

Travelex



4001915

£75,000,000

Travelex plc

10¹/₂% Senior Notes due 2010

Issue price	100%.
Net proceeds	The net proceeds from the sale of the Notes are estimated to be £72,000,000, after deducting discounts, fees and expenses.
Maturity	July 31, 2010.
Interest rate	10 ¹ / ₂ % per annum is payable semi-annually on January 31 and July 31 of each year commencing on January 31, 2001.
Redemption	<p>We may redeem the Notes at any time at the prices set forth herein. Prior to August 1, 2003, we may redeem up to 35% of the Notes with the proceeds of certain offerings or sales of our equity at a redemption price of 110.5%.</p> <p>After July 31, 2005, we may redeem the Notes at the prices set forth herein. We may also redeem all, but not a portion, of the Notes upon the occurrence of certain tax events.</p> <p>If we sell certain assets or experience specific kinds of changes in control, we must, unless certain conditions are met, offer to redeem the Notes.</p>
Guarantees	The Notes will be unconditionally and irrevocably guaranteed on a senior basis by Travellers Exchange Corporation Limited and all of our other current operating and, except in limited circumstances, future subsidiaries to the extent lawful under applicable law.
Ranking	The Notes are senior and will rank equally with our and our subsidiaries' senior indebtedness and will effectively rank subordinated to our and our subsidiaries' senior secured indebtedness to the extent of the value of the assets securing such indebtedness.
Listing	Application has been made to admit the Notes to trading on the London Stock Exchange plc.
Registration	We have granted certain SEC registration rights in relation to the Notes.

You should be aware that this investment involves risks. See "Risk Factors" beginning on page 14.

The Notes have not been registered under the Securities Act of 1933. They are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A and outside the United States pursuant to Regulation S.

It is expected that delivery of the Notes will be made in book-entry form on or about August 7, 2000.

Barclays Capital



Responsibility statement of the Company

The directors of the Company, whose names appear on page 57 of this offering memorandum, accept responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This offering memorandum contains summaries with respect to certain terms of certain documents, but reference is made to the actual documents, including the indenture governing the Notes, the notes depositary agreement, and the registration rights agreement described herein (copies of which will be made available by the Company to prospective investors upon request), for complete information with respect thereto.

We have applied for the Notes to be admitted to trading on the London Stock Exchange

Application has been made to the Financial Services Authority (the "UK Listing Authority") in its capacity as competent authority under the Financial Services Act 1986 (the "FS Act") for the Notes to be admitted to the Official List of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitutes admission to the official listing on a stock exchange. A copy of this offering memorandum, which constitutes listing particulars, has been delivered to the Registrar of Companies in England and Wales in accordance with section 149 of the FS Act.

Offering not registered in the United States; Offering restrictions in the United Kingdom

These Notes have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities law. Unless so registered, the Notes may not be offered or sold within the United States or to US persons, except in a transaction that is exempt from or not subject to any registration requirement. As a result, the Notes are only being offered (a) to qualified institutional buyers as defined in Rule 144A under the Securities Act ("Rule 144A") in compliance with Rule 144A and (b) pursuant to offers and sales that occur outside the United States, in compliance with Regulation S under the Securities Act ("Regulation S"). See "Transfer Restrictions". There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the FS Act and the Public Offer of Securities Regulations 1995 with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "Plan of Distribution".

The Notes offered hereby have not been approved, disapproved or recommended by the US Securities and Exchange Commission ("SEC") or any state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offence.

You must comply with all applicable laws

The distribution of this offering memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and Barclays Bank PLC to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on the offering and sale of the Notes, see "Transfer Restrictions" and "Plan of Distribution".

No offering where unlawful; Offering memorandum accurate only as of its date

This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which, or to any person to whom, such offer or invitation would be unlawful in such jurisdiction. Except as otherwise indicated, this offering memorandum speaks as of the date hereof. Neither the delivery of this offering memorandum nor any sale of the Notes shall, under any circumstances, create any implication that there has been no change in our affairs after the date hereof.

You will undertake to abide by transfer restrictions

We are relying, in making this offering, upon an exemption from registration in the United States under the Securities Act for an offer and sale of securities which does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to a registration statement or pursuant to an exemption from registration. You should be aware that you may be required to bear the entire financial risk of the investment for an indefinite period of time. Each investor in the Notes will be deemed, in making its purchase, to have made certain acknowledgements set forth under "Transfer Restrictions".

No representation or warranty by the Initial Purchaser

No representation or warranty, express or implied, is made by Barclays Bank PLC as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by Barclays Bank PLC, whether as to the past or the future. Barclays Bank PLC does not assume any responsibility for the accuracy or completeness of such information. Barclays Bank PLC, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is advising the Company and no one else in relation to the offering and sale of the Notes and will not be responsible to anyone other than the Company for providing the protections afforded to its customers, or for providing advice in relation to the offering and sale, the contents of this offering memorandum or any transaction or arrangement referred to herein.

PRESENTATION OF OUR FINANCIAL INFORMATION

Unless otherwise indicated, financial information in this offering memorandum has been prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"). UK GAAP differs in certain significant respects from generally accepted accounting principles in the United States ("US GAAP"). For a discussion of the most significant differences between UK GAAP and US GAAP, see note 16 to our audited consolidated financial statements. In presentation of any financial amounts contained herein there may be differences due to rounding.

Our financial statements are published in pounds sterling. In this offering memorandum, references to "pounds sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom, references to "US dollars", "dollars", "\$" or "¢" are to the lawful currency of the United States and references to "Euro", "€" or "cent" are to the currency that was introduced on January 1, 1999 at the start of the third stage of economic and monetary union pursuant to the treaty establishing the European Economic Community, as amended by the treaty on the European Union signed at Maastricht on February 7, 1992. See "Exchange Rates" for information regarding the exchange rates between the US dollar and the UK pound sterling.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains certain forward-looking statements. These statements are accompanied by, and should be read in conjunction with, an explanation of important factors that could cause actual results to differ materially from those in the forward-looking statements. Among other statements, statements regarding our financial position, operational and financial goals and objectives, including those under "Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" are forward looking in nature. By their nature, forward-looking statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. These factors include, among other things, a general decline in international travel, changes in demand for our services, technological changes, the introduction of the Euro, the impact of competition and changes in economic conditions in the countries in which we operate, as well as those factors set forth under "Risk Factors".

SUMMARY

The following summary contains basic information about us and this offering of the Notes. It is likely not to contain all of the information that is important to you. For a more complete understanding of our business and this offering, we encourage you to read this entire offering memorandum.

References in this offering memorandum to "we", "our", "ours", "us", or the "Company" are to Travelex plc except that, where the business and operations of Travelex plc are being described, such expressions may include Travelex plc's subsidiaries. Travelex plc, Travellers Exchange Corporation Limited, Travelex Group Investments Limited and the subsidiaries of the latter are referred to in this offering memorandum as the "Travelex Group".

The Company

We are a leading global provider of travel money (foreign currency notes and travellers cheques) with the largest network of airport foreign exchange branches in the world, outsourcing contracts to provide travel money to customers such as Barclays Bank, Carlson Wagonlit and Hogg Robinson BTI, and travel money marketing agreements with companies such as British Airways. We are a growing provider of global payment services primarily to middle-market corporations. We also offer travel insurance, operate ATMs, and are developing a retail cash transfer business. We operate in the UK, continental Europe, North America and Australasia. For the latest twelve months ended April 2, 2000, on a pro forma basis (as defined in the section "Unaudited Condensed and Consolidated Pro Forma Information"), we generated approximately £122.3 million of net revenues and £21.4 million of EBITDA.

Travel Money. We sell and purchase travel money with an exchange spread, which means that we sell currency at a higher price than our cost to acquire it. We derive approximately 66% of our travel money net revenues from exchange spreads and the remainder primarily from commissions and sundry services. Our foreign currency stocks are hedged to eliminate most of our currency exposure.

Our travel money business consists of three primary segments:

- **Retail Travel Money.** We offer travel money services primarily to business travellers through our branches, airport ATMs and the internet. We operate 314 branches; 225 of which are located at airports comprising the largest airport network in the world. The other 89 branches are located in seaports, on passenger ships and in selected major city centres. In addition to our airport retail locations, we operate 87 ATMs in selected airports. We also offer retail travel money through our websites which allow customers to arrange for pick-up at our branches. Our retail travel money business processes thousands of transactions each day.
- **Outsourced Travel Money.** We process and fulfil foreign currency and travellers cheque orders placed with our outsourcing customers, primarily retail banks and travel agencies in the UK. We fulfil the majority of these orders from our facility located in Surrey, England utilising state-of-the-art physical currency systems. We gained a significant share of the UK outsourced travel money market in October 1999 when, together with The Royal Bank of Scotland (RBS), we acquired Transpay, the foreign currency processing service of Barclays. We believe there is a current trend of retail banks in the UK to outsource their travel money requirements as they no longer see travel money services as a core activity. We also believe that retail banks in continental Europe will follow this outsourcing trend to reduce costs to offset the impact of lower volumes caused by the introduction of Euro notes and coins.
- **Travel Insurance.** We market travel related insurance products primarily in the US through over 6,700 travel agencies, our airport branches, airport drop boxes, and the internet. The underwriting risk and claims management is undertaken by third party insurance companies. We assume no underwriting risk at any time.

There are no published statistics representing the size of the travel money market in all of the regions in which we operate. We use an estimated market size of £22 billion, excluding travel insurance, for our own internal planning. We believe that the introduction of Euro notes and coins will reduce the continental European market by approximately 65%. This significant reduction will make it increasingly difficult for banks to provide a cost-effective travel money service internally. As a result, we believe continental European banks will either cease offering travel money services at their branches or outsource their travel money needs to specialist providers who can achieve economies of scale by aggregating the remaining travel money needs of multiple banks. For the latest twelve months ended April 2, 2000, on a pro forma

basis (as defined in "Unaudited Condensed and Consolidated Pro Forma Information"), our travel money business generated approximately £112.6 million of net revenues and £17.4 million of EBITDA.

Global Payments. We provide global payment services primarily to middle-market corporate clients in the UK, North America and Australia. We make cross border payments in foreign currencies and generate revenues from exchange spreads and transaction fees. We hedge our currency positions throughout the day and, excluding a nominal amount of overnight positions, are fully hedged by the end of each business day. For the latest twelve months ended April 2, 2000, on a pro forma basis (as defined in the section "Unaudited Condensed and Consolidated Pro Forma Information"), our global payment services business generated approximately £9.7 million of net revenues and £4.0 million of EBITDA.

We believe that growth in global trade and the consolidation trend in the banking industry globally will produce market opportunities to expand our global payments business. As banks merge and grow in size, they often become unwilling or unable to effectively and competitively service middle-market corporate clients who have lower cross border payment volumes. We mostly target these middle-market corporations and differentiate ourselves by providing personalised service and faster execution through direct access to our trading floor or through FxOnline™, our internet-based order system. We estimate the size of the total corporate cross border payment market to be approximately £3.2 trillion in 1998 based on global imports as reported by the International Monetary Fund's "Direction of Trade Statistics" published in March 2000.

Competitive Strengths

We believe our competitive strengths, combined with our business strategy, will allow us to continue to grow and increase our operating profits. Our competitive strengths are as follows:

Global Airport Network. We have an established network of 314 branches across the UK, continental Europe, North America and Australasia. We believe that approximately 30% of the world's airline passengers travel through airports in which we operate, including such international airports as Heathrow, Gatwick, Charles de Gaulle, Orly, Frankfurt, Brussels, JFK, Newark, San Francisco and Sydney. We believe that it would be difficult, and would take several years, for a new market entrant to establish such an extensive airport network due to the nature of airport retail space agreements and the limited amount of space available for additional retail travel money operators.

Over the last few years, we have aggressively expanded our continental European airport branch network. We believe that the airport branch is the most cost-effective place to provide travel money services, being the one location that every customer passes through. We have been successful in winning several new tenders in continental Europe which will better position us to increase market share in our retail travel money business in the future.

Long-Term Outsourcing Contracts. We currently have long-term outsourcing contracts with Barclays and Hogg Robison BTI. RBS also has stated its intention to enter into an outsourcing contract with us that would include certain of its subsidiaries. We believe these long-term contracts provide us with a relatively stable and predictable base of cash flow. We currently intend to expand our outsourced travel money operations across continental Europe to aggregate volume and deliver an outsourcing solution for the introduction of Euro notes and coins. We are in preliminary discussions with several banks in continental Europe with regard to their travel money operations.

Strategic Partnerships. We have formed strategic partnerships and co-branding relationships with a number of blue chip companies which we believe enable us to enhance our reputation as a provider of quality services.

Our relationship with British Airways encompasses the BA Travel Money Program and *Airmiles*™ frequent flyer program. This exclusive relationship gives us a competitive advantage by allowing us to access an attractive customer base to which we can offer promotions, such as earning frequent flyer miles for foreign exchange transactions. We have relationships with other airlines including American Airlines, Air France, Qantas and Ansett. We also believe that our relationship with airlines will become increasingly useful to promote our retail travel money services at continental European gateway locations to aggregate volumes upon the introduction of Euro notes and coins.

3i plc, our 32.6% shareholder, has appointed one of our board members and provides us with management and financial input. 3i is a leading European venture capital company and is a FTSE 100 company. 3i has been in existence for over 50 years and has invested nearly £12 billion in over 13,400 businesses.

RBS is a 15% shareholder in our UK outsourced travel money business. In 1999, we signed a long-term currency supply contract in which RBS agreed to supply our outsourcing operations with physical currency for a period of 10 years.

Additionally, our *Travelex.com* retail travel money service has relationships with several internet portals, including Freeserve, Microsoft Network Australia and Big Pond. We have several partnership arrangements with commercial banks, including Alliance & Leicester in the UK and Westpac in Australia, to expand our ATM network.

Strong Brand Recognition. We have created the Travelex™ brand by developing a reputation for consistent quality service, value added products and competitive rates. Our belief is that good financial performance comes from customer satisfaction and repeat business. We seek to improve customer service levels through training, quality control systems and management incentives.

Our brand provides us with a competitive advantage in securing contracts with airport operators. As additional airports are privatised, the retail travel money business is increasingly being seen as a significant revenue producer as opposed to merely a passenger service. Our reputation for consistent performance and ability to grow revenues for airport management companies has resulted in security of tenure as evidenced by the fact that we have been prevented from renewing contracts in only five airports since we began our airport operations in 1986. In addition, we are often approached by airport operators when retail travel money locations or contracts become available.

We also believe that the use of the Travelex™ brand by our global payments and outsourced travel money businesses has helped them expand more quickly. Customers of both of these businesses rely on us to perform important functions traditionally performed by larger financial institutions. Associating these new businesses with the Travelex™ brand, which we believe stands for service and consistency, helps to build credibility with new customers. We intend to continue the use the Travelex™ brand to expand into new and related businesses.

Value Added Services. We offer innovative services that provide the customer with choices, allowing us to differentiate ourselves, support our brand and increase our revenue per transaction. We have introduced several new services in our retail travel money business including the buy back guarantee program, frequent flyer miles, Coinpax™, Travelex Cashpax™ and the Travelex Coincard. The introduction of such services has helped us grow. For example, our net revenues from the buy back guarantee program have increased from no net revenues in 1995 to approximately £1.1 million in 1999.

In our cross border payments business, we focus on service by providing our customers with personalised service and efficient execution through direct access to our trading floors or through FxOnline™.

Low Cost Operations. In our outsourced travel money business, we utilise state-of-the-art physical currency operations to process large volumes and lower our costs. These operations can rapidly and accurately collate and prepare travel money orders. We process approximately 1.1 million prepackaged currency and travellers cheque orders per year. We intend to leverage this low cost technology as we expand our outsourced travel money operations to include continental Europe.

We have further lowered our costs by achieving economies of scale. For example, the scale of our retail travel money operations enable us to aggregate our currency purchases into large blocks which increases our margins by reducing our costs of acquiring foreign currency.

In addition, the scale of our global payments business allows us to: (i) employ a high quality and highly paid sales force and (ii) negotiate significant volume discounts with banks in pricing their wire transfer systems and execute foreign exchange trades.

Experienced Management. The nine members of our senior management team have each worked for an average of over 17 years in either the travel money or the financial services industry. We have a policy of promoting from within the ranks of our employees, and the majority of our senior and middle managers have extensive experience with our operations. Our management has built our business from a single travel money retail branch in 1976. In addition, management has grown net revenues from less than £45 million in 1995 to £101.6 million in 1999. Both senior and middle management are incentivised through bonus payments based on profitability, and our senior management team owns (and will continue to own following the proposed reorganisation) 67.4% of our ordinary share capital.

Business Strategy

Our goal is to be the leading global provider of travel money and a major provider of global payment services. We intend to achieve our goal with the following business strategy:

Expand Retail Travel Money Business. We intend to continue to expand our retail travel money business through the following:

- **Expand Our Airport Network.** We are expanding our airport branch and ATM network to include premier locations in major gateways in which we do not currently operate. We believe that the airport branch is the most cost-effective place to provide travel money services due to the high volume of travel money customers that pass through airports. We intend to continue to expand our continental European airport branch network to include the main trans-continental gateways and use these key locations to win market share as banks scale back or eliminate their travel money services upon the introduction of Euro notes and coins.
- **Promote continental European airport branches.** We intend to promote our existing and future airport branches in continental Europe to increase market share. We intend to use existing and new partnerships with airlines, travel agencies and retail banks in each country to promote our airport locations as the logical, most convenient and most cost-effective way to obtain travel money. We intend to be in position to take market share from other providers who may scale back or eliminate their travel money operations upon the introduction of Euro notes and coins.
- **Grow Internet Capabilities.** We intend to promote the use of our websites as a fast and easy means of ordering retail travel money which can be picked up at our airport branches before departure. We believe that we are better positioned to benefit from the internet because of our ability to use our airport branches to cost-effectively and securely deliver travel money to the customer.

Expand Outsourced Travel Money Business. We intend to continue to expand our outsourced travel money business through the following:

- **Sign Additional Outsourcing Contracts.** We have been successful in signing a number of long-term outsourcing contracts primarily with customers in the UK. We also believe that retail banks in continental Europe will follow this outsourcing trend to reduce costs to affect the impact of lower volumes caused by the introduction of Euro notes and coins. We intend to expand our success in this business to continental Europe to take advantage of the outsourcing opportunities that we believe will arise from the introduction of Euro notes and coins.
- **Expand Low Cost Outsourcing Operations.** We intend to use our state-of-the-art physical currency technology to service new contracts with outsourcing clients in continental Europe. We intend to employ the state-of-the-art technology of our UK facility to lower our costs by achieving economies of scale while continuing to deliver high levels of customer service.

Expand Global Payments Business. We plan to expand our global payments business through a targeted marketing campaign. This will be conducted through the expansion of our high quality sales force and increasing our capacity by installing a customised transaction processing system. We attract and retain quality sales people with high incentive-based commission schemes.

Develop New Business Lines. We are developing additional product lines where we can leverage our low cost operations and the Travelex™ brand. Currently we are:

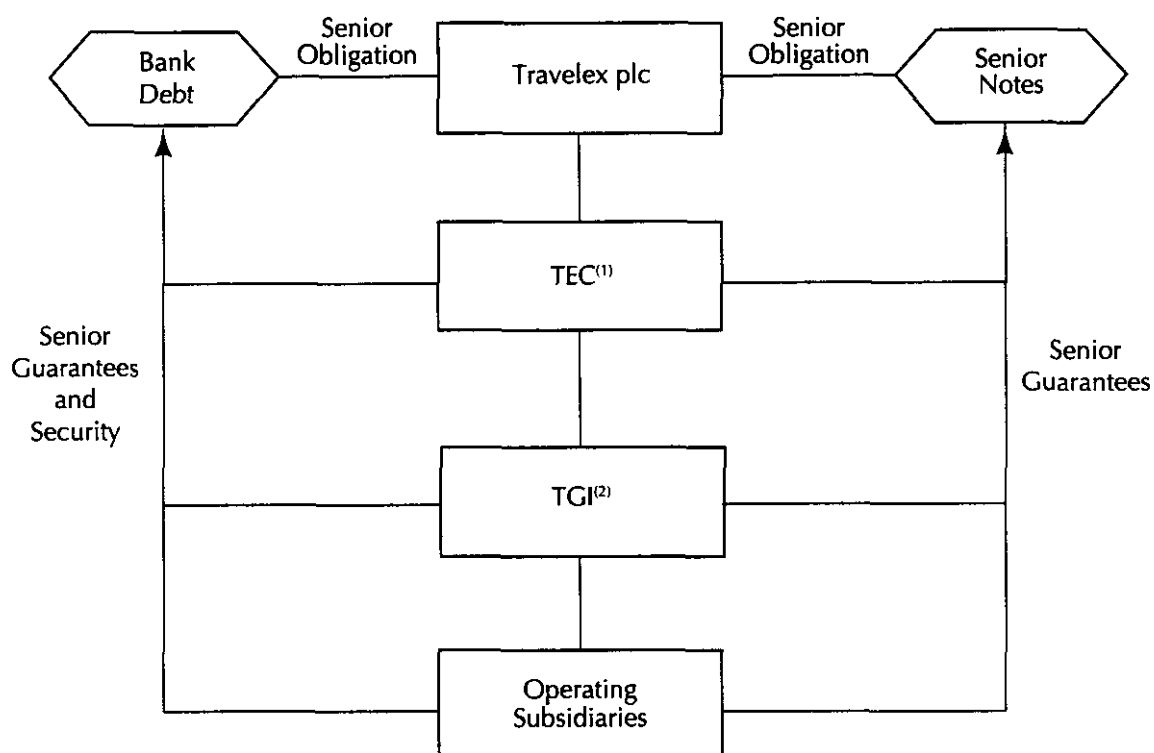
- **Developing a Retail Cash Transfer Business.** We are developing a retail cash transfer business which will provide individuals with the ability to transfer money between countries. We expect to launch this service beginning in Australasia in on or around third quarter 2000 through a 50/50 joint venture with a strategic partner. We have recruited a senior management team and are currently developing the systems necessary to operate the cash transfer network. We will offer a low cost service to the consumer and a high commission product to the franchisee. We believe that this service will enable us to leverage our low cost operations and the Travelex™ brand.
- **Expanding our Off-Airport ATM Network.** We are expanding our ATM network at off-airport convenience locations in the UK, US and Australasia to take advantage of the growth in ATM use and the competitive advantages that non-bank institutions have in this industry. Non-bank institutions have a much larger population to whom they can charge ATM access fees. We recently obtained an exclusive contract to install up to 250 new ATMs in McDonald's restaurants in the UK. Through our contracts with Alliance & Leicester, we have access to the UK ATM network and presently intend to install

approximately 1,000 machines over the next three years in new locations in the UK. We have contracts with Westpac Banking Corporation, Credit Union Services Corporation and First Data Resources to access the ATM network in Australia and plan to install approximately 70 machines over the next year. We also are currently planning to increase our ATM network in the US by 50 machines per year.

Pursue Selective Acquisitions. We will continue to evaluate opportunities to acquire travel money and global payments businesses. We have a track record of successfully integrating acquisitions and believe we are successfully integrating our recent acquisitions. We will target acquisitions where we can leverage our low cost operations and the Travelex™ brand and increase the market penetration of our existing businesses.

Corporate Structure

The following sets forth our corporate structure after giving effect to the offering of the Notes and the proposed reorganisation. See "Reorganisation and Use of Proceeds".



(1) Travellers Exchange Corporation Limited.

(2) Travelex Group Investments Limited.

The Offering

Principal amount	£75,000,000.
Issuer	Travelex plc.
Issue	Senior Notes (the "Notes").
Issue price	100%.
Maturity	July 31, 2010.
Interest rate	10½% per annum is payable semi-annually on January 31 and July 31 of each year commencing on January 31, 2001.
Optional redemption	<p>We may redeem the Notes at any time at the prices set forth herein.</p> <p>Prior to August 1, 2003, we may redeem up to 35% of the Notes with the proceeds of certain offerings or sales of our equity at a redemption price of 110.5% plus accrued and unpaid interest.</p> <p>After July 31, 2005, we may redeem the Notes at the prices set forth herein plus accrued and unpaid interest.</p>
Tax redemption	In the event of certain changes affecting withholding taxes applicable to payments on the Notes, we may redeem the Notes in whole at any time at 100% of the principal amount plus accrued and unpaid interest.
Mandatory offers	<p>If we experience specific kinds of changes of control, we must offer to repurchase the Notes at 101% of their principal amount plus accrued and unpaid interest.</p> <p>If we engage in certain asset sales, we must offer to repurchase the Notes at 100% of their principal amount plus accrued and unpaid interest.</p>
Guarantees	The Notes will be unconditionally and irrevocably guaranteed on a senior basis by Travellers Exchange Corporation Limited and by substantially all of our other existing subsidiaries.
Ranking	<p>The Notes will be senior unsecured indebtedness of Travelex plc. The Notes will rank equally in right of payment with any other senior unsecured indebtedness of Travelex plc and senior to all existing and future subordinated indebtedness of Travelex plc. Travelex plc is a non-operating holding company.</p> <p>The guarantees of the Notes will be senior unsecured indebtedness of each guarantor. The guarantees of the Notes will rank equally in right of payment with any other senior unsecured indebtedness of such guarantor and senior to all existing and future subordinated indebtedness of such guarantor.</p> <p>The Notes and the guarantees of the Notes effectively rank junior to any of our and our subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness.</p> <p>We expect to enter into a revolving credit facility for up to £15.0 million and an acquisition facility for up to £30.0 million on or about the date of the issue of the Notes. The revolving credit facility will be available for drawdown on closing of this offering. The acquisition facility will be committed on the closing of this offering but drawdown is subject to the approval of the lender. These facilities will be guaranteed and secured by</p>

substantially all of our and our subsidiaries' assets. We and our subsidiaries can only draw, grant security in support of, and guarantee the acquisition facility subject to compliance with the covenants contained in the indenture governing the Notes. See "Description of the Senior Credit Facilities" and "Description of the Notes."

Basic covenants of the indenture

We will issue the Notes under an indenture with The Bank of New York as trustee (the "Trustee"). The indenture will, among other things, restrict our ability to:

- incur additional indebtedness;
- create liens;
- pay dividends or distributions on, or redeem or repurchase, our capital stock;
- make investments;
- engage in transactions with affiliates;
- transfer or sell assets;
- sell or issue capital stock of subsidiaries;
- expand into unrelated businesses;
- create restrictions on the payment of dividends or other amounts to us; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries.

These covenants are subject to important exceptions and qualifications, which are set forth under "Description of the Notes — Covenants."

Form of Notes

The Notes sold in the United States pursuant to Rule 144A will be represented initially by one or more global Notes in bearer form (the "Rule 144A Global Notes") and the Notes sold outside the United States pursuant to Regulation S will also be represented initially by one or more global Notes in bearer form (the "Regulation S Global Notes" and together with the Rule 144A Global Notes, the "Global Notes"). Pursuant to the notes depositary agreement (the "Notes Depositary Agreement") between, among others, the Company and the depositary expected to be dated August 7, 2000, the Global Notes will be held by the depositary. The depositary will issue certificated interests ("Certificated Depositary Interests" or "CDI's") to a common depositary for Morgan Guaranty Trust Company of New York as the operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") (each a "Clearing System" and together the "Clearing Systems") and will record such certificated interests in the books and records of the depositary in the name of the common depositary or its nominee. Euroclear and Clearstream will record beneficial interests in the Global Notes (the "Book-Entry Interests"). Ownership of Book-Entry Interests is limited to persons that have accounts with the Clearing Systems or persons that hold interests through the Clearing Systems. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by the Clearing Systems and their respective participants. Except in certain limited cir-

cumstances, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes.

Governing law	The Notes, the indenture and the guarantees of the Notes will be governed by the laws of the State of New York.
Listing	We have applied to the UK Listing Authority and the London Stock Exchange to list the Notes on the Official List and to trade the Notes on the London Stock Exchange. It is expected that listing will be granted on or around August 7, 2000, subject to the issue of the Notes.
Use of proceeds	We will use the net proceeds of the offering of the Notes together with other funds available to us: (i) to refinance substantially all of our existing indebtedness, (ii) to purchase all of the preferred and ordinary share capital of Travellers Exchange Corporation Limited, (iii) for general corporate purposes and (iv) for discounts, fees and expenses.
SEC Registration Rights	<p>Under a registration rights agreement between us and Barclays Bank PLC as the initial purchaser (the "Initial Purchaser"), we have agreed to:</p> <ul style="list-style-type: none">• file a registration statement under the Securities Act relating to an offer to exchange the Notes, within 90 days after the original issue date of the Notes, for notes identical in all material respects to the Notes;• cause such registration statement to become effective within 180 days after the original issue date of the Notes;• consummate the Exchange Offer within 240 days of the issue date of the Notes; and• cause a shelf registration statement to become effective under the Securities Act for the resales of the Notes if we cannot effect an exchange offer within the time periods listed above and in certain other circumstances. <p>The interest rate on the Notes will increase if we do not comply with our obligations under the registration rights agreement.</p>
Risk factors	See "Risk Factors" for a discussion of certain factors that you should carefully consider before investing in the Notes.

For additional information regarding the Notes, see "Description of the Notes".

Summary Unaudited Combined and Consolidated Pro Forma Financial Data

The following tables present our summary unaudited combined and consolidated pro forma financial data as at and for the year ended December 26, 1999 and as at and for the twelve months period ended April 2, 2000. The summary unaudited combined and consolidated pro forma statement of income data and other financial data presented below for the year ended December 26, 1999 and the twelve months period ended April 2, 2000 give effect to the acquisition of Transpay, our outsourced travel money business from Barclays, the offering of the Notes and the reorganisation to occur contemporaneously with the issue of the Notes, as though they occurred on December 28, 1998 and March 29, 1999, respectively. The summary unaudited pro forma balance sheet data gives effect to the offering of the Notes as though it occurred on April 2, 2000.

We have prepared our financial information in accordance with UK GAAP, which differs in certain significant respects from US GAAP as described in note 16 to the Consolidated Financial Statements, included elsewhere herein. The summary unaudited combined and consolidated pro forma financial data presented below has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the our financial position or results, and should not be viewed as indicative of the operations or our financial position in future periods. We have prepared the financial data related to our most recent quarter on a last twelve months basis since our business is seasonal in nature. These tables should be read in conjunction with the "Unaudited Combined and Consolidated Pro Forma Financial Information", and related notes thereto, included elsewhere herein.

	Year Ended Dec. 26, 1999 ⁽¹⁾	Twelve Months Ended April 2, 2000 ⁽¹⁾
(£ in millions, except ratios)		
Statement of Income Data		
<i>Amounts in accordance with UK GAAP</i>		
Net revenues	115.1	122.3
Profit from operations	11.5	12.3
Interest income	0.4	0.5
Net income ⁽²⁾	0.1	0.7
<i>Amounts in accordance with US GAAP⁽³⁾</i>		
Profit from operations	14.1	14.9
Net income ⁽²⁾	2.7	3.3
Other Financial Data		
<i>Amounts in accordance with UK GAAP</i>		
EBITDA ⁽⁴⁾⁽⁵⁾	20.1	21.4
Net interest expense ⁽⁶⁾	7.7	7.6
Depreciation and amortisation of goodwill	8.6	9.1
Capital expenditures	3.5	3.8
Ratio of EBITDA to net interest expense	2.6x	2.8x
Ratio of net debt to EBITDA	—	3.2x
Ratio of earnings to fixed charges ⁽⁷⁾	1.4x	1.5x
<i>Amounts in accordance with US GAAP</i>		
EBITDA	20.1	21.4
Depreciation and amortisation of goodwill ⁽⁸⁾	6.0	6.5
Ratio of EBITDA to net interest expense	2.6x	2.8x
Ratio of net debt to EBITDA	—	3.2x
Ratio of earnings to fixed charges ⁽⁷⁾	1.7x	1.8x
Balance Sheet Data (at end of period)		
<i>Amounts in accordance with UK GAAP</i>		
Cash at bank ⁽⁹⁾		8.3
Cash in inventory ⁽¹⁰⁾		19.0
Net working capital ⁽¹¹⁾		7.8
Total assets		208.8
Total debt		77.8
Net debt ⁽¹²⁾		69.5
Total stockholders' equity		20.0
<i>Amounts in accordance with US GAAP</i>		
Total assets ⁽¹³⁾		167.7
Total stockholders' deficit ⁽¹⁴⁾		(15.1)

- (1) Based on a 52 week period for the year ended December 26, 1999 and a 53 week period for the twelve months ended April 2, 2000.
- (2) Before dividend payments on the preference shares, which will be purchased and retired through the application of proceeds from the issuance of the Notes.
- (3) Under UK GAAP, the goodwill charged on the deferred consideration relating to the purchase of Transpay is capitalised and amortised over 10 years. Under US GAAP, there is no requirement to capitalise and amortise this item until the contingent element of the total consideration is resolved beyond reasonable doubt.

The goodwill created from the 1998 management buy-out ("MBO") of Traveler Group Investments Limited and the reorganisation is lower under US GAAP than under UK GAAP.

	Year Ended Dec. 26, 1999	Twelve Months Ended April 2, 2000
	(£ in millions)	
Profit from operations — UK GAAP	11.5	12.3
Goodwill amortisation		
Transpay deferred consideration	0.6	0.6
MBO	0.3	0.3
Reorganisation	1.7	1.7
Profit from operations — US GAAP	<u>14.1</u>	<u>14.9</u>
	(£ in millions)	
Net Income — UK GAAP	0.1	0.7
Goodwill amortisation		
Transpay deferred consideration	0.6	0.6
MBO	0.3	0.3
Reorganisation	1.7	1.7
Net Income — US GAAP	<u>2.7</u>	<u>3.3</u>

- (4) EBITDA represents profits from operations before income taxes, net interest expense, depreciation and amortisation. EBITDA is not a measurement of operating performance calculated in accordance with UK GAAP and should not be considered a substitute for operating income, net income flows from operating activities or other income statement data as determined in accordance with UK GAAP or as a measure of profitability or liquidity. Additionally, EBITDA does not necessarily indicate whether cashflow will be sufficient to meet cash requirements. EBITDA may not be indicative of our historical operating results nor is it meant to be predictive of potential future results. Because all companies do not calculate EBITDA identically, the presentation of EBITDA may not be comparable to similarly entitled measurements of other companies. The definition of EBITDA used in this section differs in certain respects from the definition of EBITDA for purposes of the indenture governing the Notes. See "Description of the Notes — Definitions".
- (5) Pro forma EBITDA for the year ended December 26, 1999 and the twelve months ended April 2, 2000 is derived from the following pro forma adjustments:

	Year Ended Dec. 26, 1999	Twelve Months Ended April 2, 2000
	(£ in millions)	
Historical EBITDA	12.4 ⁽ⁱ⁾	14.9 ⁽ⁱⁱ⁾
Transpay, including adjustments for new Barclays contract ⁽ⁱⁱⁱ⁾	10.6	8.2
Transpay, including adjustments for Barclays overhead ^(iv) ..	<u>(2.9)</u>	<u>(1.7)</u>
Pro forma EBITDA	<u>20.1</u>	<u>21.4</u>

(i) Includes three months of Transpay.

(ii) Includes six months of Transpay.

(iii) Pro forma for the new terms and conditions agreed between Barclays and us upon closing of the Transpay acquisition. Historical statement of income data for the nine months to September 30, 1999 and the six months to September 30, 1999 presented profit from operations of £5.0 million and £3.9 million, excluding indirect costs, respectively.

(iv) Adjusted for the level of indirect costs since the Transpay acquisition.

(6) Pro forma for the issuance of the Notes.

(7) Ratio of earnings to fixed charges is computed as profit from operations before fixed charges divided by fixed charges. Fixed charges consist of interest on all indebtedness and an estimate of interest related to rental expense.

(8) The impact of US GAAP adjustments on UK GAAP pro forma depreciation and amortisation of goodwill at December 26, 1999 and April 2, 2000 is set out below:

	Year Ended Dec. 26, 1999	Twelve Months Ended April 2, 2000
	(£ in millions)	
Depreciation and amortisation of goodwill — UK GAAP	8.6	9.1
<i>Goodwill amortisation</i>		
Transpay deferred consideration	(0.6)	(0.6)
MBO	(0.3)	(0.3)
Reorganisation	(1.7)	(1.7)
Depreciation and amortisation of goodwill — US GAAP	<u>6.0</u>	<u>6.5</u>

(9) "Cash at bank" is cash that is not "cash in inventory".

(10) "Cash in inventory" consists of stocks of local and foreign currency notes and foreign travellers cheques held at branches. Cash in inventory has been derived from our balance sheet by aggregating "currency stock" and "cash and cash equivalents".

(11) Net working capital is computed as current assets, excluding cash at bank, less current liabilities excluding short-term borrowings and current portion of long-term debt.

(12) Net debt equals total debt less cash at bank.

(13) The impact of US GAAP adjustments on UK GAAP pro forma total assets as at April 2, 2000 is set out below:

	April 2, 2000 (£ in millions)
Total assets — UK GAAP	208.8
Goodwill	(41.1)
Total assets — US GAAP	<u>167.7</u>

(14) The impact of US GAAP adjustments on UK GAAP pro forma total stockholders' equity as at April 2, 2000 is set out below:

	April 2, 2000 (£ in millions)
Total stockholders' equity — UK GAAP	20.0
Goodwill	(35.1)
Total stockholders' deficit — US GAAP	<u>(15.1)</u>

Summary Historical Financial Data

The following table presents summary historical financial data for the predecessors of Travelex plc as at and for the years ended December 31, 1995, December 29, 1996, December 28, 1997, December 27, 1998 and December 26, 1999, and for the three months ended March 28, 1999 and April 2, 2000. The financial data for the fiscal years ended 1995, 1996, 1997, 1998 and 1999 have been extracted without material adjustment from the audited consolidated financial statements of Travellers Exchange Corporation Limited and its predecessor. The financial data for the three months ended March 28, 1999 and April 2, 2000 are derived from the unaudited information of Travellers Exchange Corporation Limited included elsewhere in this offering memorandum. The financial information has been prepared in accordance with UK GAAP, which differs in certain significant respects from US GAAP as described in note 16 to our consolidated financial statements, included elsewhere herein. These tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the Financial Statements and Supplementary Data, included elsewhere herein.

	Audited Year Ended					Unaudited Three Months Ended	
	Dec. 31, 1995	Dec. 29, 1996	Dec. 28, 1997	Dec. 27, 1998	Dec. 26, 1999	March 28, 1999	April 2, 2000
	(£ in millions)						
Statement of Income Data							
<i>Amounts in accordance with UK GAAP</i>							
Net revenues	42.6	52.1	59.7	81.4	101.6	20.7	31.4
Profit from operations	0.1	1.1	3.0	5.3	7.7	0.3	2.0
Interest income	—	0.3	0.2	0.2	—	—	—
Net Income/(loss) ⁽¹⁾	(0.5)	0.6	1.1	2.6	2.3	—	0.5
<i>Amounts in accordance with US GAAP⁽²⁾</i>							
Profit from operations	0.1	1.1	3.0	5.3	8.2	0.4	2.2
Net Income/(loss) ⁽¹⁾	(0.5)	0.6	1.1	2.6	2.8	0.1	0.7
Other Financial Data							
<i>Amounts in accordance with UK GAAP</i>							
EBITDA ⁽³⁾	1.3	2.7	5.0	7.6	12.4	1.4	3.9
Net interest expense	0.7	0.6	0.9	0.9	2.6	0.4	0.9
Depreciation and amortisation of goodwill ..	1.2	1.7	2.0	2.3	4.7	1.0	1.9
Capital expenditures	2.4	2.3	1.3	2.1	3.5	0.8	1.1
Ratio of earnings to fixed charges ⁽⁴⁾	0.1x	1.2x	2.7x	4.8x	3.0x	0.8x	2.2x
<i>Amounts in accordance with US GAAP</i>							
EBITDA	1.3	2.7	5.0	7.6	12.4	1.4	3.9
Depreciation and amortisation of goodwill ..	1.2	1.7	2.0	2.3	4.2	0.9	1.7
Ratio of earnings to fixed charges ⁽⁴⁾	0.1x	1.2x	2.7x	4.8x	3.2x	1.0x	2.4x
Balance Sheet Data (at end of period)							
<i>Amounts in accordance with UK GAAP</i>							
Cash at bank ⁽⁵⁾	—	—	—	—	—	—	—
Cash in inventory ⁽⁶⁾	12.7	13.9	17.7	21.2	21.8	18.9	19.0
Net working capital ⁽⁷⁾	8.7	9.7	7.8	20.5	20.7	10.7	7.8
Total assets	31.1	47.3	43.2	72.6	151.1	69.1	166.6
Total debt	6.9	9.3	9.5	10.6	41.5	19.2	41.8
Total stockholders' equity ⁽⁸⁾	6.0	4.8	5.3	7.8	15.6	18.7	15.2
<i>Amounts in accordance with US GAAP⁽⁸⁾</i>							
Total assets	31.3	48.5	44.3	73.6	140.5	64.2	156.2
Total stockholders' equity ⁽⁹⁾	6.2	6.0	6.4	8.8	11.0	13.8	10.8

(1) Before dividend payments on preference shares, which will be purchased and retired through the application of proceeds from the issuance of the Notes.

(2) US GAAP adjustments in relation to profit from operations and net income are as follows:

	Year Ended Dec. 26, 1999	Unaudited Three Months Ended	
		March 28, 1999	April 2, 2000
	(£ in millions)		
Profit from operations — UK GAAP	7.7	0.3	2.0
Goodwill amortisation	0.5	0.1	0.2
Profit from operations — US GAAP	<u>8.2</u>	<u>0.4</u>	<u>2.2</u>

	Year Ended Dec. 26, 1999	Unaudited Three Months Ended	
		March 28, 1999	April 2, 2000
		(£ in millions)	
Net income — UK GAAP	2.3	—	0.5
Goodwill amortisation	0.5	0.1	0.2
Net income — US GAAP	2.8	0.1	0.7

- (3) EBITDA represents profits from operations before income taxes, net interest expense, depreciation and amortisation. EBITDA is not a measurement of operating performance calculated in accordance with UK GAAP and should not be considered a substitute for operating income, net income flows from operating activities or other income statement data as determined in accordance with UK GAAP or as a measure of profitability or liquidity. Additionally, EBITDA does not necessarily indicate whether cashflow will be sufficient to meet cash requirements. EBITDA may not be indicative of our historical operating results nor is it meant to be predictive of potential future results. Because all companies do not calculate EBITDA identically, the presentation of EBITDA may not be comparable to similarly entitled measurements of other companies. The definition of EBITDA used in this section differs in certain respects from the definition of EBITDA for purposes of the indenture governing the Notes. See "Description of the Notes — Definitions".
- (4) Ratio of earnings to fixed charges is computed as profit from operations before fixed charges divided by fixed charges. Fixed charges consist of interest on all indebtedness and an estimate of interest related to rental expense.
- (5) "Cash at bank" is cash that is not "cash in inventory".
- (6) "Cash in inventory" consists of stocks of local and foreign currency notes and foreign travellers cheques held at branches. Cash in inventory has been derived from our balance sheet by aggregating "currency stock" and "cash and cash equivalents".
- (7) Net working capital is computed as current assets, excluding cash at bank, less current liabilities excluding short-term borrowings and current portion of long-term debt.
- (8) US GAAP adjustments in relation to total assets and total stockholders' equity are as follows:

	Dec. 31, 1995	Dec. 29, 1996	Dec. 28, 1997	Dec. 27, 1998	Dec. 26, 1999	March 28, 1999	April 2, 2000
	(£ in millions)						
Total assets — UK GAAP	31.1	47.3	43.2	72.6	151.1	69.1	166.6
Goodwill	0.2	1.2	1.1	1.0	(10.6)	(4.9)	(10.4)
Total assets — US GAAP	31.3	48.5	44.3	73.6	140.5	64.2	156.2
Total stockholders' equity — UK GAAP	6.0	4.8	5.3	7.8	15.6	18.7	15.2
Goodwill	0.2	1.2	1.1	1.0	(4.6)	(4.9)	(4.4)
Total stockholders' equity — US GAAP	6.2	6.0	6.4	8.8	11.0	13.8	10.8

- (9) Includes redeemable preferred stock.

RISK FACTORS

You should carefully consider the following factors in addition to the other information set forth in this offering memorandum before deciding whether to make an investment in the Notes.

Risks Related to Our Financial Structure

Leverage — *Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the Notes and the guarantees of the Notes.*

We are and, for the foreseeable future will continue to be, highly leveraged. As at April 2, 2000, on a pro forma basis after giving effect to the offering of the Notes and the use of proceeds therefrom, our combined total indebtedness would have been £77.8 million (exclusive of unused commitments under the revolving credit facility), and our common stockholders' equity would have been £20 million.

