Registered number RC131898

Travelex Topco Limited

Report and consolidated financial statements
for the period ended 31 December 2020

Travelex Topco Limited
Directors and advisers

Directors

D Muir (Appointed 6 August 2020)
J Birch (Appointed 6 August 2020)
M Rees (Appointed 29 October 2020)
A Filshie (Appointed12 October 2020)
N Ghoussaini (Appointed 06 August 2020)
D Hargrave (Appointed 01 January 2021)
J Westcott (Appointed 06 August 2020)
N Townson (Appointed 15 July 2020 and resigned 27 August 2020)
P Windsor (Appointed 15 July 2020 and resigned 27 August 2020)

Company Secretary

V Bénis-Lonsdale (Appointed 6 August 2020)
Crestbridge UK Limited (Appointed 21 July 2020)

Independent auditors

KPMG LLP
15 Canada Square,
London
E14 5GL

Solicitors

Sidley Austin LLP
70 St Mary Axe,
London
EC3A 8BE

Akin Gump Strauss Hauer & Feld LLP
Ten Bishops Square
Eighth Floor
London
E1 6EG

Registered number

131898

The Directors present their report and the audited consolidated financial statements of Travelex Topco Limited and its subsidiaries and associated undertakings as defined by International Financial Reporting Standards (the Group) for the period starting 15 July 2020 and ended 31 December 2020.

Directors

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

Executive Directors	D W Muir (Appointed 6 August 2020) J E S Birch (Appointed 6 August 2020)	Chief Executive Officer General Counsel
Other Directors	M Rees (Appointed 29 October 2020) A Filshie (Appointed 12 October 2020) N Ghoussaini (Appointed 06 August 2020) D Hargrave (Appointed 01 January 2021) J Westcott (Appointed 06 August 2020) N Townson (Appointed 15 July 2020 and resigned 27 August 2020) P Windsor (Appointed 15 July 2020 and resigned 27 August 2020)	

Business Review - Creation of the New Travelex Group

As set out further in the Directors' Report, Travelex Holdings Limited and its subsidiaries (old Travelex) was subject to a number of adverse events during the course of 2020, principally a malware incident and COVID-19, that materially impacted trading and the old Travelex's viability.

In order to address Travelex's funding need and to secure a more sustainable capital structure, the old Travelex underwent a comprehensive debt restructuring and recapitalisation in August 2020. The restructuring was implemented through pre-package administrations and acquisitions of certain old Travelex operating entities on or after 6 August 2020 by Travelex Topco Limited.

This restructuring process was a significant undertaking requiring regulatory approvals, the transfer of employees and novation of certain supplier contracts. The work associated with the restructuring transaction and transfer of operations to the Group is now substantially complete.

In addition, following the restructuring, significant measures have been undertaken to strengthen governance, controls and operations within the Group. These measures include the formation of a new board of directors of Travelex Topco Limited including experienced non-executives; new appointments at the senior executive level; and strategic investment in IT governance and infrastructure. During 2021 restructuring events have taken place to improve operating efficiency and control that include cyber improvement and adoption of cloud technologies, vendor-based solutions for balance sheet control, the conclusion in re-negotiation of supplier contracts and the implementation of improved monitoring and reporting methods for liquidity risk.

In February 2021, KPMG was appointed as the independent auditor of the Group. As set out in the Independent Auditor's report, KPMG has not been able to obtain sufficient appropriate audit evidence to validate certain balances for the Group and provide the basis for an audit opinion. This is in large part due to the impact of the restructuring transaction in August 2020 and the malware incident on 31 December 2019 that limited the availability of an appropriate audit trail in respect of certain balances for some entities earlier in the calendar year.

Business Review - Creation of the New Travelex Group (continued)

In these exceptional circumstances described above, The Board acknowledges the disclaimer of audit opinion but is confident that necessary steps have been taken during the period that satisfy their responsibilities as directors. The Board is cognisant that further accounting work is required in respect of the opening balances for some entities in the 2021 financial year and continues to address data quality through on-going initiatives that reach best practice standards. In addition, internal governance bodies have been rejuvenated following the restructuring including the reformation of an Audit and Risk Committee focussed on accounting, compliance, IT and operational risks.

Principal shareholders

Travelex Topco Limited is a private limited company incorporated on 15 July 2020, domiciled in Jersey and is the ultimate parent entity of the Group. The shareholders principally comprise funds managed by Barings LLC (Barings Group of Companies) with a 53.82% shareholding in aggregate, Core Partners Management with a 20.39% shareholding, Vector Capital Management, L.P with a 13.85% shareholding, Mariner Investment Group with a 11.15% shareholding and other institutional shareholders with each less than a 10% shareholding. The Directors are of the opinion that there is no ultimate controlling party of the Group.

Restructuring and financing

On 16 March 2020, Finablr Plc (previous parent of old Travelex) announced that it faced "a material uncertainty over its ability to continue as a going concern", and its shares were suspended on the London Stock Exchange. In addition, old Travelex had a material funding need by the early summer of 2020 as a result of the financial impact of the Covid-19 pandemic and malware incident. Given the financial instability of Finablr Plc, old Travelex was unable to obtain financial support from its shareholder.

Accordingly, Travelex commenced discussions with its financial creditors in respect of a restructuring of existing debt and the recapitalisation of the group. On 6 August 2020, agreement was reached with Senior Secured Noteholders ("SSNs") and Revolving Credit Facility ("RCF") lenders on the terms of a comprehensive debt restructuring. The SSNs were fully equitised and certain bondholders provided £84.0m of new funding in the form of New Senior Secured Money Notes ("**NMNs**") in return for control of the New Travelex Group. The existing £50.0m RCF was reinstated in the form of a term loan along with a new guarantee facility of c.£9.6m (together, the 'SFA').

On 10th February 2021, the Group announced a further financing of up to £60m of NMNs. This has subsequently been drawn down in three taps of: £20m on 26th February 2021, £25m on 1st June 2021, and most recently £15m on 4th October 2021.

Employees

The Group is committed to employee involvement as it believes its business objectives are best achieved if the Group's staff understand and support the Group's strategy. Staff members are kept informed of performance through briefing meetings, supplemented by a range of internal communications. Executives regularly discuss matters of current interest with staff and the Group's financial performance is presented and explained to staff during the year.

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 sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their 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.

Risk Management

The management of the business and the execution of the Group's strategy are subject to a number of risks which are identified and managed under the terms of reference for both the Audit and Risk Committee and the Group Risk Committee and the network of regional and central function risk committees which identify and manage risk exposures including:

Operational risk

Operational risk is defined as the risk arising within the organisation from amongst other risks:

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

Physical risk

Physical risk arises from the Group's exposure to theft and misappropriation or damage to its physical assets, principally in relation to its vault and distribution arrangements. The Group employs a full-time risk team to develop appropriate policies and procedures to mitigate this risk. These arrangements are reviewed by third parties on an ad hoc basis. An appropriate level of insurance is maintained to limit the Group's exposure and is reviewed at least annually.

Political and economic risk

The global Covid-19 pandemic is currently impacting the Group's operations significantly. The significant reduction in international travel has in turn reduced the marketplace demand for foreign currency and subsequently the size and volume of orders from the Group's customers. The macro-economic impact the pandemic is having globally together with international flight availability is also impacting the Group's wholesale trading patterns around the world.

The Group believes that the external risks from Covid-19 relate to economic and political factors which the Group cannot influence. Consequently, the focus is to ensure that the Group is prepared operationally to deal with the impacts of these events on the business. A central Group-wide team co-ordinates the various work streams across the business to closely monitor and manage any potential impact, including implementing mitigating actions across Group. During 2020, the Group undertook an extensive cost reduction programme covering both short-term and ongoing costs.

The Group has taken advantage of applicable Government support schemes, furloughing employees, as well as by reducing working hours, incentive payments, and by offering employees voluntary unpaid leave. These measures coupled with extensive reductions in external fixed costs allow the Group to continue to operate through this period of uncertainty and be well positioned to react and profit from a revival in international travel volumes.

Competitive risk

Competitive risk is actively mitigated by building strong relationships with customers and suppliers to ensure that we are constantly evaluating our service levels and customer offerings to ensure we are competitive and a valued partner for all our customers. The challenges in the travel sector have led to some competitor exits, which have in turn driven opportunity for the Group to take further market share in a number of different geographies. Contracts have also been reviewed and re-negotiated with suppliers to improve terms where applicable. Travelex has responded to challenger fintech businesses with an increased focus on self-serve, home delivery, e-commerce and new digital products of its own.

Risk Management (continued)

Foreign currency risk

The Group conducts business in many foreign currencies, reporting its results in Sterling. As a result, it is subject to fluctuations in foreign exchange rates which affect the Group's transactional revenues and costs. The Group follows the Group's risk averse hedging policy to minimise the impact of foreign exchange rate movements relating to transactional exposures. Any transactional exposures are hedged at group level in line with the Group's foreign exchange guidelines. Due to the restructuring, hedging activity was suspended and only reinstated post the acquisition of relevant subsidiaries by the Group. Hedging activities resumed in 2021, methodically restoring hedging capability across key business units and currencies as trading volumes increased. These activities are centralised process managed by Treasury through Travelex Central Services Limited (a subsidiary of the Group). During this period, the Group's exposure has been limited due to the low trading volume as a result of Covid-19 and is monitored on a daily basis.

Liquidity risk

The Group's liquidity risk and capital requirements are managed centrally by the Group through a combination of bank borrowings and other term debt through the capital markets. 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.

Credit risk

Credit risk or settlement risk arises from the pre-payment of suppliers for currency stock. Supplier credit worthiness is assessed annually against approved risk limits set by the risk committees. The Group is also exposed to the credit risk arising from receivables with affiliates. Additionally, there is credit risk exposure as a result of cross guarantees within the Group. Various subsidiaries of the Group have provided guarantees in regard to the NMNs, the SFA and its associated guarantee facility.

Dividends

There are no dividends recommended to be paid in the period.

