

Registered number 5356574

**Travelex Holdings Limited**

Report and consolidated financial statements  
for the year ended 31 December 2015

# **Travelex Holdings Limited**

## **Directors and advisers**

### **Directors**

L M Dorfman CBE (resigned 29 January 2015)  
J P Jackson (resigned 26 February 2015)  
Lord Stevens (resigned 1 May 2015)  
P A Hodgkinson (resigned 29 January 2015)  
S Grabiner (resigned 29 January 2015)  
G C Laws  
H Chagani (resigned 29 January 2015)  
M R Phillips (resigned 29 January 2015)  
M D Ball  
K B O Y Al-Muhairi (appointed 26 February 2015)  
B R Shetty (appointed 26 February 2015)  
H Buttikhi (appointed 26 February 2015)  
B R Shetty (appointed 26 February 2015)  
A S S Basaddiq (appointed 26 February 2015)  
J Bomford (appointed 26 February 2015)  
K A A S Salama (appointed 26 February 2015)  
A Wagerman (appointed 26 February 2015)  
J E S Birch (appointed 26 February 2015)

### **Company Secretary**

S M Pignet

### **Independent auditors**

Ernst & Young LLP  
25 Churchill Place, Canary Wharf,  
London  
E14 5EY

### **Solicitors**

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

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London  
EC4Y 1HS

### **Registered number**

5356574

# **Travelex Holdings Limited**

## **Strategic report**

for the year ended 31 December 2015

The Directors present their strategic report for Travelex Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2015. 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 and overview**

Travelex is a market leading independent retail foreign exchange business. Over the past 39 years, it has built a market leading retail network of specialist foreign exchange stores and has developed the Group as a trusted and widely recognised brand in foreign exchange. The Group's mission is to help its customers spend and send money around the world.

The Group's business operates across the entire value chain of the retail foreign exchange industry and its retail operations span 29 countries. As at 31 December 2015, it operated stores in 11 of the world's top 20 international airports by international passenger numbers and in major transport hubs, premium shopping malls, high street locations, supermarkets and city centres. The Group has developed a growing network of over 1,450 ATMs at both on-airport and off-airport locations around the world, and it has built a growing online and mobile foreign exchange platform. The Group also processes and delivers foreign currency orders for major UK banks and, increasingly, international commercial banks, as well as for travel agencies, UK supermarkets, hotels and casinos. In addition, the Group sources and distributes large quantities of foreign currency banknotes for customers including central banks and international financial institutions. The Group is also active in remittances, payments and in the travel insurance brokerage business in the United States.

The Group's strategy is to grow its business primarily by capitalising on the strength of its brand and its extensive distribution network. The Group aims to continue building deep customer relationships and providing a seamless experience across channels, delivering more innovative products, including developing a payments proposition, increasing its footprint in the markets in which Travelex is present; and enhancing the efficiency of its operating model. The Group also seeks to maintain the highest standards of compliance as a strategic priority, thereby reinforcing the trust its customers, partners, wholesalers and regulators place in its global brand.

On 29 January 2015, the Apax Funds and Mr. Lloyd Dorfman, the Group's founder and president, sold their interests in the Group to UTX Holdings Limited, a company incorporated in Jersey and which is ultimately controlled by Dr. B.R. Shetty. The new shareholders control a portfolio of companies, including UAE Exchange, a global remittance business based in Abu Dhabi. In connection with the sale of the Group, an immediate holding company, Travelex France Holdings Limited sold Banque Travelex SA and its 100% owned subsidiary Travelex Paris SAS to UAE Exchange UK Limited, of which Dr. B.R. Shetty is also a shareholder, for €26.0m (£19.3m).

While management believes opportunities for both businesses to work more closely together and to benefit from each other will arise, the Group continues to operate independently. The Group is currently in the process of evaluating strategic opportunities for growth in its global payments and remittance offering by leveraging UAE Exchange's technology platforms and best practices, and quicker expansion into the Middle East and India.

Following completion of the acquisition, Anthony Wagerman, previously the Group's Deputy Chief Executive Officer, was appointed Chief Executive Officer, succeeding Peter Jackson. There were also several changes to the directors of Travelex Holdings Limited as summarised on page 1.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

#### **Key strengths**

##### **Leading independent brand in foreign exchange underpinning category leadership**

The Group's focus on maintaining the trust and credibility which customers, partners, wholesalers and regulators place in the Travelex brand is a core principle of the Group's strategy. The Travelex brand creates additional opportunities in the market, acts as a competitive advantage in tender processes for its retail business, creates credibility in the white label service offered to partners and affords the Group credibility when negotiating with central banks and regulators. The Group continues to operate under the Travelex brand following the acquisition by UTX Holdings Limited.

##### **Extensive product breadth across the foreign exchange value chain together with a track record of innovation**

The Group is active across the entire value chain of the retail foreign exchange industry, and its retail operations span 29 countries (including Brazil). The Group's activities include the operation of retail foreign exchange stores, ATMs, and online and mobile platforms for its retail customers; the preparation, processing and delivery of foreign currency orders for its outsourcing customers; and the sourcing and distribution of large quantities of foreign exchange banknotes for customers, including central banks and international financial institutions. The Group believes that its presence across the entire value chain supports its ability to seek business opportunities and provide bespoke product and service solutions to customers.

The Group is investing in a series of initiatives around certain product areas through building its in-house digital capabilities. These initiatives will include developing an international payments platform, new mobile services and apps, digital card products and building research and development capability. In addition, the Group has a proven track record of providing innovative solutions to its customers, such as DCC solutions for ATMs, as well as its bank-to-bank online consumer payment service that the Group carries out through Travelex International Payments, in partnership with OzForex. In addition, the Group recently successfully piloted "Supercard" in the United Kingdom, a new product which enables customers to avoid bank charges while transacting abroad by linking the Supercard to the customers' existing debit or credit cards via a mobile phone app.

The Group is able to provide depth across the foreign currency value chain due to its network of hub vaults and satellite vaults, which enables it to source and distribute foreign currencies around the world more efficiently. This global interconnected network of vaults provides the flexibility to source currency locally or from abroad and enables the Group to efficiently re-circulate currencies from lower margin wholesale locations at higher retail margin locations. The Group's international network of vaults allows for a highly differentiated level of vertical integration when it sources and distributes large quantities of foreign currency banknotes for customers, including central banks and international financial institutions, and processes and delivers foreign exchange orders for major commercial banks, travel agencies, hotels and casinos. This vertical integration, and the breadth of the Group's worldwide operations, provides the Retail business with a low cost source of banknotes in both major and exotic currencies.

The Group has continued to invest in its world-leading foreign exchange processing capabilities, including the "Taxidia" system for automated sorting, bundling and packaging of currency and other items. The Group has also invested in ensuring a high level of IT and business process integration with its customers which, coupled with its ability to offer a variety of foreign exchange products across multiple channels, helps to support customer retention.

##### **Strong, cultural compliance and risk management structure, underpinning strong and deep regulatory, wholesale and partner relationships**

Compliance and risk management are at the heart of the Group's business and underpin its success. The Group seeks to maintain the highest standards of compliance as a strategic priority, thereby reinforcing the trust its customers, partners, wholesalers and regulators place in its global brand. The Group takes the trust it has earned very seriously and will continue to invest to maintain its compliance capabilities.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

This strength in compliance represents a key competitive advantage both for the Group's Retail business, when it tenders for concessions and leases at on-airport and off-airport locations, as well as for Travelex's Wholesale and Outsourcing business. It also enhances the trust and credibility in negotiations with central banks, regulators, sovereign authorities and partners when the Group seeks to enter new countries, expand existing products and services or attract new partners.

#### **Globally diversified geographic footprint**

As at 31 December 2015, the Group operated over 1,450 stores in 29 countries. Its largest markets include the United Kingdom, Australasia, Japan, the United States, Turkey and the Netherlands. As at 31 December 2015, the Group operated 539 stores in 130 airports worldwide. The Group operates in the top five airports by annual international passenger numbers (London Heathrow Airport (LHR), Dubai Airport, Hong Kong Airport, Paris Charles de Gaulle Airport and Amsterdam Schiphol), and 11 of the world's top 20 international airports by annual international passenger numbers. The Group is growing its presence in major international hub airports such as Dubai. Furthermore, as at 31 December 2015, the Group also operated stores in major transport hubs, premium shopping malls, high street locations, supermarkets and city centres across the world, which the Group refers to as "off-airport" locations. Additionally, the Group has over 500 implant stores with major supermarket and travel agent partners.

The Group has developed a growing network of over 1,450 ATMs at both on-airport and off-airport locations around the world and it has built a growing online and mobile foreign exchange platform. The Group also processes and delivers foreign currency orders for major UK banks and, increasingly, international commercial banks, as well as for travel agencies, hotels and casinos. In addition, the Group sources and distribute large quantities of foreign currency banknotes for customers including central banks and international financial institutions. The Group is also active in remittances, payments and a travel insurance brokerage business in the United States.

#### **Positioned to capitalise on the market opportunity within an attractive environment of structural market growth**

Secular growth in international travel, particularly in emerging markets, as well as globalisation, has driven a corresponding increase in volumes in the retail foreign exchange market. As the number of international trips has increased over the last twenty years and is forecast to continue to grow (source: UNWTO), such growth should have a positive impact on foreign currency spend and international payments.

As consumer options for foreign exchange increase, from purchases at physical stores to ATMs or making payment by credit card, debit and prepaid cards or via the internet or mobile phones, the Group's ability to handle customer requests in each channel positions it well to benefit from any corresponding growth in such channels.

#### **Attractive growth strategy building on scale advantage and management track record of delivery**

The Group's management team has a successful track record of delivering attractive growth and portfolio optimisation, including the Group's recent agreement to dispose of its DCC business, the recent strategic acquisitions of the remaining 51% share of Grupo Confidenc in Brazil and Arti Döviz Group in Turkey, entry into new markets such as Qatar, Malaysia, and Panama, and implementation of ongoing cost saving and optimisation measures within the Group, such as the Systems Development & Shared Services Migration programme.

#### **Strategy**

The Group's strategy is to grow its business by capitalising on its brand. The Group aims to (i) continue building deep customer relationships and providing a seamless experience across channels, (ii) deliver innovative products, services and channels, (iii) increase the footprint in the markets in which it is present; and (iv) maintain the efficiency of its operating model.

The four core strategic priorities are:

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

#### **i. Continue building deep customer relationships**

The Group's vision over the next five years is to rapidly grow a large base of consumer and corporate customers who use Travelex to send and spend money. The Group believes that Travelex offers customers the best products, the greatest convenience and the best experience across all channels.

The Group aims to deliver a seamless customer experience and personalised service across all channels, based on a "single customer view" by investing in the Group's customer database and communication tools. The Group aims to build deeper relationships with Outsourcing partners by offering white label currency solutions for their foreign exchange needs.

The Group believes that deep customer knowledge will drive growth by delivering more relevant products and services taking advantage of cross-selling opportunities and increasing customer retention and therefore lifetime value. One integrated Product and Marketing team has been created under the leadership of Sean Cornwell (Chief Digital Officer) to help achieve the Group's customer-centric vision.

#### **ii. Deliver innovative products, services and channels**

The Group has a proven track record of bringing new and innovative products to market, such as the multi-currency prepaid cards in the United Kingdom, Australia, New Zealand, Japan and the United States. Travelex International Payments, an online and mobile bank to bank consumer International Money Transfer service, was successfully trialled and launched in the United Kingdom, the United States, Canada, Australia and New Zealand. The Group aims to continue developing a pipeline of new products and services for customers and Outsourcing partners. The Group has significantly stepped up its investment to strengthen its digital capabilities, to capitalise on growth opportunities and to ensure continual delivery of the most innovative and leading currency services for its customers whilst adapting to the changing payments landscape.

In addition to the "Supercard" and the "Travelex Money App" (both launched in 2015), the Group is in the process of creating an International Money Transfer platform which can be offered through Travelex branded channels as well as by partners. Travelex has a track record of success in the payments market, having previously operated one of the largest non-bank providers of corporate cross-border payments.

The Group is also building a global ATM hub which it believes will provide processing capability and market-leading functionality and connectivity with payment schemes for the Group's owned ATMs, delivering higher revenues per transaction than other operators can offer.

#### **iii. Depth in key markets: increase the Group's footprint in the markets in which it is present**

The Group seeks to maximise its market share in its key markets by leveraging the full range of distribution channels and business models. Key markets include Australia, the Netherlands, the United Kingdom and the United States as well as other markets including China, Germany and France. For example, in the United Kingdom, Travelex has a significant number of airport locations, offers outsourcing solutions to four major banks and also has a comprehensive online platform proposition, which can be individually tailored for each of its partners. Similarly, in the Netherlands, the Group has a strong airport presence with a strong share of outbound planned market foreign exchange through its downtown retail proposition and outsourcing relationships with the major banks, together with a growing online business.

There are a number of opportunities for Travelex to expand its distribution including: (i) expanding participation in airports; (ii) expanding its existing ATM network; (iii) replicating the UK supermarkets model in other markets; (iv) extending online and mobile reach to drive penetration in the outbound planned market to access higher average transaction values ("ATVs") that are typical of this channel, and offering white label websites for outsourcing and retail partners; and (v) expanding the existing Wholesale and Outsourcing business by driving share in the outbound planned market through replication of the outsourcing model and, leveraging its existing vaults and logistics infrastructure further.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

Historically, the Group has employed a number of expansion strategies to enter new markets, including by acquisition, organic development and joint venture arrangements. For example, Travelex has joint venture operations in Panama, Qatar and Malaysia. On 2 February 2015, the Group acquired the remaining 51% interest in Grupo Confidence, the leading independent foreign exchange business in Brazil, having acquired a 49% stake in April 2013. In May 2014, the Group acquired a 75% stake in Arti Döviz (now Travelex Döviz), a leading foreign exchange business in Turkey. Travelex Döviz operates 12 stores, four more than at the acquisition date and offers foreign exchange services in three leading international airports across Turkey: Istanbul Ataturk, Ankara Esenboga and Izmir Adnan Menderes. In both these markets, the Group will focus on consolidating its market share, by expanding distribution and business models offered, and developing interactive payment propositions in line with its strategy for existing markets.

#### **iv. Maintain the efficiency of the Group's operating model**

The Group continues to leverage its scale to optimise efficiencies in the business. The Group has implemented a global structure, with business units supported by functions on a global basis, and continues to enhance and improve its operating model. The Group has a global supply chain, and is currently testing automated vault technology aimed at reducing vault costs and error rates, whilst upgrading the IT infrastructure globally. Support functions are leveraging the growing Shared Service Centre in Mumbai, which currently provides Finance, IT, Compliance and Human Resources services, and which employs over 400 people as at 31 December 2015.

The Group intends to continually improve operational efficiency by reviewing its organisational design, looking for further process improvements and for process automation. The Group will also invest in upgrading and developing platforms for Outsourcing and SME customers, as well as key systems to support new digital products, its customer database, compliance and further improve its data analytics capability.

The Group looks for continuous improvement across the business to drive economies of scale. The Group has several globally organised programs within the business. For example, the Retail business runs a Global Channel and Sales Effectiveness ("GCSE") program, which leverages best practice sales techniques across all stores, and "Retex", a global initiative to optimise store rostering. The contract strategy, data analytics and commercial propositions are centrally managed to ensure Travelex takes advantage of its global knowledge and experience.

#### **Significant recent trends affecting the Group and the industry and key factors affecting current operations**

International travel is a key driver of demand for retail foreign exchange. The number of international trips has grown steadily in the last 20 years, only dipping twice in 2003-2004 (at the time when the severe acute respiratory syndrome ("SARS") epidemic started in Southern China) and in 2009-2010 (at the onset of the financial downturn). Such growth, which is forecast to continue, constitutes a powerful favourable driver for the retail foreign exchange and international payments markets.

Demand for retail foreign exchange is also changing in its fundamental nature. Business and leisure travellers today can purchase foreign currency at physical stores but can also use self-serve methods such as ATMs or choose to make foreign payments by using credit, debit and prepaid cards as well as the internet or their mobile phones (including e-wallets). Additionally, as more people live outside their country of origin and engage in overseas transactions there is a greater demand for retail foreign exchange and international money transfer.

#### **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 measured across the five main business segments as follows:

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

- Like for like retail revenue growth
- Core Group Revenue growth
- Core Group Revenue (adjusted for overheads revenue, joint venture revenue, travellers' cheques revenue and including the French operations)
- EBITDA growth
- Core Group EBITDA (adjusted for joint venture EBITDA, travellers' cheques EBITDA, long term incentive plans and including the French operations)
- Usable Cash and Usable Cash inflow from operating activities

Each business segment has a management team responsible for the operation of the business segment and they use a number of financial and non-financial KPIs in order to manage and develop the business to achieve the Group's strategic objectives. These are discussed below in the operating reviews of each business.

Core Group Revenue and Core Group EBITDA are financial performance indicators that management uses internally to assess performance. They are presented here to provide a greater understanding of the underlying business performance of the Group's operations.

The primary adjustments to Core Group Revenue and Core Group EBITDA to arrive at statutory reported results are the removal of the results of certain joint ventures and of the French business. Joint venture arrangements are a common requirement in many of the jurisdictions within which the Group operates, however under IFRS the majority of these arrangements are required to be equity accounted. Following the sale of Banque Travelex SA and its 100% owned subsidiary Travelex Paris SAS to UAE Exchange UK Limited on 29 January 2015, the Group's core statutory revenue and EBITDA exclude amounts attributable to the shareholders of the Group for equity accounted joint venture arrangements and the French business. Core Group Revenue and Core Group EBITDA includes both 100% of the respective results of these joint ventures as well as 100% of the operations in France, as this is the information used by management to assess business performance.

The charge for share based payments is excluded from Core Group EBITDA as it is a non-cash charge and only crystallised on the sale of the Group to UTX Holdings Limited on 29 January 2015.

The Core Group's results for the year exclude the Travellers' Cheques business, which ceased issuing travellers' cheques in 2008, as well as revenue reported within the Central and Shared segment.

Other adjustments include items that, individually, or in aggregate, are of a nature or size to require exclusion in order to provide additional insight into underlying business performance.

All other measurement policies used in preparing these core results are consistent with those used in preparing the statutory financial statements. The adjustments include the removal of disposals which are included in continuing operations for statutory reporting purposes.

### **Acquisitions and disposals**

On 29 January 2015, in connection with the sale of Travelex Holdings Limited to UTX Holdings Limited, Travelex France Holdings Limited sold Banque Travelex SA and its 100% owned subsidiary Travelex Paris SAS to UAE Exchange UK Limited, of which Dr. B.R. Shetty is also a shareholder, for €26.0m (£19.3m). The Group continues to provide management services and therefore operate these businesses under the Travelex brand. The Group no longer consolidates the results of the French businesses, but instead earns a fee for the management of these entities and therefore all ATMs and stores in France are included within the Group's reported network. The revenue and EBITDA of the French operations are also reported in Core Group Revenue and Core Group EBITDA (which do not include the management fee received by the Group for the management of the French operations).

## Travelex Holdings Limited

### Strategic report

for the year ended 31 December 2015

On 2 February 2015, the Group purchased the remaining 51% of Grupo Confidence, a group incorporated in Brazil. The Group originally acquired 49% of Grupo Confidence on 11 April 2013, following approval by the Central Bank of Brazil (Banco Central do Brasil) and the President of Brazil. The Group was contractually obliged to purchase the remaining 51% by 14 November 2014 or when final regulatory approval was received, if later. The consideration for the remaining 51% of the group was £55.3m; comprising a cash payment of £47.4m to settle the redemption liability and a prepayment release of £7.9m, representing the release of a prepaid cash amount.

On 4 December 2015, BRS Ventures LLC acquired 100% of Renova Serviços Auxiliares em Operações Internacionais Ltda and the trade and assets of Renova S.A. Corretora de Câmbio ('Renova'). BRS Ventures LLC is incorporated in the United States and owned by the Group's ultimate controlling party, Dr B.R. Shetty. Renova operates 37 stores in six States across Brazil with a remittance and business to business foreign exchange offering which is complementary to the Group's existing operations in the country. On the same date, BRS Ventures LLC transferred Renova to the Group. The purchase consideration and working capital requirements were funded through subordinated loan notes, with a fair value of £2.1m, issued in favour of Dr B.R. Shetty.

On 25 February 2016, the Group entered into a binding agreement to dispose of its 100% shareholding in Travelex Outsourcing Pty Ltd, its DCC business (Currency Select) to Global Blue SA, for gross proceeds of AUD65.0m (c.£34.8m). The Group expects the transaction to complete on 1 April 2016.

### Operating review

Core Group Revenue and Core Group EBITDA from the five main business segments are summarised in the following table. A reconciliation to statutory reported results is also shown.