Our substantial indebtedness could have important consequences for you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the Notes and the related guarantees;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limit our ability to make strategic acquisitions or take other corporate actions;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds and increase the cost of any such borrowings particularly because of the financial and other restrictive covenants contained in the agreements governing our indebtedness. See "Reorganisation and Use of Proceeds", "Capitalisation", "Description of the Senior Credit Facilities", "Description of the Notes" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources".

Ability to Service Debt — *To make payments on the Notes and service our other indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, including the following factors.*

Our ability to make payments on and to refinance our indebtedness, including the Notes, make acquisitions and carry out our day to day business will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in amounts sufficient to enable us to repay our indebtedness, including the Notes, or to fund our other liquidity needs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", "Description of the Senior Credit Facilities" and "Description of the Notes".

Additional Borrowings Available — *Despite our current levels of indebtedness, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks described above.*

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the Notes do not fully prohibit us or our subsidiaries from doing so. Subject to compliance with the covenants contained in the indenture governing the Notes, we may secure such additional indebtedness, which to the extent of any security granted would be effectively senior to the Notes and the guarantees of the Notes.

Ability to Consummate a Change of Control Offer — *We may not have the ability to raise the funds necessary to finance the change of control offer required by the Notes.*

Upon the occurrence of certain specific kinds of change of control events, we will be required at the request of any holder to repurchase all outstanding Notes at a price equal to 101% of the principal amount of the Notes, plus, accrued and unpaid interest, if any, to the repurchase date. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of Notes or that restrictions in other borrowing agreements, including the revolving credit facility, will prevent us from making such repurchase. See “Description of the Senior Credit Facilities” and “Description of the Notes”.

Restrictions Imposed by the Revolving Credit Facility and the Notes — *The terms of this indebtedness will limit us in certain significant respects.*

The revolving credit facility and the Notes will impose certain restrictions on our ability, among other things, to:

- incur additional indebtedness;
- create liens;
- pay dividends or distributions on, or redeem or repurchase, our capital stock;
- make investments;
- engage in transactions with affiliates;
- transfer or sell assets;
- sell or issue capital stock of subsidiaries;
- guarantee or secure our indebtedness;
- expand into unrelated businesses;
- create restrictions on the payment of dividends or other amount to us; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries.

In addition, we must maintain minimum debt service, minimum net worth and maximum leverage ratios under the revolving credit facility. A failure to comply with the restrictions contained in the related agreements could lead to an event of default under such agreement, which could result in an acceleration of such indebtedness. See “Description of the Senior Credit Facilities” and “Description of the Notes”.

Holding Company Structure — *Your right to receive cash payments on the Notes is dependent on the revenues of our subsidiaries and the ability of our subsidiaries to declare dividends.*

We are a holding company and conduct our operations through subsidiaries. Consequently, we hold no significant assets other than our investments in and advances to our subsidiaries. We depend upon the receipt of sufficient funds from our subsidiaries to meet our obligations, including those under the Notes. We cannot assure you that such funds will always be available. See “Description of the Senior Credit Facilities” and “Description of the Notes”.

Issues Relating to UK Insolvency Law — *Certain provisions of UK insolvency law may affect the priority of your right to receive payment on the Notes.*

The procedural and substantive provisions of UK insolvency laws generally are more favourable to secured creditors than comparable provisions of US law and afford debtors only limited protection from such creditors. As a result, the ability of the holders of the Notes to protect their interests in us may be more limited. In addition, under UK insolvency law, our liabilities and the liabilities of guarantors organised in the UK in respect of the Notes and the guarantees of the Notes, respectively, will be paid in the event of an insolvency after certain of our debts which are entitled to priority under UK law. Such

debts may include all or a portion of (i) amounts owed to UK Inland Revenue, (ii) amounts owed to UK Customs and Excise, (iii) amounts owed in respect of UK Social Security contributions, (iv) amounts owed in respect of occupational pension schemes, and (v) amounts owed to employees.

Under UK insolvency law, the liquidator or administrator of a company may apply to the court to rescind a transaction entered into by such company at an undervalue (which is similar to less than fair value), if such company was insolvent at the time of, or in consequence of, the transaction and enters into a liquidation or administration within two years of the completion of the transaction. A transaction might be so challenged if it involved a gift by a company or such company received consideration of significantly less value than the consideration given by such company. A court generally will not intervene, however, if a company entered the transaction in good faith and for the purpose of carrying on its business and there were reasonable grounds for believing the transaction would benefit such company. We believe that the Notes have not been issued on terms which would amount to a transaction at an undervalue and further that such issue is in good faith and for the purpose of carrying our business and that there are reasonable grounds for believing that the transaction would benefit us. There can be no assurance, however, that the issuance of the Notes will not be challenged by a liquidator or administrator or that a court would support our analysis.

Issues Relating to the Guarantees — *Local laws allow courts, under specific circumstances, to void debts, including guarantees, and require noteholders to return payments received from us or the guarantors.*

The guarantors of the Notes are located in a variety of jurisdictions which have various laws relating to the enforcement or voiding of guarantees. A summary of the laws of the jurisdictions where our material subsidiaries operate is provided for your reference below.

The UK. A liquidator or administrator of any guarantor organised in the UK could apply to the court to rescind the issuance of the guarantees if such liquidator or administrator believed that the issuance of the guarantees constituted a transaction at an undervalue. The analysis of such a claim would generally be the same as set out above in relation to the issuance of the Notes by the Company. We believe that the guarantees have not been provided in a transaction at an undervalue and that the guarantees will be provided in good faith and for the purpose of carrying on the business of the guarantors and its subsidiaries and that there are reasonable grounds for believing that the transaction will benefit the guarantors. There can be no assurance, however, that the provision of the guarantees will not be challenged by a liquidator or administrator or that a court would support our analysis.

Under applicable provisions of UK corporate law, the giving of a guarantee by a guarantor organised in the UK will constitute "financial assistance" insofar as the guarantees are given in connection with the reduction or discharge of liabilities incurred at the time of the reorganisation. Accordingly, absent an exemption from the operative provisions of the UK Companies Act 1985, any such guarantee could, therefore, be avoided by such guarantor or a liquidator of such guarantor.

The UK Companies Act 1985 provides an exemption procedure which can be used in certain circumstances to approve actions which may otherwise constitute unlawful financial assistance. Each guarantor organised in the UK believes it has complied with these procedures which require, among other things, that each of the directors of the guarantor swear certain statutory declarations relating to the solvency of the guarantor. In addition, in connection with the issue of the guarantees, it is necessary that such guarantor's net assets not be reduced as a result of giving the financial assistance. To the extent that it was established that the giving of a guarantee had reduced the net assets of a guarantor, the guarantee could be held to be invalid. We believe that the issuance of the guarantees has not resulted in a reduction in the net assets of the guarantors but there can be no assurance that a court or a liquidator would concur in this view.

The US. The guarantees may be subject to review under relevant US federal and state fraudulent conveyance and similar statutes in a bankruptcy or reorganisation case or a lawsuit by or on behalf of creditors of any of the guarantors. In such a case, the guarantees could be subject to the claim that, since the guarantees were incurred for the benefit of the Company (and only indirectly for the benefit of the guarantors), the obligations of the guarantors thereunder were incurred for less than reasonably equivalent value or fair consideration. A court could avoid a guarantor's obligation under its guarantee,

subordinate the guarantee to the other indebtedness of a guarantor or take other action detrimental to the holders of the Notes.

Australia. Various statutes have been enacted and various principles have been developed in Australia under common law and equitable doctrines for the benefit of creditors. Under Australian law, a guarantee given, and/or a security interest conferred, in support of a guarantee by a company may be set aside on a number of grounds. For example, a guarantee and/or a supporting security interest may be unenforceable against a guarantor if (i) the rules permitting a liquidator of a guarantor to successfully claim and avoid the guarantee and/or security are applicable (as described below) or (ii) the guarantor itself did not receive a sufficient commercial benefit in order to justify such guarantor providing the guarantee and/or security. Issues as to unenforceability of a guarantee and/or security interest by reason of insufficient corporate benefit may arise where a company in a corporate group, such as each of the guarantors, provides a guarantee and/or security interest in relation to the obligations of another member of the corporate group. The question of what constitutes a sufficient benefit is a fact-based inquiry, to be made for each guarantor individually as a separate legal entity, which weighs several considerations, including circumstances pertaining to (a) the nature of the relationship between the group companies and the level of independence with which such companies are operated, (b) the nature and present value of the benefit and the burden of the obligations conferred on each company which is a party to the transaction and whether any tangible benefit or, for example, any proceeds from the arrangements to which the guarantee or security relates are received, and (c) the knowledge of the directors of each guarantor as to the decisions made by such guarantor. Each of the guarantors will represent and warrant in the indenture, for the benefit of the holders, that such guarantor's obligations have been undertaken in good faith and for the purpose of or in connection with the conduct of its business and for its commercial benefit, which is commensurate with the obligations undertaken by it. However, such representations and warranties may not be determinative of the matter if it was considered by a court. Under Australian law, it is possible that in a proceeding to avoid the guarantees each guarantee and/or security will be analysed differently and produce different results.

Furthermore, under Australian law, if an order to wind-up was made against the Company or any guarantor and a liquidator was appointed for the Company or such guarantor (which liquidator could be appointed by the board of directors or a shareholder or a creditor (with the approval of a court) of the issuer or such guarantor), such liquidator would have the power to investigate the validity of prior transactions and may seek various court orders, including orders to avoid certain repayment of money. Under Australian law, a transaction may be voided at the claim of a liquidator if it was entered into during various time periods prior to the filing of an application for winding-up of a company ranging from six months to ten years, depending upon the character of the transaction. There can be no assurance that one or more of the guarantees will not be voided and that the holders of the Notes will not be left with a claim solely against us or that the holders will not be left with unsecured claims against us and/or any of the guarantors.

Germany. Fraudulent conveyance legislation is also in force in Germany. Certain portions of this legislation provide, generally, that all transactions entered into by a creditor (irrespective of adjudication of bankruptcy) are subject to rescission if performed with the intention to impair other creditors provided that the preferred creditor knew of such intention.

Under German capital maintenance rules, the granting of a guarantee by a German GmbH for the benefit of its shareholder and its affiliated companies is subject to certain limitations, in particular as regards the enforcement of such guarantee. Under these rules, neither the grant nor the enforcement of the guarantee may lead to a reduction of the net equity of the German GmbH below its nominal (stated) capital. Consequently, the guarantee granted by our German subsidiary may only be enforced to the extent that such enforcement does not reduce the net equity of such guarantor to a value below its stated capital as of the time of the enforcement of the guarantee. Also, the grant of the guarantee is illegal if an enforcement of the guarantee is imminent at the time of grant due to the financial situation of the shareholder or its affiliated companies, to the effect that the necessary accruals to be made reduce the net equity below the stated capital. The net equity is derived by deducting all liabilities and accruals for reserves from the book value of the assets of the guarantor. For the purposes of the net equity test, the book value of the assets and liabilities as contained in the financial statements of the guarantor under German GAAP have to be applied. Consequently, any hidden reserves may not be taken into account for the purposes of the net equity test.

France. For a French company to give a guarantee certain procedural and substantive requirements must be satisfied. In particular, under French company law a French court may, under certain circumstances, set aside a guarantee granted by a French company for the benefit of another company in which the management of the guaranteeing company has a direct or indirect interest. This can occur, for example, if the guarantor derives no corporate benefit of its own from such transaction or if the potential liability assumed by the guarantor is disproportionate to the benefit derived and to the guarantor's financial resources. The application of these provisions of French law depends on the interpretation of the facts by a French court. A French court may also refuse to enforce a guarantee if it is determined that the company granting such guarantee was insolvent at the time the guarantee was granted. In addition, a French court may grant a debtor or guarantor a period of time to perform its obligation.

A guarantee given by a subsidiary incorporated in France will be limited to the aggregate of the principal amount outstanding of any loan or credit received directly or indirectly from the Company by such subsidiary. If a payment is made under its guarantee by a subsidiary incorporated in France, such payment will reduce the debt owed by the subsidiary to the Company or other subsidiary from which the loan or credit was received.

In the event of proceedings being brought in a French court to enforce a guarantee, a French court would most likely give judgement expressed as an order to make payment not in pounds sterling but in the French Franc or Euro equivalent at the time of payment or enforcement of such judgement.

United Kingdom Tax Consequences of Issuance of Definitive Notes — *The Notes are potentially subject to certain tax consequences under the laws of the United Kingdom.*

Upon the occurrence of certain events, you, as holder of Book-Entry Interests, will be entitled to receive Definitive Notes (as defined) in registered form. Under current UK tax law, interest payable in respect of Definitive Notes may be subject to UK withholding tax (currently at the rate of 20%), subject to the terms of any applicable double tax treaty (or any other available relief). In addition, under current UK tax law, so long as the Notes are in bearer form, interest payable on the Notes will be subject to UK withholding tax if the Notes are not listed on a "recognised stock exchange" within the meaning of section 841 of the UK Income and Corporation Taxes Act of 1988 (the "Taxes Act"). The UK Listing Authority and the London Stock Exchange, to which we have applied for listing and admission to trading, is currently a recognised stock exchange. Our inability to list the Notes would have a material adverse effect on our liquidity and financial position because we would be obliged to pay any additional amounts necessary so that the net amount received by you after this withholding or deduction will not be less than the amount you would have received without this withholding or deduction. While we have agreed to use our reasonable efforts to maintain this listing as needed, we cannot assure you that we will be successful. In addition, there are certain other circumstances, including a change in UK tax law, in which we will be obliged to pay such additional amounts. See "Description of the Notes — Withholding Taxes" and "Certain Tax Considerations — Certain United Kingdom Income Tax Considerations".

No Prior Market for the Notes — *We cannot assure you that an active trading market for the Notes will develop.*

The offer and sale of the Notes and the related guarantees have not been registered under the Securities Act or under any state or national securities laws. Accordingly, these securities may only be offered or sold pursuant to an exemption from the registration requirements of the Securities Act and applicable state or national securities laws or pursuant to an effective registration statement. We are required to commence an exchange offer for the Notes or to register resales of the Notes under the Securities Act, within certain time periods set forth in this offering memorandum. However, transfer of the Notes will remain subject to the restrictions on transfer set forth in the section "Transfer Restrictions" should we fail to effect such a registration. The Notes are a new issue of securities with no established trading market. The liquidity of the trading market in the Notes and the market price quoted for the Notes may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the Notes.

We have been advised by the Initial Purchaser that following the completion of the Offering, the Initial Purchaser currently intends to make a market in the Notes. However, it is not obligated to do so and any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act,

and may be limited during the exchange offer described above and the pendency of any shelf registration statement. See "Registered Exchange Offer; Registration Rights".

Risks Related to Our Business

Dependence on Key Personnel — A loss of key personnel could have a material adverse effect on our business.

Our success is largely dependent on the skills, experience and efforts of our senior management, particularly Lloyd Dorfman, Clive Kahn and Nicholas Page. The loss of services of one or more members of our senior management team could have a material adverse effect on our group. In addition, as our business develops and expands, we believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel. We cannot assure you that we will be able to continue to employ key personnel or that we will be able to attract and retain qualified personnel in the future. Any failure by us to retain or attract such key personnel could have a material adverse effect on our business, financial condition and results of operations. See "Business" and "Management".

Integration of Acquisitions — We cannot be certain that we will be successful in integrating acquired businesses into ours, or that we will realise the benefits we anticipate from any acquisition.

Our business comprises several recent acquisitions including Transpay, now our foreign currency out-source business. Although we believe integration of these acquired businesses has been proceeding well, we may experience delays in integrating them into our business. We cannot assure you that they will be integrated successfully or without interruptions in our business. We can make no assurance that we will realise the value we expect to from the acquisitions. We will continue to consider strategic acquisitions and investments that involve foreign currency, ATM networks, travel insurance, payment services or ancillary or related businesses. If consummated, some of these transactions could significantly alter our holdings and might require us to incur substantial indebtedness or raise additional equity. In addition, such acquisitions and investments could divert our resources and management time. While we have successfully integrated acquisitions in the past, we cannot assure you that, with respect to future acquisitions, we:

- will realise any anticipated benefits;
- will successfully integrate the businesses with our operations; or
- will manage such integration without adversely affecting our existing operations.

Any failure to do so may have a material adverse effect on our financial position and results of operations. See "Business".

Currency Risk — We are subject to currency risk in the conduct of our business.

Our operations are conducted in several countries. In the fiscal year ended December 26, 1999, approximately 52% of the Company's net revenues resulted from operations conducted outside the United Kingdom, principally in Europe and the US. The results of these operations are reported in the relevant foreign currencies and then translated into pounds sterling at the applicable exchange rates for inclusion in our combined financial statements. Fluctuations in the value of the pound sterling against other currencies have had in the past, and may have in the future, a material effect on the results of our operations. A significant portion of our travel money revenue is derived from an exchange spread. Although we update our exchange rates daily in our retail outlets, sudden and dramatic movements in exchange rates could materially adversely affect our revenue from this business and even lead to losses. Also, the value of the currencies stocked in our retail outlets varies with exchange rates. Our global payments business makes payments for our customers in a variety of currencies. Although we hedge most payment requests on the same day we receive it sudden and dramatic moves in exchange rates could occasion losses. See "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Physical Disaster, Sabotage, and Theft — *Our business deals with currency and is subject to loss through physical disaster, sabotage or theft.*

Our business is vulnerable to loss resulting from physical disaster, computer malfunction, sabotage or theft since we maintain stocks of currencies in each of our retail branches. Physical disaster could affect any given unit but would be unlikely to affect the whole of the operations at one time. We fulfil the retail orders of the customers of banks and travel agents with which we have relationships from one site in the UK. Physical disaster or break in could interrupt our operations at this facility and could lead to an inability to process orders which could lead to losses in revenue and damage to our reputation. Although we have obtained insurance against such risks and have developed disaster recovery plans, we can not assure you that such insurance or plans will be sufficient.

Exposure to Money Laundering — *Our business could be adversely affected by the regulation of money laundering.*

Foreign currency services can be targeted by money launderers. Although procedures are in place to ensure conformity with all relevant legislation, we cannot assure you that the risk of non-compliance is completely mitigated. Fines and penalties exist in the various regions in which we operate, and more stringent money laundering legislation could create the need for increased reporting obligations.

Should the authorities suspect that we failed to comply with our obligations relating to money laundering, our reputation and our goodwill could potentially be adversely affected. Our reputation is a particularly important factor for our global payment services business. See "Business — Money Laundering".

Dependence on Certain Customers — *The majority of our travel money business which supplies customers of our partners is generated through our contract with Barclays Bank.*

We acquired Transpay, our foreign currency outsourcing business, from Barclays Bank in 1999. We currently provide foreign currency fulfilment services to Barclays Bank under a 10 year contract which runs through 2009. These services comprise approximately 90% of our net revenues from this business. If we fail to maintain agreed service levels Barclays may terminate this agreement prior to 2009. The loss or early termination of the contract with Barclays would have a material adverse effect on our foreign currency outsource business. On a pro forma basis (as defined in the section "Unaudited Condensed and Consolidated Pro Forma Information"), net revenues from the Barclays contract accounted for 13.8% of 1999 pro forma net revenues.

Contractual Risks — *Our retail travel money business is dependent on our airport leases and would be adversely effected by the termination of such leases.*

The majority of our agreements for space in the airports where we operate our retail travel money outlets are long-term licenses that are subject to early termination upon varying notice periods. Although we could effectively lose our retail space under these terms, none of our leases have ever been terminated through this condition. In addition, we have been prevented from renewing an airport lease in only five locations in our history. If however airport authorities decide to exercise their right to terminate on such short notice our airport business could be adversely affected.

Risks Related to Our Industry

Effect of the Euro on our Business — *The introduction of the Euro could have a material effect on our business.*

The Euro was established by the member countries of the European Union in 1997. The Euro will replace all of the separate currencies of the individual countries of the European Union who have adopted the Euro, being France, Spain, Portugal, The Netherlands, Germany, Belgium, Ireland, Italy, Luxembourg, Austria and Finland. The first stage of the currency's introduction occurred on January 1, 1999 when the conversion rates between the separate currencies became irrevocably fixed. Circulation of the currency in banknote and coin form is scheduled to begin in 2002. The legal tender status of national banknotes and coins of those member states participating in the Euro is scheduled to be cancelled on July 1, 2002.

Our travel related foreign exchange business could be adversely impacted to a greater extent than we anticipate by the introduction of hard currency Euros as the common currency in Europe. The Euro eliminates the need for currency exchange when travelling between member states participating in the Euro. We expect the introduction of hard currency Euros to decrease the size of this market. Although we believe that other factors, including increased margins and less competition as other participants withdraw from this market, will partly counteract the negative effects of the introduction of the Euro, we cannot assure you that our business will not be adversely affected. Introduction of the Euro in the UK is currently being considered as well and, if introduced, would have a material effect on our business. Adoption of the Euro in the UK would eliminate our ability to earn exchange spreads on transactions between sterling and Euros and, after introduction of hard currency Euros in the UK, the need to exchange currency when travelling from the UK to Europe would be eliminated.

Substitution of Cash — *The proliferation of credit cards and other smart and debit cards presents a risk that the need for cash will eventually be eliminated.*

A primary part of our business services currency exchange depends on cash exchanges. As the use of credit, debit and smart cards becomes more widespread the use of cash may decrease. Although we believe that the need for cash will continue for the foreseeable future, it is possible that cash will become less utilised or even unnecessary. Our business would be adversely impacted if cash were to become obsolete or significantly less utilised. As many banks allow customers to withdraw cash from automated teller machines in local currencies, people may convert currencies in this manner rather than by exchanging cash at a bureau de change. To the extent that travellers obtain more of their local currency by withdrawing it from ATMs, our business and results of operations may be materially adversely affected.

Political and Economic — *The international scope of our business results in exposure to negative political and governmental action as well as vulnerability to economic conditions.*

International operations are subject to risks including potentially high costs of terminating labour contracts, restrictions on transfers of funds, unexpected changes in regulatory environments, difficulty in domestic and international customs and tariffs, potentially adverse tax consequences and changes in effective tax rates. There can be no assurance that any of the foregoing factors will not have a material adverse effect on the Company's ability to increase or maintain its overseas operations or on the Company's results of operations.

Economic recession or the outbreak of international hostilities or terrorist activities could adversely affect the travel industry which could have a material effect on our business. Our retail travel money and travel insurance businesses depend on travellers. Our business could be materially affected as a result of any event that reduces the number of travellers.

Competition — *We operate in a highly competitive industry.*

We compete with commercial banks and other multinational companies such as Thomas Cook and American Express which have greater financial and other resources than we do. Any failure by us to compete successfully with our competitors could have a material adverse effect on our financial position and results of operations. In addition, many of our competitors enjoy political and social preference in local geographic markets which makes it difficult for us to compete in those markets. See "Industry Overview" and "Business — Competition".

Recently, the European Commission issued a preliminary report with respect to bank charges associated with cross border financial and currency exchange transactions to and from those countries in Europe which have adopted the Euro. In addition, we have recently been advised that the European Commission has commenced proceedings against Belgian banks and bureau de change operators, including our Belgian subsidiary, relating to charges for transfers in, or exchanges of, Euros. These or further investigations, enquiries or proceedings on these matters by governmental and other authorities could effect exchange rates and other charges associated with cross border currency transactions. See "Business — Legal Proceedings."

Seasonality — *The seasonal nature of the travel industry could adversely impact our financial results.*

A significant part of our business serves the leisure segment of the travel industry which is seasonal in nature. We experience some seasonality consistent with enplanements and general air traffic patterns. Accordingly, our net revenues and operating income are generally lower in the first and fourth quarter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

REORGANISATION AND USE OF PROCEEDS

In connection with a reorganisation of our corporate structure, we will use part of the proceeds of this offering to purchase from our existing shareholders all of the preferred and ordinary share capital of Travellers Exchange Corporation Limited. Upon the completion of the proposed reorganisation, we will continue to be owned 67.4% by management and 32.6% by 3i.

The net proceeds to us from the offering of the Notes are estimated to be approximately £72.0 million, net of estimated discounts, fees and expenses related to the offering. The net proceeds will be used to (i) repay substantially all of our indebtedness, (ii) purchase all of the preferred and ordinary share capital of Travellers Exchange Corporation Limited and (iii) satisfy certain general corporate obligations.

The following table sets forth a summary of the expected sources and uses of the estimated net proceeds from the offering assuming the offering of the Notes occurred on June 16, 2000:

Sources of Funds	Uses of Funds
(£ in millions)	
Senior Notes	75.0
	Repay bank debt 20.1
	Repay mezzanine loan 12.5 ⁽¹⁾
	Purchase preference shares 13.6
	Purchase ordinary shares 12.5 ⁽²⁾
	Discount, fees and expenses 3.0
	Cash at bank 13.3
Total Sources of Funds.....	<u>75.0</u>
	Total Uses of Funds <u>75.0</u>

(1) The mezzanine loan relates to the December 1998 management buy-out of Travelex Group Investment Limited, our holding company prior to the creation of Travellers Exchange Corporation Limited.

(2) Travelex plc will purchase 100% of the ordinary share capital of Travellers Exchange Corporation Limited by issuing shares valued at £20.0 million and a cash consideration of £12.5 million.

CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table, in accordance with the format required by the UK Listing Authority, sets forth our historical and pro forma capitalisation and indebtedness statement as at June 16, 2000, as adjusted to give effect to the offering of the Notes and the application of the net proceeds therefrom. The historical and pro forma capitalisation as at June 16, 2000, presented below has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of our financial position or results. This table should be read in conjunction with the sections "Reorganisation and Use of Proceeds," "Unaudited Combined and Consolidated Pro Forma Financial Information", "Selected Historical Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and Supplementary Data, included elsewhere in this offering memorandum.

Other than as disclosed below and intra group indebtedness and guarantees, neither Travellers Exchange Corporation Limited nor any of its subsidiaries has at the close of business on June 16, 2000 any loan capital outstanding (including loan capital credited but unissued), term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, obligations under finance leases or guarantees or other material contingent liabilities.

Travellers Exchange Corporation Limited has guaranteed certain operating commitments of its operating subsidiaries arising in the ordinary course of business.

Except as described below there has been no material change in our indebtedness, capitalisation or contingent liabilities since June 16, 2000.

After giving affect to the offering of the Notes and the application of the net proceeds therefrom, we would have had £13.3 million cash at bank as of June 16, 2000.

	<u>Historical</u>	<u>Adjustments</u>	<u>Pro Forma</u>
	(£ in millions)		
Borrowings			
Unsecured bank loans and overdrafts repayable within one year	0.3	(0.3)	—
Secured bank loans repayable			
Within one year	7.5	(7.5)	—
Within two to five years	15.9	(15.9)	—
Secured mezzanine loans repayable	12.5	(12.5)	—
Hire purchase and leases payable			
Within one year	1.7	—	1.7
Within two to five years	1.3	—	1.3
Notes offered hereby	—	75.0	75.0
Total borrowings	<u>39.2</u>	<u>38.8</u>	<u>78.0</u>
Stockholders' equity			
Preferred stock	13.6	(13.6)	—
Common stock ⁽¹⁾	—	0.9	0.9
Additional paid in capital	1.0	18.1	19.1
Retained earnings	0.6	(0.6)	—
Total stockholders' equity	<u>15.2</u>	<u>4.8</u>	<u>20.0</u>
Total capitalisation	<u><u>54.4</u></u>	<u><u>43.6</u></u>	<u><u>98.0</u></u>

- (1) Upon completion of the reorganisation, we will have authorised share capital of 1,000,000 Ordinary Shares of £1 each and 500,000 A Ordinary Shares of £1 each. Of this amount 606,334 Ordinary Shares of £1 each and 293,333 A Ordinary Shares of £1 each will be issued and outstanding.

UNAUDITED COMBINED AND CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The following unaudited combined and consolidated pro forma statement of income for the year ended December 26, 1999 gives effect to the acquisition of Transpay, the offering of the Notes and the proposed reorganisation, as though each had occurred on December 28, 1999. The unaudited condensed and consolidated pro forma statement of income for the twelve months ended April 2, 2000 gives effect to these transactions as though they had occurred on March 29, 1999. The unaudited combined and consolidated pro forma balance sheet as at April 2, 2000 gives effect to the offering of the Notes as if such had occurred on April 2, 2000.

The unaudited combined and consolidated pro forma statements of income and balance sheet have been prepared based on our consolidated financial statements included elsewhere in this Offering Memorandum and have been prepared based upon available information and assumptions that management believes are reasonable. The unaudited combined and consolidated pro forma statement of income for the year ended December 26, 1999 is for informational purposes only, and does not purport to represent what our operations would have been had the acquisition of Transpay from Barclays, the proposed reorganisation and the offering of the Notes occurred on December 28, 1999. The unaudited combined and consolidated pro forma balance sheet and income statement as at and for the twelve months ended April 2, 2000 are for informational purposes only, and do not purport to represent our actual financial position or results of operations had the offering of the Notes occurred on April 2, 2000 and March 29, 1999, respectively.

The financial information has been prepared in accordance with UK GAAP, which differs in certain significant respects from US GAAP as described in note 16 to the Consolidated Financial Statements included elsewhere herein. In addition, the Unaudited Combined and Consolidated Pro Forma Financial Information presented below has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the Company's financial position or results, and is not necessarily indicative of our future results of operations or our financial position. These tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements and Supplementary Data, included elsewhere herein.

**Unaudited Combined and Consolidated Pro Forma Statement of Income
For the Year Ended December 26, 1999**

	Travellers Exchange Corporation Limited Historical Year Ended Dec. 26, 1999	Transpay Historical 3 Months Ended March 31, 1999	Transpay Historical 6 Months Ended Sept. 30, 1999	Transpay Adjustments	Notes Offering and Reorganisation Adjustments	Pro Forma
	(£ in millions)					
Net revenues	101.6	1.8	6.6	5.1 ⁽²⁾	—	115.1
Cost of sales	(65.4)	(0.3)	(2.0)	—	—	(67.7)
Gross profit	36.2	1.5	4.6	5.1	—	47.4
Selling, general and administrative expenses	(28.5)	(0.4)	(0.7)	(4.6) ⁽³⁾	(1.7) ⁽⁷⁾	(35.9)
Profit from operations ..	7.7	1.1	3.9	0.5	(1.7)	11.5
Interest expense	(2.6)	—	—	(0.8) ⁽⁴⁾	(4.7) ⁽⁸⁾	(8.1)
Interest income	—	—	—	—	0.4	0.4
Profit before income tax and minority interest	5.1	1.1	3.9	(0.3)	(6.0)	3.8
Income (taxes)/benefit	(2.7)	—	—	(1.9) ⁽⁵⁾	1.2 ⁽⁹⁾	(3.4)
Minority interest	(0.1)	—	—	(0.2) ⁽⁶⁾	—	(0.3)
Net income/(loss) before preference share dividends	2.3	1.1	3.9	(2.4)	(4.8)	0.1

Pro forma EBITDA for the year ended December 26, 1999 is £20.1 million, as described below:

	Dec. 26, 1999 (£ in millions)
Profit from operations	11.5
Depreciation and amortisation	8.6
EBITDA	20.1

**Unaudited Combined and Consolidated Pro Forma Statement of Income
For the Twelve Months Ended April 2, 2000**

	Travellers Exchange Corporation Limited Historical Year Ended April 2, 2000 ⁽¹⁾	Transpay Historical 6 Months Ended Sept. 30, 1999	Transpay Adjustments (£ in millions)	Notes Offering and Reorganisation Adjustments	Pro Forma
Net revenues	112.1	6.6	3.6 ⁽²⁾	—	122.3
Cost of sales	(71.3)	(2.0)	—	—	(73.3)
Gross profit	40.8	4.6	3.6	—	49.0
Selling, general and administrative expenses	(31.5)	(0.7)	(2.8) ⁽³⁾	(1.7) ⁽⁷⁾	(36.7)
Profit from operations	9.3	3.9	0.8	(1.7)	12.3
Interest expense	(3.1)	—	(0.5) ⁽⁴⁾	(4.5) ⁽⁸⁾	(8.1)
Interest income	0.1	—	—	0.4	0.5
Profit before income tax and minority interest	6.3	3.9	0.3	(5.8)	4.7
Income (taxes)/benefit	(3.1)	(1.2)	(0.6) ⁽⁵⁾	1.3 ⁽⁹⁾	(3.6)
Minority interest	(0.2)	(0.4)	0.2 ⁽⁶⁾	—	(0.4)
Net income/(loss) before preference share dividends	3.0	2.3	(0.1)	(4.5)	0.7

Pro forma EBITDA for the twelve months ended April 2, 2000 is £21.4 million, as described below:

	April 2, 2000 (£ in millions)
Profit from operations	12.3
Depreciation and amortisation	9.1
EBITDA	21.4

**Unaudited Condensed Consolidated Pro Forma Balance Sheet
as at April 2, 2000**

	Actual	Notes Offering and Reorganisation Adjustments (£ in millions)	Pro Forma
Assets			
Current assets:			
Cash at bank ⁽¹⁰⁾⁽¹¹⁾	—	8.3 ⁽¹²⁾	8.3
Trade accounts receivable	10.4	—	10.4
Cash in inventory ⁽¹¹⁾⁽¹³⁾	19.0	—	19.0
Forward exchange contracts	67.4	—	67.4
Prepaid expenses and other current assets	13.6	—	13.6
Total current assets	110.4	8.3	118.7
Non-current assets:			
Property, office equipment and other equipment, net	15.5	—	15.5
Intangible assets	40.7	33.9 ⁽⁷⁾	74.6
Total non-current assets	56.2	33.9	90.1
Total assets ⁽¹¹⁾	166.6	42.2	208.8
Liabilities and stockholders' equity			
Current liabilities:			
Trade accounts payable	20.0	—	20.0
Forward exchange contracts	67.5	—	67.5
Accrued liabilities	9.3	—	9.3
Other current liabilities	5.8	—	5.8
Bank line of credit ⁽¹¹⁾	2.7	(2.7)	—
Total current liabilities	105.3	(2.7)	102.6
Capital leases	2.8	—	2.8
Long-term bank debt ⁽¹¹⁾	34.9	(34.9)	—
Senior Notes	—	75.0	75.0
Deferred consideration	7.4	—	7.4
Deferred tax	1.0	—	1.0
Total long-term liabilities	46.1	40.1	86.2
Stockholders' equity:			
Preferred stock	13.6	(13.6)	—
Common stock	—	0.9	0.9
Additional paid in capital	1.0	18.1	19.1
Cumulative foreign currency translation adjustment	—	—	—
Retained earnings	0.6	(0.6)	—
Total stockholders' equity	15.2	4.8 ⁽¹⁴⁾	20.0
Total liabilities and stockholders' equity ⁽¹¹⁾	166.6	42.2	208.8

Notes to Unaudited Condensed Consolidated Pro Forma Information

- (1) Reflects Travellers Exchange Corporation Limited year ended December 26, 1999 excluding Travellers Exchange Corporation Limited historical three months ended March 29, 1999 and including Travellers Exchange Corporation Limited historical three months ended April 2, 2000.
- (2) Reflects the new terms and conditions agreed between Barclays and us upon completion of the Transpay acquisition. We believe that sales volume from January 1, 1999 to September 30, 1999 would not have materially changed as a result of the acquisition.
- (3) Reflects (i) the additional goodwill arising from the purchase of Transpay, which is amortised over 10 years and (ii) an adjustment to record the level of indirect costs since the Transpay acquisition.
- (4) Increased interest charge arising from the financing of the Transpay acquisition.
- (5) Additional tax charge arising from the Transpay acquisition.
- (6) RBS's 15.0% minority interest in our UK outsourced travel money business.
- (7) Under UK GAAP, additional goodwill arising from the reorganisation, which is amortised over 20 years, is computed as follows:

	Amount (£ in millions)
Travelex plc equity	20.0
Cash consideration	12.5
Purchase preference shares	13.6
Discount, fees and expenses	3.0
Purchase Price	49.1
Fair value of net assets acquired	15.2
Goodwill	33.9
Annual additional amortisation charge	1.7

- (8) Pro forma for the issuance of the Notes.
- (9) Reduction in tax charge arising from the pro forma interest adjustments.
- (10) "Cash at bank" is cash that is not "cash in inventory".
- (11) Our unaudited consolidated balance sheet appearing elsewhere in this offering memorandum differs from the above presentation due to bank debt being shown net of cash.
- (12) Reflects the net adjustment to cash at bank as a result of the offering of the Notes and the application of the proceeds thereof.
- (13) "Cash in inventory" consists of stocks of local and foreign currency notes and foreign travellers cheques held at branches. Cash in inventory has been derived from our balance sheet by aggregating "currency stock" and "cash and cash equivalents".
- (14) *Travelex plc purchases 100% of the share capital of Travellers Exchange Corporation Limited through the issuance of £20.0 million of shares and £12.5 million of cash.*

	Amount (£ in millions)
Travellers Exchange Corporation Limited share capital	15.2
Travelex plc share capital	20.0
Net adjustment to shareholders' equity	4.8

SELECTED HISTORICAL FINANCIAL DATA

The following table presents our summary historical financial data as at and for the years ended December 31, 1995, December 29, 1996, December 28, 1997, December 27, 1998 and December 26, 1999, and for the three months ended March 28, 1999 and April 2, 2000. The financial data for the fiscal years ended 1995, 1996, 1997, 1998 and 1999 have been extracted without material adjustment from the audited consolidated financial statements of Travellers Exchange Corporation Limited and its predecessor. The financial data for the three months ended March 28, 1999 and April 2, 2000 are derived from the unaudited information of Travellers Exchange Corporation Limited included elsewhere in this offering memorandum. The financial information has been prepared in accordance with UK GAAP, which differs in certain significant respects from US GAAP as described in note 16 to our consolidated financial statements, included elsewhere herein. These tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the Financial Statements and Supplementary Data, included elsewhere herein.

	Audited Year Ended					Unaudited Three Months Ended	
	Dec. 31, 1995	Dec. 29, 1996	Dec. 28, 1997	Dec. 27, 1998	Dec. 26, 1999	March 28, 1999	April 2, 2000
(£ in millions)							
Statement of Income Data							
<i>Amounts in accordance with UK GAAP</i>							
Net revenues	42.6	52.1	59.7	81.4	101.6	20.7	31.4
Profit from operations	0.1	1.1	3.0	5.3	7.7	0.3	2.0
Interest Income	—	0.3	0.2	0.2	—	—	—
Net Income/(loss) ⁽¹⁾	(0.5)	0.6	1.1	2.6	2.3	—	0.5
<i>Amounts in accordance with US GAAP⁽²⁾</i>							
Profit from operations	0.1	1.1	3.0	5.3	8.2	0.4	2.2
Net Income/(loss) ⁽¹⁾	(0.5)	0.6	1.1	2.6	2.8	0.1	0.7
Other Financial Data							
<i>Amounts in accordance with UK GAAP</i>							
EBITDA ⁽³⁾	1.3	2.7	5.0	7.6	12.4	1.4	3.9
Net interest expense	0.7	0.6	0.9	0.9	2.6	0.4	0.9
Depreciation and amortisation of goodwill ..	1.2	1.7	2.0	2.3	4.7	1.0	1.9
Capital expenditures	2.4	2.3	1.3	2.1	3.5	0.8	1.1
Ratio of earnings to fixed charges	0.1x	1.2x	2.7x	4.8x	3.0x	0.8x	2.2x
<i>Amounts in accordance with US GAAP</i>							
EBITDA	1.3	2.7	5.0	7.6	12.4	1.4	3.9
Depreciation and amortisation of goodwill ..	1.2	1.7	2.0	2.3	4.2	0.9	1.7
Ratio of earnings to fixed charges	0.1x	1.2x	2.7x	4.8x	3.2x	1.0x	2.4x
Balance Sheet Data (at end of period)							
<i>Amounts in accordance with UK GAAP</i>							
Cash at bank ⁽⁴⁾	—	—	—	—	—	—	—
Cash in inventory ⁽⁵⁾	12.7	13.9	17.7	21.2	21.8	18.9	19.0
Net working capital ⁽⁶⁾	8.7	9.7	7.8	20.5	20.7	10.7	7.8
Total assets	31.1	47.3	43.2	72.6	151.1	69.1	166.6
Total debt	6.9	9.3	9.5	10.6	41.5	19.2	41.8
Total stockholders' equity ⁽⁶⁾	6.0	4.8	5.3	7.8	15.6	18.7	15.2
<i>Amounts in accordance with US GAAP⁽⁷⁾</i>							
Total assets	31.3	48.5	44.3	73.6	140.5	64.2	156.2
Total stockholders' equity ⁽⁶⁾	6.2	6.0	6.4	8.8	11.0	13.8	10.8

(1) Before dividend payments on preference shares, which will be purchased and retired through the application of proceeds from the issuance of the Notes.

(2) US GAAP adjustments in relation to profit from operations and net income are as follows:

	Year Ended	Unaudited Three Months Ended	
	Dec. 26, 1999	March 28, 1999	April 2, 2000
(£ in millions)			
Profit from operations — UK GAAP	7.7	0.3	2.0
Goodwill amortisation	0.5	0.1	0.2
Profit from operations — US GAAP	8.2	0.4	2.2

	Year Ended Dec. 26, 1999	Unaudited Three Months Ended	
		March 28, 1999	April 2, 2000
		(£ in millions)	
Net income — UK GAAP	2.3	—	0.5
Goodwill amortisation	0.5	0.1	0.2
Net income — US GAAP	2.8	0.1	0.7

- (3) EBITDA represents profits from operations before income taxes, net interest expense, depreciation and amortisation. EBITDA is not a measurement of operating performance calculated in accordance with UK GAAP and should not be considered a substitute for operating income, net income flows from operating activities or other income statement data as determined in accordance with UK GAAP or as a measure of profitability or liquidity. Additionally, EBITDA does not necessarily indicate whether cashflow will be sufficient to meet cash requirements. EBITDA may not be indicative of our historical operating results nor is it meant to be predictive of potential future results. Because all companies do not calculate EBITDA identically, the presentation of EBITDA may not be comparable to similarly entitled measurements of other companies. The definition of EBITDA used in this section differs in certain respects from the definition of EBITDA for purposes of the indenture governing the Notes. See "Description of the Notes — Definitions".
- (4) "Cash at bank" is cash that is not "cash in inventory".
- (5) "Cash in inventory" consists of stocks of local and foreign currency notes and foreign travellers cheques held at branches. Cash in inventory has been derived from our balance sheet by aggregating "currency stock" and "cash and cash equivalents".
- (6) Net working capital is computed as current assets, excluding cash at bank, less current liabilities excluding short-term borrowings and current portion of long-term debt.
- (7) US GAAP adjustments in relation to total assets and total stockholders' equity are as follows:

	Dec. 31, 1995	Dec. 29, 1996	Dec. 28, 1997	Dec. 27, 1998	Dec. 26, 1999	Unaudited Three Months Ended	
						March 28, 1999	April 2, 2000
						(£ in millions)	
Total assets — UK GAAP	31.1	47.3	43.2	72.6	151.1	69.1	166.6
Goodwill	0.2	1.2	1.1	1.0	(10.6)	(4.9)	(10.4)
Total assets — US GAAP	31.3	48.5	44.3	73.6	140.5	64.2	156.2
Total stockholders' equity — UK GAAP	6.0	4.8	5.3	7.8	15.6	18.7	15.2
Goodwill	0.2	1.2	1.1	1.0	(4.6)	(4.9)	(4.4)
Total stockholders' equity — US GAAP	6.2	6.0	6.4	8.8	11.0	13.8	10.8

- (8) Includes redeemable preferred stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected and Pro Forma Combined and Consolidated Financial Data" and the Company's Combined and Consolidated Financial Statements, included elsewhere in this offering memorandum.

Overview

Our business is subdivided into four primary reporting segments:

- (i) Retail travel money;
- (ii) Outsourced travel money;
- (iii) Travel insurance; and
- (iv) Global payments.

We manage our businesses regionally. We operate in the UK, continental Europe, North America and Australasia. We have regional heads for North America and Australasia who are responsible for all business segments within their region. We have a central head office, in London, that oversees the UK and continental European operations as well as the regional managers of the other geographic units.

Business Strategy

We plan to expand our retail travel money business through the opening of branches at international gateways. This will require working capital and capital expenditure to stock our branches with local and foreign currency notes as well as building and fitting out of new counters and computer infrastructure.

We plan to enter into contracts with new clients to expand our outsourced travel money business, this may require us to establish additional production lines and an additional UK site. If business outside the UK reaches a critical mass, we may need to establish additional fulfilment facilities outside the UK.

We are expanding our off-airport ATM network in the UK, Australia and US, necessitating the acquisition of ATMs and their installation. We normally use finance leases to purchase additional ATMs.

We are developing a retail cash transfer business which will ultimately provide individuals with the ability to transfer money worldwide. We are in the process of developing the software to enable us to operate this business. We will also need to invest in computer hardware and to pay for the infrastructure required to manage and run the business prior to its generation of revenue. This business is not yet operational and, therefore you will not find historical information on our retail cash transfer operations in this offering memorandum.