Other significant events during the period

COVID-19
Restrictions imposed by local governments in respect of COVID-19 resulted in the closure of most of the operations of the Group's foreign exchange bureaux globally, giving rise to material financial losses during the course of 2020 which have continued in 2021. These restrictions, together with disparate and stringent policies on borders globally drove a significant reduction in airline passenger volumes, and the current economic outlook, in turn, has reduced the demand for foreign currency services provided by the Group.

Going concern

The Directors have assessed the Group's ability to meet its liabilities as they fall due considering its current position and future trading in the context of the COVID-19 operating environment, and its principal risks and uncertainties. A detailed explanation is provided in the basis of preparation paragraph which forms part of Note 1 to the financial statements, including matters that indicate a material uncertainty exists that affects the Group's trading activity. In summary, the Directors have used the base case and a severe but plausible downside scenario to conclude the preparation of the financial statements on a going concern basis is appropriate.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Statement of Directors' responsibilities

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Asses the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure of information to 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 Group's auditors are aware of that information.

Independent Auditors

KPMG LLP was appointed as auditor to the Group as of 1st February 2021. The directors have proposed that KPMG LLP is re-appointed as auditors. This will be considered at the AGM to be held during the year.

By order of the Board

V Benis Lonsdale
Group Secretary
29 November 2021

Registered office
47 Esplanade
St Helier
Jersey
JE1 0BD

Group registration number 131898

Independent Auditor's report to the members of Travelex Topco Limited

to the members of Travelex Topco Limited
for the period ended 31 December 2020

Disclaimer of opinion

We were engaged to audit the group financial statements of Travelex Topco Limited ("the company") for the period from 15 July 2020 (the date of incorporation) to 31 December 2020, which comprise the consolidated balance sheet, the consolidated income statement and other comprehensive statement of income, consolidated statement of changes in equity and consolidated cash flow statement, and the related notes, including a summary of significant accounting policies in note 1.

We do not express an opinion on the Group financial statements. Due to the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

The Group acquired several operating entities during the period. Subsequent to the acquisition, the group underwent a significant amount of restructuring that took place throughout 2020 and continued into 2021. The restructuring included renegotiating several contracts with customers and suppliers. Furthermore, we were appointed as auditors on 1 February 2021 which was after the reporting date. As a result of these challenges, the audit evidence available to us was limited in the following respects:

- We were unable to perform time sensitive audit testing that we considered critical such as the observation of cash counts as at the acquisition dates and throughout the period;
- There were limitations to the group's availability of underlying supporting documentation at the acquisition dates which would have been used to substantiate the fair values on the date of acquisition and the period end balances;
- Inability to place reliance on application controls due to the ineffective general IT control environment; and
- There were limitations in the evidence available to us to support reliability of forecasts used in the year-end impairment models given certain inputs, including the accuracy of historical performance, were impacted by the malware attack which affected the operating entities in 2019 and 2020.

As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning revenue, bargain gains, impairment & amortisation, expenses, intangible assets, property, plant & equipment, right of use assets, deferred tax, trade and other receivables and trade and other payables. Any adjustments would have a consequential effect on the Group's net assets as at 31 December 2020 and on its profit for the period then ended.

Material uncertainly related to going concern

Although we do not express an opinion on the Group financial statements, we draw attention to note 1 to the financial statements which indicates that management have identified a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Fraud and breaches of laws and regulations – ability to detect

As stated in the *Disclaimer of opinion* section of our report, we do not express an opinion on the financial statements, including whether they have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991. The *Matters on which we are required to report by exception* section of our report explains the further implications of the matter described in the *Basis for disclaimer of opinion* on compliance with the requirements of the Act.

Matters on which we are required to report by exception

In respect solely of the limitations of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper returns adequate for our audit have not been received from branches not visited by us; or
- the company's accounts are not in agreement with the accounting records and returns.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor's report. However, due to the significance of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Zaffarali Khakoo for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

29 November 2021

Travelex Topco Limited
Consolidated Income Statement
for the period ended 31 December 2020

£m	Note	2020
Continuing operations		
Revenue	2	**13.1**
Cost of sales		**(0.2)**
Gross profit		**12.9**
Exceptional income – gains on bargain purchase	3, 10	**82.3**
Operating expenses		**(49.3)**
Analysed as:		
Underlying operating expense		**(33.1)**
Exceptional expenses	3	**(16.2)**
Earnings before interest, tax, depreciation, and amortisation (EBITDA)		**45.9**
Analysed as:		
Underlying earnings before interest, tax, depreciation, and amortisation (Underlying EBITDA)		**(20.2)**
Exceptional items	3	**66.1**
Depreciation	9, 17	**(7.4)**
Amortisation	8	**(7.9)**
Operating profit		**30.6**
Finance income	4	**0.3**
Finance costs	4	**(8.2)**
Profit before tax	5	**22.7**
Tax credit	7	**1.5**
Profit for the period from continuing operations		**24.2**
Profit for the period attributable to		
Equity Shareholders		**24.2**

The notes on page 14 - 56 form an integral part of these financial statements.

Travelex Topco Limited
Consolidated Statement of Other Comprehensive Income
for the period ended 31 December 2020

£m	**2020**
Items that will be subsequently reclassified to the income statement	
Exchange differences on overseas subsidiaries	**0.2**
Other comprehensive Income for the period	**0.2**
Comprehensive income recognised directly in equity	**0.2**
Profit for the period	**24.2**
Total comprehensive income for the period	**24.4**
Attributable to	
Equity holders of the parent	**24.4**
Total comprehensive income for the period	**24.4**
Total comprehensive income attributable to equity shareholders arises from	
Continuing operations	**24.4**
	24.4

The notes on page 14 - 56 form an integral part of these financial statements.

Travelex Topco Limited
Consolidated Statement of Changes In Equity
for the period ended 31 December 2020

£m	Share capital	Retained earnings	Translation reserve	Non-controlling interests	Total equity
At 15 July 2020	**-**	**-**	**-**	**-**	**-**
Profit for the period	-	24.2	-	-	**24.2**
Exchange adjustment	-	-	0.2	-	**0.2**
At 31 December 2020	**-**	**24.2**	**0.2**	**-**	**24.4**

The notes on page 14 - 56 form an integral part of these financial statements.

Travelex Topco Limited
Consolidated Balance Sheet
as at 31 December 2020

£m	Note	2020
Non-current assets		
Intangible assets	8	**105.1**
Property, plant and equipment	9	**9.5**
Right-of-Use assets	17	**27.3**
Investments from subleasing		**0.9**
Other investments		**1.9**
Trade and other receivables	11	**4.1**
Deferred tax assets	19	**0.4**
		149.2
Current assets		
Trade and other receivables	11	**62.3**
Tax receivable		**0.3**
Other deposits	13	**9.8**
Cash and cash equivalents	12	**149.1**
		221.5
Current liabilities		
Trade and other payables	14	**(150.5)**
Borrowings	15	**(2.4)**
Lease liabilities	17	**(22.8)**
Provisions	18	**(16.1)**
		(191.8)
Net current assets		**29.7**
Non-current liabilities		
Borrowings	15	**(135.7)**
Lease liabilities	17	**(17.4)**
Provisions	18	**(1.1)**
Deferred tax liabilities	19	**(0.3)**
		(154.5)
Net assets		**24.4**
Equity		
Share capital	22	**-**
Retained earnings		**24.2**
Translation reserve		**0.2**
Equity attributable to owners of the parent		**24.4**
Total equity		**24.4**

The notes on pages 14-56 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 29 November 2021 and were signed on its behalf by:

D W Muir (Director)

Travelex Topco Limited
Consolidated Cash Flow Statement
for the period ended 31 December 2020

£m	Note	2020
Cash flows from operating activities		
Cash used in operations	21	**(63.4)**
Taxation paid		**(0.4)**
		(63.8)
Cash flows from investing activities		
Finance income received		**0.1**
Income from subleasing		**0.2**
Purchase of property, plant, equipment, software and development expenditure	9	**(0.3)**
Purchase of other investments – non-current		**(1.9)**
Loan to related party		**(2.0)**
Purchase consideration to acquire businesses	10	**(40.3)**
Cash acquired on acquisition of businesses	10	**153.2**
Prepayment of consideration to acquire businesses	11	**(27.4)**
		81.6
Cash flows from financing activities		
Interest paid		**(0.7)**
Proceeds from debt issuance	15	**131.0**
Increase in short term borrowings	15	**0.9**
Interest element of lease payments	17	**(0.2)**
Capital element of lease payments	17	**(1.4)**
		129.6
Net increase in cash and cash equivalents and bank overdrafts		**147.4**
Cash, cash equivalents and bank overdrafts at the beginning of the period		**-**
Cash, cash equivalents and bank overdrafts at the end of the period		**147.4**
Comprising:		
Cash and cash equivalents	12	**149.1**
Overdrafts	15	**(1.7)**
		147.4

The notes on pages 14 - 56 form an integral part of these financial statements.

1. Accounting policies

General information

Travelex Topco Limited (the “Company”) is a private limited company incorporated on 15 July 2020, domiciled in Jersey. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

Basis of preparation

The consolidated financial statements have been prepared on the historic cost basis with the exception of financial instruments which are fair valued, and in accordance with applicable accounting standards. The functional and presentation currency of the Group is Sterling.

The Group financial statements comprise the consolidated financial statements of the Company including its subsidiaries. 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 in accordance with the provisions of the Companies (Jersey) Law, 1991.

Under Article 105(11) of the Companies (Jersey) Law, 1991, the Company has not prepared separate financial statements.

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

Going concern

The Directors have assessed the Group’s ability to meet its liabilities as they fall due considering its current position and future trading in the context of the COVID-19 operating environment, and its principal risks and uncertainties. In performing this assessment, the Directors have considered a base case as well as a severe but plausible downside scenario in relation to the key risks identified in the base case. In the Group's base case, the Directors considered the ability of the Group to continue to settle its obligations over the next twelve months, having made reasonable assumptions on the Group's resumption of trading; revenues in 2022 for the retail and outsourcing sector as derived from passenger volumes, are expected to be 65% of 2019 volumes, consistent with the estimate from Fitch Ratings and Bain. The wholesale business is driven by more macro-economic factors and is expected to substantially recover to 2019 values by the end of 2021. Detail on this process is given further on in the note.

