Annual Report and Accounts 2012

BUILDING TOWARDS OUR FUTURE

WorldPay™

Ship Luxco Holding & CY S.C.A.

Group Financial Highlights

£3,089m
Revenue
2011: £3,253m (17 months)

£305m
EBITDA
2011: £303m (17 months)

£305m +13%
EBITDA 12 months basis
2011: £270m

(£53m)
Loss after tax
2011: (£63m) (17 months)

£1.424bn +9%
Net debt
2011: £1.302bn (17 months)

The above information identifies all of the Group's Financial and Non Financial Key Performance Indicators (KPIs) which are discussed in more detail throughout the Annual Report.

EBITDA
Profit before tax, project and exceptional costs (one-off costs including the costs of establishing independence from RBS), depreciation of plant, property and equipment, amortisation of purchased intangibles and finance costs.

Net debt
External borrowings, net cash and finance leases.

* Source: UK Cards Association

2012 Highlights

8bn
merchant acquiring transactions

148
countries covered

252,000
Streamline merchants

200+
payment types supported

£279bn
merchant acquiring turnover

120
currencies accepted

44%
market share* UK merchant acquiring

745
maximum transactions per second

Who we are

Ship Luxco Holding & CY S.C.A. is a company domiciled in Luxembourg. It is a holding company of the WorldPay Group whose ultimate holding company is Ship Investor & CY S.C.A., registered in Luxembourg.

WorldPay is one of the world's leading independent payment processing companies. Formerly the merchant acquiring division of the Royal Bank of Scotland Group, it was jointly acquired by Advent International and Bain Capital (with Royal Bank of Scotland Group maintaining a 17.8% stake) in 2010.

The business has three main operating business units:

1. Streamline: UK market leading multi channel merchant acquirer and processor.

2. eCommerce: Provider of global internet payments solutions supporting payment to customers in 120 currencies, offering the widest selection of potential electronic payment types in the global market.

3. WorldPay US: US multi channel merchant acquirer and processor.

What we do

The WorldPay Group's core business is merchant acquiring, providing a seamless link between merchants and card schemes (such as Visa and MasterCard) allowing our merchants to accept the widest possible range of electronic payment types (e.g. debit cards, credit cards, Paypal). WorldPay also provides a full suite of associated services including gateway services which allow merchants access to electronic payments via the internet, security products (mitigating risk) and international transaction fees.

Contents

A stable, established business

1989
Streamline established as the acquiring arm of NatWest primarily servicing UK based merchants that were trading and settling in sterling.

1992
Streamline International starts operations. This allowed Streamline the ability to acquire merchants worldwide and settle in currencies other than sterling.

1993
WorldPay trials first electronic cash purse in Europe.

1994
WorldPay opens first online shop.

1996
WorldPay developed internet multi-currency capabilities.

1997
Bibit Payment Services founded in the Netherlands.

2000
Bibit expands its offering into France, Germany and UK.

WorldPay launches eCommerce shopping cart solution.

2001
US operation launched.

2002
Bibit wins Deloitte & Touche Fast50 award.

WorldPay becomes wholly owned part of The Royal Bank of Scotland Group.

2004
RBS acquires Bibit to form part of online payment services.

RBS acquires US company Lynk Systems.

2006
RBS acquires PaymentTrust and RiskGuardian.

Purchase of Payment Trust provides a fraud prevention risk management tool, allowing merchants to perform various anti-fraud checks on cards.

2007
Contactless payment method launched adding to Streamline's portfolio of transaction environments.

2008
WorldPay wins Card Awards Best Technology Initiative of the Year.

WorldPay brand introduced to customers.

WorldPay wins Queen's Award for Enterprise.

2009
WorldPay launched; RBS announces intention to divest itself of a number of assets including Global Merchant Services.

2010
RBS Group sells WorldPay to Advent International and Bain Capital.

WorldPay acquires Cardsave.

2011
WorldPay acquires Envoy.

2012
Diners Club and China Union Pay accepted as payment types.

2013+
We are at an exciting stage of our development. We are committed to investing in both our people and our technology to realise our ambitions.

WorldPay acquires YESpay.

Group Overview and Management Structure

The information presented on page 04 to page 28 is considered as the legal Consolidated management report.

