

# **First Rate Exchange Services Holdings Limited**

## **Annual Report & Financial Statements**

**for the year ended 31 March 2007**

### **Contents**

#### **Page:**

|         |   |
|---------|---|
| 1       | General Information   |
| 2 - 5   | Directors' Report for the year ended 31 March 2007  |
| 6 - 7   | Independent Auditors Report to the Members of First Rate Exchange Services Holdings Limited |
| 8       | Consolidated Income Statement for the year ended 31 March 2007                              |
| 9       | Consolidated Balance Sheet as at 31 March 2007  |
| 10      | Consolidated Cash Flow Statement for the year ended 31 March 2007                           |
| 11      | Consolidated Statement of Changes in Equity for the year ended 31 March 2007                |
| 12 – 29 | Notes forming part of the Financial Statements for the year ended 31 March 2007             |



# **First Rate Exchange Services Holdings Limited**

## **General Information**

### **Directors**

The Directors of the Company during the year under review and up to the date of this report are as follows

Gordon Gourlay  
Michael David Kennedy  
Denis Donovan  
Peter Corbett  
Gordon Steele  
Thomas Comerford  
Desmond Crowley  
Alan Cook  
Gary Hockeymorley  
Mark Logan

### **Secretary and Registered Office**

#### **Secretary**

Eamon Cahill

#### **Registered Office**

Falcon House  
115 – 123 Staines Road  
Hounslow  
Middlesex  
TW3 3LL

### **Company Number**

04287534

### **Auditors**

PricewaterhouseCoopers LLP  
10 – 18 Union Street  
London  
SE1 1SZ

# **First Rate Exchange Services Holdings Limited**

## **Director's Report for the year ended 31 March 2007**

The Directors present their report together with the audited financial statements of First Rate Exchange Services Holdings Limited (the 'Company') and its subsidiary First Rate Exchange Services Limited (together "the Group") for the year ended 31 March 2007

The Group accounts comprise the consolidated accounts of the Company including its subsidiary as defined by the Companies Act 1985

### **Results and Dividends**

The consolidated Income Statement is set out on page 8 and shows the result for the period

### **Principal Activity, Trading Review and Future Developments**

The principal activity of First Rate Exchange Services Holdings Limited is the supply of foreign currency in the UK

The results of the Group prepared under International Financial Reporting Standards show a pre-tax profit of £86.0 million (2006 £79.4 million) and turnover of £147.3 million (2006 £136.0 million) for the year. The Group has net assets of £69.4 million (2006 £102.2 million)

Net cash flow from operating activities for 2007 was £73.7 million (2006 £43.4 million)

### **Business Environment**

First Rate Exchange Services Holdings Limited operates in the "business to business" area only. This market consists of a few large suppliers engaged in intense price competition.

The Group has differentiated itself from competitors by focusing on providing a high level of customer service supported by continuous process improvement and innovation.

### **Strategy**

The Group's objective is to become one of the most influential "business to business" brands in terms of customer and shareholder satisfaction and to achieve attractive and sustainable rates of organic growth by means of identifying and fulfilling market gaps and customers' demands with innovative solutions.

### **Future Outlook**

The continued development of new products such as our Travel Money Card, supported by our commitment to providing high levels of customer services, will enable us to retain and expand upon our existing customer base and market share in the future.

### **Principles Risks and Uncertainties**

#### Financial risk factors

The Group's multi-currency operations expose it to financial risks that include credit risks and interest rate and foreign currency exchange rate fluctuation risks. Bank of Ireland, the Group's 50% shareholder, manages these risks by enforcing strict credit control, funding and trading limits and by deploying its Internal Audit function.

## **First Rate Exchange Services Holdings Limited**

### **Director's Report for the year ended 31 March 2007**

#### (a) Foreign exchange risk

The Group's wholesale operation deals in the UK and Ireland, Euro and non-Euro European countries, Middle East, African and Indian sub-continent, Far East, Australia and America. The Group is exposed to foreign exchange risks primarily with respect to US Dollars and Euros. The risk is controlled by imposing intra-day and overnight currency exposure limits for each trading currency and by hedging by way of exchange deals with Bank of Ireland.

#### (b) Interest rate risk

The Group is exposed to interest rate movements primarily in Euros and US Dollars. This risk is controlled by way of an agreed funding limit and set margins applied to the base rate for the relevant currencies, with Bank of Ireland.

#### (c) Credit risk

The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence. Strict credit limits are imposed on all Wholesale deal parties and limit utilisation is closely monitored on a daily basis. PODOC (payment on delivery of cash) deals are enacted with clients who have little or no available credit limit.

#### (d) Liquidity risk

The Group has no long-term liabilities. The settlement of wholesale foreign currency deals has been funded by a funding facility limit agreed with Bank of Ireland. From February 2007, the overdraft facility has been replaced by short-term market loans and deposits. The overdraft accounts and money market deposits and loans are reconciled and reviewed on a daily basis.

### **Adoption of International Financial Reporting Standards (IFRS)**

The Group has adopted IFRS as adopted by the European Union in these financial statements. A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is included in note 25. The adoption of IFRS has resulted in an adjustment to the previously reported results and net assets. The main change was in relation to the amortisation of goodwill. The detail of this adjustment is described in note 25.

### **Creditor Payment Policy**

The Group's policy in respect of each creditor is to settle the terms of payments based on terms mutually agreed upon before entering into each transaction.

### **Key Performance Indicators**

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or the position of the business, except for profit before tax and turnover, both of which are disclosed in the consolidated income statement.

# **First Rate Exchange Services Holdings Limited**

## **Director's Report for the year ended 31 March 2007**

### **Directors**

The Directors of the Company during the year under review and up to the date of this report are as follows

|                          | Appointed        | Resigned      |
|--------------------------|------------------|---------------|
| Michael David Kennedy    | 24 May 2002      | 02 April 2007 |
| Denis Donovan            | 26 February 2003 | 06 April 2006 |
| Peter Corbett            | 22 April 2004    | 23 May 2007   |
| Gordon Steele (Chairman) | 22 April 2004    | 06 April 2006 |
| Thomas Comerford         | 19 August 2004   |               |
| Des Crowley              | 06 April 2006    |               |
| Alan Cook (Chairman)     | 06 April 2006    |               |
| Gordon Gourlay           | 08 May 2007      |               |
| Gary Hockeymorley        | 08 May 2007      |               |
| Mark Logan               | 23 August 2007   |               |

None of the Directors have any interest in the ordinary share capital of the Company or Group

### **Director's Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group and of the Income Statement of the Company and Group for that period. The Directors are required to prepare the financial statements on the on-going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2007 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of Disclosure of Information to Auditors**

The Directors confirm that

- (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **First Rate Exchange Services Holdings Limited**

### **Directors' Report for the year ended 31 March 2007**

#### **Employees**

The Company's policy is to encourage effective communication and consultation between employees and management, particularly on matters relating to strategy, financial and economic factors that may influence the Company's performance. This is achieved through the use of an extensive range of communication channels, including briefings, open forums and an intranet website.