The directors have thus approved a cash flow projection that indicates for the Group to meet its liabilities as well as maintaining covenant requirements for at least the 12 months that follow the date of this report. The Group requires significant additional funding in January 2022 in both the base and severe but plausible downside scenarios. The Group's Directors, shareholders and debt holders are fully aware of the funding needs in 2022 and remain fully supportive of the Group, as evidenced by the recent capital injection on 1 October 2021.

As reported on 15 September 2021, the Group has been actively engaged in a process to secure third-party financing sources to fund ongoing liquidity requirements associated with an improving travel environment. Taking into account both the ongoing third-party funding process and the continued support from Shareholders, the Directors have prepared the financial statements on a going concern basis.

1. Accounting policies (continued)

Going concern (continued)

In making their assessment the Directors considered the following:

- Whether there is sufficient liquidity and financing to support the business, its corporate transactions and future trading;
- Whether there is sufficient liquidity to support the rest of the entities within the Group;
- Whether there is sufficient liquidity to meet the liquidity covenant of the external borrowings;
- Whether post balance sheet trading is in line with expectations;
- Continued availability of financing facilities and trading lines;
- The regulatory environment in which the Group operates; and
- The effectiveness of risk management policies, in particular, business continuity, compliance, regulatory, and counterparty risks.

Having considered the above, the Directors conclude that a material uncertainty exists that affects the Group's trading activity due to:

- The continued impact of COVID-19 on the Group's revenue projections which determine the timing and magnitude of the funding needs;
- The ability to secure funding to meet its liquidity requirements; and
- The robustness of its technology environment in the wake of the malware attack in 2020 which is subject to on-going improvement.

In reaching this conclusion, management prepared base case projections for the Group for a period of at least twelve months from the date of this report. These projections took account of current trading results and management expectations.

The Group's revenues are dependent on the demand for foreign exchange from retail, financial institutions, central banks and other customers which in turn are driven by the recovery of the global macro economies and travel demands from a tourism and business perspective from COVID-19. Externally published travel forecasts, as well local market forecasts from key airport partners not available publicly, have been used by management to model the recovery of passenger volumes and revenue drivers.

The Group's base case scenario was based on a reflection against performance in 2019, before the advent of COVID-19 and adjusted for permanently closed operations. The scenario was prepared by management and benchmarked against externally published market analysis including the Bain Air Travel Forecast published and updated regularly in 2021 as well as Fitch Ratings analysis published in July 2021.

Based on management's projections, revenues in 2022 for the retail and outsourcing sector as derived from passenger volumes, is expected to be 65% of 2019 volumes on average and is aligned with the estimates from Fitch Ratings and Bain. The wholesale business is driven by more macro-economic factors and is expected to substantially recover to 2019 values by the end of 2021.

1. Accounting policies (continued)

Going concern (continued)

In order to mitigate the impact of depressed volumes as a result of COVID-19 on the performance and liquidity of the Group, management have continued to focus on cost savings initiatives and liquidity initiatives in both the base and severe but plausible downside scenarios:

- Cost savings initiatives: management delivered substantial savings initiatives in 2020 that impacted in full during 2021, and further initiatives during 2021 that will be fully realised in 2022, and these are incorporated within the base case projection.
- Liquidity initiatives: management continue to focus on opportunities to reduce the level of working capital required within the business, and rationalising holdings of foreign exchange until the point that the market recovers. These initiatives are within the Group's control and are outside of projections so represent possible incremental mitigants to the base and downside cases.

In light of Bain's "Drifting Scenario" and Fitch Ratings' "Downside Case" the Group also produced a severe but plausible downside scenario seeing a lower revenue recovery in 2022.

In both the base case and the severe but plausible downside scenarios, the Group is projected to require significant additional funding in 2022 to fund working capital requirements so as to be in a position to support the continued recovery of the business volumes as well as maintaining covenant requirements.

While there is no formal requirement from the shareholders to support the Group with further funding, there has been proven support in the form of the initial £84m of Senior Secured Notes in August 2020, followed by a further £60m in three tranches across 2021. There continues to be regular dialogue between Directors, shareholders, and their representatives on funding requirements in 2022 and this continues to provide Directors with confidence in the longer-term support to the Group beyond the third party funding process.

The Group has demonstrated in delivering a major cost reduction programme, whilst maintaining investment on increasing the Group's technology resilience in 2021, and supportive shareholders, is well-positioned to capitalise on a market recovery.

In summary, the Directors have used the base case and severe but plausible scenarios to conclude the preparation of the financial statements on a going concern basis is appropriate based on:

- Consideration of a recovery in the demand for foreign currency as supported by external benchmarking and recent market announcements that will lead to improved trading conditions;
- Visible delivery of cost savings throughout 2020, 2021 and to continue into 2022;
- Progress made in technology programmes to increase resilience with on-going investment approved; and
- The shareholders are fully aware of the funding needs in 2022 and are actively working to satisfy this with both the Board and Management, with an external lender in the first instance, but additionally remain fully supportive of ensuring the Group is appropriately capitalised for the return of international travel.

However, these matters indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise assets and discharge liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1. Accounting policies (continued)

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 Company has the power to direct the relevant activities, exposure, or rights, to variable returns and ability to affect those returns. The Group obtains and exercises control primarily through voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intragroup assets and liabilities, equity, income, expenses are eliminated in full and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full), with the exception of related foreign exchange gains/losses on monetary balances, which are not 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.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The Group has elected to apply this practical expedient to all rent concessions that meet the conditions. Rent concession credits have been included in cost of sales. Please refer to the cost of sales accounting policy.

Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

1. Accounting policies (continued)

Interpretation 23 Uncertainty over Income Tax Treatments (continued)

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance framework and its policy of applying the arm's length principle to intercompany transactions, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Standards, amendments and interpretations to existing standards which are not yet effective or early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- Amendments to IFRS 7, IFRS 9 and IAS 39: IBOR Reform and its Effects on Financial Reporting (effective date 1 January 2021).
- Amendments to IFRS3: Updating a Reference to the Conceptual Framework (effective date 1 January 2022).
- Amendments to IAS 41: Taxation in Fair Value Measurements (effective date 1 January 2022).
- Amendments to IFRS 1: Subsidiary as a First-time adopter (effective date 1 January 2022).
- Amendments to IAS 16: Proceeds before Intended Use (effective date 1 January 2022)
- Amendments to IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (effective date 1 January 2022)
- Amendments to IAS 1: Disclosure Initiative – Accounting Policies (effective date 1 January 2023)
- Amendments to IAS 1 and IAS 8: Definition of Accounting Estimates (effective date 1 January 2023)
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective date 1 January 2023)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective date 1 January 2023)

Revenue recognition

The Group earns fees, commissions, and currency margins on its transactions with customers. The key components of revenue are described below:

Foreign currency revenue is the difference between the FX rate on the date of the transaction and the agreed customer rate (foreign currency margin) and the translation of open foreign exchange sales orders using Reuters spot rate at a fixed time during the day and commissions earned on the sale and purchase of currencies. Sale or purchase of a currency contract generally has only one performance obligation. Margin and commission revenue is recognised as earned when the transaction is made, generally at the same time as the currency is collected by the customers.

1. Accounting policies (continued)

Revenue recognition (continued)

Revenue relating to wholesale banknote fulfilment consists of margin, commission and fees charged on the fulfilment of currency orders, net of rebates.

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, for leases that do not meet the definition of IFRS16 such as short-term leases and incentive commissions and is recognised on an accrual basis. COVID-19 related rent relief credits totalling £4.8m have also been recognised within cost of sales in line with the IFRS 16 COVID-19 relief guidelines under the practical expedient. The practical expedient allows for rent relief to not be treated as a lease modification, and to instead be treated as variable rent.

Government grants

Government grants are recognised where there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached to them.

Government grants that compensate the Group for expenses incurred are recognised in the income statement, as a deduction against the related expense, over the periods necessary to match them with the related costs.

Government grant income is disclosed in note 25.

1. Accounting policies (continued)

Non-GAAP measures

Underlying measure and Exceptional items

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 operating expense and underlying EBITDA and reconciles to operating expense and 'Operating profit before depreciation, amortisation, interest and tax', respectively. The term 'underlying' is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies.

Items which the Group excludes from 'underlying' are classified as exceptional items. These are separated from the underlying business results as seen on the income statement to allow a better understanding of the underlying trading performance of the Group, such as profit or loss on disposal of business, costs of one-off corporate transactions, costs relating to other one-off projects such as group restructuring costs, and other material items unrelated to the normal course of business.

Earnings before interest, tax, depreciation, and amortisation (EBITDA)

The Group's internal performance monitoring and management framework utilises the EBITDA measure as a key performance indicator for the Group. The Directors consider that inclusion of this non-GAAP measure on the face of the income statement is useful to the users of the financial statements.

For further information please refer to note 3 in these financial statements.

Intangible assets

Goodwill and gains on bargain purchase

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. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

Where the fair value of net assets acquired exceeds the fair value of the consideration transferred, the resulting gains on bargain purchase are recognised immediately in the income statement.

Intangible assets other than goodwill

Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands have a finite useful life and are carried at cost and amortised over their useful life, from the date they are available to use.

Computer software

Computer software comprises off the shelf packages, modified to meet the Group's requirements, software developed in house, including the development of 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, from the date they are available to use.

1. Accounting policies (continued)

Intangible assets (continued)

Intangible assets other than goodwill (continued)

Customer relationships

Customer relationships represent 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.

Amortisation is calculated on a straight line basis, from the date they are available to use using the following rates:

Computer software (including software developed in-house)	25% per annum
Brands	10% per annum
Customer relationships	5% -10% per annum

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Impairment

Goodwill

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 assets 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 that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The data used for the Group's impairment testing procedures is 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.