£m	2015	2014	Growth
<b>Core Group Revenue</b>			
Retail	522.8	496.5	5%
Wholesale & Outsourcing	116.0	108.5	7%
Payments & Technology	22.2	22.1	0%
Brazil	40.3	60.2	(33%)
Other Trade	32.7	34.2	(4%)
Total Core Group Revenue	734.0	721.5	2%
<b>Core Group EBITDA</b>			
Retail	73.4	64.0	15%
Wholesale & Outsourcing	52.1	48.9	7%
Payments & Technology	(3.4)	2.5	n/a
Brazil	5.2	14.3	(64%)
Other Trade	7.6	7.7	(1%)
	134.9	137.4	(2%)
Central & Shared costs	(51.7)	(51.5)	0%
Total Core Group EBITDA	83.2	85.9	(3%)

## Travelex Holdings Limited

### Strategic report

for the year ended 31 December 2015

Reconciliation of Core Group results to statutory reported results for the year:

£m	2015		2014	
	Revenue	EBITDA*	Revenue	EBITDA*
Total Core Group	734.0	83.2	721.5	85.9
Joint Venture adjustment	(42.2)	(9.1)	(33.9)	(5.2)
Disposal of French business	(40.9)	(3.1)	-	-
Travellers' Cheques business	2.7	(3.4)	2.1	1.7
Revenue within Central & Shared costs	2.1	-	3.6	-
Share based & long term incentive payments	-	(0.8)	-	(3.1)
Other adjustments	-	-	-	0.4
Statutory reported results- continuing operations	655.7	66.8	693.3	79.7

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

### Overview of trading results

Travelex has delivered a resilient performance despite the continued strengthening of Sterling during 2015 negatively impacting the translation of revenues and profits earned outside the UK and the impact of the increased digital investment. Before this digital investment, the Group showed an increase of 4% in Core Group EBITDA during the year ended 31 December 2015.

Core Group Revenue has increased by £12.5m, or 2% for the year ended 31 December 2015, despite the continued challenges in Brazil and softer trading in North America. Like-for-like Retail revenue growth was 5% overall with double digit like-for-like growth in the Middle East and UK Supermarkets. In addition the UK operations benefitted from the impact of becoming sole provider of Foreign Currency, ATM and DCC services at London Heathrow Airport and strong demand for Euros in the wholesale banknote business. There was also strong revenue growth from the cash processing business in Nigeria as well as the positive impact from new store openings.

Core Group EBITDA for the year ended 31 December 2015 decreased by £2.7m, or 3% to £83.2m compared to 2014. Weakening of the Brazilian Real has continued to severely impact outbound sales volumes in Brazil and this together with the high inflationary environment and relatively fixed cost base has resulted in a significant decline in EBITDA. In addition, EBITDA has been impacted by the anticipated new rental terms at London Heathrow Airport and the Group's planned investment in digital capabilities. Strong underlying performance in Retail, including in Turkey which was acquired in May 2014, and Wholesale & Outsourcing has reduced the impact of these factors on the Group's year to date performance.

### Statutory revenue

Statutory revenue decreased by £37.6m or 5%, primarily due to the sale of Banque Travelex and its subsidiary, Travelex Paris SAS, (together 'Banque Travelex') and weaker trading in the Brazil segment, offset by growth in Retail and Wholesale & Outsourcing.

### Cost of Sales

Statutory reported cost of sales decreased by £15.9m or 4% in 2015 primarily due to the sale of Banque Travelex. This decrease was partly offset by an increase in rent expense due to growth in the Retail store portfolio including London Heathrow, where the Group is now the sole provider of Foreign Currency, ATM and DCC services.

### Gross Profit

Statutory reported Gross Profit decreased by £21.7m or 8% largely due to the sale of Banque Travelex, weaker performance in the Brazil segment and the anticipated rental terms at Heathrow Airport.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

#### **Net Operating Expenses**

Underlying operating expenses decreased by £8.8m or 5% primarily due to the sale of Banque Travelex, partly offset by an increase in costs relating to significant ramp up in the investment in building in-house digital capabilities as part of the Group's strategy amounting to £6.0m during the year.

The results of the core operating segments are detailed below:

#### **Retail**

In the year to 31 December 2015, Retail Core Group Revenue increased by £26.3m, or 5% to £522.8m due to strong performances across all channels in Europe, Middle East and Turkey (which was acquired in May 2014), continued expansion of the UK Supermarket estate and the benefit of network expansion, in particular VAT refunds at London Heathrow Airport where the Group is now the sole provider of Foreign Currency, ATM and DCC services. In addition, continued expansion in ATMs resulted in revenue through this channel increasing by 19%. On a like-for-like basis Retail revenue growth was 5%, with many regions across the Group's global network delivering strong like-for-like retail growth compared to 2014. These factors more than compensated for the transfer of the Sainsbury's contract from the Retail segment into the Wholesale and Outsourcing segment, the softer trading in North America and the negative impact on trading following the Paris attacks in Q4. Excluding the impact of the Sainsbury's reclassification, online revenue has increased by 17% in the Retail segment.

Retail Core Group EBITDA increased by £9.4m, or 15% to £73.4m mainly due to revenue growth as described above and revenue enhancing initiatives in the UK and Japan, strong profitability in Turkey, continued focus on the cost base and increased utilisation of onerous contract provision of £2.1m, partially offset by the anticipated new rental terms at London Heathrow Airport and the Sainsbury's contract reclassification to Wholesale & Outsourcing.

Consistent with the Group's network expansion strategy, 137 new stores opened, including in London Heathrow Airport, in Detroit Metropolitan Wayne County Airport and in Boston Logan International Airport. The business in Turkey, which the Group acquired 75% of in May 2014, contributed £4.2m to Core Group Revenue growth and £3.1m to Core Group EBITDA growth in the year ended 31 December 2015.

#### **Wholesale & Outsourcing**

Wholesale & Outsourcing Core Group Revenue increased by £7.5m, or 7% to £116.0m. A large portion of this increase results from the transfer of the Sainsbury's contract from the Retail segment in 2015 as a result of new contract terms. Excluding the Sainsbury's contract reclassification, the underlying Core Group Revenue increase would have been 1%. Wholesale & Outsourcing Core Group EBITDA was up £3.2m, or 7% on 2014, despite an increased investment in business development resource. Excluding the Sainsbury's contract reclassification, the underlying Core Group EBITDA increase would have been 3%.

Wholesale Core Group Revenue increased by £1.3m, or 3% to £40.3m compared to 2014 with higher demand for Euro banknotes in the UK and strong performance of the cash processing business in Nigeria partially offsetting the lower demand for wholesale banknotes in Nigeria. Wholesale Core Group EBITDA margins remained strong.

Outsourcing Core Group Revenue increased by £6.2m, or 9% to £75.7m compared to 2014 largely owing to the Sainsbury's contract reclassification from Retail. Underlying Revenue and EBITDA growth was driven by strong performance in Malaysia and strong demand for Euro in the UK in the first half of 2015. Margins have remained resilient at 44%.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

#### **Payments & Technology**

Core Group Revenue was broadly in line with 2014 at £22.2m. Revenue performance has been primarily driven by the Currency Select business which provides dynamic currency conversion (DCC) solutions for ATMs, e-commerce and point of sale terminals to acquirers, merchants and business partners. Currency Select Core Group EBITDA increased by £0.1m, or 4% to £2.6m due to revenue growth, being driven by roll out of POS/eCommerce to new merchants in Australia, New Zealand and Belgium, higher acquiring volumes and lower overhead costs, partially offset by the increased cost in the acquiring business from higher scheme and acquirer processing fees.

On 25 February 2016, the Group entered into a binding agreement to dispose of its 100% shareholding in Travelex Outsourcing Pty Ltd, its Dynamic Currency Conversion ('DCC') business (Currency Select) to Global Blue SA, for gross proceeds of AUD65.0m (c.£34.8m). The Group expects the transaction to complete on 1 April 2016.

Overall Payments and Technology reported an EBITDA loss of £3.4m reflecting the £6.0m investment in digital capabilities. Most key members of the Products and Marketing team, who are responsible for delivering Travelex's digital strategy, are now in place and continue to build up the Group's in-house capabilities. This investment will help secure Travelex's long-term position and enable the development of new payments propositions in line with the Group's growth strategy. The overall increase in online and mobile revenue was 18%. In 2015 the Group launched the Supercard pilot programme, which provides a convenient way to reduce bankcard charges when abroad. Following the successful pilot, the Group plans to make the product widely available (in the UK) before the European summer.

The Travelex Money App was launched in July through an integrated marketing campaign across PR, direct marketing and social media. The app serves to help UK customers plan and purchase their foreign currency cash in advance of travel requirements.

The Group's International money transfer (payment) product is under development and is on track to launch in the UK in 2016.

#### **Brazil**

The Group's business in Brazil has been severely impacted by the weakening of the exchange rate relative to the US Dollar resulting from the worsening economic prognosis for the country. Core Group Revenue for the year ended 31 December 2015 decreased by £19.9m, or 33% to £40.3m compared to 2014. Core Group EBITDA decreased by £9.1m, or 64% to £5.2m.

Brazil Retail Core Group Revenue for the year ended 31 December 2015 decreased by £14.8m, or 36% to £26.5m. Weakening of the Real against all major currencies impacted outbound sales volumes and Retail Revenue throughout 2015. The average exchange rate to the USD for the year ended December 2015 was 3.39, which was 44% higher than 2014. This decline was partially offset by increased remittance volumes. Brazil Retail Core Group EBITDA decreased by £4.0m, or 69% to £1.8m as a result of the high inflationary pressures on the largely fixed cost base.

Through these challenging trading conditions, Brazil's management team continued to focus on optimising the retail estate and cost reduction, including closing 22 loss-making stores in 2015, product innovation and diversification through the development of an international payments proposition supported by a digital platform. Furthermore, the Group has benefitted from the successful integration of the Renova business, through synergy related cost savings particularly in staff and property costs. The management team will continue to monitor stores' profitability as part of the cost reduction review.

Brazil Non-retail Core Group Revenue decreased by £5.1m, or 27% to £13.8m. Brazil Non-retail Core Group EBITDA decreased by £5.1m, or 60% to £3.4m. The decrease in EBITDA on an underlying basis was a result of inflationary pressures on the cost base, in particular higher logistics costs.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

The Group completed the acquisition of Renova Servicos in Brazil on 4 December 2015. The transaction comprised the acquisition of Renova Servicos and the trade and assets from Renova Corretora from an associate of Dr Shetty, the Group's ultimate controlling shareholder. Renova operates 37 stores in six states across Brazil with a strong remittance and business to business foreign exchange offering which is complementary to the Group's existing operations in the country. The acquisition is expected to benefit the operations through increased diversification in the Brazilian market, knowledge sharing and synergies. The acquisition was funded through the issue of loan notes constituting subordinated shareholder funding in favour of Dr B. R. Shetty.

#### **Other Trade**

Other Trade principally includes Travelex Insurance Services Inc. (TIS), a travel insurance broking business in the United States. The decline in Core Group EBITDA is attributable to renegotiation of terms with underwriters at the end of 2014. Despite this renegotiation, EBITDA margin has improved due to lower operating costs. Underlying volumes remain resilient.

Recently the Group's insurance underwriter reviewed its 50 State Travel Insurance policy filings, and has confirmed that a policy fee can no longer be charged in respect of their insurance products. This change will result in a reduction in future profitability of the Insurance operations. Management will continue to target new business and higher margin products whilst tightly controlling the cost base to reduce the impact on profitability.

#### **Central & Shared costs**

Central & Shared Costs include finance, legal, compliance, human resources, business development, property, marketing and other functional costs as well as bonus costs for the Group.

The Group has completed its Systems Development programme and Shared Service Migration. During the year the Group has continued to move activities offshore to its shared service centre in Mumbai, and the centralisation and off-shoring continues to reduce costs for the Group. The impact of this on total Central & Shared Costs is offset to some extent by savings achieved from the transition of these functions from the underlying business segments.

#### **Finance Income and Costs**

The Group's underlying finance income, which excludes non-underlying adjustments, decreased by £4.0m or 47% to £4.6m in 2015 primarily due to lower foreign translation exchange gains as a result of the strengthening of sterling compared to 2014.

The Group's underlying finance costs decreased by £60.9m or 35% to £114.1m in 2015 primarily due to lower interest charges on shareholder borrowings as a result of the restructuring of the existing shareholder debt following the sale of the Group to UTX Holdings Limited on 29 January 2015.

#### **Share of profit in Equity Accounted Investments**

The Group's share of profit in equity accounted investments increased by £1.3m or 62% in 2015 primarily due to a strong trading performance in the Joint Ventures in UAE, Qatar and Malaysia.

#### **Loss for the year**

The Group reported a statutory loss for the year of £120.9m (2014: £145.1m).

## Travelex Holdings Limited

### Strategic report

for the year ended 31 December 2015

Given the Group's history as a private equity owned businesses, the original investment was largely structured in the form of debt instruments. As in previous years, the interest charged on these debt instruments is the key driver of the statutory loss in 2015, but this shareholder debt has no cash interest cost, is fully subordinated to senior debt and is long-dated. On 29 January 2015, the Group was sold to UTX Holdings Limited, a company incorporated in Jersey and ultimately controlled by Dr B.R. Shetty. On completion, part of the existing shareholder debt was waived and part was retained in favour of UTX Holdings Limited on the same terms.

£m	2015	2014
Operating profit before depreciation, amortisation and exceptional items	66.8	79.7
Depreciation	(14.1)	(14.5)
Amortisation of intangible assets	(11.2)	(9.9)
Share of profit in equity accounted investments	3.4	2.1
Net finance costs in respect of cash pay items	(27.3)	(25.9)
	17.6	31.5
Net finance costs in respect of non-cash pay items		
Borrowings from shareholders	(78.8)	(143.2)
Borrowings from non shareholders	(3.4)	2.7
Exceptional and non-underlying items for statutory purposes before tax	(48.0)	(22.7)
Tax on non-underlying items	2.7	0.4
Tax	(11.0)	(13.8)
Statutory loss after tax	(120.9)	(145.1)

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

#### Depreciation and amortisation

The Group charged £11.2m of amortisation of intangibles in the year (2014: £9.9m) as a result of additional capitalisation of developed intangibles in the year in connection with the Group's System Development Programme. The depreciation charge was £14.1m (2014: £14.5m).

#### Exceptional items and non-underlying adjustments

The Group has reported operating non-underlying adjustments of £48.0m (2014: £22.7m). The key items making up this balance are as follows:

Non-underlying costs of £34.1m were recognised relating to legal and professional fees and other costs incurred in connection with the sale of the Group (2014: £12.8m). Non-underlying costs of £16.4m were recognised due to certain legacy airport and office rental contracts being assessed as onerous, owing to a deterioration in expected profitability (2014: £0.3m).

In addition, £4.8m of exceptional income was recognised on the sale of Banque Travelex and £4.0m was recorded in respect of the change in classification of the Netherlands pension scheme in December 2015 from a defined benefit to defined contribution scheme.

Refer to Note 2 to the financial statements for further information on exceptional items.

#### Capital structure and net finance costs

Balance Sheet debt is divided between 'cash pay' debt, which is debt that requires cash interest payment, 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, 63% of the Group's debt is non cash pay, all of which is due to shareholders.

## Travelex Holdings Limited

### Strategic report

for the year ended 31 December 2015

On 29 January 2015, the Group was sold to UTX Holdings Limited, a company incorporated in Jersey and ultimately controlled by Dr B.R. Shetty. On completion, part of the existing shareholder debt was waived and part was retained in favour of UTX Holdings Limited on the same terms. (Refer to borrowings note 18).

On 4 December 2015, subordinated loan notes repayable in 2045, with a fair value of £2.1m, were issued in favour of Dr B.R.Shetty. This shareholder debt was issued to fund the acquisition of 100% of Renova Serviços Auxiliares em Operações Internacionais Ltda and the trade and assets of Renova S.A. Corretora de Câmbio ('Renova') as well as fund the working capital requirements of the business. (Refer to borrowings note 18).

	£m	% of total debt	Term	Annual Interest Rate
<b>Borrowings from non-shareholders</b>				
Bank loans and overdraft	30.4			
Senior secured notes – fixed rate	196.9		2018	8%
Senior secured notes – floating rate	148.7		2018	LIBOR + 6%
Total cash pay	<u>376.0</u>	37%		
<b>Borrowings from shareholders</b>				
Preference shares classified as borrowings	181.6		2020	10% cumulative payable on redemption
Loans and PIK notes and preference certificates	455.8		2021 to 2035	10% cumulative payable on redemption
Loan notes	2.2		2045	2% cumulative payable on redemption
Total non-cash pay	<u>639.6</u>	63%		
<b>Total Debt</b>	<b>1,015.6</b>			

If the borrowings from shareholders were excluded from the Group's liabilities or reclassified to equity, the Group would report £99.8m (2014: £178.8m) of net assets.

Interest charged on borrowings during the year to 31 December was as follows:

£m	2015	2014
<b>Interest on borrowings from non shareholders</b>		
Bank loans and overdraft	1.9	0.1
Senior secured notes	26.0	26.0
	<u>27.9</u>	<u>26.1</u>
<b>Interest on borrowings from shareholders</b>		
Preference shares classified as borrowings	16.5	15.0
Loan notes and preference certificates	64.5	128.2
	<u>81.0</u>	<u>143.2</u>
<b>Total interest charged on borrowings</b>	<b>108.9</b>	<b>169.3</b>

#### Tax

The tax charge for the continuing business before exceptional items was £11.0m (2014: £13.8m). This includes prior year tax adjustments of £0.2m (2014: £1.0m). Corporation tax paid was £5.8m (2014: £15.5m). For further details of the tax charge see Note 6.

**Travelex Holdings Limited**  
**Strategic report**  
for the year ended 31 December 2015

**Usable Cash and Usable Cash flow from Operations**

Usable Cash is the Group's estimate of the amount of net cash available to it for immediate use and excludes cash held in tills and vaults, banknotes prepayments, any cash or deposits held for the Travellers' Cheques business, customer cash including prepaid cards float deposit and a proportion of cash otherwise held in the business. Cash in business is cash held within the Core Group but not managed by the central treasury function. With the exception of Brazil where, until 2 February 2015, the Group did not have access to any of the cash in business, the Group estimates that two-thirds of this cash is not readily accessible to it. Balance movements in cash in business are largely reflected as equal and opposite cash balance movements in cash in tills and vaults. This is due to the purchase and sale of cash stock (i.e. cash in tills and vaults) being funded by cash in business.

Usable cash flow from operating activities consists of cash flow from operating activities excluding movements in items that are excluded from usable cash, excluding the cash impact of exceptional items and including dividends received from joint ventures net of cash paid on investment in joint ventures. Items excluded from usable cash are cash held in tills and vaults, banknotes prepayments, cash or deposits held for the travellers' cheques business, customer cash including prepaid card float deposits and a proportion of cash in business that management estimates is required for working capital requirements. This measure is used in assessing the underlying ability of the business to generate cash that is immediately usable by the Group.

The following table presents the calculation of Usable Cash:

<b>£m</b>	<b>2015</b>	2014
Cash and cash equivalents	<b>437.7</b>	505.3
Cash included in assets held for sale	-	9.7
Short term borrowings (excluding revolving credit facility)	<b>(0.4)</b>	(3.2)
Cash, cash equivalents and bank overdraft	<b>437.3</b>	511.8
Ring-fenced cash and term deposits	<b>(38.2)</b>	(39.9)
Prepaid card float	<b>(140.2)</b>	(146.6)
Banknotes prepayments	<b>(12.3)</b>	(20.9)
Cash in tills and vaults (including cash classified as held for sale)	<b>(188.2)</b>	(198.6)
Management estimate of regulatory cash	<b>(15.0)</b>	(15.0)
Cash in business	<b>(11.3)</b>	(24.5)
<b>Usable cash</b>	<b>32.1</b>	66.3

The following table presents reconciliation of Usable Cash inflow from operating activities from statutory cash generated from operating activities:

<b>£m</b>	<b>2015</b>	2014
Cash generated from operations	<b>2.7</b>	33.0
Dividends received from joint ventures net of cash paid on investments in joint ventures	<b>5.2</b>	(2.5)
Movement in cash held in tills and vaults	<b>(7.4)</b>	(19.9)
Movement in banknote prepayments	<b>8.6</b>	(8.1)
Movement in cash and deposits held for the travellers' cheques business	<b>3.4</b>	10.8
Movement in prepaid card float deposits	<b>11.4</b>	20.3
Movement in cash in business	<b>10.0</b>	(2.6)
Add back cash exceptional items	<b>35.4</b>	20.9
<b>Usable cash inflow from operating activities</b>	<b>69.3</b>	51.9

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

The Group's Usable Cash of £32.1m as at 31 December 2015 is lower than the balance at 31 December 2014 primarily as a result of £35.4m of cash costs primarily related to the sale of the business, £47.4m related to the acquisition of the remaining 51% of Grupo Confidenc (‘Brazil’), £27.4m of interest paid on the senior secured notes and £25.2m of continued capital investment to deliver the Group's strategic priorities, partially offset by £17.7m cash proceeds from the sale of the French business (net of usable cash of £1.6m) to UAE Exchange Limited, in connection with the sale of the Group and £29.9m drawing down on the revolving credit facility.

#### **Outlook**

Travelex has again delivered revenue growth and in aggregate the Group has delivered full year results in line with management expectations. The strength of the brand continues to ensure the Group is well positioned to manage through the impact of contract renewals, particularly in Prague International Airport where the Group will cease to provide foreign exchange and ATM services from May 2016. Management is committed to a plan to mitigate the economic headwinds in Brazil through store rationalisation activities and continued focus on tight cost control. The Group continues its investment to strengthen its digital capabilities and capitalise on growth opportunities in existing markets to ensure it continues to deliver the most innovative and leading currency services for its customers.

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 risk factors below as well as the factors detailed in the significant estimates and judgements section of the accounting policies note (see Note 1).

