paid Director were £2,118,663 (2011: £2,568,889) and the Company made contributions to the highest paid Director's pension arrangements of £47,500 (2011: £47,500).

Cash settled share based payments

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 beneficial ownership in Trust. They are expected to vest in October 2014 (2011: October 2014) at which date the Directors estimate that the shares will realise value. The shares have been valued using the discounted cash flow model using a long term growth rate assumption of 2.4% and debt discount rate.

The Directors estimate the fair value of the remaining shares to be £26.8m (2011: £28.2m). Accordingly, there is a charge of £5.9m and a liability of £15.3m recognised in the current year.

The Group has no legal obligation to repurchase these shares.

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6. Income tax charge

The relationship between the expected tax (credit) charge based on the domestic effective tax rate of the Group at 24.5% (2011: 26.5%) and the reported tax charge in profit or loss can be reconciled as follows, also showing major components of the tax charge:

£m	2012	2011
(Loss) profit before tax	**(122.6)**	159.4
Less share of profit in equity accounted investments	**(8.1)**	(10.2)
Continuing (loss) profit before tax	**(130.7)**	149.2
Domestic tax rate for the Group	**24.5%**	26.5%
Expected tax (credit) charge	**(32.0)**	39.5
Tax losses not recognised	**6.5**	1.3
Other adjustments in respect of prior periods	**5.9**	(5.9)
UK tax rate change on opening balances	**-**	1.0
Adjustments for tax rate differences in foreign jurisdictions	**2.6**	3.6
Adjustments for non deductible expenses		
Non-deductible finance costs	**19.6**	14.5
Impairment of equity accounted investments and goodwill	**3.5**	2.1
Other non deductible expenses	**4.9**	4.2
Profit on disposal of businesses	**(1.1)**	(57.8)
Net actual tax charge on continuing operations	**9.9**	2.5
Tax charge comprises:		
Current tax (credit) charge	**(1.3)**	3.8
Origination and reversal of temporary differences		
Tax losses	**1.3**	0.5
Other temporary differences	**9.9**	(1.8)
Net tax charge	**9.9**	2.5
Tax charge (credit) on ordinary activities	**9.9**	(5.9)
Tax charge on exceptional items	**-**	8.4
	9.9	2.5

7. Intangible assets

£m	Goodwill	Computer software	Customer relationships	Other	Total
Cost					
At 1 January 2011	938.6	88.0	42.7	3.0	1,072.3
Additions	-	14.2	-	-	14.2
Acquisitions	3.9	0.2	-	-	4.1
Reclassified from held for sale	24.9	-	-	-	24.9
Reclassified to held for sale	-	(0.1)	-	-	(0.1)
Disposals	-	(2.5)	-	-	(2.5)
Disposal of businesses	(693.6)	(79.3)	(41.6)	(1.7)	(816.2)
Exchange adjustments	(4.4)	0.5	0.6	-	(3.3)
At 1 January 2012	269.4	21.0	1.7	1.3	293.4
Additions	-	19.6	-	0.2	19.8
Disposals	-	(2.7)	-	-	(2.7)
Exchange adjustments	-	(0.7)	-	-	(0.7)
At 31 December 2012	269.4	37.2	1.7	1.5	309.8
Amortisation and impairment					
At 1 January 2011	412.7	44.3	14.8	2.4	474.2
Charge for the year	-	5.9	0.9	0.3	7.1
Impairment	3.9	-	-	-	3.9
Reclassified from held for sale	9.0	-	-	-	9.0
Reclassified to held for sale	-	(0.1)	-	-	(0.1)
Disposals	-	(1.4)	-	-	(1.4)
Disposal of businesses	(412.9)	(37.6)	(14.5)	(1.7)	(466.7)
Exchange adjustments	(2.8)	0.2	0.2	-	(2.4)
At 1 January 2012	9.9	11.3	1.4	1.0	23.6
Charge for the year	-	4.5	0.3	0.1	4.9
Impairment	14.5	-	-	-	14.5
Disposals	-	(2.1)	-	-	(2.1)
Exchange adjustments	-	(0.3)	-	-	(0.3)
At 31 December 2012	24.4	13.4	1.7	1.1	40.6
Net book value					
At 31 December 2012	245.0	23.8	-	0.4	269.2
At 1 January 2012	259.5	9.7	0.3	0.3	269.8
At 1 January 2011	525.9	43.7	27.9	0.6	598.1

7. Intangible assets (continued)

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

£m	Goodwill		Impairment		Pre-tax discount rates
	2012	2011	**2012**	2011	**2012**
Card Program Management					
Americas	**-**	-	**-**	3.9	**-**
Currency Services					
UK	**33.8**	48.3	**14.5**	-	**14.8%**
Americas	**31.0**	31.0	**-**	-	**18.4%**
Asia Pacific	**37.3**	37.3	**-**	-	**15.5%**
EMEA	**63.4**	63.4	**-**	-	**12.6%**
Wholesale Cash	**63.6**	63.6	**-**	-	**14.4%**
Insurance	**15.9**	15.9	**-**	-	**17.6%**
	245.0	259.5	**14.5**	3.9	

The recoverable amounts for the cash generating units identified above were determined based on the higher of fair value less costs to sell and value in use estimations.

The value in use estimations covered a three year forecast (2011: three years), followed by an extrapolation of expected cash flows at a growth rate in the range of 2.0% - 3.4% (2011: 2.0% - 3.7%). The growth rates reflect the long-term average rates for the countries in which the cash generating units operate.

Key assumptions are based on the free cash flows 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 the expected growth in the forecast period.

The fair value less costs to sell calculations are based on the 2015 forecast EBITDA and applying a multiple which reflects the product lines and industry in which the cash generating units operate. The costs to sell are estimated to be 2% (2011: 2%) of the fair value of the business.

Other than the considerations described above in determining the recoverable amount of the cash generating units, there are no other key assumptions.

The impairment charge arose in the UK business as a result of the reduced profitability of certain contracts following renewal negotiations concluded during the year. No class of asset other than goodwill was impaired. The recoverable amount of the UK cash generating unit has been determined based on a fair value less costs to sell calculation. If the forecast EBITDA or multiple used in the fair value less costs to sell calculation for the UK business had been 10% lower than management's estimates at 31 December 2012, the Group would have recognised a further impairment of goodwill by £3.3m.