1. Accounting policies (continued)

Impairment (continued)

Intangible assets other than goodwill

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

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

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.

Leases

Under IFRS 16 the Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1. Accounting policies (continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimated dismantling costs to bring the asset to its original condition as required by the terms of the lease. Right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets if this is shorter.

The right-of-use assets are reviewed at least annually for indicators of impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Non-financial asset 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.

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. These are over enacted or substantially enacted tax laws in the countries in which the Group operates and generates taxable income.

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, then 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.

Deferred tax assets and deferred tax liabilities are offset in the statement of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

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 Other Comprehensive Income in which case the related deferred tax is also charged or credited directly to Other Comprehensive Income.

Employee benefits

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

1. Accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

For purposes of subsequent measurement, the Group’s material financial assets are only related to financial assets at amortised cost (debt instruments). Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost includes trade receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents include all notes and coins held in tills and vaults, in transit and in distribution centres and bank accounts.

1. Accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment to financial instruments

The Group records expected credit losses (ECL) on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has recorded the lifetime expected losses on all trade and other receivables using a simplified approach in calculating ECLs.

ECLs are based on the difference between the contractual cash flows in accordance with the contract and the cash flows expected to be received. The impairment model only impacts assets that are not held at fair value through profit and loss which include trade and other receivables and investments.

An expected loss model has been created based on the aging analysis from the date that the receivable becomes due. The model estimates the probability of debt moving to subsequent aging bucket and ultimately the over 90 days bucket and multiplies by the estimate of probability of bad debt write offs. The probability of default is obtained from a third party model. Increase in significant risk is defined as outstanding debt greater than 90 days, at which point the debts are reviewed on a monthly basis and the decision to write off the bad debt is determined on a case-by-case basis based on recent communications and credit history. Outstanding debt will be considered as default and written off when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

For other financial assets such as deposits the ECL estimates the probability of default based on the 5 year credit default swap, adjusted to a 1 year probability of default to match the expected recovery profile. Other trade receivables also consist of debtor balances held with entities that were part of the old Travelex group as well as Initial Fundco and Opco entities that are due to join the group in future periods in line with the restructuring plan.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities not designated as hedges are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowing and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
• Financial liabilities at fair value through profit or loss
• Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Foreign currency forward contract and currency swap contracts liabilities are designated and measured at fair value through profit or loss.

1. Accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

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. The effective interest rate method calculates the amortised cost of a financial asset or liability.

The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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 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 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.

Derecognition of financial assets

A financial asset is primarily derecognised when 1) The rights to receive cash flows from the asset have expired or 2) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement;

and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantees acquired

The Group as part of its day-to-day operations enter into guarantee contracts with counterparties including the banks and the landlord whereby the banks provide guarantee to the landlords if the Group default on its rent. These contracts fall under IAS 37, provision and contingent liabilities and contingent assets and are treated as contingent liabilities which become present obligation only at the point the Group default on the rent. The fee incurred for the financial guarantees acquired are charged to the income statement on an accrual basis.

1. Accounting policies (continued)

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 and short-term borrowings 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.

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.

Loan notes – compound financial instruments

The subordinated secured notes mentioned in note 15 of the financial statements are classified as compound financial instruments as defined within IAS32, due to the existence of both a liability and equity component. In order to value the instrument, the split accounting method has been applied.

Please refer to note 15 for further detail relating to the accounting treatment of these loan notes.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present 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 (including onerous 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1. Accounting policies (continued)

Provisions and contingent liabilities (continued)

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 capital

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

Where any Group company purchases a 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:

Judgements

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.

Judgements were also exercised in relation to the timing of when the control over the subsidiaries are obtained, and the grouping of acquisitions by acquisition date.

Subsidiaries are all entities over which the Company has the power to direct the relevant activities, exposure, or rights, to variable returns and ability to affect those returns. The Group obtains and exercises control primarily through voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group has determined that control is transferred at the date the shares of the relevant entities are transferred.

In relation to the acquisitions, it was judged that the businesses acquired on the same date could be treated as a single acquisition as they were purchased from the same counterparty in a single SPA agreement. Transfer of further businesses on subsequent dates were treated as separate business combinations.

Refer to note 10 for further detail.

1. Accounting policies (continued)

Judgements (continued)

Going concern
The key judgements and assumptions in relation to the going concern assessment have been addressed within the going concern accounting policy. Please refer to pages 14-16 for further detail.

Allocation of purchase consideration
Consideration has been split across the entities based on EBITDA projections as a proxy for fair value. Refer to note 10 for further detail.

Determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Information considered in the determination of the lease term include: the initial lease term, the length of the renewal option, and current and future trading performance. The assessment is first undertaken at the commencement date of the lease, and subsequently when there is a significant event or significant change in circumstances within its control.

Estimates and assumptions

Impairment
The key estimations made in relation to the impairment assessment have been addressed within note 8. Please refer to pages 34-37 for further detail.

Deferred 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 19.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. The Directors have made an assessment of how much is expected to be utilised against future taxable income based on future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2. Revenue from contracts with customers

£m	2020
UK	**7.1**
ANZ[1]	**2.0**
Asia[2]	**1.2**
Other[3]	**2.4**
Total revenue from contracts with customers	**12.7**
Other revenues	**0.4**
Total revenue	**13.1**

[1] Regions represent Australia and New Zealand
[2] Asia includes Japan, China and Hong Kong
[3] Included within "Other" is £1.7m recognised under performance contracts, under the prepaid card business. The unrecognised balance of the performance contract is disclosed in Note 14 – Accruals and deferred income.

Revenue from contracts with customers is categorised in accordance with the CGU definitions highlighted in note 8, representing the most appropriate categorisation of revenue streams affected by common economic factors and uncertainty over the related cash flows.

3. Exceptional items

£m	2020
Exceptional income reported within earnings before interest, tax, depreciation, and amortisation	
Gains on bargain purchase	**82.3**
	82.3
Exceptional expenses reported within earnings before interest, tax, depreciation, and amortisation	
Group restructuring project [1]	**(13.5)**
Impairment of assets	**(2.8)**
Insurance proceeds related to malware incident	**0.1**
	(16.2)
Exceptional income reported within earnings before interest, tax, depreciation, and amortisation, and operating loss	**66.1**
Tax attributable to exceptional items and non-underlying adjustments	**-**
	66.1

[1] Principally the costs relate to legal and consultancy fees (£5.7m), other acquisition costs (£4.7m), bondholder consent fees (£1.4m), bonus costs (£1.0m) and other costs (£0.7m) as result of the restructuring of the new Group on 6th August 2020.

4. Finance income and costs

£m	2020
Finance income:	
Other finance income	**0.1**
Net exchange gains	**0.2**
	0.3
Finance costs:	
Bank loans and overdrafts	**(0.8)**
Interest payable on senior secured notes	**(5.8)**
Finance costs on lease obligations	**(1.6)**
	(8.2)

5. Profit before tax

Profit before tax is stated after charging:

£m	Note	2020
Depreciation of owned property, plant and equipment	9	**1.6**
Amortisation of intangible assets	8	**7.9**
Impairment of intangible assets	8	**2.8**
Net amount recognised in the income statement in relation to leases	17	**4.5**
Auditors' remuneration:		
Audit fee in respect of the Company's individual and consolidated financial statements		**3.7**
Audit fee in respect of the Group's subsidiary company financial statements		**1.0**
Tax compliance services		**0.1**

6. Employees and Directors

Average monthly number	2020
Retail	2,028
Wholesale & Outsourcing	228
Payments & Technology	11
Corporate and Shared services	858
	3,125

Employee costs

£m	2020
Wages and salaries	17.2
Social security costs	2.1
Other pension costs	1.2
	20.5

6. Employees and Directors (continued)

Directors' remuneration

£m	2020
Aggregate emoluments excluding Group pension contributions	**0.6**

No director had benefits accruing under defined contribution pension arrangements. The emoluments of the highest paid Director were £434,200. The Group made no contributions to the highest paid Director's pension arrangements.

7. Income tax charge

The relationship between the domestic statutory tax rate of the Group at 19.00% and the reported tax charge in the income statement can be reconciled as follows, also showing major components of the tax charge:

£m	2020
Profit before tax	**22.7**
Domestic tax rate for the Group	**19.00%**
Expected tax charge	**4.3**
Tax losses not recognised	**5.4**
Legal/Professional/Entertainment	**0.6**
Adjustments for tax rate differences in foreign jurisdictions	**(0.9)**
Non-deductible finance costs	**2.0**
Bargain purchase gains on acquisition	**(15.6)**
Other temporary differences not recognised	**0.4**
Other non-deductible expenses	**2.3**
Tax credit on continuing operations	**(1.5)**
Tax credit comprises:	
Current tax credit	**(1.2)**
Origination and reversal of temporary differences:	
Tax losses	**(0.3)**
Property, plant and equipment	**1.1**
Short term temporary differences	**(1.1)**
Net tax credit	**(1.5)**
Tax credit on ordinary activities	**(1.5)**
Tax credit on exceptional items	**-**
Tax credit as shown on the income statement	**(1.5)**

8. Intangible assets

£m	Goodwill	Computer software	Customer relationships	Brand	Assets in the course of development	Total
Cost						
At 15 July 2020	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of subsidiaries	-	24.4	32.6	56.7	2.2	115.9
Exchange adjustments	-	(0.1)	-	-	-	(0.1)
At 31 December 2020	**-**	**24.3**	**32.6**	**56.7**	**2.2**	**115.8**
Amortisation						
At 15 July 2020	**-**	**-**	**-**	**-**	**-**	**-**
Impairment	-	-	-	2.8		2.8
Charge for the period	-	4.8	0.8	2.3	-	7.9
At 31 December 2020	**-**	**4.8**	**0.8**	**5.1**	**-**	**10.7**
Net book value						
At 31 December 2020	**-**	**19.5**	**31.8**	**51.6**	**2.2**	**105.1**
At 15 July 2020	-	-	-	-	-	-

Valuation

The method used to initially value intangible assets other than goodwill involved reviewing all classes of intangible assets and liabilities according to the criteria set out under IFRS 3 and IAS 38. The key assumptions considered as part of the valuation process of intangible assets other than goodwill are listed below.