We plan to exploit the many opportunities that the internet provides to expand our travel money and global payments order channels.

With increased globalisation of international trade and international banking, together with the decision of some commercial banks to divest themselves of or outsource their retail travel money operations, we expect that there may be opportunities to acquire new businesses in the future. We also intend to develop new business opportunities through joint ventures with strategic partners. Such developments may materially change the profile of our financial results.

We plan to expand our global payments business through a targeted marketing campaign. This will be conducted through the expansion of our high quality sales force and increasing our capacity by installing a customised transaction processing system. We attract and retain quality sales people with high incentive-based commission schemes.

We may also seek to expand our business by acquiring global payment operations which require little infrastructure expenditures and can be immediately accretive to the business.

Retail Travel Money

Net Revenues. Our retail travel money net revenues come from three sources:

- **Exchange Spread.** The profit earned through selling currency at a higher price than our cost to acquire it.

- **Commission Income.** A charge levied on the customer, normally calculated as a percentage of the transaction value subject to a minimum per transaction fee. Our commission charges range from 0% to 3% of the transaction value depending on the location and level of value added services purchased. Combined exchange spreads and commissions averaged 6.2% of volume in 1998 and 6.5% of volume in 1999.
- **Sundry Income.** We sell phonecards, Royal Mint coins, left luggage facilities, other sundry items and other travel related services from our retail travel money branches. We also operate ATMs in airports and other locations and provide money handling services to companies operating on the airport. Sundry Income represented 15% of total revenue in 1999.

Our exchange spreads and commission charges are usually required by our airport contracts to be tied to those set by local high street banks. The revenue that we earn is therefore linked to the exchange spreads and commissions levied by the banks in their respective geographic regions.

The main drivers of retail travel money net revenues are:

- (i) Number of branches;
- (ii) Volume of international passenger traffic;
- (iii) Level of travel money spend;
- (iv) Size of the exchange spread;
- (v) Size of commission; and
- (vi) Amount of sundry income.

Cost of Sales. These costs consist of two main components: (i) rentals or concession fees paid to airport operators and landlords and (ii) labour costs. The majority of our concessionary agreements require the payment of a specified percentage of volume (and sometimes on commission income) per location, subject to a minimum guarantee. As the majority of our concessionary payments are in excess of the minimum guarantee, this element of our cost of sales generally varies in line with revenue. The majority of our travel money employees are cashiers or tellers. Our employees are generally unionised in Australia, Germany and France.

Selling, General and Administrative Expenses. These costs are mostly comprised of fees for security companies who transport currencies to our branches, insurance and central overheads.

Seasonality. The retail travel money business is seasonal. April through October are the highest volume months for our Northern Hemisphere branches. This is partly counterbalanced by a reversed seasonality for our Australasian branches.

Outsourced Travel Money

Net Revenues. Our outsourced travel money net revenues comes from two sources:

- **Exchange Spread.** The profit earned through selling currency at a higher price than our cost to acquire it.
- **Per Pack Fee.** A per order fee charged to some of our outsourcing customers.

Our net revenues are mainly driven by the amount of travel money orders received and the number of new outsourcing customers with whom we contract. As such, it is affected by many of the same economic factors that influence our retail travel money business.

Cost of Sales. Our cost of sales consist of two main elements: (i) commissions or rebates paid to our outsourced travel money customers and (ii) labour costs. Commissions or rebates are generally calculated as a percentage of volume. Some full time staff are unionised. We employ a large number of contract staff to cope with the seasonal nature of this business. The utilisation of contract staff means that a large part of our processing staff varies with volume.

Selling, General and Administrative Expenses. Our major costs are distribution costs, equipment maintenance costs, rents and property security costs.

Seasonality. This business is seasonal. Easter, school holidays and summer are the peak volume periods.

Travel Insurance

Net Revenues. Our revenue represents the difference between the insurance premiums collected by us and amounts paid to insurance underwriters, premium and claims administrators and assistance companies. Revenue is mostly influenced by the size of the US cruise and overseas leisure travel market and the number of travel agencies with whom we have agreements to sell our products. We assume no underwriting risk at any time.

Cost of Sales. Our cost of sales consist of two main elements: (i) the payment of a commission to travel agents, based on volume sold and (ii) salary and commission costs for telemarketing and sales personnel.

Selling, General and Administrative. Our major costs are telephone charges, printing, policy design costs and processing charges.

Seasonality. This business is seasonal in nature and coincides with peaks in the US leisure travel market in December and January, and July and August.

Global Payments

Net Revenues. We sell currencies for same or future day settlement on behalf of our customers and generate revenue mostly based on the exchange spread. Generally, we cover all sales of foreign currencies to our customers with mirrored purchase arrangements. We therefore hedge substantially all of our currency exposure when completing transactions for our customers. We generally only purchase foreign currencies to satisfy sales contracts arranged that day. The exchange spread we charge our customers varies depending on the size of the transaction and the relationship we have with our client. Net revenues earned on all foreign exchange contracts is recognised on the contract date rather than the settlement date. Our net revenues is mainly driven by the volume of business that we obtain and the size of the exchange spread we achieve.

Cost of Sales. Cost of sales are comprised primarily of charges levied by banks for the electronic transfer of funds and our salary costs. Our employees are non-unionised. The majority of compensation expense is related to our sales personnel, which is mostly comprised of commission payments related to net revenues generated from client sales.

Selling, General & Administrative Expenses. These costs are mostly comprised of the cost of support staff, advertising expenditure and software design costs.

Seasonality. This business is slightly seasonal. In July, August and September we experience decreased net revenues due to the vacation season.

Results of Operations

Our results are summarised below.

	Fiscal Year Ended						First Quarter			
	1997		1998		1999		1999		2000	
	£	% of Net Revenues	£	% of Net Revenues	£	% of Net Revenues	£	% of Net Revenues	£	% of Net Revenues
	(£ in millions)									
Net Revenues										
Retail travel money	52.0	100%	70.0	100%	80.9	100%	16.5	100%	21.5	100%
Outsourced travel money ...	—	—	—	—	4.1	100%	—	—	4.9	100%
Travel Insurance	5.3	100%	7.2	100%	7.6	100%	2.3	100%	2.3	100%
Global payments	2.4	100%	4.2	100%	9.0	100%	1.9	100%	2.7	100%
Total	59.7	100%	81.4	100%	101.6	100%	20.7	100%	31.4	100%
Cost of sales										
Retail travel money	31.2	60%	45.7	65%	55.5	69%	11.3	68%	14.9	69%
Outsourced travel money ...	—	—	—	—	1.0	25%	—	—	2.3	47%
Travel Insurance	3.8	72%	5.3	74%	5.7	75%	1.7	74%	1.7	74%
Global payments	0.9	38%	1.3	31%	3.2	34%	0.6	32%	0.9	33%
Total	35.9	60%	52.3	64%	65.4	64%	13.6	66%	19.8	63%
SG&A Expenses										
Retail travel money	18.4	35%	21.0	30%	22.4	28%	5.3	34%	6.8	32%
Outsourced travel money ...	—	—	—	—	1.8	44%	—	—	1.3	27%
Travel Insurance	1.2	23%	1.5	21%	1.1	14%	0.4	17%	0.3	13%
Global payments	1.2	50%	1.3	31%	2.4	27%	0.8	42%	0.9	33%
Group amortisation	—	—	—	—	0.8	—	0.3	—	0.3	—
Total	20.8	35%	23.8	29%	28.5	28%	6.8	33%	9.6	31%
Profit from operations										
Retail travel money	2.4	5%	3.3	5%	3.0	3%	(0.1)	(2%)	(0.2)	(1.0%)
Outsourced travel money ...	—	—	—	—	1.3	31%	—	—	1.3	26%
Travel Insurance	0.3	5%	0.4	5%	0.8	11%	0.2	9%	0.3	13%
Global payments	0.3	12%	1.6	38%	3.4	39%	0.5	26%	0.9	33%
Group amortisation	—	—	—	—	(0.8)	—	(0.3)	—	(0.3)	—
Total	3.0	5%	5.3	7%	7.7	8%	0.3	1%	2.0	6%

The above results have been extracted from our financial statements contained in this offering memorandum and includes certain non-material adjustments.

Comparison of Performance for the First Quarter 2000 to the First Quarter 1999

We prepare our annual accounts on a 52-week basis with 53-weeks every fourth year. The year 2000 is a 53 week period with the extra week included in January 2000. The first quarter 2000 therefore includes 14 weeks as opposed to 13 weeks for the first quarter 1999.

Retail Travel Money

Net Revenues. Net revenues increased by £5.0 million (30%) from £16.5 million in the first quarter 1999 to £21.5 million in the first quarter 2000. Of this amount £1.3 million related to our new Heathrow Terminal 1 branches which opened in April 1999. Most of the remaining increases in net revenues related to a 12.5% increase in volume of business in our established branches and an increase in the exchange spread compared to the same period last year.

Cost of Sales. Costs of Sales increased by £3.6 million (32%), from £11.3 million in the first quarter 1999 to £14.9 million in the first quarter 2000. In April 1999, we commenced operating under a new long-term contract for the BAA's Heathrow terminals. This included, for the first time, a major presence in Heathrow Terminal 1. As part of this arrangement, we increased the commission proportion on volumes of business paid to the BAA. The cost of this arrangement is the main reason that cost of sales

as a proportion of net revenues increased from 68% in the first quarter 1999 to 69% in the first quarter 2000.

Selling, General & Administrative Expenses. These costs increased by £1.5 million (28%), £6.8 million in the first quarter 2000 compared to £5.3 million in the first quarter 1999. Expenses increased generally in line with the increase in volume of business.

Outsourced Travel Money

Net revenues amounted to £4.9 million in the first quarter of 2000. Cost of goods sold were £2.3 million and selling, general and administrative expenses were £1.3 million. We did not operate this business in the first quarter 1999. Profits were in line with expectations.

Travel Insurance

Net Revenues. Insurance net revenues stayed relatively constant in the first quarter 2000 compared to the first quarter 1999. Although the volume of business increased by 25% in the first quarter 2000, net revenues did not increase inline with the increase in volumes because our underwriters required an increase in the portion of the premium they retained. Subsequent to the end of the first quarter 2000, we have changed our underwriters. This will enable us to receive a larger proportion of the premium.

Cost of Sales. These expenses increased slightly in the first quarter 2000 compared to first quarter 1999.

Selling, General & Administrative Expenses. These expenses were down slightly in the first quarter 2000 compared to the first quarter 1999.

Global Payments

Net Revenues. Net revenues increased by £800,000 (42%) to £2.7 million in the first quarter 2000 compared to £1.9 million in the first quarter 1999, driven by a 76% increase in volumes. This was partially offset by a reduction in margins in our US operations for the first two months of the year to defend against competitive actions from a start-up company, operated by two former employees. This situation has since been resolved and margins have reverted back to approximately previous levels.

Cost of Sales. These costs increased by £300,000 (50%) to £900,000 in the first quarter 2000 compared to £600,000 for the first quarter 1999. Costs increased in line with the increase in business volume.

Selling, General & Administrative Expenses. These costs increased by £100,000 (13%) to £900,000 in the first quarter 2000 compared to £800,000 in the first quarter 1999. The increase in expenses is due to the increase in business volume.

52 Week Period Ended December 26, 1999 compared to 52 Week period ended December 27, 1998

Retail Travel Money

Net Revenues. Net revenues increased by £10.9 million (16%) from £70.0 million in 1998 to £80.9 million in 1999. £5.2 million of this increase in net revenues related directly to the opening of our new Heathrow Terminal 1, Manchester and Luxembourg airport branches. A further £5 million of the increase in net revenues resulted from an increase in overall margins earned of approximately 0.5%.

Cost of Sales. Cost of sales increased by £9.8 million (21%) from £45.7 million in 1998 to £55.5 million in 1999. In April 1999 we commenced operating under a long-term contract for the BAA's Heathrow terminals including, for the first time, a major presence in Heathrow Terminal 1. We increased the commission paid to the BAA as a proportion of the volumes of business we achieved at Heathrow as part of this arrangement. The additional cost of this agreement was the main cause of the increase in cost of sales as a proportion in net revenues from 65% in 1998 to 69% in 1999.

Selling, General & Administrative Expenses. These expenses increased by £1.4 million (7%) from £21.0 million in 1998 to £22.4 million in 1999, due to the increase in business volume.

Outsourced Travel Money

This business commenced trading on October 1, 1999 after the acquisition of Transpay from Barclays. Net revenues generated in the fourth quarter from this business totalled £4.1 million. Cost of goods sold

were £1.0 million and selling, general and administrative expenses were £1.8 million, all in line with our expectations.

Travel Insurance

Net Revenues. Net revenues increased by £400,000 (6%) from £7.2 million in 1998 to £7.6 million in 1999. The benefit of an 11% increase in volume was partially reduced by a reduction in the proportion of premiums received on policy sales. Margins reduced as our insurance underwriters increased the proportion of the premium they retained due to greater customer claims.

Cost of Sales. These costs increased by £400,000 (8%) from £5.3 million in 1998 to £5.7 million in 1999. Cost of Sales increased as a proportion of net revenues from 74% in 1998 to 75% in 1999, as it varies with the volume of business achieved which increased by 11%. The cost of sales actually increased at a marginally lower rate than the increase in business volume as a lower proportion of travel agents and sales personnel received override commission in 1999 compared to 1998.

Selling, General & Administrative Expenses. These expenses decreased by £400,000 (27%) from £1.5 million in 1998 to £1.1 million in 1999.

Global Payments

Net Revenues. Net revenues increased by £4.8 million (114%) in 1999 from £4.2 million in 1998 to £9.0 million in 1999. The majority of this increase was generated by our US global payments operation, which increased net revenues by £4.3 million, through an approximate 100% increase in volume and an increase in the exchange spread.

Cost of Sales. These costs increased by £1.9 million (146%) from £1.3 million in 1998 to £3.2 million in 1999 due to increased sales commissions incurred through the growth in volume, and additional telemarketing and sales personnel recruited to further develop the global payments business. Sales and telemarketing personnel increased from 14 in 1998 to 24 in 1999. New sales personnel are generally unproductive in the first months of employment. Cost of sales increased as a proportion of net revenues from 31% in 1998 to 34% in 1999, primarily due to the costs incurred in training new salesmen for the period during which they produced no net revenues.

Selling, General & Administrative Expenses. These costs increased £1.1 million (85%) from £1.3 million in 1998 to £2.4 million in 1999. The additional costs were primarily incurred in the US to support the growth of the business.

52 Week Period Ended December 29, 1998 Compared to 52 Week Period Ended December 28, 1997

Retail Travel Money

Net Revenues. Net revenues increased by £18.0 million (35%) from £52.0 million in 1997 to £70.0 million in 1998. Volumes increased, primarily due to the establishment of our Paris Charles de Gaulle and Orly airport operations which contributed the majority of the favourable volume variance amounting to an additional £11.9 million of net revenues. 1998 net revenues rose by a further £6.1 million due to an increase of 0.63% in our margin percentage.

Cost of Sales. Cost of sales in 1998 rose by £14.5 million (46%) from £31.2 million in 1997 to £45.7 million in 1998. Cost of sales increased as a proportion of net revenues from 60% in 1997 to 65% in 1998 primarily due to the new branches opened during the year. We pay a relatively high proportion of our net revenues as rent to the Paris, Manchester and Brussels airport authorities. The cost of employing cashiers, particularly at our Paris airport operations, also makes up a higher proportion of net revenues compared to our established branches.

Selling, General and Administrative Expenses. These expenses increased by £2.6 million (14%) from £18.4 million in 1997 to £21.0 million in 1998. These additional costs reflect the increased size of our business.

Travel Insurance

Net revenues. Net revenues increased by £1.9 million (36%) from £5.3 million in 1997 to £7.2 million in 1998. The increase in net revenues relates mostly to an increase in passenger volumes in the US cruise, overseas and package vacations market. We also increased our net revenues by increasing the proportion of higher margin policies sold.

Cost of Sales. The cost of sales increased by £1.5 million (39%) from £3.8 million in 1997 to £5.3 million in 1998. Cost of sales increased, primarily due to the increased volumes. Cost of sales increased as a proportion of net revenues from 72% in 1997 to 74% in 1998 as many of our sales personnel and the travel agencies we sell through achieved over rider commissions on the higher levels of business.

Selling, General & Administrative Expenses. Expenses increased by £300,000 (25%) from £1.2 million in 1997 to £1.5 million in 1998, generally in line with the growth of our business.

Global Payments

Net Revenues. Net revenues increased by £1.8 million (75%) from £2.4 million in 1997 to £4.2 million in 1998. The main increase in net revenues was generated by our US global payments operation which generated an additional £1.4 million in 1998. This increase in net revenues was achieved through a 94% increase in US global payments volumes in 1998 and a small increase in the average exchange spread.

Cost of Sales. Cost of sales in 1998 rose by £400,000 (44%) from £900,000 in 1997 to £1.3 million in 1998. Cost of sales as a proportion of net revenues reduced from 38% in 1997 to 31% in 1998, as the 1997 costs were inflated by the expenditure incurred in building up the sales team.

Selling, General & Administrative Expenses. Expenses increased by £100,000 (8%) from £1.2 million in 1997 to £1.3 million in 1998.

Liquidity and Capital Resources

Generally, we do not offer our customers credit in any of our lines of business. Usually all revenues earned are collected as cash or convert to cash within three days.

Working Capital Requirements

Retail Travel Money. Customers can settle for their travel money sales by cash, cheques or credit card. (We receive credit in our bank accounts for credit card settlement, generally not more than two days after the sale). When we sell currencies to companies and travel agencies, we generally collect our funds through direct debit. Our main working capital requirement for our travel money business is the need to stock our tills with local currency and foreign currency notes. Travellers cheques are held on consignment basis; we generally pay for all travellers cheques sold on a next day basis.

Outsourced Travel Money. This business has no working capital requirements. We do not hold any stocks of foreign currency notes. Stocks of travellers cheques are held on a consignment basis. Our foreign currency notes supplier fulfills our requirements on the day of dispatch to our customers. We settle for all foreign currency notes supplied two days later.

Travel Insurance. This business has no working capital requirements.

Global Payments. This business has no working capital requirements, generally creditors exceed debtors. We generally do not release funds to a customer's payees until funds have been received from our customer. We do, however, require large foreign exchange dealing facilities; these are included within our overall facilities arrangements with our local banks secured by letters of credit through the revolving credit facility.

ATMs. Generally we do not supply the cash utilised in the ATMs. The ATM notes are supplied by our banking partners.

Retail Cash Transfers. This business has not yet commenced operations. Our plan is to direct debit agents who have received funds on our behalf the day following their receipt. We will refund our paying agents the day after the pay out. As there is generally a gap of some days between receipt and payment, we expect this business to have a negative working capital requirement.

Capital Expenditure Requirements

The Company's liquidity needs include servicing debt, the funding of capital expenditures, the payment of the contingent purchase price (of approximately £6.0 million) relating to the acquisition of Transpay, the deferred purchase price relating to Teletrip, Inc. (approximately £3.0 million) and the completion of future acquisitions and joint ventures. After the reorganisation, the Company will not have any significant maturities of long-term debt other than the Notes.

Capital expenditure for fiscal years 1999, 1998 and 1997 were £3.5 million, £2.1 million and £1.3 million, respectively. As of December 26, 1999 and April 2, 2000 we had outstanding commitments for capital expenditures amounting to £750,000 and £1,986,000, respectively.

Travel Money. The main capital expenditure requirements of this business are costs incurred in building and fitting out the counters and infrastructure of our branches. As all of our retail operations are computerised, we also have a capital requirements to support our computer systems.

Outsourced Travel Money. Our outsourced travel money is a highly automated business. As the business increases we will, on a step level, be required to invest in additional inventory management, collating and packing equipment and perhaps new locations in the UK and abroad. Specifically, with the anticipated introduction of the RBS outsource business, we will require a second facility in the UK. We estimate the cost of establishing this facility and obtaining the necessary equipment to make it operational to be in the region of £3 million.

Travel Insurance. This business is not capital intensive. No major capital investment is required to support anticipated growth.

Global Payments. We are in the process of installing new straight through processing systems for our global payments business which will cost approximately £600,000. The new system will be introduced in our Canadian operations in or around the third quarter 2000. Installation is expected to be completed at all of our global payments operations by the first quarter of 2001. The global payments business is not otherwise capital intensive. We do not anticipate that major capital expenditure will be required to support future growth.

ATMs. We are required to purchase ATMs used in this business. We generally finance these purchases through finance leases. The costs incurred to install ATMs is financed through working capital.

Retail Cash Transfers. The major capital investment for this business is presently being incurred in the writing of the software for the system. Expenditures of £540,000 and £1.1 million are budgeted for the year 2000 and the year 2001, respectively, including the costs of the hardware to support the network. Expenditure of a further £1.0 million is anticipated to be incurred in the year 2005 to support the expansion of the network.

Cash Flow Analysis

	Fiscal Year Ended			First Quarter	
	1997	1998	1999	1999	2000
	(£ in millions)				
Cash flows from operating activities	3.0	4.7	6.6	0.7	1.6
Changes in trade creditors/liabilities	2.4	(1.3)	(0.4)	(5.3)	(1.2)
Changes in stock	(2.6)	(1.3)	(2.6)	—	4.3
Income tax payable	0.8	0.7	(1.1)	0.8	0.2
Accruals and prepayments	(0.2)	2.1	1.9	1.6	(2.8)
Cash provided by operating activities	3.4	4.9	4.4	(2.2)	2.1
Cash flows from financing activities	(3.3)	6.1	38.9	14.9	0.7
Cash flows from investing activities	(1.3)	(2.1)	(46.7)	(21.7)	(0.7)
(Decrease)/increase in cash and cash equivalents	(1.2)	8.9	(3.4)	(9.0)	2.1
Effect of exchange rate changes on cash	(0.1)	0.1	(0.4)	(0.1)	0.2
(Decrease)/increase in cash	(1.3)	9.0	(3.8)	(9.1)	2.3

Cash flows from Operating Activities. Cash flows from operating activities after adjusting for non-cash items in 1997 amounted to £3.0 million. Due to growing profitability, this increased by 57% in 1998 to £4.7 million and then increased by a further 40% to £6.6 million in 1999. 1997 cash flows were reduced by £2.6 million due to increased investment in travel money stock, primarily due to the purchase of inventory for the commencement of the Charles de Gaulle and Orly operations on January 1, 1998. This was financed through an increase in trade creditors of £2.4 million in 1997 and was paid for after the year end.

Cash flows in 1998 were reduced by £1.3 million through increased investment in stocks of foreign currency, primarily due to the opening of the Manchester and Brussels airport operations.

In 1999, stocks in branches increased by £2.6 million. This was mainly due to the new Heathrow Terminal 1 branches and increases in stock levels to cater for the millennium period. Stock levels reduced after the year end.

Cash flows from operating activities in the three months to March increased from £0.7 million in 1999 to £1.6 million in the year 2000, mostly due to the additional profits generated from TCS. The majority of these amounts related to computer equipment and construction of new branch units. The March 1999 cash flow shows the impact of the MBO at the beginning of the period.

Cash flows from Financing and Investing Activities. In 1997, £1.3 million was invested in fixed assets, primarily the construction of new branches.

In 1998, £2.1 million was spent on fixed assets, primarily on the construction of new branches at Paris Charles de Gaulle and Manchester airport.

In 1999, £3.5 million was spent on fixed assets, approximately £2.5 million on bureau fitout and equipment (including, Heathrow Terminal 1) and approximately £1.0 million on year 2000 compliance. Fixed asset expenditure is normally financed through increases in bank credit lines and capital leases.

On September 30, 1999 £19.5 million was spent on the acquisition of the foreign currency processing division of Barclays (Transpay), including transaction costs and expenses. This was funded by £20.0 million of credit facilities from Barclays Bank. By the end of 1999, the cash flows generated by our travel money fulfilment business had reduced this particular indebtedness to £13.0 million. Additional variable deferred payments (capped at £6.0 million) may be payable to Barclays, dependent on the timing of the UK's entry into the Euro.

On April 28, 1999, we purchased, by an acquisition of Teletrip Inc., Mutual of Omaha's rights to earn certain royalties on profits of our US operations for consideration of \$7.7 million. \$3.2 million was paid in 1999, with \$2.0 million due to be paid in 2000, \$1.5 million due to be paid in 2001 and \$1.0 million due to be paid in 2002. This acquisition was funded through credit facilities from Chase Bank.

On December 30, 1998, we engaged in a leveraged buy out of certain then-existing shareholders. Amounts paid to shareholders, together with transaction costs, amounted to £24.2 million. This was financed through the issue of preference and ordinary shares for £13.8 million (£1.8 million being issued to shareholders in lieu of cash proceeds from the sale of their ordinary shares) plus £12.0 million of mezzanine loan financing from 3i. Cash flow does not reflect the issue of £1.8 million preference shares issued to management as this amount was settled through deduction from the amount resulting from the sale of their ordinary shares.

We believe that cash generated from operations together with the amounts available under the revolving credit facility will be adequate to meet our anticipated capital requirements for at least the next 12 months, although no assurance can be given in this regard. Our future operating performance and ability to extend or re-finance indebtedness will be dependent on future economic conditions and financial business and other factors that are beyond our control.

Effects of Inflation

Our financial performance is effected by inflation to a limited extent. In recent years, the impact of inflation on our operations in the markets in which we conduct business has been moderate.

Market Risks

We are exposed to market risks from changes in interest rates. We manage our exposure to these market risks through regular operating and financing activities. Financial instruments that potentially subject us

to credit risk consist of cash investments and trade accounts receivable. We maintain cash and cash equivalents with financial institutions with high credit standards.

Foreign Currency Risks

We do not speculate on the foreign exchange market. For our travel money business, we only purchase foreign currency that is needed to stock our branches, for sale to our customers. The value of the inventory of foreign currency Notes held in our branches is directly effected by movements in exchange rates. The impact of movements in exchange rates on our net revenue is mitigated through a mixture of foreign currency loan and foreign currency forward contracts taken out to hedge against our investment in foreign currency inventories.

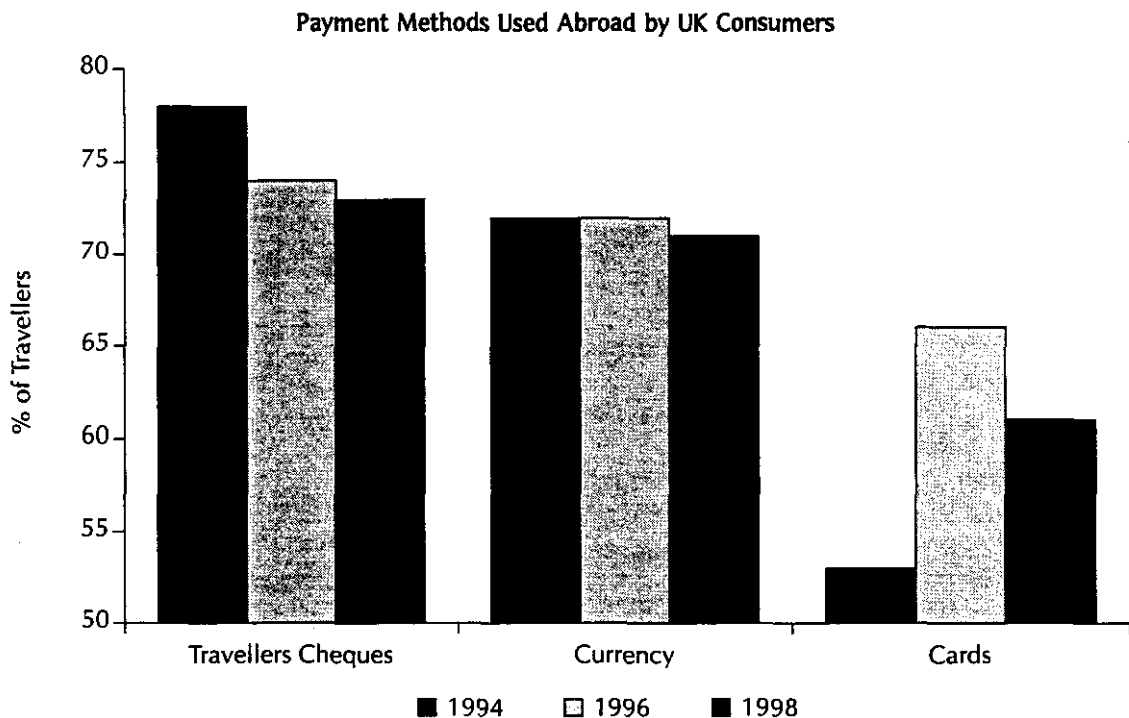
For our global payments business, we match any foreign currency contracts sold to our customers with mirrored purchase contracts. We generally only purchase foreign currency contracts in our global payments business to satisfy sales contracts. We allow our traders limited intra-day and end of day exposures.

INDUSTRY OVERVIEW

Travel Money

There are no published statistics representing the size of the global travel money market (the use of cash and travellers cheques for travel). For our own internal planning, and based on our experience and discussions with other travel money providers, we estimate the market size for sales of travel money of the regions in which we operate to be £22 billion. In the UK alone, the travel money market was estimated at £5.5 billion in 1998 by Mintel.

Although we have observed an increase in the use of non-cash forms of payment for travel related spend, the use of cash continues to be a major part of paying expenses related to travel. Data compiled by Mintel for the UK travel industry, our base market, was used to develop the following graph. It indicates that while the use of charge, credit, and debit cards for travel spending is increasing significantly, the increase is mainly at the expense of travellers cheques rather than physical currency. The sale of travellers cheques comprises less than 5% of our net revenues from travel money.



Source: Mintel

Demand for travel money services is driven by the volume of international travel, the best measure of which is passenger data collected by airports. From 1991 to 1997, the total number of air travel passengers grew by an average of 5.2% per year on a global basis according to the Airports Council International and is projected to grow by 4.0% per year from 1997 to 2010. The forecast reflects the effect of the Asian economic crisis in 1998, which resulted in a downturn of traffic throughout much of that region. International passenger numbers, however, are projected to grow at a higher rate of 4.7%

per year for the next ten years. The table below illustrates the regional breakdown for historical and projected growth rates:

Annual Average Growth in Passenger Numbers 1990-1997 and Projected 1997-2010*

	1990-1997	1997-2010	
	Total Passengers	Total Passengers	International Passengers
Africa	6.4%	4.3%	4.4%
Asia Pacific	6.1%	4.7%	5.0%
Europe	5.8%	4.8%	4.5%
Latin America/Caribbean	3.7%	4.8%	5.1%
Middle East	5.5%	5.2%	5.6%
North America	4.0%	2.9%	4.6%
Total	5.2%	4.0%	4.7%

* The composition of the sample for the two periods was not identical.

Source: Airports Council International World Headquarters, Geneva, Switzerland

Competition in the retail travel money industry is divided between the retail banks, which have historically dominated the market, and the non-bank providers of retail travel money. We estimate that retail banks control approximately 50% of the travel money market in the UK and approximately 80% of the market in continental Europe, North America and Australasia.

Competitors operate on two different fronts: airport and high street. Thomas Cook, International Currency Exchange, American Express and the local banks are our main competitors at airports. On the high street, where sales are primarily to leisure travellers, banks and travel agencies such as Thomas Cook, Going Places and Lunn Poly have the majority of the UK market. In addition, the Post Office is growing its presence in the UK market.

We estimate that we currently hold a less than 10% share of the travel money market in the UK and approximately 5% or less of the travel money market in the other regions in which we operate. We believe that the competitive landscape of the retail travel money industry is quickly changing, providing us with a significant opportunity to further penetrate the market and increase our market share. The following have enabled non-bank entities to compete in the retail travel money market:

Increased use of outsourcing to reduce costs. Competition has driven businesses to look for ways to reduce costs. Outsourcing is increasingly being used in many industries as a way to achieve this goal. In the UK, banks have outsourced human resources, legal and other staff functions, as well as back office functions and low margin front-office services. Barclays' decision and RBS' intention to outsource their travel money requirements to us provide further evidence to support this view.

As the UK banks outsource, reduce or terminate their travel money operations, we believe we will have the opportunity to grow our outsource travel money or our retail money operations to fill the void that they leave in the market. We will explore ways of duplicating this strategy in our overseas markets, commencing in those areas in which we have an airport presence.

Introduction of the Euro. The introduction of the Euro has eliminated exchange spreads on Euro currency transactions into Continental Europe and the introduction of Euro notes and coins will eliminate the remaining commissions on Euro currency transactions. Many providers of travel money in local European markets will find it difficult to deliver a travel money service cost effectively based on their significantly reduced volumes. We expect to gain market share as local banks and travel money providers, that do not enjoy the global economies of scale that we do, exit the travel money market or outsource their remaining requirements to providers such as ourselves.

UK Adoption of the Euro. The adoption of the Euro by the UK will eliminate exchange spreads on £/€ currency transactions and the elimination of £ notes and coins would eliminate the remaining commissions on £/€ currency transactions shortly thereafter. Many traditional UK providers of travel money will find it difficult to deliver this service as presently provided cost effectively due to significantly reduced volumes. We expect to gain market share as local banks and other travel money providers, that

do not enjoy our global economies of scale, exit the travel money market or outsource their remaining requirements to providers such as ourselves.

Stability of bank exchange spreads. We define the exchange spread as the difference between the rate at which we buy currency from the wholesale market or our clients and the rate at which we sell such currency to our clients on the wholesale market. High street banks set exchange rates every day, based on spot rates at the time the exchange rates are set. Over the last several years, the exchange spread has not decreased.

The Internet. The increased use of the internet for travel money may allow additional competitors to target leisure travellers. However, we believe existing operators like ourselves, can utilise the internet more efficiently by combining internet distribution with traditional distribution options as an enhancement to service. Our airport network provides us with a convenient distribution channel that we believe our competitors would find difficult to replicate.

Global Payments

Global payment services involve making cross border payments in foreign currencies on behalf of corporate clients. The best estimate for the size of the global payments market is that of global trade, as nearly all cross border transactions must be settled through foreign exchange payments. Global imports of goods and services are estimated by the International Monetary Fund's "Direction of Trade Statistics", published in March 2000, to have amounted to £3.2 trillion in 1998, and have increased by an average of 6.5% per year since 1994.

We believe that the global payments market will continue to expand due to the increasing globalisation of industry. In addition, globalisation in the banking industry has resulted in domestic and cross border consolidation. Therefore, even as the demand for such services has increased, many banks have instituted qualification criteria limiting their services to those clients that produce the highest revenues relative to the costs incurred. Banks now occasionally refuse potential customers based on volume and profitability criteria. Even if a client is accepted, personalised service may also be lacking unless the client provides a large volume of transactions.

As a result, an opportunity to service middle-market corporations falling outside of these criteria and that require personalised service has developed. This market is serviced by a limited number of the smaller international banks and independent operations like ourselves. We compete mostly with Thomas Cook, Exchange Direct and Ruesch International in the UK and the US, and Thomas Cook in Australia. The limited number of non-bank competitors and the growing demand for customer focused service has resulted in an opportunity for us to expand this business. The following have enabled non-bank entities to compete in the global payments market:

Bank mergers and industry globalisation. Globalisation, as evidenced by cross border mergers, has driven banks to continue to reduce costs and increase revenues. This has resulted in the current trend of retail banks to either exit from activities such as providing travel money or utilise outsourcing to offer these services cost effectively.

Deregulation of banking laws on a world-wide scale. Banking laws in several western countries have been relaxed to allow non-bank entities to provide services that had once been exclusively under the control of banks.

BUSINESS

The Company

We are a leading global provider of travel money (foreign currency notes and travellers cheques) with the largest network of airport foreign exchange branches in the world, outsourcing contracts to provide travel money to customers such as Barclays Bank, Carlson Wagonlit and Hogg Robinson BTI, and travel money marketing agreements with companies such as British Airways. We are a growing provider of global payment services primarily to middle-market corporations. We also offer travel insurance, operate ATMs, and are developing a retail cash transfer business. We operate in the UK, continental Europe, North America and Australasia. For the latest twelve months ended April 2, 2000, on a pro forma basis (as defined in the section "Unaudited Condensed and Consolidated Pro Forma Information"), we generated approximately £122.3 million of net revenues and £21.4 million of EBITDA.

Travel Money. We sell and purchase travel money with an exchange spread, which means that we sell currency at a higher price than our cost to acquire it. We derive approximately 66% of our travel money net revenues from exchange spreads and the remainder primarily from commissions and sundry services. Our foreign currency stocks are hedged to eliminate most of our currency exposure.

Our travel money business consists of three primary segments:

- **Retail Travel Money.** We offer travel money services primarily to business travellers through our branches, airport ATMs and the internet. We operate 314 branches; 225 of which are located at airports comprising the largest airport network in the world. The other 89 branches are located in seaports, on passenger ships and in selected major city centres. In addition to our airport retail locations, we operate 87 ATMs in selected airports. We also offer retail travel money through our websites which allow customers to arrange for pick-up at our branches. Our retail travel money business processes thousands of transactions each day.
- **Outsourced Travel Money.** We process and fulfil foreign currency and travellers cheque orders placed with our outsourcing customers, primarily retail banks and travel agencies in the UK. We fulfil the majority of these orders from our facility located in Surrey, England utilising state-of-the-art physical currency systems. We gained a significant share of the UK outsourced travel money market in October 1999 when, together with RBS, we acquired Transpay, the foreign currency processing service of Barclays. We believe there is a current trend of retail banks in the UK to outsource their travel money requirements as they no longer see travel money services as a core activity. We also believe that retail banks in continental Europe will follow this outsourcing trend to reduce costs to offset the impact of lower volumes caused by the introduction of Euro notes and coins.
- **Travel Insurance.** We market travel related insurance products primarily in the US through over 6,700 travel agencies, our airport branches, airport drop boxes, and the internet. The underwriting risk and claims management is undertaken by third party insurance companies. We assume no underwriting risk at any time.

There are no published statistics representing the size of the travel money market in all of the regions in which we operate. We use an estimated market size of £22 billion, excluding travel insurance, for our own internal planning. We believe that the introduction of Euro notes and coins will reduce the continental European market by approximately 65%. This significant reduction will make it increasingly difficult for banks to provide a cost-effective travel money service internally. As a result, continental European banks will either cease offering travel money services at their branches or outsource their travel money needs to specialist providers who can achieve economies of scale by aggregating the remaining travel money needs of multiple banks. For the latest twelve months ended April 2, 2000, on a pro forma basis (as defined in "Unaudited Condensed and Consolidated Pro Forma Information"), our travel money business generated approximately £112.6 million of net revenues and £17.4 million of EBITDA.

Global Payments. We provide global payment services primarily to middle-market corporate clients in the UK, North America and Australia. We make cross border payments in foreign currencies and generate revenues from exchange spreads and transaction fees. We hedge our currency positions throughout the day and, excluding a nominal amount of overnight positions, are fully hedged by the end of each business day. For the latest twelve months ended April 2, 2000, on a pro forma basis (as defined in the section "Unaudited Condensed and Consolidated Pro Forma Information"), our global payment services business generated approximately £9.7 million of net revenues and £4.0 million of EBITDA.

We believe that growth in global trade and the consolidation trend in the banking industry globally will produce market opportunities to expand our global payments business. As banks merge and grow in size, they often become unwilling or unable to effectively and competitively service middle-market corporate clients who have lower cross border payment volumes. We mostly target these middle-market corporations and differentiate ourselves by providing personalised service and faster execution through direct access to our trading floor or through FxOnline™, our internet-based order system. We estimate the size of the total corporate cross border payment market to be approximately £3.2 trillion in 1998 based on global imports as reported by the International Monetary Fund's "Direction of Trade Statistics" published in March 2000.

History

We commenced operations in 1976 with a single retail travel money branch in London from which we expanded our business to provide services at seaports and on passenger ships. The continued growth of our operations led to the opening of our first continental European branch in Rotterdam's ferry terminal in 1984. In 1986, we were awarded the retail travel money contract by the British Airport Authority (BAA) for Heathrow Terminal 4. Prior to this date, the BAA only contracted with high street banks. The success of this operation led to other opportunities including our takeover of the Heathrow Terminal 3 concession from Barclays. Travelex America was formed in 1989, followed by Travelex Australia in 1990 and Travelex New Zealand in 1991.

Travelex America saw its major growth in December 1993 through our acquisition of 60 airport branches from Mutual of Omaha. As these operations generated losses, consideration amounted to a royalty based on profits earned in subsequent years. This business was profitable within the first year of ownership due to significant revenue growth under our stewardship. We purchased Mutual of Omaha's right to a royalty stream in March 1999 for \$7.7 million, eliminating the need to pay any future royalties.

We commenced our Travelex Australia operation in 1990 together with Ansett, owner of one of the two main domestic airlines in Australia. Operations commenced in Ansett's domestic terminals, and grew to include Qantas' domestic terminals as well as international airports and city centre locations. We acquired Ansett's 50% interest in Travelex Australia in 1996 for A\$2.5 million.

In the mid 1990's when our competitors were looking to diversify outside of Europe, we realised the important distribution role that the main transcontinental gateway airports would play in continental Europe after the introduction of the Euro. We expanded into continental Europe's travel money market beginning with French provincial airports and culminating in Frankfurt, Paris and Brussels airports.

We commenced our global payments business in 1994 through the acquisition of two small global payments firms: Tortrix in New Zealand and Eide & Eide in the US. Our UK business began as a start up in 1995. Within six years we have created a business producing net revenues in the latest twelve months ended April 2, 2000 of £9.7 million and growing at an average of 94% in each of the last three years. We have recently made significant investments in building systems to efficiently process transactions including FxOnline™.

Our travel insurance business is primarily US based. Flight insurance sales were a major part of the airport operations purchased from Mutual of Omaha in 1993. In 1997, we purchased Mutual of Omaha's insurance business that markets travel and trip insurance products to consumers through travel agencies in the US. Since that acquisition in 1997, we have grown net revenues by 43% to £7.6 million.

We expanded our UK outsourced travel money business by purchasing, together with RBS, Transpay, the *foreign currency processing service of Barclays*, in September of 1999. We paid Barclays £18.5 million, excluding costs of acquisition, and deferred consideration of five equal annual instalments of £1.2 million commencing in 2003. The payment of each annual installment is contingent on the UK not entering into the Euro within 12 months from July of that year. RBS is a 15% shareholder in our UK outsourced travel money business. Their interest is expected to increase to 20% based on the current status of our negotiations relating to the outsourcing contract. See "Business — Travel Money — Retail Travel Money — Operations" and "Related Party Transactions".

In December 1998, our management purchased the 54.1% of Travelex held by Abbey National PLC and Investec Group Investments PLC for £16.5 million. The transaction was partly financed by 3i plc, who also purchased an interest of approximately 33% of our outstanding equity. 3i is a leading European venture capital company with a market capitalisation of £8.3 billion as of June 27, 2000.

Competitive Strengths

We believe our competitive strengths, combined with our business strategy, will allow us to continue to grow and increase our operating profits. Our competitive strengths are as follows:

Global Airport Network. We have an established network of 314 branches across the UK, continental Europe, North America and Australasia. We believe that approximately 30% of the world's airline passengers travel through airports in which we operate, including such international airports as Heathrow, Gatwick, Charles de Gaulle, Orly, Frankfurt, Brussels, JFK, Newark, San Francisco and Sydney. We believe that it would be difficult, and would take several years, for a new market entrant to establish such an extensive airport network due to the nature of airport retail space agreements and the limited amount of space available for additional retail travel money operators.

Over the last few years, we have aggressively expanded our continental European airport branch network. We believe that the airport branch is the most cost-effective place to provide travel money services, being the one location that every customer passes through. We have been successful in winning several new tenders in continental Europe which will better position us to increase market share in our retail travel money business in the future.

Long-Term Outsourcing Contracts. We currently have long-term outsourcing contracts with Barclays and Hogg Robison BTI. RBS also has stated its intention to enter into an outsourcing contract with us that would include certain of its subsidiaries. We believe these long-term contracts provide us with a relatively stable and predictable base of cash flow. We currently intend to expand our outsourced travel money operations across continental Europe to aggregate volume and deliver an outsourcing solution for the introduction of Euro notes and coins. We are in preliminary discussions with several banks in continental Europe with regard to their travel money operations.

Strategic Partnerships. We have formed strategic partnerships and co-branding relationships with a number of blue chip companies which we believe enable us to enhance our reputation as a provider of quality services.

Our relationship with British Airways encompasses the BA Travel Money Program and *Airmiles*™ frequent flyer program. This exclusive relationship gives us a competitive advantage by allowing us to access an attractive customer base to which we can offer promotions, such as earning frequent flyer miles for foreign exchange transactions. We have relationships with other airlines including American Airlines, Air France, Qantas and Ansett. We also believe that our relationship with airlines will become increasingly useful to promote our retail travel money services at continental European gateway locations to aggregate volumes upon the introduction of Euro notes and coins.