Employee Opinion Surveys are conducted to allow employees an opportunity to express their views and opinions on important issues. This two-way communication encourages all employees to contribute towards making business improvements.

We actively encourage continuous training and skill development for all employees to ensure achievement of corporate and individual objectives. Management development and training programmes have been designed to attract and retain the best people. Adoption of a best practice approach to people management includes delivery of a safe, supportive working environment where equal opportunities and open communication are encouraged.

An equal opportunities policy is maintained in all respects including disability, age, religion, colour, sex, nationality, ethnic origin, race, creed and marital status.

#### **Charitable Donations**

During the financial year under review, the Group made charitable donations of £2,779 to a number of charities.

#### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

#### **By order of the Board**



**Eamon Cahill**  
**Secretary**

7/11/ 2007

# **First Rate Exchange Services Holdings Limited**

## **Report of the Auditors**

### **Independent Auditors' Report to the members of First Rate Exchange Services Holdings Limited**

We have audited the Group and Parent company financial statements ("the financial statements") of First Rate Exchange Services Holdings Limited for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Group and Parent company Balance Sheets, the Group and Parent company Cash Flow Statements, the Group and Parent company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out herein.

#### **Respective responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of Audit Opinion.**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or any other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **First Rate Exchange Services Holdings Limited**

### **Report of the Auditors**

#### **Independent Auditors' Report to the members of First Rate Exchange Services Holdings Limited**

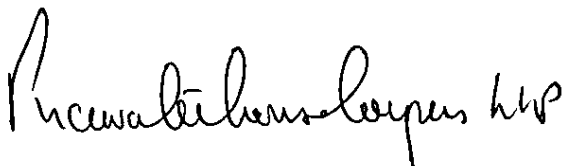
##### **Opinion:**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit and cash flow for the year then ended,
- the parent company's financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007 and cash flow for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

As explained in Note 1 to the Group financial statements, the Group in addition to complying with IFRS as adopted by the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board

In our opinion, the Group's financial statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 31 March 2007 and of its profit and cash flow for the year then ended



**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**LONDON**

*14 November 2007*



# First Rate Exchange Services Holdings Limited

## Consolidated Income Statement For the year ended 31 March 2007

|                         | Note | 2007<br>£           | 2006<br>£           |
|-------------------------|------|---------------------|---------------------|
| Revenue                 |      | 147,314,537         | 135,962,051         |
| Cost of Sales           |      | (27,117,737)        | (25,610,388)        |
| Gross Profit            |      | <u>120,196,800</u>  | <u>110,351,663</u>  |
| Administrative Expenses |      | (32,905,805)        | (30,087,584)        |
| Operating Profit        |      | <u>87,290,995</u>   | <u>80,264,079</u>   |
| Interest Receivable     |      | 3,269,828           | 2,508,034           |
| Interest Payable        |      | (4,520,345)         | (3,385,203)         |
| Profit before tax       | 2    | <u>86,040,478</u>   | <u>79,386,910</u>   |
| Taxation                | 3    | <u>(25,854,875)</u> | <u>(23,838,133)</u> |
| Profit for the year     |      | <u>60,185,603</u>   | <u>55,548,777</u>   |

All amounts relate to continuing activities

There is no difference between the profit before tax and the retained profit for the year and their historical cost equivalents

The notes on pages 12 to 29 form part of these financial statements

# First Rate Exchange Services Holdings Limited

## Balance Sheets at 31 March 2007

|                                     |      | Group              |                    | Company          |                  |
|-------------------------------------|------|--------------------|--------------------|------------------|------------------|
|                                     | Note | 2007<br>£          | 2006<br>£          | 2007<br>£        | 2006<br>£        |
| Intangibles – Goodwill              | 5    | 1,724,955          | 1,724,955          | -                | -                |
| Intangibles – Software licences     | 5    | 775,058            | 882,120            | -                | -                |
| Plant and Equipment                 | 6    | 1,694,421          | 2,179,673          | 2,500            | 2,500            |
| Investment in subsidiary            | 7    | -                  | -                  | 6,240,339        | 6,240,339        |
| Deferred tax assets                 | 14   | 539,636            | 725,693            | -                | -                |
| <b>NON-CURRENT ASSETS</b>           |      | <b>4,734,070</b>   | <b>5,512,441</b>   | <b>6,242,839</b> | <b>6,242,839</b> |
| Inventories                         | 8    | 123,418,781        | 126,088,349        | -                | -                |
| Trade and other receivables         | 9    | 82,781,171         | 140,229,585        | 29,050           | 29,050           |
| Loans and cash advances to banks    | 10   | 97,400,000         | 37,323,450         | -                | -                |
| Cash at Bank                        |      | 50,585,200         | 57,644,682         | 125,637          | 97,955           |
| <b>CURRENT ASSETS</b>               |      | <b>345,185,152</b> | <b>361,286,066</b> | <b>154,687</b>   | <b>127,005</b>   |
| <b>TOTAL ASSETS</b>                 |      | <b>358,919,222</b> | <b>366,798,507</b> | <b>6,397,526</b> | <b>6,369,844</b> |
| Ordinary shares                     | 15   | 2,000              | 2,000              | 2,000            | 2,000            |
| Share premium                       | 16   | 3,998,000          | 3,998,000          | 3,998,000        | 3,998,000        |
| Retained earnings                   |      | 65,429,750         | 98,244,147         | (271,688)        | (298,759)        |
| <b>SHAREHOLDERS EQUITY</b>          |      | <b>69,429,750</b>  | <b>102,244,147</b> | <b>3,728,312</b> | <b>3,701,241</b> |
| Trade and other payables            | 11   | 148,405,366        | 149,634,066        | 2,668,236        | 2,650,790        |
| Financial liabilities - borrowings  | 13   | 121,781,378        | 97,069,602         | -                | -                |
| Current tax liabilities             | 12   | 19,302,728         | 17,850,692         | 978              | 17,813           |
| <b>CURRENT LIABILITIES</b>          |      | <b>289,489,472</b> | <b>264,554,360</b> | <b>2,669,214</b> | <b>2,668,603</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>358,919,222</b> | <b>366,798,507</b> | <b>6,397,526</b> | <b>6,369,844</b> |