Brand

Given the nature of the intangible assets, a relief from royalty ("RfR") method has been used to estimate the fair value of the brand. In order to assess an appropriate royalty rate we have considered licensing agreements between third parties as well as royalty rates considered in previous acquisitions in this sector. The expected life of the brand is based on the expected strength in the market and benchmarking to comparable market data. The RIR method has the following primary assumptions.

- A discount rate of 14%
- Long term growth rate – weighted average of 2.5%
- Royalty rate - 1% and 2% for wholesale and retail sale respectively.
- Remaining useful life – 10 years based on characteristics of the brand, its presence in the market, benchmarking review and consideration of comparable market data.
- Tax rate – effective 21% blended rate.

Internally developed software

Software is held within six Travelex group entities, with the majority held within two of these entities.

The replacement cost approach has been applied to the two entities which hold the majority of the software as a significant proportion of the costs were incurred at least four years ago.

For the remaining four entities the costs incurred towards developing the software are recent and management expects that a market participant would also incur the same level of costs to replicate a software of a similar nature. Therefore, the capitalised software costs are considered to be approximate to fair value.

8. Intangible assets (continued)

Customer relationships

The fair value of customer relationships was estimated by analysing attrition and renewal probabilities, along with profitability, growth and contributory asset charges applicable to the revenue streams using the excess earning approach. This was done by adopting a Multi-Period Excess Earnings Methods (“MEEM”). The MEEM approach has the following primary considerations and assumptions:

- Long term growth rate – average rate of 1.9% used in the forecasts
- Attrition – 5% cashflows which the customers are expected to churn away
- Renewal – the probability of renewing an existing contract at the end of its contractual term
- Contributory asset charges – charges against the earnings made for any other contributing assets, including workforce, fixed assets, working capital, brand and software
- Remaining useful life – Consideration was given to the remaining useful life range of 6 to 22 years of customer relationships in the respective CGUs based on achieving the majority of the cash flows and benchmarking to comparable market data.
- Discount rate – based on 2% premium to mid-point average of 13.2% of the respective CGUs
- Tax rate - average of 23.7%

Impairment

Impairment losses of £2.8m, relating to the Travelex brand, have been recognised in profit and loss during the period.

Brand

The Travelex brand is considered capable of being separated from the entity and licensed to a third party, it has therefore been identified as separable, as such is subject to separate impairment analysis. At 31 December 2020, an indicator of potential impairment to the brand value, that the short term revenue assumptions in management’s forecasts were lower than forecasts at the time of the original valuation, was identified.

The carrying value was compared to the recoverable amount, being the higher of value in use (VIU) and fair value less costs of disposal (FVLCOD).

The relief from royalty (“RfR”) method is used to estimate the VIU of the brand at the balance sheet date, using a methodology consistent with the original valuation as described on page 34. The RfR method has the following primary assumptions:

- A discount rate of 15.25%
- Management’s revenue forecasts at the balance sheet date for years 2021-23
- Growth rates in years 2024-26 of between 9.3% and 16.2%, reflecting an expectation of continued revenue growth above the long-term growth rate after the forecast period
- Long term growth rates from 2027 onwards of 2.5%
- Royalty rate - 1% and 2% for wholesale and retail sale respectively.
- Remaining useful life – 9 years and 7 months, based on characteristics of the brand, its presence in the market, benchmarking review and consideration of comparable market data.
- Tax rate – effective 21% blended rate.

FVLCOD is assessed to be VIU less estimated costs of disposal, and as result VIU is higher than FVLCOD, and therefore represents the recoverable amount.

The impairment review has resulted in an impairment of £2.8m, primarily as a result of a deficit in near term revenues compared to those included in the valuation described on page 34.

8. Intangible assets (continued)

Impairment (continued)

Other assets

For the Group's remaining assets, including internally developed software and acquired customer relationship intangibles, a similar indicator of impairment exists, in that short term revenue and cash flow assumptions were lower at 31 December 2020 than at the original valuation date. For assets other than the brand, assets were grouped into cash generating units (CGUs) and tested for impairment.

The Group's CGUs are determined by Geography, which represents the lowest level at which cash inflows are largely independent of the cash inflows from other assets or groups of assets. The Group has also considered various other factors including how management monitors the entity's operations, and how management makes decisions about continuing or disposing of the entity's assets and operations.

The recoverable amounts for the cash generating units identified above were determined based on VIU and FVLCOD estimations. The recoverable amount is based on the higher of VIU or FVLCOD for each CGU.

The VIU estimations covered the Group's three-year forecast period followed by a terminal value of expected cash flows at a growth rate in the range of 1.4-2.6%. The growth rates reflect the economic growth rates for the relevant Geography in which the cash generating units operate. The cash flow projections have been discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU, adjusted for country, industry and market risk. The rates used were between 11.3% and 15.6%.

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 FVLCOD estimations are calculated based on the Group's latest forecasts for earnings in the final year of the Group's forecast period (2023) and applying a multiple of those earnings, calculated using multiples of a variety of companies operating in similar industries to the Group, and applying a risk adjustment to reflect known differences between those companies and travel industry and entity-specific circumstances. The costs of disposal are estimated to be 5% of the fair value of the business.

The key assumptions underpinning the cash flow projections relate to recovery of international travel volumes and related revenues, operating margins, cost management, quantum and allocation of overheads, discount rates and perpetuity growth rates.

No impairment is recognised in relation to other assets.

8. Intangible assets (continued)

Sensitivity analysis

Intangible assets impairment

The Group has conducted an analysis of the sensitivity to changes in the key assumptions used to determine the impact on the intangible assets impairment at 31 December 2020. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions, while holding all other assumptions constant.

- if the discount rate is 100 basis points higher, an impairment of £1.8m would result in the UK and Africa CGU. An increase of 200 basis points would result in an impairment of £2.3m in the same CGU.
- if the discount rate is 100 basis points higher, Brand carrying value would be further impaired by £2.1m. Similarly, If the discount rate is 100 basis points lower, the brand impairment would reduce by £2.2m.
- if the revenue is 300 basis points lower, the brand impairment would increase by £1.5m. Similarly, If the revenue is 300 basis points higher, the brand impairment would decrease by £1.5m.
- if revenue growth rates were to be the long-term growth rate of 2.5% starting in 2025 instead of 2027, the brand impairment would increase by £4.8m
- if EBITDA in 2021-2023 was 300 basis points lower, an impairment of £1.1m would result in the UK and Africa CGU.
- if EBITDA in 2021-2023 was 500 basis points lower, an impairment of £5.2m would result in the UK and Africa CGU.

9. Property, plant and equipment

£m	Land and buildings	Fixtures and fittings	Computer hardware	Total
Cost				
At 15 July 2020	-	-	-	-
Acquisition of Subsidiary	4.7	3.3	2.9	10.9
Additions		0.3		0.3
Disposals	(1.0)	(0.2)	(0.1)	(1.3)
Exchange adjustments	0.4			0.4
At 31 December 2020	**4.1**	**3.4**	**2.8**	**10.3**
Depreciation				
At 15 July 2020	-	-	-	-
Charge for the period	0.7	0.3	0.6	1.6
Disposals	(0.9)	(0.1)		(1.0)
Exchange adjustments	0.2			0.2
At 31 December 2020	**-**	**0.2**	**0.6**	**0.8**
Net book value				
At 31 December 2020	**4.1**	**3.2**	**2.2**	**9.5**
At 6 August 2020	-	-	-	-

10. Business Combinations and Acquisition of subsidiaries

On 6 August 2020, Travelex Holdings Limited Group (the "old Travelex Group") reached agreement with at least 66.7% of Senior Secured Noteholders ("SSNs") and all of its Revolving Credit Facility ("RCF") lenders on the terms of a comprehensive debt restructuring. Key participants in the SSNs took control of parts of the old Travelex Group via the new holding Company Travelex Topco Limited (Topco) and injected £84m of new money in the form of New Senior Secured Notes. A shareholder's agreement was signed by Topco and the new shareholders.

As a part of the restructuring Travelex Acquisitionco Limited (TACo) (an entity within the Group) acquired 100% of the shares of each of the certain subsidiaries (Initial Fundco) of the old Travelex Group for a consideration of £67.7m.

TACo also acquired the option to purchase certain entities from the old Travelex Group (Opco) for period of 12 months from the 6 August 2020. Post year end, the Group has elected to acquire 3 entities in Germany, Switzerland and Netherlands. The £67.7m purchase consideration is for all the acquisitions including these, which resulted in a prepaid consideration referred to on pages 40 and 42 and in note 11. Refer to the post balance sheet event note 26 for further details.

The above resulted in the business combination described in note 10 and referenced elsewhere in the financial statements.

The Group has elected to measure the non-controlling interests in the acquiree under the proportionate share method.

At the year-end date, the shares of the following entities have been successfully transferred into the Group on the respective date and therefore have been fully consolidated in accordance with IFRS3. Refer to the post balance sheet event note for subsequent post balance sheet transfer and impact on the Group consolidated financial statements.