#### **Risk management**

The Group's risk management framework is designed to ensure that material business risks throughout the organisation are identified and effectively managed. The Group operates a risk management model with three lines of defence and responsibility for risk management resides at all levels, from the board of directors and the Executive Committee down through the organization 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 remain subject to effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, internal audit, the independent risk function, the individual business risk committees, the Group risk committee (see below), the Group Audit and Risk Committee (the ‘GARC’) and ultimately the board of directors of the Group. On February 26, 2015, the Group appointed Abdulrahman Sadiq Salim Basaddiq as a non-executive director and as chairman of the GARC. The GARC monitors the ongoing process of identifying, evaluating and managing significant risks to the Group. The GARC 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. Results of the internal audit function's activities are also reviewed and the committee is responsible for ensuring that internal audit processes are properly coordinated and operating effectively.

The Group risk committee is not a board committee and is made up of executives only. It meets quarterly and 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 Group risk committee also determines the mitigation approach on Group material risks areas and monitors the remediation of company-wide level control issues. The Group risk committee receives periodic reports from the Group Compliance and Risk Director and other members of his team covering the effectiveness of the systems of internal control and all areas of regulatory risk. Results of the internal audit function are also reviewed and the committee is responsible for ensuring that internal audit processes are properly coordinated and operating effectively. A risk management action plan is in place to further enhance the Group's risk management capability.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

#### **i. Compliance and regulatory risk**

The Group's compliance and risk operations are based on the three lines of defence model, where the business units are responsible for managing their business risk (the first line), the compliance and risk function are responsible for risk policy and oversight of the business operations (the second line) and the internal audit function (the third line) adopt a risk based audit plan encompassing all corporate activities. The Group maintains a dedicated compliance and risk function comprising approximately 120 experienced professionals. The function has full independence from the business units and reports to the compliance and risk director, who is a member of the Group Executive Committee.

#### **ii. Liquidity risk**

In October 2015, an important wholesale banknote supplier of the Group served notice to terminate a key agreement to supply wholesale banknotes which provided significant working capital benefits to one of the Group's UK subsidiaries by late June 2016, in accordance with a contractual break clause. At the same time, that supplier has indicated that they would be prepared to continue to supply wholesale banknotes (to that subsidiary and to other subsidiaries of the Group) should the Group accept certain changes to the terms and conditions of supply with reduced working capital benefits. The Group is currently negotiating mutually acceptable terms under which the supply agreement could be extended and is confident of successfully concluding the negotiations.

The Group's policy is to manage its capital requirements and liquidity through a combination of bank borrowings and other term debt, and capital markets. The Group's financing position was strengthened in August 2013 with the issuance of £350.0m Senior Secured Notes due 2018 (£200.0m 8% fixed rate and £150.0m floating rate notes) raised in a capital market transaction and with the refinancing of the Group's core revolving credit facility.

The Group also has a committed senior credit facility available of £90.0m under which the Group can draw down up to £59.9m which will incur interest on utilised amounts at Libor plus 3.5% and the remaining £30.1m is available to be utilised by guarantees issued on behalf of the Group. Balances outstanding with key suppliers and under the revolving credit facility fluctuate significantly from day to day, primarily due to the levels of physical banknotes required for trading and value of unfulfilled customer orders. This facility is used to provide short term liquidity to meet operating cash needs. As at 31 December 2015, the facility has £29.9m drawn down and £29.9m has been placed as guarantees. The Group has £30.2m (2014: £55.0m) of undrawn committed borrowing facility available in respect of which all conditions precedent have been met at 31 December 2015.

The daily settlement flows in respect of financial assets and liabilities, and corresponding spot and swap contracts, require adequate liquidity which is provided through uncommitted intra-day settlement facilities. These facilities are provided by a diversified set of financial institutions with which the Group has a substantial trading history. 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 borrowings requirements. Refer to note 19 for full details of the risk management policy.

#### **iii. Currency risk**

The Group is exposed to currency risk from its trading operations throughout the world, with assets and liabilities held in foreign currencies. To ensure that movements in currency exchange rates do not erode the trading revenue, the Group has a policy of identifying transactional and transnational currency exposures and taking appropriate steps to reduce them. To ensure that the Group does not maintain material non-trading open currency positions, all material assets and liabilities are, for the most part, hedged. In transacting with customers, the Group creates foreign currency exposures through its business operations. These are hedged subject to agreed intra-day and overnight exposure limits. Refer to note 19 for full details of the currency risk management policy.

## **Travelex Holdings Limited**

### **Strategic report**

for the year ended 31 December 2015

#### **iv. Physical risk**

Physical risk arises from the possibility that the Group will incur losses through theft, misappropriation or damage to the Group's physical and intangible assets. The Group employs a full-time physical risk department to set appropriate standards for each operation and to monitor the implementation of risk policies, to set limits on the value of banknotes allowed to be held in one location, and carry insurance to address any issues arising from this exposure. These arrangements are reviewed by third parties on a periodic basis. The Group also maintains appropriate levels of insurance to limit its exposure.

#### **v. Credit risk**

Credit risk arises from the possibility that the Group will incur losses from customers' failure to meet their obligations. All material credit exposures require approval by authorised individuals or credit committees, independent of business revenue generation. Credit exposures are monitored periodically against approved risk limits. The Group is primarily exposed to settlement risk from customers performing commercial foreign exchange transactions with the Group. Refer to note 19 for full details of the credit risk management policy.

#### **vi. Operational risk**

Operational risk is defined as the risk arising from within the organization from:

- legal or reputational risk from non-compliance with local regulations, international regulations, the Company's ethical business standards and contractual obligations, including the incurrence of fines;
- process risk from inadequate or failed internal processes;
- systems risk from inadequately designed or maintained systems; and
- people risk from inappropriate staffing levels or inadequately skilled or managed people.

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. The Group devotes significant time and attention to all regulatory compliance and employs specialist resources to lead and operate the AML program.

#### **vii. Litigation**

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

#### **Contractual arrangements**

The Group has a small number of key contractual arrangements which are important to the business. Amongst those are contracts with RBS, Bank of America Merrill Lynch, and Barclays. These banks 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 and the Turkey Airport Authority. 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 respectively as part of the Group's product offering.

#### **Corporate and Social Responsibility (CSR)**

##### **i. Employee engagement**

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. In 2015 the Group reviewed the core behaviours that are valued at Travelex. These behaviours are being embedded through the company's performance framework. The Group behaviours are:

## Travelex Holdings Limited Strategic report

for the year ended 31 December 2015

- Customer First
- Passionate
- Expert
- Professional

The Group has a European Works Council (EWC) which comprises an employee representative of each European country in which the Group operates and members of senior management to represent the Group. The EWC 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 the Group operates through a wide global network, the Group generally manages community activity at a local level through supporting the communities it operates in. In 2015 the Group supported a range of charities through local initiatives. Examples of these include Save the Children, Help for Heroes, Marie Curie Cancer Care, Starlight Children's Foundation, Caritas Australia and the Thebe Foundation in South Africa. The Group also sponsors NVQs for its Peterborough colleagues and it runs an Apprenticeship programme in Peterborough. Globally, the Group provides charitable support to an elected charity each year. In 2015 this was UNICEF, which received the Group's Christmas fund. The Group continues to support London's National Theatre through its Travelex £15 ticket season which makes the theatre more widely accessible by selling tickets for certain productions at a subsidised price. Travelex shows have played to an audience of over 2 million since inception in 2003.

As the Group is a business driven by entrepreneurial leaders it also looks to promote entrepreneurs in the communities it works within. In London the Group offers annual placements to young British entrepreneurs through support of the New Entrepreneurs Foundation.

By order of the Board



**S M Pignet**  
Company Secretary  
15 March 2016

**Registered office**  
4<sup>th</sup> Floor, Kings Place  
90 York Way  
London  
N1 9AG

**Company registration number**  
5356574

## Travelex Holdings Limited

### Directors' report

for the year ended 31 December 2015

The Directors present their report and the audited consolidated financial statements of Travelex Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2015. 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).

#### Controlling interest

The Group is owned by UTX Holdings Limited, a company incorporated in Jersey and ultimately controlled by Dr B.R. Shetty.

#### Directors

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

Executive Directors	J P Jackson A Wagerman M D Ball J E S Birch	Chief Executive Officer (resigned 26 February 2015) Chief Executive Officer (appointed 26 February 2015) Chief Financial Officer General Counsel (appointed 26 February 2015)
Other Directors	L M Dorfman CBE Lord Stevens P A Hodgkinson S Grabiner G C Laws H Chagani M R Phillips K B O Y Al-Muhairi B R Shetty H Buttikhi B R Shetty A S S Basaddiq J Bomford K A A S Salama	(resigned 29 January 2015) (resigned 1 May 2015) (resigned 29 January 2015) (resigned 29 January 2015)  (resigned 29 January 2015) (resigned 29 January 2015) (appointed 26 February 2015) (appointed 26 February 2015) (appointed 26 February 2015) (appointed 26 February 2015) (appointed 26 February 2015) (appointed 26 February 2015) (appointed 26 February 2015)

#### Dividends

No interim dividends were declared during the current or prior years and the Directors do not recommend the payment of a final dividend (2014: £nil).

#### Outlook

The outlook for the Group is discussed in the Strategic Report.

## **Travelex Holdings Limited**

### **Directors' report**

for the year ended 31 December 2015

#### **Going concern assessment**

The Directors assess the Group's going concern for a period of at least 12 months from the balance sheet date and take into account the facts and circumstances during that period. In making this assessment the Directors considered:

- Whether there is sufficient liquidity and financing to support the business, its 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 parental support from the shareholder;
- Continued availability of financing facilities and trading lines;
- Complying with covenant requirements of financing and facilities;
- 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 and actions, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This assessment has been based on projected cash flows including liquidity improvements as a result of management's actions, and the estimated impact of changes to terms and conditions of supply with a wholesale banknote supplier as described in the Strategic Report and note 19 of the Financial Statements, and continuous support from the ultimate controlling party. The Group has therefore prepared the financial information on a going concern basis.

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual 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 prepared 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 Principles (UK GAAP), including Financial Reporting Standard 102, "Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006, under the provision of the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008(SI 2008/410), under the historical cost convention. 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

## **Travelex Holdings Limited**

### **Directors' report**

for the year ended 31 December 2015

comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

#### **Independent 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.

Ernst & Young LLP have expressed their willingness to be re-appointed as auditors. This will be considered at the AGM to be held during the course of the year.

By order of the Board



**S M Pignet**

Company Secretary

21 March 2016

#### **Registered office**

4<sup>th</sup> Floor, Kings Place

90 York Way

London

N1 9AG

#### **Company registration number**

5356574

## **Travelex Holdings Limited**

### **Independent Auditors' report**

to the members of Travelex Holdings Limited  
for the year ended 31 December 2015

We have audited the financial statements of Travelex Holdings Limited and its subsidiaries (the Group) for the year ended 31 December 2015 which comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. 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.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 21, 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.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and 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 to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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's consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- ▶ the Group's consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the Group's consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Travelex Holdings Limited**  
**Independent Auditors' report**

to the members of Travelex Holdings Limited  
for the year ended 31 December 2015

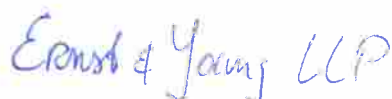
**Matters on which we are required to report by exception**

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.

**Other matter**

We have reported separately on the Parent Company financial statements of the Travelex Holdings Limited Group for the year ended 31 December 2015.



*Victor Veger (Senior statutory auditor)*  
*for and on behalf of Ernst & Young LLP, Statutory Auditor*  
*London*  
*29 March 2016*

**Notes:**

1. The maintenance and integrity of the Travelex Holdings Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Travellex Holdings Limited**  
**Consolidated income statement**  
for the year ended 31 December 2015

£m	Note	2015	2014
<b>Continuing operations</b>			
Revenue		655.7	693.3
Cost of sales		(408.2)	(424.1)
Gross profit		247.5	269.2
Net operating expense		(234.5)	(215.1)
Analysed as:			
Underlying net operating expense		(180.7)	(189.5)
Net gain on sale of subsidiary	2	4.8	-
Net gain on conversion of pension scheme	2	4.0	-
Other exceptional items and non-underlying adjustments	2	(62.6)	(25.6)
Net operating expense		(234.5)	(215.1)
Operating profit before depreciation, amortisation, interest and tax		13.0	54.1
Analysed as:			
Underlying EBITDA		66.8	79.7
Net gain on sale of subsidiary	2	4.8	-
Net gain on conversion of pension scheme	2	4.0	-
Other exceptional items and non-underlying adjustments	2	(62.6)	(25.6)
Operating profit before depreciation, amortisation, interest and tax		13.0	54.1
Depreciation		(14.1)	(14.5)
Amortisation		(11.2)	(9.9)
Operating (loss) profit		(12.3)	29.7
Finance income	3	9.2	23.7
Finance costs	3	(114.5)	(187.8)
Share of profit in equity accounted investments		3.4	2.1
Loss before tax		(114.2)	(132.3)
Tax charge	6	(8.3)	(13.4)
Loss for the year from continuing operations		(122.5)	(145.7)
<b>Discontinued operations</b>			
Exceptional items from discontinued operations	2	1.6	0.6
Loss for the year		(120.9)	(145.1)
<b>Loss for the year attributable to</b>			
Non controlling interests		2.2	4.3
Owners of the parent		(123.1)	(149.4)
		(120.9)	(145.1)

The notes form an integral part of these financial statements.

**Travelex Holdings Limited**  
**Consolidated statement of other comprehensive income**  
for the year ended 31 December 2015

<b>£m</b>	<b>2015</b>	<b>2014</b>
<b>Items that may be subsequently reclassified to the income statement</b>		
Exchange differences on overseas subsidiaries	<b>(30.6)</b>	(9.8)
Exchange differences recycled on disposal of business	<b>1.5</b>	-
Movement on unrecognised gain on available for sale investments	<b>0.5</b>	0.4
Deferred tax on unrecognised gain on available for sale investments	<b>(0.1)</b>	(0.1)
	<b>(28.7)</b>	(9.5)
<b>Items that will not be reclassified to the income statement</b>		
Actuarial gain on post retirement benefit obligations	<b>0.9</b>	-
Movement on deferred tax relating to post retirement benefit obligations	<b>(0.2)</b>	-
	<b>0.7</b>	-
Other comprehensive loss for the year	<b>(28.0)</b>	(9.5)
Loss for the year	<b>(120.9)</b>	(145.1)
Total comprehensive loss for the year	<b>(148.9)</b>	(154.6)
Attributable to		
Non controlling interests	<b>2.2</b>	4.3
Equity holders of the parent	<b>(151.1)</b>	(158.9)
Total comprehensive loss for the year	<b>(148.9)</b>	(154.6)
Total comprehensive loss attributable to equity shareholders arises from		
Continuing operations	<b>(150.5)</b>	(155.2)
Discontinued operations	<b>1.6</b>	0.6
	<b>(148.9)</b>	(154.6)

The statement of other comprehensive income and the income statement have not been restated for 2014 to reflect the change in accounting treatment of the Group pension scheme in the Netherlands as the effect is not considered material, see note 24.

**Travelex Holdings Limited**  
**Consolidated statement of changes in equity**  
for the year ended 31 December 2015

£m	Share capital	Share premium account	Retained earnings	Other reserves	Translation reserve	Non controlling interests	Total equity
<b>At 1 January 2014 - Restated</b>	<b>0.3</b>	<b>26.5</b>	<b>(841.0)</b>	<b>(36.1)</b>	<b>(45.6)</b>	<b>15.7</b>	<b>(880.2)</b>
Total comprehensive loss	-	-	(149.1)	-	(9.8)	4.3	(154.6)
Net Investment in own shares	-	-	1.1	-	-	-	1.1
Acquisition of non controlling interest	-	-	-	-	-	0.7	0.7
Dividends paid to non controlling interest	-	-	-	-	-	(2.7)	(2.7)
Share based employee remuneration	-	-	32.7	-	-	-	32.7
Exchange adjustment	-	-	-	-	0.6	(0.6)	-
<b>At 1 January 2015 - Restated</b>	<b>0.3</b>	<b>26.5</b>	<b>(956.3)</b>	<b>(36.1)</b>	<b>(54.8)</b>	<b>17.4</b>	<b>(1,003.0)</b>
Total comprehensive loss	-	-	(122.0)	-	(29.1)	2.2	(148.9)
Share based employee remuneration	-	-	0.6	-	-	-	0.6
Acquisition of non controlling interest (note 23)	-	-	(31.1)	36.1	-	(12.9)	(7.9)
Dividends paid to non-controlling interest	-	-	-	-	-	(1.7)	(1.7)
Acquisition of subsidiary from shareholder	-	-	1.0	-	-	-	1.0
Reorganisation of shareholder debt (note 18)	-	315.5	304.6	-	-	-	620.1
Exchange adjustment	-	-	-	-	(1.5)	1.5	-
<b>At 31 December 2015</b>	<b>0.3</b>	<b>342.0</b>	<b>(803.2)</b>	<b>-</b>	<b>(85.4)</b>	<b>6.5</b>	<b>(539.8)</b>

The notes form an integral part of these financial statements

**Travelex Holdings Limited**  
**Consolidated balance sheet**  
as at 31 December 2015

£m	Note	2015	2014 Restated
<b>Non current assets</b>			
Intangible assets	7	396.8	413.4
Property, plant and equipment	8	42.9	42.1
Investments accounted for using the equity method	9	10.9	13.1
Investments	12	22.0	24.6
Financial assets	13	96.4	107.9
Trade and other receivables	11	6.1	6.8
Deferred tax assets	21	9.5	10.3
		<b>584.6</b>	618.2
Assets included in disposal group held for sale	8	1.0	33.8
<b>Current assets</b>			
Inventories	10	0.4	0.5
Trade and other receivables	11	96.2	89.9
Investments	12	2.9	2.2
Financial assets	13	7.3	8.8
Available for sale investments	14	10.1	3.8
Tax receivable		2.1	3.7
Derivative financial assets	19	2.7	2.9
Cash and cash equivalents	15	437.7	505.3
Restricted cash	16	-	0.3
		<b>559.4</b>	617.4
<b>Current liabilities</b>			
Trade and other payables	17	(615.3)	(637.0)
Borrowings	18	(30.9)	(3.9)
Other financial liabilities	19	-	(45.8)
Tax payable		(3.4)	(2.7)
Provisions	20	(22.8)	(15.5)
Derivative financial liabilities	19	(2.6)	(1.8)
Net current liabilities		<b>(115.6)</b>	(89.3)
<b>Non current liabilities</b>			
Trade and other payables	17	(0.1)	(0.3)
Borrowings	18	(985.5)	(1,521.1)
Provisions	20	(20.6)	(15.5)
Post employment pension liability	24	-	(6.6)
Deferred tax liabilities	21	(3.6)	(4.6)
Non current liabilities		<b>(1,009.8)</b>	(1,548.1)
Liabilities included in disposal group held for sale		-	(17.6)
Net liabilities		<b>(539.8)</b>	(1,003.0)
<b>Equity</b>			
Share capital	26	0.3	0.3
Share premium account		342.0	26.5
Retained earnings		(803.2)	(956.3)
Other reserves		-	(36.1)
Translation reserve		(85.4)	(54.8)
Equity attributable to owners of the parent		<b>(546.3)</b>	(1,020.4)
Non controlling interests		6.5	17.4
Total equity		<b>(539.8)</b>	(1,003.0)

The notes form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 29 March 2016 and were signed on its behalf by:

**M D Ball (Director)**

**Travelex Holdings Limited**  
**Consolidated cash flow statement**  
for the year ended 31 December 2015

£m	Note	2015	2014
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	2.7	33.0
Other cash interest received		-	-
Taxation paid		(5.8)	(15.5)
		<b>(3.1)</b>	17.5
<b>Cash flows from investing activities</b>			
Interest received		0.6	0.6
Purchase of property, plant, equipment, software and development expenditure		(25.2)	(33.5)
Proceeds from sale of property, plant, equipment and software		0.2	-
Dividends received from equity accounted joint ventures	9	4.8	0.9
(Purchase)/sale of available for sale investments		(5.9)	4.7
Proceeds received on the disposal of subsidiary	22	9.6	-
Cash received from disposed operations		3.1	-
Acquisition of businesses net of cash acquired	23	(47.4)	(21.5)
Cash paid on investment in subsidiary		(1.6)	(3.4)
		<b>(61.8)</b>	(52.2)
<b>Cash flows from financing activities</b>			
Interest paid on senior secured notes and short term borrowings		(27.4)	(26.0)
Issue/(settlement) of shareholder loans		2.3	(4.5)
Net purchase of own shares for employee share schemes		-	(0.4)
Loan from equity accounted joint venture		0.4	-
Dividends paid to non-controlling interest		(1.7)	(2.7)
Capital element of finance lease payments		(0.5)	(0.8)
		<b>(26.9)</b>	(34.4)
Exchange losses on cash and cash equivalents and bank overdrafts		(12.6)	(1.1)
Net decrease in cash and cash equivalents and bank overdrafts		<b>(104.4)</b>	(70.2)
Cash, cash equivalents and bank overdrafts at the beginning of the year		511.8	582.0
Cash, cash equivalents and bank overdrafts at the end of the year		<b>407.4</b>	511.8
Comprising:			
Cash and cash equivalents	15	437.7	505.3
Short term Bank loans and overdrafts	18	(30.3)	(3.2)
Cash and cash equivalents included in disposal group classified as held for sale	22	-	9.7
		<b>407.4</b>	511.8

The notes form an integral part of these financial statements.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies**

**General information**

Until 29 January 2015 Travelex Holdings Limited (the Company) was the Travelex Group's (the Group) ultimate parent company. It is incorporated and domiciled in the United Kingdom. The registered office and principal place of business is 4<sup>th</sup> Floor, Kings Place, 90 York Way, London, N1 9AG. On 29 January 2015, the Group was acquired by UTX Holdings Limited, a company incorporated in Jersey and ultimately controlled by Dr B.R. Shetty. BRS Ventures & Holdings Limited, a company incorporated in the British Virgin Islands, has been the Group's ultimate parent company from that date.