The financial statements were approved by the Board on

24<sup>th</sup> October

2007

Mark Logan  
Director

Gary Hockeymorley  
Director

The notes on pages 12 to 29 form part of these financial statements

# First Rate Exchange Services Holdings Limited

## Consolidated Cash Flow Statement for the year ended 31 March 2007

|  | Note | Group               |                     | Company        |               |
|--|------|---------------------|---------------------|----------------|---------------|
|  |      | 2007<br>£           | 2006<br>£           | 2007<br>£      | 2006<br>£     |
| <b>Cash flow from operating activities</b>     | 17   | <b>99,146,707</b>   | <b>67,184,953</b>   | <b>27,620</b>  | <b>9,554</b>  |
| Interest received                              |      | 3,269,828           | 2,508,034           | -              | 3,188         |
| Interest paid                                  |      | (4,520,345)         | (3,385,203)         | -              | -             |
| Tax paid                                       |      | (24,216,845)        | (22,936,090)        | 62             | (926)         |
| <b>Net cash from operating activities</b>      |      | <b>73,679,345</b>   | <b>43,371,694</b>   | <b>27,682</b>  | <b>11,816</b> |
| <b>Cash flow from investing activities</b>     |      |                     |                     |                |               |
| Purchase of software licences                  |      | (297,713)           | (651,512)           | -              | -             |
| Purchase of plant and equipment                |      | (86,325)            | (322,359)           | -              | -             |
| Proceeds from sale of plant and equipment      |      | 9,985               | 13,635              | -              | -             |
| <b>Net cash used in investing activities</b>   |      | <b>(374,053)</b>    | <b>(960,236)</b>    | <b>-</b>       | <b>-</b>      |
| <b>Cash flow from financing activities</b>     |      |                     |                     |                |               |
| Dividends paid                                 | 4    | (45,000,000)        | (35,000,000)        | -              | -             |
| <b>Net cash used in financing activities</b>   |      | <b>(45,000,000)</b> | <b>(35,000,000)</b> | <b>-</b>       | <b>-</b>      |
| <b>Change in cash and cash equivalents</b>     |      | <b>28,305,292</b>   | <b>7,411,458</b>    | <b>27,682</b>  | <b>11,816</b> |
| Cash and cash equivalent at beginning of year  |      | (2,101,470)         | (9,512,928)         | 97,955         | 86,139        |
| <b>Cash and cash equivalent at end of year</b> |      | <b>26,203,822</b>   | <b>(2,101,470)</b>  | <b>125,637</b> | <b>97,955</b> |
| <b>Cash and cash equivalent comprise</b>       |      |                     |                     |                |               |
| - cash at bank                                 |      | 50,585,200          | 57,644,682          | 125,637        | 97,955        |
| - loans and cash advances to bank              |      | 97,400,000          | 37,323,450          | -              | -             |
| - borrowings                                   |      | (121,781,378)       | (97,069,602)        | -              | -             |
| <b>Cash and cash equivalent at end of year</b> |      | <b>26,203,822</b>   | <b>(2,101,470)</b>  | <b>125,637</b> | <b>97,955</b> |

The accompanying notes are an integral part of the financial statements

# First Rate Exchange Services Holdings Limited

## Consolidated Statement of Changes in Equity for the year ended 31 March 2007

### Shareholders funds at 31 March 2007

|                         | Note | Ordinary<br>Shares<br>£<br>(note 15) | Share<br>Premium<br>Reserve<br>£<br>(note 16) | Retained<br>earnings<br>£ | Total<br>£        |
|-------------------------|------|--------------------------------------|---|---------------------------|-------------------|
| <b>Group</b>            |      |                                      |   |                           |                   |
| At 1 April 2006         |      | 2,000                                | 3,998,000                                     | 98,244,147                | 102,244,147       |
| Dividends               | 4    | -                                    | -   | (93,000,000)              | (93,000,000)      |
| Profit for the year     |      | -                                    | -   | 60,185,603                | 60,185,603        |
| <b>At 31 March 2007</b> |      | <b>2,000</b>                         | <b>3,998,000</b>                              | <b>65,429,750</b>         | <b>69,429,750</b> |

|                         |  | Ordinary<br>Shares<br>£<br>(note 15) | Share<br>Premium<br>Reserve<br>£<br>(note 16) | Retained<br>earnings<br>£ | Total<br>£       |
|-------------------------|--|--------------------------------------|---|---------------------------|------------------|
| <b>Company</b>          |  |                                      |   |                           |                  |
| At 1 April 2006         |  | 2,000                                | 3,998,000                                     | (298,759)                 | 3,701,241        |
| Dividends               |  | -                                    | -   | -                         | -                |
| Profit for the year     |  | -                                    | -   | 27,071                    | 27,071           |
| <b>At 31 March 2007</b> |  | <b>2,000</b>                         | <b>3,998,000</b>                              | <b>(271,688)</b>          | <b>3,728,312</b> |

### Shareholders funds at 31 March 2006

|                         |  | Ordinary<br>Shares<br>£<br>(note 15) | Share<br>Premium<br>Reserve<br>£<br>(note 16) | Retained<br>earnings<br>£ | Total<br>£         |
|-------------------------|--|--------------------------------------|---|---------------------------|--------------------|
| <b>Group</b>            |  |                                      |   |                           |                    |
| At 1 April 2005         |  | 2,000                                | 3,998,000                                     | 77,695,370                | 81,695,370         |
| Dividends               |  | -                                    | -   | (35,000,000)              | (35,000,000)       |
| Profit for the year     |  | -                                    | -   | 55,548,777                | 55,548,777         |
| <b>At 31 March 2006</b> |  | <b>2,000</b>                         | <b>3,998,000</b>                              | <b>98,244,147</b>         | <b>102,244,147</b> |

|                         |  | Ordinary<br>Shares<br>£<br>(note 15) | Share<br>Premium<br>Reserve<br>£<br>(note 16) | Retained<br>earnings<br>£ | Total<br>£       |
|-------------------------|--|--------------------------------------|---|---------------------------|------------------|
| <b>Company</b>          |  |                                      |   |                           |                  |
| At 1 April 2005         |  | 2,000                                | 3,998,000                                     | (300,921)                 | 3,699,079        |
| Dividends               |  | -                                    | -   | -                         | -                |
| Profit for the year     |  | -                                    | -   | 2,162                     | 2,162            |
| <b>At 31 March 2006</b> |  | <b>2,000</b>                         | <b>3,998,000</b>                              | <b>(298,759)</b>          | <b>3,701,241</b> |

## **First Rate Exchange Services Holdings Limited**

### **Notes forming part of the Financial Statements for the year ended 31 March 2007**

#### **1. Accounting Policies**

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC interpretations and with those parts of the Companies Act 1985, applicable to companies reporting under IFRS. The Group in addition to IFRS as adopted by the EU has also complied with IFRS as issued by International Accounting Standards Board ("IASB") as it has not taken advantage of the relaxation of the hedging requirements of IAS 39 permitted by the EU. The financial statements are prepared under the historical cost convention.