3i plc, our 32.6% shareholder, has appointed one of our board members and provides us with management and financial input. 3i is a leading European venture capital company and is a FTSE 100 company. 3i has been in existence for over 50 years and has invested nearly £12 billion in over 13,400 businesses.

RBS is a 15% shareholder in our UK outsourced travel money business. In 1999, we signed a long-term currency supply contract in which they agreed to supply our outsourcing operations with physical currency for a period of 10 years.

Additionally, our *Travelex.com* retail travel money service has relationships with several internet portals, including Freeserve, Microsoft Network Australia and Big Pond. We have several partnership arrangements with commercial banks, including Alliance & Leicester in the UK and Westpac in Australia, to expand our ATM network.

Strong Brand Recognition. We created the Travelex™ brand by developing a reputation for consistent quality service, value added products and competitive rates. Our belief is that good financial performance comes from customer satisfaction and repeat business. We seek to improve customer service levels through training, quality control systems and management incentives.

Our brand provides us with a competitive advantage in securing contracts with airport operators. As additional airports are privatised, the retail travel money business is increasingly being seen as a significant revenue producer as opposed to merely a passenger service. Our reputation for consistent performance and ability to grow revenues for airport management companies has resulted in security of tenure as evidenced by the fact that we have been prevented from renewing contracts in only five airports since we began our airport operations in 1986. In addition, we are often approached by airport operators when retail travel money locations or contracts become available.

We also believe that the use of the Travelex™ brand by our global payments and outsourced travel money businesses has helped them expand more quickly. Customers of both of these businesses rely on us to perform important functions traditionally performed by larger financial institutions. Associating these new businesses with the Travelex™ brand, which we believe stands for service and consistency, helps to build credibility with new customers. We intend to continue the use the Travelex™ brand to expand into new and related businesses.

Value Added Services. We offer innovative services that provide the customer with choices, allowing us to differentiate ourselves, support our brand and increase our revenue per transaction. We have introduced several new services in our retail travel money business including the buy back guarantee program, frequent flyer miles, Coinpax™, Travelex Cashpax™ and the Travelex Coincard. The introduction of such services has helped us grow. For example, our net revenues from the buy back guarantee program have increased from no net revenues in 1995 to approximately £1.1 million in 1999.

In our cross border payments business, we focus on service by providing our customers with personalised service and efficient execution through direct access to our trading floors or through FxOnline™.

Low Cost Operations. In our outsourced travel money business, we utilise state-of-the-art physical currency operations to process large volumes and lower our costs. These operations can rapidly and accurately collate and prepare travel money orders. We process approximately 1.1 million prepackaged currency and travellers cheque orders per year. We intend to leverage this low cost technology as we expand our outsourced travel money operations to include continental Europe.

We have further lowered our costs by achieving economies of scale. For example, the scale of our retail travel money operations enable us to aggregate our currency purchases into large blocks which increases our margins by reducing our costs of acquiring foreign currency.

In addition, the scale of our global payments business allows us to: (i) employ a high quality and highly paid sales force and (ii) negotiate significant volume discounts with banks in pricing their wire transfer systems and execute foreign exchange trades.

Experienced Management. The nine members of our senior management team have each worked for an average of over 17 years in either the travel money or the financial services industry. We have a policy of promoting from within the ranks of our employees, and the majority of our senior and middle managers have extensive experience with our operations. Our management has built our business from a single travel money retail branch in 1976. In addition, management has grown net revenues from less than £45.0 million in 1995 to £101.6 million in 1999. Both senior and middle management are incentivised through bonus payments based on profitability, and our senior management team owns (and will continue to own following the proposed reorganisation) 67.4% of our ordinary share capital.

Business Strategy

Our goal is to be the leading global provider of travel money and a major provider of global payment services. We intend to achieve our goal with the following business strategy:

Expand Retail Travel Money Business. We intend to continue to expand our retail travel money business through the following:

- **Expand Our Airport Network.** We are expanding our airport branch and ATM network to include premier locations in major gateways in which we do not currently operate. We believe that the airport branch is the most cost-effective place to provide travel money services due to the high volume of travel money customers that pass through airports. We intend to continue to expand our continental European airport branch network to include the main trans-continental gateways and use these key locations to win market share as banks scale back or eliminate their travel money services upon the introduction of Euro notes and coins.
- **Promote continental European airport branches.** We intend to promote our existing and future airport branches in continental Europe to increase market share. We intend to use existing and new partnerships with airlines, travel agencies and retail banks in each country to promote our airport locations as the logical, most convenient and most cost-effective way to obtain travel money. We intend to be in position to take market share from other providers who may scale back or eliminate their travel money operations upon the introduction of Euro notes and coins.

- **Grow Internet Capabilities.** We intend to promote the use of our websites as a fast and easy means of ordering retail travel money which can be picked up at our airport branches before departure. We believe that we are better positioned to benefit from the internet because of our ability to use our airport branches to cost-effectively and securely deliver travel money to the customer.

Expand Outsourced Travel Money Business. We intend to continue to expand our outsourced travel money business through the following:

- **Sign Additional Outsourcing Contracts.** We have been successful in signing a number of long-term outsourcing contracts primarily with customers in the UK. We also believe that retail banks in continental Europe will follow this outsourcing trend to reduce costs to affect the impact of lower volumes caused by the introduction of Euro notes and coins. We intend to expand our success in this business to continental Europe to take advantage of the outsourcing opportunities that we believe will arise from the introduction of Euro notes and coins.
- **Expand Low Cost Outsourcing Operations.** We intend to use our state-of-the-art physical currency technology to service new contracts with outsourcing clients in continental Europe. We intend to employ the state-of-the-art technology of our UK facility to lower our costs by achieving economies of scale while continuing to deliver high levels of customer service.

Expand Global Payments Business. We plan to expand our global payments business through a targeted marketing campaign. This will be conducted through the expansion of our high quality sales force and increasing our capacity by installing a customised transaction processing system. We attract and retain quality sales people with high incentive-based commission schemes.

Develop New Business Lines. We are developing additional product lines where we can leverage our low cost operations and the Travelex™ brand. Currently we are:

- **Developing a Retail Cash Transfer Business.** We are developing a retail cash transfer business which will provide individuals with the ability to transfer money between countries. We expect to launch this service beginning in Australasia in on or around third quarter 2000 through a 50/50 joint venture with a strategic partner. We have recruited a senior management team and are currently developing the systems necessary to operate the cash transfer network. We will offer a low cost service to the consumer and a high commission product to the franchisee. We believe that this service will enable us to leverage our low cost operations and the Travelex™ brand.
- **Expanding our Off-Airport ATM Network.** We are expanding our ATM network at off-airport convenience locations in the UK, US and Australasia to take advantage of the growth in ATM use and the competitive advantages that non-bank institutions have in this industry. Non-bank institutions have a much larger population to whom they can charge ATM access fees. We recently obtained an exclusive contract to install up to 250 new ATMs in McDonald's restaurants in the UK. Through our contracts with Alliance & Leicester, we have access to the UK ATM network and presently intend to install approximately 1,000 machines over the next three years in new locations in the UK. We have contracts with Westpac Banking Corporation, Credit Union Services Corporation and First Data Resources to access the ATM network in Australia and plan to install approximately 70 machines over the next year. We also are currently planning to increase our ATM network in the US by 50 machines per year.

Pursue Selective Acquisitions. We will continue to evaluate opportunities to acquire travel money and global payments businesses. We have a track record of successfully integrating acquisitions and believe we are successfully integrating our recent acquisitions. We will target acquisitions where we can leverage our low cost operations and the Travelex™ brand and increase the market penetration of our existing businesses.

Retail Travel Money

Services. We exchange domestic currency for foreign currencies for leisure and business travellers. We sell and purchase currency with an exchange spread, which means that we sell currency at a higher price than our cost to acquire it. We normally charge our customers commissions on such exchanges. We derive approximately 66% of our travel money net revenues from the exchange spread. We also operate ATMs in airports.

We offer value added currency products to our retail travel money customers, which allow them to obtain additional value from their purchases while generating additional net revenues per transaction for us. We have developed several new services in our retail travel money business including:

- **Buy Back Guarantee.** For an upfront fee, the customer is able to return any unused currency at the original purchase price, commission free.
- **Frequent Flyer Miles.** Through relationships with major airlines, such as with British Airways, we offer frequent flyer miles on foreign exchange transactions.
- **Coinpax™.** Ready-wrapped packs of foreign currency in small change that can be used for tips or luggage trolleys immediately on arrival abroad.
- **Travelex Cashpax™.** Pre-wrapped packs of foreign currency in specific denominations available immediately.
- **Travelex Coincard.** Uses chip-based technology to enable customers to store the value of coins on a smart card at their departure airport and convert it into local currency on arrival at airport locations around the globe.

We leverage our retail locations by offering other travel related products and services, such as travellers cheques, pre-paid phone cards and VAT refund processing. We are also a franchisee of Western Union at several Australasian and US branches. We exchange foreign currency coins for travellers utilising automated change machines. We process Notes and coins collected by airlines for charitable causes such as the Unicef Change for Good campaign sponsored by British Airways. In addition, we provide money handling services for retail shops at airports.

Customers. Our retail travel money services are purchased by a variety of individuals and companies. Though our business does not target any specific demographic group or geographic location, our airport retail branches primarily service the business traveller. We are not dependent on any single customer and no single customer accounts for more than 1% of our travel money net revenues. Our contracts with BAA, allowing us to service passengers at their UK airports, accounted for approximately 25% of our 1999 net revenues.

Marketing. Consumers do not preplan their travel money purchases. Generally they obtain foreign currency shortly before, or during their trip. Any effective marketing must therefore be focused on the travellers just before they travel. We concentrate our marketing effort on maximizing the visibility of our airport branches. We attempt to maximise exposure through highly visible locations supported by our distinctive signage. We recently re-launched our retail branches as *Travelex™ WorldWide Money* to enhance our brand and emphasise the unique scope of our services. Approximately 30% of airline travellers pass through the terminals in which we operate. In addition, we advertise in travel related media.

We heavily market to our consumers through our association with partners such as British Airways and Barclays. We receive prominent exposure in much of the British Airways and *Airmiles™* literature sent to their frequent flyers.

We also market to airport operators that choose travel money operators through requests for proposal processes where the proposed bidder submits its qualifications and the proposed rent they would offer. Each region monitors the market for new sites and requests for proposals. Our regional and senior managers focus on maintaining close relationships with airport operators. We believe we have developed a reputation for maximising the revenue potential of retail travel money operations at airports. As a result, we are often approached by airport operators to offer travel money services, or to extend our contract beyond the maturity date without having to go through the requests for proposal process.

Operations. We operate 314 branches across the UK, continental Europe, North America and Australasia. Below is a branch location chart:

Branches by Location and Region

	<u>Airports</u>	<u>Off-Airport</u>	<u>Total</u>
UK	64	44	108
US	86	5	91
Continental Europe	38	22	60
Australia	29	13	42
Canada	6	1	7
New Zealand	2	4	6
Total	<u>225</u>	<u>89</u>	<u>314</u>

In airports, we mostly license our retail space by paying a concession fee usually based upon the value of transactions processed subject to a minimum guarantee. These contracts are generally for five years with early termination permitted by either party upon six months notice. Early termination clauses are required by airport owners so that, in times of emergency, the airport authority can change the airport's use. This clause is generally not called upon for commercial reasons as the airport companies realise that this would ultimately impair the value of concessions. We have never had our occupancy of any airport space terminated by the airport owner pursuant to this termination clause. Approximately 28% of our branches are located in selected major city centres, historical locations, seaports and on passenger ships. These locations are also generally held under concessionary style agreements.

We operate 87 ATMs in selected airports in the UK, North America and Australasia. We operate approximately 42 ATMs in US airports, 34 ATMs in UK airports, 5 ATMs in Canadian airports, 3 ATMs in Australian airports and 3 ATMs in New Zealand airports. We have recently won a tender to be the exclusive ATM operator in San Francisco International Airport. Our ATMs are generally purchased using finance leases. We lease space from airports normally on a share of revenue basis. Each ATM is affiliated with a particular bank's network and is increasingly co-branded with the Travelex™ logo. The banks stock the machine with local currency and provide us with access to the ATM network. We share the revenue generated from our ATMs with our bank partners Alliance & Leicester, Palm Desert National Bank and Westpac, in the UK, USA and Australia, respectively.

In the UK and Australia, customers can pre-order their travel money from our websites and pick up their currency at our airport locations. We expect that North America will be added to this service within the next three months. We have relationships with several internet portals, including Freeserve, Microsoft Network Australia and Big Pond, enabling us to provide our services to their users.

Suppliers. We obtain currency stock for our retail travel money business from a variety of banks around the world. No single supplier dominates the market. RBS and Barclays combined, CPR Billets and Credit Suisse First Boston supplied approximately 53%, 20% and 11%, respectively of our retail travel money currency requirements in 1999. Generally, suppliers of currency are responsible for bearing the risk of delivering to our retail locations. We have no contractual arrangements with our suppliers guaranteeing price or availability.

We manage the cash needs of our retail travel money outlets centrally. Our treasury staff monitor and manage our cash and foreign currency needs to optimise our cash resources. We attempt to aggregate the purchase of foreign currencies to obtain lower pricing. Our foreign currency dealing operations in London, New York, Sydney and Paris utilise our information systems to determine our inventory requirements on a daily basis and purchase or sell physical currency.

Outsourced Travel Money

Services. Individuals place their travel money orders directly with our outsourcing customers. We fulfil their foreign currency and travellers cheque orders using advanced and largely automated equipment.

We generally invoice our customers for the full retail price of the foreign currency ordered. Our invoice is generally settled by the customer on the same day that the orders are dispatched. We also charge a per

order fee to some of our customers. We rebate back to our customers a percentage of volume. Our contracts are generally subject to service level agreements.

Customers. Generally about 90% of our net revenues are derived from a long-term exclusive outsourcing contract with Barclays. This will decrease to 55% upon introduction of the expected outsourcing contract with RBS and certain of its subsidiaries. We expect that contract to comprise approximately 39% of our net revenues.

We have contracts to distribute travel money to the customers of several travel agencies, including two of the top three business travel agencies in the UK, Carlson Wagonlit and Hogg Robinson BTI. In addition, we provide travel money services to the Co-operative Bank and The UK Post Office (through First Rate).

Marketing. We market and promote our outsourced travel money services to high street banks, building societies, other financial institutions and travel agencies. We also provide support to these customers in marketing to their retail clients. We have a team responsible for generating new business as well as maintaining account relationships. Senior management are directly involved in the generation of new contracts.

Operations. Consumers typically place orders with branches of their banks and travel agencies. These foreign currency and travellers cheque orders are generally received directly from our customers' in-house computer networks and in the future through the internet. We fulfil these orders from centres located in the UK, the US and Australia. At our Surrey, England operation, our largest facility, we process foreign currency note orders using advanced and largely automated equipment that collates and prepares the note and cheque amounts for packing and then batches by bank branch or travel agency for delivery the next business day. In the UK, some consumers can choose to pick up their order from our airport branches. Our inventory management system is capable of fulfilling large variations in daily foreign currency demand. We process approximately 1.1 million pre-packaged currency and travellers cheque orders each year. As our business in the US and Australia is currently much smaller than in the UK, we generally fulfil orders in those regions using less automated systems.

Suppliers. In September 1999, in connection with the acquisition of Transpay, we entered into a wholesale foreign bank note supply service agreement with RBS. We purchase travellers cheques on a consignment basis from Citicorp.

In the US, we obtain currency stock primarily from HSBC. In continental Europe, we obtain currency stock from CPR Billets and Credit Suisse First Boston. In Australia, we obtain currency stock from Westpac and Bank of America.

Travel Insurance

Products. We offer life and comprehensive travel insurance, distributed through 6,700 travel agencies in the US. We are the third largest provider of such services in the US; Access America and Travel Guard are our main competitors. We also offer life and accident insurance related to air travel at most of our US airport branches and through drop boxes in several other US airports.

We offer a comprehensive travel package in the UK, designed for purchase immediately prior to the journey, providing trip, life and medical insurance. We have also joined with Green Flag Recovery Services, the fastest growing motoring organisation in the UK, and the Heath Group, to provide Travelex Continental Touring Personal Insurance for coverage while driving abroad.

Customers. Our comprehensive travel insurance is purchased mostly by travellers arranging cruise and overseas packaged vacations. Our business does not target any specific demographic group or geographic location. We are not dependent on any single customer and no single customer accounts for 5% or more of our net revenues.

Marketing. We obtain business through our sales force and in-house telemarketing team. Our strategy is to expand by taking advantage of opportunities in direct sales, mostly to affinity groups and through the internet. This will allow us to retain the portion of premium otherwise paid to travel agencies. In addition, we are exploring various marketing programs to raise the awareness and use of travel insurance.

Operations. We offer these insurance products on an agency basis. We assume no underwriting risk at any time. Currently, most of the underwriting risk and claims management is done by Old Republic and American National in the US. Prior to the first quarter of 1999, the policies we sold were underwritten by

TIG Insurance Company, Inc. We changed underwriter to obtain more favourable terms and consequently, we retain over 40% of the premium collected. Old Republic also handles claims administration.

Global Payments

Services. We make cross border payments in foreign currencies on behalf of our corporate clients.

Our corporate clients can access our global payments service via:

- **Dealers.** Our customers place orders by calling our offices in London, Omaha (US), Sydney and Toronto. Our dealers provide price quotes and execute the transaction on the customers' behalf.
- **FxOnline™.** Our customers place orders using FxOnline™, our interactive system which allows customers to request price quotations for cross border payments and to instruct us to execute payments on their behalf. The system is available either through the internet or dial-up software, which is quick to install and easy to use.

Customers. The customers of our global payments business are mostly middle-market corporations. We also provide services to large multi-nationals, mostly to process their smaller foreign currency payments.

Marketing. We have over 30 sales representatives dedicated to developing new business by targeting companies they believe could benefit from our service. Each sales force is led by a sales manager who reports directly to the manager of the applicable geographic region. We attract and retain quality sales people with a high incentive-based commission scheme. Commissions are primarily linked to the revenue generated from customer orders.

Operations. Our clients use FxOnline™ or place calls directly to our traders who provide the consumer with a quote of the price at which we will sell a particular currency. If the customer accepts the price, we confirm the delivery instructions (the payee's bank account details) and review the acceptability of the delivery location in compliance with laws that limit the possibility of either our client or the payee transferring money for illegal purposes. Our client then electronically sends the payment to our bank account. In general, we only forward the payment in the appropriate foreign currency to the delivery location once we have confirmed receipt of payment from our customer. We make payments for a limited number of customers on receipt of uncleared funds. We charge wire transfer fees. We recognise revenue earned on the contract date.

Our foreign currency dealing operations in London, Sydney, Omaha and Toronto provide a combined twenty-four hour surveillance of the international currency markets and execute dealing transactions that support our global payments business. Our dealing professionals will purchase or sell futures contracts in order to perfect hedges against future payment orders. We hedge our currency positions throughout the day and, excluding a nominal amount of overnight positions limited to £750,000 for each office, are fully hedged by the end of each business day. See "Risk Management".

Suppliers. We execute cross border payment requests through our relationships with several banks. In 1999, US Bank, Chase, Barclays and Westpac executed 31.6%, 23.8%, 23.6% and 12.8% of our cross border payments, respectively. A variety of banks provide this service and no single bank dominates the market. The scale of our global payments business allows us to negotiate significant volume discounts with banks for the use of their wire transfer systems and discounted exchange rates.

New Businesses

WorldWide Money — Retail Cash Transfer Business. We are developing a retail cash transfer business, called *Travellex™WorldWide Money*, which will provide individuals with the ability to transfer money between countries. We expect to launch this service beginning in Australasia in August 2000 through a 50/50 joint venture with a strategic partner. We have recruited a senior management team and are currently developing the systems necessary to operate the cash transfer network. We will offer a low cost service to the consumer and a high commission product to the franchisee. We believe that this service will enable us to leverage our low cost operations and the Travellex™ brand.

Off-Airports ATMs. We are expanding our ATM network in off-airport convenience locations to take advantage of the growth in ATM use and the competitive advantages that non-bank institutions have in this industry. Non-bank institutions have a significant advantage because they do not have a base of retail customers that get free use of their networks. As a result, non-bank institutions have a much larger population to whom they can charge ATM access fees.

We are expanding our ATM network in the UK, Australia and the US beyond airports. We recently obtained an exclusive contract to install and operate up to 250 new ATMs for a four year term in McDonald's restaurants in the UK. Through our contracts with Alliance & Leicester PLC, we have access to the UK ATM network. Our current plans are to install approximately 1,000 additional machines over the next three years in the UK.

We have contracts with Westpac Banking Corporation, Credit Union Services Corporation and First Data Resources Australia to access the ATM network in Australia. A total of 30 ATMs are planned to be installed by the end of the third quarter 2000 and a total of 70 by the year end. We are currently planning to increase our ATM network in the US by 50 per year.

We find and manage ATM sites and arrange for ATM installation with landlords. The routine maintenance and the stocking of cash is normally outsourced to third parties. On each transaction, we receive a fee which is variable depending on the transaction type and the card type and whether we levy a surcharge. The network provider passes a proportion of the income stream to us. The size, proportion and method of calculation of the income stream is dependant on individual contracts with ATM network access providers around the world. We actively manage our ATM network and seek to deploy ATMs where they will make attractive returns on capital.

Properties

Our principle executive offices are located in 8,500 square feet of space at 65 Kingsway, London WC2B 6TD, United Kingdom. These offices include our UK finance, risk management, information technology and senior management. We lease these offices under contract until 2008 on customary terms. We also maintain three regional head offices in Garden City, New York; Zeebrugge, Belgium; and Sydney, Australia. All are leased on customary terms.

We operate our retail travel money business through 314 branches located in North America, the UK, continental Europe and Australasia. We typically lease or licence our retail space in airports. Although these contracts are generally terminable by either party on relatively short notice, we have never had our occupancy of any airport space terminated by the landlord pursuant to this termination right. Retail locations outside of airports are held under licence or are leased from the landlord.

To support our outsourced travel money business, we lease a 30,000 square foot operation in Surrey, England. We maintain several smaller fulfilment branches within our other retail spaces in the US and Australasia.

Our global payments business is based at our head offices in the UK and Australia and from two offices in Omaha, Nebraska with a combined size of 6,700 square feet. Dealing operations are located in our offices in London, Omaha, Toronto and Sydney.

Information Systems

Our information technology function is responsible for the operation and development of our information and transaction systems. Each region has its own Information Technology (IT) department. All such activities are co-ordinated by our London IT department.

As part of our modernisation drive, we have installed information systems which utilise state-of-the-art technology. By replacing and consolidating our systems, we have achieved a common platform, which readily shares data across subsystems. This has enabled our branch management teams to better analyse and rapidly act on the results of our operations. Furthermore, our senior managers can use this tool to pro-actively monitor our operations.

Our branch professionals manage transactions through a proprietary system found at all of our sites. This user-friendly system allows our branch staff to implement sales promotions and complete varying product transactions using an electronic point of sale capability. Overnight, all transactional data is automatically collected at our head-office using dial-up modems and digital ISDN lines. After verifying and consolidating the raw data at the head-office, the information is passed to our accounting system and made available to our management support system using an internal intranet.

We have begun to improve our global data networks by building a private frame relay circuit between all key offices and large retail branches. This will improve our ability to share business information and transactional data on a real-time basis. By continuing to enhance our information systems throughout 2000, we intend to increase the speed of access between offices and retail sites and improve the functionality of our applications. This will enable us to continually improve our service to our clients and increase profitability.

Risk Management

Control of currency stock in our branches lies primarily with our dealing professionals and is overseen by risk management. Our dealers are responsible for reviewing inventory requests by the branches and determining whether increases or decreases to currency stock should be approved based on historical demand patterns. Material variations in currency stock requests must be approved by our head of risk and treasury. Our travel money dealers are paid a base salary and are not incentivised to achieve dealing profits. The accounts of our dealing professionals are reviewed on a random basis by our Risk and Treasury department. In addition, we perform random and regular audits.

Each global payments order is subject to varying levels of approval based on transaction size. Firstly, our dealers review the order based on past payment behaviour and account history. Secondly, any transactions over £3 million must be approved by our head of Risk and Treasury, our Chief Executive or our Finance Director. Occasionally we execute transactions over £5 million for established customers which have been approved in advance by our Chief Executive or Finance Director. Transactions up to £5 million are fully covered by insurance in the event of delivery complications or illegal activity. Once the transaction is approved by our dealers, it is sent to our mid-office, which reviews the acceptability of the delivery location to limit the possibility of either our client or the payee transferring money for illegal purposes. Only our mid-office can actually release the funds to the delivery location and, in general, will do so only after the client electronically sends its payment to our bank account. All transactions recorded on our dealing information systems are compared to the payments recorded on our general ledger system by our internal auditors. Any discrepancies are reviewed with the relevant parties and appropriate actions are taken. Our general ledger and transaction information systems are audited regularly by our internal auditing team and reported to our internal audit committee, which is chaired by our non-executive director.

Employees

As of June 30, 2000, we employed approximately 1,800 full and part time employees. The number of employees at the end of the fiscal year ended 1998 and 1997 was 1,423 and 1,260, respectively.

We have collective bargaining agreements with the following labour organisations: the CFDT in France, UNIFY in the UK, GewerkSchaft für Handel, Banken und Versicherungen in Germany and the Finance Sector Union of Australia in Australia.

Regulation

Both the travel money and global payment businesses have to comply with money laundering and banking regulations.

Money Laundering. Money laundering regulations have been introduced to detect money launderers in the various jurisdictions in which we operate. In each jurisdiction in which we operate, we are obligated

to gather information on parties effecting transactions above a certain value (£5,000 in the UK) and to report similar information on parties effecting "suspicious" transactions.

Our anti-money laundering policy is based on the highest level of disclosure required in any jurisdiction in which we operate. For example, even though the transaction disclosure level is £5,000 in the UK, the till systems automatically probe for information on transactions above £3,000 and at random.

For global payments, we monitor sources and destinations of funds. As our customers are assigned to specific dealers who develop a relationship and thus know their customers and their payment patterns, we are able to determine which transactions are suspicious and those which must be reported.

Banking regulation. We are not regulated as a bank in any jurisdiction in which we operate. However, banking regulations impose limitations on what financial services non-banks can perform. This legislation takes various forms depending on each country. The general tendency in continental Europe is to register in order to provide certain services. For example, a bureau de change licence is required to operate in Germany which imposes minimum capital requirements and regular reporting. Other countries simply require a registration with the local central bank or nothing at all, as in the UK. A full banking licence is required in Australia, where we operate pursuant to a relationship with a local bank, under whose license we operate. We are routinely inspected by banking authorities in various continental European jurisdictions in which we operate.

Intellectual Property

We have registered the Travelex name and logo in all jurisdictions in which we currently operate and in numerous other locations. We have also registered a variety of other trade names and service marks in jurisdictions where we have deemed it advisable to do so. We monitor our trademark usage and expect to register our current trademarks in additional jurisdictions and also to register new trade names and service marks as developed.

Legal Proceedings

From time to time, we are party to various legal actions in the normal course of our business. We believe we are not currently party to any litigation that, if adversely determined, would have a material adverse effect on our business, financial condition and results of operations.

On July 14, 2000, we were notified that the European Commission had initiated proceedings against our Belgium subsidiary which operates an airport retail travel money business in Belgium. The proceeding relates to the charges on exchanges between currencies of member states who have adopted the Euro. We understand that these proceedings have been initiated against other banks and bureau de change operators in Belgium. As the proceedings relate only to Euro exchanges by our Belgium operations, even if these proceedings are adversely determined we believe they will not have a material adverse effect on our business as a whole.

MANAGEMENT

Directors and Senior Executives

The following table sets forth the name and position of each of our directors and senior executives. Each director will hold office until he resigns, retires or is removed by shareholders in a general meeting. The address of the directors is at 65 Kingsway London WC2B 6TD, United Kingdom.

Name	Age	Positions
Directors		
Lloyd Dorfman	47	Chief Executive
Clive Kahn, ACA	42	Finance Director, Secretary
Gerry Conroy, BA	58	Director of Retail Operations
Omid Hajilou, BA	33	Director of IT
Nicholas Page, MA FCA	47	Managing Director, Travelex Currency Services
Keith Richbell, BA	42	Director of E-Commerce
Peter Birch, CBE	62	Non-Executive Director

Senior executives

Anthony Horne	51	Senior Executive Vice President — North America
Andrew Want	40	Managing Director — Australasia

Lloyd Dorfman. Mr. Dorfman founded the business in 1976. Since such date he has served as Chief Executive and as a member of the Board of Directors. Prior to founding the business, he attended Lincoln's Inn Fields College of Law in London from 1971 to 1973 and worked as an Account Executive for First National Finance Corporation from 1973 to 1976.

Clive Kahn. Mr. Kahn, a chartered accountant, joined us in 1985 as Finance Director and as a member of the Board of Directors. Prior to joining us, he worked in several capacities for Stoy Hayward, including Audit Manager, from 1981 to 1984.

Gerry Conroy. Mr. Conroy joined us in 1984 as Director of Retail Operations and as a member of the Board of Directors. Mr. Conroy has over thirty years of experience in the foreign exchange industry.

Omid Hajilou. Mr. Hajilou joined us in 1998 as Director of Information Technology and as a member of the Board of Directors. Prior to joining us, Mr. Hajilou was the Head of Technology at Schroder Securities for over three years.

Nicholas Page. Mr. Page was appointed as a non-executive member of the Board of Directors in 1986. Before becoming an executive director in 1999, Mr. Page held various positions within the Hambros Group of Companies, including Executive Director and Deputy Chairman of Hambro Group Investments Plc as well as Group Managing Director of Hambro Insurance Services Plc. He became Managing Director of Travelex Currency Services in 1999.

Keith Richbell. Mr. Richbell served as a non-executive member of the Board of Directors, representing Abbey National Plc, from 1995 to 1998. In 2000, Mr. Richbell joined us as Director of E-Commerce and as a member of the Board of Directors. Prior to joining us, he worked for Girobank, the Association of Payment Services and Citibank. In 1987 he joined Abbey National Plc where he held several senior positions including Retail Banking Director and Advance Development Group Director.

Peter Birch. Mr. Birch was appointed in 1999 as a non-executive member of the Board of Directors, representing 3i. Mr. Birch is Chairman of Legal Services Commission, Land Securities plc and Kensington Group plc. Mr. Birch has more than 30 years of corporate management experience, including as Chief Executive of Abbey National Plc. Mr. Birch is also a director of Trinity Mirror plc, Coca Cola Beverages plc, Rothschild & Sons Limited and Five Arrows Finance Limited.

Andrew Want. Mr. Want joined us in 1997 in his current position. Prior to joining us, Mr. Want was a corporate lawyer and a partner of Cowley Hearne, a Sydney law firm, for more than five years.

Anthony Horne. Mr. Horne joined us in 1995 in his current position. Prior to joining us, Mr. Horne was the CFO of Thomas Cook in the US.

Director and Officer Compensation and Arrangements

We paid an aggregate of £1,338,284 in compensation to our directors and senior executives in 1999 for all services rendered.

We contribute an amount ranging from 10% to 20% or more of the directors' and senior executives' salaries into their personal pension plans. We also provide senior executives company cars, a medical benefits program and a discretionary bonus scheme based on our profit before tax.

All employees are entitled to purchase travel money from us at discounts. See "Related Party Transactions".

The terms of employment for all directors and executive officers are governed by service contracts. These agreements describe the directors' and senior executives' remuneration, bonus and pension plans, holiday accrual and medical benefits. Notice of termination ranges from three to twelve months and all directors and senior executives are entitled to continue to receive their compensation during such notice periods. Upon termination, all directors and executive officers are subject to a non-competition covenant for two years.

Insurance

The Company has obtained customary directors' and officers' insurance against certain liabilities such persons may incur on our behalf.

Compensation Committee Interlocks and Insider Participation

There is no separate compensation committee. This function is performed by the Board of Directors as a whole.

Audit Committee

The board of directors has an audit committee chaired by Peter Birch and is also comprised of Lloyd Dorfman, Clive Kahn and Nicholas Page.

SHAREHOLDERS

Upon completion of the reorganisation, we will have authorised share capital of 1,000,000 Ordinary Shares of £1 each and 500,000 A Ordinary Shares of £1 each. Of this amount 606,334 Ordinary Shares of £1 each and 293,333 A Ordinary Shares of £1 each will be issued and outstanding.

The following table sets forth the name of each person who, upon completion of the reorganisation, may be deemed to be the beneficial owner of at least 3% of either Ordinary Shares or A Ordinary Shares and the ownership of each director and executive officer and all directors and officers as a group.

Name of Beneficiary	Ordinary Shares		A Ordinary Shares		Total %
	Amount	%	Amount	%	
Lloyd M. Dorfman ⁽¹⁾	566,950	93.5%	—	—	63.0%
Clive I. Kahn	28,605	4.7%	—	—	3.2%
Peter G. Birch	6,737	1.1%	—	—	0.7%
Nicholas Page	4,042	0.7%	—	—	0.5%
3i Group plc ⁽²⁾⁽³⁾	—	—	293,333	100%	32.6%
91 Waterloo Road London SE1 8XP					
3i Parallel Ventures Limited	—	—	293,333	100%	32.6%
Partnership ⁽⁴⁾⁽⁵⁾ 91 Waterloo Road London SE1 8XP					
3i UKIP II Limited Partnership ⁽⁶⁾⁽⁷⁾	—	—	293,333	100%	32.6%
91 Waterloo Road London SE1 8XP					
Directors and officers as a group	606,334	100%	—	—	67.4%
(4 persons)					

- (1) Includes 184,316 shares owned by the L.M. Dorfman Settlement Trust, of which Mr. Dorfman may be deemed to be the beneficial owner.
- (2) Includes the 35,200 A Ordinary Shares owned by 3i Parallel Ventures Limited Partnership, and the 82,133 A Ordinary Shares owned by 3i UKIP II Limited Partnership, affiliates of 3i Group plc.
- (3) These shares are held in the name of 3i Nominees Ltd., an affiliate of 3i Group plc, 3i Parallel Venture Limited Partnership and 3i UKIP II Limited Partnership.
- (4) These shares are held in the name of 3i Nominees Parallel Venture Limited Partnership, an affiliate of 3i Group plc, 3i Parallel Venture Limited Partnership and 3i UKIP II Limited Partnership.
- (5) Includes the 176,000 A Ordinary Shares owned by 3i Group plc and the 82,133 A Ordinary Shares owned by 3i UKIP II Limited Partnership, affiliates of 3i Parallel Ventures Limited Partnership.
- (6) Includes the 176,000 A Ordinary Shares owned by 3i Group plc and the 35,200 A Ordinary Shares owned by 3i Parallel Ventures Limited Partnership, affiliates of 3i UKIP II Limited Partnership.
- (7) These shares are held in the name of 3i UKIP II Nominees Ltd, an affiliate of 3i Group plc and 3i Parallel Ventures Limited.

Incorporation

Travelex plc was incorporated and registered in England and Wales on May 25, 2000, under the Companies Act 1985, with the name Ibis (576) Limited, with registered number 4001915, as a private company limited by shares. Pursuant to a special resolution, on 14 July 2000 Ibis (576) Limited re-registered as a public limited company and changed its name to Travelex plc. The liability of the shareholders of the Company is limited and is governed by the laws of England and Wales.

The registered office and principal place of business of the Company is at 65 Kingsway, London WC2B 6TD and its telephone number is 020 7400 4000.

Capital Stock

In connection with the reorganisation, our new articles of association will provide that dividends will be payable to the holders of A Ordinary Shares as follows:

- A fixed cumulative dividend equal to 10% of the paid up amount, or £293,333, accruing from the closing date of the reorganisation payable semi-annually, commencing on January 1, 2001;

- A participating cumulative dividend equal to 8% of our profit after taxation, accruing from September 30, 2003, payable annually commencing in 2004.

The articles also contain a provision preventing us from paying amounts to our executives who hold ordinary shares without paying a pro rata dividend to all equity holders.

The articles will also contain restrictions on the transfer of shares and will provide for pre-emption rights upon the allotment of new shares.

Holders of Ordinary Shares and A Ordinary Shares are entitled to one vote per share and the two classes vote as a single class on all matters.

RELATED PARTY TRANSACTIONS

In connection with the reorganisation we will enter into a shareholders agreement with each of our shareholders. Pursuant to this agreement we will be restricted from undertaking certain activities without the prior written consent of 3i, including but not limited to amendments to our business plan, certain increases in our indebtedness, entry into joint venture arrangements and the acquisition or disposal of material assets. 3i will have the right to appoint one director and one observer to our board. We will agree to provide certain financial and other information to our shareholders. The agreement contains certain warranties and non-compete commitments by the management shareholders of the Company.

In connection with the acquisition of the foreign currency outsource business from Barclays, we and RBS entered into a shareholders agreement dated September 30, 1999. RBS owns 15% of our subsidiary which operates our UK outsource travel money business, although we are in negotiation with RBS which could result in RBS owning 20% of this business. Pursuant to this shareholders agreement, RBS has the right to appoint one director to the board of the subsidiary which operates this business; however, in the event that we fail to meet the service levels set out in the supply agreement with Barclays, RBS may exercise certain rights, including the appointment of a second director to the board and the right to require us to engage a third party supplier to provide the services pursuant to the Barclays supply agreement. In the event that the UK outsource travel money business has sufficient available profits in any year and having regard to its working capital requirements RBS has a right to an annual cumulative dividend of 15% of such available profits for that year. RBS also has the right to convert its interest in this business into equity of a company in our group whose shares become publicly traded on certain securities exchanges.

Outside of the supply agreement which we have entered into with RBS, we purchase and sell foreign currency from and to RBS to supply our retail travel money foreign currency requirements. The terms of these transactions are negotiated on a transaction by transaction basis. In 1999, the value of such purchases and sales was £79,435,891. See "Business — Travel Money — Retail Travel Money — Suppliers".

From time to time we have made cash advances to Keycastle Limited, a company all of the equity of which is owned by Lloyd Dorfman. As of December 26, 1999, Keycastle Limited owed the Company £57,463 in relation to these advances. All of such amounts will be repaid to us in 2000.

DESCRIPTION OF THE SENIOR CREDIT FACILITIES

In connection with the offering, we are entering into two senior credit facilities with Barclays. The facilities consist of a £15.0 million revolving credit facility and a £30.0 million acquisition facility.

General. The revolving credit facility will be available for drawdown on closing of this offering. The acquisition facility will be committed on the closing of this offering but drawdown is subject to the approval of the lender. The amounts drawn down and the amounts secured pursuant to the acquisition facility are subject to meeting the financial compliance covenants in the indenture governing the Notes. The acquisition facility is being provided by the lender for certain future acquisitions and/or investments contemplated by us and is subject to meeting the conditions precedent and financial compliance covenants in the facility.

The advances under the senior credit facilities will bear interest at the rate per annum equal to LIBOR plus the margin of 1.5% per annum payable quarterly in arrears.

Certain other terms and conditions usual for senior credit facilities of this type apply including conditions to drawdown, representations and warranties, indemnities, provisions to maintain the interest rate receivable by the lender and covenants and events of default.

Covenants. The senior credit facilities contain certain negative covenants which, among other things, restrict our ability to:

- (i) incur additional indebtedness;
- (ii) sell or transfer assets;
- (iii) grant security;
- (iv) make investments;
- (v) pay dividends or redeem share capital;
- (vi) pay interest or principal on debt obligations (but permitting the payment of scheduled interest and principal on the Notes);
- (vii) engage in businesses not substantially similar to the present businesses of the Travelex Group; and
- (viii) consolidate, dissolve, merge, or enter into joint ventures.

The facilities also contain certain other covenants including:

- (i) provision of financial reports on a monthly, quarterly, and annual basis;
- (ii) maintenance of financial covenants, including covenants relating to total interest coverage ratio, senior interest coverage ratio, debt service coverage ratio and a ratio of EBITDA to senior debt; and
- (iii) compliance with rules and regulations.

Guarantees and Securities. The revolving credit facility and, subject to meeting the financial compliance covenants under the indenture governing the Notes, the acquisition facility will be guaranteed by us and by substantially all of our present and, except in limited circumstances, future subsidiaries. We and our subsidiaries will grant (to the extent possible and practicable under applicable law and, in respect of the acquisition facility, subject to meeting the compliance covenants under the indenture governing the Notes) fixed and floating security over all our respective material assets (including shareholdings).

Repayment and Prepayment. The term of the revolving credit facility is three years and the acquisition facility has a four year term (amortising during such period) extendable annually at Barclay's option. On the happening of certain events (such as a change of control of the Company) we must prepay and/or cancel the senior credit facilities. We may also elect to prepay and/or cancel the senior credit facilities on notice.

Events of Default. The senior credit facilities contain specified events of default which include the following:

- (i) failure to pay interest or principal when due under the senior credit facilities;
- (ii) breach of a covenant or representation or warranty;
- (iii) default under other debt obligations (including under the indenture governing the Notes);
- (iv) winding-up or insolvency of the company or a material subsidiary;
- (v) any judgement, writ, order or attachment in excess of a certain monetary amount; and
- (vi) failure of any security granted pursuant to the senior credit facilities.

DESCRIPTION OF THE NOTES

The Notes are to be issued under an indenture, to be dated as of the closing date, among us, the Guarantors named below and The Bank of New York, as trustee. A copy of the form of indenture related to the Notes is available upon request from us. The indenture will limit the amount of Notes on original issue which may be issued thereunder to £250 million. The Notes to be issued in this offering will be limited in aggregate principal amount to £75,000,000. Up to an additional £175,000,000 aggregate principal amount of Notes may be issued pursuant to the indenture at any time after this offering subject to the provisions of the indenture under "Covenants — Limitation on Indebtedness."

The following description is a summary of the material provisions of the indenture. You can find the definition of some of the terms used in this description under the caption "— Definitions." As a summary, this description does not restate the indenture in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of these Notes. The indenture is subject to, and your rights as holders of the Notes are also defined by, the terms of the U.S. Trust Indenture Act of 1939.

When we refer to the "Company" in this Description of the Notes section of the offering memorandum we are referring to Travelex plc only and not to any of its subsidiaries.

Ranking

The Notes will:

- be senior and unsecured indebtedness of the Company;
- rank equally in right of payment with each other and with all of the other senior unsecured indebtedness of the Company and each of the Guarantors; and
- be senior in right of payment to all the subordinated indebtedness of the Company and each of the Guarantors.

After giving pro forma effect to this offering, as at April 2, 2000, we would have had £77.8 million of outstanding senior indebtedness.

The Notes and the guarantees provided by the Guarantors will be effectively subordinated to secured indebtedness of the Company and the Guarantors, respectively, to the extent of the assets securing such indebtedness, including assets securing indebtedness under the Revolving Credit Facility.

Methods of calculating and paying interest on the Notes

Each Note will bear interest at the rate per annum shown on the front cover of this offering memorandum from the date of issuance, or from the most recent date to which interest has been paid or provided for. Interest on the Notes will be payable semi-annually to holders of record at the close of business on January 17 or July 17 immediately preceding the interest payment date, in each case on January 31 and July 31 of each year, commencing on January 31, 2001.

Guarantees

The payment and performance in full when due of the Company's obligations under the indenture and the Notes will be fully and unconditionally guaranteed on a senior basis by all Restricted Subsidiaries, and by any further Restricted Subsidiaries created or acquired by the Company or another Restricted Subsidiary. The obligations of each Guarantor will be limited to the maximum amount which, after giving effect to all of its other contingent and fixed liabilities and after giving effect to any collections from or payments made by or on behalf of the Company or any other Guarantor in respect of the obligations of the Company under the indenture, will result in the obligations of such Guarantor under its guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law.

Provided no default exists under the Indenture, a Guarantor shall be released from all of its obligations under its Guarantee (i) upon a sale or other disposition (x) by the Company or a Restricted Subsidiary of a Guarantor or (y) by a Guarantor of all or substantially all of its assets, in each case in compliance with the covenants entitled "Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries" and "Limitations on Asset Sales", (ii) if the Guarantor merges with or into or consolidates with, or transfers all or substantially all of its assets in compliance with the covenant entitled "Merger, Consolidation or Sale of Assets" below and the surviving entity enters into a Guarantee of the Notes, or (iii) if the

Guarantor is designated an Unrestricted Subsidiary in compliance with "Covenants-Limitation on Restricted Payments," and, in each such case, such Guarantor has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent provided for in the indenture relating to such transaction have been complied with. Each of the Guarantors will be discharged from its obligations in respect of its Guarantee of the Notes in certain circumstances set forth in "Defeasance" below.

Each of the Guarantors will represent and warrant in the indenture that such Guarantor's obligations have been undertaken in good faith and for the purpose of or in connection with the conduct of its business and for its commercial benefit, which is commensurate with the obligations undertaken by it.