**Basis of preparation**

The consolidated financial statements of the Group 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.

Individual non-current assets or "disposal groups" (i.e. groups of assets and liabilities) to be disposed of, by sale or otherwise in a single transaction, are classified as "held for sale" if the following criteria are met at the period end: The carrying amount will be recovered principally through a sale transaction rather than through continuing use; and the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for such sales; and the sale is highly probable. Disposal groups held for sale are carried at the lower of their carrying amount and fair value less costs to sell. The comparative statement of financial position is not restated. On classification as held for sale, the assets are no longer depreciated.

The results of businesses disposed of are included in the consolidated financial statements until the date on which control, joint control or significant influence ceases. The cash proceeds of disposals are included within "Investing activities" in the cash flow statement. Any amounts previously recognised in other comprehensive income in respect of the entity disposed of may be recycled to the income statement in proportion to the interest disposed of.

**Changes in accounting policy**

The following new accounting standards or revisions or amendments to IFRS issued by the Accounting Standards Board, relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2015 have been fully adopted in these financial statements. Unless otherwise stated, these new standards and amendments did not have a material impact on the financial statements.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

IAS 19 (amendment) 'Employee Benefits' (effective for annual periods beginning on or after July 2014). These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except for the following set out below:

IFRS 9 'Financial Instruments' (effective 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 includes a logical model for classification, measurement and derecognition of financial assets, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The standard is not applicable until 1 January 2018, but is available for early adoption, subject to EU endorsement.

The main changes to the classification and measurement of financial assets and liabilities are:

- Financial assets that are debt instruments will be classified based on: (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows;
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases; and
- Where the fair value option is used for financial liabilities, the changes attributable to changes in credit risk are presented in other comprehensive income, and the remaining change is presented in profit or loss.

The Group plans to adopt the new standard on the required effective date. During 2015, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on available information as at 31 December 2015. Overall, the Group expects no significant impact on its balance sheet and equity.

IFRS 11 (amendment), 'Joint arrangements' (effective from 1 January 2016). The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a Joint Operation that constitutes a 'business' (as defined in IFRS 3, Business combinations).

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is yet to assess the impact on its financial reporting.

IFRS 10 (amendment) 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address the inconsistencies between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 16 'Leases' requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted, provided the new revenue standard, IFRS 15 'Revenue from contracts with customers', has been applied, or is applied at the same time as IFRS 16. The Group is yet to assess the impact on its financial reporting.

**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.

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.

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.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

**Revenue recognition**

The Group earns fees, commissions and currency margins on its products provided to customers and currency gains and losses on its currency positions and hedging activities. The key components of revenue are described below:

Foreign currency revenue is the difference between the cost and selling price of currency (foreign currency margin) and the revaluation of open foreign exchange positions to fair value and commissions earned on the sale and purchase of currencies. Margin and commission revenue is recognised as earned when the transaction is made.

Revenue 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.

Revenue 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. Revenue is recognised when earned under the terms of the related contracts when the transaction is deemed to be fulfilled, which in the case of banknotes is normally on delivery.

Revenue 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.

Revenue from travellers' cheques consists of revenue 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.

Revenue from the foreign exchange bank in Brazil includes income from investment activities, which are derived from the interest earned on overnight investment of funds waiting to be cleared. This is recognised in the period to which it relates.

**Foreign currencies**

The functional currency for each entity in the Group is the currency of the primary economic environment in which the entity operates. For most entities this is the currency of the country in which they are located.

Transactions denominated in other currencies are converted into the functional currency 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 operating activities, are included in the income statement as incurred.

**Cost of sales**

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

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

**Exceptional items and non-underlying adjustments**

To monitor the financial performance of the Group, certain items are excluded from the performance measure. This measure is referred to as 'underlying' and represents the business performance excluding items that the Directors consider could distort the understanding of the performance or the comparability between periods. The face of the income statement presents underlying net operating expense and underlying EBITDA and reconciles to net operating expense and 'Operating profit before depreciation, amortisation, interest and tax', respectively. The term 'underlying' is not defined under EU IFRS and may not be comparable with similarly titled profit measures reported by other companies.

For those items which the Group excludes from 'underlying', two classifications exist, being 'non-underlying' and 'exceptional'. Both are separated from the underlying business results. The Group defines exceptional items as those items that are separately presented by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group, such as profit or loss on disposal of business.

**Intangible assets**

**Goodwill**

The excess of the fair value at the date of acquisition of the 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.

**Brand names**

Brand names acquired in a business combination are recognised at fair value at the acquisition date. Brand names have a finite useful life and are carried at cost and amortised over their useful life.

**Banking licences**

Banking licences acquired in a business combination are recognised at fair value at the acquisition date. Banking licences have an indefinite useful life and are reviewed at least annually for impairment.

**Other intangible assets**

Computer software comprises off the shelf packages, modified to meet the Group's requirements, software developed in house, including the development of the in house digital capabilities, 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 accounted for at fair value, which are being amortised on a straight line basis over the term or expected term of the relationships. 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.

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

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

Computer software (including software developed in-house)	10% - 33% per annum
Brand name	10% per annum
Customer relationships	5%-19% 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	20 - 33.3% per annum
Motor vehicles	20 - 25% per annum

**Impairment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some at a cash generating unit level. Goodwill is allocated to those cash generating units or group of 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 present value of future cash flows over a four year period, plus terminal value using a discount rate reflecting the Group's pre-tax unadjusted average cost of capital. 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 receivable counterparty, probability that the receivable will enter bankruptcy or financial reorganisation, and defaults in payment are considered an indication that the receivable balance is impaired. The carrying amount of the asset is reduced and the amount of the provision is recognised in the income statement.

Assets in the course of construction represent assets which are in development and have not yet been brought to use. These assets are reviewed at least annually for indicators of impairment.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

**Taxation**

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 is provided in respect of fair value adjustments arising on acquisitions. Provision for deferred tax is based on the difference between the carrying value of the asset and its income tax base.

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

Management bases its assessment of the probability of offset against 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.

**Employee benefits**

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

The Group operates an insured, average salary, pension scheme in the Netherlands. The accounting treatment of the scheme was changed from a defined benefit to defined contribution scheme as at 31 December 2013 on the basis that it was management's intention to make certain contractual changes to remove actuarial and investment risk, so as to limit the Group's exposure to the scheme which would have the effect of defined contribution accounting under IFRS. During 2015 management determined that the contractual changes made to the scheme did not fully reflect management's initial intentions and required further agreement with the affected employees and, as such, the scheme is required to be accounted for as a defined benefit scheme. The prior period balances in these financial statements have been amended to reflect the scheme as a defined benefit scheme.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

In December 2015, following receipt of the required employee agreements to the contractual changes initiated in 2013, the accounting for the scheme was changed from defined benefit to defined contribution. Prior to the reclassification a full independent actuarial valuation was carried out on an annual basis and updated to each balance sheet date. The assets of the scheme were held separately from those of the Group. Scheme assets were measured at fair value using the bid price. Scheme liabilities were 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. Prior to the reclassification, any past or current service costs were 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, were included in the income statement as finance costs.

Prior to the reclassification, actuarial gains and losses were 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 was shown within other deferred tax balances.

**Debt restructure**

On 29 January 2015, the Group was sold to UTX Holdings Limited, a company incorporated in Jersey, and ultimately controlled by Dr B. R. Shetty. On completion, the existing Shareholder Debt was restructured, with £209.6m being waived and £315.5m settled through issue of ordinary shares, and the remaining balance novated at fair value upward within the Group's structure and retained in favour of UTX Holdings on the same interest and repayment terms.

The Directors consider that the expected maturity for all existing shareholder debt instruments approximate their contractual maturity date as no detailed exit plans exist that support a view that the shareholders will exit sooner than the contractual maturity dates. The contractual interest rate is 10%, however 14% is considered a fair market rate of interest applied on similar instruments. In applying the effective interest rate method on inception a £95.0m debit adjustment against the principal of these instruments was recorded, with a corresponding credit to retained earnings, representing the fair value adjustment.

On completion of the sale of the Group a total credit adjustment to equity of £620.1m was recorded, comprising the portion of shareholder debt that was waived by the Group's shareholders of £209.6m credited to Retained Earnings, a portion capitalised by issue of ordinary shares resulting in a £315.5m credit to Share Premium, and the fair value adjustment of £95.0m credited to Retained Earnings.

**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**

In May 2013 the Group entered into a reimbursement and insurance policy with AmTrust which ensures that the encashment of properly presented travellers' cheques will be honoured in perpetuity. The agreement with AmTrust involved paying an insurance premium which has been recognised as a financial asset and is re-measured at fair value at each reporting period with any change in valuation recognised in the income statement. AmTrust hold funds to cover future encashment of MasterCard branded and non-branded travellers' cheques in bankruptcy-remote vehicles. A financial asset is recorded at fair value representing the monies paid into a reimbursement fund as part of the Reimbursement Payment Services Agreement (RPSA) with AmTrust. This reimbursement fund is used for the encashment of MasterCard branded Travellers Cheques and is valued as the gross liability outstanding less an actuarial valuation of travellers' cheques that will never be encashed (float write back).

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

Travellers' cheque float and structured deposits which relate to monies received in advance on issuance of Visa branded travellers' cheques are held as investments on the balance sheet. 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.

The travellers' cheques awaiting redemption liability was initially recorded at fair value for all travellers' cheques issued but not encashed. 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. The liability is subsequently adjusted for Travellers' Cheques which have been encashed.

The travellers' cheques awaiting redemption liability is denominated in the currency of the travellers' cheque and translated at the balance sheet date. The travellers' cheques are payable on demand and hence shown within trade payables due within one year. As a consequence of the difference in accounting treatment the liability exceeds the value of the associated asset.

**Financial assets**

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets have been classified in the financial statement as follows:

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

*Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets as they are expected to be settled with 12 months.

The Group holds a reimbursement agreement and insurance policy with AmTrust in relation to Travellers' Cheques. The Group recorded financial assets relating to the reimbursement fund and insurance asset within financial assets in the balance sheet. These assets are revalued to fair value each reporting date with any change in valuation recognised in the income statement.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any categories. Assets in this category are classified as current assets as they are available to be settled with 12 months.

**Financial liabilities**

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

**Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

**Embedded derivatives**

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts. In some cases, the embedded derivatives may be designated as hedges and will be accounted for as described above.

**Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where relevant market prices are available, these have been used to determine fair values. In other cases, the fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

- The fair value of cash, short term borrowings and loans to joint ventures approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.
- The fair values of long term borrowings are calculated as the present value of the estimated future cash flows by assessing comparable instruments on active markets and an appropriate market based yield curve or expected settlement. The carrying value of the borrowings is amortised cost.
- Derivative financial assets and liabilities are carried at fair value based on quoted prices in an active market where available. Where no price information is available from a quoted market source, fair value is estimated based on the Group's view on relevant future prices using modelling techniques. The fair values of the various derivative instruments used for hedging purposes are disclosed in note 19.
- The fair value of financial assets held in relation to Travellers Cheques liabilities are calculated based on actuarial assumptions.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

**Leases**

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

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

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 the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

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

**Share based employee remuneration**

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 the value of the business, and discount rates.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

Prior to 31 December 2014, the Group operated a cash settled share based payments scheme with the fair value of the awards recognised as a liability. At 31 December 2014, the Directors considered that there was sufficient certainty that the awards would be fully settled in equity as part of the acquisition by UTX Holdings Limited. The change in the scheme was not considered a modification to the scheme and therefore the amount of the liability was transferred to equity at the value attributed to the shares on inception of the scheme and any change in the value of the scheme has been reflected in the income statement.

Following the sale of the Group to UTX Holdings Limited on 29 January 2015, the beneficial title to all M shares was purchased by UTX Holdings Limited, a subsidiary of BRS Ventures & Holdings Limited.

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

**Share capital**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

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

**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:

**Basis of consolidation**

In determining whether the Group has control, joint control, or significant influence over an entity, the Group considers whether other parties hold veto rights over significant operations and financial policies. In some instances, the Group has control of an entity where other parties own more than one half of the voting rights of an entity but the Group can control these voting rights through contractual arrangements. In such circumstances the Group considers in particular whether it obtains benefits including non-financial benefits, from its power to govern the financial and operating policies of the entity.

**Acquisition of Renova**

On 4 December 2015, £15.5m of subordinated loan notes were issued in favour of Dr Shetty. The contractual interest rate is 2%, however 9.2% is considered a fair market rate of interest applied on similar instruments. The Directors consider that the expected maturity for all shareholder debt instruments approximate their contractual maturity date as no detailed exit plans exist that support a view that the shareholders will exit sooner than the contractual maturity dates.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

The issue of shareholder debt was issued to fund the acquisition of 100% of Renova Serviços Auxiliares em Operações Internacionais Ltda and the trade and assets of Renova S.A. Corretora de Câmbio (both referred to as 'Renova') and fund working capital, these subordinated loans are repayable in 2045. Where loans are issued to shareholders at a rate which is not determined to reflect market rate the principal is adjusted and measured at fair value. Furthermore, the issue of loan notes and acquisition of a subsidiary are considered by management to be a linked transaction, and therefore the fair value of the consideration equates to the fair value of the business on the date of acquisition by the Group. This results in an overall fair value adjustment relating to the issue of the shareholder loan notes and the acquisition of the business results in a net adjustment to reserves, which effectively represents a shareholder contribution. Refer to note 23 for further information.

**Impairment**

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 cash flows over a four 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. Refer to note 7 Intangible assets for further information.

**Estimation of provisions for onerous contracts**

The value of the Group's provisions for onerous contracts is based on the net present value of estimated future costs of fulfilling the contract exceeding the forecast income receivable. The provision is based on discounted cash flows to the end of the contract. Income and cost estimates can vary in response to many factors including changes in passenger numbers, average transaction values, hit rates, and changes in the relevant local/national government regulations. The selection of appropriate sources on which to base calculation of the discount rate used for this purpose also requires judgment. As a result of all of the above factors, there could be significant adjustments to the provision for onerous contracts which could affect future financial results.

**Travellers' Cheques insurance policy and reimbursement agreement**

The Group holds an insurance policy with AmTrust to cover any shortfall resulting from any excess encashment of travellers' cheques. The insurance policy was recorded at cost as a financial asset at inception and is revalued to fair value at each reporting date with any change in valuation recognised in the income statement. The fair value of the insurance premium asset is based on the expectations regarding the float write back. The float write back is the estimated value of Travellers' Cheques that will never be encashed. An independent actuarial valuation is performed on an annual basis to determine the expected level of the float write back at each year end.

The fair value of the insurance premium asset is directly linked to the estimated level of the float write back and therefore the change in the expected float write back is used to generate the change in fair value of the insurance policy asset.

AmTrust hold funds to cover future encashment of MasterCard branded and non-branded travellers' cheques in bankruptcy-remote vehicles. The Group records a financial asset relating to these reimbursement funds within financial assets in the balance sheet and this is revalued to fair value each reporting date with any change in valuation recognised in the income statement.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

Put and call option and redemption liability

On acquisition of the initial 49% shareholding in Grupo Confidencía in 2013, the Group entered into a put and call option over the remaining 51%. The Group was contractually obliged to purchase the remaining 51% by 14 November 2014 or when regulatory approval was complete, if later. Regulatory approvals for the acquisition of the remaining 51% were received on 8 January 2015 and the transaction closed on 2 February 2015. Prior to the completion of the acquisition of the remaining 51%, these options and the obligation to purchase the shares were measured at fair value and were reassessed at the end of each reporting date with any change in valuation recognised in the income statement within finance income and costs.

Taxation

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 21.

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.

Retirement benefits

The Group operates one significant pension scheme in the Netherlands, which was modified and as a result changed classification in the year from defined benefit to defined contribution. Whilst a significant portion of the employees' benefits are guaranteed by an insurance company, previously the Group retained the liability for certain inflationary increases and as such the scheme was classified as defined benefit. During the year changes were made to the scheme, principally relating to the fixing of the indexation liability that resulted in a change of classification to defined contribution.

**Going concern assessment**

The Directors assess the Group's going concern for a period of at least 12 months from the balance sheet date and take into account the facts and circumstances during that period. In making this assessment the Directors considered:

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**1. Accounting policies (continued)**

- Whether there is sufficient liquidity and financing to support the business, its 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 parental support from the shareholder;
- Continued availability of financing facilities and trading lines;
- Complying with covenant requirements of financing and facilities;
- 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 and actions, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This assessment has been based on projected cash flows including liquidity improvements as a result of management's actions, and the estimated impact of changes to terms and conditions of supply with a wholesale banknote supplier as described in the Strategic Report and note 19 of the Financial Statements, and continuous support from the ultimate controlling party. The Group has therefore prepared the financial information on a going concern basis.

**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 primarily 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. Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date.

The Group recognises any non-controlling interest in an acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Where the Group enters into an arrangement to acquire the non-controlling interest, the Group continues to recognise the non-controlling interest until the risks and rewards of ownership of those shares have transferred to the Group.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**2. Exceptional items and non-underlying adjustments**

£m	2015	2014
Exceptional income reported within operating profit before depreciation, amortisation, interest and tax:		
Net gain on sale of Banque Travelex <sup>1</sup>	4.8	-
Pension reclassification <sup>2</sup>	4.0	-
	<b>8.8</b>	-
Non-underlying costs reported within operating profit before depreciation, amortisation, interest and tax:		
Legal and professional fees and other costs incurred in relation to the sale of the Group <sup>3</sup>	(34.1)	(12.8)
Non-underlying adjustments reported within operating profit before depreciation, amortisation, interest and tax:		
Global reorganisation costs <sup>4</sup>	(4.2)	(5.4)
Systems Development and Shared Services Migration costs <sup>5</sup>	(0.4)	(1.4)
Onerous contract provision <sup>6</sup>	(16.4)	(0.3)
Corporate transactions and projects <sup>7</sup>	(7.5)	(5.7)
	<b>(62.6)</b>	<b>(25.6)</b>
Exceptional items and non-underlying adjustments reported within operating profit before depreciation, amortisation, interest and tax	<b>(53.8)</b>	<b>(25.6)</b>
Non-underlying adjustments reported within finance income :		
Gain on extension of estimated life of term loans <sup>8</sup>	-	10.0
Exchange gains on intercompany loans <sup>9</sup>	4.6	5.1
Non-underlying adjustments reported within finance income	<b>4.6</b>	<b>15.1</b>
Non-underlying adjustments reported within finance costs:		
Redemption liability valuation adjustment <sup>10</sup>	(0.4)	(12.8)
Non-underlying adjustments reported within finance costs	<b>(0.4)</b>	<b>(12.8)</b>
Tax attributable to exceptional items	2.7	0.4
<b>Discontinued operations:</b>		
Residual gain on disposal Global Business Payments business <sup>11</sup>	1.6	0.8
Tax attributable to gain on sale Global Business Payments business	-	(0.2)
	<b>1.6</b>	<b>0.6</b>
	<b>(45.3)</b>	<b>(22.3)</b>

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**2. Exceptional items and non-underlying adjustments (continued)**

1. An exceptional gain of £4.8m was recognised on the sale of Banque Travelex (see note 22)
2. A net gain of £4.0m was recognised upon the reclassification of the Netherlands pension scheme in December 2015 from defined benefit to defined contribution (see note 24).
3. Exceptional costs of £34.1m (2014: £12.8m) primarily relate to legal and professional fees and staff costs associated with preparing for and completing the sale of the Group.
4. Costs associated with the Global reorganisation initiative, principally redundancy costs.
5. Costs associated with the Systems Development and Shared Service Migration that do not meet the Group's criteria for capitalisation.
6. Certain legacy airport and office locations have been assessed as onerous, owing to the unavoidable costs of meeting the obligations under the contracts exceeding the economic benefits expected to be received. These provisions are assessed at each reporting date and any material revision included within non-underlying items (see note 20)
7. Costs associated with corporate transactions and projects.
8. In 2014, the Directors extended the estimated life and maturity date of the unsecured loan notes and PIK notes to 31 January 2015 (31 December 2013: October 2014). The reassessment of the maturity date resulted in an exceptional credit of £10.0m.
9. Retranslation of structural intercompany loans that finance overseas subsidiaries. The retranslation in the overseas subsidiary of the structural intercompany loans is recognised in reserves.
10. An non-underlying charge of £0.4m was recognised (2014: £12.8m) in relation to an increase in the valuation of the redemption liability for the final payment in respect of the 51% shareholding in Grupo Confidence. The redemption liability was based on a multiple of average earnings for an earn out period ending on 30 June 2014. As at this date, the redemption liability was revised with actual earnings and a negotiated further adjustment (see note 23)
11. Discontinued operations residual income of £1.6m (2014: £0.8m) relates to the sale of the Global Payments business.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**3. Finance income and costs**