These financial statements are the first First Rate Exchange Services Holdings Limited financial statements to be prepared in accordance with IFRS. IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income are given in note 25.

A summary of the principle accounting policies adopted in the preparation of these financial statements, all of which have been applied consistently to all years presented, is set out below.

The preparation of the Accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Accounts and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

##### **Transition to IFRS**

IFRS1 applies when an entity first adopts IFRS and provides certain transition provisions upon first time adoption. The Group has used the following exemption granted under IFRS1.

1) Business combinations. The Group has availed of the exemption and has not restated the Group accounts for any acquisitions or business combinations that took place prior to 1 April 2005. Goodwill previously amortised has not been re-instated.

##### **(b) Basis of consolidation**

The consolidation accounts include the assets, liabilities and results of the Company and its subsidiary companies. As permitted by Section 230 of the Companies Act 1985, the parent company's income statement has not been included in these financial statements and the profit for the financial year is disclosed in the Consolidated Statement of Changes in Equity.

##### **Subsidiaries**

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

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

## First Rate Exchange Services Holdings Limited

### Notes forming part of the Financial Statements for the year ended 31 March 2007

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of net assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities or assets assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full. Unrealised losses are also eliminated in full in the same way as unrealised gains unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

(c) Revenue recognition

Revenue from currency exchange transactions is recognised as the difference between the cost and selling price of currency.

(d) Cost of sales

Cost of sales comprises direct selling cost and rebates.

(e) Intangibles

*Goodwill*

Goodwill represents the amount that arises from the acquisition of a business. In respect of acquisitions that have occurred since 1 April 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions made prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous UK GAAP.

The carrying amount of goodwill is reviewed for impairment at least annually. When any such impairment exists, the related goodwill is written down immediately through the income statement.

*Computer Software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives which is five years (20%).

Costs incurred for developing or maintaining software which are expected to generate economic benefits beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

## First Rate Exchange Services Holdings Limited

### Notes forming part of the Financial Statements for the year ended 31 March 2007

#### (f) Plant and equipment

Plant and equipment is included at cost less accumulated depreciation. Depreciation on plant and equipment is calculated using the straight-line method, and charged to the Income Statement, to allocate between the cost and residual value over their estimated useful lives, as follows

|                                 | Useful Life  | Annual rates |               |
|---------------------------------|--------------|--------------|---------------|
| Leasehold improvements          | 3 – 14 years | 7% to 33%    | Straight-line |
| Plant and Equipment             | 5 years      | 20%          | Straight-line |
| Motor Vehicles                  | 4 years      | 25%          | Straight-line |
| Fixtures and Fittings           | 10 years     | 10%          | Straight-line |
| Computer Equipment and Software | 3 – 5 years  | 20% to 33%   | Straight-line |

Plant and equipment is measured at cost (purchase price less trade discounts and rebates) plus those costs directly attributable to bringing the asset into working condition for its intended use

The Company's leasehold improvements worth £2,500, which related to a long term lease, are not depreciated as the balance is not material

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, it is written down immediately

#### (g) Inventories

Inventories consist of all currency (domestic and foreign) notes and coins held in the distribution centres and in transit. Inventories are valued at the lower of cost and net realisable value

#### (h) Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Sterling, which is the Group's functional and presentation currency

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement

## **First Rate Exchange Services Holdings Limited**

### **Notes forming part of the Financial Statements for the year ended 31 March 2007**

**(i) Taxation**

The current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.

**(j) Trade payables**

These amounts represent liabilities for goods and services provided to the Group for goods and services which were unpaid at the end of the financial year. The amounts are unsecured and are usually settled within 45 days of recognition.

**(k) Provisions**

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is more likely than not that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and term deposits that are readily convertible to known amounts of cash with insignificant risk of changes in value and original maturities of less than three months.

**(m) Leases**

Rentals under operating leases are charged to the Income Statement on a straight-line basis over the lease term.

**(n) Pension costs**

Contributions to the Group's defined contribution pension schemes are charged to the Income Statement as incurred.

**(o) Segment analysis**

The Group's activities consist solely of the sale and purchase of foreign currency and other travel related commission based income in the United Kingdom.

Therefore no segmental analysis is required.

**(p) Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the Company's shareholders.



## First Rate Exchange Services Holdings Limited

### Notes forming part of the Financial Statements for the year ended 31 March 2007

Dividends for the year which are declared after the balance sheet date are dealt with in the subsequent events note

(q) Financial instruments

Money market deposits and borrowings are recorded at amortised cost using the Effective Interest rate method. Other trade receivables are non-interest bearing and are recorded at cost.

(r) Future developments

The following pronouncements will be relevant to the Group but were not effective at 31 March 2007 and have not been applied in preparing these financial statements:

1 IFRS 7 Financial Instruments - Disclosures

Nature of Change

Consolidates the current financial instruments disclosures into a single standard and requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments.

Effective Date

Accounting periods beginning on or after 1 January 2007

2 Amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures

Nature of Change

Introduces additional disclosures of the objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and compliance with capital requirements.

Effective Date

Accounting periods beginning on or after 1 January 2007

(s) Management judgement and critical estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the opinion of the Directors, there are no accounting policies critical to the Group's results and financial position based on materiality and significant judgements and estimates.