Ship Luxco Holding & CY S.C.A. (the Company) is the holding company of the WorldPay Group (the Group) whose ultimate holding company is Ship Investor & CY S.C.A. (the Ultimate Holding Company).

Ship Luxco Holding & CY S.C.A. is a Société en commandite par actions (partnership limited by shares) domiciled in Luxembourg. The Company was incorporated on 28 July 2010 as Ship Luxco Holding S.à r.l. and subsequently converted from a Société à responsabilité limitée (private limited liability company) on 19 November 2010. Ship Luxco Holding S.à r.l. remains the General Partner of the Ultimate Holding Company. The registered address of both the Ultimate Holding Company and the Company is 2-4, rue Beck L-1222, Luxembourg.

The consolidated financial statements for the financial year ended 31 December 2012 comprise the Company, its subsidiaries and interests in associates (the Group). They have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and its interpretations issued by the International Accounting Standards Board (IASB).

The Ultimate Holding Company and the Company were set up by Advent International and Bain Capital (the Investors) to acquire the WorldPay merchant acquiring businesses from The Royal Bank of Scotland Group plc (RBS) on 30 November 2010. RBS retains a non-controlling interest in the Group. The Group receives ongoing funding and liquidity resources from the Investors, which coupled with other sources of funding and liquidity, enable the Group to meet its obligations as they fall due.

Ship Luxco 3 S.à r.l. is a subsidiary of the Company and is responsible for providing strategic guidance to the Group. The Board of Ship Midco Limited, an indirect subsidiary of Ship Luxco 3 S.à r.l., is responsible for all matters delegated to it by Ship Luxco 3 S.à r.l., including execution of strategy, operational performance and Group co-ordination. The Boards of the regulated entities, WorldPay (UK) Limited, WorldPay Limited, WorldPay AP Limited and forming the Group Executive Team, are responsible for the day to day management of the Group.