Each Restricted Subsidiary acquired or created after the closing date is required to execute a Guarantee, satisfactory in form and substance to the Trustee (and with documentation relating thereto as the Trustee shall require, including, without limitation, a supplement or amendment to the indenture and opinions of counsel as to the enforceability of such Guarantee) pursuant to which such Restricted Subsidiary will become a Guarantor.

Substitution of Currency

The Euro, the currency introduced at the start of the third stage of economic and monetary union pursuant to the treaty establishing the European Economic Community, as amended by the Treaty on European Union, was introduced on January 1, 1999. The United Kingdom was not a participant at that date. However, the government of the United Kingdom stated that the United Kingdom might wish to join the single currency regime at a later date. If the United Kingdom adopts the Euro, it will replace pounds sterling as the legal tender in the United Kingdom and result in the effective re-denomination of the Notes into the Euro and the regulations of the European Commission relating to the Euro shall apply to the Notes. The circumstances and consequences described in this paragraph do not entitle the Company, the Guarantors or any holder of Notes to early redemption, rescission, notice or repudiation of the terms and conditions of the Notes, the Guarantees of the Notes or the indenture or to raise other defenses or to request any compensation claim, nor will they affect any of the other obligations of the Company or any of the Guarantors under the Notes, the Guarantees of the Notes and the indenture.

Paying Agent

The Company will maintain a paying agent for the Notes in London at all times that payments are to be made in respect of the Notes.

Sinking Fund

There will be no sinking fund payments for the Notes.

Optional Redemption

Prior to August 1, 2003

At any time prior to August 1, 2003, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 110.5% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date with the net proceeds received by us from one or more Equity Offerings; *provided*, that:

- (1) at least 65% of the aggregate principal amount of Notes initially issued remains outstanding immediately after the occurrence of such redemption; and
- (2) that notice of each such redemption is mailed within 60 days of each such Equity Offering.

Prior to August 1, 2005

At any time prior to August 1, 2005, we also may redeem all or part of the Notes at our option upon not less than 30 nor more than 60 days' prior notice at a redemption price of 100 per cent of the principal amount thereof, plus the Make Whole Premium, plus accrued and unpaid interest, if any, to the redemption date. Our redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

On or after August 1, 2005

At any time on or after August 1, 2005 and prior to maturity, we may redeem all or a part of the Notes at our option upon not less than 30 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of principal amount) plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing August 1 of the years set forth below. Our redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

<u>Year</u>	<u>Redemption Price</u>
2005	105.25%
2006	103.50%
2007	101.75%
2008 and thereafter	100.00%

Selection

If less than all of the Notes are to be redeemed at any time, the trustee will select the Notes (or portions of Notes) for redemption as follows:

- (1) in compliance with the requirements of any securities exchange or regulated securities market, if any, on which the Notes are then listed or,
- (2) if the Notes are not listed or quoted on a securities exchange or a regulated securities market, on a pro rata basis, by lot or by such other method as the trustee in its sole discretion shall deem to be fair and appropriate; *provided* that no Note of £1,000 in principal amount or less shall be redeemed in part.

If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount of such Note to be redeemed. A new Note in principal amount equal to the unredeemed portion of such Note will be issued in the name of the holder of such Note upon cancellation of the original Note.

Optional Tax Redemption

In addition, we may, at our option, redeem the Notes in whole, but not in part, at 100% of their principal amount at maturity, plus accrued interest, if any, to the redemption date, in the event we have become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes, any additional amounts as a result of a change in laws (including any regulations promulgated thereunder) of the Relevant Taxing Jurisdiction, or change in any official position regarding the application or interpretation of such laws or regulations, and this change is announced or becomes effective on or after the closing date, provided that we determine in good faith that the obligation to pay such additional amounts cannot be avoided by the use of reasonable measures available to us.

Repurchase of Notes upon a Change of Control

The Company shall commence, within 30 days of the occurrence of a Change of Control, and consummate an Offer to Purchase for all Notes then outstanding, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest (if any) to the Payment Date.

The Company may not have sufficient funds available at the time of any Change of Control to make any debt payment (including repurchases of Notes) (as well as any debt payment covenant that may be contained in other securities of the Company which might be outstanding at the time). The covenant described above, requiring the Company to make an offer to repurchase the Notes, will, unless consents are obtained, require the Company to repay all indebtedness then outstanding which by its terms would prohibit such Note repurchase, either prior to or concurrently with such Note repurchase.

Covenants

The indenture will contain the following covenants:

Limitation on Indebtedness

(A) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (other than the Notes issued in this offering and Indebtedness existing on the closing date) or issue any Redeemable Stock to any person; *provided* that the Company may Incur Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds thereof, the Interest Coverage Ratio would be greater than 2 to 1; and *provided further* that the Company may Incur Senior Indebtedness if, after giving effect to the Incurrence of such Senior Indebtedness and the receipt and application of the proceeds thereof, the Consolidated Leverage Ratio would not be greater than 3.5 to 1.

Notwithstanding the foregoing, the Company and (except as specified below) any Guarantor may incur or issue each and all of the following

- (1) Indebtedness of the Company or any Guarantor under the Revolving Credit Facility in an aggregate principal amount at any one time outstanding not to exceed £15.0 million (or the foreign currency equivalent thereof), less the aggregate amount of all Net Cash Proceeds of Assets Sales that have been applied since the date of the indenture to repay Indebtedness under the Revolving Credit Facility pursuant to the covenant described under the caption "Limitation on Asset Sales";
- (2) Indebtedness owed to the Company or to any of the Guarantors; *provided* that any event which results in any such Guarantor ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or another Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (2);
- (3) Indebtedness of the Company or any Guarantor issued in exchange for, or the net proceeds of which are used to refinance or refund, Indebtedness permitted by clause (1) of this paragraph and other Indebtedness Incurred in compliance with this covenant "Limitation on Indebtedness" (other than Indebtedness Incurred under clause (2) of this paragraph), and any refinancings thereof in an amount not to exceed the principal amount so refinanced or refunded (plus premiums required to be paid in connection with such refinancing or refunding pursuant to the terms of the Indebtedness so refinanced or refunded or the amount of any premium reasonably determined by the Company as necessary to accomplish such refinancing or refunding by means of a tender offer or privately negotiated repurchase, accrued interest, and reasonable fees and expenses incurred in such refinancing or refunding); *provided* that Indebtedness, the proceeds of which are used to refinance or refund the Notes (in part but not in whole) simultaneously upon the Incurrence thereof or Indebtedness that is Senior Indebtedness shall only be permitted under this clause (3) if
 - (a) in a case where the Notes or any Guarantees thereof are refinanced in part or the Indebtedness to be refinanced is other Senior Indebtedness, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made equal in right of payment with, or subordinated in right of payment to, the remaining Notes and the Guarantees thereof;
 - (b) in a case where the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Guarantees thereof, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes and the Guarantees thereof at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Guarantees; and
 - (c) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and does not permit redemption or other retirement (including pursuant to an offer to purchase) of such Indebtedness at the option of the holder thereof prior to the date any redemption or other retirement of the Indebtedness being refinanced would have been permitted;

(4) Indebtedness

- (a) in respect of performance, surety or appeal bonds, bankers' acceptances or letters of credit for the account of the Company or any Restricted Subsidiary in connection with self-insurance payment obligations, workers' compensation claims or similar requirements in the ordinary course of business in a customary manner and which do not secure other Indebtedness; or
 - (b) under Currency Agreements and Interest Rate Agreements; *provided* that such agreements
 - (i) are designed solely to protect the Company or its Restricted Subsidiaries against fluctuations in foreign currency exchange rates or interest rates with respect to Indebtedness Incurred or anticipated to be Incurred and which shall have a notional amount no greater than the payments due with respect to the Indebtedness being hedged thereby, or, in the case of Currency Agreements, (x) against currency exchange rate fluctuations in the ordinary course of the Company's and the Restricted Subsidiary's business (A) relating to their existing financial obligations, (B) relating to the value of currency held as stock, or (C) anticipated financial results or (y) related to transactions with customers of the Company or any Restricted Subsidiary in the ordinary course of business, and, in each such case, not for the purpose of speculation, and
 - (ii) do not increase the Indebtedness of the Company or any Restricted Subsidiary outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder;
- (5) Indebtedness of the Company, to the extent the net proceeds thereof are promptly:
- (a) used to purchase Notes tendered in an Offer to Purchase made as a result of a Change in Control or
 - (b) deposited to defease the Notes as described below under "— Defeasance";
- (6) Indebtedness under the Notes, Guarantees of the Notes by the Guarantors, and Guarantees of Indebtedness of the Company or any Restricted Subsidiary by the Company or any other Restricted Subsidiary provided the Indebtedness was permitted to be Incurred by another provision of this covenant;
- (7) Acquired Indebtedness, less any amount of such Indebtedness permanently repaid as provided under the covenants described below under the caption "Limitation on Asset Sale";
- (8) the accrual of interest on Indebtedness (other than interest capitalised or otherwise included in the principal amount of any Indebtedness or paid through the issuance or Incurrence of other Indebtedness) or the accretion or amortisation of original issue discount with respect to Indebtedness permitted to be Incurred by another provision of this covenant;
- (9) Indebtedness Incurred by the Company or any Restricted Subsidiary and arising from an agreement providing for indemnification, adjustment of purchase price or similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets or a Subsidiary other than Guarantees of Indebtedness Incurred by any person acquiring all or a portion of such business, assets or a Subsidiary for the purpose of financing such acquisition, *provided* that (a) such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on such balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (9)) and (b) the maximum liability in respect of such Indebtedness shall at no time exceed the gross proceeds including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Company or its Restricted Subsidiaries in connection with such disposition; and
- (10) Indebtedness (in addition to Indebtedness permitted under the covenants described in clauses (1) through (9) above) in an aggregate principal amount outstanding at any time not to exceed £10 million, less any amount of such indebtedness permanently repaid as provided under the covenants described below under the caption "—Limitation on Asset Sales."

(B) Notwithstanding any other provision of the covenant described in this "Limitation on Indebtedness" section, the maximum amount of Indebtedness or Senior Indebtedness that the Company or a Restricted Subsidiary may incur pursuant to the covenant described in this "Limitation on Indebtedness" section shall not be deemed to be exceeded, with respect to outstanding Indebtedness or outstanding Senior Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

(C) For purposes of determining any particular amount of Indebtedness or Senior Indebtedness under the covenant described in this "Limitation on Indebtedness" section,

- (1) Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness or Senior Indebtedness otherwise included in the determination of such particular amount shall not be included and
- (2) any Liens granted pursuant to the equal and rateable provisions referred to in the covenant described below under the caption "— Limitation on Liens" shall not be treated as Indebtedness.

For purposes of determining compliance with the covenant described under this "Limitation on Indebtedness" section, in the event that an item of Indebtedness or Senior Indebtedness meets the criteria of more than one of the types of Indebtedness described in the above clauses, the Company, in its sole discretion, shall classify such item of Indebtedness or Senior Indebtedness and only be required to include the amount and type of such Indebtedness in one of such clauses.

The indenture will also provide that neither the Company nor any Restricted Subsidiary will incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Company unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms, *provided* that no Indebtedness of the Company or any Restricted Subsidiary shall be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company solely by virtue of being unsecured.

Limitation on Liens

(A) The Company will not, and will not permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Lien on any of its assets or properties of any character now owned or hereafter acquired, or any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, without making effective provision for all of the Notes and all other amounts due under the indenture to be directly secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien.

(B) The foregoing limitation does not apply to:

- (1) Liens granted after the closing date on any assets or Capital Stock of the Company or its Restricted Subsidiaries created in favour of the holders of the Notes;
- (2) Liens with respect to the assets of a Restricted Subsidiary granted by such Restricted Subsidiary to the Company or a Wholly Owned Restricted Subsidiary to secure Indebtedness owing to the Company or such other Restricted Subsidiary;
- (3) Liens securing Indebtedness which is incurred to refinance Senior Secured Indebtedness which is permitted to be incurred under clause (3) of the second paragraph of "— Limitation on Indebtedness"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (4) Liens securing Indebtedness incurred under the Revolving Credit Facility;
- (5) Liens to secure Capitalized Lease Obligations and Purchase Money Indebtedness permitted by clause (10) of the covenant "Limitation on Indebtedness" above covering, in each such case, only the assets acquired with such Indebtedness;
- (6) Liens securing Senior Indebtedness provided that after giving effect to the incurrence of such Senior Indebtedness, the Secured Leverage Ratio would not be greater than 2 to 1; and
- (7) Permitted Liens.

Limitation on Restricted Payments

- (A) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly,
- (1) declare or pay any dividend or make any distribution (including any payment in connection with any merger or consolidation derived from assets of the Company or any Restricted Subsidiary) on or with respect to its Capital Stock or to the holders thereof (in their capacity as such) other than
 - (a) dividends or distributions by the Company or any Restricted Subsidiary payable solely in shares of its Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to acquire shares of such Capital Stock (other than Redeemable Stock); and
 - (b) pro rata dividends or distributions on Common Stock of non Wholly-Owned Restricted Subsidiaries, provided that dividends paid to a person who is a minority stockholder of a non Wholly-Owned Restricted Subsidiary does not in the aggregate exceed such person's pro rata share of such Restricted Subsidiary's net income from January 1, 2000;
 - (2) purchase, redeem, retire or otherwise acquire for value (including any payment in connection with any merger or consolidation derived from assets of the Company or any Restricted Subsidiary) any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock or any securities convertible or exchangeable into Shares of Capital Stock of the Company or any Restricted Subsidiary) of (x) the Company held by any person or (y) any Restricted Subsidiary held by any person other than the Company or a Guarantor;
 - (3) make any principal payment, or redemption, repurchase, defeasance, or other acquisition or retirement for value prior to any scheduled maturity of Indebtedness of the Company that is subordinated in right of payment to the Notes or any Guarantee of the Notes; or
 - (4) make any Investment, other than a Permitted Investment, in any person (such payments or any other actions described in clauses (1) through (4) being collectively "Restricted Payments") if, at the time of, and after giving effect to, the proposed Restricted Payment;
 - (a) a Default or Event of Default shall have occurred and be continuing or would result from such Restricted Payment;
 - (b) the Company could not incur at least £1.00 of Indebtedness under the covenant described in the first paragraph under "— Limitation on Indebtedness;" or
 - (c) the aggregate amount of all Restricted Payments (the amount, if other than in cash, to be determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a Board of Directors resolution filed with the Trustee) made after the closing date shall exceed the sum of
 - (i) 50% of the aggregate amount of the Adjusted Consolidated Net Income (or, if the Adjusted Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter immediately following the date of the indenture and ending on the last day of the last fiscal quarter preceding the Transaction Date for which quarterly or annual financial statements are available for the Company,
 - (ii) the aggregate Net Cash Proceeds received by the Company after the date of the indenture from the issuance and sale permitted by the indenture to a person who is not a Subsidiary of the Company of
 - (I) its Capital Stock (other than Redeemable Stock), and
 - (II) any options, warrants or other rights to acquire Capital Stock of the Company (in each case, exclusive of any Redeemable Stock or any options, warrants or other rights that are redeemable at the option of the holder, or are required to be redeemed, prior to the Stated Maturity of the Notes);
 - (iii) the amount by which Indebtedness of the Company or a Restricted Subsidiary is reduced upon exchange or conversion into Capital Stock of the Company (other than Redeemable Stock),

- (iv) the amount of any Investment in a Restricted Subsidiary which Investment constituted a Restricted Payment and was made at the time the Subsidiary was an Unrestricted Subsidiary, and
- (v) the amount equal to the Company's or any Restricted Subsidiary's portion (by reference to the Company's or such Subsidiary's equity interest) of the fair market value of the net assets of an Unrestricted Subsidiary on the date it becomes a Restricted Subsidiary.

(B) The covenant described in part (A) of this "Limitation on Restricted Payments" section shall not be violated by reason of:

- (1) the payment of any dividend within 60 days after the date of declaration thereof if, at said date of declaration, such payment would comply with the covenant described in part (A) above;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the Notes and any Guarantee of the Notes, including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred under the covenant described in clause (3) of the second paragraph of part (A) under the caption "*— Limitation on Indebtedness*";
- (3) the repurchase, redemption or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the proceeds of a substantially concurrent offering of, shares of Capital Stock (other than Redeemable Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock) other than to a Subsidiary;
- (4) repurchases of Subordinated Indebtedness upon the occurrence of a Change of Control to the extent required by the terms of such Indebtedness provided that no such repurchases shall be made prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenant described under the caption "*— Repurchase of Notes Upon Change of Control*"; or
- (5) other Investments otherwise constituting Restricted Payments in an aggregate amount not to exceed £1 million,

provided that, except in the case of clause (4), no Default or Event of Default shall have occurred and be continuing, or will occur as a consequence of the actions or payments set forth therein.

(C) For the purpose of calculating the total amount of each Restricted Payment made since the closing date for purposes of clause (4)(c) of part (A) of the covenant described in this "Limitation on Restricted Payments" section, all payments permitted pursuant to clauses (1), (4) and (5) of Clause B of such covenant shall be included in such calculation to the extent not otherwise included in such calculation.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(A) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to

- (1) pay dividends (in cash or otherwise) or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
- (2) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (3) make loans or advances to the Company or any other Restricted Subsidiary; or
- (4) *transfer any of its property or assets to the Company or any other Restricted Subsidiary.*

(B) The covenant described in part (A) of this "Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries" section shall not restrict any encumbrances or restrictions:

- (1) existing under the Revolving Credit Facility or the Acquisition Facility;
- (2) imposed by applicable law;
- (3) existing with respect to any person or the property or assets of such person acquired by the Company or any Restricted Subsidiary and existing at the time of such acquisition and not incurred in anticipation or in contemplation of such acquisition, which encumbrances or restrictions are not

applicable to any person or the property or assets of any person other than such person or the property or assets of such person so acquired;

- (4) in the case of clause (4) of part (A) of the covenant described in this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" section,
 - (a) that restrict in a customary manner in the ordinary course of business the subletting, assignment or transfer of any property or asset that is a lease, license, conveyance or contract or similar property or asset;
 - (b) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the indenture; or
 - (c) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary, provided that consummation of such transaction would not result in a Default or an Event of Default, that such restriction terminates if such transaction is closed or abandoned and that the closing or abandonment of such transaction occurs within one year of the date such agreement was entered into; or
- (6) pursuant to an agreement effecting a renewal, refunding or extension of Indebtedness Incurred pursuant to an agreement referred in clause (1) or (3) above, provided, however, that the provisions contained in such renewal, refunding or extension agreement relating to such encumbrance or restriction are no more restrictive in any material respect than the provisions contained in the agreement the subject thereof; or
- (7) pursuant to liens permitted by covenant above entitled "Limitation on Liens".

Nothing contained in the covenant described in this "Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries" section shall prevent the Company or any Restricted Subsidiary from creating, incurring, assuming or suffering to exist any Liens otherwise permitted in the covenant described under the caption "— Limitation on Liens".

Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock or securities convertible or exchangeable into such Common Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary,
- (2) issuances of director's qualifying shares or sales to foreign nationals of shares of Capital Stock of foreign Restricted Subsidiaries, to the extent required by applicable law,
- (3) if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any Investment in such person remaining after giving effect to such issuance or sale would have been permitted to be made under the covenant described under the "Limitation on Restricted Payments" section if made on the date of such issuance or sale; or
- (4) issuances or sales of Common Stock of a Restricted Subsidiary not described in clauses (1), (2) or (3) of this sentence, provided the Company or such Restricted Subsidiary applies the Net Cash Proceeds, if any, of any such sale in accordance with clauses (B)(1)(a) or (b) of the covenant described below under the caption "— Limitation on Asset Sales."

Limitation on Transactions with Stockholders and Affiliates

(A) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction (including, without limitation, the purchase, sale, lease or ex-

change of property or assets, or the rendering of any service) with any Related Person of the Company (or any Affiliate of such Related Person) or with any Affiliate of the Company or any Restricted Subsidiary, except upon fair and reasonable terms no less favorable in any material respect to the Company or such Restricted Subsidiary than could be obtained, at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor, in a comparable arm's-length transaction with a person that is not a Related Person of the Company or an Affiliate or any Restricted Subsidiary or an Affiliate.

(B) The foregoing limitation does not limit, and shall not apply to:

(1) transactions:

- (a) approved by a majority of the disinterested members of the Board of Directors; or
 - (b) for which the Company or a Restricted Subsidiary delivers to the trustee a written opinion of a nationally recognised investment banking firm stating that the transaction is fair to the Company or such Restricted Subsidiary from a financial point of view;
- (2) any transaction solely between the Company and any of its Wholly Owned Restricted Subsidiaries or solely between Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payments not prohibited by the covenant described under the caption "— Limitation on Restricted Payments";
- (4) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors of the Company;
- (5) transactions between or among the Company and its Wholly-Owned Restricted Subsidiaries;
- (6) the repurchase of Capital Stock of the Company from directors, officers or employees up to a maximum aggregate amount of £250,000;
- (7) payment of compensation and provision of benefits to, and other transactions with, employees, officers, directors and consultants of the Company and its Subsidiaries in the ordinary course of business; and
- (8) transactions with Affiliates in connection with the Incurrence of Indebtedness otherwise permitted pursuant to the covenant "Limitation of Indebtedness" above.

Notwithstanding the foregoing, any transaction or series of transactions covered by the first paragraph of this "Limitation on Transactions with Stockholders and Affiliates" section and not covered by clauses (2) through (8) of this part (B), the aggregate amount of which exceeds £2.5 million in value must be determined to be fair in the manner provided for in clause (B)(1)(a) above and the aggregate amount of which exceeds £5.0 million in value must be determined to be fair in the manner provided for in clauses (B)(1)(b) above (other than transactions with RBS or its Affiliates relating to a Permitted Business and determined to be fair in the manner provided in clauses (B)(1)(a) above).

Limitation on Asset Sales

(A) The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless

- (1) the consideration (including non-cash consideration) received by the Company or such Restricted Subsidiary is at least equal to the fair market value of the assets sold or disposed of (as determined by a Board of Directors resolution delivered to the trustee); and
- (2) at least 75% of the consideration received consists of cash.

(B) With respect to the Net Cash Proceeds received by the Company or any of its Restricted Subsidiaries from one or more Asset Sales occurring on or after the closing date, the Company shall or shall cause the relevant Restricted Subsidiary to

(1) within 360 days after the date such Net Cash Proceeds are so received:

- (a) apply an amount equal to all such Net Cash Proceeds to permanently repay unsubordinated Indebtedness of the Company or any Indebtedness of any other Restricted Subsidiary, in each case owing to a person other than the Company or any of its Restricted Subsidiaries, or

- (b) invest an equal amount, or the amount not so applied pursuant to clause (a) (or enter into a definitive agreement committing to so invest within 360 days after the date of such agreement), in assets or other property of a nature or type used in a Permitted Business (other than goodwill) whether by directly acquiring such assets or acquiring all of the Capital Stock of a person who owns such assets and who becomes a Restricted Subsidiary at the time of acquisition; and
- (2) apply (no later than the end of the 360 day period referred to in clause (1) of this sentence) such excess Net Cash Proceeds (to the extent not applied pursuant to clause (1) of this sentence) as provided in the covenant described in part (C) of this "Limitation on Asset Sales" section.

The amount of such excess Net Cash Proceeds required to be applied (or to be committed to be applied) during such 360 day period as set forth in clause (1) of the preceding sentence and not applied as so required by the end of such period shall constitute "Excess Proceeds."

(C) If, as of the first day of any calendar month, the aggregate amount of Excess Proceeds not subject to an Offer to Purchase pursuant to the covenant described in this "Limitation on Asset Sales" section totals at least £5 million, the Company must commence, not later than the first business day of the next succeeding month, and consummate an Offer to Purchase from the holders on a pro rata basis an aggregate principal amount of Notes on the relevant Payment Date equal to the Excess Proceeds on such date, at a purchase price equal to 100% of the principal amount of the Notes on the relevant Payment Date, plus, in each case, accrued but unpaid interest (if any) to the Payment Date.

Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business, except to such extent as is immaterial to the Company and or such Restricted Subsidiary and is approved by a resolution of the Board of Directors of the Company.

Commission Reports and Reports to Holders

(A) Whether or not the Company is required to do so by the rules and regulations of the Commission, for so long as any of the Notes remain outstanding, the Company will furnish to the holders of the Notes and file with the Commission (unless the Commission will not accept such a filing):

- (1) all annual financial information that would be required to be contained in a filing with the Commission on Form 20-F if the Company were required to file such form, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a report of the Company's certified independent accountants;
- (2) quarterly reports containing unaudited financial statements and financial information, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations", for each of the first three quarters of each fiscal year, which quarterly financial statements will be prepared in accordance with UK generally accepted accounting principles, reconciled to GAAP; and
- (3) all reports that would be required to be filed with the Commission on Form 6-K if the Company were required to file such form.

(B) The Company will furnish to the holders of the Notes and will file with the Commission such annual financial information within 90 days after the end of each fiscal year and such quarterly reports within 60 days after the end of each of the first three fiscal quarters of each year.

(C) The Company shall supply to the trustee and each holder of the Notes or shall supply to the trustee for forwarding to each such holder of the Notes, without cost to such holders, copies of such reports and other information.

Events of Default

The following events will be defined as "Events of Default" in the indenture:

- (A) default in the payment of principal of (or premium, if any, on) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (B) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(C) default in the performance or breach of the provisions of the indenture applicable to mergers, consolidations and transfers of all or substantially all of the assets of the Company or the failure to make or consummate an Offer to Purchase in accordance with the covenants described under the "Limitation on Asset Sales" or "Repurchase of Notes upon a Change of Control" sections;

(D) default in the performance of, or breaches of, any covenant or agreement of the Company or any Guarantor in the indenture, under the Notes (other than a default specified in clause (A), (B) or (C) above) or under any Guarantee of the Notes and such default or breach continues for a period of 30 consecutive days after written notice by the trustee or the holders of 25% or more in aggregate principal amount of the Notes;

(E) there occurs with respect to any issue or issues of Indebtedness of the Company, any Guarantor or any Significant Subsidiary having an outstanding principal amount of £5 million or more in the aggregate for all such issues of all such persons, whether such Indebtedness now exists or shall hereafter be created,

(1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration; and/or

(2) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended within 30 days of such payment default;

(F) any final judgment or order (not covered by insurance) for the payment of money in excess of £10 million in the aggregate for all such final judgments or orders against all such persons (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against the Company, any Guarantor or any Significant Subsidiary and shall not be paid or discharged, and there shall be any period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed £10 million during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(G) certain events of bankruptcy, insolvency, reorganisation or administration affecting the Company, any Guarantor or any Significant Subsidiary.

If an Event of Default (other than an Event of Default specified in clause (G) above that occurs with respect to the Company or any Guarantor) occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount at maturity of the Notes then outstanding, by written notice to the Company (and to the trustee if such notice is given by the holders), may, and the trustee at the request of such holders shall, declare the principal amount of, premium, if any, and accrued interest on the Notes to be immediately due and payable.

Upon a declaration of acceleration, such principal amount of, premium, if any, and accrued interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (E) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default triggering such Event of Default pursuant to clause (E) shall be remedied or cured by the Company or the relevant Significant Subsidiary or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto.

If an Event of Default specified in clause (G) above occurs with respect to the Company, the principal amount of, premium, if any, and accrued interest on the Notes then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of the Notes.

The holders of at least a majority in principal amount of the outstanding Notes, by written notice to the Company and to the trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(A) all existing Events of Default, other than the nonpayment of the principal amount of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(B) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. For information as to the waiver of defaults, see "— Modification and Waiver."

The holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that:

- (1) conflicts with law or the indenture;
- (2) may involve the trustee in personal liability; or
- (3) the trustee determines in good faith may be unduly prejudicial to the rights of holders of Notes not joining in the giving of such direction.

The trustee may take any other action it deems proper that is not inconsistent with any such direction received from holders of Notes.

A holder may not pursue any remedy with respect to the indenture or the Notes unless:

- (A) the holder gives the trustee written notice of a continuing Event of Default;
- (B) the holders of at least 25% in aggregate principal amount at maturity of outstanding Notes make a written request to the trustee to pursue the remedy;
- (C) such holder or holders offer the trustee an indemnity satisfactory to the trustee against any costs, liability or expense;
- (D) the trustee does not comply with the request within 60 days after receipt of request and the offer of an indemnity; and
- (E) during such 60-day period, the holders of a majority in aggregate principal amount at maturity of the outstanding Notes do not give the trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the holder.

The indenture will require certain officers of the Company to certify, on or before a date not more than 90 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the indenture and that the Company and each Restricted Subsidiary has fulfilled all obligations thereunder, or, if there has been a default in the fulfilment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the trustee of any default or defaults in the performance of any covenants or agreements under the indenture.

Prescription

Claims against the Company and the guarantors for the payment of amounts due with respect to the Notes shall be prescribed 10 years after the applicable due date for payment thereof, except that claims against the Company and the guarantors for the payment of interest on the Notes shall be prescribed 5 years after the applicable due date for payment of interest.

Consolidation, Merger and Sale of Assets

Neither the Company nor any Guarantor shall consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any person or permit any person to merge with or into the Company unless:

- (A) the Company or such Guarantor shall be the continuing person, or the person (if other than the Company or such Guarantor) formed by such consolidation or into which the Company or such Guarantor is merged or that acquired or leased such property and assets of the Company or such Guarantor shall be a corporation organised and validly existing under the laws of England and Wales or a State of the United States of America or the District of Columbia or (except in the case of the Company) any jurisdiction in which any Restricted Subsidiary is organised on the closing date, and shall expressly

assume, by a supplemental indenture, executed and delivered to the trustee, all of the obligations of the Company on all of the Notes and under the indenture or all of the obligations of the Guarantor with respect to the Guarantee of the Notes and under the indenture, as the case may be;

(B) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(C) immediately after giving effect to such transaction on a pro forma basis the Company or such Guarantor, or any person becoming the successor obligor of the Notes or the Guarantee of the Notes, as the case may be, would have a Consolidated Net Worth at least equal to the Consolidated Net Worth of the Company or such Guarantor immediately prior to such transaction;

(D) immediately after giving effect to such transaction on a pro forma basis the Company or such Guarantor, or any person becoming the successor obligor of the Notes or the Guarantee of the Notes, as the case may be, would be able to Incur an additional £1.00 of Indebtedness under the covenant described in the first paragraph under "— Limitation on Indebtedness";

(E) the Company delivers to the trustee an officers' certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D)) and opinion of counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture comply with this provision, that all conditions precedent provided for herein relating to such transaction have been complied with and that the indenture and the Notes or such Guarantee, as the case may be, constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

Defeasance

Defeasance and Discharge. The indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes (and each of the Guarantors will be discharged from any and all obligations in respect of its Guarantee of the Notes) on the first day following 123 days after the deposit referred to below, and the provisions of the indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(A) The Company has deposited with the trustee, in trust, money and/or Government Obligations (as defined in the indenture) that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the indenture and the Notes;

(B) The Company has delivered to the trustee

(1) opinion of counsels to the effect that holders will not recognise income, gain or loss for U.S. federal or United Kingdom income tax purposes as a result of the Company's exercise of its option described under this "Defeasance" section and will be subject to U.S. federal and United Kingdom income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, which opinion of counsel as to U.S. federal income tax purposes must be based upon (and accompanied by a copy of) a ruling of the Internal Revenue Service to the same effect unless there has been a change in applicable federal income tax law after the closing date such that a ruling is no longer required; or

(2) a ruling directed to the trustee received from the Internal Revenue Service to the same effect as the aforementioned opinion of counsel; and

(C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or Default shall have occurred and be continuing on the date of such deposit or during the period ending on the first day following six months after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound; and

(D) if at such time the Notes are listed on a national securities exchange, the Company has delivered to the trustee an opinion of counsel to the effect that the Notes will not be delisted as a result of such deposit, defeasance and discharge.

Defeasance of Certain Covenants and Certain Events of Default. The indenture further will provide that (A) the provisions of the indenture will no longer be in effect with respect to clause (C) and (D) under "— Consolidation, Merger and Sale of Assets;" and

(B) all the covenants described herein under "— Covenants," clause (D) under "— Events of Default" with respect to such covenants and clauses (E) and (F) under "— Events of Default" shall be deemed not to be Events of Default upon, among other things,

- (1) the deposit with the trustee, in trust, of money and/or Government Obligations (as defined in the indenture) that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the indenture and the Notes,
- (2) the satisfaction of the provisions described in clauses (B)(2), (C) and (D) of the preceding paragraph; and
- (3) the delivery by the Company to the trustee of an opinion of counsel to the effect that, among other things, the holders will not recognise income, gain or loss for United States federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance of certain covenants and Events of Default had not occurred.

Defeasance and Certain Other Events of Default. In the event the Company exercises its option to omit compliance with certain covenants and provisions of the indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of any Event of Default that remains applicable, the amount of money and/or Government Obligations (as defined in the indenture) on deposit with the trustee will be sufficient to pay amounts due on the Notes at the time of the Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Guarantors will remain liable for such payments.

Modification and Waiver

The Company, the Guarantors and the trustee may amend the indenture, without the consent of any holder, to

- (A) Cure any ambiguity, defect or inconsistency in the indenture, provided that such amendments to not adversely affect the interests of the holders of the Notes in any material respect,
- (B) comply with the provisions described under "Consolidation, Merger and Sale of Assets";
- (C) comply with any requirements of the SEC in connection with the qualification of the indenture under the U.S. Trust Indenture Act of 1939, or
- (D) evidence and provide for the acceptance of appointment by a successor trustee.

The Company, the Guarantors and the trustee may make modifications and amendments of the indenture and waive compliance with certain covenants therein with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes; provided, however, that no such modification or amendment may, without the consent of each holder affected thereby,

- (A) change the Stated Maturity of the principal of, or any instalment of interest on, any Note;
- (B) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (C) change the place or currency of payment of principal of, or premium, if any, or interest on, any Note;
- (D) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the Redemption Date) of any Note;
- (E) reduce the above-stated percentage of outstanding Notes the consent of whose holders is necessary to modify or amend the indenture;
- (F) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (G) modify the provisions described under "Additional Amounts" in any manner adverse to the holders; or
- (H) reduce the percentage or aggregate principal amount at maturity of outstanding Notes the con-

sent of whose holders is necessary for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults.

Additional Amounts

(A) All payments made by the Company and any Guarantors under or with respect to the Notes and the Guarantee of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment, or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, "Taxes") imposed or levied by or on behalf of any government or political subdivision or territory or possession of any government or authority or agency therein or thereof having the power to tax (each, a "Taxing Authority") in the Relevant Taxing Jurisdiction unless the Company or the Guarantor is required to withhold or deduct Taxes by law or by the interpretation or administration thereof.

If the Company or any Guarantor is required to withhold or deduct any amount for or on account of Taxes imposed by a Taxing Authority from any payment made under or with respect to the Notes or any Guarantee of the Notes, the Company or such Guarantor will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each holder (including Additional Amounts) after such withholding or deduction will not be less than the amount the holder and beneficial owner would have received if such Taxes had not been withheld or deducted; provided that no Additional Amounts will be payable with respect to a payment made to a holder (an "Excluded Holder") with respect to any Tax which would not have been imposed, payable or due:

- (1) to or on behalf of a holder who is subject to such Tax by reason of his being or having been connected with the Relevant Taxing Jurisdiction (or any political subdivision thereof) otherwise than merely by holding such Note or receiving principal or interest in respect thereof, or
 - (2) to or on behalf of a holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant taxing authority if, after having been requested to make such a declaration or claim, such holder fails to do so.
- (B) In addition, Additional Amounts will not be payable:
- (1) with respect to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge; or
 - (2) with respect to any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, premium, if any, or interest, on the Notes; *provided that*, except as otherwise set forth in the indenture and in the Notes, the Company and the Guarantors shall pay all stamp and other duties, if any, which may be imposed with respect to the indenture or as a consequence of the issuance of the Notes or the granting of the Guarantee of the Notes.
- (C) The Company will also
- (1) make such withholding or deduction; and
 - (2) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

The Company and the Guarantors will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Taxing Authority imposing such Taxes. The Company and the Guarantors will furnish to the holders, within 60 days after the date the payment of any Taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment by the Company or any such Guarantor or, if such receipts are not obtainable, other evidence of such payments by the Company or such Guarantor.

(D) At least 30 days prior to each date on which any payment under or with respect to the Notes or the Guarantee of the Notes is due and payable, if the Company or any Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Company or such Guarantor will deliver to the trustee an officers' certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the trustee to pay such Additional Amounts to the holders on the payment date.

Whenever this offering memorandum or the indenture mentions, in any context, the payment of amounts based upon the principal of premium, if any, interest or of any other amount payable under or with respect to any of the Notes or the Guarantee of the Notes, this includes payment of any Additional Amounts that may be applicable.

(E) In the event that the Company has become or would become obligated to pay on the next date on which any amount would be payable under or with respect to the Notes any Additional Amounts as a result of certain changes affecting withholding tax laws, the Company may redeem all, but not less than all, the Notes at any time at 100% of their principal amount, together with accrued interest, if any, to the redemption date. See "— Optional Redemption."

Governing Law and Consent to Jurisdiction and Service

The Notes and the indenture will be governed by the laws of the State of New York. The Company and each of the Guarantors will appoint CT Corporation System, as its agent for service of process in any legal proceeding with respect to the indenture or the Notes and for actions brought under United States federal or state securities laws, in any federal or state court located in The City of New York. The Company and each Guarantor will also agree to submit to the jurisdiction of those courts.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

The indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the indenture, or in any of the Notes or the Guarantees of the Notes or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Guarantor or of any successor person of either thereof. Each holder, by accepting the Notes, waives and releases all such liability.

Concerning the Trustee

The indenture provides that, except during the continuance of an Event of Default or Default, the trustee will not be liable, except for the performance of such duties as are specifically set forth in such indenture. If an Event of Default has occurred and is continuing, the trustee will use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The indenture and provisions of the U.S. Trust Indenture Act of 1939 incorporated by reference in the indenture contain limitations on the rights of the trustee, should it become our creditor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The trustee is permitted to engage in other transactions; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Definitions

Set forth below is a summary of some of the defined terms used in the covenants and other provisions of the indenture. Reference is made to the indenture for the definition of any other capitalized term used in this description of the Notes for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a person existing at the time that person becomes a Restricted Subsidiary or assumed in connection with an Asset Acquisition by the Company or a Restricted Subsidiary and not Incurred in connection with, or in anticipation of, such person becoming a Restricted Subsidiary or such Asset Acquisition; provided that the holders of such Indebtedness do not, at any time, have direct or indirect recourse to any property or assets of the Company and its Restricted Subsidiaries other than the property or assets of such acquired person.

"Acquisition Facility" means the acquisition facility described in this offering memorandum in the section entitled "Description of Senior Credit Facilities".

"Adjusted Consolidated Net Income" means, for any period, the aggregate net income (or loss) of the Company and its Restricted Subsidiaries for such period determined in conformity with GAAP; provided that the following items shall be excluded in computing Adjusted Consolidated Net Income (without duplication):

- (1) the net income of any person (other than net income attributable to a Restricted Subsidiary) in which any person (other than the Company or any of its Restricted Subsidiaries) has a joint interest and the net income of any Unrestricted Subsidiary, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of its Restricted Subsidiaries by such other person or such Unrestricted Subsidiary during such period;
- (2) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to the covenant described in clause (4)(c) of part (A) under the caption "— Limitation on Restricted Payments" (and in such case, except to the extent includable pursuant to clause (1) above), the net income (or loss) of any person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) except in the case of any restriction or encumbrance permitted under the covenant described in part (B), clause (2) under the caption "— Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries", the net income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) any gains or losses (on an after-tax basis) attributable to Asset Sales;
- (5) to the extent reflected in net income, non-cash compensation expense realised for grants of performance shares, stock options or other stock awards to officers, directors and employees of the Company or any Restricted Subsidiary with respect to common stock of the Company;
- (6) except for purposes of calculating the amount of Restricted Payments that may be made pursuant to part (A), clause (4) (c) under the caption "— Limitation on Restricted Payments", any amount paid or accrued as dividends on Preferred Stock of the Company owned by persons other than the Company and any of its Restricted Subsidiaries; and
- (7) all extraordinary gains and extraordinary losses.

"Affiliate" means, as applied to any person any other person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a person shall be deemed to be control.

"Asset Acquisition" means (i) an investment by the Company or any of its Restricted Subsidiaries in any other person pursuant to which such person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; *provided* that such person's primary business is a Permitted Business on the date of such investment or (ii) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such person; *provided* that the property and assets acquired are related, ancillary or complementary to a Permitted Business on the date of such acquisition or (iii) a transaction, evidenced by a written contract, pursuant to which the Company or any Restricted Subsidiary agrees with a third party to process and fulfil foreign currency outsourcing services to such third party's retail customers; provided that the contract relating to such transaction, at the time it was entered into by the Company or any Restricted Subsidiary, has a remaining term greater than the then-remaining term of the Notes.

"Asset Disposition" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (i) all or substantially all of the Capital Stock of any Restricted Subsidiary or (ii) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transaction) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any person other than the Company or any of its Restricted Subsidiaries of:

- (1) all or any of the Capital Stock of any Restricted Subsidiary,
- (2) all or substantially all of the property and assets of an operating unit or business of the Company or any of its Restricted Subsidiaries; or
- (3) any other property and assets (other than the Capital Stock or other Investment in an Unrestricted Subsidiary) of the Company or any of its Restricted Subsidiaries outside the ordinary course of business of the Company or such Restricted Subsidiary and,

in each case, that is not governed by the provisions of the indenture applicable to mergers, consolidations and sales of all or substantially all of the assets of the Company; *provided that* "Asset Sale" shall not include:

- (1) sales or other dispositions of Inventory, receivables and other current assets; or
- (2) sales or other dispositions of assets in one transaction or a series of related transactions with a fair market value (as certified in an officers' certificate) not in excess of £250,000.

"Attributable Value" means, as to any particular lease under which any person is at the time liable other than a Capital Lease Obligation, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such person under such lease during the initial term thereof as determined in accordance with GAAP, discounted from the last date of such initial term to the date of determination at a rate per annum equal to the discount rate which would be applicable to a Capital Lease Obligation with like term in accordance with generally accepted accounting principles. The net amount of rent required to be paid under any such leases for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labor costs and similar charges. In the case of any lease which is terminable by the lessee upon the payment of penalty, such net amount shall also include the lesser of the amount of such penalty (in which case no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the rent which would otherwise be required to be paid if such lease is not so terminated. "Attributable Value" means, as to the Capital Lease Obligation, the principal amount thereof.

"Average Life" means, at any date of determination with respect to any debt security, the quotient obtained by dividing:

- (1) the sum of the products of;
 - (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such debt security; and
 - (b) the amount of such principal payment, by
- (2) the sum of all such principal payments.

"Capitalized Lease" means, as applied to any person, any lease of any property (whether real, personal or mixed) of which the discounted present value of the rental obligations of such person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means Common Stock and Preferred Stock.

"Change of Control" means such time as

- (1) a "person" or "group" (within the meaning of Sections 13(d) and 14(d) (2) of the Exchange Act) becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 35% of the total voting power of the Voting Stock of the Company on a fully diluted basis and such ownership is greater than the amount of voting power of the Voting Stock of the Company, on a fully diluted basis, held by the Existing Stockholders and their Affiliates on such date; or
- (2) individuals who on the closing date constitute the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination by the Board of Directors for election by the Company's stockholders was approved by the Board of Directors then in office who either were members of the Board of Directors on the closing date or whose election or

nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office.

"Common Stock" means, with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such person's equity, other than Preferred Stock of such person, whether now outstanding or issued after the closing date, including without limitation, all series and classes of such common stock.

"Consolidated EBITDA" means, for any period, the sum of the amounts for such period of:

- (1) Adjusted Consolidated Net Income;
- (2) Consolidated Interest Expense to the extent such amount was deducted in calculating Adjusted Consolidated Net Income;
- (3) income taxes, to the extent such amount was deducted in calculating Adjusted Consolidated Net Income (other than income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or Asset Sales);
- (4) depreciation expense, to the extent such amount was deducted in calculating Adjusted Consolidated Net Income;
- (5) amortization expense, to the extent such amount was deducted in calculating Adjusted Consolidated Net Income; and
- (6) all other non-cash items reducing Adjusted Consolidated Net Income (other than items that will require cash payments and for which an accrual or reserve is, or is required by GAAP to be, made), less all non-cash items increasing Adjusted Consolidated Net Income, all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP.

provided that, if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to:

- (a) the amount of the Adjusted Consolidated Net Income attributable to such Restricted Subsidiary multiplied by
- (b) the quotient of:
 - (i) the number of shares of outstanding Common Stock of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries, divided by
 - (ii) the total number of shares of outstanding Common Stock of such Restricted Subsidiary on the last day of such period.