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 2  | Profit before tax  | Group                    |                          |
|----|--|--------------------------|--------------------------|
|    |  | 2007<br>£                | 2006<br>£                |
|    | Profit before tax  | <u>86,040,478</u>        | <u>79,386,910</u>        |
|    | This is arrived at after charging                            |                          |                          |
|    | Amortisation of intangible fixed assets                      | 404,775                  | 303,997                  |
|    | Depreciation of plant and equipment                          | 546,891                  | 581,705                  |
|    | Auditors' remuneration                                       |                          |                          |
|    | - audit fee  | 65,212                   | 61,052                   |
|    | - other services supplied pursuant to legislation            | 1,500                    | -                        |
|    | - non audit fee (other services)                             | 10,000                   | -                        |
|    | Operating lease rentals – land and buildings                 | <u>427,508</u>           | <u>585,415</u>           |
|    |  |                          |                          |
| 3. | Taxation   | Group                    |                          |
|    |  | 2007<br>£                | 2006<br>£                |
|    | Analysis of tax charge in period                             |                          |                          |
|    | Current tax  |                          |                          |
|    | Corporation tax at 30%                                       | 25,760,942               | 23,833,691               |
|    | Group relief relating to prior year                          | <u>(92,124)</u>          | <u>(83)</u>              |
|    |  | <u>25,668,818</u>        | <u>23,833,608</u>        |
|    | Deferred tax (note 14)                                       |                          |                          |
|    | Origination and reversal of timing differences               | 96,898                   | 19,037                   |
|    | Prior year adjustment  | <u>89,159</u>            | <u>(14,512)</u>          |
|    | <b>Total taxation charge</b>                                 | <b><u>25,854,875</u></b> | <b><u>23,838,133</u></b> |
|    | Profit on ordinary activities before taxation                | 86,040,478               | 79,386,910               |
|    | Corporation tax at 30%                                       | 25,812,143               | 23,816,073               |
|    | Effects of   |                          |                          |
|    | Expenses not deductible for tax purposes                     | 39,902                   | 4,640                    |
|    | Depreciation on assets not qualifying for Capital Allowances | 5,795                    | 32,015                   |
|    | Group relief relating to prior year                          | (92,124)                 | (83)                     |
|    | Deferred tax prior year adjustment                           | <u>89,159</u>            | <u>(14,512)</u>          |
|    |  | <b><u>25,854,875</u></b> | <b><u>23,838,133</u></b> |

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 4. Dividends   | Group             |                   |
|--|-------------------|-------------------|
|  | 2007<br>£         | 2006<br>£         |
| Ordinary shares  |                   |                   |
| Final dividends paid (£22,500 per share (2006 £17,500))  | 45,000,000        | 35,000,000        |
| Final dividends declared (£24,000 per share (2006 £nil)) | 48,000,000        | -                 |
|  | <u>93,000,000</u> | <u>35,000,000</u> |

Dividends of £45m relating to the 2006 year results were declared on 6 April 2006 and distributed during the year to the appropriate parties

Dividends of £48m relating to the current year were approved on 28<sup>th</sup> March 2007 and will be distributed to the relevant parties during the subsequent financial year

| 5. Intangibles<br>Group 2007 | Goodwill<br>£    | Software<br>Licenses<br>£ | Total<br>£       |
|------------------------------|------------------|---------------------------|------------------|
|                              |                  |                           |                  |
| At Cost                      |                  |                           |                  |
| At 1 April 2006              | 2,016,042        | 1,508,323                 | 3,524,365        |
| Additions during the year    | -                | 297,713                   | 297,713          |
| Disposals during the year    | -                | -                         | -                |
| <b>At 31 March 2007</b>      | <b>2,016,042</b> | <b>1,806,036</b>          | <b>3,822,078</b> |
| Amortisation                 |                  |                           |                  |
| At 1 April 2006              | 291,087          | 626,203                   | 917,290          |
| Charge for the year          | -                | 404,775                   | 404,775          |
| Disposals during the year    | -                | -                         | -                |
| <b>At 31 March 2007</b>      | <b>291,087</b>   | <b>1,030,978</b>          | <b>1,322,065</b> |
| Net Book Value               |                  |                           |                  |
| <b>At 31 March 2007</b>      | <b>1,724,955</b> | <b>775,058</b>            | <b>2,500,013</b> |
| <b>At 31 March 2006</b>      | <b>1,724,955</b> | <b>882,120</b>            | <b>2,607,075</b> |

The goodwill held in the Group's balance sheet is tested at least annually for impairment by comparing the recoverable amount against the carrying value. The Group has only one cash generating unit. The recoverable amount has been based on a value-in-use calculation which uses projections of future cash flows based on budgets and plans approved by management. The plans indicate the recoverable amount exceeds the carrying value when only the forecast for 2007/08 is considered.

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 6 | Plant and Equipment Group 2007 | Leasehold Buildings<br>£ | Plant & Eqpt<br>£ | Motor Vehicles<br>£ | Fixtures & Fittings<br>£ | Computer Eqpt<br>£ | Total<br>£       |
|---|--------------------------------|--------------------------|-------------------|---------------------|--------------------------|--------------------|------------------|
|   | Cost                           |                          |                   |                     |                          |                    |                  |
|   | At 1 April 2006                | 1,483,502                | 1,255,175         | 156,134             | 345,628                  | 461,693            | 3,702,132        |
|   | Additions                      | 22,455                   | -                 | -                   | -                        | 63,870             | 86,325           |
|   | Disposals                      | -                        | (49,567)          | (33,512)            | -                        | -                  | (83,079)         |
|   | <b>At 31 March 2007</b>        | <b>1,505,957</b>         | <b>1,205,608</b>  | <b>122,622</b>      | <b>345,628</b>           | <b>525,563</b>     | <b>3,705,378</b> |
|   | Depreciation                   |                          |                   |                     |                          |                    |                  |
|   | At 1 April 2006                | 317,759                  | 740,554           | 98,617              | 55,902                   | 309,627            | 1,522,459        |
|   | Charge for the period          | 126,342                  | 244,025           | 25,595              | 34,575                   | 116,354            | 546,891          |
|   | Depreciation on disposals      | -                        | (30,566)          | (27,827)            | -                        | -                  | (58,393)         |
|   | <b>At 31 March 2007</b>        | <b>444,101</b>           | <b>954,013</b>    | <b>96,385</b>       | <b>90,477</b>            | <b>425,981</b>     | <b>2,010,957</b> |
|   | Net Book Value                 |                          |                   |                     |                          |                    |                  |
|   | <b>At 31 March 2007</b>        | <b>1,061,856</b>         | <b>251,595</b>    | <b>26,237</b>       | <b>255,151</b>           | <b>99,582</b>      | <b>1,694,421</b> |
|   | <b>At 31 March 2006</b>        | <b>1,165,743</b>         | <b>514,621</b>    | <b>57,517</b>       | <b>289,726</b>           | <b>152,066</b>     | <b>2,179,673</b> |