£m	note	2015	2014
<b>Finance income:</b>			
Underlying finance income:			
Interest receivable		2.8	0.5
Net exchange gains		1.8	8.1
		<b>4.6</b>	<b>8.6</b>
Non underlying adjustments reported within finance income:			
Gain on extension of estimated life of term loans	2	-	10.0
Exchange gains on intercompany loans	2	4.6	5.1
		<b>4.6</b>	<b>15.1</b>
		<b>9.2</b>	<b>23.7</b>
<b>Finance costs:</b>			
Underlying finance costs:			
Bank loans and overdrafts		(1.9)	(0.1)
Term loans		(64.5)	(128.2)
Interest payable on senior secured notes		(26.0)	(26.0)
Interest payable on currency and interest rate swaps		-	(0.3)
Finance costs on preference shares classified as liabilities		(16.5)	(15.0)
Finance costs incurred on refinancing		(2.5)	(2.7)
Net interest cost on pension scheme liabilities		(1.7)	-
Unwinding of discount on redemption liability		-	(1.4)
Other finance costs		(1.0)	(1.3)
		<b>(114.1)</b>	<b>(175.0)</b>
Non underlying adjustments reported within finance costs:			
Redemption liability valuation adjustment	2	(0.4)	(12.8)
		<b>(114.5)</b>	<b>(187.8)</b>

In accordance with the Group's accounting policy, £1.5m (2014: £1.5m) of interest receivable on bank deposits and money market instruments from the investment of funds generated from travellers' cheque sales and Prepaid cards sales is classified and disclosed within income.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**4. Loss before tax**

Loss before tax is stated after charging:

<b>£m</b>	<b>2015</b>	<b>2014</b>
Depreciation of owned property, plant and equipment	14.1	14.5
Net loss on disposal of property, plant and equipment	-	0.3
Amortisation of intangible assets	10.3	6.1
Amortisation of intangible assets arising on acquisition	0.9	3.8
Impairment of assets	-	2.4
Hire of machinery and equipment	0.6	0.9
Minimum operating lease payments	126.6	129.2
Contingent operating lease payments	69.7	70.2
Auditors remuneration:		
Audit fee in respect of the Company's individual and consolidated financial statements	0.2	0.3
Audit fee in respect of the Company's subsidiary financial statements	1.7	1.6
Audit-related assurance services	0.4	0.1
Tax compliance services	0.2	0.2
Tax advisory services	0.1	0.1
Other assurance services	0.5	0.8
Other non-audit services	0.1	5.4

**5. Employees and Directors**

<b>Average monthly number</b>	<b>2015</b>	<b>2014</b>
Retail	4,737	5,312
Wholesale & Outsourcing	512	556
Payments & Technology	72	48
Brazil	951	892
Other Trade	83	78
Corporate and Shared services	775	676
	<b>7,130</b>	<b>7,562</b>

**Employee costs**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Wages and salaries	155.2	170.3
Share based employee remuneration	0.8	0.5
Social security costs	17.2	21.6
Other pension costs	5.9	5.4
	<b>179.1</b>	<b>197.8</b>

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**5. Employees and Directors (continued)**

**Directors' remuneration**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Aggregate emoluments excluding company pension contributions	<b>11.5</b>	2.8
Share based Directors' remuneration	-	0.2
Company contributions to money purchase pension schemes	<b>0.1</b>	-
Aggregate emoluments	<b>11.6</b>	3.0

Aggregate emoluments include a non-cash amount for the IFRS 2 charge to the income statement in the year related to the long term incentive scheme, reflecting 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 (2014: two). The emoluments of the highest paid Director were £6,134,642 (2014: £1,321,232), including no charge (2014: £137,494) for the long term incentive scheme. The Company made no contributions to the highest paid Director's pension arrangements (2014: £nil).

**Share based payments**

Awards under the employee share based remuneration scheme are measured at the fair value of the award at the date of grant.

Prior to 31 December 2014, the scheme operated as a cash settled share based payments scheme with the fair value of the awards recognised as a liability. As at 31 December 2014, the Directors considered that there was sufficient certainty that the awards would be settled in equity as part of the acquisition by UTX Holdings Limited. The change in the scheme was not considered a modification to the scheme and therefore the amount of the liability was transferred to equity at the value attributed to the shares on inception of the scheme and any change in the value of the scheme has been reflected in the income statement.

Following the sale of the Group to UTX Holdings Limited on 29 January 2015, the beneficial title to all M shares was purchased by UTX Holdings Limited, a subsidiary of BRS Ventures & Holdings Limited.

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

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**6. Income tax charge**

The relationship between the expected tax credit based on the domestic effective tax rate of the Group at 20.25% (2014: 21.5%) and the reported tax charge in profit or loss can be reconciled as follows, also showing major components of the tax charge:

<b>£m</b>	<b>2015</b>	<b>2014</b>
Loss before tax	<b>(114.2)</b>	(132.3)
Less share of profit in equity accounted investments	<b>(3.4)</b>	(2.1)
Loss before tax	<b>(117.6)</b>	(134.4)
Domestic tax rate for the Group	<b>20.25%</b>	21.5%
Expected tax credit	<b>(23.8)</b>	(28.9)
Tax losses not recognised	<b>10.3</b>	10.4
Other adjustments in respect of prior years	<b>0.2</b>	(1.0)
Adjustments for tax rate differences in foreign jurisdictions	<b>1.0</b>	4.5
Non-deductible finance costs	<b>13.5</b>	20.4
Equity accounted investments and goodwill	<b>1.2</b>	-
Other non deductible expenses	<b>5.9</b>	8.0
Net actual tax charge on continuing operations	<b>8.3</b>	13.4
Tax charge comprises:		
Current tax charge	<b>8.2</b>	11.5
Origination and reversal of temporary differences		
Tax losses	<b>(1.4)</b>	0.2
Fixed Assets	<b>1.2</b>	(0.3)
Short term temporary differences	<b>0.3</b>	2.0
Net tax charge	<b>8.3</b>	13.4
Tax charge on ordinary activities	<b>11.0</b>	13.8
Tax credit on exceptional items	<b>(2.7)</b>	(0.4)
Tax charge as shown on the income statement	<b>8.3</b>	13.4

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**7. Intangible assets**

£m	Goodwill	Computer software	Customer relationships	Assets in the course of development	Other <sup>1</sup>	Total
<b>Cost</b>						
At 1 January 2014	328.8	27.7	38.9	38.6	14.9	448.9
Additions	-	3.2	-	10.9	0.4	14.5
Acquisitions	22.5	-	-	-	-	22.5
Disposals	-	(0.5)	-	-	-	(0.5)
Reclassified to held for sale	(9.4)	-	-	-	-	(9.4)
Transfers	-	33.0	-	(32.7)	-	0.3
Exchange adjustments	(3.3)	(0.8)	(0.2)	-	(0.6)	(4.9)
At 1 January 2015	338.6	62.6	38.7	16.8	14.7	471.4
Additions	-	5.4	-	7.1	0.2	12.7
Acquisition of subsidiary	1.5	-	-	-	1.1	2.6
Disposals	-	(0.6)	-	-	-	(0.6)
Transfer from held for sale	3.4	-	-	-	-	3.4
Transfers	-	4.1	-	(8.9)	-	(4.8)
Exchange adjustments	(15.2)	(1.7)	(0.8)	-	(3.9)	(21.6)
At 31 December 2015	328.3	69.8	37.9	15.0	12.1	463.1
<b>Amortisation</b>						
At 1 January 2014	24.4	10.4	2.5	9.3	2.5	49.1
Charge for the year	-	6.0	2.0	-	1.9	9.9
Disposals	-	(0.2)	-	-	-	(0.2)
Exchange adjustments	-	(0.7)	-	-	(0.1)	(0.8)
At 31 December 2014	24.4	15.5	4.5	9.3	4.3	58.0
Charge for the year	-	8.2	2.1	-	0.9	11.2
Disposals	-	(0.4)	-	-	-	(0.4)
Exchange adjustments	-	(1.9)	(0.1)	-	(0.5)	(2.5)
At 31 December 2015	24.4	21.4	6.5	9.3	4.7	66.3
<b>Net book value</b>						
At 31 December 2015	303.9	48.4	31.4	5.7	7.4	396.8
At 1 January 2015	314.2	47.1	34.2	7.5	10.4	413.4
At 1 January 2014	304.4	17.3	36.4	29.3	12.4	399.8

<sup>1</sup> Other intangibles acquisitions relate to Brand name, banking licences and property related intangibles arising from the Grupo Confidenc and Renova acquisitions.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**7. Intangible assets (continued)**

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

£m	Goodwill		Pre-tax discount rates
	2015	2014	2015
<b>Currency Services</b>			
UK	<b>33.8</b>	33.8	<b>8.9%</b>
Americas	<b>31.0</b>	31.0	<b>12.2%</b>
Asia Pacific	<b>37.3</b>	37.3	<b>11.3%</b>
EMEA	<b>57.5</b>	54.0	<b>11.6%</b>
Wholesale Cash	<b>63.6</b>	63.6	<b>11.9%</b>
TCS	<b>15.8</b>	15.8	<b>8.9%</b>
Insurance	<b>15.9</b>	15.9	<b>11.3%</b>
Brazil	<b>30.8</b>	41.3	<b>14.8%</b>
Turkey	<b>18.2</b>	21.5	<b>11.3%</b>
	<b>303.9</b>	314.2	

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 four year forecast (2014: three years), followed by an extrapolation of expected cash flows at a growth rate in the range of 2.0% - 3.0% (2014: 2.0% - 3.0%). The growth rates reflect the long-term average rates for the countries in which the cash generating units operate. Cash flow projections have been discounted using discount rates listed in the table above.

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 2019 forecast EBITDA, where appropriate, 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% (2014: 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.

Brazil goodwill has decreased by £10.5m due mainly to a £12.0m foreign exchange difference, reflecting the weakening of the Real against Sterling in 2015, offset by an increase of £1.5m resulting from the acquisition of the Renova business, refer to note 23.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**8. Property, plant and equipment**

£m	Land and buildings	Fixtures and fittings	Computer hardware	Assets in the course of development	Total
<b>Cost</b>					
At 1 January 2014	26.6	57.8	9.7	-	94.1
Additions	-	14.6	4.3	-	18.9
Disposals	(0.8)	(2.6)	(1.0)	-	(4.4)
Transfers	-	(0.9)	0.6	-	(0.3)
Exchange adjustments	(1.6)	(1.0)	(0.4)	-	(3.0)
To held for sale classification	-	(8.1)	(1.1)	-	(9.2)
At 1 January 2015	24.2	59.8	12.1	-	96.1
Additions	1.2	10.2	1.0	0.8	13.2
Acquisition of subsidiary	-	-	0.5	-	0.5
Disposals	(0.4)	(3.2)	(1.2)	-	(4.8)
Transfers	0.9	(4.3)	8.2	-	4.8
Exchange adjustments	(1.9)	(1.5)	(0.9)	-	(4.3)
To held for sale classification <sup>1</sup>	(1.0)	-	-	-	(1.0)
At 31 December 2015	23.0	61.0	19.7	0.8	104.5
<b>Accumulated depreciation</b>					
At 1 January 2014	17.2	28.0	3.7	-	48.9
Charge for the year	2.8	8.4	3.3	-	14.5
Disposals	(0.8)	(1.9)	(0.8)	-	(3.5)
Impairment	1.3	1.1	-	-	2.4
Exchange adjustments	(1.6)	(0.2)	(0.4)	-	(2.2)
To held for sale classification	-	(5.2)	(0.9)	-	(6.1)
At 31 December 2014	18.9	30.2	4.9	-	54.0
Charge for the year	2.2	8.4	3.5	-	14.1
Disposals	(0.4)	(2.0)	(1.2)	-	(3.6)
Exchange adjustments	(1.6)	(0.4)	(0.9)	-	(2.9)
At 31 December 2015	19.1	36.2	6.3	-	61.6
<b>Net book value</b>					
At 31 December 2015	3.9	24.8	13.4	0.8	42.9
At 1 January 2015	5.3	29.6	7.2	-	42.1
At 1 January 2014	9.4	29.8	6.0	-	45.2

Motor vehicles are included within fixtures and fittings. The net book value of property, plant and equipment includes £8.6m (2014: £4.0m) in respect of assets held under finance leases and hire purchase contracts.

- The Group has entered into an agreement to sell a building in the Netherlands; the sale is expected to complete within one year of the date of the signing of these financial statements, the asset has been held for sale from 31 December 2015. The proceeds of the disposal are expected to exceed the book value and accordingly no impairment losses have been recognised on the classification of this asset as held for sale.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**9. Investments accounted for using the equity method**

<b>£m</b>	<b>Interest in joint ventures</b>
At 1 January 2014	8.3
Share of profit after tax	2.1
Distributions	(0.9)
Increase in investments	3.4
Exchange adjustments	0.2
At 1 January 2015	13.1
Share of profit after tax	3.3
Distributions	(4.8)
Exchange adjustments	(0.7)
At 31 December 2015	10.9

The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the group.

<b>Name of entity</b>	<b>Place of business/ country of incorporation</b>	<b>% ownership</b>
Travelex Emirates LLC	United Arab Emirates	49%
Travelex Africa Foreign Exchange (Pty) Ltd	South Africa	49%
Travelex Qatar Q.S.C.	Qatar	49%
Travelex Malaysia SDN. BHD	Malaysia	70%

These operations represent strategic partnerships for the Group, providing access to new markets for the sale of foreign currency banknotes and other foreign exchange products. These entities are unlisted.

The Group also has various agreements with independent operators to act as partners in the retail business at several locations in the United States. These joint ventures are accounted for under the equity method of accounting.

**10. Inventories**

Inventories of £0.4m (2014: £0.5m) relate to non cash items sold through retail shops.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**11. Trade and other receivables**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Current		
Trade receivables	<b>47.0</b>	44.1
Amounts due from travellers' cheques agents	<b>0.8</b>	0.6
Other receivables	<b>32.2</b>	21.8
Prepayments and accrued income	<b>14.4</b>	20.9
Amounts due from joint ventures and associates	<b>1.8</b>	2.5
	<b>96.2</b>	89.9
Non current		
Prepayments and accrued income	<b>6.1</b>	6.8
	<b>102.3</b>	96.7

Trade receivables at 31 December 2015 include £8.0m of unsettled foreign exchange transactions in the Brazil payments and wholesale banknote business (31 December 2014: £3.2m).

**12. Investments**

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

<b>£m</b>	<b>2015</b>	<b>2014</b>
Current		
Travellers' cheques float deposits	<b>0.3</b>	-
Money on structured deposits	<b>2.6</b>	2.2
	<b>2.9</b>	2.2
Non current		
Money on structured deposits	<b>22.0</b>	24.6
	<b>24.9</b>	26.8

**13. Travellers' cheques**

The Group's reimbursement agreement and insurance policy with AmTrust, ensures that the encashment of properly presented travellers' cheques will be honoured in perpetuity. AmTrust is an insurance company which is rated A by A.M. Best Company, Inc., a leading company rating agency.

The agreement with AmTrust involved paying an insurance premium of £50.0m, made up of instalments, with the final payment made during the year ended 31 December 2015. This insurance premium has been recognised as a financial asset and is re-measured at fair value at each reporting date with any change in valuation recognised in the income statement. At 31 December 2015, the amount recognised within financial assets in the balance sheet was £43.3m

AmTrust hold funds to cover future encashment of MasterCard branded and non-branded travellers' cheques in bankruptcy-remote vehicles. The Group records a financial asset relating to these reimbursement funds within financial assets in the balance sheet and this is revalued to fair value each reporting date with any change in valuation recognised in the income statement. The reimbursement fund at 31 December 2015 year-end amounted to £60.4m. AmTrust reimburses the Group for travellers' cheques encashed on a weekly basis. Structured deposits and assets held on trust are still held to support the encashment of Visa branded travellers cheques.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**13. Travellers' Cheques (continued)**

As at 31 December 2015 the face value of Travellers' Cheques Awaiting Redemption ("TCAR") amounted to £353.2m. Actuarial estimates, as at 31 December 2015, suggest however that an amount of approximately £115.0m was expected to be validly presented for encashment or would require encashment. The Group's experience over the last 12 years is that actuarial predictions of the level of encashments are substantially accurate. TCAR expected to be validly presented as at 31 December 2015 were approximately £115.0m, which is still substantially below the TCAR face value amount of £353.2m as at 31 December 2015. Travellers' cheques awaiting redemption are included within trade and other payables, see note 17. Assets held by the Group to cover travellers' cheques encashment, which include investments in float deposits and structured deposits per note 12, are in excess of expected encashments but substantially lower than TCAR.

Financial assets relating to the non-core Travellers' Cheques business are as follows:

<b>£m</b>	<b>2015</b>	<b>2014</b>
Current		
Reimbursement fund	<b>7.3</b>	8.8
	<b>7.3</b>	8.8
Non-current		
Reimbursement fund	<b>53.1</b>	59.8
Insurance premium asset	<b>43.3</b>	48.1
	<b>96.4</b>	107.9
	<b>103.7</b>	116.7

Cash flow relating to instalment payments for insurance premium asset:

<b>£m</b>	<b>2015</b>	<b>2014</b>
Insurance premium	<b>(3.1)</b>	(6.3)
Amount recognised in cash flows from operating activities	<b>(3.1)</b>	(6.3)

**14. Available for sale investments**

Available for sale investments represent equity shares available for sale and government and corporate bonds held in Brazil. Within reserves £2.1m (2014: £1.8m) is held as an unrecognised gain on the equity shares.

<b>£m</b>	<b>2015</b>	<b>2014</b>
Equity shares	<b>3.2</b>	2.6
Government and corporate bonds held in Brazil	<b>6.9</b>	1.2
	<b>10.1</b>	3.8

Reconciliation of equity shares available for sale:

<b>£m</b>	<b>2015</b>	<b>2014</b>
At 1 January	<b>2.6</b>	2.1
Revaluation	<b>0.5</b>	0.4
Exchange adjustments	<b>0.1</b>	0.1
At 31 December	<b>3.2</b>	2.6

The government bonds are not held for the full term and they are typically traded within 1-3 days.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**15. Cash and cash equivalents**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Cash at bank and in hand	<b>403.5</b>	470.0
Term deposits with original maturities of less than three months	<b>34.2</b>	35.3
	<b>437.7</b>	505.3

Included within the cash and cash equivalents balance of £437.7m (2014: £505.3) are the following balances:

- £188.2m (2014: £191.9m) of cash held in tills and vaults;
- £12.3m (2014: £20.9m) of customer settlements received in advance;
- £140.2m (2014: £146.6m) of monies received from Prepaid card customers whose use is restricted to the settlement of associated liabilities;
- £38.2m (2014: £39.9m) of cash and term deposits with original maturities of less than three months which are ring fenced with their use restricted to the travellers' cheques business; and
- The remaining £58.8m (2014: £106.0m) is deposited in bank accounts throughout the Group and in certain jurisdictions and, while available to the Group, is subject to regulatory and legal restrictions as to its use.

**16. Restricted cash**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Current		
Amounts held in escrow	-	0.3
	-	0.3

Current restricted cash as at December 2014 related to the sale of the Group's Card Program Management business (disposed in 2012). The full amount was settled in the year.

**17. Trade and other payables**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Current		
Trade payables	<b>138.5</b>	127.5
Travellers' cheques awaiting redemption	<b>208.5</b>	224.5
Prepaid cards awaiting redemption	<b>144.7</b>	155.8
Other tax and social security	<b>8.9</b>	8.1
Other payables	<b>37.2</b>	30.7
Accruals and deferred income	<b>77.5</b>	90.1
Amounts due to joint ventures and associates	-	0.3
	<b>615.3</b>	637.0
Non current		
Accruals and deferred income	<b>0.1</b>	0.3
	<b>615.4</b>	637.3

Trade payables at 31 December 2015 include amounts prepaid by Wholesale customers for banknotes of £12.3m (31 December 2014: £20.9m) and £24.3m relating to Brazil (31 December 2014: £24.5m), which is driven by an increase in outstanding orders at period end in respect of the Group's wholesale banknotes businesses.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**17. Trade payables (continued)**

Travellers' cheques and Prepaid cards awaiting redemption represent travellers' cheques and balances on Prepaid cards 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. Further information on Travellers' cheques is set out in Note 13.

**18. Borrowings**

<b>£m</b>	<b>2015</b>	2014
Current		
Bank loans and overdrafts	<b>30.3</b>	3.2
Obligations under finance leases	<b>0.6</b>	0.7
	<b>30.9</b>	3.9
Non current		
Senior secured notes		
8% £200.0m due 2018 bond	<b>196.9</b>	195.8
Libor plus 6% £150.0m due 2018 bond	<b>148.7</b>	147.6
Borrowings from non-shareholders	<b>345.6</b>	343.4
Unsecured loan and PIK notes		
10% Loan and PIK notes due 2021	<b>451.6</b>	996.0
2% loan notes due 2045	<b>2.2</b>	-
10% Preference certificates notes due 2035	<b>4.2</b>	15.9
Preference shares classified as liabilities	<b>181.6</b>	165.1
Borrowings from shareholders	<b>639.6</b>	1,177.0
Other loans	<b>0.1</b>	-
Obligations under finance leases	<b>0.2</b>	0.7
	<b>985.5</b>	1,521.1
	<b>1,016.4</b>	1,525.0

Included in preference shares classified as liabilities is £120.3m (2014: £103.8m) relating to unpaid finance costs on preference shares that are not expected to be paid within one year. The nominal value of these shares is £61.3m (see note below).

The legal maturity of the Group's borrowings range from 2018 to 2045 (2014: 2018 to 2035). As at 31 December 2014, the Directors estimated the expected maturity date of the unsecured loans and PIK notes to be January 2015 which was their expectation of the likely completion date for the sale of the Group to UTX Holdings Limited, at which date the Shareholder Debt was restructured.