8. Property, plant and equipment

£m	Land and buildings	Fixtures and fittings	Computer hardware	Total
Cost				
At 1 January 2011	30.2	42.0	19.3	91.5
Additions	4.4	9.9	6.5	20.8
Reclassified from held for sale	-	-	0.7	0.7
Reclassified to held for sale	-	(0.3)	(0.1)	(0.4)
Disposals	(1.1)	(5.3)	(2.9)	(9.3)
Disposal of businesses	(2.5)	(4.3)	(15.2)	(22.0)
Exchange adjustments	(0.3)	-	(0.2)	(0.5)
At 1 January 2012	30.7	42.0	8.1	80.8
Additions	2.7	10.9	4.5	18.1
Disposals	(1.3)	(2.0)	(0.6)	(3.9)
Exchange adjustments	(1.7)	(1.8)	(0.6)	(4.1)
At 31 December 2012	30.4	49.1	11.4	90.9
Depreciation				
At 1 January 2011	16.4	21.0	11.0	48.4
Charge for the year	3.1	3.8	4.1	11.0
Reclassified from held for sale	-	-	0.1	0.1
Reclassified to held for sale	-	(0.1)	(0.1)	(0.2)
Disposals	(0.9)	(2.8)	(2.4)	(6.1)
Disposal of businesses	(1.6)	(2.9)	(12.6)	(17.1)
Exchange adjustments	(0.2)	-	-	(0.2)
At 1 January 2012	16.8	19.0	0.1	35.9
Charge for the year	3.3	8.0	3.2	14.5
Disposals	(1.2)	(1.2)	(0.5)	(2.9)
Exchange adjustments	(1.1)	(1.1)	(0.5)	(2.7)
At 31 December 2012	17.8	24.7	2.3	44.8
Net book value				
At 31 December 2012	12.6	24.4	9.1	46.1
At 1 January 2012	13.9	23.0	8.0	44.9
At 1 January 2011	13.8	21.0	8.3	43.1

Motor vehicles are included within fixtures and fittings. The net book value of property, plant and equipment includes £6.5m (2011: £2.7m) in respect of assets held under finance leases and hire purchase contracts.

9. Investments accounted for using the equity method

£m	Interest in joint ventures
At 1 January 2011	73.6
Share of profit after tax	10.2
Distributions	(8.4)
Acquisitions	4.2
Impairment	(4.2)
At 1 January 2012	75.4
Share of profit after tax	8.1
Distributions	(9.1)
Acquisitions	0.1
Increase in investment	3.6
At 31 December 2012	78.1

On 4 November 2011 the Group acquired 49% of the shares in FX Africa Foreign Exchange (Proprietary) Limited, a company incorporated in South Africa.

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

£m	2012	2011
Current assets	**27.6**	28.4
Non current assets	**12.7**	11.6
Current liabilities	**(27.5)**	(27.3)
Non current liabilities	**(2.2)**	(1.7)
Net assets	**10.6**	11.0
Income	**35.6**	34.9
Expenses	**(22.4)**	(20.9)
Profit before tax	**13.2**	14.0
Taxation	**(3.3)**	(3.7)
Distributions	**(10.1)**	(8.2)
Retained (loss) profit for the year	**(0.2)**	2.1

10. Inventories

Inventories of £0.6m (2011: £0.8m) relate to non cash items sold through the retail shops.

11. Trade and other receivables

£m	2012	2011
Current		
Trade receivables	**59.4**	35.5
Amounts due from travellers' cheques agents	**2.0**	2.4
Other receivables	**28.1**	44.1
Prepayments and accrued income	**27.9**	28.1
Amounts due from joint ventures and associates	**5.3**	5.6
	122.7	115.7
Non current		
Prepayments and accrued income	**4.6**	2.3
	4.6	2.3

Current prepayments and accrued income includes £15.9m (2011: £20.5m) prepaid to shareholders of Grupo Confidence, pending the required approvals for the acquisition (see Note 21). Trade receivables include £12.9m (2011: £26.2m) owing by Grupo Confidence in respect of prepaid card funds placed with them.

12. Investments

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

£m	2012	2011
Current		
Travellers' cheques float deposits	**29.0**	5.7
Money on structured deposits	**9.9**	12.6
	38.9	18.3
Non current		
Money on structured deposits	**122.4**	140.5
	161.3	158.8

13. Available for sale investments

Available for sale investments represent equity shares available for sale. Within reserves £1.3m (2011: £1.0m) is held as an unrecognised gain.

£m	2012	2011
At 1 January	**1.2**	0.9
Revaluation	**0.4**	0.3
Exchange adjustments	**(0.1)**	-
At 31 December	**1.5**	1.2

14. Cash and cash equivalents

£m	2012	2011
Cash at bank and in hand	**477.8**	455.4
Term deposits with original maturities of less than three months	**25.0**	63.9
	502.8	519.3

Included within the cash and cash equivalents balance of £502.8m (2011: £519.3m) are the following balances:

- £135.0m (2011: £76.5m) of cash held in tills and vaults;
- £4.4m (2011: £6.9m) of customer settlements received in advance;
- £109.1m (2011: £82.3m) of monies received from Cash Passport customers whose use is restricted to the settlement of associated liabilities;
- £30.0m (2011: £65.7m) 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; and

The remaining £224.3m (2011: £287.9m) is deposited in bank accounts throughout the Group and in certain jurisdictions, while available to the Group, is subject to regulatory and legal restrictions as to its use.

15. Restricted cash

£m	2012	2011
Current		
Amounts held in escrow	**72.8**	58.5
	72.8	58.5
Non current		
Amounts held in escrow	-	42.0
	-	42.0

Current restricted cash comprises £42.0m (2011: £42.0m, non current restricted cash) held in escrow relating to the sale of the Global Business Payments business, £30.2m (2011: £31.0m) held in escrow relating to the future acquisition of Grupo Confidence, pending required approvals and £0.6m (2011: £27.5m) held in escrow relating to the sale of the Card Program Management business. All amounts are expected to be settled in 2013.

16. Trade and other payables

£m	2012	2011
Current		
Trade payables	**48.9**	56.9
Travellers' cheques awaiting redemption	**284.9**	326.1
Cash Passports awaiting redemption	**143.3**	115.8
Other tax and social security	**6.3**	9.6
Other payables	**23.6**	50.6
Accruals and deferred income	**86.7**	85.0
Amounts due to joint ventures and associates	**9.6**	6.7
	603.3	650.7
Non current		
Accruals and deferred income	**2.2**	3.8
	605.5	654.5

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.

17. Financial liabilities

£m	2012	2011
Current		
Bank loans and overdrafts	**7.0**	3.7
Obligations under finance leases	**0.9**	0.5
	7.9	4.2
Non current		
Obligations under finance leases	**1.9**	1.5
Share based payments	**15.3**	9.4
Preference shares classified as liabilities	**136.4**	124.0
Term loans	**1,110.6**	985.1
	1,264.2	1,120.0
	1,272.1	1,124.2

Included in preference shares classified as liabilities is £75.1m (2011: £62.7m) 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	2012	2011
Within one year	**7.9**	4.2
Between one and two years	**15.7**	0.6
Between two and five years	**394.2**	368.1
After five years	**854.3**	751.3
	1,272.1	1,124.2

17. Financial liabilities (continued)

The legal maturity of the Group's term loans range from 2015 to 2035, as detailed below. The Directors estimate the expected maturity of the term loans to be October 2014 (2011: October 2014) having considered a range of potential financing structures available to the Group. The reassessment of the maturity date resulted in an exceptional credit of £56.0m in 2011.