## Company 2007

|                         | Leasehold Buildings<br>£ | Total<br>£   |
|-------------------------|--------------------------|--------------|
| Cost                    |                          |              |
| At 1 April 2006         | 2,500                    | 2,500        |
| Additions               | -                        | -            |
| <b>At 31 March 2007</b> | <b>2,500</b>             | <b>2,500</b> |
| Depreciation            |                          |              |
| At 1 April 2006         | -                        | -            |
| Charge for the period   | -                        | -            |
| <b>At 31 March 2007</b> | <b>-</b>                 | <b>-</b>     |
| Net Book Value          |                          |              |
| <b>At 31 March 2007</b> | <b>2,500</b>             | <b>2,500</b> |
| <b>At 31 March 2006</b> | <b>2,500</b>             | <b>2,500</b> |

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 7 | Investment in subsidiary  | Company          |                  |
|---|---------------------------|------------------|------------------|
|   |                           | 2007<br>£        | 2006<br>£        |
|   | At 1 April                | 6,240,339        | 6,240,339        |
|   | Additions during the year | -                | -                |
|   | <b>At 31 March</b>        | <b>6,240,339</b> | <b>6,240,339</b> |

On 24 May 2002 the Company acquired 100% of the share capital of First Rate Travel Services Limited (a company incorporated in the United Kingdom) which has subsequently been re-named First Rate Exchange Services Limited on 23 February 2006. The Group financial statements consolidate the financial statements of the Company and the subsidiary.

| 8. | Inventories        | 2007<br>£          | 2006<br>£          |
|----|--------------------|--------------------|--------------------|
|    |                    |                    |                    |
|    | Currency inventory | <u>123,418,781</u> | <u>126,088,349</u> |

| 9. | Trade and other receivables    | Group             |                    | Company       |               |
|----|--------------------------------|-------------------|--------------------|---------------|---------------|
|    |                                | 2007<br>£         | 2006<br>£          | 2007<br>£     | 2006<br>£     |
|    | Trade debtors                  | 82,466,716        | 139,843,498        | -             | -             |
|    | Other debtors                  | 29,050            | 29,050             | 29,050        | 29,050        |
|    | Prepayments and accrued income | <u>285,405</u>    | <u>357,037</u>     | <u>-</u>      | <u>-</u>      |
|    |                                | <b>82,781,171</b> | <b>140,229,585</b> | <b>29,050</b> | <b>29,050</b> |

| 10. | Loans and cash advances to banks | Group             |                   | Company   |           |
|-----|----------------------------------|-------------------|-------------------|-----------|-----------|
|     |                                  | 2007<br>£         | 2006<br>£         | 2007<br>£ | 2006<br>£ |
|     | Money market deposits            | <u>97,400,000</u> | <u>37,323,450</u> | <u>-</u>  | <u>-</u>  |

Money market deposits are placed with the Bank of Ireland group at arm's length market rates.

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 11. | Trade and other payables              | Group              |                    | Company          |                  |
|-----|---------------------------------------|--------------------|--------------------|------------------|------------------|
|     |                                       | 2007<br>£          | 2006<br>£          | 2007<br>£        | 2006<br>£        |
|     | Trade payables                        | 87,546,970         | 139,565,167        | -                | -                |
|     | Other tax and social security payable | 490,912            | 507,481            | 1,381            | 604              |
|     | Dividends payable                     | 48,000,000         | -                  | -                | -                |
|     | Accruals                              | 12,367,484         | 9,561,418          | -                | (16,669)         |
|     | Amounts due to subsidiary undertaking | -                  | -                  | 2,666,855        | 2,666,855        |
|     |                                       | <u>148,405,366</u> | <u>149,634,066</u> | <u>2,668,236</u> | <u>2,650,790</u> |

| 12. | Current tax liabilities | Group             |                   | Company    |               |
|-----|-------------------------|-------------------|-------------------|------------|---------------|
|     |                         | 2007<br>£         | 2006<br>£         | 2007<br>£  | 2006<br>£     |
|     | Current tax liabilities | <u>19,302,728</u> | <u>17,850,692</u> | <u>978</u> | <u>17,813</u> |

| 13. | Financial liabilities - borrowings  | Group              |                   | Company   |           |
|-----|-------------------------------------|--------------------|-------------------|-----------|-----------|
|     |                                     | 2007<br>£          | 2006<br>£         | 2007<br>£ | 2006<br>£ |
|     | Bank overdraft & money market loans | <u>121,781,378</u> | <u>97,069,602</u> | <u>-</u>  | <u>-</u>  |

Bank overdraft and money market loans are provided by the Bank of Ireland group at arm's length market rates and are repayable on demand or within three months

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

## 14. Deferred tax

The movement in the deferred tax asset for the year was as follows

|  | Group<br>2007<br>£ | 2006<br>£      |
|--|--------------------|----------------|
| Depreciation in excess of capital allowances   | 539,636            | 725,693        |
| <b>Total deferred tax</b>                      | <b>539,636</b>     | <b>725,693</b> |
| At 1 April 2006                                | 725,693            | 730,218        |
| Charge in the profit and loss account (note 3) | (186,057)          | (4,525)        |
| <b>At 31 March 2007</b>                        | <b>539,636</b>     | <b>725,693</b> |

## 15. Ordinary shares

|  | 2007<br>number of<br>Shares | 2007<br>£ | 2006<br>number of<br>shares | 2006<br>£ |
|--|-----------------------------|-----------|-----------------------------|-----------|
| Authorised<br>2,000 Ordinary shares of £1 each                         | 2,000                       | 2,000     | 2,000                       | 2,000     |
| Allotted, issued and fully paid up<br>2,000 ordinary shares of £1 each | 2,000                       | 2,000     | 2,000                       | 2,000     |

## 16. Share premium

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2007<br>£        | 2006<br>£        | 2007<br>£        | 2006<br>£        |
| Share premium opening balance<br>brought forward at 1 April          | 3,998,000        | 3,998,000        | 3,998,000        | 3,998,000        |
| Movement during the year   | -                | -                | -                | -                |
| <b>Share premium balance closing carried<br/>forward at 31 March</b> | <b>3,998,000</b> | <b>3,998,000</b> | <b>3,998,000</b> | <b>3,998,000</b> |