On 29 January 2015, the Group was sold to UTX Holdings Limited, a company incorporated in Jersey, and ultimately controlled by Dr B. R. Shetty. On completion, the existing Shareholder Debt was restructured, with £209.6m being waived and £315.5m settled through the issue of ordinary shares, and the remaining balance novated at fair value upward within the Group's structure and retained in favour of UTX Holdings, on the same interest and repayment terms.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**18. Borrowings (continued)**

On 4 December 2015, £15.5m of subordinated loan notes repayable in 2045 were issued in favour of Dr Shetty. The contractual annual compound interest rate is 2%, however 9.2% is considered a fair market rate of interest applied on similar instruments. The issue of shareholder debt was issued to fund the acquisition of 100% of Renova Serviços Auxiliares em Operações Internacionais Ltda and the trade and assets of Renova S.A. Corretora de Câmbio ('Renova') and working capital requirements of the business. The issue of loan notes and acquisition are considered together as a linked transaction and therefore the fair value of the consideration equates to the fair value of the business on the date of acquisition by the Group. The overall fair value adjustment relating to the issue of the shareholder loan notes and the acquisition of the business results in a net credit of £1.0m to reserves, representing a shareholder contribution.

The Directors consider that the expected maturity for all existing shareholder debt instruments approximate their contractual maturity date as no detailed exit plans exist that support a view that the shareholders will exit sooner than the contractual maturity dates. The contractual interest rate is 10%, however 14% is considered a fair market rate of interest applied on similar instruments. In applying the effective interest rate method, a £95.0m debit adjustment against the principal of these instruments was recorded on inception, with a corresponding credit to retained earnings, representing the fair value adjustment.

On completion of the sale of the Group, a total credit adjustment to equity of £620.1m was recorded, comprising the portion of shareholder debt that was waived by the Group's shareholders of £209.6m credited to Retained Earnings, a portion capitalised by issue of ordinary shares resulting in a £315.5m credit to Share Premium, and the fair value adjustment of £95.0m credited to Retained Earnings.

Except as detailed in the following table, the directors consider that the carrying amounts of the borrowings recognised in the consolidated financial statements approximate their fair values, which are classified as level 2 under the fair value hierarchy.

£m	2015	2015
	Book value	Fair value
8% £200.0m bond due 2018	196.9	209.2
Libor plus 6% £150.0m bond due 2018	148.7	149.7
Unsecured loan and PIK notes	458.0	373.6
Preference shares	181.6	-
Other loans	0.1	-
	<b>985.3</b>	<b>732.5</b>

Fair value of current borrowings equals their market price, as the impact of discounting is insignificant. The fair values of the bonds are based on a listed redemption price of £104.6 for the fixed rate note and £99.9 for the floating rate note. The fair values of the unsecured loan and PIK notes and preference shares have been determined using estimated cash flows, discounted at an applicable risk adjusted rate.

Under the £90.0m revolving credit facility, the Group can draw down up to £59.9m which will incur interest on utilised amounts at Libor plus 3.5% and the remaining £30.1m is available to be utilised by guarantees issued on behalf of the Group. As at 31 December 2015, the facility has £29.9m drawn down and £29.9m has been placed as guarantees.

The Group has given guarantees and fixed and floating charges and other securities over £367.0m 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 net and gross leverage to EBITDA. If the covenants are breached, the amounts outstanding on the revolving credit facility would be reclassified as due on demand.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**18. Borrowings (continued)**

**Preference share capital**

	2015 Number	2015 £m	2014 Number	2014 £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.

**19. Financial instruments**

The Group's financial instruments classified in the financial statements as at 31 December can be analysed under the following categories:

£m	Note	Loans and receivables	Available-for- sale	Assets at fair value through income statement
<b>Financial assets</b>				
Equity instruments	14	-	3.2	-
Debt instruments	14	-	6.9	-
Foreign exchange contracts		-	-	2.7
Travellers' cheques insurance premium	13	-	-	43.3
Travellers' cheques reimbursement fund	13	-	-	60.4
Investments	12	24.6	-	0.3
Cash and cash equivalents	15	437.7	-	-
Trade and other receivables		81.5	-	-
31 December 2015		543.8	10.1	106.7

£m	Note	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
<b>Financial liabilities</b>			
Borrowings	18	(1,016.4)	-
Travellers' cheques and Prepaid cards awaiting redemption	17	(353.2)	-
Foreign exchange contracts		-	(1.8)
Foreign currency forward contracts		-	(0.8)
Trade and other payables		(253.8)	-
31 December 2015		(1,623.4)	(2.6)

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

£m	Note	Loans and receivables	Available-for-sale	Assets at fair value through income statement
<b>Financial assets</b>				
Equity instruments	14	-	2.6	-
Debt instruments	14	-	1.2	-
Foreign exchange contracts		-	-	1.6
Foreign currency forward contracts		-	-	1.3
Travellers' cheques insurance premium	13	-	-	48.1
Travellers' cheques reimbursement fund	13	-	-	68.6
Investments	12	26.8	-	-
Cash and cash equivalents	15	505.1	-	0.2
Restricted cash	16	0.3	-	-
Trade and other receivables	11	76.8	-	-
<b>31 December 2014</b>		<b>609.0</b>	<b>3.8</b>	<b>119.8</b>

£m	Note	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
<b>Financial liabilities</b>			
Borrowings	18	(1,521.1)	-
Other financial liabilities - Redemption liability		-	(45.8)
Travellers' cheques and Prepaid cards awaiting redemption	17	(379.9)	-
Foreign exchange contracts		-	(0.7)
Foreign currency forward contracts		-	(1.1)
Amounts due to joint ventures	17	(0.3)	-
Trade and other payables	17	(244.2)	-
<b>31 December 2014</b>		<b>(2,145.5)</b>	<b>(47.6)</b>

**Financial risk management objectives and policies**

The main risks arising from the Group's financial instruments are market risk (including foreign currency and interest rate), credit risk and liquidity risk. The Board approves prudent treasury policies for managing each of the risks which are summarised below.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

**Foreign currency risk**

The Group has significant overseas operations conducting business in most 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. 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 US 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 and currency swap transactions. For operational reasons, the Group decided not to designate forward foreign currency and swap currency contracts in hedge accounting relationships. Consequently, all changes in fair values of such foreign currency forward contracts are recognised in the income statement.

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 of this particular accounting treatment. The Group holds currency stocks in the UK and elsewhere through which it is exposed to currency risk. These are monitored and maintained with modest risk limits approved by the board.

As at 31 December 2015, with all variables remaining constant, if Sterling strengthened or weakened by 10% against these currencies, this would have resulted in the following (gain)/loss to pre-tax loss as detailed in the table below:

£m	2015	2015	2014	2014
	+10%	-10%	+10%	-10%
United States Dollar	(1.7)	2.1	(1.8)	2.3
Australian Dollar	0.2	(0.2)	(0.4)	0.4
Euro	1.1	(1.4)	1.2	(1.4)

**Cash flow and fair value 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.

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2015 with all variables remaining constant, for each 0.1% change in interest rates, this would have resulted in the following (gain)/loss to pre-tax loss and equity (other than Retained Earnings), due to movement in the finance income, finance cost and mark-to-market valuation of derivatives.

£m	2015	2015	2014	2014
	Income statement impact	Equity impact	Income statement impact	Equity impact
0.1% increase	0.1	-	0.2	-
0.1% decrease	(0.1)	-	(0.2)	-

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

**Credit risk**

Credit risk arises from cash and cash equivalents, prepayments made in advance on acquisition, current investments, derivative financial instruments, trade receivables and to a lesser extent from other contractual financial obligations. 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. Key counterparties with whom significant concentrations of risk exist as at 31 December 2015 include Deutsche Bank AG (A rated (S&P)), Barclays Bank Plc (A rated (S&P)), and HSBC Global Liquidity Fund (AAA rated (S&P)). As at 31 December 2015, the Group had deposited cash collateral of £nil (2014: £nil) with trading bank counterparties.

Current asset investments include money market deposits and structured deposits. The Group maintains prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. The Group monitors the credit ratings of counterparties regularly and ensures no positions are entered into with counterparties with long-term credit ratings below A-(S&P). At 31 December 2015, the Group's largest counterparty accounted for 45% (2014: 23%) 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 Group's exposure to credit related losses, in the event of non-payment by customers, is minimal as Group policies require new customers to be reviewed for creditworthiness before standard payment and delivery terms and conditions are entered into. Individual credit terms are set and monitored regularly, payments are made in advance for large shipping orders.

Financial assets past due but not impaired do not reflect any indication 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	2015 Total
Trade receivables	3.4	-	-	3.4
Other receivables	0.1	-	-	0.1
	<b>3.5</b>	<b>-</b>	<b>-</b>	<b>3.5</b>

£m	0-3 months	3-6 months	Over 6 months	2014 Total
Trade receivables	1.0	-	-	1.0
Other receivables	-	-	-	-
	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>

At 31 December 2015, impaired financial assets based upon the Group's expectation of the counterparties' ability to settle included trade receivables of £0.3m (2014: £0.3m) and other receivables of £nil (2014: £nil). There was no collateral held against impaired trade receivables and other receivables in either the current or prior year.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

**Liquidity risks**

In October 2015, an important wholesale banknote supplier of the Group served notice to terminate a key agreement to supply wholesale banknotes which provided significant working capital benefits to one of the Group's UK subsidiaries by late June 2016, in accordance with a contractual break clause. At the same time, that supplier has indicated that they would be prepared to continue to supply wholesale banknotes (to that subsidiary and to other subsidiaries of the Group) should the Group accept certain changes to the terms and conditions of supply with reduced working capital benefits. The Group is currently negotiating mutually acceptable terms under which the supply agreement could be extended and is confident of successfully concluding the negotiations.

The Group's policy is to manage its capital requirements and liquidity through a combination of bank borrowings and other term debt, and capital markets. The Group's financing position was strengthened in August 2013 with the issuance of £350.0m Senior Secured Notes due 2018 (£200.0m 8% fixed rate and £150.0m floating rate notes) raised in capital market transaction and the refinancing of the Group's core revolving credit facility.

The Group also has a committed senior credit facility available of £90.0m under which the Group can draw down up to £59.9m which will incur interest on utilised amounts at Libor plus 3.5% and the remaining £30.1m is available to be utilised by guarantees issued on behalf of the Group. Balances outstanding with key suppliers and under the revolving credit facility fluctuate significantly from day to day, primarily due to the levels of physical banknotes required for trading and value of unfulfilled customer orders. This facility is used to provide short term liquidity to meet operating cash needs. As at 31 December 2015, the facility has £29.9m drawn down and £29.9m has been placed as guarantees. The Group has £30.2m (2014: £55.0m) undrawn committed borrowing facility available in respect of which all conditions precedent have been met at 31 December 2015.

The daily settlement flows in respect of financial asset and liability, spot and swap contracts require adequate liquidity which is provided through uncommitted intra-day settlement facilities. These facilities are provided by a diversified set of financial institutions with which the Group has a substantial trading history. 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 borrowings requirements.

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 encashment once made. The Directors estimate that at 31 December 2015, £13.2m (2014: £16.0m) sterling equivalent of the travellers' cheques awaiting redemption will be encashed within twelve months of the balance sheet date.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

The tables below analyse the gross undiscounted contractual cash flows on the Group's financial liabilities and net settled derivative financial instruments as at 31 December to the contractual maturity date:

£m	Within one year	Between one and two years	Between two and five years	After five years	2015 Total
Borrowing principal and interest payments					
Bonds	26.0	26.0	373.5	-	425.5
Loans and PIK notes	-	-	-	944.1	944.1
Preference shares	-	-	-	255.9	255.9
Bank loans and overdrafts	30.3	-	-	-	30.3
Obligations under finance leases	0.6	0.2	-	-	0.8
Travellers' cheques awaiting redemption	355.8	-	-	-	355.8
Prepaid cards awaiting redemption	144.7	-	-	-	144.7
Trade and other payables	252.5	-	-	-	252.5
	<b>809.9</b>	<b>26.2</b>	<b>373.5</b>	<b>1,200.0</b>	<b>2,409.6</b>

£m	Within one year	Between one and two years	Between two and five years	After five years	2014 Total
Borrowing principal and interest payments					
Bonds	25.7	25.7	383.0	-	434.4
Loans and PIK notes	-	-	-	2,267.1	2,267.1
Preference shares	-	-	-	281.2	281.2
Bank loans and overdrafts	3.2	-	-	-	3.2
Obligations under finance leases	0.7	0.7	-	-	1.4
Travellers' cheques awaiting redemption	368.1	-	-	-	368.1
Prepaid cards awaiting redemption	155.8	-	-	-	155.8
Redemption liability	45.8	-	-	-	45.8
Amounts due to joint ventures	0.3	-	-	-	0.3
Trade and other payables	244.2	-	-	-	244.2
	<b>843.8</b>	<b>26.4</b>	<b>383.0</b>	<b>2,548.3</b>	<b>3,801.5</b>

**Fair value hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 - Valuation techniques (for which the lowest level of input that is significant to the fair value measurement is unobservable).

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The tables below present the Group's assets and liabilities that are measured at fair value as at 31 December:

£m	Level 1	Level 2	Level 3	2015 Total
<b>Assets</b>				
Available for sale investments	6.9	-	3.2	10.1
Investments	0.3	-	-	0.3
Travellers' cheques insurance premium	-	-	43.3	43.3
Travellers' cheques reimbursement fund	-	-	60.4	60.4
Foreign exchange contracts	-	2.7	-	2.7
	7.2	2.7	106.9	116.8
<b>Liabilities</b>				
Foreign currency forward contracts	-	(0.8)	-	(0.8)
Foreign exchange swap contracts	-	(1.8)	-	(1.8)
	-	(2.6)	-	(2.6)

£m	Level 1	Level 2	Level 3	2014 Total
<b>Assets</b>				
Available for sale investments	1.2	-	2.6	3.8
Cash and cash equivalents	0.2	-	-	0.2
Travellers' cheques insurance premium	-	-	48.1	48.1
Travellers' cheques reimbursement fund	-	-	68.6	68.6
Foreign currency forward contracts	-	1.3	-	1.3
Foreign exchange contracts	-	1.6	-	1.6
	1.4	2.9	119.3	123.6
<b>Liabilities</b>				
Foreign currency forward contracts	-	(1.1)	-	(1.1)
Foreign exchange swap	-	(0.7)	-	(0.7)
Redemption liability	-	(45.8)	-	(45.8)
	-	(47.6)	-	(47.6)

There were no transfers between levels 1 and 2 during the year.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

Reconciliation of recurring fair value measurements categorised within level 3 of the fair value hierarchy:

<b>Equity shares (£m)</b>	<b>2015</b>	<b>2014</b>
At 1 January	<b>2.6</b>	2.1
Total gains recognised in equity	<b>0.5</b>	0.4
Exchange adjustments	<b>0.1</b>	0.1
At 31 December	<b>3.2</b>	2.6

<b>Travellers' cheques financial assets (£m)</b>	<b>2015</b>	<b>2014</b>
At 1 January	<b>116.7</b>	129.0
Movement in insurance premium	<b>(4.8)</b>	(1.7)
Movement in Travellers' cheques reimbursement funds	<b>(8.2)</b>	(11.9)
Revaluation gains recognised in Income statement	-	1.3
At 31 December	<b>103.7</b>	116.7

**Valuation techniques**

*Foreign currency forwards and swap contracts*

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

*Travellers' cheques*

The valuation of the travellers' cheques reimbursement funds and insurance premium asset are based on the expectations regarding the float write back. The float write back is the estimated value of travellers' cheques that will never be encashed. An independent actuarial valuation is performed by Lane Clark & Peacock LLP on an annual basis to determine the expected level of the float write back at year end.

The valuation assumes that travellers' cheques will not be encashed more than 65 years after the year of sale. Sensitivity analysis has been performed to change the assumption of encashment for a period of only 50 years after sale and increasing encashment to 100 years after sale. The valuation changes by 2% and (2.6%) respectively.

The valuation of the reimbursement fund is the gross value of Travellers' Cheques Awaiting Redemption at year end less the assessed fair value of the float write back.

The fair value of the insurance premium asset is linked to the fair value of the float write back and therefore the change in fair value applied to the float write back is used to generate the change in fair value of the insurance premium asset.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**19. Financial instruments (continued)**

*Equity share investments*

The Group holds convertible ordinary shares ('B' shares) in Visa Inc. The fair value of the unquoted ordinary shares has been determined using conversion rates of 1.6483 per share price of US\$77.55 ('A' quoted share price at 31 December 2015), discounted at a rate of 46%.

Sensitivity analysis has been performed to change the assumption of the share price. If the Visa share price were to change by +/- 5%, the valuation would change by US\$238k.

**Offsetting derivative financial assets and liabilities**

**Net financial asset**

£m	Gross amounts of recognised derivative financial assets	Gross amounts of recognised derivative financial liabilities set off in the balance sheet	Net amounts of derivative financial assets presented in the balance sheet
<b>2015</b>			
Foreign currency forward contracts	55.0	(53.6)	1.4
Foreign exchange swap contracts	146.7	(145.4)	1.3
	<b>201.7</b>	<b>(199.0)</b>	<b>2.7</b>

£m	Gross amounts of recognised derivative financial assets	Gross amounts of recognised derivative financial liabilities set off in the balance sheet	Net amounts of derivative financial assets presented in the balance sheet
<b>2014</b>			
Foreign currency forward contracts	31.3	(30.0)	1.3
Foreign exchange swap contracts	157.5	(155.9)	1.6
	188.8	(185.9)	2.9

**Net financial liability**

£m	Gross amounts of recognised derivative financial liabilities	Gross amounts of recognised derivative financial assets set off in the balance sheet	Net amounts of derivative financial liabilities presented in the balance sheet
<b>2015</b>			
Foreign currency forward contracts	38.8	(39.6)	(0.8)
Foreign exchange swap contracts	192.3	(194.1)	(1.8)
	<b>231.1</b>	<b>(233.7)</b>	<b>(2.6)</b>

£m	Gross amounts of recognised derivative financial liabilities	Gross amounts of recognised derivative financial assets set off in the balance sheet	Net amounts of derivative financial liabilities presented in the balance sheet
<b>2014</b>			
Foreign currency forward contracts	15.2	(16.3)	(1.1)
Foreign exchange swap contracts	134.8	(135.5)	(0.7)
	150.0	(151.8)	(1.8)

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**20. Provisions**

£m	Onerous contracts	Employee related provisions- (restated)	Other	Total restated
At 1 January 2015	18.1	2.3	10.6	31.0
Exchange adjustments	0.1	(0.1)	(0.9)	(0.9)
Increase on acquisition on subsidiary	-	0.2	0.1	0.3
Charged to income statement	16.4	11.9	2.9	31.2
Written back to income statement	(0.2)	(0.2)	(4.4)	(4.8)
Utilised in the year	(8.6)	(1.2)	(3.6)	(13.4)
At 31 December 2015	25.8	12.9	4.7	43.4
Current	9.2	11.0	2.6	22.8
Non-current	16.6	1.9	2.1	20.6
At 31 December 2015	25.8	12.9	4.7	43.4
Current	5.9	1.4	8.2	15.5
Non-current	12.2	0.9	2.4	15.5
At 31 December 2014	18.1	2.3	10.6	31.0

Onerous contract provisions are in respect of certain airport locations and office building lease contracts. Employee related provisions primarily reflect redundancy costs. Other provisions include the fair value of a contingent liability arising on acquisition of Grupo Confidenc and Renova, with the rest being individually small and are in respect of other contractual agreements and legal matters.

**21. 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	2015	2014
Deferred tax assets - non current	9.5	10.3
Deferred tax liabilities	(3.6)	(4.6)
	5.9	5.7

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**21. Deferred tax (continued)**

The movement in deferred tax is as follows:

<b>£m</b>	<b>2015</b>	<b>2014</b>
At 1 January	<b>5.7</b>	7.4
Exchange adjustments	<b>1.2</b>	0.2
Income statement credit (charge)	<b>(0.3)</b>	(1.9)
Tax charged direct to equity	<b>(0.4)</b>	-
Other movements	<b>(0.3)</b>	-
At 31 December	<b>5.9</b>	5.7

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

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>	<b>Tax losses</b>	<b>Pension</b>	<b>Other temporary differences</b>	<b>Total</b>
<b>Assets</b>						
At 1 January 2014	6.1	-	1.8	1.0	8.8	17.7
Credited (charged) to the income statement	0.3	-	(0.2)	(0.5)	(1.7)	(2.1)
At 1 January 2015	6.4	-	1.6	0.5	7.1	15.6
Credited (charged) to the income statement	(1.2)	-	1.5	-	(0.6)	(0.3)
Credited (charged) direct to equity	-	-	0.7	(0.1)	-	0.6
Exchange adjustments	(0.3)	-	(0.1)	-	-	(0.4)
Other movements	(0.8)	-	(0.9)	(0.4)	0.6	(1.5)
At 31 December 2015	4.1	-	2.8	-	7.1	14.0
<b>Liabilities</b>						
At 1 January 2014	(1.0)	(6.3)	-	-	(3.0)	(10.3)
Credited (charged) to the income statement	(0.1)	0.4	-	-	(0.1)	0.2
Exchange adjustments	-	0.2	-	-	-	0.2
At 1 January 2015	(1.1)	(5.7)	-	-	(3.1)	(9.9)
Credited (charged) to the income statement	0.1	0.3	-	(0.4)	-	-
Credited (charged) direct to equity	-	(0.3)	-	-	(0.7)	(1.0)
Exchange adjustments	-	1.3	-	-	0.3	1.6
Other movements	0.9	(0.2)	-	0.3	0.2	1.2
At 31 December 2015	(0.1)	(4.6)	-	(0.1)	(3.3)	(8.1)

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**21. Deferred tax (continued)**

Other net temporary differences of £3.8m (2014: £4.0m) consist primarily of deferred tax assets relating to provisions and accruals of £5.3m (2014: £5.0m), less £1.7m (2014: £1.0m) in relation to other temporary differences.