£m	Term	Interest Rates 2012	Interest Rates 2011	**2012**	2011
Preference certificates	2035	10.00%	10.00%	**12.5**	10.9
Loans and PIK notes	2020	10.00%	10.00%	**704.3**	616.3
Senior PIK notes	2015	Libor plus 7.25%	Libor plus 7.25%	**318.4**	292.4
Loans and PIK notes	2016	10.00%	10.00%	**75.4**	65.5
				1,110.6	985.1

Certain loans and PIK notes due in 2020 are listed on the Main Securities Market of the Irish Stock Exchange. The Group also has a £125.0m (2011: £150.0m) senior credit facility, of which £75.0m (2011: £100.0m) can be used for borrowing or issuing guarantees and expires in August 2014. The balance of £50.0m (2011: £50.0m) is a letter of credit issued by a highly rated counterparty to support the funding of the Travellers' Cheques business. Interest is charged on utilised amounts at LIBOR plus 3.25%. As at the end of the year the Group had utilised £nil (2011: £nil) of the cash borrowing facility and £28.2m (2011: £21.8m) was utilised by guarantees.

The most significant other facility is a £20.0m (2011: £20.0m) overdraft facility provided to the Travellers' Cheques business to fund short term liquidity requirements committed until August 2014. Interest is charged on utilised amounts at LIBOR plus 1.75%. As at the end of the year the Group had utilised £nil (2011: £nil) of the overdraft facility. 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 Group has given guarantees and fixed and floating charges and other security over £1,331.9m 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 total net debt to EBITDA and EBITDAR to finance charges and rent. If covenants are breached these borrowings would be reclassified as due on demand.

Preference share capital

	2012 Number	**2012 £m**	2011 Number	2011 £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. In the event of 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	2012 Assets	2012 Liabilities	2012 Net assets (liabilities)	2011 Assets	2011 Liabilities	2011 Net assets (liabilities)
Foreign currency forward and swap contracts	**1.9**	**(0.5)**	**1.4**	16.9	(16.1)	0.8
Foreign currency options	**-**	**-**	**-**	0.5	(0.5)	-
	1.9	**(0.5)**	**1.4**	17.4	(16.6)	0.8

Disposal groups held for sale in 2011 included £2.2m derivative financial assets relating to foreign currency forward contracts.

All derivative financial instruments have been classified at fair value with gains and losses charged through the income statement.

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		2012	2011
Receivables - non current	Non financial instruments	**4.6**	2.3
Receivables - current	Loans and receivables	**107.8**	85.3
	Non financial instruments	**14.9**	30.4
Receivables - included in disposal group	Loans and receivables	**-**	5.2
classified as held for sale	Non financial instruments	**-**	0.2
		127.3	123.4
Investments - non current	Loans and receivables	**122.4**	140.5
Investments - current	Loans and receivables	**38.9**	18.3
Financial current asset investments	Available for sale	**1.5**	1.2
		162.8	160.0
Trade and other payables - non current	Non financial instruments	**2.2**	3.8
Trade and other payables - current	Other financial liabilities	**590.1**	637.4
	Non financial instruments	**13.2**	13.3
Trade and other payables - included in	Other financial liabilities	**-**	8.4
disposal group classified as held for sale	Non financial instruments	**-**	0.4
		605.5	663.3
Financial liabilities - non current	Other financial liabilities	**1,264.2**	1,120.0
Financial liabilities - current	Other financial liabilities	**7.9**	4.2
		1,272.1	1,124.2

18. Financial instruments (continued)

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, prepayments made in advance on acquisition, current asset investments, trade receivables, derivative financial instruments and to a lesser extent from other contractual financial obligations. As at 31 December 2012 the Group had deposited cash collateral of £0.2m (2011: £0.6m) with trading bank counterparties.

For trade receivables 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 top tier (A+ rated) financial institutions. The Group invests cash with major banks of a high credit standing around the world. At the end of 2012, the Group's largest counterparty accounted for 45% (2011: 44%) of the Group's total exposure to current asset investments and cash and cash equivalents.

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

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

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**	**2012 Total**
Trade receivables	**1.9**	**-**	**-**	**1.9**
Other receivables	**0.1**	**-**	**0.4**	**0.5**
	2.0	**-**	**0.4**	**2.4**

£m	0-3 months	3-6 months	Over 6 months	2011 Total
Trade receivables	1.8	0.2	0.1	2.1
Other receivables	0.2	-	-	0.2
	2.0	0.2	0.1	2.3

As at 31 December 2012 impaired financial assets based upon the Group's expectations of the counterparties' ability to settle included trade receivables of £0.5m (2011: £0.8m) and other receivables of £nil (2011: £0.1m). There was no collateral held against impaired trade receivables, amounts and other receivables in either the current or prior year.

18. Financial instruments (continued)

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 where appropriate.

During the year unrealised losses on hedges of £nil were taken from reserves to the income statement (2011: £5.5m) and gains of £nil (2011: £0.2m) were taken to the income statement due to ineffectiveness.

There were no interest rate derivatives outstanding at the balance sheet date.

Interest rate sensitivity

At 31 December 2012, 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 (2011: profit after tax £0.2m lower) and other components of equity would have been £nil (2011: £nil). 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 (2011: profit after tax £0.2m higher) and other components of equity would have been £nil (2011: £nil).

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 pages 11-12 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 £125.0m (2011: £150.0m) senior credit facility, of which £75.0m (2011: £100m) can be used to provide short term liquidity to meet operating cash needs.

The daily settlement flows in respect of trade and other liabilities 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 £24.0m (2011: £30.1m) of the travellers' cheques awaiting redemption will be encashed within twelve months of the balance sheet date.

18. Financial instruments (continued)

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

£m	Within one year	Between one and two years	Between two and five years	After five years	2012 Total
Financial assets					
Current asset receivables	102.5	-	-	-	102.5
Amounts due from joint ventures	5.3	-	-	-	5.3
Non current asset investments	-	13.2	43.4	65.8	122.4
Current asset investments	38.9	-	-	-	38.9
Financial current asset investments	2.8	-	-	-	2.8
Cash and cash equivalents	502.8	-	-	-	502.8
Restricted cash	72.8	-	-	-	72.8
Foreign currency forward and swap contracts	324.4	0.8	-	-	325.2
Financial liabilities					
Bank loans and overdrafts	(7.0)	-	-	-	(7.0)
Share based payments	-	-	(15.3)	-	(15.3)
Trade payables	(48.9)	-	-	-	(48.9)
Amounts due to joint ventures	(9.6)	-	-	-	(9.6)
Other liabilities	(110.3)	-	-	-	(110.3)
Obligations under finance leases	(0.9)	(0.4)	(1.5)	-	(2.8)
Preference shares classified as liabilities	-	-	-	(281.2)	(281.2)
Term loans	-	-	(592.5)	(1,841.2)	(2,433.7)
Travellers' cheques and Cash Passports awaiting redemption	(428.2)	-	-	-	(428.2)
Foreign currency forward and swap contracts	(323.1)	(0.7)	-	-	(323.8)
	121.5	12.9	(565.9)	(2,056.6)	(2,488.1)

18. Financial instruments (continued)

The table below analyses the Group's gross, undiscounted financial liabilities at 31 December 2011 by their contractual maturity date.