Legal Entities	**Date of consolidation**	**% Holding**
Travelex Agency Services Limited	6 August 2020	100
Travelex Currency Services Limited	6 August 2020	100
Travelex Japan KK	6 August 2020	100
Travelex Central Services Limited	6 August 2020	100
Travelex India Pvt Limited	6 August 2020	100
Travellers Exchange Corporation Limited	6 August 2020	100
Travelex Australia Holdings Pty Limited and its subsidiary - Travelex Limited (Australia)	1 September 2020	100
Travelex Currency Exchange Limited and its subsidiary - Travelex Currency Exchange (China) Limited	1 September 2020	100
Travelex Financial Services NZ Limited	1 September 2020	100
Travelex Cloud Services Limited (UK)	1 October 2020	100
Travelex Holding (HK) Limited and its subsidiary - Travelex Card Services Limited	1 November 2020	100

10. Business Combinations and Acquisition of subsidiaries (continued)

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Initial FundCo entities as at the date of acquisition were:

£m	Entities acquired on 6 Aug 20	Entities acquired on 1 Sep 20	Entities acquired on 1 Oct 20	Entities acquired on 1 Nov 20	Total
Non-current assets					
Intangible assets	106.1	4.6	5.2	-	115.9
Property, plant and equipment	5.7	4.9	0.3	-	10.9
Right-of-Use assets	2.9	29.7	0.2	-	32.8
Investments from subleasing	-	1.0	-	-	1.0
Trade and other receivables	6.1	0.6	-	-	6.7
Deferred tax asset	17.1	0.5	-	-	17.6
	137.9	**41.3**	**5.7**	**-**	**184.9**
Current assets					
Trade and other receivables	97.0	31.2	0.9	1.2	130.3
Tax receivable	-	-	-	-	-
Other investments	18.4	-	-	-	18.4
Cash and cash equivalents	24.1	28.8	-	100.3	153.2
	139.5	**60.0**	**0.9**	**101.5**	**301.9**
Current liabilities					
Trade and other payables	(142.1)	(34.8)	(3.1)	(100.6)	(280.6)
Finance lease liabilities	(1.1)	(21.1)	(0.1)	-	(22.3)
Tax payable	(1.4)	-	-	-	(1.4)
	(144.6)	**(55.9)**	**(3.2)**	**(100.6)**	**(304.3)**
Net current assets / (liabilities)	**(5.1)**	**4.1**	**(2.3)**	**0.9**	**(2.4)**
Non-current liabilities					
Finance lease liabilities	(1.7)	(19.4)	(0.1)	-	(21.2)
Provisions	(19.8)	(1.1)	-	-	(20.9)
Deferred tax liabilities	(17.4)	(0.4)	-	-	(17.8)
Non-current liabilities	**(38.9)**	**(20.9)**	**(0.1)**	**-**	**(59.9)**
Total Identifiable net assets at fair value	**93.9**	**24.5**	**3.3**	**0.9**	**122.6**
Bargain Purchase Gains arising on acquisition	**(61.3)**	**(17.7)**	**(3.3)**	**-**	**(82.3)**
Purchase consideration transferred	**32.6**	**6.8**	**-**	**0.9**	**40.3**

Of the total purchase consideration of £67.7m referred to on page 38, £40.3m is allocated to acquisitions that have occurred at the balance sheet date. The remaining consideration of £27.4m is disclosed in note 11.

10. Business Combinations and Acquisition of subsidiaries (continued)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Intangible assets	Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date as disclosed in note 8.
Property plant and equipment	Plant, machinery and fixtures and fittings are stated at depreciated replacement cost. This is considered a reasonable proxy for fair value.
Right of use assets	The right-of-use assets were measured at an amount equal to the corresponding lease liability, adjusted to reflect the unfavourable terms of the lease relative to market terms as a result of COVID-19.
Lease liabilities	The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition.
Trade and other receivables and payables	Trade and other receivables and payables are measured at cost given its short-term nature.
Deferred tax	Deferred tax assets or liabilities are measured in accordance with IAS 12.
Cash and cash equivalents	Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.
Finance lease liabilities	The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate in the lease.
Provisions	As per note 18 the amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

The net assets recognised in the 31 December 2020 financial statements were based on a provisional assessment of their fair value. The Group had a measurement period off up to 12 months from the acquisition date to update this assessment based on any new information obtained about facts and circumstances that existed as at the acquisition date.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition.

Prior to the acquisition, as a result of the restructuring entered into by the old Travelex Group a restructuring provision of £5.0m was recognised was a present obligation immediately prior to the business combination. The execution of the restructuring plan was not conditional upon it being acquired by the Group.

10. Business Combinations and Acquisition of subsidiaries (continued)

On acquisition, customer relationships and the brand were fair valued at £32.6m and £56.7m respectively. The deferred tax liability mainly comprises the tax effect of the recognition of these customer relationship and brand intangible assets arising from fair value adjustments on acquisition accounting.

As the consideration was not allocated to individual entities as part of the agreements and transactions described on page 39, and due to the different acquisition dates determined for those entities, the consideration was split based on the EBITDA projections as at the date of transaction, 6 August 2020, reflecting the best estimate of the fair values of the business acquired. As at 31 December 2020, gains on bargain purchase of £82.3m were recognised in the Group Consolidated Income Statement, as a result of the fair value of net assets acquired exceeding the consideration paid for the acquisitions completed at the balance sheet date.

11. Trade and other receivables

£m	**2020**
Current	
Trade receivables	**11.8**
Other receivables	**13.5**
Prepaid consideration	**27.4**
Other prepayments and accrued income	**9.6**
	62.3
Non-current	
Other receivables	**4.1**
	66.4

Other receivables within current assets includes sales VAT receivables, receivables from credit card providers, other receivables in the normal course of business and the prepayment for Initial Fundco and Opco as a part of the Group restructuring. Other receivables within non-current assets includes security deposits.

Prepaid consideration relates to the business combination described in note 10.

12. Cash and cash equivalents

£m	**2020**
Cash held in tills and vaults, and in transit	**18.2**
Funds received from prepaid card customers	**104.0**
Cash at bank	**26.9**
Cash and cash equivalents	**149.1**

Funds received from prepaid card customers represents funds where the use of associated deposits and cash is restricted solely to the settlement of the related liabilities.

13. Other deposits

Other deposits of £9.8m represent funds received from prepaid card customers where the original maturity date of the deposit is greater than three months.

14. Trade and other payables

£m	2020
Current	
Trade payables	**7.7**
Prepaid cards awaiting redemption	**113.2**
Other tax and social security	**5.1**
Other payables	**6.5**
Accruals and deferred income	**18.0**
	150.5

15. Borrowings

£m	2020
Current	
Loan notes	**0.7**
Overdrafts	**1.7**
Borrowings	**2.4**
Lease liabilities	**22.8**
	25.2
Non-current	
Bank loans and overdrafts	**49.7**
Loan notes	**86.0**
Borrowings	**135.7**
Lease liabilities	**17.4**
	153.1
Total borrowings	**178.3**

On 6 August 2020, the Group issued 12.5% subordinated secured notes due in 2025 with aggregate amounts of £95.0m and €4.6m. The notes include “cashless issuance premiums”, upon which interest is charged through the loan period and which are settled at the repayment date, for the existing noteholders and backstop subscribers amounting to £15.2m. Furthermore, £3.0m of issuance fees relating to these loans have been capitalised.

These loan notes are classified as compound financial instruments due to the existence of both a liability and equity component. Therefore, the split accounting method has been applied. This involved identifying the various components, determining the fair value of the liability component, and then determining the equity component as a residual amount (issuer proceeds less the liability component). As part of determining the fair value of the liability component, an interest rate of 12.5% was used. The primary dataset used was the DIP financings in the US.

On 6 August 2020, the Group entered a facilities agreement to obtain a term loan of £50.0m due in 2024. This will incur interest at Libor + 4%. Under this agreement the Group entered into a guarantee facility arrangement totalling £9.6m. The Group has issued corporate guarantees for certain liabilities of its subsidiaries. As at 31 December 2020, guarantees utilised are £7.0m. Please refer to note 24 – Contingent assets and liabilities.

The Group is subject to liquidity ratio involving measures such as the core cash balance at a point in time. If the covenants were breached, the amounts outstanding on the loans would be reclassified as due on demand.

15. Borrowings (continued)

The table below shows the movement in borrowings during the period, including lease liabilities as described in note 16.

£m	Short-term loans and overdrafts	Long-term loans	Lease liabilities	Total
At 15 July 2020	-	-	-	-
Acquisitions and Disposals	-	-	43.5	43.5
Cashflow	0.9	131.0	(1.6)	130.3
Interest expense	0.8	5.8	1.6	8.2
Covid rent relief	-	-	(4.8)	(4.8)
Other non-cash items		(0.4)	0.3	(0.1)
Exchange Adjustments	-	-	1.2	1.2
At 31 December 2020	**1.7**	**136.4**	**40.2**	**178.3**

16. Financial instruments

The fair values for financial assets and liabilities held at amortised cost by The Group in the financial statements as at 31 December, determined in accordance with the methodologies set out below can be analysed under the following categories.

£m	Note	Financial assets at amortised cost
Financial assets		
Cash and cash equivalents	12	**149.1**
Other deposits	13	**9.8**
Trade and other receivables [1]	11	**56.8**
31 December 2020		**215.7**

£m	Note	Other financial liabilities at amortised cost
Financial liabilities		
Borrowings	15	**(178.3)**
Trade and other payables [2]	14	**(132.5)**
31 December 2020		**(310.8)**

1. Amount excludes other prepayments and accrued income.
2. Amount excludes accruals and deferred income.

Disclosure of the fair value for the above items are not required as the carrying amounts is a reasonable approximation of fair value which are accounted for using acquisition method as per note 10.

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.

16. 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 the Group's functional currency. The Group's balance sheet currency exposure is primarily managed by matching currency assets with currency borrowings. The largest currency liabilities are created from the sale of prepaid cards. All such liabilities are hedged by ensuring the card deposits are held in the same currencies as the liabilities. Following reinstatement of the hedging facilities post-restructure, the Group has made the decision not to hedge its currency exposure, due to the reduced level of trading in 2020 as a result of COVID-19 restrictions. The Group will continue to monitor trading condition to reassess this need.

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, as seen in the table below. These are monitored on a regular basis by the Board.

As at 31 December, 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:

£'000	2020 Net exposure	2020 +10%	2020 -10%
United States Dollar	(1.3)	0.1	(0.1)
Australian Dollar	168.2	(8.6)	10.6
Euro	306.0	(24.9)	30.5

Cash flow and fair value interest rate risk

The Group borrows at both fixed and floating rates of interest.