Governance Structure

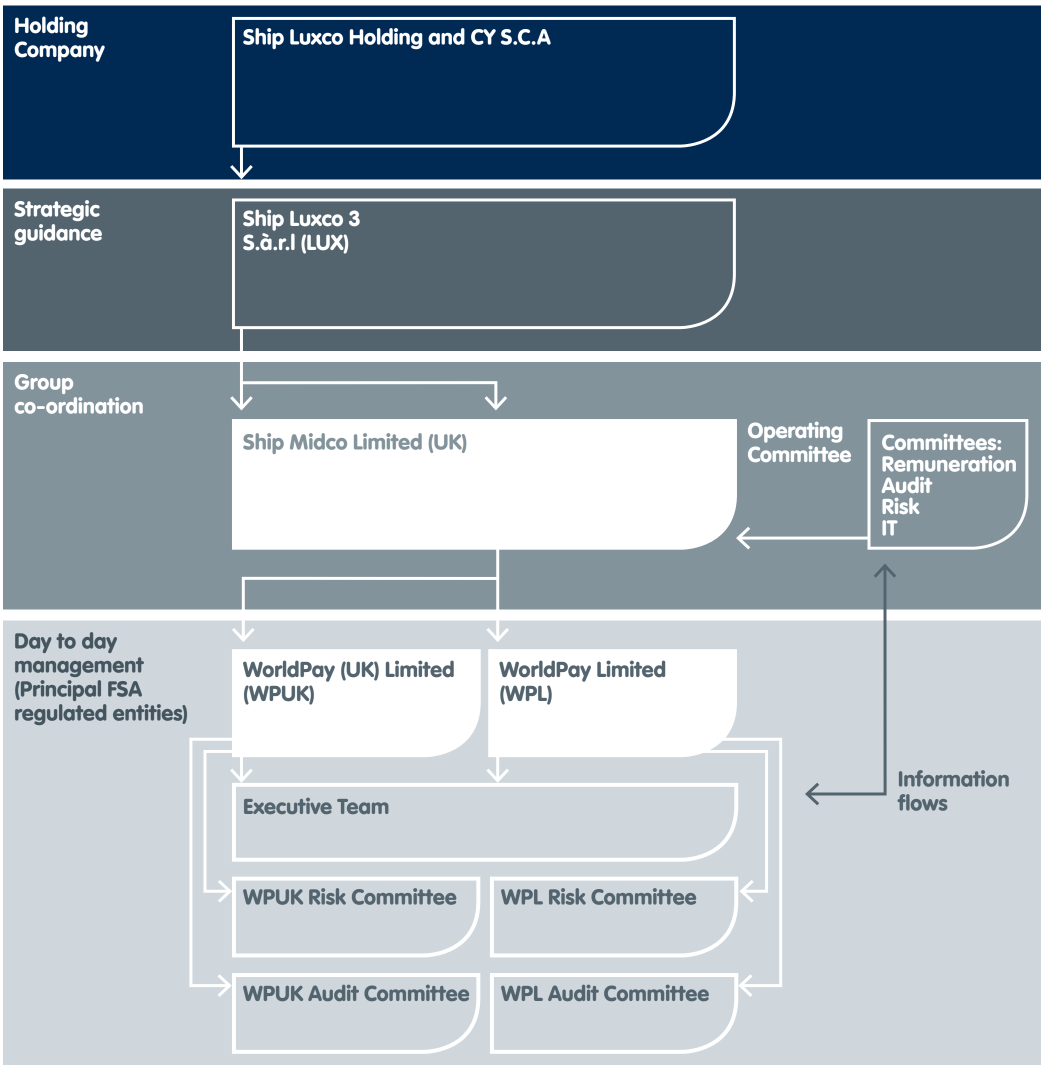


Diagram simplified for illustration purposes

Board of Managers

The present Managers of the Company, who have served during the financial period and up to the date of this report are listed below:

Managers	Appointed	Resigned
Ailbhe Jennings	28 July 10	
Maike Kieselbach	28 July 10	31 January 12
Phil Loughlin	24 November 10	
Desmond Mitchell	30 November 10	31 January 12
Chris Sullivan	01 July 11	
Myriam Deltenre	20 January 12	30 April 12
Fergal O'Hannrachain	31 January 12	
Desmond Mitchell (reappointed)	30 April 12	

Directors

The composition of Ship Midco Limited's Board is as follows:

Board Member	Represents	Position
John Allan, CBE	Independent	Chairman
Ron Kalifa	Executive	Chief Executive Officer
Aidan Connolly	Executive	Chief Financial Officer
Humphrey Battcock	Advent	Non-executive
James Brocklebank	Advent	Non-executive
David Yates	Advent	Non-executive
Robin Marshall	Bain	Non-executive
Melissa Bethell	Bain	Non-executive
Stephen Pagliuca	Bain	Non-executive
Chris Sullivan	RBS	Non-executive
Bruce van Saun	RBS	Non-executive

Chairman's Statement

Welcome to the annual report for the WorldPay Group for 2012, a year in which the business made great strides in growing its strong market positions in only its second full year since becoming one of the world's leading payment technology companies after the purchase from RBS in 2010.

In a year of great change, EBITDA of £305m was 13% up against the comparative 12 month period, with all of our business units showing net income and EBITDA growth. This was a particularly impressive performance against the backdrop of difficult trading conditions in each of our markets – particularly for the UK-focused Streamline business.

Losses after tax of £53m were £10m lower than 2011 (2011: £63m loss (17 month period)). The balance sheet of the Group is strong with £130m of own cash and £75m of unused facilities in place at the year end.

Since purchasing the business from RBS, strategies for each Business Unit have been developed and a clear roadmap to drive continued growth and profitability has been defined. In 2012 the businesses began executing against these plans, driving the strong performance seen in the year.

The business continued to develop strong relationships with key partners with agreements reached to acquire transactions for both Diners Club in the UK (the fifth largest international card scheme) and China Union Pay (now the largest and fastest growing global card scheme). The latter significantly increases our global reach and exposure to the fast growing Chinese market. Market entry strategies are being developed to access the largest markets where we are under-represented, including India, Russia and Latin America.

We took the decision to seek a buyer for our US business during the year. The largely standalone US business has been found to benefit from little synergy with our other operations and I'm confident it will flourish under new ownership. Its results are disclosed as a discontinued business in these accounts. Since the year-end we have acquired the YESpay Group, a leading payment services provider, in a 'cash for shares' transaction.