£m	Within one year	Between one and two years	Between two and five years	After five years	2011 Total
Financial assets					
Current asset receivables	80.3	-	-	-	80.3
Amounts due from joint ventures	5.6	-	-	-	5.6
Non current asset investments	-	13.5	42.1	84.9	140.5
Current asset investments	18.3	-	-	-	18.3
Financial current asset investments	2.2	-	-	-	2.2
Cash and cash equivalents	519.3	-	-	-	519.3
Restricted cash	58.5	42.0	-	-	100.5
Foreign currency forward and swap contracts	1,642.9	5.3	-	-	1,648.2
Foreign currency options	0.5	-	-	-	0.5
Financial liabilities					
Bank loans and overdrafts	(3.7)	-	-	-	(3.7)
Share based payments	-	-	(9.4)	-	(9.4)
Trade payables	(56.7)	(0.3)	-	-	(57.0)
Amounts due to joint ventures	(6.7)	-	-	-	(6.7)
Other liabilities	(119.8)	(2.4)	(0.3)	(0.7)	(123.2)
Obligations under finance leases	(0.7)	(0.5)	(0.8)	-	(2.0)
Preference shares classified as liabilities	-	-	-	(281.2)	(281.2)
Term loans	-	-	(592.5)	(1,841.2)	(2,433.7)
Travellers' cheques and Cash Passports awaiting redemption	(441.9)	-	-	-	(441.9)
Foreign currency forward and swap contracts	(1,639.9)	(5.3)	-	-	(1,645.2)
Foreign currency options	(0.5)	-	-	-	(0.5)
	57.7	52.3	(560.9)	(2,038.2)	(2,489.1)

Foreign currency risk

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 and Cash Passports. All such liabilities are hedged either by ensuring investments and/or cash deposits are held in the same currencies as the liabilities or by forward foreign currency transactions.

18. Financial instruments (continued)

The following table shows the effect on the profit after tax had, at 31 December 2012, 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	2012 +10%	2012 -10%	2011 +10%	2011 -10%
United States Dollar	(3.5)	4.3	(1.5)	1.8
Australian Dollar	1.1	(1.4)	(1.3)	1.5
Euro	0.1	(0.1)	(0.5)	0.6

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	2012 Total
Amounts receivable					
Trade receivables	2.0	5.7	10.9	4.7	23.3
Amounts due from travellers' cheques agents	2.0	-	-	-	2.0
Other receivables	2.9	0.8	3.5	31.2	38.4
Foreign currency forward and swap contracts	35.8	82.2	19.5	100.3	237.8
Cash and cash equivalents	111.9	29.0	87.5	104.6	333.0
Current asset investments	137.0	9.2	13.9	6.0	166.1
Financial current asset investments	-	-	-	3.7	3.7
Amounts payable					
Bank loans and overdrafts	(0.1)	(7.1)	(0.6)	-	(7.8)
Trade payables	(13.6)	(5.7)	(9.4)	(2.1)	(30.8)
Other liabilities	(18.2)	(17.7)	(18.7)	(11.2)	(65.8)
Foreign currency forward and swap contracts	(161.4)	(67.7)	(37.3)	(62.3)	(328.7)
Travellers' cheques and Cash Passports awaiting redemption	(234.8)	(27.7)	(54.2)	(23.3)	(340.0)
	(136.5)	1.0	15.1	151.6	31.2

18. Financial instruments (continued)

£m	United States Dollar	Australian Dollar	Euro	Other	2011 Total
Amounts receivable					
Trade receivables	3.5	5.2	7.4	4.3	20.4
Amounts due from travellers' cheques agents	2.2	-	0.1	-	2.3
Other receivables	15.6	1.3	60.3	23.9	101.1
Foreign currency forward and swap contracts	582.1	135.6	224.2	265.3	1,207.2
Foreign currency options	-	0.5	-	-	0.5
Cash and cash equivalents	105.0	29.5	68.7	89.5	292.7
Current asset investments	160.7	11.0	19.6	7.0	198.3
Financial current asset investments	-	-	1.2	-	1.2
Amounts payable					
Bank loans and overdrafts	-	(1.5)	-	(0.2)	(1.7)
Trade payables	(11.1)	(8.9)	(15.9)	(3.9)	(39.8)
Other liabilities	(55.6)	(20.8)	(23.4)	(21.4)	(121.2)
Foreign currency forward and swap contracts	(702.1)	(130.1)	(283.7)	(251.0)	(1,366.9)
Foreign currency options	-	(0.5)	-	-	(0.5)
Travellers' cheques and Cash Passports awaiting redemption	(272.1)	(29.5)	(60.9)	(24.1)	(386.6)
	(171.8)	(8.2)	(2.4)	89.4	(93.0)

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 2012 the fair value of the structured deposits was £142.3m (2011: £151.8m) and the term loans was £669.3m (2011: £644.1m).

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 listing or active market, fair value is determined using valuation techniques.

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	2012 Total
Financial assets at fair value through profit and loss				
Foreign currency forward and swap contracts	-	**1.9**	-	**1.9**
Foreign currency options	-	-	-	-
Financial current asset investments				
Available for sale	-	-	**1.5**	**1.5**
Financial liabilities at fair value through profit and loss				
Foreign currency forward and swap contracts	-	**(0.5)**	-	**(0.5)**
Foreign currency options	-	-	-	-

£m	Level 1	Level 2	Level 3	2011 Total
Financial assets at fair value through profit and loss				
Foreign currency forward and swap contracts	-	19.1	-	19.1
Foreign currency options	-	0.5	-	0.5
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	-	(16.1)	-	(16.1)
Foreign currency options	-	(0.5)	-	(0.5)

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

£m	2012	2011
At 1 January	**1.2**	0.9
Total gains (losses) recognised in equity	**0.4**	0.3
Exchange adjustments	**(0.1)**	-
At 31 December	**1.5**	1.2

19. Provisions for liabilities and charges

£m	Onerous contracts	Employee related provisions	Other	Total
At 1 January 2012	3.3	2.8	3.3	9.4
Exchange adjustments	(0.1)	(0.2)	-	(0.3)
Charged to income statement	9.1	0.9	1.9	11.9
Written back to income statement	(0.7)	(0.2)	(0.1)	(1.0)
Utilised in the year	-	(1.0)	0.1	(0.9)
At 31 December 2012	11.6	2.3	5.2	19.1

Onerous contract provisions are in respect of certain retail shop and office building lease contracts. Employee related provisions, including early retirement costs, are expected to be utilised over the next year. Other provisions are all individually small and are in respect of other contractual agreements and legal matters, which are all 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	**2012**	2011
Deferred tax assets - non current	**11.2**	24.1
Deferred tax liabilities	**(0.3)**	(1.4)
	10.9	22.7

The movement in deferred tax is as follows:

£m	**2012**	2011
At 1 January	**22.7**	11.6
Exchange adjustments	**(2.2)**	-
Income statement (charge) credit	**(11.2)**	(1.3)
Tax charged direct to equity	**1.6**	0.2
Disposal of businesses	**-**	12.2
At 31 December	**10.9**	22.7