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 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 and finance cost.

£m	2020 Income statement impact	2020 Equity impact
0.1% increase	0.1	-
0.1% decrease	(0.1)	-

16. Financial instruments (continued)

Credit risk

Credit risk arises from cash and cash equivalents, prepayments, 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.

The Group monitors the split of cash and cash equivalents across the counterparties against their risk profile to ensure the counterparty credit risk is managed. The Group monitors the credit ratings of counterparties regularly and will review its position with a counterparty where there is perceived increase in credit risk due to a change in the rating. At 31 December 2020, the Group's largest counterparty accounted for 69% of the Group's total exposure to cash and cash equivalents and other deposits.

Key counterparties with whom significant concentrations of risk exist as at 31 December 2020 include Deutsche Bank AG (A- rated (S&P)), Barclays Bank Plc (BBB rated (S&P)), Sumitomo Mitsui Banking Corporation (A rated (S&P) and National Australia Bank Melbourne (AA- rated (S&P)). Further analysis of the key counterparties by credit exposure, analysing £140.7m of the total cash and cash equivalent and other deposits balance (excluding cash in tills and vaults, and in transit) of £158.9m disclosed in note 12 and 13, is shown in the table below:

£m	**2020**
Standard & Poor's rating	**Total**
AA-	**6.4**
A	**21.1**
A-	**97.0**
BBB	**14.7**
BBB-	**1.1**
Not rated	**0.4**
As at 31 December 2020	**140.7**

The Group's exposure to credit related losses, in the event of non-payment by customers, is minimal. The risk is managed through Group policies, which 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. The maximum exposure to credit risk of these financial assets will not exceed the carrying amount. Financial assets past due but not impaired do not reflect any indication that counterparties will be unable to meet their obligations. Furthermore, no financial assets were past due but not impaired during the period.

There was no collateral held against trade receivables and other receivables in either the current or prior year. Set out below is the information about the credit risk exposure on the Group's trade receivables and other receivables:

16. Financial instruments (continued)

ECL provision reconciliation

£m	2020
As at 15 July 2020	-
Acquisitions	(7.0)
Release of provision for expected credit losses to the income statement	0.4
As at 31 December 2020	(6.6)

Trade and other receivables ageing and credit risk exposure

The table below shows the ageing analysis of trade and other receivables (current and non-current) in note 11, and the related ECL provisions, with a net carrying amount of £29.4m.

£m	0 – 30 days	30 – 60 days	60 to 90 days	> 90 days	2020 Total
Trade receivables – current	2.5	0.5	0.1	15.2	18.3
Other receivables – current	10.5	0.2	0.6	2.3	13.6
Trade and other receivables – non-current	4.1	-	-	-	4.1
Estimated total gross carrying amount at default	17.1	0.7	0.7	17.5	36.0
ECL provision	-	-	-	(6.6)	(6.6)
Net carrying amount	17.1	0.7	0.7	10.9	29.4

As described in note 1, the Group utilises different methods for assessing ECL provision requirements based on the type of receivable.

Certain third-party trade and other receivables are assessed using an expected loss model based on ageing analysis.

Receivables consisting of balances held with entities that were part of the old Travelex group as well as Initial Fundco and Opco entities that are due to join the group in future periods in line with the restructuring (current trade and other receivables), and deposits (non-current receivables) are assessed based on credit default swap rates and similar methods for assessing solvency and liquidity.

Liquidity risk

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. Refer to borrowings note for details of the Group's borrowing structure. 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.

16. Financial instruments (continued)

Liquidity risk (continued)

The tables below analyse the gross undiscounted contractual cash flows on the Group's financial liabilities 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	2020 Total
Borrowing principal and interest payments					
Borrowings	**2.4**	**-**	**-**	**135.7**	**138.1**
Obligations under finance leases	**24.4**	**14.6**	**6.3**	**1.0**	**46.3**
Prepaid cards awaiting redemption	**113.2**	**-**	**-**	**-**	**113.2**
Trade and other payables	**19.3**	**-**	**-**	**-**	**19.3**
	159.3	**14.6**	**6.3**	**136.7**	**316.9**

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).

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 Group does not have any material assets and liabilities that are measured at fair value as of 31 December 2020. Financial assets and liabilities not measured at fair value have a carrying amount which is a reasonable approximation of fair value, due to the fact that they are short-term in nature.

17. Leases

As a lessee

The Group has lease contracts for land and buildings, as well as for various items of plant, machinery, vehicles and other equipment used in its operations. The lease term for leases of land and buildings varies from short-term ATM leases, and other rolling or short-term leases on transition to IFRS 16, to long term property leases up to 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right of use assets substantially relate to land and buildings, other categories are not material, so the total only is disclosed below:

Right-of-use assets

£m	**Total**
As at 15 July 2020	-
Acquired with subsidiaries	32.8
Additions	0.3
Depreciation	(5.8)
Impairment	(0.5)
Exchange adjustments	0.5
At 31 December 2020	**27.3**

Lease liabilities

The maturity analysis of lease liabilities is disclosed in note 15.

£m	**2020**
Cost	
As at 15 July 2020	-
Acquired with subsidiaries	43.5
Additions	0.3
Interest expense	1.6
Covid-19 rent concessions treated as variable rent	(4.8)
Lease payments	(1.6)
Exchange adjustments	1.2
At 31 December 2020	**40.2**
Current	22.8
Non-current	17.4
	40.2

17. Leases (continued)

Amounts recognised in the income statement

£m	2020
Interest on lease liabilities	(1.6)
Depreciation expense of right-of-use assets	(5.8)
Impairment	(0.5)
Variable lease payments not included in the measurement of lease liabilities	(0.6)
Covid-19 rent concessions treated as variable rent	4.8
Expenses relating to short term leases	(0.8)
	(4.5)

Amounts recognised in the statement of cash flows

£m	2020
Total cash outflow for leases	(1.6)

During the period the Group received rent concessions as a result of the Covid-19 pandemic. Although this relief was in respect of fixed rent due, it was treated as a reduction in variable lease payments in accordance with the practical expedient guidance, refer to note 1 accounting policy for details.

The Group leases land and buildings for its airport retail stores. The leases of retail stores typically run for three to five years. Some leases include an option to renew the lease for an additional period after the end the contract term.

The future cash outflows relating to leases that have not yet commenced are disclosed in note 24.

Some leases provide for additional rent payments that are based on performance that the Group makes at each store (for example, revenue, turnover, EBITDA). These amounts are generally determined annually, after each anniversary of the lease, but can be calculated monthly or quarterly and paid in arrears.

The Group sub-leases some of its office buildings under finance leases (see section "As a Lessor").

Variable lease payments based on performance

Some leases of retail stores, in addition to the fixed rent element, also contain a variable lease payment element that are based on the performance of the store. The following table provides information on the Group's variable lease payments: The following table provides information on the Group's variable lease payments to give an indication of the magnitude in relation to fixed payments:

£m	Fixed payments	Short term payments	Variable payments	Total payments
Leases with lease payments based on performance	7.6	(0.6)	(0.8)	6.2

Potential future variable lease payments based on performance

Due to the Covid-19 pandemic and the impacts felt around the globe, there is uncertainty around the levels of contractual lease payments, both fixed and variable, that will need to be made in the future. Early 2020 has already seen rent relief provided to lessee's in the form of deferred payments, payment holidays, and reduced lease payments for fixed rent. The performance-based rent payments will also be impacted, as due to the Covid-19 pandemic and the safety measures undertaken globally, passenger travel has greatly reduced and various sites have been locked down, halting trading.

17. Leases (continued)

Extension options

Some leases of land and buildings contain extension options, these are generally exercisable by the Group, and can sometimes automatically renew if no notice to terminate is provided by a certain date. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. Subsequently, the Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control (e.g. construction of significant leasehold improvements, significant customisation of the leased asset, or other economic factors that might impact the Group's expectation to exercise the extension option).

£m	Lease liabilities recognised	Discounted Potential future lease payments not included in lease liabilities
Leases with extensions options	4.3	5.8

The data for exercise options is based on lease information from 15 July 2020 onwards. The remaining extension options are not reasonably certain to be exercised and therefore not included in the lease liabilities.

Termination options

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. There were no leases where a termination option was expected to be exercised.

As a lessor

The Group sub-leases one of its office buildings, and as at 6 August, it had a remaining term of approximately two years. This lease has been identified as finance sub-leases as it has been classified by reference to the right of use asset arising from the head lease. The group had no operating sub-leases as at 31 December 2020.

Lease income from lease contracts in which the Group acts a lessor is as below.

£m	Total payments
Finance lease	
Finance income on the net investment in the lease	0.2

17. Leases (continued)

The table below analyses the contractual undiscounted cash flows on the Group's finance sub-leases as at 31 December 2020 to the contractual end date:

£m	2020
Within one year	0.6
Between one and five years	0.3
More than five years	-
Total undiscounted lease payments	**0.9**
Unearned finance income	(0.1)
Net investment	**0.8**

18. Provisions

£m	Onerous contracts	Employee related provisions	Other	Total
At 15 July 2020	**-**	**-**	**-**	**-**
Acquired with subsidiaries	0.9	5.2	14.8	20.9
Charged to income statement	-	-	0.1	0.1
Written back to income statement	-	-	(0.1)	(0.1)
Utilised in the period	(0.8)	(2.8)	(0.1)	(3.7)
At 31 December 2020	**0.1**	**2.4**	**14.7**	**17.2**
Current	**0.1**	**1.3**	**14.7**	**16.1**
Non-current	**-**	**1.1**	**-**	**1.1**
At 31 December 2020	**0.1**	**2.4**	**14.7**	**17.2**

Onerous contract provisions are in respect of certain office building lease contracts of less than one year.

Employee related provisions include those in respect of redundancy costs (expected to be utilised within one year) and long-term service leave (majority of which expected to be utilised after more than one year).