There are unrecognised deferred tax assets comprising £59.0m (2014: £39m) unused tax losses and other temporary differences of £35.4m (2014: £32.4m) at the year end. Tax losses which have no time limit are £36.4m, £20.5m expire in one year, £1.6m expire in five years and £0.5m expire in 20 years.

**22. Disposal of business**

On 29 January 2015, in connection with the sale of Travelex Holdings Limited to UTX Holdings Limited, Travelex France Holdings Limited sold Banque Travelex SA and its 100% owned subsidiary Travelex Paris SAS to UAE Exchange UK Limited, of which Dr. B.R. Shetty is also a shareholder, for €26.0m (£19.3m).

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

<b>£m</b>	
<b>Non current assets</b>	
Goodwill	6.0
Property, plant and equipment	3.0
<b>Current assets</b>	
Trade and other receivables	8.9
Financial assets	2.4
Cash and cash equivalents	9.7
Intercompany debtors	4.4
<b>Assets disposed</b>	<b>34.4</b>
<b>Non current liabilities</b>	
Trade and other payables	(1.0)
Intercompany creditors	(4.2)
<b>Current liabilities</b>	
Trade and other payables	(16.2)
<b>Liabilities disposed</b>	<b>(21.4)</b>
<b>Net assets disposed</b>	<b>13.0</b>
<b>£m</b>	
Reconciliation of gain on disposal:	
Total consideration received	19.3
Net assets of disposal group	(13.0)
<b>Gain on disposal</b>	<b>6.3</b>
Cumulative translation losses realised on disposal	(1.5)
<b>Net gain on disposal</b>	<b>4.8</b>

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**22. Disposal of business (continued)**

<b>£m</b>	
<b>Net cash inflow arising on disposal, excluding costs</b>	
Consideration received in cash and cash equivalents	19.3
Less cash and cash equivalents disposed of	(9.7)
	<b>9.6</b>

The results of the French business, comprising Banque Travelex SA, and its 100% owned subsidiary Travelex Paris SAS, until the date of disposal and for the year ended 31 December 2014 are summarised as follows:

<b>£m</b>	<b>To 29 January 2015</b>	<b>Year ended 31 December 2014</b>
Revenue	<b>3.2</b>	44.8
Cost of sales	<b>(2.3)</b>	(32.2)
Gross profit	<b>0.9</b>	12.6
Net operating expense	<b>(0.6)</b>	(10.9)
Operating profit before depreciation, amortisation, interest and tax	<b>0.3</b>	1.7
Depreciation and amortisation	<b>(0.1)</b>	(0.9)
Net interest payable	-	(0.3)
Operating profit and profit before tax	<b>0.2</b>	0.5
Tax charge	-	(0.8)
Profit for the period	<b>0.2</b>	(0.3)

**23. Acquisitions**

**Grupo Confidence**

On 2 February 2015, the Group purchased the remaining 51% of Grupo Confidence, a group incorporated in Brazil. The Group originally acquired 49% of Grupo Confidence on 11 April 2013, following approval by the Central Bank of Brazil (Banco Central do Brasil) and the President of Brazil. The Group was contractually obliged to purchase the remaining 51% by 14 November 2014 or when final regulatory approval was received, if later.

As a result of this obligation to purchase the remaining shares, the Group was deemed to have acquired control of Grupo Confidence and as such treated the transaction as an acquisition of a subsidiary with a 51% non controlling interest. The obligation to purchase the remaining 51% shareholding was recognised at fair value with the corresponding debit to other reserves. Any subsequent reassessment of the valuation was recognised in the income statement within finance income and costs.

A full assessment of fair value of the assets and liabilities acquired was performed on 11 April 2013 and resulted in goodwill of £58.2m. On 11 April 2013, a redemption liability of £36.1m was recognised in respect of the remaining 51% share of the group, with the contra in Other Reserves. The consideration for the remaining 51% of the group was £55.3m; comprising a cash payment of £47.4m to settle the redemption liability and a prepayment release of £7.9m, representing a release of a prepaid cash amount. Any changes in the value of the redemption liability were recognised within exceptional finance costs, until the liability was settled. On settlement of the £47.4m redemption liability, the other reserves balance of £36.1m was transferred to retained earnings.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**23. Acquisition of Business (continued)**

The table below summarises the impact on the consolidated financial statements for the year ended 31 December 2015:

<b>£m</b>	
Consideration paid in cash and cash equivalents	(47.4)
Extinguishment of redemption liability	47.4
Transfer out of other reserves of initial redemption liability	(36.1)
Transfer into retained earnings of initial redemption liability	36.1
Non-controlling interest acquired	(12.9)
Gain on acquisition to retained earnings	5.0
<b>Net impact on equity</b>	<b>(7.9)</b>

**Acquisition of Renova**

On 4 December 2015, BRS Ventures LLC acquired 100% of Renova Serviços Auxiliares em Operações Internacionais Ltda and the trade and assets of Renova S.A. Corretora de Câmbio ('Renova'). BRS Ventures LLC is incorporated in the United States and owned by the Group's ultimate controlling party, Dr B.R.Shetty. Renova operates 37 stores in five States across Brazil with a remittance and business to business foreign exchange offering which is complementary to the Group's existing operations in the country. On the same date, BRS Ventures LLC transferred Renova to the Group.

The purchase consideration and working capital requirements were funded through subordinated loan notes issued in favour of Dr Shetty. The issue of shareholder debt and the acquisition are considered together as a linked transaction and therefore the fair value of the consideration has been assessed as the fair value of the business on the date acquired by the Group as this better reflects the substance of the transaction. The overall fair value adjustment relating to the issue of the shareholder loan notes and the acquisition of the business results in a net credit of £1.0m to reserves, representing a shareholder contribution.

In the period from acquisition to 31 December 2015, Renova contributed revenue of £0.2m and operating profit of £nil to the Group's results. If the Renova business was acquired on 1 January 2015, Group Revenue would be £3.5m higher and operating profit £1.5m lower. The following table summarises the fair value of the consideration paid and the preliminary assessment of the fair value of assets acquired and liabilities assumed at the acquisition date, the Goodwill comprises the value of expected synergies from the acquisition. Goodwill is allocated entirely to the Brazil segment. None of the goodwill is expected to be deductible for income tax purposes.

<b>£m</b>	<b>Book value</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
<b>Non current assets</b>			
Intangible assets	0.2	1.1	1.3
Tangible assets	0.1	0.4	0.5
	0.3	1.5	1.8
<b>Current liabilities</b>			
Provisions	(0.2)	(0.1)	(0.3)
Deferred tax liability	-	(0.6)	(0.6)
Net current liabilities	(0.2)	(0.7)	(0.9)
<b>Net assets acquired</b>	<b>0.1</b>	<b>0.8</b>	<b>0.9</b>

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**23. Acquisition of Business (continued)**

<b>£m</b>	
Fair value of business acquired	2.4
Fair value of net assets acquired	(0.9)
<b>Goodwill</b>	<b>1.5</b>

**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 £5.9m (2014: £5.4m) was charged to the income statement as incurred. At the end of the year £0.2m (2014: £0.3m) of contributions were outstanding.

The Group operates an insured, average salary, pension scheme in the Netherlands. The accounting treatment of the scheme was changed from a defined benefit to a defined contribution scheme as at 31 December 2013 on the basis that it was management's intention to make certain contractual changes to remove actuarial and investment risk, which would have the effect of defined contribution accounting under IFRS. Management subsequently determined, after publication of the financial statements for the year ended 31 December 2014, that the contractual changes made to the scheme did not fully reflect management's initial intentions and required further agreement with the affected employees and, as such, the scheme was required to be accounted for as a defined benefit scheme. The prior period balances in these financial statements have been amended to reflect this change, the prior year income statement and statement of comprehensive income have not been restated as the impact was assessed as insufficiently material. This resulted in a change to the opening balances at 1 January 2014 with a £1.9m debit to the indexation payment provision, a £6.7m credit to the net pension liability and a debit to retained earnings of £4.8m. At 31 December 2014 plan assets and related scheme obligations were valued at £79.7m and £86.3m respectively, the movement in net pension liability of £0.1m for the year ended 31 December 2014 was recognised in total comprehensive income.

In December 2015, following receipt of the required employee agreements to the contractual changes initiated in 2013, the accounting was changed from defined benefit to defined contribution. Following the change in classification to defined benefit in December 2015 the indexation liability was fixed resulting in the recognition of a provision of £1.4m, plan assets of £71.9m and related scheme obligations of £77.0m were derecognised with the net gain of £4.0m recognised as an exceptional item in the income statement

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 an annual basis by an external actuary.

The principal assumptions used by the actuary in the valuation of the scheme in 2015 were that the rate of increase in salaries would be 2.0%, inflation would be 2.0%, there would be no pension increase for pensioners and deferred pensioners and the applicable discount rate was 2.6%. The AG-Generation 2014–2064 mortality table was used.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**24. Retirement benefits (continued)**

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

<b>£m</b>	<b>2015</b>	2014	2013	2012	2011
Fixed interest bonds	<b>71.9</b>	79.7	65.6	61.2	54.6
Expected rate of return	<b>2.6%</b>	2.2%	3.7%	1.7%	2.6%
Present value of scheme liabilities	<b>(77.0)</b>	(86.3)	(72.3)	(66.3)	(52.8)
(Deficit) Surplus in scheme	<b>(5.1)</b>	(6.6)	(6.7)	(5.1)	1.8
Transfer to defined contribution scheme	<b>5.1</b>	-	-	-	-
Net (deficit) surplus in scheme	<b>-</b>	(6.6)	(6.7)	(5.1)	1.8

Analysis of amounts recognised in statement of comprehensive income until the change of classification to defined contribution in December 2015:

<b>£m</b>	<b>2015</b>	2014	2013	2012	2011
Actual return less expected return on pension scheme assets	<b>(4.6)</b>	17.9	(0.9)	7.2	1.1
Gains (losses) arising on the scheme liabilities	<b>5.5</b>	(20.2)	(2.3)	(13.5)	(1.9)
Changes in assumptions underlying the plan liabilities	-	-	-	-	-
Actuarial gain (loss) recognised in statement of comprehensive income	<b>0.9</b>	(2.3)	(3.2)	(6.3)	(0.8)

The cumulative actuarial losses recognised in the statement of comprehensive income at 31 December 2015 were £10.8m (2014: £11.7m, 2013: £11.7m, 2012: £8.5m, 2011: £2.2m). The actual gain on plan assets was £1.4m (2014: £0.1m).

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

<b>£m</b>	<b>2015</b>	2014	2013	2012
Interest income	<b>1.6</b>	2.3	2.5	1.4
Interest expense	<b>(1.7)</b>	(2.5)	(2.6)	(2.5)
Net finance cost	<b>(0.1)</b>	(0.2)	(0.1)	(1.1)

The statement of other comprehensive income and the income statement have not been restated for 2014 to reflect the change in accounting treatment of the Group pension scheme in the Netherlands as the effect is not considered material.

In 2015 the asset remeasurements less expected return on the pension scheme's assets as a percentage of the scheme's assets was 6.3% (2014: return of 22.3%). The gains and losses arising on the scheme's liabilities as a percentage of the present value of the scheme's liabilities was 7.0% (2014: 23.4%). The total remeasurements recognised in the statement of comprehensive income as a percentage of the present value of the scheme's liabilities was 1.2% (2014: 2.8%).

**Travellex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**24. Retirement benefits (continued)**

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

<b>£m</b>	<b>Asset</b>	<b>Obligation</b>	<b>2015 Total</b>	<b>Asset</b>	<b>Obligation</b>	<b>2014 Total</b>
At 1 January	<b>79.7</b>	<b>(86.3)</b>	<b>(6.6)</b>	65.6	(72.3)	(6.7)
Current service cost	-	<b>(1.3)</b>	<b>(1.3)</b>	-	(1.0)	(1.0)
Past service cost		<b>0.6</b>	<b>0.6</b>		2.3	2.3
Interest income	<b>1.6</b>	-	<b>1.6</b>	2.3	-	2.3
Interest expense	-	<b>(1.7)</b>	<b>(1.7)</b>	-	(2.5)	(2.5)
Actuarial (loss) gain due to:						
- Changes in financial assumptions	-	<b>6.2</b>	<b>6.2</b>	-	(21.9)	(21.9)
- Changes in demographic assumptions	-	-	-	-	(0.8)	(0.8)
- Experience adjustments	-	<b>(0.7)</b>	<b>(0.7)</b>	-	2.5	2.5
- Return on plan assets	<b>(4.6)</b>	-	<b>(4.6)</b>	17.9	-	17.9
Contributions by the Group	<b>1.0</b>	-	<b>1.0</b>	1.0	-	1.0
Contributions by scheme participants	<b>0.2</b>	<b>(0.2)</b>	-	0.2	(0.2)	-
Benefits paid	<b>(2.0)</b>	<b>2.0</b>	-	(2.1)	2.1	-
Exchange adjustments	<b>(4.0)</b>	<b>4.4</b>	<b>0.4</b>	(5.2)	5.5	0.3
Classification change to defined contribution scheme	<b>(71.9)</b>	<b>77.0</b>	<b>5.1</b>	-	-	-
At 31 December	-	-	-	79.7	(86.3)	(6.6)

The net defined benefit liability was re-measured on the date the classification changed to a defined contribution scheme. The net defined benefit liability of £5.1m was released and recognised as a gain on settlement. A £1.4m indexation liability was recognised and other related costs of £0.3m were incurred. The net gain of £4.0m was recognised within exceptional items in the income statement.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**25. Cash generated from operating activities**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Operating (loss)/profit	<b>(12.3)</b>	29.7
Depreciation and amortisation	<b>25.3</b>	24.4
Impairment charges	-	2.4
Loss on disposal of property plant and equipment	-	0.3
Revaluation of financial assets held at fair value	<b>4.3</b>	(1.3)
Provisions (including exchange differences on provisions)	<b>27.4</b>	2.2
Reclassification of the Netherlands pension scheme	<b>(4.0)</b>	-
Profit on disposal of business	<b>(4.8)</b>	-
Share based remuneration charge	<b>0.8</b>	3.1
	<b>36.7</b>	60.8
Decrease in inventories	<b>0.1</b>	-
Decrease in trade and other receivables	<b>(19.2)</b>	6.5
Increase/(Decrease) in trade and other payables	<b>18.0</b>	11.4
Utilisation of provisions	<b>(13.4)</b>	(7.0)
Decrease in Prepaid cards awaiting redemption	<b>(12.5)</b>	(32.0)
Decrease in Travellers' Cheques awaiting redemption	<b>(18.1)</b>	(19.1)
Decrease in Travellers' Cheques structured deposits	<b>2.2</b>	1.4
Decrease in financial assets	<b>8.3</b>	11.1
Decrease in float deposits	-	2.4
Foreign exchange translation differences	<b>0.6</b>	(2.5)
Cash generated from operating activities	<b>2.7</b>	33.0

The comparatives have been restated to reflect the presentational changes made in 2015.

**26. Share capital**

The authorised share capital of the Company is all in issue and is as follows:

	<b>note</b>	<b>Number</b>	<b>2015</b>		<b>2014</b>
			<b>£m</b>	<b>Number</b>	<b>£m</b>
Shares classified as equity:					
A Ordinary shares of 1p each	-	-	-	22,500,000	0.2
B Ordinary shares of 1p each	-	-	-	383,740	-
C Ordinary shares of 1p each	-	-	-	265,176	-
D Ordinary shares of 1p each	-	-	-	400,500	-
M Ordinary shares of 1p each	-	-	-	66,730	-
Deferred ordinary shares of 1p each		6,197,945	<b>0.1</b>	5,273,529	0.1
Ordinary shares of 1p each		25,794,357	<b>0.2</b>	-	-
		31,992,302	<b>0.3</b>	28,889,675	0.3

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**26. Share capital (continued)**

The A and B shares were converted into new ordinary shares on a one for one basis when the Group was acquired by UTX Holdings Limited. The C ordinary shares were converted 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 were converted into deferred shares and vested on the basis of a multiplier based on the exit value of the business. The M ordinary shares did not carry any voting or dividend rights but allowed 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. Beneficial title to all M Shares was purchased by UTX Holdings Limited.

**27. Reserves**

Retained earnings includes the following reserves:

£m	Defined benefit pension reserve	Available for sale financial assets
At 1 January 2014	9.7	1.8
Current year gain		0.4
Actuarial movement on pension scheme	-	-
Deferred tax	-	(0.1)
At 1 January 2015	9.7	2.1
Current year gain	0.9	0.5
Deferred tax	(0.2)	(0.1)
Reclassification to defined contribution scheme	(10.4)	-
At 31 December 2015	-	2.5

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.

On 29 January 2015, the Group was sold to UTX Holdings Limited, a company incorporated in Jersey, and ultimately controlled by Dr B. R. Shetty. On completion, the existing Shareholder Debt was restructured, with £209.6m being waived and £315.5m settled through the issue of ordinary shares, and the remaining balance novated at fair value upward within the Group's structure and retained in favour of UTX Holdings, on the same interest and repayment terms. A further fair value debit adjustment of £95.0m against the principal of these instruments was recorded on inception, with a corresponding credit to retained earnings.

At the end of the year 2,116,260 (2014: 2,116,260) B ordinary shares, 552,750 (2014: 552,750) C ordinary shares, 2,571,249 (2014: 2,571,249) D ordinary shares and 33,270 (2014: 40,230) M ordinary shares were held by Travelex Employee Share Trusts at a cost of £1.6m (2014: £1.6m), £nil (2014: £nil), £0.3m (2014: £0.3m) and £2.6m (2014: £3.0m) respectively. This amount is recorded within consolidated retained earnings.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**28. Obligations under non-cancellable operating leases**

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

£m	2015 Land and buildings	2015 Other	2015 Total	2014 Land and buildings	2014 Other	2014 Total
Due within one year	154.8	0.3	155.1	132.3	0.3	132.6
Due between one and five years	308.6	0.3	308.9	316.5	0.6	317.1
Due after five years	13.6	-	13.6	25.4	-	25.4
	<b>477.0</b>	<b>0.6</b>	<b>477.6</b>	474.2	0.9	475.1

Land and buildings held under operating leases include shops at airport locations. These arrangements typically include a fixed amount payable each year, plus a variable element payable based on revenue turnover or 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	2015	2014
Short term employee benefits	3.1	4.7
Share based employee remuneration	-	0.2
Post employment benefits	0.2	0.1
Total	<b>3.3</b>	<b>5.0</b>

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. During the year nil was paid to key management as a prepayment of amounts accruing under share based payment schemes (2014: £nil).

**Transactions with entities with significant influence over Travelex Holdings Limited**

During the period the Group paid fees amounting to £99,500 to Esselco LLP for the services of L M Dorfman (2014: £nil). £300,000 (2014: £300,000) was paid to the Royal National Theatre of which L M Dorfman is a Trustee.

On 29 January 2015, the Group was sold to UTX Holdings Limited, a company incorporated in Jersey, and ultimately controlled by Dr B. R. Shetty. On completion, the existing Shareholder Debt was restructured, with £209.6m being waived and £315.5m settled through issue of ordinary shares in Travelex Holdings Limited, and the remaining balance being novated upward within the Group's structure and retained in favour of UTX Holdings Limited. The loan balance outstanding as at 31 December 2015 was £458.2m.

The Group has outstanding loans of £nil due to certain key management (2014: £4.4m). 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 here based on contractual amounts due to be paid rather than the effective interest methodology within the financial statements.

On 4 December 2015, BRS Ventures LLC, a company incorporated in the United States and owned by the Group's ultimate controlling party, Dr B.R.Shetty, transferred Renova to the Group (see note 23). The purchase consideration and working capital requirements were funded through subordinated loan notes, issued in favour of Dr B.R.Shetty.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**29. Related party transactions (continued)**

£m	2015	2014
<b>Balance outstanding</b>		
UTX Holdings Limited	458.2	-
Funds advised and managed by Apax Partners	-	546.0
L M Dorfman	-	385.8
Other key management	-	4.4
	<b>458.2</b>	<b>936.2</b>
<b>Interest charged</b>		
UTX Holdings Limited	64.5	-
Funds advised and managed by Apax Partners	-	49.6
L M Dorfman	-	35.1
Other key management	-	0.4
	<b>64.5</b>	<b>85.1</b>

Following the sale of the Group to UTX Holdings Limited on 29 January 2015, the beneficial title to all M shares was purchased by UTX Holdings Limited, a subsidiary of BRS Ventures & Holdings Limited.

**Transactions with joint ventures**

Trading balances of £0.4m, £nil, £0.2m and £nil are owed to/(by) the Group by Travelex Emirates LLC, Travelex Africa Foreign Exchange Pty Limited, Travelex Malaysia Sdn BHD Limited and Travelex Qatar respectively (2014: £0.3m, £nil, (£0.2m) and £nil).