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 2011	7.1	0.1	10.3	-	23.3	40.8
Credited (charged) to the income statement	4.2	0.2	(1.8)	0.7	(6.7)	(3.4)
Disposal of businesses	0.2	-	(2.9)	-	(2.3)	(5.0)
Exchange adjustments	0.1	-	(0.3)	(0.3)	(0.2)	(0.7)
At 1 January 2012	11.6	0.3	5.3	0.4	14.1	31.7
Credited (charged) to the income statement	(4.9)	(0.3)	(1.3)	-	(7.8)	(14.3)
Exchange adjustments	(0.6)	-	(0.2)	1.3	(0.3)	0.2
At 31 December 2012	6.1	-	3.8	1.7	6.0	17.6
Liabilities						
At 1 January 2011	(0.4)	(22.8)	-	(0.9)	(5.1)	(29.2)
Credited (charged) to the income statement	0.2	1.3	-	0.3	0.3	2.1
Credited (charged) direct to equity	-	-	-	0.2	-	0.2
Disposal of businesses	0.2	19.6	-	-	(2.6)	17.2
Exchange adjustments	-	0.7	-	-	-	0.7
At 1 January 2012	-	(1.2)	-	(0.4)	(7.4)	(9.0)
Credited (charged) to the income statement	(1.9)	0.3	-	0.1	4.6	3.1
Credited (charged) direct to equity	-	-	-	1.6	-	1.6
Exchange adjustments	0.4	-	-	(1.3)	(1.5)	(2.4)
At 31 December 2012	(1.5)	(0.9)	-	-	(4.3)	(6.7)

Other net temporary differences of £3.2m (2011: £6.7m) consist primarily of deferred tax assets relating to provisions and accruals of £2.6m (2011: £5.7m), derecognition of travellers' cheques issued but not expected to be encashed of £nil (2011: £6.1m) and £1.6m (2011: £1.4m) in relation to short term differences on interest payable.

There are unrecognised deferred tax assets comprising £24.4m (2011: £15.3m) unused tax losses and other temporary differences of £16.5m (2011: £7.0m) at the year end.

21. Acquisitions

On 13 July 2012, the Group acquired the remaining 49% of the issued shares of Euro Travellers' Cheques Nederland Limited for a purchase consideration of £0.7m. The Group now holds 100% of the share capital of the company. The carrying amount of the non-controlling interests in Euro Travellers' Cheques Nederland Limited on the date of acquisition was £0.7m and this amount was de-recognised on that date.

On 5 August 2012, the Group acquired an additional 15% of the issued share capital of Travelex Bahrain WLL for a purchase consideration of £3.0m. The Group now holds 75% of the equity share capital of the company. The carrying amount of the non-controlling interests in Travelex Bahrain WLL on the date of acquisition was £2.0m. The Group derecognised non-controlling interests of £0.4m and recorded a decrease in equity attributable to owners of the parent of £2.6m.

The effect of changes in the ownership interest of these companies on the equity attributable to owners of the Group during the year is summarised as follows:

£m	**2012**	2011
Carrying amount of non-controlling interests acquired	**1.1**	-
Consideration paid to non-controlling interests	**(3.7)**	-
Excess of consideration paid recognised in parent's equity	**(2.6)**	-

On 27 May 2011, the Group signed an agreement to purchase 100% of the share capital of Grupo Confidence, a group of companies incorporated in Brazil. The purchase will be made in stages and was subject to approvals being received from the President of Brazil and the Brazilian Central Bank (BACEN). The first tranche of shares representing 49% ownership will be purchased at a cost of £55.1m following the receipt of the required approvals. The Group is contracted to purchase the remaining 51% shareholding by 14 November 2014 and holds a call option to purchase the full 51% which can be exercised as soon as the 49% purchase has been completed. The purchase price for the remaining 51% will be calculated using an average earnings multiple dependent on the date of purchase with a maximum cash purchase price for this tranche of £100.0m. The Group prepaid £20.5m towards the purchase consideration in 2011. £1.9m was utilised for the payment of advisors fees and the balance prepaid as at 31 December 2012 was £15.9m. This payment is recorded as a current asset. In addition, £30.2m was paid into escrow for future payment pending approvals. This payment is recorded as restricted cash. Presidential approval for the acquisition of Grupo Confidence was granted on 14 March 2013. BACEN approval had been granted in late 2012. The Group is still awaiting formal notification from BACEN that both the Presidential and BACEN approvals have been granted.

22. Disposal of businesses

On 7 November 2011 the Group sold its Global Business Payments operations, excluding the French business, to Western Union Incorporated for £589.7m. On 4 May 2012 the Group sold the French Global Business Payment business to Western Union Incorporated for £3.1m. The gain on disposal after the deduction of disposal costs and working capital movements was £2.6m. Net liabilities at the date of disposal were £0.2m.

22. Disposal of businesses (continued)

The carrying amounts of the net liabilities of the business at the date of disposal were as follows:

£m	
Current assets	
Trade and other receivables	0.2
Assets disposed	0.2
Current liabilities	
Trade and other payables	(0.4)
Liabilities disposed	(0.4)
Net liabilities disposed	**(0.2)**

Reconciliation of disposal gain:	
Total consideration receivable	3.1
Net liabilities of disposal group	0.2
Disposal costs	(0.7)
Gain on disposal	**2.6**

Net cash inflow arising on disposal, excluding costs	
Consideration received in cash and cash equivalents	3.1
Less cash and cash equivalents disposed of	-
	3.1

The profit of the Global Business Payments business until the date of disposal and for the prior year is summarised as follows:

£m	**2012**	2011
Income	**1.7**	130.8
Expenses	**(1.5)**	(90.1)
Operating profit	**0.2**	40.7
Finance costs	**-**	(0.7)
Profit before tax	**0.2**	40.0
Tax	**-**	(3.6)
Profit for the year	**0.2**	36.4

Cash flows generated by the Global Business Payments business for the reporting periods up to the date of disposal are summarised as follows:

£m	**2012**	2011
Operating activities	**(1.3)**	(17.1)
Investing activities	**0.1**	(7.9)
Financing activities	**-**	(2.6)
Cash flows from discontinued operations	**(1.2)**	(27.6)

22. Disposal of businesses (continued)

During the year, agreement was reached with Western Union on the final consideration receivable for the Global Business Payments operations disposed of in 2011. This resulted in an increase in the final purchase price receivable over that estimated in 2011 of £1.3m. Additional costs of £6.8m with respect to the disposed business were incurred during the year. These costs include professional fees, IT costs, completion bonus payments and an onerous lease provision. Consistent with disclosure in the prior year, the net cost of £5.5m has been treated as an exceptional cost relating to the discontinued business in 2012 (see Note 2).

On 30 March 2012, the Group sold its Asia Travel business to Westminster Travel Limited for £6.4m. The gain on disposal after the deduction of disposal costs was £4.2m. The carrying value of the net assets of the business at the date of disposal were as follows:

£m	£m
Current assets	
Trade and other receivables	5.0
Cash and cash equivalents	1.0
Assets disposed	6.0
Current liabilities	
Trade and other payables	(4.0)
Liabilities disposed	(4.0)
Net assets disposed	**2.0**

Reconciliation of disposal gain:	
Total consideration receivable	6.4
Net assets of disposal group	(2.0)
Disposal costs	(0.2)
Gain on disposal	**4.2**

Net cash inflow arising on disposal, excluding costs	
Consideration received in cash and cash equivalents	6.4
Less cash and cash equivalents disposed of	(1.0)
	5.4

23. Disposal groups classified as held for sale

In 2011, the French Global Business Payment (GBP) and Asia Travel business were classified as held for sale. The French GBP business was sold to Western Union on 4 May 2012 and Asia Travel was sold to Westminster Travel Limited on 30 March 2012 (see Note 22).