In December, we announced the appointment of Philip Jansen as Chief Executive. Philip, who will join the business in April 2013, brings with him a wealth of experience in leading high growth businesses in both the quoted and Private Equity sectors most recently as Chief Executive of Brakes Group. Before that he was Group Chief Operating Officer and Chief Executive of Sodexo Europe, Chief Operating Officer of MyTravel plc and Managing Director of the Consumer Division of Telewest Communications plc.

When Philip joins the business, Ron Kalifa our current Chief Executive will assume the position of Deputy Chairman. In this role, which is critical for our continued success, Ron will focus on driving WorldPay's long-term strategy as it relates to identifying adjacency growth businesses, partnership and M&A opportunities and he will play a key role in developing broader, more strategic relationships with our key partners and customers, including Visa and MasterCard. Ron has done an outstanding job in leading the establishment of WorldPay as a vibrant and successful company after its purchase from RBS and the success of the business so far stands as a testament to his leadership. His unparalleled experience of the UK and International payments industry will be invaluable in his new role which will be pivotal as the Group continues to mature.

I would like to thank all colleagues for their hard work, flexibility and creativity in the last year, which has been one of great change and development. I am confident that as we move forward together we will continue to build an outstanding company.

John Allan, CBE
Non-executive Chairman

This was a particularly impressive performance against the backdrop of difficult trading conditions in each of our markets

Chief Executive's Statement

+12%
Net Income

+13%
EBITDA

2012 was a defining year for WorldPay. The WorldPay Group made material strides in establishing itself as an independent, market leading payment technology company. Each of our three business units demonstrated year on year growth driven by a rigorous focus on executing against the strategic plans put in place earlier in the year, and each business is well positioned to continue along this growth trajectory.

The Streamline business has refocused on improving its market leading position by growing its product capabilities for small, medium and large customer segments, including enhanced on-boarding and retention tools. Our unparalleled ability to support the widest range of payment types and card scheme options available to customers was enhanced by the ability to process Diners Club card transactions. We were also the only merchant acquirer to support UK merchants to accept China Union Pay transactions in time for the Olympics in the summer. The reliability of our existing acquiring platform was again demonstrated by 100% up-time throughout the year.

The purchase of YESpay in March 2013 will further strengthen our capabilities by allowing us to offer our customers a complete payment solution, including merchant acquiring, card processing and payment terminals integrated with point of sale systems. Plans to integrate YESpay into the Streamline business are progressing well.

The eCommerce business had another strong year of growth with net income up 15%. Expert focus on vertical markets where we are clear market leader, together with an unparalleled ability to handle 120 currencies across 200+ payment types, has driven strong sales and profit growth.

The WorldPay US business also grew net income strongly in the year, with a rise of 19%, as its renewed focus on mid-market merchants gained traction. The business delivered 34% EBITDA growth with the full year benefits of cost management actions from the prior year augmented by further savings in the year. I am confident that the business is well placed to develop and thrive going forward.

The Group made significant progress in developing its own platform infrastructure to become less reliant on RBS's technology. The Group is on target to be technically independent of RBS well in advance of the expiry of the Transitional Services Agreements in place.

As the business became less reliant on RBS systems in the year, we have focused on ensuring that the central functions support the Business Unit strategies effectively and efficiently. We have therefore reviewed the balance of our central teams, which has resulted in a reorganisation of our workforce and office locations. We have announced plans to concentrate our Risk and Financial Business Services teams in one new combined location in Central Manchester and to reorganise the Netherlands Bunnik operation, which supports the main WorldPay Gateway, moving some functions to Amsterdam and some to Cambridge. We have also expanded the eCommerce sales operations in Singapore and San Francisco.