"Consolidated Interest Expense" means, for any period, the aggregate amount of interest expense in respect of Indebtedness (including, without limitation, amortisation of original issue discount on any Indebtedness and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method of accounting; all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing; the net costs associated with Interest Rate Agreements and Currency Agreements (but only, in the case of a Currency Agreement, if such Currency Agreement is related to Indebtedness); and the costs to the Company or a Restricted Subsidiary of Indebtedness that is Guaranteed or secured by the Company or any of its Restricted Subsidiaries) and all but the principal component of rentals in respect of Capitalized Lease Obligations paid, accrued or scheduled to be paid or to be accrued by the Company and its Restricted Subsidiaries during such period; *excluding however* any amount of such interest of any Restricted Subsidiary if the net income of such Restricted Subsidiary is excluded in the calculation of Adjusted Consolidated Net Income pursuant to clause (3) of the definition thereof (but only in the same proportion as the net income of such Restricted Subsidiary is excluded from the calculation of Adjusted Consolidated Net Income pursuant to clause (3) of the definition thereof).

"Consolidated Leverage Ratio" means, on any Transaction Date, the ratio of

- (1) the aggregate amount of Senior Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis outstanding on such Transaction Date to

- (2) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters for which financial statements of the Company have been filed with the Commission or provided to the trustee pursuant to the "Commission Reports and Reports to Holders" covenant described below (such four fiscal quarter period being the "Four Quarter Period"); *provided that*:
- (a) pro forma effect shall be given to
 - (i) any Senior Indebtedness Incurred from the beginning of the Four Quarter Period through the Transaction Date (the "Reference Period"), to the extent such Indebtedness is outstanding on the Transaction Date; and
 - (ii) any Senior Indebtedness that was outstanding during such Reference Period but that is not outstanding or is to be repaid on the Transaction Date;
 - (b) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period, as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
 - (c) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period; *provided that* to the extent that clause (B) or (C) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition, such pro forma calculation shall be based upon the four full fiscal quarters immediately preceding the Transaction Date of the person, or division or line of business of the person, that is acquired or disposed for which financial information is available;
 - (d) the aggregate amount of Senior Indebtedness outstanding as of the end of the Reference Period will be deemed to include the total amount of funds outstanding and/or available on the Transaction Date under the Revolving Credit Facility; and
 - (e) whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall give effect to cost savings resulting from employee terminations, facilities consolidations and closings, standardisation of employee benefits and compensation practices, consolidation of property, casualty and other insurance coverage policies, standardisation of sales and distribution methods, reductions in taxes other than income taxes and other costs savings reasonably expected to be realised from such acquisition, as determined in good faith by the chief financial officer of the Company (but only to the extent that such cost savings could then be reflected in pro forma financial statements under GAAP and Regulation S-X promulgated by the SEC and any other regulation or policy of the SEC).

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly or annual consolidated balance sheet of the Company and its Restricted Subsidiaries (which shall be as of a date not more than 90 days prior to the date of such computation and which shall not take into account Unrestricted Subsidiaries), less any amounts attributable to Redeemable Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP (excluding the effects of foreign currency exchange adjustments).

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Equity Offering" means a primary public or private offering of Common Stock of the Company for cash.

"Existing Stockholders" means the shareholders of the Company set forth in the section entitled "Shareholders" in this offering memorandum or any Permitted Transferee of any such shareholder.

"fair market value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"GAAP" means generally accepted accounting principles in the United States as in effect as of the closing date.

"Guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness of any other person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantors" means, on the closing date, the following entities:

Travellers Exchange Corporation Limited	Travellex Belgium N.V.
Travellex Group Investments Limited	Travellex Deutschland GmbH
Travellex Currency Services Limited	Travellex America, Inc.
Travellex Europe Limited	Travellex Insurance Services, Inc.
Travellex Maritime Services Limited	Travellex Global Payments, Inc.
Travellex Foreign Coin Services Limited	Teletrip, Inc.
Travellex.Com Limited	Travellex Canada, Inc.
Travellex Worldwide Money Limited	Travellex Investments (Australia) Pty Limited
Travellex UK Limited	Travellex Australia Pty Limited
Travellex Global Payments Limited	Travellex Global Payments Pty Limited
Travellex France, S.A.*	Travellex New Zealand Investments Limited
Travellex, S.A.*	Travellex New Zealand Limited

* These Restricted Subsidiaries are required to become Guarantors on or before August 31, 2000. If either Restricted Subsidiary does not become a Guarantor by such date, liquidated damages will accrue on the principal amount of the Notes at a rate of 0.25% per annum until both such Restricted Subsidiaries become Guarantors.

"holder" means, the registered holder of any Note.

"Incur" means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness, including an Incurrence of Acquired Indebtedness; *provided* that neither the accrual of interest nor the accretion of original issue discount shall be considered an Incurrence of Indebtedness.

"Indebtedness" means, with respect to any person at any date of determination (without duplication),

- (1) all indebtedness of such person for borrowed money;
- (2) all obligations of such person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);
- (4) all obligations of such person to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services, except Trade Payables;
- (5) all Capitalized Lease Obligations of such person and the Attributable Value of all sale-leaseback transactions entered into by such person;

- (6) all Indebtedness of other persons secured by a Lien on any asset of such person, whether or not such Indebtedness is assumed by such person; provided that the amount of such Indebtedness shall be the lesser of:
 - (a) the fair market value of such asset at such date of determination; and
 - (b) the amount of such Indebtedness;
- (7) all Indebtedness of other persons Guaranteed by such person to the extent such Indebtedness is Guaranteed by such person; and
- (8) to the extent not otherwise included in this definition, obligations under Currency Agreements and Interest Rate Agreements.

The amount of Indebtedness of any person at any date shall be the outstanding balance at such date (or in the case of a revolving credit or other similar facility, the total amount of funds outstanding and/or available on the date of determination) of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, *provided*

- (a) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP, and
- (b) that Indebtedness shall not include any liability for federal, state, local or other taxes.

"Interest Coverage Ratio" means, on any Transaction Date, the ratio of

- (1) the aggregate amount of consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which reports have been with filed with the commission or provided to the trustee (the "Four Quarter Period") to
- (2) the aggregate Consolidated Interest Expense during such Four Quarter Period;

provided that

- (A) pro forma effect shall be given to any Indebtedness Incurred (and still outstanding on such Transaction Date) or repaid during the period (the "Reference Period") commencing on the first day of the Four Quarter Period and ending on the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement to the extent of the commitment thereunder (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period unless any portion of such Indebtedness is projected, in the reasonable judgment of the senior management of the company, to remain outstanding for a period in excess of 12 months from the date of the Incurrence thereof), in each case as if such Indebtedness had been Incurred or repaid on the first day of such Reference Period;
- (B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of the Indebtedness) had been the applicable rate for the entire period;
- (C) pro forma effect shall be given to Asset Disposition and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period;
- (D) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period; *provided that* to the extent that clause (C) or (D) of this sentence requires that pro forma effect be given to an Asset

Acquisition or Asset Disposition, such pro forma calculations shall be based upon the four full fiscal quarters immediately preceding the Transaction Date of the person, or division or line of business of the person, that is acquired or disposed for which financial information is available; and

- (E) whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall give effect to cost savings resulting from employee terminations, facilities consolidations and closings, standardisation of employee benefits and compensation practices, consolidation of property, casualty and other insurance coverage policies, standardisation of sales and distribution methods, reductions in taxes other than income taxes and other costs savings reasonably expected to be realised from such acquisition, as determined in good faith by the chief financial officer of the Company (but only to the extent that such cost savings could then be reflected in pro forma financial statements under GAAP and Regulation S-X promulgated by the SEC and any other regulation or policy of the SEC).

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement.

"Investment" in any person means any direct or indirect advance, loan or other extension of credit (including, without limitation, by way of Guarantee or similar arrangement; but excluding advances to customers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable on the balance sheet of the Company its Restricted Subsidiaries) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other similar instruments issued by, such person and shall include:

- (1) the designation of a Restricted Subsidiary as an Unrestricted Subsidiary; and
- (2) the fair market value of the Capital Stock (or any other Investment), held by the Company or any of its Restricted Subsidiaries, of (or in) any person that has ceased to be a Restricted Subsidiary, including, without limitation, by reason of any transaction permitted by the covenant described in clause (3) under the caption "— Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries."

For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under the caption "— Limitation on Restricted Payments,"

- (1) "Investment" shall include the fair market value of the assets (net of liabilities (other than liabilities to the Company or its Restricted Subsidiaries)) of any Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary;
- (2) the fair market value of the assets (net of liabilities (other than liabilities to the Company or its Subsidiaries)) of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary shall be considered a reduction in outstanding Investments; and
- (3) any property transferred to or from any person shall be valued at its fair market value at the time of such transfer.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest).

"Make Whole Premium" means, with respect to a Note at any redemption date, the greater of (i) 1.0 per cent of the principal amount of such Note or (ii) the sum of (A) the present value of the redemption price of such Note at, 2005 (such redemption price being set forth in the tables above) computed using a discount rate equal to the UK Government Bond Rate plus 50 basis points, plus (B) the present value of the sum of the remaining scheduled payments of interest on such Note discounted to the date of redemption using a discount rate equal to the UK Government Bond Rate plus 50 basis points, less (C) the then-outstanding principal amount of the Note.

"Net Cash Proceeds" means,

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either:
 - (i) is secured by a Lien on the property or assets sold, or
 - (ii) is required to be paid as a result of or in connection with such sale; and
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP;

with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any of its Restricted Subsidiary) and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer by the Company to purchase Notes from the holders of record of Notes commenced by mailing a notice to the trustee and each holder stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a business day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Payment Date");
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Payment Date;
- (5) that holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the paying agent at the address specified in the notice prior to the close of business on the business day immediately preceding the Payment Date;
- (6) that holders will be entitled to withdraw their election if the paying agent receives, not later than the close of business on the third business day immediately preceding the Payment Date, a facsimile transmission or letter setting forth the name of such holder, the principal amount at maturity of Notes delivered for purchase and a statement that such holder is withdrawing his election to have such Notes purchased; and
- (7) that holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note

purchased and each new Note issued shall be in a principal amount at maturity of \$1,000 or integral multiples thereof.

On the Payment Date, we shall

- (1) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase;
- (2) deposit with the paying agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and
- (3) deliver, or cause to be delivered, to the trustee all Notes or portions thereof so accepted together with an officers' certificate specifying the Notes or portions thereof accepted for payment by us.

The paying agent is required to promptly mail to the holders of Notes so accepted payment in an amount equal to the purchase price, and the trustee is required to promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of \$1,000 or integral multiples thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The trustee shall act as the paying agent for an Offer to Purchase. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that we are required to repurchase Notes pursuant to an Offer to Purchase.

"Permitted Business" means any business primarily involving (1) the exchange or transfer of currency for consumers or the exchange or transfer of currency for business entities, (2) the provision of funds or cash transfer, payment, receipt or settlement services as principle or agent, (3) the sale or acceptance of travelers cheques, (4) travel insurance services, (5) cheque cashing services, (6) providing currency handling and sorting services, (7) the sale of phone cards, (8) the processing of VAT returns, (9) the operation of automated teller machines, and (10) any business or activity which supports, is ancillary to, is complimentary to, or is related to the foregoing, all as determined in good faith by the Board of Directors of the Company.

"Permitted Investment" means:

- (1) an Investment in the Company or a Restricted Subsidiary or a person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary; *provided* that such person's primary business is a Permitted Business on the date of such Investment;
- (2) a Temporary Cash Investment;
- (3) commission, payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) Indebtedness described in Section (A)(2) of the covenant entitled "Limitation on Indebtedness";
- (6) Guarantees of Indebtedness otherwise permitted by the indenture;
- (7) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the covenant "— Limitation on Asset Sales"; and
- (8) Investments in joint ventures engaged in a Permitted Business and Unrestricted Subsidiaries having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (8) that are at the time outstanding, not to exceed £20 million, *provided* that all such Investments in joint ventures must be freely transferable (subject to restrictions of applicable law and subject to it being understood that rights of first refusal shall not be deemed to be restrictions on transferability) upon the occurrence of an Event of Default and at least £10 million of such Investments must be in Unrestricted Subsidiaries or in joint ventures in which the Company and its Restricted Subsidiaries hold 50% of the voting interests in such joint ventures.

"Permitted Liens" means:

- (1) Liens for taxes, assessments, governmental charges, claims or levies if the same shall not at the time be delinquent or thereafter can be paid without penalty or that are being contested in good faith by appropriate legal proceeding promptly instituted and diligently conducted and for which a reserve or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens, pledges or deposits by the Company or any Restricted Subsidiary under workmen's compensation laws, unemployment insurance laws or similar legislation, good faith deposits required to be made in connection with bids, tenders, contracts (other than contracts relating to Indebtedness) or leases to which the Company or any Restricted Subsidiary is a party, deposits to secure public or statutory obligations of the Company or any Restricted Subsidiary, deposits of cash or government bonds to secure surety or appeal bonds obtained in the ordinary course of business to which the Company or a Restricted Subsidiary is a party, or import duties incurred in the ordinary course of business of the Company or any Restricted Subsidiary;
- (4) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;
- (5) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (6) easements, rights-of-way, municipal and zoning ordinances, survey exceptions, building restrictions and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of the Company or any of its Restricted Subsidiaries;
- (7) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (8) Liens on property of, or on shares of Capital Stock or Indebtedness of, any person existing at the time such person becomes, or becomes a part of, any Restricted Subsidiary (and not in anticipation of such acquisition); *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired and any proceeds thereof;
- (9) judgement Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgement have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens in favour of the Company or any Restricted Subsidiary;
- (11) Liens encumbering customary initial deposits and margin deposits, and other Liens that are incurred in the ordinary course of business, in each case securing Indebtedness under Interest Rate Agreements and Currency Agreements; and
- (12) Liens securing all amounts, sums and liabilities (other than Indebtedness) payable in connection with, and by the obligors of, Senior Secured Indebtedness.

"Permitted Transferee" means,

- (A) in the case of any person or Permitted Transferee who is a natural person, such person's spouse or children or grandchildren (in each case, natural or adopted), any trust for the sole benefit of such person and such person's spouse or children or grandchildren (in each case, natural or adopted), any charitable trust the grantor of which is such individual person or his Permitted Transferee, or any corporation or partnership in which the direct and beneficial owner of all of the equity interest is such individual person or such person's spouse or children or grandchildren (in each case, natural or adopted) (or any trust solely for the benefit of such persons);

- (B) in the case of any person or Permitted Transferee who is in each case, a natural person, the heirs, executors, administrators or personal representatives upon the death of such person or upon the incompetency or disability of such person for purposes of the protection and management of such person's assets: or
- (C) in the case of a person or Permitted Transferee which is not a natural person, any corporation, partnership or other entity in which the direct and beneficial owner of all of the equity interests or share capital is such person or Permitted Transferee:

"Preferred Stock" means, with respect to any person any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such person's preferred or preference equity, whether now outstanding or issued after the closing date, including, without limitation, all series and classes of such preferred stock or preference stock.

"Redeemable Stock" means any class or series of Capital Stock of any person that by its terms or otherwise is:

- (1) required to be redeemed prior to the Stated Maturity of the Notes;
- (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes; or
- (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes,

provided that any Capital Stock that would not constitute Redeemable Stock but for provisions thereof giving holders thereof the right to require such person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Redeemable Stock if the "asset sale" or "provisions applicable to such Capital Stock are no more favorable in any material respect to the holders of such Capital Stock than the provisions of the covenants described below under the captions "—Limitation on Asset Sales" and "—Repurchase of Notes Upon a Change of Control" and such Capital Stock specifically provides that such person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions "—Limitation on Asset Sales" and "—Repurchase of Notes Upon a Change of Control."

"Related Person" of any person means any other person directly or indirectly owning:

- (1) 5% or more of the outstanding Common Stock of such person (or, in the case of a person that is not a corporation, 5% or more of the equity interest in such person); or
- (2) 5% or more of the combined voting power of the Voting Stock of such person.

"Relevant Taxing Jurisdiction" means the United Kingdom or any jurisdiction in which the Company or any Guarantor is incorporated or resident for tax purposes, or from which or through which payment on the Notes or any Guarantee of the Notes is made.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Revolving Credit Facility" means the revolving credit facility provided by Barclays Bank PLC and described in the section entitled "Description of Senior Credit Facilities".

"Secured Leverage Ratio" means, on any Transaction Date, the ratio of

- (1) the aggregate amount of Senior Secured Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis outstanding on such Transaction Date to
- (2) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters for which financial statements of the Company have been filed with the Commission or provided to the trustee pursuant to the "Commission Reports and Reports to Holders" covenant described below (such four fiscal quarter period being the "Four Quarter Period");

provided that

- (a) pro forma effect shall be given to

- (i) any Senior Secured Indebtedness Incurred from the beginning of the Four Quarter Period through the Transaction Date (the "Reference Period"), to the extent such Indebtedness is outstanding on the Transaction Date; and
 - (ii) any Senior Secured Indebtedness that was outstanding during such Reference Period but that is not outstanding or is to be repaid on the Transaction Date;
- (b) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period, as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (c) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that have been made by any person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period; *provided* that to the extent that clause (B) or (C) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition, such pro forma calculation shall be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the person, that is acquired or disposed for which financial information is available;
- (d) the aggregate amount of Senior Secured Indebtedness outstanding as of the end of the Reference Period will be deemed to include the total amount of funds outstanding and/or available on the Transaction Date under the Revolving Credit Facility; and
- (e) whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall give effect to cost savings resulting from employee terminations, facilities consolidations and closings, standardisation of employee benefits and compensation practices, consolidation of property, casualty and other insurance coverage policies, standardisation of sales and distribution methods, reductions in taxes other than income taxes and other costs savings reasonably expected to be realised from such acquisition, as determined in good faith by the chief financial officer of the Company (but only to the extent that such cost savings could then be reflected in pro forma financial statements under GAAP and Regulation S-X promulgated by the SEC and any other regulation or policy of the SEC).

"Senior Indebtedness" means Indebtedness that is equal in right of payment with the Notes.

"Senior Secured Indebtedness" means Senior Indebtedness which is secured by a Lien.

"Significant Subsidiary" means, at any date of determination, any Restricted Subsidiary that, together with its Subsidiaries,

- (1) for the most recent fiscal year of the Company, accounted for more than 5% of the consolidated net revenues of the Company and its Restricted Subsidiaries; or
- (2) as of the end of such fiscal year, was the owner of more than 5% of the consolidated assets of the Company and its Restricted Subsidiaries, all as set forth on the most recently available consolidated financial statements of the Company for such fiscal year.

"Stated Maturity" means:

- (1) with respect to any debt security, the date specified in such debt security as the fixed date on which the final instalment of principal of such debt security is due and payable; and
- (2) with respect to any scheduled instalment of principal of or interest on any debt security, the date specified in such debt security as the fixed date on which such instalment is due and payable.

"Subsidiary" means, with respect to any person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person and one or more other Subsidiaries of such person.

"Subordinated Indebtedness" means Indebtedness of the Company or a Guarantor subordinated in right of payment to the Notes or the Guarantor of the Notes, as the case may be.

"Temporary Cash Investment" is defined to mean:

- (1) any evidence of Indebtedness with a maturity of three years or less issued or directly and fully guaranteed or insured by the United States of America, Australia, France, Germany, Canada or the United Kingdom, or any agency or instrumentality of any thereof, *provided* that the full faith and credit of the United States of America or the United Kingdom, as the case may be, is pledged in support thereof;
- (2) deposits, certificates of deposit or acceptances, maturing not more than 180 days after the date of acquisition, of any bank or trust company organized under the laws of the United States of America (or any state thereof), Australia, France, Germany, Canada or the United Kingdom having combined capital and surplus and undivided profits of not less than £100 million and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);
- (3) commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized under the laws of the United States of America or any state thereof or the District of Columbia or organized under the laws of Australia, France, Germany, Canada or the United Kingdom and rated at least "A-1" by Standard & Poor's Ratings Service or "P-1" by Moody's Investors Service; and
- (4) repurchase agreements with a term of not more than 30 days for underlying securities of the types described in (1) above entering into with an institution meeting the qualifications described in (2) above.

For the avoidance of doubt, an Investment in an investment fund which invests substantially all of its assets in Investments described above in this definition or which is itself rated at least "AAA" or "A-1" by Standard & Poor's Ratings Service or "Aaa" or "P-1" by Moody's Investors Service constitutes a Temporary Cash Investment.

"Trade Payables" means, with respect to any person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means:

- (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below, and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary; *provided* that (A) any Guarantee by the Company or any Restricted Subsidiary of any Indebtedness of the Subsidiary being so designated shall be deemed an "Incurrence" of such Indebtedness and an "Investment" by the Company or such Restricted Subsidiary at the time of such designation; (B) either (1) the Subsidiary to be so designated has total assets of £1,000 or less or (2) if such Subsidiary has assets greater than £1,000, such designation would be permitted under the "Limitation of Restricted Payments" covenant described above and (C) if applicable, the Incurrence of Indebtedness and the Investment referred to in clause (A) of this proviso would be permitted under the "Limitation on Indebtedness" and the "Limitation on Restricted Payments" described above. Travelex Hong Kong Limited, Travelex International Group Services Limited, Express Exchange Limited and Goldtake Limited are designated Unrestricted Subsidiaries.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that:

- (1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such designation; and
- (2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately after such designation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the indenture.

Any such designation by the Board of Directors shall be evidenced to the trustee by promptly filing with the trustee a copy of the board resolution giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing provisions.

"Voting Stock" means with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

"Wholly Owned" means, with respect to any Subsidiary of any person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such person or one or more Wholly Owned Subsidiaries of such person.

REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS

We and the Guarantors have agreed pursuant to the Registration Rights Agreement that we and the Guarantors will, at our cost and expense,

- (1) file within 90 days after the closing date, a registration statement (the "Exchange Offer Registration Statement") with the SEC with respect to a registered offer (the "Registered Exchange Offer") to exchange the Notes for our new Notes (the "Exchange Notes") having terms substantially identical in all material respects to the Notes (except that the Exchange Notes will not contain provisions with respect to transfer restrictions);
- (2) cause the Exchange Offer Registration Statement to be declared effective under the Securities Act within 180 days after the closing date;
- (3) as soon as practicable after the effectiveness of the Exchange Offer Registration Statement (the "Effectiveness Date") but not later than 60 days after the Registration Statement is declared effective, offer the Exchange Notes in exchange for surrender of the Notes; and
- (4) keep the Registered Exchange Offer open for not less than 30 days (or longer if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the holders of the Notes.

For each Transfer Restricted Note (as defined in the Registration Rights Agreement) tendered to us pursuant to the Registered Exchange Offer, we will issue to the holder of such Transfer Restricted Note an Exchange Note having a principal amount equal to that of the surrendered Transfer Restricted Note. Interest on each Exchange Note will accrue from the last interest payment date on which interest was paid on the Transfer Restricted Note surrendered in exchange therefore or, if no interest has been paid on such Transfer Restricted Note, from the closing date.

If we effect the Registered Exchange Offer, we will be entitled to close the Registered Exchange Offer 30 days after the commencement thereof provided that we have accepted all Notes theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

Under existing SEC interpretations contained in several no-action letters to third parties, the Exchange Notes will be freely transferable in the United States by holders other than our affiliates after the Registered Exchange offer without further registration under the Securities Act if the holder of the Exchange Notes represents to us in the Registered Exchange Offer that it is acquiring the Exchange Notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes and that it is not an affiliate of us, as such terms are interpreted by the SEC; *provided*, broker-dealers ("Participating Broker-Dealers") receiving Exchange Notes in the Registered Exchange Offer will have a prospectus delivery requirement with respect to resales of such Exchange Notes. The SEC has taken the position that Participating Broker-Dealers may fulfil their prospectus delivery requirements with respect to Exchange Notes (other than a resale of an unsold allotment from the original sale of the Notes) with the prospectus contained in the Exchange Offer Registration Statement.

Under the Registration Rights Agreement, we are required to allow Participating Broker-Dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the Exchange Offer Registration Statement in connection with the resale of such Exchange Notes for 180 days following the effective date of such Exchange Offer Registration Statement (or such shorter period during which Participating Broker-Dealers are required by law to deliver such prospectus).

A holder of Transfer Restricted Notes (other than certain specified holders) who wishes to exchange such Notes for Exchange Notes in the Registered Exchange Offer will be required to make certain representations to us (as described in the Registration Rights Agreement), including the representation that:

- (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business;
- (ii) at the time of the commencement of the Registered Exchange Offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes; and
- (iii) it is not an "affiliate" of us, as defined in Rule 405 under the Securities Act, or, if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

In the event that (A) changes in law or applicable interpretations of the staff of the SEC do not permit us to effect such a Registered Exchange Offer, or if for any other reason we do not consummate the Registered Exchange Offer within 240 days of the date of the closing date, or (B) the Initial Purchaser shall notify us within 10 business days following consummation of the Registered Exchange Offer that Transfer Restricted Notes held by it are not eligible to be exchanged for Exchange Notes in the Registered Exchange Offer, or (C) any holder shall notify us within 10 business days following consummation of the Registered Exchange Offer that:

- (1) such holder is prohibited by law or SEC policy from participating in the Registered Exchange Offer;
- (2) such holder may not resell the Exchange Notes acquired by it in the Registered Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such holder; or
- (3) such holder is a broker-dealer and holds Notes that are part of an unsold allotment from the original sale of the Notes,

then, we and the Guarantors will, at our cost and expense:

- (1) as promptly as practicable, file a shelf registration statement (the "Shelf Registration Statement") covering resales of Transfer Restricted Notes;
- (2) use our reasonable best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act on or prior to the later of (1) the 180th day after the closing date and (2) 60 days after the date the Shelf Registration Statement is filed; and
- (3) keep the Shelf Registration Statement effective until the earlier of (A) two years from the effective date (or such shorter period as may be established by any amendment to the two year period set forth in Rule 144(k) under the Securities Act) and (B) the date on which all Notes registered thereunder are disposed of in accordance therewith.

Holders of Transfer Restricted Notes will be required to deliver certain information to be used in connection with the Shelf Registration Statement. We will, in the event of the filing of a Shelf Registration Statement, provide to each holder of the Notes copies of the prospectus which is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement for the Notes has become effective and take certain other actions as are required to permit unrestricted resales of the Notes. A holder of the Notes who sells such Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver the prospectus to purchasers, will be subject to certain civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder. In addition, each holder of the Notes will be required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their Notes included in the Shelf Registration Statement and to benefit from the provisions regarding liquidated damages set forth in the following paragraph.

We will pay Liquidated Damages (as defined below) if:

- (1) by November 5, 2000, the Exchange Offer Registration Statement is not filed with the SEC;
- (2) by February 3, 2001, the Exchange Offer Registration Statement and, if applicable, the Shelf Registration Statement is not declared effective;
- (3) by April 4, 2001, the Registered Exchange Offer is not consummated; or
- (4) after either the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective, such Registration Statement thereafter ceases to be effective or usable (subject to certain exceptions), (each of clause (1) through (4), a "Registration Default") from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured.

If we fail to comply with the above provisions or if the Exchange Offer Registration Statement or the Shelf Registration Statement fails to become effective, then liquidated damages (the "Liquidated Damages") will become payable in respect of the Notes as follows:

- (1) if (A) neither the Exchange Offer Registration Statement nor Shelf Registration Statement is filed with the Commission on or prior to the required filing date or (B) notwithstanding that we have completed or will complete a Registered Exchange Offer, we are required to file a Shelf Registration Statement and such Shelf Registration Statement is not filed on or prior to the date required by the Registration Rights Agreement, then commencing on the day after either such required filing date, Liquidated Damages will accrue on the principal amount of the Transfer Restricted Notes at a rate of 0.5% per annum for the first 90 days immediately following each such filing date, and increase by an additional 0.5% per annum at the beginning of each subsequent 90-day period; or
- (2) if (A) neither the Exchange Offer Registration Statement nor a Shelf Registration Statement is declared effective by the Commission on or prior to 180 days after the closing date or (B) notwithstanding that we have completed or will complete an Exchange Offer, we are required to file a Shelf Registration Statement and such Shelf Registration Statement is not declared effective by the Commission on or prior to the date required by the Registration Rights Agreement, then commencing on the day after, in the case of (A) above, the 181st day after the closing date and, in the case of (B) above, the 90th day following the applicable filing date, Liquidated Damages will accrue on the principal amount of the Transfer Restricted Notes at a rate of 0.5% per annum for the first 90 days immediately following such date, and increase by an additional 0.5% per annum at the beginning of each subsequent 90-day period; or
- (3) if (A) we have not exchanged Exchange Notes for all Notes validly tendered in accordance with the terms of the Registered Exchange Offer on or prior to the 240th day after the closing date or (B) if applicable, the Shelf Registration Statement has been declared effective and such Shelf Registration Statement ceases to be effective at any time prior to the expiration of the Effectiveness Period, except in the case of a Blackout Period with respect to a Shelf Registration Statement, then Liquidated Damages will accrue on the principal amount of the Transfer Restricted Notes at a rate of 0.5% per annum for the first 90 days commencing on (x) the 241st day after the closing date, in the case of (A) above, or (y) the day such Shelf Registration Statement ceases to be effective in the case of (B) above, and increase by an additional 0.5% per annum at the beginning of each subsequent 90-day period;

provided, however, that the Liquidated Damages rate on the Notes may not exceed in the aggregate 2.0% per annum; *provided, further, however*, that (1) upon the filing of the Exchange Offer Registration Statement or a Shelf Registration Statement (in the case of paragraph (1) above), (2) upon the effectiveness of the Exchange Offer Registration Statement (in the case of paragraph (2) above), or (3) upon the exchange of Exchange Notes for all Notes tendered (in the case of Clause (A) of paragraph (3) above), or upon the effectiveness of the Shelf Registration Statement which had ceased to remain effective (in the case of Clause (B) or paragraph (3) above), Liquidated Damages on the Notes as a result of such clause (or the relevant subclause thereof, as the case may be) will cease to accrue.

We may require a holder of Transfer Restricted Notes to be included in a registration statement to furnish to us information regarding the distribution of such Transfer Restricted Notes as is required by law to be disclosed in such registration statement.

We will pay such Liquidated Damages on regular interest payment dates. Such Liquidated Damages will be in addition to any interest and other amounts payable from time to time with respect to the Notes and the Exchange Notes. Liquidated Damages shall not accrue on account of a Blackout Period with respect to a Shelf Registration Statement. The payment of Liquidated Damages shall be the only remedy to which the holders of the Notes shall be entitled in connection with a breach of the Registration Rights Agreement by us and/or the Guarantors.

All references in the indenture, in any context, to any payment of principal, purchase prices in connection with a purchase of Notes, and interest or any other amount payable on or with respect to any of the Notes shall be deemed to include payment of any additional cash interest pursuant to the Registration Rights Agreement.

BOOK-ENTRY

General

The Notes will initially be represented by two or more global securities in bearer form without interest coupons and which in aggregate will represent the aggregate principal amount of the Notes (in the case of the Notes sold in reliance on Rule 144A, the Rule 144A Global Note or, in the case of the Notes sold in reliance on Regulation S under the Securities Act, the Regulation S Global Note). The Rule 144A Global Note and the Regulation S Global Note will be deposited with the Depositary pursuant to the terms of the Notes Depositary Agreement. References herein to a Global Note mean the Rule 144A Global Note or the Regulation S Global Note, as the context may require. The summary of certain provisions of the Notes Depositary Agreement between, *inter alios*, the Issuer (for the limited purposes referred to therein) and the Depositary contained in this section does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Notes Depositary Agreement, a copy of which will be available from the Company upon request.

The Global Notes will be deposited with the Depositary who will hold the same. The Depositary will issue a certificated interest (a "Certificated Depositary Interest" or "CDI") for each Global Note, representing a 100% interest in the respective underlying Global Note to a common depositary for Euroclear and Clearstream by recording such interest in the Depositary's books and records in the name of the common depositary, or a nominee thereof, for Euroclear and Clearstream. Upon acceptance by the Clearing System of CDIs, the Clearing Systems will record beneficial interests in the Global Notes (the "Book-Entry Interests"). Ownership of Book-Entry Interests will be limited to persons that have accounts with the Clearing Systems ("participants") or persons that hold interests in the Book-Entry Interests through participants ("indirect participants"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with the Clearing System, either directly or indirectly. The Book-Entry Interests will not be held in definitive form. Instead, the Clearing Systems will credit on their respective book-entry registration and transfer systems the participants' accounts with the interests beneficially owned by such participants. The accounts to be credited shall be designated by the Initial Purchaser. Ownership of Book-Entry Interests will be shown on, and the transfer of these Book-Entry Interests or the interests therein will be effected only through, records maintained by the Clearing Systems (with respect to interests of its participants) on the records of participants or indirect participants (with respect to interests of indirect participants). The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the Depositary holds the Global Notes underlying the Book-Entry Interests, the Depositary will be considered the sole holder of the Global Notes for all purposes under the indenture governing the Notes. Except as set forth below under "— Definitive Notes", participants or indirect participants will not be entitled to have Notes or Book-Entry Interests registered in their names, will not receive or be entitled to receive physical delivery of Notes and will not be considered the owners or holders thereof under the indenture. Accordingly, each person holding a Book-Entry Interest must rely on the procedures of the Depositary, participants of the Clearing Systems must rely on the procedures of the Clearing Systems and indirect participants must rely on the procedures of the Clearing Systems and the participants or indirect participants through which such person owns its interest in the Book-Entry Interests to exercise any rights and obligations of a holder under the indenture. See "— Action by Owners of Book-Entry Interests." If any Definitive Notes are issued, they will only be issued in registered form.

Purchasers of beneficial interests in the Notes pursuant to Rule 144A will hold their beneficial interests in the Rule 144A Global Note, and the purchasers of beneficial interests in the Notes pursuant to Regulation S will hold their beneficial interests in the Regulation S Global Note. Investors may hold their beneficial interests in the Notes directly through the Clearing Systems, if they are participants in such system, or indirectly through organisations which are participants in such system. All interests in the Global Notes may be subject to the procedures and requirements of Euroclear and Clearstream.

Payment on Global Notes

Payment of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) will be made pursuant to the indenture by the Company in pounds sterling, to The Bank of New York, London branch as the initial principal paying agent (the "Paying Agent"). The Paying Agent will, in turn, make such payments to the Depositary in its capacity as

the bearer of the relevant Global Notes. Upon receipt of any such amounts, the Depositary will pay the amounts so received to Euroclear and Clearstream (or a nominee on their behalf) as applicable, which will distribute such payments to participants in accordance with its procedures.

Under the terms of the indenture governing the Notes, the Company and the Trustee will treat the bearer of the Global Notes as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any agent of the Company or the Trustee has or will have any responsibility or liability for:

- (1) any aspect of the records of the Depositary, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing any of the records of the Depositary, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- (2) the Depositary, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for accounts of customers registered in "street name."

Definitive Notes

Under the terms of the Notes Depositary Agreement, owners of Book-Entry Interests in the Global Notes will receive Definitive Notes (a) if either Euroclear or Clearstream notifies the Depositary and the Company that it is unwilling or unable to continue to act as a clearing agency and a successor clearing agency is not appointed by the Company within 90 days, (b) if an Event of Default under the indenture occurs upon the request delivered in writing to either Euroclear or Clearstream of the owner of a Book-Entry Interest or (c) if the Depositary is at any time unwilling or unable to continue as Depositary and a successor Depositary is not appointed by the Company within 90 days.

In no event will Definitive Notes in bearer form be issued. Any Definitive Note will be issued in registered form in denominations of £1,000 principal amount at maturity and integral multiples thereof. Any Definitive Notes will be registered in such name or names as owners of Book-Entry Interests and the Clearing Systems shall instruct the Trustee, through the Depositary. It is expected that the Clearing Systems' instructions will be based upon directions received by the Clearing Systems from its participants reflecting the beneficial ownership of Book-Entry Interests. To the extent permitted by law, the Company, the Trustee and any paying agent shall be entitled to treat the person in whose name any Definitive Note is registered as the absolute owner thereof. The indenture governing the Notes contains provisions relating to the maintenance by a registrar of a register reflecting ownership of Definitive Notes, if any, and other provisions customary for a registered debt security. Payment of principal and interest on each Definitive Note will be made to the holder appearing on the register at the close of business on the record date at his address shown on the register on the record date.

HOLDERS SHOULD BE AWARE THAT, UNDER CURRENT U.K. TAX LAW, UPON THE ISSUANCE TO A HOLDER OF DEFINITIVE NOTES, SUCH HOLDER WILL BECOME SUBJECT TO UK INCOME TAX (CURRENTLY 20%) TO BE WITHHELD ON ANY PAYMENTS OF INTEREST ON THE NOTES SUBJECT TO THE AVAILABILITY OF DOUBLE TAX TREATY RELIEF AS SET FORTH UNDER "CERTAIN TAX CONSIDERATIONS — CERTAIN UNITED KINGDOM INCOME TAX CONSEQUENCES".

If Definitive Notes are issued pursuant to the request of a holder, following an event of default, the company will not be obligated to pay any Additional Amounts with respect to such Notes. If a holder receives Definitive Notes other than pursuant to its request following an Event of Default, such holder may be entitled to receive Additional Amounts with respect to such Notes. See "Description of the Notes — Taxation; Redemption for Taxation Reasons."

None of the Company, the Depositary, the Paying Agent or any other paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Book-Entry Interests.

Redemption of Global Notes

In the event that any Global Note (or a portion thereof) is redeemed, the Depositary will, through, Euroclear or Clearstream, as applicable, redeem an equal amount of the Book-Entry Interest in such

Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by the Depositary in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under the existing practices of the Clearing Systems, if fewer than all of the Notes are to be redeemed at any time, the relevant Clearing System will credit its participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis that the relevant Clearing System deems fair and appropriate *provided, however* that no beneficial interests of less than \$1,000 principal amount at maturity may be redeemed in part. Once redeemed in part, a new Global Note in the principal amount equal to the unredeemed portion thereof will be issued and delivered to the Depositary.

Transfers and Transfer Restrictions

Transfers of Book-Entry Interests in Rule 144A Global Notes ("a Rule 144A Book-Entry Interest") and Book-Entry Interests in Regulation S Global Notes (a "Regulation S Book-Entry Interest") between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. For restrictions on transfers of Book-Entry Interests, see "Transfer Restrictions".

Book-Entry Interests (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and will bear the legend regarding such restrictions set forth under "Transfer Restrictions". Before the Registered Exchange Offer, a Rule 144A Book-Entry Interest may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon receipt by the Depositary of written certification from the transferor (in a form similar to that provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S. Prior to the 40th day after the later of the commencement of the offering and the original Issue Date of the Notes (the "Restricted Period") Regulation S Book-Entry interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests only upon receipt by the Depositary of written certification from the transferor (in a form similar to that provided in the indenture) to the effect that such transfer is being made in accordance with Rule 144A under the Securities Act to a person whom the transferor reasonably believes is purchasing for its own account or an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts are "qualified institutional buyers" as defined in Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the expiration of the Restricted Period, such certification shall not apply.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in another Global Note will, upon transfer, cease to be a Book-Entry Interest in such Global Note and become a Book-Entry Interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest. After the Notes have been registered under the Securities Act, all certification requirements with respect to the Notes will cease.

Investors may under certain circumstances have the ability to obtain Definitive Notes as set forth under "Definitive Notes" above.

Transfer and Exchange of Definitive Notes

In the event that Definitive Notes are issued, a holder may transfer or exchange the Definitive Notes in accordance with the indenture. The Bank of New York appointed as registrar pursuant to the Indenture (the "Registrar") and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and the Company may require a holder to pay any taxes and fees required by law or permitted by the indenture. The Company is not required to transfer or exchange any Notes selected for redemption for a period of 15 days before a selection of Notes to be redeemed. In addition, transfers and exchanges of Definitive Notes will be subject to such procedures which will be substantially consistent with the procedures described above with respect to Global Notes (including the certification requirements intended to ensure that transfers and exchanges comply with applicable securities laws), as may from time to time be adopted by the Company and the Registrar. Upon the issuance of Definitive Notes, holders will be able to transfer and exchange Definitive Notes at the offices of the Paying

Agents provided that all transfers and exchanges must be effected in accordance with the terms of the indenture and, among other things, be recorded in the register maintained by the Registrar.

Action by Owners of Book-Entry Interests

As soon as practicable after receipt by the Depositary of notice of any solicitation of consents or request for a waiver or other action by the holders of Notes, or of any offer to purchase, the Depositary will mail to Euroclear or Clearstream, as applicable, in respect of Book-Entry Interests, a notice containing (a) such information as is contained in the notice received by the Depositary, (b) a statement that at the close of business on a specified record date Euroclear or Clearstream, as applicable, will be entitled to instruct the Depositary as to the consent, waiver or other action, if any, pertaining to such Notes and (c) a statement as to the manner in which such instructions may be given. In addition, the Depositary will forward to Euroclear or Clearstream, as applicable, all materials pertaining to such solicitation, request, offer or other action. Upon the written request of Euroclear or Clearstream, as applicable, the Depositary shall endeavour insofar as practicable to take such action regarding the requested consent, waiver, offer or other action in respect of such Notes in accordance with any instruments set forth in such request. The Clearing Systems may grant proxies or otherwise authorise participants or indirect participants to provide such instruction to the Depositary so that it may exercise any rights of a holder or take any other actions which a holder is entitled to take under the indenture. Euroclear or Clearstream, as the case may be, will take any action permitted to be taken by a holder under the indenture on behalf of a Euroclear participant or Clearstream participant only in accordance with its relevant rules and procedures and subject to its depositary's ability to effect such actions on its behalf. The Depositary will not exercise any discretion in the granting of consents or waivers or the taking of any other action relating to the Indenture.

The Depositary will immediately send to the Clearing Systems a copy of any notices, reports and other communications received relating to the company, the Notes or the Book-Entry Interests.

Action by Depositary following a Default

Upon the occurrence of a Default with respect to the Notes, or in connection with any other right of the holder of a Global Note under the indenture, if requested in writing by Euroclear or Clearstream, the Depositary will take any such action as shall be requested in such notice, provided that the Depositary has been offered reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request by the owners of Book-Entry Interests.

Resignation of Depositary, Euroclear or Clearstream

The Depositary may at any time resign as Depositary by written notice to the company, the Trustee and the Clearing Systems, such resignation to become effective upon the appointment of a successor Depositary, in which case the Global Notes shall be delivered to such successor. If no successor has been so appointed by the Company within 90 days, the Depositary may request that the Company issue Definitive Notes in exchange therefor as described above.

If at any time any Clearing System is unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Company within 90 days, the Company will issue Definitive Notes in exchange therefor.

Amendment and Termination of the Notes Depositary Agreement

The Notes Depositary Agreement may be amended by the Company and the Depositary without notice to or consent of any Clearing System or any owner of Book-Entry Interests (a) to cure any ambiguity, defect or inconsistency, provided that such amendment or supplement does not adversely affect the rights of any Clearing System or any holder of Book-Entry Interests, (b) to evidence the succession of another person to the Company (when a similar amendment with respect to the indenture is being executed) and the assumption by any such successor of the covenants of the company herein, (c) to evidence or provide for a successor Depositary, (d) to make any amendment, change or supplement that does not adversely affect any Clearing System or any owner of Book-Entry Interests, (e) to add to the covenants of the Company or the Depositary or (f) to comply with the United States federal and English securities laws. Except as set forth above, no amendments that adversely affect any Clearing System may be made to the Notes Depositary Agreement without the consent of such Clearing System. Upon issuance of the Definitive Notes in exchange for Book-Entry Interests constituting the entire principal amount of the Global Notes, the Notes Depositary Agreement will terminate. The Notes Depositary Agreement may be terminated upon the resignation of the Depositary if no successor has been ap-

pointed within 90 days as set forth under “— Resignation of Depositary, Euroclear or Clearstream” above.

Information concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream: each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Global Clearance, Settlement and Trading Under Book-Entry Systems

Investors electing to own their Book-Entry Interest through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary market trading between Euroclear participants or Clearstream participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Since the purchaser determines the place of delivery, it is important to establish at the time of trading any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Reports

The Depositary will immediately, and in no event later than ten days from receipt, send to the Clearing Systems a copy of any notices, reports and other communications received relating to the Company, the Global Notes or the Book-Entry Interests. Copies of all such notices, reports and communications will be available for inspection at the offices of the listing agent for the Notes. All notices regarding the Notes will be (a) in the case of Global Notes, published in a leading newspaper having a general circulation in New York City (which is expected to be the *Wall Street Journal*) and a leading English language newspaper having general circulation in London (which is expected to be the *Financial Times*) or (b) in the case of Definitive Notes, mailed to holders by first-class mail at their respective addresses as they appear on the registration books of the Registrar. If, and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

Charges of Depositary

The Company has agreed to pay all charges of the Depositary under the Notes Depositary Agreement. The company has also agreed to indemnify the Depositary against certain liabilities incurred by it under the Notes Depositary Agreement.