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

£m	2011
Non current assets	
Intangible assets	-
Property, plant and equipment	0.4
Deferred tax asset	-
Current assets	
Investments	0.1
Trade and other receivables	5.4
Derivative financial assets	2.2
Cash and cash equivalents	3.3
Assets classified as held for sale	11.4
Non current liabilities	
Trade and other payables	-
Provisions	(0.1)
Current liabilities	
Trade and other payables	(8.7)
Liabilities classified as held for sale	(8.8)
Net assets of disposal group	2.6

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

24. 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 £5.1m (2011: £5.0m) was charged to the income statement as incurred. At the end of the year £0.2m (2011: £0.2m) of contributions were outstanding.

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

The Netherlands pension scheme is open to employees from the age of 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 pension scheme is valued on a triennial basis by an external actuary. The latest valuation was performed in 2011.

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% (2011: 2.0%), inflation would be 2.0% (2011: 2.0%), there would be no pension increase for pensioners and deferred pensioners (2011: 0.0%) and the applicable discount rate was 3.9% (2011: 5.0%). The AG-Generation 2012–2062 mortality table was used (2011: AG-Generation 2011–2060), with an adjustment of one year for men and women.

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

£m	2012	2011	2010	2009	2008
Fixed interest bonds	**61.2**	54.6	54.4	51.9	56.2
Expected rate of return	**1.7%**	2.6%	3.0%	4.1%	4.4%
Present value of scheme liabilities	**(66.3)**	(52.8)	(50.8)	(50.0)	(51.7)
(Deficit) Surplus in scheme	**(5.1)**	1.8	3.6	1.9	4.5

Analysis of amounts recognised in statement of comprehensive income:

£m	2012	2011	2010	2009	2008
Actual return less expected return on pension scheme assets	**7.2**	1.1	2.3	(1.8)	(1.2)
(Losses) gains arising on the scheme liabilities	**(13.5)**	(1.9)	(1.1)	0.2	-
Changes in assumptions underlying the plan liabilities	**-**	-	-	-	1.0
Actuarial (loss) gain recognised in statement of comprehensive income	**(6.3)**	(0.8)	1.2	(1.6)	(0.2)

The cumulative actuarial losses recognised in the statement of comprehensive income at 31 December 2012 were £8.5m (2012: £2.2m, 2010: £1.4m, 2009: £2.6m, 2008: £1.0m). The Group expects to make £3.2m of contributions to the scheme in 2013. The actual return on plan assets was £8.6m (2011: £2.8m).

24. Retirement benefits (continued)

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

£m	2012	2011	2010
Expected return on pension scheme assets	**1.4**	1.7	2.1
Interest cost on pension scheme liabilities	**(2.5)**	(2.6)	(2.6)
	(1.1)	(0.9)	(0.5)

Included within net operating expenses is £0.7m (2011: £0.6m) in respect of current service costs and £nil (2011: £nil) in respect of curtailments.

The actual return less expected return on the pension scheme's assets as a percentage of the scheme's assets was 11.8% (2011: 2.1%). The experience gains and losses arising on the scheme's liabilities as a percentage of the present value of the scheme's liabilities was 2.4% (2011: 3.6%). The actuarial loss recognised in the statement of comprehensive income as a percentage of the present value of the scheme's liabilities was 9.5% (2011: 1.5%).

Reconciliation of the defined benefit scheme's assets and obligations:

£m	Asset	Obligation	2012 Total	Asset	Obligation	2011 Total
At 1 January	**54.6**	**(52.8)**	**1.8**	54.4	(50.8)	3.6
Current service cost	**-**	**(0.7)**	**(0.7)**	-	(0.6)	(0.6)
Expected return on pension scheme assets	**1.4**	**-**	**1.4**	1.7	-	1.7
Interest cost on pension scheme liabilities	**-**	**(2.5)**	**(2.5)**	-	(2.6)	(2.6)
Actuarial gain (loss)	**7.2**	**(13.5)**	**(6.3)**	1.1	(1.9)	(0.8)
Contributions by the Group	**1.4**	**-**	**1.4**	0.9	-	0.9
Contributions by scheme participants	**0.2**	**(0.2)**	**-**	0.3	(0.3)	-
Benefits paid	**(1.9)**	**1.9**	**-**	(2.4)	2.0	(0.4)
Exchange adjustments	**(1.7)**	**1.5**	**(0.2)**	(1.4)	1.4	-
At 31 December	**61.2**	**(66.3)**	**(5.1)**	54.6	(52.8)	1.8

25. Cash generated from operating activities

£m	2012	2011
Operating profit	**4.4**	484.7
Depreciation and amortisation	**19.4**	18.1
Impairment of equity accounted investments and goodwill	**14.5**	8.1
Loss on disposal of property plant and equipment	**0.9**	1.6
Profit on disposal of businesses	**(6.8)**	(435.6)
Share based employee remuneration	**5.9**	7.0
Difference between the net pension charge and cash contributions	**(0.7)**	(0.3)
	37.6	83.6
Decrease in inventories	**0.2**	0.1
Decrease (increase) in trade and other receivables	**6.0**	(32.1)
(Decrease) increase in trade and other payables	**(17.1)**	29.9
Decrease in travellers' cheques awaiting redemption	**(41.2)**	(35.9)
Increase in Cash Passports awaiting redemption	**27.5**	15.6
Decrease in structured deposits	**20.8**	11.5
Cash interest income received	**(0.3)**	(2.1)
Increase in float deposits	**(23.3)**	(0.3)
Foreign exchange translation differences	**13.9**	14.9
Cash generated from operating activities	**24.1**	85.2

26. Share capital

The share capital of the Company is as follows:

	2012		2011	
	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	**383,740**	**-**	390,740	-
C Ordinary shares of 1p each	**265,176**	**-**	275,676	-
D Ordinary shares of 1p each	**400,500**	**-**	406,800	-
M Ordinary shares of 1p each	**64,900**	**-**	55,440	-
Deferred ordinary shares of 1p each	**5,275,359**	**0.1**	5,261,019	0.1
	28,889,675	**0.3**	28,889,675	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. The M ordinary Shares do not carry any voting or dividend rights but allow shareholders to receive in total 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.

26. Share capital (continued)

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.