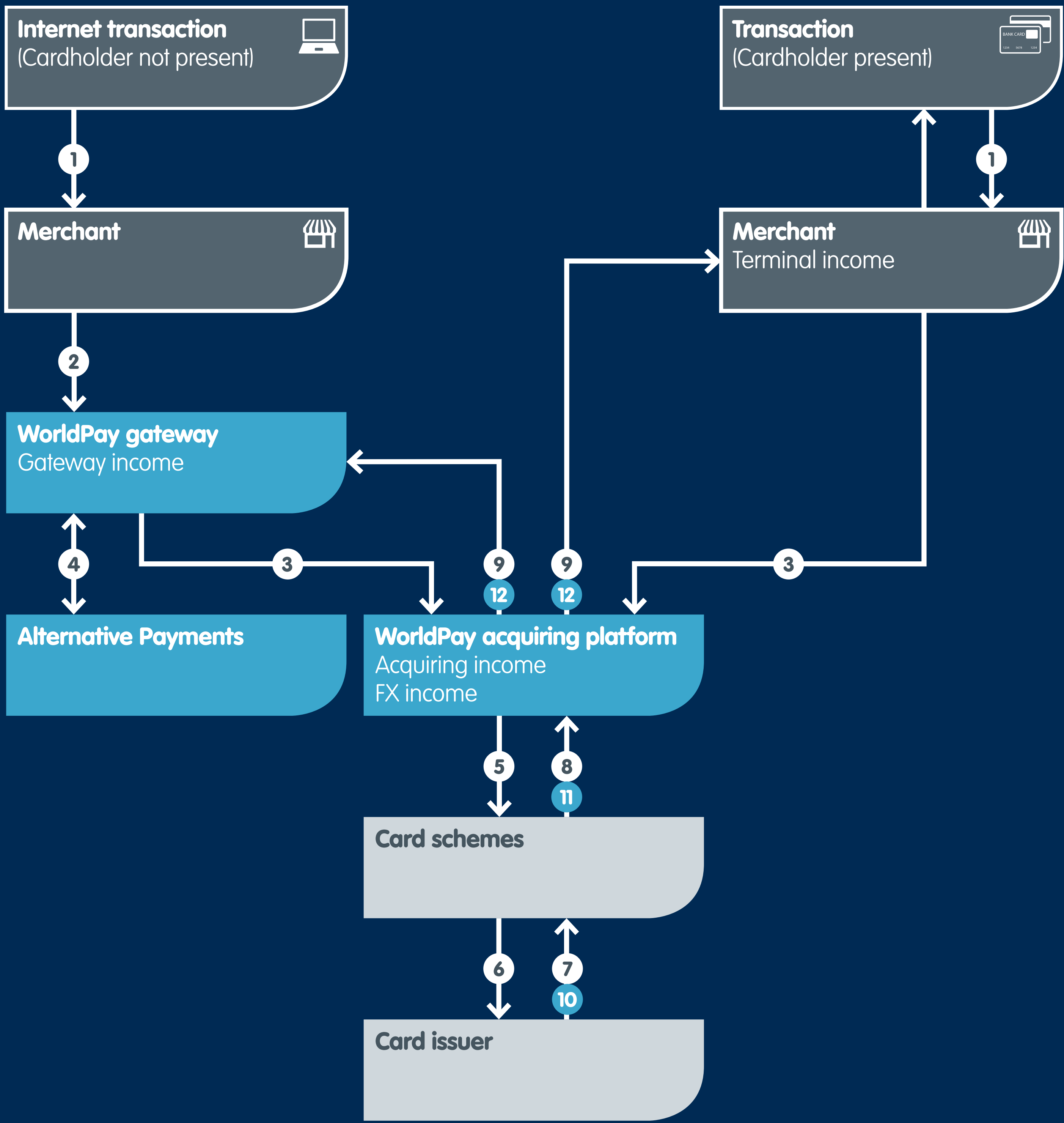
Philip Jansen was appointed as Chief Executive in December and I am excited to be transitioning to the new role of Deputy Chairman once Philip joins us. I very much look forward to working with him.