The Group has a loan receivable of £0.9m with Travelex Africa Foreign Exchange (Propriety) Limited (2014: £1.2m), repayable at the discretion of the Travelex 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**

During the period, a total of £11.4m was awarded to certain key management and directors on completion of the sale of the Group to UTX Holdings Ltd.

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 2015, the balances held by J P Jackson, Lord Stevens, P A Hodgkinson and M Ball were £nil for all Directors (December 2014: £565,000, £2,500, £2,500 and £920,500 respectively). The total amount of the loans to key management was £nil (December 2014: £1,394,970).

Dr B.R. Shetty and his business partner invest in a number of businesses, some of which the Group transacts with. During the year ended 31 December 2015, the Group transacted with UAE Exchange Centre and UAE Exchange Ltd for a total of net revenue of £2.9m and balances outstanding of nil.

On 29 January 2015, in connection with the sale of Travelex Holdings Limited to UTX Holdings Limited, Travelex France Holdings Limited sold Banque Travelex SA and its 100% owned subsidiary Travelex Paris SAS to UAE Exchange UK Limited, of which B.R. Shetty is also a shareholder. In the twelve months to 31 December 2015; the Group charged €2.8m (£2.0m) in relation to management services to Banque Travelex SA, and a total trading balance of £0.4m was owed to the Group by Banque Travelex as at 31 December 2015.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**29. Related party transactions (continued)**

Directors and key management occasionally transact with subsidiary undertakings of the Company, primarily with regard to the provision of foreign currency or foreign currency payment transactions on standard staff discount 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**

As permitted by IAS 39, the Directors have adopted the recognition and derecognition of financial instruments principles from 1 January 2004. Travellers' cheques issued by the Group prior to 1 January 2004 which the Directors believed, as at 1 January 2004, would not be cashed have been derecognised in these financial statements from the balance of travellers' cheques awaiting redemption amounting to £147.3m (2014: £144.0m).

As at the balance sheet date a total of £29.9m (2014: £27.3m) of bank guarantees (including performance guarantees) have been issued on behalf of the Group. In addition £23.1m (2014: £21.2m) of surety guarantees have been issued to certain states in the US on behalf of the Group.

Certain of the Group's subsidiaries which have been granted financial services licences by local regulators are, from time to time, subject to audits and reviews performed by such local regulators. These reviews and audits often result in recommendations leading to improvements of the control environment. In 2014 the DNB, the central bank of the Netherlands, performed an audit of parts of Travelex NV (formerly GWK Travelex NV). Following its audit, the DNB concluded that Travelex NV was in breach of certain regulatory obligations. Investigations are ongoing, Travelex NV is making good progress in remediating certain key areas of compliance in response to the findings of the DNB and, subject to the approval of the DNB, has appointed a new Managing Director, a new Finance Director and two independent Non-Executive Directors to further strengthen local oversight. GWK are cooperating with the regulators and engaged a third party to assist with the remediation program and to provide assurance regarding the program's appropriateness, who has since reported to Travelex NV and the DNB.

Similarly, an investigation by the local regulator, BACEN, of Travelex's bank ('Banco Confidence') in Brazil commenced disciplinary proceedings at the end of 2015 against it highlighting alleged irregularities (relating to know your customer ("KYC"), reporting and processes and procedures) regarding a number of foreign exchange transactions entered into by five of Banco Confidence's clients. The Group is actively defending the proceedings.

The Company and its subsidiaries may, from time to time, be parties 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**

On 25 February 2016, the Group entered into a binding agreement to dispose of its 100% shareholding in Travelex Outsourcing Pty Ltd, its Dynamic Currency Conversion ('DCC') business (Currency Select) to Global Blue SA, for gross proceeds of AUD65.0m (c.£34.8m). The Group expects the transaction to complete on 1 April 2016.

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**32. Subsidiary undertakings and joint ventures**

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

<b>Name</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Travelex Limited	Sale of foreign currency banknotes and other foreign exchange products	Australia
TP Financing 0 Limited	Intermediate holding company and provision of finance to the Group	Jersey
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 3 Limited	Intermediate holding company and provision of finance to the Group	Jersey
Travelex Financing PLC	Intermediate holding company and provision of finance to the Group	England and Wales
TP Financing 4 Limited	Intermediate holding company and provision of finance to the Group	Jersey
Travelex Group Limited	Intermediate holding company	England and Wales
Travelex Group Investments Limited	Intermediate holding company	England and Wales
Travelex Do Brasil Holding Societaria Ltda	Intermediate holding company	Brazil
Confidence Participacoes S.A. <sup>1</sup>	Sale of foreign currency banknotes and other foreign exchange products	Brazil
Confidence Turismo S.A. <sup>1</sup>	Sale of foreign currency banknotes and other foreign exchange products	Brazil
Banco Empreendimentos S.A. <sup>1</sup>	Sale of foreign currency banknotes and other foreign exchange products	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	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 Foreign Coin Services Limited	Provision of services for the handling of foreign coins	England and Wales

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

<b>Name</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Travelex Italia Limited	Sale of foreign currency banknotes and other foreign exchange products	England and Wales
Travelex Limited	Intermediate holding company and provision of central services	England and Wales
Travellers Exchange Corporation Limited	Dormant	England and Wales
Travelex Property Services Limited	Dormant	England and Wales
Travelex Deutschland GmbH	Sale of foreign currency banknotes and other foreign exchange products	Germany
Travelex Financial Services GmbH	Sale of foreign currency banknotes and other foreign exchange products	Germany
Travelex SA/NV	Sale of foreign currency banknotes and other foreign exchange products	Belgium
Travelex Czech Republic as	Sale of foreign currency banknotes and other foreign exchange products	Czech Republic
Travelex Switzerland AG	Sale of foreign currency banknotes and other foreign exchange products	Switzerland
Travelex Financial Services NZ Limited	Sale of foreign currency banknotes and other foreign exchange products	New Zealand
Travelex Outsourcing Pty Limited	Sale of foreign currency banknotes and other foreign exchange products	Australia
Travelex Malaysia SDN. BHD (70% owned)	Sale of foreign currency banknotes and other foreign exchange products	Malaysia
Travelex Poland SP z.o.o.	Sale of foreign currency banknotes and other foreign exchange products	Poland
Travelex Finland OY	Sale of foreign currency banknotes and other foreign exchange products	Finland
Travelex Doviz Ticaret Anonim Sirketi (75% owned)	Sale of foreign currency banknotes and other foreign exchange products	Turkey
Travelex Ankara Doviz Ticareti A.S.	Sale of foreign currency banknotes and other foreign exchange products	Turkey
Travelex France Holdings Limited	Intermediate holding company	France
Travelex Holding (S) Pte Limited	Intermediate holding company	Singapore
Travelex Holding (HK) Limited	Intermediate holding company	Hong Kong
Travelex Currency Exchange Limited	Sale of foreign currency banknotes and other foreign exchange products	Hong Kong
Travelex Card Services Limited	Issuance of prepaid cards	Hong Kong
South American Card Services Ltda	Issuance of prepaid cards	Brazil
Travelex Panama SA (60% owned)	Sale of foreign currency banknotes and other foreign exchange products	Panama
Travelex Currency Exchange (China) Limited	Sale of foreign currency banknotes and other foreign exchange products	China
Travelex SMI Technologies (Beijing) Limited	Sale of foreign currency banknotes and other foreign exchange products	China

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

<b>Name</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
PT Travelex Indonesia Limited	Dormant	Indonesia
GWK Travelex NV	Sale of foreign currency banknotes and other foreign exchange products	The Netherlands
Travelex Nederland Holdings BV	Dormant	The Netherlands
Travelex Japan KK	Sale of foreign currency banknotes and other foreign exchange products	Japan
Travelex India Private Limited	Sale of foreign currency banknotes and other foreign exchange products	India
Travelex Bahrain WLL (75% owned)	Sale of foreign currency banknotes and other foreign exchange products	Bahrain
Travelex and Co LLC (70% owned)	Sale of foreign currency banknotes and other foreign exchange products	Oman
Travelex Qatar Q.S.C. (49% owned)	Sale of foreign currency banknotes and other foreign exchange products	Qatar
Travelex Emirates LLC (49% owned)	Sale of foreign currency banknotes and other foreign exchange products	UAE
Travelex Retail Nigeria Limited	Sale of foreign currency banknotes and other foreign exchange products	Nigeria
Travelex Africa Foreign Exchange (Pty) Limited (49% owned)	Sale of foreign currency banknotes and other foreign exchange products	South Africa
Travelex America Holdings Inc	Intermediate holding company	USA
Travelex America Inc	Intermediate holding company	USA
Travelex Australia Holdings Pty Limited	Intermediate holding company	Australia
Travelex NY Inc	Issuance of prepaid cards and management of encashment of travellers' cheques	USA
TCI US LLC	Issuance of prepaid cards and management of encashment of travellers' cheques	USA
Travelex Rand Travellers Cheques Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	England and Wales
Euro Travellers Cheque Nederland Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	England and Wales
Travelex Financial Services Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	England and Wales
Hong Kong and Shanghai Travelex Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	Hong Kong
Interpayment Australia Pty Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	Australia
Travelex TC Australia Pty Limited	Issuance of prepaid cards and management of encashment of travellers' cheques	Australia
Travellers Cheques Encashment Services Limited	Processing of encashed travellers' cheques	England and Wales
US Deposits LLC	Investment of money on behalf of the Travellers Cheques Group	USA

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

<b>Name</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Travelex Currency Services Inc	Sale of foreign currency banknotes and other foreign exchange products	USA
Travelex America Inc	Sale of foreign currency banknotes and other foreign exchange products	USA
Travelex Insurance Services Inc	Sale of travel insurance products on agency basis	USA
Travelex America 2 Inc	Dormant	USA
Travelex TC LLC	Dormant	USA
Travelex Services Inc	Dormant	USA
Travelex Europe Limited	Electronic money institution	England and Wales
Travelex Cyprus Limited	Sale of foreign currency banknotes and other foreign exchange products	Cyprus
Renova Serviços Auxiliares em Operações Internacionais Ltda	Sale of foreign currency banknotes and other foreign exchange products	Brazil

<sup>1</sup>The Remaining 51% of Grupo Confidence was acquired on 2 February 2015.

All subsidiary undertakings are included in the consolidation. The proportions of the voting rights of subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

### 33. Companies Act 2006 disclosure

The Group operates a single group of related products and services which the Directors consider for these purposes to be the same class of business. Group wide geographical analysis of income by destination is shown in the table below:

<b>£m</b>	<b>2015</b>	<b>2014</b>	<b>Growth</b>
<b>Revenue</b>			
UK	<b>229.0</b>	213.6	7.2%
Europe	<b>114.3</b>	114.8	(0.4%)
Asia Pacific	<b>169.8</b>	171.3	(0.9%)
Americas (excluding Brazil)	<b>125.6</b>	121.9	3.0%
Middle East, India, Africa	<b>54.2</b>	39.1	38.6%
Brazil	<b>40.3</b>	60.2	(33.1%)
Other Trade	<b>0.8</b>	0.6	33.3%
Core operations	<b>734.0</b>	721.5	(1.7%)

**Travelex Holdings Limited**  
**Consolidated financial statements**  
**Notes to the financial statements**  
for the year ended 31 December 2015

**33. Companies Act 2006 disclosure (continued)**

Reconciliation of statutory reported revenue to core operations revenue:

<b>£m</b>	<b>2015</b>	<b>2014</b>
Statutory reported results – continuing operations	<b>655.7</b>	693.3
Travellers' cheques business	<b>(2.7)</b>	(2.1)
Income within central & shared overheads	<b>(2.1)</b>	(3.6)
France adjustment	<b>40.9</b>	-
Joint venture adjustment	<b>42.2</b>	33.9
<b>Total core operations</b>	<b>734.0</b>	721.5

The joint venture adjustment is the deconsolidation of certain investments 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:

<b>£m</b>	<b>2015</b>	<b>2014</b>
UK	<b>209.5</b>	144.1
Europe	<b>62.8</b>	128.4
Asia Pacific	<b>48.3</b>	48.1
Americas (excluding Brazil)	<b>51.6</b>	53.4
Middle East, India, Africa	<b>18.8</b>	22.4
Brazil	<b>48.7</b>	59.1
	<b>439.7</b>	455.5

## **Travelex Holdings Limited**

### **Independent Auditors' report**

To the members of Travelex Holdings Limited  
for the year ended 31 December 2015

We have audited the financial statements of the Travelex Holdings Limited Group's parent company, Travelex Holding Limited, for the year ended 31 December 2015 which comprise the Balance Sheet and the related notes 1 to 10. 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), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 21, 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.

#### **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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- ▶ 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Travelex Holdings Limited**  
**Independent Auditors' report**

To the members of Travelex Holdings Limited  
for the year ended 31 December 2015

**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, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the 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.

**Other matter**

We have reported separately on the Group consolidated financial statements of Travelex Holdings Limited for the year ended 31 December 2015



*Victor Veger (Senior statutory auditor)*  
*for and on behalf of Ernst & Young LLP, Statutory Auditor*  
*London*  
*29 March 2016*

**Notes:**

1. The maintenance and integrity of the Travelex Holding Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Travelex Holdings Limited**  
**Company financial statements**  
**Balance Sheet**  
as at 31 December 2015

<b>£m</b>	Note	<b>2015</b>	2014
Current assets	5	<b>513.5</b>	4.8
Cash at bank and in hand		-	3.3
Creditors - amounts falling due within one year	6	<b>(56.8)</b>	(44.6)
Net current assets/(liabilities)		<b>456.7</b>	(36.5)
Borrowings	8	<b>(143.5)</b>	-
Creditors - amounts falling due after more than one year	7	<b>(181.6)</b>	(168.2)
Net assets/(liabilities)		<b>131.6</b>	(204.7)
Capital and reserves			
Called up share capital	9	<b>0.3</b>	0.3
Share premium account		<b>342.0</b>	26.5
Profit and loss account	10	<b>(210.7)</b>	(231.5)
Total shareholders' surplus/(deficit)		<b>131.6</b>	(204.7)

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 2<sup>nd</sup> March 2016 and were signed on its behalf by:



**M D Ball**  
Director

**Travelex Holdings Limited**  
**Company financial statements**  
**Notes to the Company financial statements**  
for the year ended 31 December 2015

**1. Accounting policies**

**Statement of Compliance**

These financial statements have been prepared in compliance with United Kingdom Generally Accepted Accounting Principles (UK GAAP), including Financial Reporting Standard 102, "Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006, under the provision of the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008(SI 2008/410), under the historical cost convention. The functional and presentational currency of the Company is Sterling.

FRS 102 requires the presentation of reconciliations of profit or loss and equity determined in accordance with its previous financial reporting framework for the latest period in the company's most recent annual financial statements to its profit or loss determined and equity in accordance with FRS 102 for the same period. No reconciliation has been included in these financial statements as no material adjustments to prior period balances have resulted from the transition to FRS 102.

As the Company meets the definition of a qualifying entity under FRS 102 it has taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments, presentation of a cash-flow statement, the disclosure of key management personnel compensation and related party disclosures with and between parents and wholly-owned subsidiaries.

**Fixed asset investments**

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

**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 classified as basic financial instruments and consequently 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 classified as basic financial instruments and consequently 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.

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.

**Travelex Holdings Limited**  
**Company financial statements**  
**Notes to the Company financial statements**  
for the year ended 31 December 2015

**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**

The Company operates a share based payment scheme. Prior to 31 December 2014, the scheme was accounted for as a cash settled share based payments scheme with the fair value of the awards recognised as a liability. As at 31 December 2014, the Directors considered that there was sufficient certainty that the awards would be settled in equity as part of the acquisition by UTX Holdings Limited. The change in the scheme was not considered a modification to the scheme and therefore the amount of the liability was transferred to equity at the value attributed to the shares on inception of the scheme.

Following the sale of the Company to UTX Holdings Limited on 29 January 2015, the beneficial title to all M shares was purchased by UTX Holdings Limited, a subsidiary of BRS Ventures and Holdings Limited.

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

**Classification of financial instruments issued by the Company**

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

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

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

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

**2. Critical accounting judgements and key sources of estimation uncertainty**

The carrying amount of assets and liabilities are readily apparent from other sources and therefore the directors determine that there is no need to make further judgements, estimates or assumptions in regard to these carrying amounts.

**3. Profit attributable to the Company**

The Company made a profit after tax in the year of £6.8m (2014: loss of £23.2m). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

**Travelex Holdings Limited**  
**Company financial statements**  
**Notes to the Company financial statements**  
for the year ended 31 December 2015

**4. 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 (2014: £85.4m) and a net book value of £nil (2014: £nil).

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.

**5. Current assets**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Amounts due from subsidiary undertakings	<b>513.5</b>	1.8
Other debtors	-	3.0
	<b>513.5</b>	<b>4.8</b>

**6. Creditors – amounts falling due within one year**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Amounts due to subsidiary undertakings	<b>(56.8)</b>	(44.6)
	<b>(56.8)</b>	<b>(44.6)</b>

**7. Creditors – amounts falling due after more than one year**

<b>£m</b>	<b>2015</b>	<b>2014</b>
Share based payments	-	(3.1)
Preference shares classified as liabilities	<b>(181.6)</b>	(165.1)
	<b>(181.6)</b>	<b>(168.2)</b>

Creditors falling due after more than one year include preference shares classified as liabilities of £181.6m (2014: £165.1m) based upon the expected maturity of more than five years. Included within the balance is £120.3m (2014: £104.0m) relating to unpaid finance costs on preference shares which will be settled in more than one year.

**Preference share capital**

	<b>2015</b>	<b>2015</b>	2014	2014
	<b>Number</b>	<b>£m</b>	Number	£m
10.0% cumulative preference shares of £1 each	<b>61,287,636</b>	<b>61.3</b>	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.

**Travelex Holdings Limited**  
**Company financial statements**  
**Notes to the Company financial statements**  
for the year ended 31 December 2015

**8. Borrowings**

£m	2015	2014
10% Loan and PIK notes due 2021	(141.3)	-
2% loan notes due 2045	(2.2)	-
	<b>(143.5)</b>	-

On 29 January 2015, the Company was sold to UTX Holdings Limited, a company incorporated in Jersey, and ultimately controlled by Dr B. R. Shetty. On completion, the existing Shareholder Debt was restructured, with £155.1m being issued by the Company in favour of UTX Holdings and £315.5m settled through the issue of ordinary shares.

The Directors consider that the expected maturity for all existing shareholder debt instruments approximate their contractual maturity date as no detailed exit plans exist that support a view that the shareholders will exit sooner than the contractual maturity dates. The contractual interest rate is 10%, however 14% is considered a fair market rate of interest applied on similar instruments. In applying the effective interest rate method, a £30.0m debit adjustment against the principal of these instruments was recorded on inception, with a corresponding credit to retained earnings, representing the fair value adjustment.

On 4 December 2015, £15.5m of subordinated loan notes repayable in 2045 were issued in favour of Dr Shetty. The contractual annual compound interest rate is 2%, however 9.2% is considered a fair market rate of interest applied on similar instruments resulting in a £13.4m debit adjustment against the principal of these instruments was recorded on inception, with a corresponding credit to retained earnings, representing the fair value adjustment.

**9. Called up share capital**

The issued share capital of the Company is as follows:

	note	Number	2015 £m	Number	2014 £m
Shares classified as equity:					
A Ordinary shares of 1p each		-	-	22,500,000	0.2
B Ordinary shares of 1p each		-	-	383,740	-
C Ordinary shares of 1p each		-	-	265,176	-
D Ordinary shares of 1p each		-	-	400,500	-
M Ordinary shares of 1p each		-	-	66,730	-
Deferred ordinary shares of 1p each		6,197,945	<b>0.1</b>	5,273,529	0.1
Ordinary shares of 1p each		25,794,357	<b>0.2</b>	-	-
		<b>31,992,302</b>	<b>0.3</b>	<b>28,889,675</b>	<b>0.3</b>

The A and B shares were converted into new ordinary shares on a one for one basis when the Group was acquired by UTX Holdings Limited. The C ordinary shares were converted 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 were converted into deferred shares and vested on the basis of a multiplier based on the exit value of the business. The M ordinary shares did not carry any voting or dividend rights but allowed 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. Beneficial title to all M Shares was purchased by UTX Holdings Limited.

**Travelex Holdings Limited**  
**Company financial statements**  
**Notes to the Company financial statements**  
for the year ended 31 December 2015

**10. Reserves**

<b>£m</b>	<b>Profit and loss account</b>	<b>Share premium account</b>
At 1 January 2015	<b>(231.5)</b>	<b>26.5</b>
Reorganisation of shareholder debt	<b>13.4</b>	<b>315.5</b>
Profit for the year	<b>6.8</b>	<b>-</b>
Share based employee remuneration	<b>0.6</b>	<b>-</b>
At 31 December 2015	<b>(210.7)</b>	<b>342.0</b>

Details of the reorganisation of shareholder debt are set out in Note 18 of the Group's consolidated financial statements.

At the end of the year 2,116,260 (2014: 2,116,260) B ordinary shares, 552,750 (2014: 552,750) C ordinary shares, 2,571,249 (2014: 2,571,249) D ordinary shares and 33,370 (2014: 33,370) M ordinary shares were held by Travelex Employee Share Trusts at a cost of £1.6m (2014: £1.6m), £nil (2014: £nil), £0.3m (2014: £0.3m) and £2.6m (2014: £2.6m) respectively. This amount is recorded within retained earnings. Members of the Group's senior management team may be invited to subscribe for the unallocated shares.

Details of related party transactions are set out in Note 29 of the Group's consolidated financial statements.