27. 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 2011	0.3	26.5	(875.1)	(17.7)	3.0	(863.0)
Total recognised income and expense	-	-	378.1	2.7	1.8	382.6
Recycling of exchange differences on disposal of business	-	-	-	10.1	-	10.1
Net investment in own shares	-	-	(3.2)	-	-	(3.2)
Share based employee remuneration	-	-	(2.4)	-	-	(2.4)
At 1 January 2012	0.3	26.5	(502.6)	(4.9)	4.8	(475.9)
Total recognised income and expense	-	-	(141.3)	(5.9)	0.8	(146.4)
Net investment in own shares	-	-	1.9	-	-	1.9
Acquisition of non controlling interest	-	-	(2.6)	-	(1.1)	(3.7)
Share based employee remuneration	-	-	-	-	-	-
At 31 December 2012	0.3	26.5	(644.6)	(10.8)	4.5	(624.1)

27. Reserves (continued)

Retained earnings includes the following reserves:

£m	Cash flow hedge reserve	Available for sale financial assets	Defined benefit pension reserve
At 1 January 2011	(3.1)	0.7	(2.0)
Current year gain	7.0	0.3	-
Reclassification to profit and loss	(1.4)	-	-
Actuarial movement on pension scheme	-	-	(0.8)
Deferred tax	(2.4)	(0.1)	0.2
Exchange adjustments	(0.1)	0.1	-
At 1 January 2012	-	1.0	(2.6)
Current year gain	-	0.3	-
Reclassification to profit and loss	-	-	-
Actuarial movement on pension scheme	-	-	(6.3)
Deferred tax	-	(0.1)	1.6
Exchange adjustments	-	0.1	-
At 31 December 2012	-	1.3	(7.3)

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.

At the end of the year 2,116,260 (2011: 2,109,260) B ordinary shares, 552,750 (2011: 542,250) C ordinary shares, 2,571,249 (2011: 2,564,949) D ordinary shares and 35,110 (2011: 44,560) M ordinary shares were held by Travelex Employee Share Trusts at a cost of £1.6m (2011: £1.6m), £nil (2011: £nil), £0.3m (2011: £0.3m) and £2.9m (2011: £3.7m) respectively. This is held within retained earnings. Members of the Group's senior management team may be invited to subscribe for the unallocated shares.

28. Obligations under non-cancellable operating leases

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

£m	**2012 Land and buildings**	**2012 Other**	**2012 Total**	2011 Land and buildings	2011 Other	2011 Total
Due within one year	**122.8**	**0.4**	**123.2**	129.7	0.3	130.0
Due between one and five years	**285.5**	**0.5**	**286.0**	307.2	0.4	307.6
Due after five years	**48.9**	**-**	**48.9**	78.2	0.1	78.3
	457.2	**0.9**	**458.1**	515.1	0.8	515.9

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.

29. Related party transactions

Key management compensation

£m	2012	2011
Short term employee benefits	**1.8**	7.6
Share based employee remuneration	**1.9**	2.1
Post employment benefits	**0.2**	0.2
Total	**3.9**	9.9

Key management in the table above are the members of the Group's Executive Committee and exclude Directors of the Company whose emoluments are disclosed in Note 5.

Transactions with entities with significant influence over Travelex Holdings Limited

During the year the Group paid fees amounting to £50,000 (2011: £50,000) to Apax Europe VI (Apax Partners) for the services of J Ruane and M Phillips.

During the year the Group was charged £107,184 by Sanctuary Aviation LLP, £15,435 by Sanctuary Maritime LLP and £3,500 by Monitor Quest Limited for services provided to the group. £113,500 was charged by Esselco LLP in 2011 for services provided to the group. L M Dorfman owns all of the above companies with the exception of Monitor Quest Limited where he is a Director. £270,400 (2011: £274,250) was paid to the Royal National Theatre of which L M Dorfman is a Trustee.

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	2012	2011
Balance outstanding		
Funds advised and managed by Apax Partners	**457.1**	415.4
L M Dorfman	**323.1**	293.7
Other key management	**3.7**	3.3
	783.9	712.4
Interest charged		
Funds advised and managed by Apax Partners	**41.7**	37.8
L M Dorfman	**29.5**	26.7
Other key management	**0.3**	0.3
	71.5	64.8

29. Related party transactions (continued)

Transactions with joint ventures

Trading balances of £8.0m (2011: £5.0m) are owed to Travelex Currency Services Limited by the Group at the year end. Management fees of £3.0m (2011: £2.3m) have been charged to the Group in the year.

Trading balances of £0.5m, £1.5m, £0.5m and £0.5m are owed to the Group by Travelex Emirates LLC, FX Africa Foreign Exchange Pty Limited, Travelex Malaysia Sdn BHD Limited and Travelex Qatar Q.S.C. respectively (2011: £0.9m, £1.7m, £0.2m and £nil).

The Group has a loan receivable of £1.5m (2011: £1.7m) from FX Africa Foreign Exchange (Pty) Limited, repayable at the discretion of the FX Africa board and bearing no interest. This loan is also repayable if there is an imbalance between amounts owed to shareholders in excess of ZAR 5,000,000 with interest payable at 2% on the outstanding value of the loan.

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 2012, the balances held by J P Jackson, Lord Stevens, P A Hodkinson and M D Ball were £175,300, £2,500, £2,500 and £764,500 respectively (2011: £100,300, £2,500, £2,500 and £nil respectively). The total amount of the loans to other key management was £110,250 (2011: £283,710).

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.

30. Contingent liabilities

A bank letter of credit for £50.0m (2011: £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 encashed have been derecognised in these financial statements from the balance of travellers' cheques awaiting redemption amounting to £143.2 (2011: £148.1m).

As at the balance sheet date a total of £28.2m (2011: £22.6m) of bank guarantees (including performance guarantees) have been issued on behalf of the Group. In addition £29.8m (2011: £36.0m) of surety guarantees have been issued to certain states in the US on behalf of the Group.

Contingent liabilities in relation to the acquisition of Grupo Confidence in Brazil are disclosed in Note 21.

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.

31. Post balance sheet events

Presidential approval for the acquisition of Grupo Confidence was granted on 14 March 2013. Brazilian Central Bank (BACEN) approval had been granted in late 2012. We are still awaiting formal notification from BACEN that both the Presidential and BACEN approvals have been granted. On receipt of formal notification, the Group is required to complete the acquisition of the initial 49% shareholding within 15 business days.

Travelex Holdings Limited
Consolidated financial statements
Notes to the financial statements
for the year ended 31 December 2012

32. 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	Principal activity	Country of incorporation
Travelex Limited	Sale of foreign currency banknotes and other foreign exchange products	Australia
TP Financing 1 Limited	Intermediate holding company and provision of finance to the Group	Jersey
TP Financing 2 Limited	Intermediate holding company and provision of finance to the Group	Jersey
TP Financing 4 Limited	Intermediate holding company and provision of finance to the Group	Jersey
Travelex Do Brasil Holding Societaria Ltda	Intermediate holding company	Brazil
Travelex Canada Limited	Sale of foreign currency banknotes and other foreign exchange products	Canada
Travelex UK Limited	Sale of foreign currency banknotes and other foreign exchange products	England and Wales
Travelex Agency Services Limited	Sale and purchase of travel money through partner-owned stores	England and Wales
Travelex Banknotes Limited	Provision of banknotes and related distribution services	England and Wales
Interpayment Services Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	England and Wales
Travelex Global and Financial Services Limited	Processing of encashed travellers' cheques	England and Wales
Travelex Currency Services Limited (80% owned)	Provision of foreign currency and ancillary services to financial institutions and travel agents	England and Wales
Travelex Central Services Limited	Provision of central services to subsidiary companies	England and Wales
Travelex Limited	Intermediate holding company and provision of central services	England and Wales
Banque Travelex SA	Sale of foreign currency banknotes and other foreign exchange products	France
Travelex Currency Exchange Limited	Sale of foreign currency banknotes and other foreign exchange products	Hong Kong
GWK Travelex NV	Sale of foreign currency banknotes and other foreign exchange products	The Netherlands
Travelex Japan KK	Sale of foreign currency banknotes and other foreign exchange products	Japan
Travelex Currency Services Inc	Sale of foreign currency banknotes and other foreign exchange products	USA
Travelex Inc	Sale of foreign currency banknotes and other foreign exchange products	USA
Travelex Insurance Services Inc	Sale of travel insurance	USA