Other provisions include:

- Provisions of £8.0m resulted from the acquisition of the wholesale banknotes business on 6th August 2020. At the year end, it was considered more likely than not that there would be an outflow of economic benefits, however the timing of the utilisation of this provision was dependent on commercial discussions and therefore uncertain.
- Provision of £3.0m related to certain entities acquired by the Group on 6th August 2020 not being able to provide services for a short period of time due to systems' availability during early 2020. At the year end, it was considered more likely than not that there would be an outflow of economic benefits, however the timing of the utilisation of this provision was uncertain.
- Provisions related to guarantees provided to third parties in the normal course of business of £2.7m. At the year end, it was considered more likely than not that there would be an outflow of economic benefits, however the timing of the utilisation of this provision was uncertain.

19. 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	2020
Deferred tax assets – non-current	**0.4**
Deferred tax liabilities	**(0.3)**
	0.1

The movement in deferred tax is as follows:

£m	2020
At 15 July 2020	**-**
Acquired with subsidiaries	(0.2)
Income statement credit	0.3
Exchange Adjustments	-
At 31 December 2020	**0.1**

At the balance sheet date there are deferred tax liabilities of £16.0m representing taxable temporary differences arising on the fair value of intangible assets acquired together with deferred tax assets representing capital allowances in excess of the fair value of property, plant and equipment of £15.5m that are recognised as they are available to offset the deferred tax liabilities acquired.

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

	Property, plant and equipment	Intangible assets	Tax losses	Other temporary differences	Total
Assets					
At 15 July 2020	**-**	**-**	**-**	**-**	**-**
Acquired with subsidiaries	16.6	-	1.0	-	17.6
(Charged) / credited to the income statement	(1.1)	-	0.3	-	(0.8)
At 31 December 2020	**15.5**	**-**	**1.3**	**-**	**16.8**
Liabilities					
At 15 July 2020	**-**	**-**	**-**	**-**	**-**
Acquired with subsidiaries	-	(17.1)	-	(0.7)	(17.8)
Credited to the income statement	-	1.1	-	-	1.1
At 31 December 2020	**-**	**(16.0)**	**-**	**(0.7)**	**(16.7)**

There are unrecognised deferred tax assets of £31.0m in respect of unused tax losses and £7.0m in respect of other temporary differences at the period end. The amount for unused tax losses comprises £30.0m for tax losses which have no time limit and £1.0m for those that expire in five years.

20. 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 £1.23m was charged to the income statement as incurred during the period. At the end of the period £0.02m of contributions were outstanding.

21. Cash used in operating activities

£m	**2020**
Profit before tax	**22.7**
Finance income	**(0.3)**
Finance costs	**8.2**
Depreciation and amortisation	**15.3**
Impairment	**3.3**
COVID-19 rent concessions treated as variable rent	**(4.8)**
Gains on bargain purchase	**(82.3)**
Loss on disposal of property plant and equipment and intangibles	**0.3**
Expected credit loss adjustment	**0.4**
	(37.2)
Decrease in trade and other receivables	**99.6**
Increase in trade and other payables	**(131.2)**
Decrease in other deposits	**8.6**
Utilisation of provisions	**(3.7)**
Foreign exchange translation differences	**0.5**
Cash used in operating activities	**(63.4)**

22. Share capital

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

		2020
	Number	£
Shares classified as equity:		
Ordinary shares of £0.00001 each*	793,800	8

*The Company was incorporated on 15 July 2020 and issued, allotted and fully paid 793,800 ordinary shares of £0.00001 each.

The Group issued 198,450 warrants on 6th August 2020 to the note holders of the previous €360m loan notes which were in the old Travelex group. There were no proceeds in raising these warrants. The warrants give the warrant holders the right to shares in Travelex Topco Limited at an exit event including asset sale, drag sale, IPO, takeover or winding up. The Warrant to share ratio is one share to one warrant. In accordance with IAS32, as the warrants allow the warrant holders to receive a fixed number of shares at an exit event without additional cash being paid, the warrants are classified as an equity instrument. The warrants are recognised in the same way as share capital issued at a value of £0.00001 per share. Changes in the fair value of the warrants are not recognised in the financial statements.

23. Related party transactions

Key management compensation

£m	2020
Short term employee benefits	0.5
Total	**0.5**

Key management compensation in the table above represents compensation paid to members of the Group's Executive Committee and exclude Directors of the Group whose emoluments are disclosed in note 6. Directors and key management occasionally transact with subsidiary undertakings of the Group, 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.

The related parties of the group are listed below.

All have Common Directorship with the board and Executive Committee of the group.

Name of the entity
Interpayment Services Limited
Travelex (Thailand) Limited
Travelex Africa Foreign Exchange (Pty) Limited
Travelex Ankara Doviz Ticareti Yetkili Muessese A.S.
Travelex Bahrain W.L.L
Travelex Banco de Cambio S.A.
Travelex Canada Limited
Travelex Doviz Ticaret Yetkili Muessese Anonim Sirketi
Travelex Emirates Exchange LLC
Travelex Limited
Travelex Panama S.A.
Travelex Qatar Q.S.C.
Travelex NV
Travelex & LLC (Oman)
Travelex Europe Ltd
Travelex Global & Financial Services Ltd
Travelex Rand Travellers Cheques Ltd
Euro Travellers Cheques Nederland
Travelex Financial Services Limited
Interpayment Australia Pty Ltd
Hongkong and Shanghai
Travelex Italia Ltd
Travelex Holdings (S) Pte Ltd
Travelex Currency Exchange & Payments SDN BHD

23. Related party transactions (continued)

Transactions and balances with related parties have been summarised in the table below.

Names of the Related Entities	Transactions with Related Parties		Balance as on 31 Dec 2020
	Nature of Transaction		Amount
	Income including revenue due to recharges	Expense including expense due to recharges	
Interpayment Services Limited	0.1	-	0.8
Travelex Bahrain	-	-	0.2
Travelex Canada Limited	0.1	(0.1)	0.2
Travelex Emirates Exchange LLC	-	(0.1)	-
Travelex Limited	-	(0.1)	-
Travelex Panama Limited	-	-	0.2
Travelex NV	0.6	(0.5)	0.2
Travelex & LLC (Oman)	-	-	0.1
Travelex Europe Ltd	0.6	(0.2)	(2.7)
Travelex Holdings (S) Pte Ltd	1.8	0.1	2.3
Travelex Currency Exchange & Payments SDN BHD	0.2	(0.2)	0.4

24. Contingent assets and liabilities

The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are £0.4m within one year, £1.6m within two to five years and £0.1m thereafter.

On 31 December 2019, Travelex Holdings Limited Group detected malware which had compromised its services. As part of the acquisition of businesses from Travelex Holdings Limited Group on 6 August 2020, the Group acquired the rights to receive insurance reimbursement in relation to this malware incident. The reimbursement agreement was reached with the insurer and subsequently received in April 2021. As at 31 December 2020, the Group determined that it was not virtually certain that the insurance reimbursement would be received and therefore this was treated as a contingent asset in accordance with IAS37. The Group received £13.5m in relation to this in April 2021.

As at the balance sheet date a total of £7.1m of bank guarantees (including performance guarantees) have been issued on behalf of the Group. In addition, £6.1m of surety guarantees have been issued in Hong Kong and New Zealand on behalf of the Group.

25. Government support

During the year, the Group has received support from government in connection with its response to the Covid-19 pandemic. This support includes furlough and job retention scheme reliefs.

The Group has recognised government grant income of £7.5m in relation to the Coronavirus Job Retention Scheme (CJRS) in the UK, and its equivalents in other countries. There are no unfulfilled conditions or contingencies attached to these grants.

26. Post balance sheet events

Subsequent to the year end, the shares of the remaining Initial Fundco continue to be transferred to the Group. As at the date of signing, the following entities have been transferred to the Group on the dates noted below. The estimated impact on the Group financial position was an increase in net assets of £39.5m. Other entities expected to be transferred are also listed below.

Legal Entities	Date of consolidation	% Holding
Travelex Holdings (S) PTE Limited Singapore	1 February 2021	100
Travelex Bahrain WLL	1 April 2021	75
Travelex Currency Exchange & Payments SDN BHD (Malaysia)	1 June 2021	70
Travelex & Co LLC (Oman)	1 June 2021	70
Travelex (Thailand) Limited	1 June 2021	62
Travelex Emirates Exchange LLC	1 July 2021	40
Travelex Foreign Coin Services Ltd	1 July 2021	100
Travelex Qatar QSC	1 September 2021	49
Travelex Switzerland AG	1 October 2021	100
Travelex Europe Ltd	1 November 2021	100
Travelex Retail Nigeria Limited	To be determined	-
Travelex Nigeria Business Solutions Limited	To be determined	-
Travelex Doviz Ticaret Yetkili Muessese AS (and subsidiary: Travelex Ankara Doviz Ticaret Yetkili Muessese AS)	To be determined	-
Travelex Czech Republic AS	To be determined	-
Travelex Do Brasil Holding Financeira Ltda; Travelex Do Brasil Holding Nao Financeira Ltda; South American Cards Services (Brazil)	To be determined	-
Travelex N.V	To be determined	-
Travelex Deutschland GmbH	To be determined	-

Issuance of new money notes

On 28 January 2021, the Group has listed the £95.0m and €4.6m subordinated secured notes issued on 6th August 2020 on the Vienna Stock Exchange.

On 8 February 2021, the Group announced a proposal to issue up to £60m of New Money Notes, to provide the group with fresh liquidity and to fund working capital in anticipation of a return of consumer travel. These have been fully issued in three tranches of notes on the Vienna Stock Exchange, £20m in February 2021, £25m in June 2021 and £15m in October 2021.

Transfer of pre-paid card assets and liabilities

On 28 April 2021, Travelex Card Services Limited entered into an agreement with a third party to transfer assets and liabilities associated with active card balances of a certain jurisdiction. To date, the Company has fully migrated the relevant assets and liabilities to the third party. The value transferred was HKD$468.1m (£44.2m at the period end exchange rate).

In accordance with IFRS, these events were treated as a non-adjusting post balance sheet events.