Ron Kalifa

Ron Kalifa
Chief Executive Officer

New management teams and rigorous strategic reviews have provided clear roadmaps for future growth

Our business model



1. Card details captured
2. Cardholder not present transactions routed via WorldPay Gateway
3. Cleared transactions routed to WorldPay acquiring platform
4. Alternative payments transactions routed to other systems
5. Authorisation request sent to card scheme (e.g. Visa, MasterCard, Diners, China Union Pay)
6. Authorisation request sent to issuing bank
7. Approval sent to card scheme
8. Approval sent to WorldPay
9. Approval sent to merchant (via Gateway to Cardholder not present transaction)
10. Settlement to card scheme
11. Settlement to WorldPay
12. Settlement to merchant

Other income
PCI income
Adoption fees

Our investment in technology

WorldPay, being a customer-focused technology company, is making an unsurpassed investment in its capability to deliver market-leading products and services for its customers. As an independent payment processor, it is investing approximately £300 million to re-platform its technology infrastructure. This investment will build the organisation, provide purpose-built data centres, define the procedures, processes and control mechanisms, and build a flexible, scalable and continuously available global processing platform.

Its new platform will leverage newer technologies which will facilitate sophisticated revenue management and billing solutions, and powerful yet user-friendly analytical capabilities.

The new platform will include:
- A completely redesigned customer service interface;
- Self-service capability;
- Implementation of a complete new data model expressly defined for our business; and
- Replacement of all legacy hardware, software and tools purchased with the business from RBS.

This investment provides for complete technological independence from RBS, in a future proofed solution with heightened capacity and resilience. This will support its pursuit of increased global reach, rapid geographic and payment expansion, advanced billing and pricing models and structured and accessible data.

£300m

Investment in technology

Performance Review – Group

+12%
Net income

+13%
EBITDA

(12 month pro-forma basis)

Group		12 months 2012	12 months 2011	% change
Acquiring Turnover*	£bn	**279**	279	0%
Net Income	£m	**629**	564	12%
Direct Costs	£m	**(324)**	(294)	-10%
EBITDA	£m	**305**	270	13%

* Acquiring Turnover: the value of acquired transactions

See the inside cover for definition of EBITDA and page 17 for Reconciliation of Statutory Consolidated Statement of Comprehensive Income to pro-forma Net Income and EBITDA.

Net Income		12 months 2012	12 months 2011	% change
Streamline	£m	**292**	275	6%
eCommerce	£m	**179**	156	15%
WPUS	£m	**158**	133	19%
Centrals	£m	**–**	–	n/a
TOTAL GROUP	£m	**629**	564	12%

EBITDA		12 months 2012	12 months 2011	% change
Streamline	£m	**239**	227	5%
eCommerce	£m	**151**	132	14%
WPUS	£m	**63**	47	34%
Centrals	£m	**(148)**	(136)	-9%
TOTAL GROUP	£m	**305**	270	13%

The Group delivered impressive results in 2012 during a period when it was undergoing high levels of change as it developed the teams, systems and processes of a fast-growing successful standalone business.

Group acquiring turnover was flat year on year, with a slight fall in Streamline, the loss of high turnover (but relatively low margin) merchants in eCommerce and the change in strategy away from unprofitable accounts in WorldPay US offsetting underlying growth in those businesses.

Group net income rose 12% with higher margin mix of acquiring turnover and growth in secondary income such as international transaction fees, Payment Card Industry (PCI) compliance fees and Alternative Payments income in eCommerce.

2012 was a year of investment in the Group, with direct costs growing by £30m or 10%. Each of the main three Business Unit leadership teams and product offerings were strengthened in line with the plans set out in the Business Unit strategic reviews. There was also investment to improve the capability of the central functions to support the growing Business Units with enhanced teams in Technology, Finance, HR and General Counsel.

EBITDA rose 13% to £305m, with growth in all Business Units (see pages 11 to 14 for Business Unit reviews).

The performance reviews that follow discuss each business units' strategy and their future outlooks. In addition, the Group's information technology strategy is summarised on page 9.

+6%
Net income

+5%
EBITDA

Streamline

Streamline supports businesses of all sizes with the ability to accept and process credit and debit card payments. The business services a quarter of a million merchants ranging from sole traders to major national high street retailers. It provides a comprehensive payment processing service enabling the capture of both card holder present and card holder not present transactions.

Income is generated from:
- Merchant acquiring (either on a % or 'pence per transaction' basis);
- Rental of terminals; and
- Sales of related products and services.

The business is segmented into two channels:
- Small and Medium Enterprises (SME) channel covering companies with turnover of up to £250k per annum and typically one or two location businesses; and
- Corporate channel consisting of larger customers ranging from national retailers to smaller multi-location customers such as restaurant chains.