Obligation of Depositary

The Depositary will assume no obligation or liability under the Notes Depositary Agreement other than to use good faith and reasonable care in the performance of its duties under such agreement.

If and so long as any Notes are represented by one or more Global Notes and ownership of Book-Entry Interests therein are shown on the records of Euroclear, Clearstream or any successor clearing agency appointed by the Depositary at the request of the Company, notices will also be delivered to each such applicable clearing agency for communication to the owners of such Book-Entry Interests.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a subscription agreement, dated July 28, 2000 (the "Subscription Agreement"), among the Company, the Guarantors and Barclays Bank PLC, as the Initial Purchaser, the Initial Purchaser has agreed to purchase from us the aggregate principal amount of Notes set forth on the cover of this offering memorandum.

The Subscription Agreement provides that the obligations of the Initial Purchaser thereunder are subject to certain conditions precedent, and that the Initial Purchaser is committed to take and pay for all of the Notes if any are taken.

We and the Guarantors have agreed in the Subscription Agreement to indemnify, jointly and severally, the Initial Purchaser, its respective affiliates and their respective officers, directors, employees, representatives, agents and controlling persons against certain liabilities in connection with the offer and sale of the Notes, including liabilities under the Securities Act, and to contribute to payments (including expenses) that the Initial Purchaser may be required to make in respect thereof.

The Initial Purchaser proposes to offer the Notes for resale initially at 100% of the principal amount thereof. After the initial offering, the offering price and other selling terms of the Notes may be changed at any time without notice. Each purchaser of the Notes offered hereby will, by its purchase, be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under the section "Transfer Restrictions".

The Notes have not been registered under the Securities Act. The Initial Purchaser has agreed that it will offer to sell the Notes within the United States through its US registered broker-dealer affiliate only to persons who it reasonably believes to be QIBs in reliance on Rule 144A and outside the United States only to non-US persons in offshore transactions in reliance on Regulation S.

The Initial Purchaser has acknowledged and agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes within the United States or to, or for the account or benefit of, US persons: (1) as part of the distribution of the Notes at any time; or (2) otherwise until 40 days after the later of the commencement of the offering of the Notes and the issue date of the Notes, and that it will send to each dealer to which it sells Notes in reliance on Regulation S during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them in Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Initial Purchaser has represented and agreed that: (1) it has not offered or sold and prior to the date six months after the closing date will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the United Kingdom Public Offers of Securities Regulations 1995; (2) it has complied and will comply with all applicable provisions of the FS Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of the Notes to a person who is a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom the document may otherwise lawfully be issued or passed on.

Application has been for the Notes to be admitted to the Official List and for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. The Initial Purchaser has advised us that the Initial Purchaser currently intends to make a market in the Notes, however it is not obligated to do so and any market making may be discontinued by the Initial Purchaser at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or the trading market for, the Notes.

We and the Guarantors have agreed that for a period of 180 days from the date of the offering memorandum, we and the Guarantors will not offer for sale, sell, contract to sell or otherwise dispose of,

directly or indirectly, or file a registration statement for, or announce any offer, sale, contract for sale of any similar debt securities of us or the Guarantors without the prior written consent of the Initial Purchaser other than as described under the section "Registered Exchange Offer; Registration Rights".

We have covenanted with the Initial Purchaser that within 90 days after the issuance of the Notes, we will file with the SEC an Exchange Offer Registration Statement under the Securities Act with respect of an issue of Exchange Notes, will cause such Exchange Offer Registration Statement to become effective under the Securities Act within 180 days after the issuance of the Notes or to cause a shelf registration statement to be declared effective and will offer to the holders of the Notes the opportunity to exchange their Notes for a like principal amount of Exchange Notes, which Exchange Notes will be issued without the legend described under the section "Transfer Restrictions" and generally (other than by us or an affiliate of us) may be reoffered or resold by the holder without restrictions or limitations under the Securities Act. See the section "Registered Exchange Offer; Registration Rights".

In connection with the offering, the Initial Purchaser, may engage in over allotment, stabilising transactions and syndicate covering transactions. Over allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchaser. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Such stabilising transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of such transactions. Such activities, if commenced, may be discontinued at any time.

The Initial Purchaser, directly or through its affiliates, has provided from time to time and expects to provide in the future, investment banking and commercial banking services to, or has entered into financing transactions with, us and our affiliates, for which the Initial Purchaser has received and/or will receive customary fees and commissions. In particular, Barclays has from time to time provided lending facilities to us, including the Revolving Credit Facility and the Acquisition Facility. In addition we, together with RBS, purchased Transpay, a foreign currency fulfilment business, from Barclays. See "Business — History" and "Description of Senior Credit Facilities".

Buyers who purchase Notes from the Initial Purchaser may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the Notes, unless we complete the exchange offer for the Notes described under the heading "Registered Exchange Offer; Registration Rights" or cause a registration statement with respect to resales of the Notes to be declared effective under the Securities Act, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been registered under the Securities Act or any state or foreign securities laws, and they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state and foreign securities laws. Accordingly, the Notes are being offered and sold only:

- within the United States, to qualified institutional buyers, as defined in Rule 144A under the Securities Act (each a "QIB"), in compliance with Rule 144A and
- outside the United States, to non-US persons in offshore transactions pursuant to Regulation S under the Securities Act.

The Notes purchased pursuant to Rule 144A will constitute "restricted securities" within the meaning of Rule 144(a)(3)(iv) under the Securities Act and any sale pursuant to Rule 144 will be subject to the requirements of that rule, including the holding period requirements. We cannot guarantee the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Notes.

By its purchase of the Notes, each purchaser will be deemed to have represented and agreed as follows:

1. It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (i) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) a non-US person purchasing in an offshore transaction within the meaning of Regulation S.
2. It is not an affiliate of ours or any of the guarantors of the Notes.
3. It acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold except as set forth below.
4. It shall not, within the two years following the later of (a) the date of the original issue of the Notes or (b) the last date that we or any of our affiliates was the owner of such Notes (the "Commencement Date"), resell or otherwise transfer any such Notes except (A) to us or any of our subsidiaries, (B) inside the United States, to a QIB in a transaction complying with Rule 144A, (C) pursuant to the exemption from the registration provisions of the Securities Act provided by Rule 144, (D) outside the United States in compliance with Rule 904 of Regulation S under the Securities Act and not in a pre-arranged transaction resulting in the resale of the Notes in the United States, or (E) pursuant to an effective registration statement under the Securities Act and, in each case, in compliance with applicable state securities laws and securities laws of any other jurisdiction. Subject to the procedures set forth under "Book Entry" prior to any proposed transfer of any of the Notes (other than pursuant to an effective registration statement) within the two years following the Commencement Date, the holder thereof must check the appropriate box set forth on the reverse of the transfer certificate relating to the manner of such transfer and submit such certificate to the trustee.
5. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.
6. It understands that, unless and until registered under the Securities Act, the Notes will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THE OFFER AND SALE OF THIS NOTE HAS NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE COMPANY, (2) TO A PERSON THAT THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND NOT IN A PRE-ARRANGED TRANSACTION RESULTING

IN THE RESALE OF THESE NOTES IN THE UNITED STATES, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.

7. It acknowledges that we, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or warranties deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify us and the Initial Purchaser. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

CERTAIN TAX CONSIDERATIONS

Certain United Kingdom Income Tax Consequences

The following summary describes certain UK tax consequences of the ownership of the Notes as of the date hereof, assuming that the interest paid on the Notes will not exceed a reasonable commercial return. Except where noted, it relates only to the position of persons who are the absolute beneficial owners of their Notes and may not apply to special situations, such as those of dealers in securities. Furthermore, the discussion below is based upon the provisions of the UK tax laws and UK Inland Revenue practice as of the date hereof, and such provisions may be repealed, revoked or modified so as to result in UK income tax consequences different from those discussed below. Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisers concerning UK tax consequences in light of their particular situations as well as any consequences arising under the law of any other relevant tax jurisdiction. No representations with respect to the tax consequences arising under the law of any other relevant tax jurisdiction are made hereby. No representations with respect to the tax consequences to any particular holder of Book-Entry Interests are made hereby.

Payments on the Notes. No withholding or deduction on account of UK income tax will be required from payments of principal or, for so long as the Notes are represented by the Global Notes, continue to be in bearer form and are listed on the London Stock Exchange or some other stock exchange recognised by the UK Inland Revenue ("Eurobond Notes"), from payments of interest where:

- a) the payment of interest is made through a paying agent outside the UK, or
- b) the payment of interest is made by or through a paying agent who is in the UK, and either:
 - (i) the person beneficially entitled to the interest is not resident in the UK and beneficially owns the Eurobond Notes from which the interest derives or
 - (ii) the Eurobond Notes are held in a recognised clearing system (and Euroclear and Clearstream are recognised clearing systems for this purpose),

and any other administrative conditions prescribed by regulations are satisfied.

In all other cases, and in particular where paid in respect of the Definitive Notes in registered form, interest will (subject to what is said below) be paid after deduction of income tax at the lower rate (currently 20%) subject to any direction to the contrary by the UK Inland Revenue under an applicable double taxation treaty. A holder who is entitled to the protection of an applicable double tax treaty will normally be eligible to recover all or part of the UK tax withheld from payments of interest to which such holder is beneficially entitled by making a claim under the treaty on the appropriate form. Alternatively, a claim may be made to the UK Inland Revenue in advance of a payment of interest. If the claim is accepted by the Inland Revenue, they will authorise subsequent payments to that holder to be made without withholding for UK tax.

Where any person in the United Kingdom, acting in the course of a trade or profession:

- (i) acts as custodian of the Eurobond Notes, in respect of which he receives any interest or interest is paid at his direction or with his consent;
- (ii) collects or secures payment of or receives interest on the Eurobond Notes for another person, including the holder, or
- (iii) otherwise acts for another person in arranging to collect or secure payment of interest on the Eurobond Notes;

(except in any case by means only of clearing a cheque or arranging for the clearing of a cheque) that person (a "collecting agent") is liable to account for United Kingdom income tax at the lower rate (currently 20%) on such interest and is entitled to deduct an amount in respect thereof from interest or other sums due from him to the holder unless:

- (i) the Eurobond Note is held in a "recognised clearing system" and the collecting agent either:
 - (a) pays or accounts for the interest directly or indirectly to the "recognised clearing system"; or
 - (b) is acting as depositary for the "recognised clearing system";

- (ii) the person beneficially entitled to the interest is not resident in the United Kingdom and beneficially owns the Eurobond Note;
- (iii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, inter alia., none of the beneficiaries of the trust is resident in the UK);
- (iv) the person beneficially entitled to the interest is eligible for certain relief from tax in respect of the interest;
- (v) the interest falls to be treated as the income of, or of the government of, a sovereign power or an international organisation; or
- (vi) the Eurobond Notes and the interest are beneficially owned by a person falling into certain specified categories.

In the case of each of the above exceptions (except (i)(b)), further administrative conditions imposed by regulations (for instance, as to the making of a declaration in the required form) may have to be satisfied for the relevant exception to be available.

Interest on the Notes constitutes UK source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, except for any income tax deducted as described above, a holder who is not resident for tax purposes in the UK, will not be liable to the United Kingdom tax on interest on the Notes unless that holder is chargeable to income tax or corporation tax on a branch or agency in the United Kingdom through which it carries on a trade, profession or vocation and in connection with which the interest is received or to which the Notes are attributable. There are certain exceptions for interest received by certain specified categories of agent (such as some brokers and investment managers).

Payments by the Guarantors. Depending on the correct legal analysis of payments made by the Guarantor as a matter of UK tax law, it is possible that payments by the Guarantor would be subject to withholding on account of United Kingdom tax, subject to any claim which could be made under applicable double tax treaties.

Finance Bill 2000. Draft provisions in the Finance Bill 2000 currently before Parliament will, if enacted, abolish the collecting agent rules described above. In addition, the exemption for Eurobond Notes described above will continue although the conditions required to be satisfied will be simplified in that the Notes will no longer be required to be issued in bearer form. It is proposed that these provisions will take effect for payments and receipts on or after April 1, 2001. The Finance Bill also contains provisions which will enable the UK Inland Revenue to obtain annual information returns in respect of payments of interest on quoted eurobonds although the precise ambit of these provisions is still to be drafted. Again, it is proposed that these provisions will take effect from April 1, 2001.

United Kingdom Corporation Taxpayers. In general, holders which are within the charge to UK corporation tax will be charged to tax as income on all returns on and fluctuations in value of the Notes, broadly in accordance with their statutory accounting treatments. Such holders will generally be charged to tax in each accounting period by reference to interest accrued in that period.

Other United Kingdom Taxpayers — Taxation of Chargeable Gains. It is expected that the Notes will be treated by the Inland Revenue as "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a holder who is a UK resident for tax purposes but who is not within the charge of UK corporation tax would not normally give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Other United Kingdom Taxpayers — Accrued Income Scheme. On a disposal of Notes by a holder (and in the Issuer's view, an exchange of Notes for Exchange Notes or their redenomination in Euro should not be treated as amounting to such a disposal), any interest which has accrued since the last interest payment date may be chargeable to tax as income if that holder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

Based on the Issuer's understanding of the UK Inland Revenue's practice in this area, it is considered unlikely that the Notes would be treated as constituting "relevant discounted securities" for the purposes of the Finance Act 1996.

Stamp Duty and SDRT. No UK stamp duty or stamp duty reserve tax is payable on the issue or the transfer of the Global Notes.

Certain United States Federal Income Tax Consequences

The following summary describes certain US federal income tax consequences of the purchase, ownership and disposition of the Notes by initial US Holders (as defined below) who hold the Notes as capital assets. There can be no assurance that the US Internal Revenue Service (the "IRS") will take a similar view of the purchase, ownership or disposition of the Notes. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), regulations promulgated thereunder, and administrative and judicial interpretations thereof, all of which are subject to change, possibly on a retroactive basis. The summary does not include any description of the tax laws of any state, local or non-US governments that may be applicable to the Notes or holders thereof. The summary does not discuss all aspects of US federal income taxation that may be relevant to a particular investor in light of his particular investment circumstances or to certain types of investors subject to special treatment under the US federal income tax laws (for example, financial institutions, broker-dealers, dealers in currencies, S corporations, insurance companies, tax-exempt organisations, and taxpayers subject to the alternative minimum tax) and also does not discuss Notes held as part of a hedge, straddle, "synthetic security," or other integrated investment (including a "conversion transaction") comprised of a Note and one or more other investments, or situations in which the functional currency of the holder is not the US dollar. Prospective purchasers of Notes are urged to consult their own tax advisers concerning the US federal, state, local and non-US tax consequences of the acquisition, ownership and disposition of Notes.

The term "US Holder" means a holder of a Note that is, for US federal income tax purposes, (a) a citizen or resident of the US, (b) a corporation, limited liability company, partnership or other entity created or organised under the laws of the US or of any political subdivision thereof, (c) an estate, the income of which is subject to US federal income taxation regardless of source, or (d) a trust, if a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions. The term "Non-US Holder" means a holder of a Note that is not a US Holder.

In the case of Notes held by an entity taxed as a partnership for US federal income tax purposes, whether a partner is taxed as a US Holder may depend upon the activities of the partnership and the partner. Such persons should consult their tax advisors regarding the potential US tax consequences of holding Notes.

Payments of Interest. A US Holder of a Note will be required to report as ordinary interest income for US federal income tax purposes interest earned on the Note in accordance with the US Holder's method of tax accounting.

In the case of a US Holder that uses the cash method, the amount of interest income in respect of any interest payment will be determined by translating such payment into US dollars at the spot exchange rate in effect on the date such payment is received. A US Holder will not realise exchange gain or loss with respect to the receipt of such payment, other than exchange gain or loss that is attributable to the actual disposition of the pounds sterling received, as discussed below.

In the case of a US Holder that uses the accrual method, the US dollar amount of interest income that is taken into income for any interest accrual period is generally determined by translating the pounds sterling amount of accrued interest for such accrual period on the Note into US dollars at the "average rate" of exchange for the interest accrual period (or, with respect to an interest accrual period that spans two taxable years, at the average rate for the partial period within the relevant taxable year). The average rate for an accrual period (or partial period) is the simple average of the spot exchange rates for each business day of such period or other average rate for the period reasonably derived and consistently applied by the holder. At the time the interest so accrued in a prior accrual period is received, or the Note is disposed of, the holder will realise exchange gain or loss (taxable as ordinary income or loss, but generally not treated as interest income or expense) equal to the difference, if any, between the US dollar amount of the pounds sterling received by the holder with respect to such accrual period, based on the spot rate on the date the interest is received, and the US dollar amount of interest income previously accrued for such period translated from pounds sterling at the average rate.

Alternatively, a US Holder that uses the accrual method may elect to translate interest income into US dollars at the spot rate on the last day of the accrual period, or, in the case of a partial accrual period, the

last day of the partial period within the taxable year (rather than using the average rates for such periods). Moreover, if the interest is actually received within five business days of the end of such accrual period or taxable year, an accrual method holder may instead elect to use the spot rate on the date the interest is received for purposes of translating accrued interest income into US dollars (in which case no exchange gain or loss will be recognised). The election described above is made by filing a statement with the holder's first return in which the election is effective clearly indicating that the election has been made. Such an election must be applied consistently to all debt instruments held in the year of election and subsequent years, and may not be changed without the consent of the IRS.

For purposes of this summary, the spot rate generally means a rate that demonstrates to the satisfaction of the District Director or the Assistant Commissioner (International) to reflect a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A spot contract is a contract to buy or sell a currency on or before two business days following the date of execution of the contract.

Market Discount. If a US Holder purchases a Note for an amount that is less than the stated redemption price at maturity of such Note, the amount of the difference will be treated as market discount, unless such difference is less than a specified *de minimis* amount. Under the market discount rules, a US Holder will be required to treat any principal payment on, or any amount received on the sale, exchange, retirement or other disposition of a Note as ordinary income to the extent of any accrued market discount. If a US Holder disposes of a Note in any transaction other than a sale, exchange or involuntary conversion, accrued market discount, if any, will be recognised as if such holder had sold such Note for a price equal to its fair market value. In addition, a US Holder may be required to defer, until the maturity of the Note or its earlier disposition in a taxable transaction, the deduction of a portion of the interest expense on indebtedness incurred or continued to purchase or carry such Note.

Any market discount will be considered to accrue on a straight-line basis during the period from the date of acquisition to the maturity date of the Note, unless the US Holder elects to accrue market discount under a constant interest method. A US Holder of a Note may elect to include market discount in income currently as it accrues (under either a straight-line or constant interest method), in which case the rules described above regarding the recognition of ordinary income on disposition and the deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount bonds acquired on or after the first day of the first taxable year to which the election applies and may not be changed without the consent of the IRS.

The amount of market discount will be determined in pounds sterling. Accrued market discount (other than market discount currently included in income as a result of the US Holder's election) is translated from pounds sterling into US dollars at the spot rate on the date the Note is disposed of. A US Holder will not recognise exchange gain or loss with respect to such market discount.

Accrued market discount currently includible in income as a result of the US Holder's election will be translated from pounds sterling into US dollars at the average exchange rate for the accrual period. With respect to such accrued market discount currently includible in income, a US Holder will recognise exchange gain or loss in US dollars (taxable as ordinary income or loss, but generally not treated as interest income or expense) when a payment attributable to such market discount is received, equal to the difference between the amount realised and the US Holder's US adjusted tax basis in the amount of market discount included in income. The amount realised will be the US dollar amount of pounds sterling received as a payment based on the spot rate on the date received. A US Holder's adjusted tax basis in the amount of the payment attributable to market discount previously included in income is based on the average rate for the accrual period in which the market discount was included in income.

Amortisable Bond Premium. A US Holder that purchases a Note for an amount that is greater than the stated redemption price at maturity of such Note will be considered to have purchased such Note with "amortisable bond premium". Under the amortisable bond premium rules, the amount of interest income which such US Holder includes in its gross income with respect to such Note for any taxable year may be reduced, upon an election under Section 171 of the Code, by the portion of such premium properly allocable to such year. The election to amortise bond premium once made applies to all debt obligations held or subsequently acquired by the electing holder on or after the first day of the first taxable year to which the election applies and may not be changed without consent of the IRS. Amortisable bond premium not used to offset interest income is generally deductible in a given accrual period to the extent that (i) the sum of the holder's total interest inclusions on the bond in such period and all prior accrual period exceeds (ii) the total amount treated by the holder as a bond premium

deduction on the bond in prior accrual periods. Any excess is carried forward to the next accrual period and is treated as bond premium allocable to that period.

The amount of amortisable bond premium with respect to any period will be computed in pounds sterling, and if properly amortised or applicable to such year, respectively, will reduce interest income, respectively, in pounds sterling. The resulting pounds sterling income is realised with respect to amortisable bond premium and acquisition premium by treating the portion of premium amortised with respect to any period as a return of principal.

Exchange of Notes. The exchange of Notes for Exchange Notes in the Registered Exchange Offer will not constitute a taxable event to US Holders. Consequently, a US Holder will not recognise gain or loss upon receipt of an Exchange Note. A US Holder's holding period in the Exchange Note will include its holding period in the Note, and the US Holder's basis in the Exchange Note immediately after the exchange will be the same as its basis in the Note immediately before the exchange.

Certain Additional Payments. Under certain circumstances, the Issuer may be required to pay "Liquidated Damages" for failure to comply with obligations under the registration rights agreement. See "Registered Exchange Offer; Registration Rights." Although the matter is not free from doubt, such Liquidated Damages should be treated as a payment of additional interest on the Notes. As a result, such Liquidated Damages will be taxable to cash method taxpayers as ordinary income when it is received, and to accrual method taxpayers as ordinary income as it accrues. It is possible, however, that the IRS may take a different position, in which case, a US Holder may be required to include such Liquidated Damages in income as it accrues or becomes fixed, regardless of its method of accounting.

Optional Redemption by Issuer. The Company may redeem the Notes upon payment of the applicable premium and in certain other circumstances. The applicable premium feature may cause the Notes to be treated as "contingent payment debt instruments" which have a different tax treatment from that described elsewhere in this summary, including treatment of any gain on the Notes at Redemption as ordinary income. We believe the likelihood of such treatment is remote. However, the rules regarding non-US dollar denominated debt instruments that may be redeemed at a premium are uncertain and US Holders should consult their tax advisers concerning whether the Notes should be treated as contingent payment debt instruments and the consequences of such treatment to them.

Sale, Redemption and Retirement of Notes. Upon the sale, exchange, redemption, retirement or other disposition of a Note, a US Holder will recognise gain or loss equal to the difference between the amount realised (not including accrued but unpaid interest, which will be taxable as interest income and exchange gain or loss on such interest to US Holders who have not previously included such interest into income) and the US Holder's adjusted tax basis in the Note. The amount realised will be based on the spot rate of pounds sterling on the settlement date if the Notes are traded on an established securities market. A US Holder's adjusted tax basis in a Note will equal such US Holder's initial tax basis in the Note, increased by the US dollar amounts of market discount accrued through such date of disposition with respect to such Note. A US Holder's initial tax basis for a Note generally will be the US Holder's purchase price (in US dollars) for the Note. A US Holder generally will be treated as though the pounds sterling used to purchase the Note were instead exchanged for US dollars, and the US dollars received in such exchange were used to purchase the Note.

The gain or loss recognised upon the disposition of a Note by a US Holder, as described in the immediately preceding paragraph, will constitute exchange gain or loss under the rules described below. This exchange gain or loss will be taxable as ordinary income or loss, but generally not treated as interest income or expense. The US Holder will recognise exchange gain or loss on the principal amount of the Note to which prior receipts of payments on the Note have not been attributed equal to the difference between (i) the translation of such amount of the US Holder's principal in the Note into US dollars at the spot rate on the date of disposition and (ii) the translation of such amount of the US Holder's principal in the Note into US dollars at the spot rate on the date the holder acquired the Note. However, exchange gain or loss is taken into account only to the extent of the total gain or loss realised on the transaction.

Except with respect to (i) market discount, (ii) payments for accrued interest not previously included in income, and (iii) exchange gains or losses, and subject to the discussion in the section headed "Optional Redemption" the gain or loss will be capital gain or loss and will be long-term capital gain or loss if the US Holder's holding period in the Note is more than one year at the time of disposition. An individual US Holder will generally be subject to a maximum tax rate of 20 percent on a disposition of Notes held more

than on year. Subject to certain limited exceptions, capital losses cannot be used to offset ordinary income.

Receipt of Pounds Sterling. The tax basis of pounds sterling received by a US Holder generally will equal the US dollar equivalent of such pounds sterling at the spot rate on the date the pounds sterling are received. Upon any subsequent exchange of such pounds sterling, a US Holder will generally recognise exchange gain or loss equal to the difference between the amount of US dollars, or the fair market value in US dollars of other currency or property, received and the US Holder's tax basis in the pounds sterling.

Information Reporting and Backup Withholding. Payments of principal and interest on the Notes held by certain non-corporate holders and the proceeds of a disposition of such Notes may be subject to US information reporting requirements. Such payments also may be subject to US backup withholding at a rate of 31 percent if the holder does not provide a taxpayer identification number and certify that it is not subject to backup withholding rules or otherwise establish an exemption. The US Holder may credit any amounts withheld pursuant to US backup withholding against such US Holder's US federal income tax liability and claim a refund for amounts withheld in excess of its tax liability.

Non-US Holders. Payments of principal, retirement premium, if any, interest received or discount accrued by a Non-US Holder who is not engaged in a trade or business within the US will generally not be subject to US federal income or withholding tax. A Non-US Holder, however, may be subject to US federal income tax at the normal graduated rates on its net interest income or on any gain realised on the sale or exchange of a Note, if such income or gain is effectively connected with the conduct of a US trade or business of such Non-US Holder, and, in addition, such gain may be subject to a 30 percent branch profits tax.

AVAILABLE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. Pursuant to the indenture governing the Notes, we will agree that, for so long as any of the Notes remain outstanding, we will furnish to the holders of the Notes (a) all annual and quarterly financial information that would be required to be contained in a filing with the SEC on Forms 20-F and 10-Q if we were required to file such Forms, including for each such Form, a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual financial information only, a report thereon by our certified independent auditors and (b) all current reports that would be required to be filed with the SEC on Form 6-K if we were required to file such reports. In addition, whether or not required by the rules and regulations of the SEC, we will also agree to file a copy of all such information and reports with the SEC for public availability (unless the SEC will not accept such a filing). Furthermore, for so long as any of the Notes remains outstanding, we have agreed to make available to the holders of the Notes and any prospective investor, upon requests of such holders, information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

We are a public limited company organised under the laws of England and Wales. Many of our directors and executive officers are resident outside of the United States and many of our assets are located outside of the United States. Although we have agreed, in accordance with the terms of the indenture, to accept service of process in the United States by agents designated for such purpose, it may not be possible for holders of Notes (a) to effect service of process upon certain of our directors or officers or (b) to enforce judgements of courts of the United States predicated upon the civil liability of such persons under the United States securities laws against any such persons in the courts of a foreign jurisdiction. We have been advised by our English legal counsel, Dechert, that there is also doubt as to the direct enforceability in England against any of these persons, in an original action or in an action for the enforcement of judgements of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-b of the New Hampshire revised statutes with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state of New Hampshire that any document filed under RSA 421-b is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

EXCHANGE RATES

The following table shows for the dates indicated certain information concerning the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York expressed in US dollars per £1.00. No representation is made that the pounds

sterling or dollar amounts referred to herein could have been or could in the future be converted into dollars or pounds sterling as the case may be, at any particular rate or at all.

Period	\$ per £1			
	Period End	High	Low	Average ^(a)
Year ended December 31, 1995	1.58	1.63	1.53	1.55
Year ended December 31, 1996	1.57	1.70	1.50	1.70
Year ended December 31, 1997	1.64	1.71	1.58	1.65
Year ended December 31, 1998	1.66	1.72	1.61	1.66
Year ended December 31, 1999	1.62	1.67	1.55	1.62
Month ended January 31, 2000	—	1.65	1.62	1.62
Month ended February 29, 2000	—	1.62	1.58	1.58
Month ended March 31, 2000	—	1.57	1.59	1.59
Month ended April 30, 2000	—	1.60	1.56	1.56
Month ended May 31, 2000	—	1.56	1.47	1.50
Month ended June 30, 2000	—	1.52	1.49	1.51

(a) The average of the Noon Buying Rates on the last day of each month during the relevant period.

On July 31, 2000, the New York noon buying rate was £1.00 = \$1.4983.

LEGAL MATTERS

The validity of the Notes will be passed upon for us by Dechert, London, England, United States and English counsel to the Company. Certain matters in connection with the offering will be passed upon for the Initial Purchaser by Skadden, Arps, Slate, Meagher and Flom LLP, London, England.

GENERAL INFORMATION

The issue of the Notes has been authorised by resolution of the Board of Directors of the Company dated July 11, 2000.

The Notes offered and sold outside the United States to purchasers in offshore transactions in accordance with the requirements of Regulation S or sold in the United States to QIB's pursuant to Rule 144A have been accepted for clearance through Euroclear and Clearstream with Common Codes of 11504051 and 11504078 respectively and International Securities Identification Numbers of XS0115040510 and XS0115040783 respectively.

We have applied to the UK Listing Authority in its capacity as competent authority under the FS Act and to the London Stock Exchange for the Notes, and we will apply to the same for any Exchange Notes, to be admitted to the Official List and to trading on the London Stock Exchange Market for listed securities, on the London Stock Exchange. The Exchange Notes are expected to be accepted for clearance through Euroclear and Clearstream and notice will be given to the London Stock Exchange and published in a newspaper having a general circulation in Europe (which is expected to be the *Financial Times*) announcing the relevant international securities identification numbers (ISIN) and common codes relating to the Exchange Notes. The exchange of the Notes for the Exchange Notes may be done through the London paying agent (initially The Bank of New York, London branch) to whom we will provide all necessary documentation regarding the Exchange Offer and from whom all such documentation will be made available. We will cause the publication of a notice in a daily leading newspaper with general circulation in London and will submit such notice to the London Stock Exchange: (1) before the exchange offer, announcing the offer and indicating procedures to be followed, (2) after the exchange offer, giving the results of the exchange, (3) noting the payment of any Liquidated Damages and (4) noting any increase in the interest rate. The admission to trading of the notes on the London Stock Exchange is conditional upon the closing under the Subscription Agreement.

So long as any of the Notes or Exchange Notes remain outstanding and listed on the London Stock Exchange, copies of our annual financial statements will be made available and copies of the indenture

and the Notes Depositary Agreement will be available for inspection at the office of the Trustee in London. We do not prepare non-consolidated financial statements.

So long as any of the Notes or Exchange Notes are listed on the London Stock Exchange, we will maintain a paying agent in London. We may remove such Notes from listing on the London Stock Exchange, particularly if necessary to avoid any new withholding taxes. If the Notes or Exchange Notes are de-listed in London, we will use our reasonable best efforts to list such Notes on an exchange in another appropriate jurisdiction.

Our financial information contained in this offering memorandum does not constitute statutory accounts under Section 240 of the Companies Act 1985. Statutory accounts for us and our UK subsidiaries for each financial year to which such financial information relates have been delivered to the Registrar of Companies in England and Wales. The auditors of each of these companies have made a report under Section 235 of the Companies Act 1985 on the statutory accounts for each such financial year which was not qualified within the meaning of Section 262 of the Companies Act 1985 and did not contain a statement made under Section 237(2) or Section 237(3) of the said Act.

Neither the Company nor any of its subsidiaries is involved or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) which may have or have had in the 12 months proceeding this offering memorandum a significant effect on the financial position of the Company and its subsidiaries.

Copies of the following documents may be inspected at the offices of Dechert, 2 Serjeants' Inn, London EC2Y 1LT during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of 14 days from the date of this document:

- (a) Memorandum and Articles and Board Resolutions of the Company and the guarantors of the Notes;
- (b) the indenture;
- (c) the audited consolidated annual accounts of Travellers Exchange Corporation for the three years ended December 26, 1999 and the interim statements of results for the three month period ended April 2, 2000, the opening balance sheet and auditor's letter of the Company as of June 30, 2000;
- (d) the independent auditors report on the audited consolidated annual account of Travellers Exchange Corporation Limited, for the year ended December 26, 1999;
- (e) the Notes Depositary Agreement;
- (f) the subscription agreement;
- (g) the registration rights agreement; and
- (h) the reorganisation agreement.

Since December 26, 1999 (being the date of the last annual accounts of Travellers Exchange Corporation Limited) there has been no material adverse change in the financial position or prospects of the Company and its subsidiaries and no significant change in the financial or trading position of the Company and its subsidiaries.

INDEPENDENT AUDITORS

Our Financial Statements as of December 26, 1999 and December 27, 1998 and for each of the three years in the period ended December 26, 1999 included in this offering memorandum have been audited without qualification by BDO Stoy Hayward, 8 Baker Street, London W1M 1DA, UK, independent chartered accountants. BDO Stoy Hayward have given and have not withdrawn their written consent to the inclusion in this offering memorandum of their unqualified reports and letter and the reference thereto and to the inclusion in the form and context in which they appear and have authorised the contents of such report and letter for the purpose of section 152(1)(e) of the FS Act.

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TRAVELEX PLC

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TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
INDEPENDENT AUDITORS REPORT

Board of Directors and Stockholders
Travellers Exchange Corporation Limited

We have audited the accompanying consolidated balance sheet of Travellers Exchange Corporation Limited and subsidiaries as of December 26, 1999 and the related statement of operations, stockholders' equity, and cash flows for the year then ended. We have also audited the accompanying consolidated balance sheet of the predecessor corporation, Travelex Group Investments Limited and subsidiaries as of December 27, 1998 and the related statement of operations, stockholders' equity and cash flows for each of the two years in the period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Travellers Exchange Corporation Limited and subsidiaries as of December 26, 1999 and the related statement of operations, stockholders' equity and cash flows for the year then ended and the consolidated financial position of the predecessor corporation, Travelex Group Investments Limited and subsidiaries as of December 27, 1998, and the related statements of operations, stockholders' equity and cash flows for each of the two years in the period then ended in accordance with generally accepted accounting principles applied in the United Kingdom.

BDO Stoy Hayward
London
England

July 12, 2000

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED BALANCE SHEETS

	<i>December 26, 1999</i>	<i>December 27, 1998</i>
	<i>(in thousands of UK pounds)</i>	
ASSETS		
Current assets		
Cash and cash equivalents	£ 12,762	£16,643
Trade accounts receivable	10,875	3,537
Currency stock	14,317	11,687
Forward exchange contracts (Note 7)	45,539	25,365
Prepaid expenses and other current assets	10,286	5,560
Total current assets	<u>93,779</u>	<u>62,792</u>
Non-current assets		
Property, office equipment and motor vehicles, net (Note 4)	15,737	9,830
Goodwill, net (Note 5)	41,573	—
Total non-current assets	<u>57,310</u>	<u>9,830</u>
TOTAL ASSETS	<u>£151,089</u>	<u>£72,622</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	£ 17,044	£11,346
Forward exchange contracts (Note 7)	45,784	25,352
Accrued liabilities	9,155	5,097
Other current liabilities	7,294	4,726
Bank line of credit	5,327	6,273
Short-term debt (Note 8)	5,739	1,861
Total current liabilities	<u>90,343</u>	<u>54,655</u>
Non-current liabilities		
Long-term debt (Note 8)	44,138	9,547
Deferred taxation (Note 11)	923	586
	<u>45,061</u>	<u>10,133</u>
Minority interest	<u>100</u>	<u>—</u>
Company preferred redeemable stock £0.01 par value, authorized 13,650,000 shares; issued and outstanding 13,650,000 shares, redeemable at £1.00 (Note 9)	13,649	—
Predecessor preferred redeemable stock £1.00 par value, authorized 2,500,000 shares; issued and outstanding 2,500,000 shares, redeemable at par (Note 9)	<u>—</u>	<u>2,500</u>
Stockholders' equity		
Company common stock, £0.01 par value, authorized 899,667 shares; issued and outstanding 806,334 shares	8	—
Predecessor common stock, £1.00 par value, authorized 276,063 shares; issued and outstanding 166,588 shares	—	167
Additional paid in capital	989	1,236
Retained earnings	1,240	4,650
Accumulated other comprehensive income (loss)	(301)	(719)
Total stockholders' equity	<u>1,936</u>	<u>5,334</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>£151,089</u>	<u>£72,622</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 26, 1999 <i>Note</i>	Year ended December 27, 1998	Year ended December 28, 1997
	<i>(in thousands of UK pounds, except earnings per share)</i>		
Net revenues	£101,628	£ 81,422	£ 59,713
Cost of sales	<u>65,406</u>	<u>52,252</u>	<u>35,905</u>
Gross profit	36,222	29,170	23,808
Selling, general and administrative expenses	<u>28,528</u>	<u>23,832</u>	<u>20,762</u>
Profit from operations	7,694	5,338	3,046
Interest expense	(2,603)	(1,065)	(1,179)
Interest income	<u>40</u>	<u>215</u>	<u>249</u>
Profit before income tax and minority interest	5,131	4,488	2,116
Income taxes (Note 11)	(2,759)	(1,876)	(981)
Minority interest	<u>(100)</u>	<u>—</u>	<u>—</u>
	2,272	2,612	1,135
Preferred stock dividend	<u>(1,012)</u>	<u>(200)</u>	<u>(200)</u>
Net income	<u>£ 1,260</u>	<u>£ 2,412</u>	<u>£ 935</u>
Earnings per share			
Basic	£ 1.56	£ 14.48	£ 5.61
Diluted	<u>£ 1.40</u>	<u>£ 13.04</u>	<u>£ 5.37</u>
Weighted average common shares and equivalents			
Basic	806,334	166,588	166,588
Diluted (Note 10)	<u>899,667</u>	<u>192,626</u>	<u>192,626</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	<i>Number of common shares</i>	<i>Common stock</i>	<i>Additional paid-in capital</i>	<i>Accumulated other comprehensive income/(loss)</i>	<i>Accumulated earnings</i>	<i>Total</i>
	<i>(in thousands of UK pounds, except number of shares)</i>					
Balance, December 29, 1996	166,588	£ 167	£1,236	£(413)	£ 1,303	£2,293
Net income	—	—	—	—	1,135	1,135
Dividend	—	—	—	—	(200)	(200)
Effect of foreign currency translation	—	—	—	(390)	—	(390)
Balance, December 28, 1997	166,588	£ 167	£1,236	£(803)	£ 2,238	£2,838
Net income	—	—	—	—	2,612	2,612
Dividends	—	—	—	—	(200)	(200)
Effect of foreign currency translation	—	—	—	84	—	84
Balance, December 27, 1998	166,588	£ 167	£1,236	£(719)	£ 4,650	£5,334
Predecessor company	(166,588)	(167)	(1,236)	719	(4,650)	(5,334)
Issuance of new common stock	795,555	8	789	—	—	797
Issuance of new common stock	10,779	—	200	—	—	200
Net income	—	—	—	—	2,272	2,272
Dividend	—	—	—	—	(1,032)	(1,032)
Effect of foreign currency translation	—	—	—	(301)	—	(301)
Balance, December 26, 1999	<u>806,334</u>	<u>£ 8</u>	<u>£ 989</u>	<u>£(301)</u>	<u>£ 1,240</u>	<u>£1,936</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>	<i>Year ended December 28, 1997</i>
	<i>(in thousands of UK pounds)</i>		
Cash flows from operating activities			
Net income	£ 1,260	£ 2,412	£ 935
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	3,063	2,246	1,958
Amortization of goodwill	1,653	—	—
Accrued interest expense	—	—	—
Minority interest	100	—	—
Deferred tax	488	31	43
Other	13	16	23
Changes in assets and liabilities, net of effects from purchases of Transpay and Travelex			
Trade accounts payable	5,698	(470)	(385)
Accrued liabilities	4,058	2,503	104
Other current liabilities	23,103	16,213	(2,548)
Trade accounts receivable	(7,338)	(1,553)	3,068
Currency stock	(2,630)	(1,277)	(2,569)
Prepaid expenses and other current assets	(2,168)	(392)	(319)
Income and payable taxes	(1,108)	705	848
Other current assets	(21,881)	(15,495)	2,297
Net cash provided by operating activities	<u>4,311</u>	<u>4,939</u>	<u>3,455</u>
Cash flows from investing activities			
Acquisition of Transpay	(19,526)	—	—
Acquisition of Teletrip	(2,041)	—	—
Acquisition of Travelex, net of cash acquired	(21,647)	—	—
Net cash paid on fixed assets	(3,471)	(2,096)	(1,344)
Payment of dividends	(20)	—	—
Net cash used in investing activities	<u>(46,705)</u>	<u>(2,096)</u>	<u>(1,344)</u>
Cash flows from financing activities			
Proceeds received from issuance of common stock	400	—	—
Proceeds received from issuance of preferred stock	11,800	—	—
Short-term bank line of credit	1,650	1,846	(929)
Bank credit line and capital leases	25,050	4,267	(2,343)
Net cash provided by financing activities	<u>38,900</u>	<u>6,113</u>	<u>(3,272)</u>
Effects of exchange rate changes on cash	<u>(387)</u>	<u>85</u>	<u>(131)</u>
Net (decrease)/increase in cash and cash equivalents	(3,881)	9,041	(1,292)
Cash and cash equivalents at beginning of period	<u>16,643</u>	<u>7,602</u>	<u>8,894</u>
Cash and cash equivalents at end of period	<u>£ 12,762</u>	<u>£ 16,643</u>	<u>£ 7,602</u>
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	£ 2,603	£ 1,065	£ 1,179
Taxes paid	£ 3,380	£ 1,140	£ 90

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 The Company

Travellers Exchange Corporation Limited ("the Company") is a United Kingdom registered corporation which has been trading since 1976.

The Company and its subsidiaries are foreign currency service providers to both the retail and corporate markets. The Company provides foreign currency exchange services in airports and travel related facilities and foreign currency outsourcing services for financial institutions and travel agencies in the UK. The Company also supplies cross border payment and receipt services to corporate clients. In addition the Company sells flight and comprehensive travel insurance.

As of December 26, 1999, the Company had the following main subsidiaries:

<i>Name of company</i>	<i>Nature of business</i>	<i>Country of incorporation and operation</i>
Travelex UK Limited	Bureaux de change operator	England
Travelex Currency Services Limited	Foreign currency fulfilment	England
Travelex Belgium NV	Bureaux de change operator	Belgium
Travelex Maritime Services Limited	Bureaux de change operator	England
Travelex America Inc.	Bureaux de change operator	USA
Travelex Investments (Australia) Pty Limited	Holding company	Australia
Travelex Australia Pty Limited	Bureaux de change operator	Australia
Travelex Global Payments Pty Limited	Financial services	Australia
Travelex New Zealand Investments Limited	Holding company	New Zealand
Travelex New Zealand Limited	Bureaux de change operator	New Zealand
Travelex Deutschland GmbH	Bureaux de change operator	Germany
Travelex France SA	Bureaux de change operator	France
Travelex SA	Bureaux de change operator	France
Travelex Global Payments Inc.	Financial services	USA
Travelex Canada Inc.	Financial services	Canada
Travelex Foreign Coin Services Limited	Foreign coin services	England
Travelex Insurance Services Inc.	Travel Insurance Services	USA
Tele-Trip Inc.	Bureaux de change operator	USA

All of the subsidiaries were wholly owned except Travelex Currency Services Limited which was 85% owned.

2 Predecessor Company

On December 30, 1998 the Company acquired all the outstanding shares of Travelex Group Investments Limited ("Travelex") as part of a re-organization of the group. The transaction has been accounted for as a purchase.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The re-organization involved an increase in the level of control exercised by management of both Travelex and the Company and a new third party stockholder who replaced the predecessor stockholder.

The Company paid £24,093,291, of which £2,445,555 was satisfied by the issue of shares. The fair value of the assets acquired was £7,833,590 resulting in goodwill of £16,259,701. Goodwill is being amortized over 20 years.

3 Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions have been eliminated on consolidation.

(b) Goodwill

The excess of cost of investments over the fair value of net assets acquired which is not otherwise allocated is determined to be goodwill and is amortized on a straight-line basis over a period of 10 or 20 years.

(c) Long-lived assets

Long-lived assets, such as property, office equipment, motor vehicles and goodwill, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. No impairment write-down was necessary for fiscals 1999, 1998 and 1997.

(d) Property, office equipment and motor vehicles

Property, office equipment and motor vehicles are stated at cost less accumulated depreciation. Depreciation is calculated using the reducing balance method at annual rates of between 12 $\frac{1}{2}$ % and 33 $\frac{1}{3}$ %. Depreciation of capital leases is computed using the reducing balance method.

(e) Income taxes

The Company recognises deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date.

A valuation allowance is established to reduce the deferred tax assets when management determines it is more likely than not that the related tax benefits will not be realised.