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 17 | Cash flow from operating activities                                       | Group             |                   | Company       |              |
|----|---|-------------------|-------------------|---------------|--------------|
|    |   | 2007              | 2006              | 2007          | 2006         |
|    |   | £                 | £                 | £             | £            |
|    | Reconciliation of net profit to net Cash Inflow from operating activities |                   |                   |               |              |
|    | Profit for the year   | 60,185,603        | 55,548,777        | 27,071        | 2,162        |
|    | Taxation  | 25,854,875        | 23,838,133        | (16,897)      | 926          |
|    | Depreciation of plant and equipment                                       | 546,891           | 581,705           | -             | -            |
|    | Amortisation of intangible assets   | 404,775           | 303,997           | -             | -            |
|    | Loss on disposal of plant and equipment                                   | 14,700            | 317,804           | -             | -            |
|    | Proposed dividend (Note 4)  | (48,000,000)      | -                 | -             | -            |
|    | Interest income   | (3,269,828)       | (2,508,034)       | -             | (3,188)      |
|    | Interest expenses   | 4,520,345         | 3,385,203         | -             | -            |
|    | Decrease / (increase) in inventory  | 2,669,568         | (32,650,039)      | -             | -            |
|    | Decrease / (increase) in debtors  | 57,448,414        | (83,413,775)      | -             | -            |
|    | Decrease in deferred tax  | 186,057           | -                 | -             | -            |
|    | (Decrease) / increase in creditors  | (1,414,693)       | 101,781,182       | 17,446        | 9,654        |
|    | Cash generated from continuing operations                                 | <u>99,146,707</u> | <u>67,184,953</u> | <u>27,620</u> | <u>9,554</u> |

| 18. | Employees   | Group             |                   |
|-----|---|-------------------|-------------------|
|     |   | 2007              | 2006              |
|     |   | £                 | £                 |
|     | Staff costs consist of  |                   |                   |
|     | Salaries and wages  | 10,585,943        | 10,198,951        |
|     | Social security costs   | 1,067,725         | 955,387           |
|     | Pension costs   | 315,729           | 195,879           |
|     | Other employee costs  | 820,710           | 1,089,761         |
|     |   | <u>12,790,107</u> | <u>12,439,978</u> |
|     |   | Number            | Number            |
|     | The average weekly number of employees during the period was as follows |                   |                   |
|     | Full time   | 224               | 221               |
|     | Part time   | 21                | 27                |
|     |   | <u>245</u>        | <u>248</u>        |



# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

## Key management compensation

Compensation for Directors and Key Executives of the Company who have authority for planning, directing and controlling the Company

|   | Group                 |                       | Company         |                 |
|---|-----------------------|-----------------------|-----------------|-----------------|
|   | 2007                  | 2006                  | 2007            | 2006            |
|   | £                     | £                     | £               | £               |
| Directors   |                       |                       |                 |                 |
| Salaries and other short term benefits                                | 249,125               | 197,594               | -               | -               |
| Pension   | 19,858                | 15,945                | -               | -               |
| Other   | -                     | -                     | -               | -               |
|   | <u>268,983</u>        | <u>213,539</u>        | <u>-</u>        | <u>-</u>        |
| No Director has any benefits accruing under a defined benefits scheme |                       |                       |                 |                 |
| Key Executives  |                       |                       |                 |                 |
| Salaries and other short term benefits                                | 693,239               | 603,461               | -               | -               |
| Pension   | 22,947                | 29,784                | -               | -               |
| Other   | 7,141                 | 4,764                 | -               | -               |
|   | <u>723,327</u>        | <u>638,009</u>        | <u>-</u>        | <u>-</u>        |
| <b>Total</b>  | <u><b>992,310</b></u> | <u><b>851,548</b></u> | <u><b>-</b></u> | <u><b>-</b></u> |

## Highest Paid Director

|  |                |                |          |          |
|--|----------------|----------------|----------|----------|
| Salaries and other short term benefits | 249,125        | 197,594        | -        | -        |
| Pension                                | 19,858         | 15,945         | -        | -        |
| Other                                  | -              | -              | -        | -        |
|  | <u>268,983</u> | <u>213,539</u> | <u>-</u> | <u>-</u> |

Emoluments are paid by the Company in respect of one Director. Related parties pay emoluments in respect of the remaining Directors, and their services to the Company are considered incidental to the roles they perform for these related parties.

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

| 19. Pensions                | Group          |                | Company   |           |
|-----------------------------|----------------|----------------|-----------|-----------|
|                             | 2007<br>£      | 2006<br>£      | 2007<br>£ | 2006<br>£ |
| Defined contribution scheme | <u>315,729</u> | <u>195,879</u> | <u>-</u>  | <u>-</u>  |

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the financial year.

| 20. Commitments under operating leases   | Group            |                  |
|--|------------------|------------------|
|  | 2007<br>£        | 2006<br>£        |
| As at 31 March 2007. The Company had annual commitments under non-cancellable operating leases as set out below: |                  |                  |
| Operating leases which expire:   |                  |                  |
| Within one year  | 433,284          | 570,784          |
| In the second to fifth year inclusive  | 1,733,134        | 1,733,134        |
| In over five years   | <u>3,174,648</u> | <u>3,607,932</u> |
|  | <u>5,341,066</u> | <u>5,911,850</u> |

## 21. Contingencies

The Company did not have any contingent liabilities or assets at 31 March 2007 (31 March 2006 Nil).

## 22. Capital Commitments

At 31 March 2007, the Company had no contractual commitments (31 March 2006 Nil).

## First Rate Exchange Services Holdings Limited

### Notes forming part of the Financial Statements for the year ended 31 March 2007

#### 23 Related party transactions

The Group is a joint venture between Post Office Limited, whose ultimate parent company is Royal Mail Holdings plc, and First Rate Enterprises Limited, whose ultimate parent company is Bank of Ireland

All of the Group's cost of sales originated with these related parties on arm's length terms and the majority of the Group's turnover originated through these related parties acting as agents. Cash at bank is held with the Bank of Ireland group. Details of loans and advances to and from the Bank of Ireland group are given in notes 10 and 13.

The following transactions were carried out with related parties

Year-end balances arising from sales/purchases of goods

|                                  | 2007<br>£'000 | 2006<br>£'000 |
|----------------------------------|---------------|---------------|
| Receivables from Related Parties |               |               |
| Post Office Limited              | 2,323         | 77            |
| Bank of Ireland                  | 40,174        | 38,779        |
|                                  | <u>42,497</u> | <u>38,856</u> |
| Payables to Related Parties      |               |               |
| Post Office Limited              | 3,494         | 767           |
| Bank of Ireland                  | 54,633        | 27,563        |
|                                  | <u>58,127</u> | <u>28,330</u> |

Receivables and payables are non-interest bearing

#### 24. Post balance sheet events

There have been no material post balance sheet events

#### 25. Reconciliation of net assets and profit under UK GAAP to IFRS

First Rate Exchange Services Holdings Limited reported under UK GAAP in its previously published financial statements for the year ended 31 March 2006. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 March 2006 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS as the transition date for this Company was 1 April 2005.