Streamline's market position and business model is well equipped to leverage key trends and challenges in the marketplace. The key current trends in the market are:

Challenging trading conditions for our merchants

Challenging economic conditions have put pressure on consumer spending; both in terms of the volume and value of transactions. Streamline's broad reach, encompassing all major business sectors and sizes means, that even in the toughest economic times, it is still able to flourish.

In 2012, Streamline processed 4.2bn acquiring transactions, equating to £168bn of turnover.

Growth in card holder not present transactions

Streamline services both smaller online only merchants as well as the online element of multi-channel businesses, as part of its comprehensive offering.

This is the fastest growing element of both channels.

In 2012 Streamline processed 376m card holder not present transactions, up 8% year on year.

Increased globalisation

As more and more foreign travellers visit the UK, foreign credit cards are becoming more prevalent. Streamline is well positioned to support its merchants in accepting foreign credit cards such as those from Japanese Central Bank and American Express. During 2012, the business also gained the capability to process Diners Club and China Union Pay card transactions in the UK, the latter being the fastest growing card scheme in the world.

Product innovation driven by evolving customer expectations

Customers are increasingly demanding convenient payment solutions, with payments on mobile phones and tablets growing particularly quickly.

Streamline is at the forefront of product development to support merchants in meeting these evolving requirements. For online merchants, it has enabled all checkout web pages to work effectively with mobile devices.

Performance Review – Group
continued

Streamline is also the nominated UK merchant acquirer working with Visa in the development of the 'V.me' electronic wallet solution, which aims to make online payments (both mobile and PC-based) simpler and more secure.

In 2012 WorldPay launched a Pay As You Go card acceptance pilot in the UK for sole traders and small businesses in mobile professions (such as mobile hairdressers, plumbers and photographers). These merchants would traditionally need to rely on cash, cheque or bank transfer as methods of payment. WorldPay's offering allows these merchants to take card payments cost effectively on their smartphone. This service is available on iOS compatible devices such as iPhones and iPads, as well as Android smartphones and tablets as well as BlackBerry. Thousands of customers across the UK have signed up through the pilot, and we plan a full commercial launch in the summer of 2013.

Streamline		**12 months 2012**	12 months 2011	% change
Acquiring Turnover	£bn	**168**	169	-1%
Net Income	£m	**292**	275	6%
Direct Costs	£m	**(53)**	(48)	-10%
EBITDA	£m	**239**	227	5%

2012 transaction volumes were slightly down overall year on year. A 6% rise in the SME channel was offset by a slight decline in the Corporate channel due to the annualised effect of the loss of certain accounts in 2011. Average transaction value declined slightly from £40.59 to £40.33 as consumers continued to limit spending.

Over 50,000 new merchants were signed to Streamline in the year with potential new merchant leads provided by our in-house sales teams and marketing partners. Strong relationships also continue to be built with third party associations such as the Federation of Small Businesses.

Net Income grew 6% despite a slight decline in volume, with higher gross margin from additional services such as online statements, support for merchants to become PCI compliant and other scheme related income.

Costs increased 10% as the business made significant investments in teams in all areas, functions and levels. Continuing to strengthen the organisation is a critical priority for the business as it builds for the future.

Outlook

Whilst Streamline is exposed to the UK economy and the current challenges to consumer spending, it is well positioned for continued future growth in volumes and value due to its:

- Wide customer base that encompasses all business sizes and sectors;
- Continued focus on innovation and provision of new products especially those in the fast growing mobile arena; and
- Focus on generating new business from its in-house salesforce and strong third party relationships.

+15%
Net income

+14%
EBITDA

eCommerce

WorldPay's eCommerce business provides global internet payment solutions to merchants facilitating the acceptance of payments for online (customer not present) transactions in 148 countries and 120 currencies and offers the widest solution of electronic payment types in the market. WorldPay first provided internet payment services in 1994, making it the first provider of such services in the world. It processes payments for many of the world's leading businesses.

Income is generated from:
- Merchant acquiring;
- Payment gateway services (allowing access for websites to acquiring and payment processing services);
- Global multi-currency credit card processing;
- The widest available range of local (non-card) payment methods;
- Risk fees; and
- International transaction fees.