(f) Revenue recognition

Revenues comprise:

- i) Revenue from currency exchange transactions is recognized as the difference between the cost and selling price of currency and travellers checks after deducting rebates including gains or losses on translation of daily holdings of currency on the transaction date.
- ii) Revenue from the sale of insurance policies which is recognized at the time of sale of the insurance policy and represents the commission from the sale of the policy.
- iii) Revenue from global payments is recognized at the rates prevailing on the transaction date.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(g) Foreign currencies

The reporting currency of the Company is the United Kingdom pound sterling. The Company's functional currencies are the United Kingdom pound sterling, Belgian franc, United States dollar, Australian dollar, New Zealand dollar, German deutschmark, French franc and Canadian dollar.

For consolidation purposes, the assets and liabilities of overseas subsidiaries are translated at the closing exchange rates. Consolidated statements of income of such subsidiaries are consolidated at the average rates of exchange during the period. Exchange differences arising on the translation of subsidiaries' financial statements are recorded in the cumulative foreign currency translation adjustment account as a component of stockholders' equity.

(h) Cash equivalents

For purposes of the statements of cash flows, the Company considers all investments with an original maturity of three months or less to be a cash equivalent.

(i) Currency stock

Currency stock consist of non-UK currencies that are valued on a daily basis with unrealized gains and losses included in income. Accordingly the current stock is recorded at prevailing exchange rates on the balance sheet date.

(j) Derivatives and hedging

In the normal course of its business, the Company enters into derivative financial instruments in the form of spot and forward foreign currency contracts in its global payments segment where there is risk of potential loss due to changes in the foreign exchange markets (exchange risk) or failure of the counterparty to the transaction to perform (credit risk). Gains and losses on these contracts are included in income.

(k) Use of Estimates

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and net revenues and expenses during the reported period. Actual results could differ from these estimates.

(l) Financial instruments

Financial instruments held by the Company include cash and cash equivalents, and forward exchange contracts and approximated fair value as of December 26, 1999 and December 27, 1998 due to either short maturity or terms similar to those available to similar companies in the open market.

(m) Advertising costs

The company expenses advertising costs as incurred. Advertising costs in fiscal 1999, 1998 and 1997 were £102,000, £19,000 and £12,000 respectively.

(n) Comprehensive income

The Company adopted Statement of Financial Accounting Standard ("SFAS") No.130, "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income (loss), its components and accumulated balances. Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No.130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial statements. The only item of comprehensive income (loss) is foreign currency translation adjustments.

(o) Recent accounting pronouncements not yet implemented

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes standards for accounting for the various derivative instruments commonly used in hedging activities. This standard is now effective for fiscal years beginning after June 15, 2000. The Company will adopt SFAS 133 in 2000 and is currently evaluating the financial statements impact.

(p) Fiscal year

The Company reports its operations on a 52-53 week basis ending on the last Sunday in December. All of the years presented in these statements include 52 weeks.

4 Property, office equipment and motor vehicles

Major classes of property, office equipment and motor vehicles consist of the following:

	December 26, 1999	December 27, 1998
	<i>(in thousands of UK pounds)</i>	
Buildings and improvements	£ 3,581	£ 5,356
Office equipment	15,370	14,783
Motor vehicles	<u>445</u>	<u>348</u>
	19,396	20,487
Less: accumulated depreciation	<u>(3,659)</u>	<u>(10,657)</u>
	<u>£15,737</u>	<u>£ 9,830</u>

Depreciation and amortisation expense was approximately £3,063,000, £2,246,000 and £1,958,000 in fiscal 1999, 1998 and 1997 respectively.

5 Goodwill

Goodwill consists of the following:

	December 26, 1999	December 27, 1998
	<i>(in thousands of UK pounds)</i>	
Acquisition of Transpay	£22,526	£—
Acquisition of Travelex	16,260	—
Acquisition of Tele-Trip	<u>4,440</u>	<u>—</u>
	43,226	—
Less: accumulated amortization	<u>(1,653)</u>	<u>—</u>
	<u>£41,573</u>	<u>£—</u>

Goodwill arising on the acquisition of Transpay is being amortized over 10 years from the date of acquisition. All other goodwill is being amortized over 20 years from the date of acquisition.

6 Acquisitions

(a) Transpay

On September 30, 1999 the Company acquired a currency banknote and travellers checks fulfilment business known as Transpay (the "Transpay"). The transaction has been accounted for as a purchase.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The consideration for the business and assets, including acquisition costs, was £25,526,159, payable in cash, of which £19,526,159 was paid as of September 30, 1999. The equipment acquired totalled £3,000,000 resulting in goodwill of £22,526,000.

The balance of the consideration is payable over a 5 year period commencing from July 2003 and is contingent upon the Euro not being introduced in the UK prior to the end of June 2008. The Company will owe an additional £1.2 million for each year to June 30 that the UK does not enter into the Euro in the five year period to June 30, 2008.

The unaudited pro forma income statement for the Company assuming the acquisition of Transpay had occurred as of January 1, 1999 is as set out below:

	Year ended December 26, 1999 (in thousands of UK pounds, except earnings per share)	Year ended December 27, 1998
Total net revenues	<u>£115,133</u>	<u>£97,061</u>
Profit from operations	<u>£ 13,190</u>	<u>£10,874</u>
Net income	<u>£ 3,808</u>	<u>£ 4,636</u>
Earnings per share — Basic	<u>£ 4.72</u>	<u>£ 27.83</u>
— Diluted	<u>£ 4.23</u>	<u>£ 24.07</u>

(b) Tele-Trip

On April 28, 1999 the Company acquired all the outstanding shares of Tele-Trip for a total consideration of £4,440,000. Tele-Trip receives royalty payments from Travelex America Inc.

The consideration is payable in instalments of which £2,399,207 is due over the 3 years ended 2002 with interest payable at 7.1%. As the fair value of the assets acquired was considered to be nil, goodwill equates to the consideration paid. The transaction has been accounted for as a purchase.

7 Financial instruments

The Company maintains trading positions in foreign currency contracts as financial instruments. These trading positions are customer oriented, and are established to meet customers' demands. This activity constitutes part of its trading business. All positions are reported at fair value and changes in fair values are reflected in trading income as they occur.

The amounts disclosed below represent the end of the period fair value of open foreign exchange contracts. Those amounts reflect netting of offsetting transactions only to the extent that they could be offset under master netting agreements with various counterparties.

	Year ended December 26, 1999 (in thousands of UK pounds)	Year ended December 27, 1998
Foreign exchange contracts:		
Assets	45,539	25,365
Liabilities	(45,784)	(25,352)

The carrying value of financial assets and financial liabilities recorded in the balance sheet approximate to fair value because of the relatively short maturity of these instruments.

Net trading gains from foreign exchange contracts and related commissions earned from customers totalled £8,978,000 in fiscal 1999 and £4,212,000 in fiscal 1998.

It is the Company's policy to hedge financial exposure on foreign currency contracts. The Company is exposed to credit loss potentially equal to the contract amount in the event of a non performance by the counterparties to the contracts. The Company monitors the credit standing of counterparties to these transactions on an ongoing basis. The Company has not historically

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

incurred significant credit losses and believes that the ultimate settlement of the transactions outstanding at December 26, 1999 will not have an adverse effect on the financial condition of the Company.

8 Borrowings

	December 26, 1999	December 27, 1998
	(in thousands of UK pounds)	
Short-term debt consists of:		
Current portion of long-term debt as set out below	2,596	—
Current portion of deferred consideration	1,133	—
Capital leases	<u>2,010</u>	<u>1,861</u>
	<u>£5,739</u>	<u>£1,861</u>
	December 26, 1999	December 27, 1998
	(in thousands of UK pounds)	
Long-term debt consists of the following:		
Loans (see below)	£35,385	£8,291
Capital leases	1,487	1,256
Deferred consideration (see below)	<u>7,266</u>	<u>—</u>
	<u>£44,138</u>	<u>£9,547</u>
(a) Mezzanine loan which consists of both a Sterling and US Dollar facility for a total of £7,000,000 and US\$8,400,000 respectively. Interest is calculated at 3% above LIBOR and charged quarterly. The Sterling and Dollar amounts are repayable in equal instalments on January 1, 2005 and 2006.	12,183	—
(b) Revolving loan drawn down to finance the Transpay acquisition. Interest is calculated as the sum of the margin, at 1%, plus a calculated Mandatory Cost Rate plus LIBOR. Interest is payable on the earlier of a set repayment date or after 6 months. A fixed schedule commencing December 1999 sets out the amount by which the facility is reduced ending in September 2002.	13,000	—
(c) Unsecured US dollar loan payable in annual instalments of \$2,000,000 in 2000, \$1,500,000 in 2001 and \$1,000,000 in 2002. Interest is calculated at 7.1%.	2,427	—
(d) Bank secured with loan principal payable in 36 equal monthly instalments plus interest at US prime plus 1%.	1,922	—
(e) Revolving loan facilities denominated in French Francs and US dollars which expire in 2001. Interest is calculated at 1.5% above bank base rate and is payable quarterly.	7,914	8,024
(f) Other loans	<u>535</u>	<u>267</u>
	37,981	8,291
Less: current portion of long-term debt	<u>(2,596)</u>	<u>—</u>
	<u>35,385</u>	<u>8,291</u>

The deferred consideration arises from the Transpay and Tele-Trip acquisition. In Transpay the amount is £6,000,000 — See also Note 6 — Acquisitions. For Tele-Trip the deferred consideration is £2,399,000 of which £1,133,000 is the current portion.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Stockholders' equity

Stockholders' equity of the Predecessor Company consisted of 1,250,000 convertible cumulative redeemable preferred shares of £1 each and 1,250,000 cumulative redeemable preferred shares of £1 each for which the coupon was 8%. There was also in issue 166,588 common shares of £1 each.

- (a) The holders of the convertible cumulative redeemable preference £1 shares were entitled to a fixed cumulative preferential dividend at a rate of 8% (net) per annum. The shares were convertible into ordinary shares at 30 June 2001 at a conversion rate of 2.083 ordinary shares for 100 8% convertible cumulative redeemable preference £1 shares. Those 8% convertible cumulative redeemable preference £1 shares which were not converted at 30 June 2001 would have been redeemed as follows at par:

Any or all of the outstanding shares referred to above may have been redeemed at 31 December 2001, 31 December 2002 or 31 December 2003, but at least one third must have been redeemed at 31 December 2001, one half at 31 December 2002 and any remaining shares at 31 December 2003.

- (b) The holders of the cumulative redeemable preference £1 shares were entitled to a fixed cumulative preferential dividend at a rate of 8% (net) per annum. The 8% cumulative redeemable preference £1 shares would have been redeemed as follows at par:

Any or all of the outstanding shares referred to above may have been redeemed at 31 December 1998, 31 December 1999 or 31 December 2000, but at least one third must have been redeemed at 31 December 1998, one half at 31 December 1999 and any remaining shares at 31 December 2000.

The Company acquired all the outstanding shares of the Predecessor Company as described in Note 2 — Predecessor Company.

The Company's initial stockholders' equity consisted of 1,000 common shares of £1 each.

On December, 30 1998 the 1,000 common £1 shares were converted into 100,000 common 1p shares.

On December, 30 1998 the stock of the Company was increased as follows:

- (a) A further 495,555 common 1p shares, 293,333 'A' common 1p shares, 11,800,000 'A' preferred 1p shares and 1,850,000 'B' preferred 1p shares were authorized.
- (b) All authorized shares in all classes were issued on that day at a premium of 99p apart from 93,333 'A' common 1p shares.
- (c) A further 10,779 common 1p shares were authorized and issued on 20 August 1999 at a premium of £18.55.

In summary the Company has in issue 606,334 common 1p shares, 200,000 'A' common 1p shares 11,800,000 'A' preferred 1p shares and 1,850,000 'B' preferred 1p shares.

Shareholders rights to distributions are as follows:

- (a) The holders of 11% 'A' preferred 1p shares are entitled to a fixed cumulative preferential dividend at a rate of 11% (net) per annum on the paid up amount including share premium. 5,900,000 11% 'A' preferred 1p shares shall be redeemed for the sum of £1 per share on 1 January 2007 and 5,900,000 'A' preferred 1p shares shall be redeemed for the sum of £1 per share on 1 January 2008. The Company may with the agreement of a qualified class majority redeem all or part of the 11% 'A' preferred 1p shares at any time before the redemption date.
- (b) The holders of 11% 'B' preferred 1p shares are entitled to a fixed cumulative preferential dividend at a rate of 11% (net) per annum on the paid up amount including share premium. The 11% 'B' preferred 1p shares shall be redeemed for the sum of £1 per share on 1 January 2004. The Company may with the agreement of a qualified class majority redeem all or part of the 11% 'A' preferred 1p shares at any time before the redemption date.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (c) The holders of 'A' ordinary 1p shares are entitled to a fixed dividend at a rate of 10% (net) per annum on the paid up amount including share premium. The holders of 'A' ordinary shares shall be entitled to a participating dividend equal to a sum which added to the aggregate fixed dividend payable in each financial year is equal to 8% of profit after tax, such dividend to accrue from 1 January 2000. The holders of 'A' ordinary 1p shares may at any time, with the agreement of a qualified class majority, convert the whole of their 'A' ordinary 1p shares into a like number of ordinary 1p shares.

10 Warrants and earnings per share

As of December 26, 1999 the Company had 93,333 warrants outstanding convertible into 'A' common stock shares.

The warrants are exercisable when either of the following events occur: the share capital of the Company is listed on a recognised Exchange, or the Company is sold. The exercise price is £0.01 per share.

These warrants have been included in arriving at the diluted number of common shares.

As of December 27, 1998 and December 28, 1997 the Predecessor Corporation had 1,250,000 convertible preferred shares — Refer Note 9 "Stockholders' Equity" — which have been taken into account in arriving at the diluted number of common shares for those years.

The reconciliation for earnings per share is as follows:

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>	<i>Year ended December 28, 1997</i>
	<i>(in thousands of UK pounds except number of shares)</i>		
Net income			
Basic	£ 1,260	£ 2,412	£ 935
Add back preferred stock dividend	—	100	100
Diluted	<u>£ 1,260</u>	<u>£ 2,512</u>	<u>£ 1,035</u>
Number of common shares			
Basic	806,334	166,588	166,588
Conversion of warrants	93,333	—	—
Conversion of preferred stock	—	26,038	26,038
	<u>899,667</u>	<u>192,626</u>	<u>192,626</u>

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Income taxes

The provision for tax was comprised of the following:

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>	<i>Year ended December 28, 1997</i>
	<i>(in thousands of UK pounds)</i>		
Current:			
Domestic taxes	£ 717	£ 633	£256
Foreign taxes	<u>1,553</u>	<u>1,212</u>	<u>682</u>
	2,270	1,845	938
Deferred:			
Domestic taxes	135	—	41
Foreign taxes	<u>354</u>	<u>31</u>	<u>2</u>
	<u>£2,759</u>	<u>£1,876</u>	<u>£981</u>

Income taxes reflected in the accompanying consolidated statements of operations differed from the amounts computed by applying the UK income tax rate of 30%, 31% and 33% for fiscal 1999, 1998 and 1997 respectively to profit before taxes as a result of the following:

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>	<i>Year ended December 28, 1997</i>
	<i>(in thousands of UK pounds)</i>		
Computed 'expected' tax charge	£1,539	£1,391	£584
Change in deferred tax liabilities	489	31	43
Non deductible expenses	432	300	325
Overseas taxation	<u>299</u>	<u>154</u>	<u>29</u>
	<u>£2,759</u>	<u>£1,876</u>	<u>£981</u>

The tax effects of temporary differences that give rise to deferred tax liabilities are as follows:

	<i>December 26, 1999</i>	<i>December 27, 1998</i>
	<i>(in thousands of UK pounds)</i>	
Deferred tax liabilities:		
Tax depreciation greater than book depreciation of property, office equipment and motor vehicles	<u>£923</u>	<u>£586</u>

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Leases

The Company leases certain office space under lease agreements.

Future minimum lease payments under non-cancellable operating leases as of December 26, 1999, are as follows (in thousands of UK pounds):

2000	£ 1,048
2001	1,048
2002	2,522
2003	2,522
2004	2,522
Thereafter	<u>3,556</u>
	<u>£13,218</u>

Total rental expense for the years ended 1999, 1998 and 1997 was approximately £2,264,000, £3,095,000 and £3,928,000 respectively.

13 Business and credit concentrations

The Company's customers are primarily located in the UK. No one corporate customer accounts for more than 10% of revenue for fiscal 1999, 1998 and 1997.

14 Commitments and contingencies

From time to time the Company is subject to legal proceedings and claims in the ordinary course of business.

The Company is not aware of any legal proceedings or claims against the Company that will have, individually or in aggregate a material adverse affect on the Company's business, prospects, financial condition and results of operations.

15 Industry and geographic area segments

The Company and its subsidiaries are engaged in four lines of business: Travel Money, Global payments, Insurance and Third party outsourcing, the latter arising only in fiscal 1999. Operations of the subsidiary companies are conducted in Australia, New Zealand, USA, Canada, Belgium, France and Germany. The following is a summary of the Company's operations by business segment and by geographical segment. The accounting policies of the segments are the same as those described in Note 3 — Significant accounting policies.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 26, 1999	Year ended December 27, 1998	Year ended December 28, 1997
	(in thousands of UK pounds)		
(a) Statement of operations			
Net revenues			
Travel money	£80,925	£70,047	£51,999
Global payments	8,978	4,212	2,385
Insurance	7,619	7,163	5,329
Third party outsourcing	4,106	—	—
Net revenues for reportable segments and consolidated revenues	101,628	81,422	59,713
Profit before tax, minority interest and dividends			
Travel money	1,808	2,416	1,558
Global payments	3,460	1,636	251
Insurance	748	436	307
Third party outsourcing	967	—	—
Less: Central interest expenses and goodwill amortization of Travelex	(1,852)	—	—
Total profit for reportable segments	£ 5,131	£ 4,488	£ 2,116
Depreciation and amortization			
Travel money	£ 2,986	£ 2,167	£ 1,909
Global payments	139	58	32
Insurance	35	21	17
Third party outsourcing	741	—	—
Amortization relating to Travelex acquisition	815	—	—
	£ 4,716	£ 2,246	£ 1,958
	December 26, 1999	December 27, 1998	
	(in thousands of UK pounds)		
(b) Total assets			
Travel money	£ 71,015	£57,679	
Global payments	54,164	13,718	
Insurance	1,333	1,225	
Third party outsourcing	24,577	—	
	£151,089	£72,622	

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>	<i>Year ended December 28, 1997</i>
	<i>(in thousands of UK pounds)</i>		
(c) Geographic analysis of net revenues			
United Kingdom	£48,997	£36,787	£30,877
United States and Canada	29,046	22,822	18,998
Europe	15,297	14,849	2,798
Australia and New Zealand	<u>8,288</u>	<u>6,964</u>	<u>7,040</u>
	<u>101,628</u>	<u>81,422</u>	<u>59,713</u>

Individual countries accounting for more than 10% of net revenues are as follows:

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>	<i>Year ended December 28, 1997</i>
France	11%	14%	—
USA	28%	27%	30%
Australia	—	—	11%

16 Summary of Differences between the Financial Information and US GAAP

The financial information set out above has been prepared in accordance with UK GAAP and on the basis of the accounting policies set out in Note 3 which differs in certain respects from US GAAP. Such differences involve methods for measuring the amounts shown in the financial statements.

The following is a summary of the adjustments to net income and net assets that would have been required in applying the significant differences between UK and US GAAP.

Reconciliation of net income in accordance with UK GAAP to net income in accordance with US GAAP

	<i>Year ended December 26, 1999</i>	<i>Year ended December 27, 1998</i>
	<i>(in thousands of UK pounds)</i>	
Net income in accordance with UK GAAP	£1,260	£2,412
US GAAP adjustments:		
Amortization of goodwill (Note (a))	—	(62)
Software development costs (Note (b))	(15)	(9)
Calculation of goodwill (Note (c))	150	—
Calculation of goodwill — Travelex (Note (d))	300	—
Tax effect of US GAAP adjustments (Note (e))	<u>5</u>	<u>3</u>
Net income in accordance with US GAAP	<u>£1,700</u>	<u>£2,344</u>

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reconciliation of net assets in accordance with UK GAAP and in accordance with US GAAP

	<i>December 26, 1999</i>	<i>December 27, 1998</i>
	<i>(in thousands of UK pounds)</i>	
Net assets in accordance with UK GAAP	£ 1,936	£ 5,334
US GAAP adjustments:		
Amortization of goodwill (Note (a))	979	1,041
Software development costs (Note (b))	25	43
Calculation of goodwill — Transpay (Note (c))	150	—
Calculation of goodwill — Travelex (Note (d))	(5,703)	—
Tax effect of US GAAP adjustments (Note e))	<u>5</u>	<u>3</u>
Net (liabilities)/assets in accordance with US GAAP	<u>£(2,608)</u>	<u>£ 6,421</u>

(a) Under UK GAAP as it applied to fiscal 1998 the Company was entitled to amortize goodwill in its entirety directly to reserves. This is how the goodwill relating to a previous acquisition was treated. For US GAAP purposes goodwill is being amortized over 20 years.

(b) Under UK GAAP the Company charged all internal costs related to Software development to the income statement and capitalized all external costs regardless of the stage of development of internal systems.

Under US GAAP the Company is required to identify three distinct stages of development—Preliminary Project Stage, Application Development Stage and Post Implementation/Operation Stage—and charge all costs incurred in the first and third stage of development directly to the income statement. The Company is also required to capitalise internal costs to the extent they directly relate to the Application Development Stage project.

(c) Under UK GAAP to the extent the conditions attaching to contingent consideration are likely to be met such consideration is taken into account in arriving at goodwill.

Under US GAAP contingent consideration can only be included in the calculation of goodwill if it is beyond reasonable doubt that the conditions will be satisfied.

(d) Under UK GAAP goodwill arising on the acquisition of the Predecessor Corporation was calculated based on the difference between the fair value of the consideration paid and net assets acquired as of December 30, 1998.

Under US GAAP the transaction was accounted for under EITF 88-16 "Basis in Leveraged Buyout Transactions" as there was a change in control. Management, which previously owned a minority interest in Travelex now owns a majority interest in the Company. Shares held by management in Travelex were recorded at their historical basis while the remaining shares were recorded at fair value for the Company.

(e) The taxation effects record the impact of the above adjustments using a rate of 30% but exclude goodwill amortization as this is not a tax deductible item.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED BALANCE SHEETS

	<i>Unaudited April 2, 2000 (in thousands of UK pounds)</i>	<i>Audited December 26, 1999</i>
ASSETS		
Current assets		
Cash and cash equivalents	£ 15,043	£ 12,762
Trade accounts receivable	10,447	10,875
Currency stock	9,844	14,317
Forward exchange contracts	67,439	45,539
Prepaid expenses and other current assets	13,572	10,286
Total current assets	<u>116,345</u>	<u>93,779</u>
Non-current assets		
Property, office equipment and motor vehicles, net	15,528	15,737
Goodwill, net	40,681	41,573
Total non-current assets	<u>56,209</u>	<u>57,310</u>
TOTAL ASSETS	<u>£172,554</u>	<u>£151,089</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	£ 20,038	£ 17,044
Forward exchange contracts	67,514	45,784
Accrued liabilities	9,274	9,155
Other current liabilities	5,727	7,294
Bank line of credit and short-term debt	8,648	11,066
Total current liabilities	<u>111,201</u>	<u>90,343</u>
Non-current liabilities		
Long-term debt	45,031	44,138
Deferred taxation	923	923
	<u>45,954</u>	<u>45,061</u>
Minority interest	<u>109</u>	<u>100</u>
Company preferred redeemable stock £0.01 par value, authorized 13,650,000 shares; issued and outstanding 13,650,000 shares, redeemable at £1.00	<u>13,649</u>	<u>13,649</u>
Stockholders' equity		
Company common stock, £0.01 par value, authorized 899,667 shares; issued and outstanding 806,334 shares	8	8
Additional paid in capital	989	989
Retained earnings	945	1,240
Accumulated other comprehensive income (loss)	(301)	(301)
Total stockholders' equity	<u>1,641</u>	<u>1,936</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>£172,554</u>	<u>£151,089</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>Unaudited</i>	
	<i>Three months ended April 2, 2000</i>	<i>Three months ended March 28, 1999</i>
	<i>(in thousands of UK pounds, except earnings per share)</i>	
Net revenues	£ 31,352	£ 20,726
Cost of sales	<u>19,750</u>	<u>13,558</u>
Gross profit	11,602	7,168
Selling, general and administrative expenses	<u>9,579</u>	<u>6,776</u>
Profit from operations	2,023	392
Interest expense	(1,050)	(511)
Interest income	<u>165</u>	<u>87</u>
Profit (loss) before income tax and minority interest	1,138	(32)
Income taxes	(573)	11
Minority interest	<u>(109)</u>	<u>—</u>
	456	(21)
Preferred stock dividend	<u>(751)</u>	<u>(21)</u>
Net income (loss)	<u>£ (295)</u>	<u>£ (42)</u>
Earnings (loss) per share		
Basic	£ (0.36)	£ (0.05)
Diluted	<u>£ (0.33)</u>	<u>£ (0.05)</u>
Weighted average common shares and equivalents		
Basic	806,334	806,334
Diluted	<u>899,667</u>	<u>899,667</u>

See accompanying summary of accounting policies and notes to consolidated financial statements.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Unaudited</i>	
	<i>Three months ended April 2, 2000</i>	<i>Three months ended March 28, 1999</i>
	<i>(in thousands of UK pounds)</i>	
Cash flows from operating activities		
Net income (loss)	£ (295)	£ (42)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	746	691
Amortization of goodwill	1,109	—
Minority interest	9	—
Changes in assets and liabilities, net of effects from purchases of Travelex		
Trade accounts payable	(13,216)	(2,162)
Accrued liabilities	119	928
Other current liabilities	33,477	(18,457)
Trade accounts receivable	429	1,580
Currency stock	4,373	245
Prepaid expenses and other current assets	(2,971)	595
Income and payable taxes	185	770
Other current assets	<u>(21,900)</u>	<u>13,609</u>
Net cash provided by (consumed by) operating activities	<u>2,065</u>	<u>(2,243)</u>
Cash flows from investing activities		
Acquisition of Travelex	—	(21,647)
Net cash paid on fixed assets	<u>(754)</u>	<u>(67)</u>
Net cash used in investing activities	<u>(754)</u>	<u>(21,714)</u>
Cash flows from financing activities		
Proceeds received from issuance of common stock	—	400
Proceeds received from issuance of preferred stock	—	11,800
Short-term bank line of credit	725	(2,314)
Bank credit line and capital leases	<u>(29)</u>	<u>5,072</u>
Net cash provided by financing activities	<u>696</u>	<u>14,958</u>
Effects of exchange rate changes on cash	<u>274</u>	<u>(137)</u>
Net (decrease) in cash and cash equivalents	2,281	(9,136)
Cash and cash equivalents at beginning of period	<u>12,762</u>	<u>16,643</u>
Cash and cash equivalents at end of period	<u>£ 15,043</u>	<u>£ 7,507</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	£ 1,050	£ 511

See accompanying summary of accounting policies and notes to consolidated financial statements.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The following footnotes have been condensed and, therefore, do not contain all disclosures required in connection with annual financial statements. Reference should be made to the notes to the Company's year-end financial statements contained within this filing. The financial information, included in these financial statements, has been prepared by the Company, without audit. In the opinion of management, the financial information included in this report contains all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The results shown for interim periods are not necessarily indicative of results to be expected for the full year.

2 The Company

Travellers Exchange Corporation Limited ("the Company") is a United Kingdom registered corporation which has been trading since 1976.

The Company and its subsidiaries are foreign currency service providers to both the retail and corporate markets. The Company provides foreign currency exchange services in airports and travel related facilities and foreign currency outsourcing services for financial institutions and travel agencies in the UK. The Company also supplies cross border payment and receipt services to corporate clients. In addition the Company sells flight and comprehensive travel insurance.

As of April 2, 2000, the Company had the following main subsidiaries:

<i>Name of company</i>	<i>Nature of business</i>	<i>Country of incorporation and operation</i>
Travelex UK Limited	Bureaux de change operator	England
Travelex Currency Services Limited	Foreign currency fulfilment	England
Travelex Belgium NV	Bureaux de change operator	Belgium
Travelex Maritime Services Limited	Bureaux de change operator	England
Travelex America Inc.	Bureaux de change operator	USA
Travelex Investments (Australia) Pty Limited	Holding company	Australia
Travelex Australia Pty Limited	Bureaux de change operator	Australia
Travelex Global Payments Pty Limited	Financial services	Australia
Travelex New Zealand Investments Limited	Holding company	New Zealand
Travelex New Zealand Limited	Bureaux de change operator	New Zealand
Travelex Deutschland GmbH	Bureaux de change operator	Germany
Travelex France SA	Bureaux de change operator	France
Travelex SA	Bureaux de change operator	France
Travelex Global Payments Inc.	Financial services	USA
Travelex Canada Inc.	Financial services	Canada
Travelex Foreign Coin Services Limited	Foreign coin services	England
Travelex Insurance Services Inc.	Travel Insurance Services	USA
Tele-Trip Inc.	Bureaux de change operator	USA

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

All of the subsidiaries were wholly owned except Travelex Currency Services Limited which was 85% owned.

3 Predecessor Company

On December 30, 1998 the Company acquired all the outstanding shares of Travelex Group Investments Limited ("Travelex") as part of a re-organization of the group. The transaction has been accounted for as a purchase.

The re-organization involved an increase in the level of control exercised by management of both Travelex and the Company and a new third party stockholder who replaced the predecessor stockholder.

The Company paid £24,093,291, of which £2,445,555 was satisfied by the issue of shares. The fair value of the assets acquired was £7,833,590 resulting in goodwill of £16,259,701. Goodwill is being amortized over 20 years.

4 Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions have been eliminated on consolidation.

(b) Goodwill

The excess of cost of investments over the fair value of net assets acquired which is not otherwise allocated is determined to be goodwill and is amortized on a straight-line basis over a period of 10 or 20 years.

(c) Long-lived assets

Long-lived assets, such as property, office equipment, motor vehicles and goodwill, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. No impairment write-down was necessary for the periods presented.

(d) Property, office equipment and motor vehicles

Property, office equipment and motor vehicles are stated at cost less accumulated depreciation. Depreciation is calculated using the reducing balance method at annual rates of between 12½% and 33⅓%. Depreciation of capital leases is computed using the reducing balance method.

(e) Income taxes

The Company recognises deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date.

A valuation allowance is established to reduce the deferred tax assets when management determines it is more likely than not that the related tax benefits will not be realised.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(f) Revenue recognition

Revenues comprise:

- i) Revenue from currency exchange transactions is recognized as the difference between the *cost and selling price of currency and travellers checks after deducting rebates including gains or losses on translation of daily holdings of currency on the transaction date.*
- ii) Revenue from the sale of insurance policies which is recognized at the time of sale of the insurance policy and represents the commission from the sale of the policy.
- iii) Revenue from global payments is recognized at the rates prevailing on the transaction date.

(g) Foreign currencies

The reporting currency of the Company is the United Kingdom pound sterling. The Company's functional currencies are the United Kingdom pound sterling, Belgian franc, United States dollar, Australian dollar, New Zealand dollar, German deutschmark, French franc and Canadian dollar.

For consolidation purposes, the assets and liabilities of overseas subsidiaries are translated at the closing exchange rates. Consolidated statements of income of such subsidiaries are consolidated at the average rates of exchange during the period. Exchange differences arising on the translation of subsidiaries' financial statements are recorded in the cumulative foreign currency translation adjustment account as a component of stockholders' equity.

(h) Cash equivalents

For purposes of the statements of cash flows, the Company considers all investments with an original maturity of three months or less to be a cash equivalent.

(i) Currency stock

Currency stock consist of non-UK currencies that are valued on a daily basis with unrealized gains and losses included in income. Accordingly the current stock is recorded at prevailing exchange rates on the balance sheet date.

(j) Derivatives and hedging

In the normal course of its business, the Company enters into derivative financial instruments in the form of spot and forward foreign currency contracts in its global payments segment where there is risk of potential loss due to changes in the foreign exchange markets (exchange risk) or failure of the counterparty to the transaction to perform (credit risk). Gains and losses on these contracts are included in income.

(k) Use of Estimates

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and revenues and expenses during the reported period. Actual results could differ from these estimates.

(l) Financial instruments

Financial instruments held by the Company include cash and cash equivalents, and forward exchange contracts and approximated fair value as of April 2, 2000 and December 26, 1999 due to either short maturity or terms similar to those available to similar companies in the open market.

(m) Advertising costs

The company expenses advertising costs as incurred.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(n) Comprehensive income

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 130, "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income (loss), its components and accumulated balances. Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No.130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other financial statements. The only item of comprehensive income (loss) is foreign currency translation adjustments. Total comprehensive loss for the period ended April 2, 2000 and the year ended December 26, 1999 was £Nil and £301 respectively.

(o) Recent accounting pronouncements not yet implemented

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes standards for accounting for the various derivative instruments commonly used in hedging activities. This standard is now effective for fiscal years beginning after June 15, 2000. The Company will adopt SFAS 133 in 2000 and is currently evaluating the financial statements impact.

(p) Fiscal year

The Company reports its operations on a 52-53 week basis ending on the last Sunday in each month.

5 Warrants and earnings (loss) per share

As of April 2, 2000 the Company had 93,333 warrants outstanding convertible into 'A' common stock shares.

The warrants are exercisable when either of the following events occur: the share capital of the Company is listed on a recognised Exchange, or the Company is sold. The exercise price is £0.01 per share.

These warrants have been included in arriving at the diluted number of common shares.

The reconciliation for earnings (loss) per share is as follows:

	<i>Unaudited Three months ended April 2, 2000 (in thousands of UK pounds except number of shares)</i>	<i>Unaudited Three months ended March 28, 1999</i>
Net income (loss)		
Basic and diluted	£ (295)	£ (42)
Number of common shares		
Basic	806,334	806,334
Conversion of warrants	93,333	93,333
	<u>899,667</u>	<u>899,667</u>

6 Industry and geographic area segments

The Company and its subsidiaries are engaged in four lines of business: Travel Money, Global payments, Insurance and Third party outsourcing, the latter arising only in fiscal 1999. Operations of the subsidiary companies are conducted in Australia, New Zealand, USA, Canada, Belgium, France and Germany. The following is a summary of the Company's operations by business segment and by geographical segment.

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The accounting policies of the segments are the same as those described in Note 4 — Significant accounting policies

	Unaudited	
	Three months	Three months
	April 2,	March 28,
	2000	1999
	(in thousands of UK pounds)	
(a) Statement of operations		
Revenues		
Travel money	21,506	16,504
Global payments	2,710	1,958
Insurance	2,267	2,264
Third party outsourcing	4,869	—
Revenues for reportable segments and consolidated revenues	<u>31,352</u>	<u>20,726</u>
Profit (loss) before tax, minority interest and dividends		
Travel money	(707)	(570)
Global payments	1,031	617
Insurance	250	213
Third party outsourcing	1,089	—
Less: Central interest expenses and goodwill amortization of Travelex	<u>(525)</u>	<u>(292)</u>
Total profit (loss) for reportable segments	<u>1,138</u>	<u>(32)</u>
Depreciation and amortization		
Travel money	837	622
Global payments	146	62
Insurance	12	7
Third party outsourcing	598	—
Amortization relating to Travelex acquisition	262	262
	<u>1,855</u>	<u>953</u>
	Unaudited	Audited
	April 2,	December 26,
	2000	1999
	(in thousands of UK pounds)	
(b) Total assets		
Travel money	61,191	71,015
Global payments	76,795	54,164
Insurance	1,893	1,333
Third party outsourcing	26,675	24,577
	<u>166,554</u>	<u>151,089</u>
	Unaudited	Audited
	Three months ended	Three months ended
	April 2,	March 28,
	2000	1999
	(in thousands of UK pounds)	
(c) Geographic analysis of revenue		
United Kingdom	16,917	9,009
United States and Canada	8,184	6,537
Europe	3,812	3,100
Australia and New Zealand	<u>2,439</u>	<u>2,080</u>
	<u>31,352</u>	<u>20,726</u>

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Individual countries accounting for more than 10% of revenues are as follows:

	<i>Three months ended April 2, 2000</i>	<i>Three months ended March 28, 1999</i>
USA	26%	31%

7 Summary of Differences between the Financial Information and US GAAP

The financial information set out above has been prepared in accordance with UK GAAP and on the basis of the accounting policies set out in Note 4 which differs in certain respects from US GAAP. Such differences involve methods for measuring the amounts shown in the financial statements.

The following is a summary of the adjustments to net income and net assets that would have been required in applying the significant differences between UK and US GAAP.

Reconciliation of net income in accordance with UK GAAP to net income in accordance with US GAAP

	<i>Unaudited Three months ended April 2, 2000 (in thousands of UK pounds)</i>	<i>Three months ended March 28, 1999</i>
Net income (loss) in accordance with UK GAAP	(295)	(42)
US GAAP adjustments:		
Calculation of goodwill (Note (c))	150	—
Calculation of goodwill — Travelex (Note (d))	75	75
Net income (loss) in accordance with US GAAP	<u>(70)</u>	<u>33</u>

Reconciliation of net assets in accordance with UK GAAP and in accordance with US GAAP

	<i>Unaudited Three months ended April 2, 2000 (in thousands of UK pounds)</i>	<i>Audited December 26, 1999 (in thousands of UK pounds)</i>
Net assets in accordance with UK GAAP	£ 1,641	£ 1,936
US GAAP adjustments:		
Amortization of goodwill (Note (a))	962	979
Software development costs (Note (b))	—	25
Calculation of goodwill — Transpay (Note (c))	300	150
Calculation of goodwill — Travelex (Note (d))	(5,628)	(5,703)
Tax effect of US GAAP adjustments (Note e))	—	5
Net (liabilities)/assets in accordance with US GAAP	<u>£ (2,725)</u>	<u>£ (2,608)</u>

- (a) Under UK GAAP as it applied to fiscal 1998 the Company was entitled to amortize goodwill in its entirety directly to reserves. This is how the goodwill relating to a previous acquisition was treated. For US GAAP purposes goodwill is being amortized over 20 years.
- (b) Under UK GAAP the Company charged all internal costs related to Software development to the income statement and capitalized all external costs regardless of the stage of development of internal systems.

Under US GAAP the Company is required to identify three distinct stages of development—Preliminary Project Stage, Application Development Stage and Post Implementation/Operation

TRAVELLERS EXCHANGE CORPORATION LIMITED AND PREDECESSOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stage—and charge all costs incurred in the first and third stage of development directly to the income statement. The Company is also required to capitalise internal costs to the extent they directly relate to the Application Development Stage project.

- (c) Under UK GAAP to the extent the conditions attaching to contingent consideration are likely to be met such consideration is taken into account in arriving at goodwill.

Under US GAAP contingent consideration can only be included in the calculation of goodwill if it is beyond reasonable doubt that the conditions will be satisfied.

- (d) Under UK GAAP goodwill arising on the acquisition of the Predecessor Corporation was calculated based on the difference between the fair value of the consideration paid and net assets acquired as of December 30, 1998.

Under US GAAP the transaction was accounted for under EITF 88-16 "Basis in Leveraged Buyout Transactions" as there was a change in control. Management, which previously owned a minority interest in Travelex now owns a majority interest in the Company. Shares held by management in Travelex were recorded at their historical basis while the remaining shares were recorded at fair value for the Company.

- (e) The taxation effects record the impact of the above adjustments using a rate of 30% but exclude goodwill amortization as this is not a tax deductible item.

TRANSPAY

Board of Directors and Stockholders Travellers Exchange Corporation Limited

We have audited the accompanying statements of net revenues in excess of direct expenses of Transpay for the 9 months ended September 30, 1999 and for the year ended December 31, 1998. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

These statements have been prepared for the purpose of inclusion in the offering memorandum of Travelex plc as described in note 1, and are not intended to be a complete presentation of Transpay's net revenues and expenses.

In our opinion, the financial statements referred to above present fairly, in all material respects the net revenues in excess of direct expenses of Transpay for the 9 months ended September 30, 1999 and the year ended December 31, 1998 in conformity with generally accepted accounting principles in the United Kingdom.

BDO Stoy Hayward
London
England

July 12, 2000

TRANSPAY

STATEMENTS OF NET REVENUES IN EXCESS OF DIRECT EXPENSES

	<i>Nine months ended September 30, 1999 (£ in thousands)</i>	<i>Year ended December 31, 1998</i>
Revenues	£8,394	£9,514
Direct costs and expenses		
Direct staff costs	931	1,042
Direct distribution costs	1,322	1,804
Direct selling, general and administrative expenses	<u>1,116</u>	<u>838</u>
Net Revenue in Excess of Direct Expenses	<u>£5,025</u>	<u>£5,830</u>

The accompanying notes are an integral part of these statements.

TRANSPAY
NOTES TO STATEMENTS

1 Basis of presentation and summary of significant accounting policies

The accompanying statements were prepared for inclusion in the Offering Memorandum of Travellers Exchange Corporation Limited ("the Company"), and are not intended to be a complete presentation of the Transpay revenues and expenses. The company from whom Transpay was acquired ("the Seller") did not prepare financial statements for Transpay which would be intended to report a complete presentation of financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the United Kingdom. Accordingly, the accompanying statements do not purport to present the full financial position or results of operations of Transpay that would have resulted if the Seller had operated its Transpay operations as an independent company. Nor are the financial statements indicative of the results of operations of Transpay going forward due to the omission of various corporate expenses.

Transpay is a currency banknote and travellers check fulfilment business.

The statements of net revenues in excess of direct expenses exclude charges which are allocated to Transpay by the Seller. These allocations include, among other things, support services such as marketing, finance, treasury, insurance, IT support and executive management and rental allocations. Interest income or expense attributable to borrowings required to finance Transpay's operations have also been excluded.

There were no material variations in accounting principles used in preparing the financial statements between generally accepted accounting principles in the United Kingdom and United States.

Net Revenues and Direct Expenses

Net revenues, direct staff costs, direct distribution costs and direct selling, general and administrative expenses are based on the actual amounts incurred by Transpay.

Revenue Recognition

Revenue is recognized on the difference between the cost and selling price of currency and travellers checks and after deducting rebates.

Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and revenues and expenses during the reported period. Actual results could differ from these estimates.

Private and Confidential

The Directors
Travelex PLC
65 Kingsway
London
WC2B 6TD

1 August 2000

Dear Sirs

Travelex plc ("the Company")

1 Introduction

We report on the Financial Information set out in paragraph 6 (the "Financial Information"). This Financial Information has been prepared for inclusion in the Offering Memorandum dated 1 August 2000 in connection with the issuing of £75,000,000 10¹/₂% Senior Note due 2010 by the Company.

The company was incorporated as Ibis (576) Limited (company number 4001915) on 25 May 2000. On 14 July 2000, the Company re-registered as a public limited company and changed its name to Travelex plc.

2 Basis of Preparation

The Financial Information set out in paragraph 6 has been prepared specifically for the purposes of the Offering Memorandum dated 1 August 2000.

3 Responsibility

The directors of the Company are responsible for the Financial Information relating to the Company and for the contents of the Offering Memorandum in which this report is included.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

4 Basis of Opinion

We conducted our work in accordance with the Statement of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

5 Opinion

In our opinion, the Financial Information set out in paragraph 6 gives, for the purposes of the Offering Memorandum dated 1 August 2000, a true and fair view of the state of affairs of the Company as at 30 June 2000.

6 Financial Information

The company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation. The Company has not yet commenced trading. No dividends have been declared or paid.

6.1 Balance Sheet

	Note	As at 30 June 2000 £
<i>Current assets</i>		
Cash at bank and in hand		<u>1</u>
<i>Net assets</i>		<u>1</u>
<i>Capital and reserves</i>		
Called up share capital	6.2	1
Profit and loss account		<u>—</u>
<i>Shareholders' funds — equity</i>		<u>1</u>

6.2 Notes to the Financial Information

Accounting policies

The Financial Information has been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

	As at 30 June 2000 £
<i>Authorised</i>	
1,000 ordinary shares of £1 each	<u>1,000</u>
<i>Allotted, called up and fully paid</i>	
1 ordinary shares of £1 each	<u>1</u>

On incorporation, 1 ordinary share was subscribed for.

Post balance sheet events

On 14 July 2000, the Company increased its authorised share capital by 1,499,000 ordinary shares of £1 each and issued 49,999 ordinary shares of £1 each, partly paid as to 25 pence per share.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants and Registered Auditors

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS OF THE COMPANY

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AUDITORS TO THE COMPANY

BDO Stoy Hayward
8 Baker Street
London W1M 1DA
United Kingdom

No person has been authorised by us to give any information other than that contained in this offering memorandum, or to make any representation in connection with the offering made hereby, and if given or made, such information or representation must not be relied upon as having been authorised by us. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this offering memorandum nor any offer or sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information herein is correct as of any time subsequent to its date.

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£75,000,000

Travelex plc

10¹/₂% Senior Notes due 2010



Barclays Capital