33. Companies Act 2006 disclosure

The Group operates a single group of related products and services which the Directors consider to be the same class of business. Group wide geographical analysis of income as internally reported is based on the region in which a transaction is initiated. If this analysis was performed based on the geographical destination of the transaction as required by the Companies Act 2006, income as internally reported in the Middle East, India and Africa would increase by £22.6m (2011: £24.6m) with a corresponding decrease in UK and Europe.

£m	2012	2011	Growth
Income			
UK and Europe	**306.0**	299.2	2%
Americas	**110.6**	95.2	16%
Middle East, India and Africa	**28.1**	16.9	66%
Asia Pacific	**173.7**	160.6	8%
Other	**4.4**	3.1	42%
Core operations	**622.8**	575.0	8%
Non core operations	**7.6**	8.1	(6%)
Total ongoing operations	**630.4**	583.1	8%

Reconciliation of statutory reported income to ongoing operations:

£m	2012	2011
Statutory reported results – continuing operations	**570.9**	554.8
Disposed business included within continuing operations:		
Asia Travel	**(0.9)**	(3.6)
Card Program Management	**-**	(14.1)
Disposal adjustments:		
Card Program Management	**-**	(0.8)
Global Business Payments	**-**	(0.3)
Joint venture adjustment	**60.4**	47.1
Total ongoing operations	**630.4**	583.1

The joint venture adjustment is the deconsolidation of certain investments, principally 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.

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

£m	2012	2011
UK and Europe	**203.6**	208.5
Americas	**54.5**	51.1
Middle East, India and Africa	**1.1**	0.6
Asia Pacific	**56.1**	54.5
	315.3	314.7

Travelex Holdings Limited
Independent Auditors' report
To the members of Travelex Holdings Limited
for the year ended 31 December 2012

We have audited the parent company financial statements of Travelex Holdings Limited for the year ended 31 December 2012 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation 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, the directors are responsible for the preparation of the parent company 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 parent company 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 parent 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. In addition, we read all the financial and non-financial information in the Report and consolidated financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 parent company financial statements are prepared is consistent with the parent company financial statements.

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.

Travelex Holdings Limited
Independent Auditors' report
To the members of Travelex Holdings Limited
for the year ended 31 December 2012

Other matter
We have reported separately on the group financial statements of Travelex Holdings Limited for the year ended 31 December 2012.

Darren Meek

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2013

Travelex Holdings Limited
Company financial statements
Balance Sheet
as at 31 December 2012

£m	Note	2012	2011
Current assets	4	**5.8**	5.4
Cash and cash equivalents		**2.0**	0.4
Creditors - amounts falling due within one year	5	**(36.3)**	(30.2)
Net current liabilities		**(28.5)**	(24.4)
Creditors - amounts falling due after more than one year	6	**(151.7)**	(133.4)
Net liabilities		**(180.2)**	(157.8)
Capital and reserves			
Share capital	7	**0.3**	0.3
Share premium account	8	**26.5**	26.5
Profit and loss reserve	8	**(207.0)**	(184.6)
Total equity shareholders deficit		**(180.2)**	(157.8)

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 19 March 2013 and were signed on its behalf by:

J P Jackson
Director

M D Ball
Director

Notes to the Company financial statements

for the year ended 31 December 2012

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.

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

Cash settled share based payments to employees and others providing similar services are remeasured at the fair value at each reporting date. The fair value excludes the effect of non market based vesting conditions. Details regarding the determination of the fair value of cash settled share based transactions are set out in Note 5 of the Group's consolidated financial statements.

Where the service related to the award is provided within the Company, the fair value determined at the reporting date is expensed on a straight line basis over the vesting period, with a corresponding liability on the balance sheet. 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 liability on the balance sheet.

Unallocated or repurchased shares held by the employee share trust are included within retained earnings. The results and balance sheet of the employee share trust are included in the Company financial statements by aggregation.

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 £23.2m in the year (2011: £23.8m).

Notes to the Company financial statements
for the year ended 31 December 2012

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 (2011: £85.4m) and a net book value of £nil (2011: £nil).

During the year, the Company made investments in various subsidiaries of £2.1m which have been fully impaired.

The principal subsidiaries of the Company, which are all subsidiaries of TP 0 Financing Limited, are set out in Note 32 of the Group's consolidated financial statements.

4. Current assets

£m	2012	2011
Group relief receivable	**1.5**	1.4
Amounts due from subsidiary undertakings	**0.4**	0.7
Other debtors	**3.9**	3.3
	5.8	5.4

5. Creditors – amounts falling due within one year

£m	2012	2011
Amounts due to subsidiary undertakings	**36.3**	30.2
Other creditors	**-**	-
	36.3	30.2

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

£m	2012	2011
Share based payments	**15.3**	9.4
Preference shares classified as liabilities	**136.4**	124.0
	151.7	133.4

Creditors falling due after more than one year include preference shares classified as liabilities of £136.4m (2011: £124.0m) based upon the expected maturity of more than five years. Included within the balance is £75.1m (2011: £62.7m) relating to unpaid finance costs on preference shares which will be settled in more than one year.

Preference share capital

	2012 Number	2012 £m	2011 Number	2011 £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.

7. Share capital

The share capital of the Company is as follows:

	2012		2011	
	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	**383,740**	**-**	390,740	-
C Ordinary shares of 1p each	**265,176**	**-**	275,676	-
D Ordinary shares of 1p each	**400,500**	**-**	406,800	-
M Ordinary shares of 1p each	**64,900**	**-**	55,440	-
Deferred Ordinary shares of 1p each	**5,275,359**	**0.1**	5,261,019	0.1
	28,889,675	**0.3**	28,889,675	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. The M ordinary Shares do not carry any voting or dividend rights but allow shareholders to receive in total 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.

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 2012	(184.6)	26.5
Loss for the year	(23.2)	-
Net investment in own shares	0.8	-
At 31 December 2012	(207.0)	26.5

8. Reserves (continued)

At the end of the year 2,116,260 (2011: 2,109,260) B ordinary shares, 552,750 (2011: 542,250) C ordinary shares, 2,571,249 (2011: 2,564,949) D ordinary shares and 35,110 (2011: 44,560) M ordinary shares were held by Travelex Employee Share Trusts at a cost of £1.6m (2011: £1.6m), £nil (2011: £nil), £0.3m (2011: £0.3m) and £2.9m (2011: £3.7m) respectively. This is held 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 29 of the Group's consolidated financial statements.