# First Rate Exchange Services Holdings Limited

Notes forming part of the Financial Statements for the year ended 31 March 2007

|   |  |
|---|--|
|   | <b>Group<br/>Year ended<br/>31/03/2006<br/>£</b> |
| Operating Profit reported under UK GAAP           | 80,161,284                                       |
| Reversal of Goodwill amortisation                 | <u>102,795</u>                                   |
| <b>Operating Profit reported under IFRS</b>       | <b><u>80,264,079</u></b>                         |
|   | <b>Group<br/>Year ended<br/>31/03/2006<br/>£</b> |
| <b>Profit for the year reported under UK GAAP</b> | <b>55,445,982</b>                                |
| Reversal Amortisation of Goodwill                 | <u>102,795</u>                                   |
| <b>Profit under IFRS</b>                          | <b><u>55,548,777</u></b>                         |

Reconciliation of equity at 1 April 2005 (Date of transition to IFRS)

|                                     | UK GAAP<br>£              | Effects of<br>Transition<br>to<br>IFRS<br>£ | IFRS<br>£                 |
|-------------------------------------|---------------------------|---|---------------------------|
| Intangibles-Goodwill                | 1,724,955                 | -   | 1,724,955                 |
| Intangibles-Software licences       | -                         | -   | -                         |
| Plant and equipment                 | 3,305,062                 | -   | 3,305,062                 |
| Deferred taxation                   | 730,218                   | -   | 730,218                   |
| <b>NON-CURRENT ASSETS</b>           | <b>5,760,235</b>          | <b>-</b>                                    | <b>5,760,235</b>          |
| Inventories                         | 93,438,310                | -   | 93,438,310                |
| Trade and other receivables         | 56,811,285                | -   | 56,811,285                |
| Loans and cash advances to banks    | -                         | -   | -                         |
| Cash at Bank                        | 50,684,591                | -   | 50,684,591                |
| <b>CURRENT ASSETS</b>               | <b>200,934,186</b>        | <b>-</b>                                    | <b>200,934,186</b>        |
| <b>TOTAL ASSETS</b>                 | <b><u>206,694,421</u></b> | <b><u>-</u></b>                             | <b><u>206,694,421</u></b> |
| Ordinary shares                     | 2,000                     | -   | 2,000                     |
| Share premium                       | 3,998,000                 | -   | 3,998,000                 |
| Retained earnings                   | 77,695,370                | -   | 77,695,370                |
| <b>SHAREHOLDERS EQUITY</b>          | <b>81,695,370</b>         | <b>-</b>                                    | <b>81,695,370</b>         |
| Trade and other payables            | 108,050,402               | -   | 108,050,402               |
| Current tax liabilities             | 16,948,649                | -   | 16,948,649                |
| <b>CURRENT LIABILITIES</b>          | <b>124,999,051</b>        | <b>-</b>                                    | <b>124,999,051</b>        |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b><u>206,694,421</u></b> | <b><u>-</u></b>                             | <b><u>206,694,421</u></b> |

# First Rate Exchange Services Holdings Limited

## Notes forming part of the Financial Statements for the year ended 31 March 2007

### Reconciliation of equity at 31 March 2006

|                                     | UK GAAP            | Effects of<br>Transition to<br>IFRS | IFRS               |
|-------------------------------------|--------------------|-------------------------------------|--------------------|
|                                     | £                  | £                                   | £                  |
| Intangibles-Goodwill                | 1,622,160          | 102,795                             | 1,724,955          |
| Intangibles-Software licences       | -                  | 882,120                             | 882,120            |
| Plant and equipment                 | 3,061,793          | (882,120)                           | 2,179,673          |
| Deferred taxation                   | 725,693            | -                                   | 725,693            |
| <b>NON-CURRENT ASSETS</b>           | <b>5,409,646</b>   | <b>102,795</b>                      | <b>5,512,441</b>   |
| Inventories                         | 126,088,349        | -                                   | 126,088,349        |
| Trade and other receivables         | 140,229,585        | -                                   | 140,229,585        |
| Loans and cash advances to bank     | -                  | 37,323,450                          | 37,323,450         |
| Cash at Bank                        | 57,644,682         | -                                   | 57,644,682         |
| <b>CURRENT ASSETS</b>               | <b>323,962,616</b> | <b>37,323,450</b>                   | <b>361,286,066</b> |
| <b>TOTAL ASSETS</b>                 | <b>329,372,262</b> | <b>37,426,245</b>                   | <b>366,798,507</b> |
| Ordinary shares                     | 2,000              | -                                   | 2,000              |
| Share premium                       | 3,998,000          | -                                   | 3,998,000          |
| Retained earnings                   | 98,141,352         | 102,795                             | 98,244,147         |
| <b>SHAREHOLDERS EQUITY</b>          | <b>102,141,352</b> | <b>102,795</b>                      | <b>102,244,147</b> |
| Trade and other payables            | 149,634,066        | -                                   | 149,634,066        |
| Financial liabilities - borrowings  | 59,746,152         | 37,323,450                          | 97,069,602         |
| Current tax liabilities             | 17,850,692         | -                                   | 17,850,692         |
| <b>CURRENT LIABILITIES</b>          | <b>227,230,910</b> | <b>37,323,450</b>                   | <b>264,554,360</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>329,372,262</b> | <b>37,426,245</b>                   | <b>366,798,507</b> |

### Notes

Material adjustments required during transition from UK GAAP to IFRS relate to

IAS 7 Cash flow Statements – deposits held with financial institutions meet the qualitative characteristics of cash or cash equivalents under the new standard and have been restated to be disclosed as cash and cash equivalents. Previously they have been netted off against bank overdraft or other bank lending facilities with the same financial institution that the deposits are held with. There is no impact on the profit and loss for any periods.

IAS 32 Financial instruments Presentation – the loans and cash advances to the Bank of Ireland group have been grossed up on the balance sheet as IAS 32 only permits offset where there is the ability and intent to settle balances net. UK GAAP only required the ability to offset for balances to be shown net.

IAS 36 impairment of assets – goodwill amortisation is not permitted under IFRS. Instead an impairment review must be done each year. As a result, the amortisation of goodwill £102,795 per year, actioned in year 2006 under UK GAAP has been reversed to calculate the opening balance sheet position.

## **First Rate Exchange Services Holdings Limited**

**Notes forming part of the Financial Statements for the year ended 31 March 2007**

IAS 38 Intangible Assets – computer software licences have been re-classified from plant and equipment to intangible assets. The only difference will be that they will amortise over their useful life rather than depreciated as plant and equipment over their useful life.

### **26. Risk Management**

Details of the Group's risk management policies are given in the section headed "Principal Risks and Uncertainties" in the Directors Report.