The eCommerce business offers its merchants the widest selection of potential payment types with over 200 international and domestic payment options. Together with its extensive coverage across Europe, the US, Asia Pacific and emerging markets, it helps merchants serve the maximum number of potential customers.

The market for card holder not present transactions has grown rapidly over the last few years and is expected to do so for the medium term. According to Euromonitor, the market has grown at a compounded rate of 17% over the last five years and is expected to grow at 12% over the next five years.

The eCommerce business is designed to support every area of a merchant's payments infrastructure including:
- Supporting global customer reach;
- Maximising transaction acceptance rates;
- Optimising business cost and risk;
- Providing flawless customer service; and
- Continuous product innovation.

The business saw underlying growth in all of its global vertical markets in 2012.

eCommerce		**12 months 2012**	12 months 2011	% change
Gateway transactions	m	**387**	341	13%
Risk transactions	m	**207**	178	16%
Net Income	£m	**179**	156	15%
Direct Costs	£m	**(28)**	(24)	-17%
EBITDA	£m	**151**	132	14%

Net income growth was driven by growth in gateway and risk transactions.

This growth was achieved, in part, as a result of the underlying growth in the global internet payments market which has remained strong in all major regions of the world. In addition, the business benefited from investment in capabilities such as:
- Increasing the size and quality of the salesforce to capture new business sales;
- Launching new Alternative Payment methods as well as other product innovation; and
- Expanding geographically with dedicated sales teams in San Francisco and Singapore.

The cost base increased by £4m (17%) in the year as a result of investing in business capabilities, product delivery and customer service.

EBITDA increased by £19m (14%) to £151m.

Outlook

The global internet payments market is expected to continue to grow across all geographic regions. With its global reach, capability and comprehensive suite of products and services, eCommerce is very well positioned to benefit from this growth.

It continues to invest in the business with particular emphasis on key elements of the value proposition. The core merchant acquiring strength is being enhanced by obtaining further local licences in several key countries.

Furthermore, following the acquisition of Envoy Services in 2011 and subsequent development, eCommerce is well positioned to benefit from growth in the Alternative Payments market which is the fastest growing sector of the payments market.

Performance Review – Group
continued

+19%
Net income

+34%
EBITDA

WorldPay US (WPUS)

WPUS enables small and medium sized merchants to accept and process a broad range of electronic payments (such as credit, debit and prepaid). It has a strong position in the merchant acquiring industry and is the third largest independent, non-bank merchant acquirer and the second largest acquirer focused on the small merchant segment in the US.

WPUS has a proprietary end-to-end processing platform, which only a few merchant acquirers in the US possess. It has invested significant resources in building a direct salesforce, developing a variety of alternative lead sources and providing dedicated customer services to establish a leadership position.

During 2011 and 2012, WPUS implemented a new strategic plan including investments to improve near-term performance while creating momentum for a long-term growth trajectory. The management team focused on:
- Simplifying the business;
- Reducing costs;
- Investing in technology and infrastructure;
- Refocusing on small and mid-sized merchants (rather than large national merchants);
- Rebuilding the salesforce; and
- Improving merchant attrition.

WPUS		**12 months 2012**	12 months 2011	% change
Acquiring Turnover	£bn	**79**	78	1%
Net Income	£m	**158**	133	19%
Direct Costs	£m	**(95)**	(86)	-10%
EBITDA	£m	**63**	47	34%

In 2012, the focus on more profitable small and mid-sized merchants resulted in a 19% rise in Net Income despite flat year-on-year acquiring turnover. The Net Income increase was due to strategic initiatives to focus on higher margin small business merchants while exiting certain low margin or unprofitable merchant relationships. Additionally, income increases were achieved through improved credit rates and the positive impact of changes due to Durbin (card industry related US) legislation as well as higher PCI compliance fees.

Direct Costs increased 10% due to investments in the business such as focused sales training, marketing initiatives and new sales compensation plans. EBITDA grew by 34% to £63m.

The Nilson Report estimates total purchase transactions on credit, debit, and prepaid cards in the US are expected to grow from 78.8 billion in 2011 to 112.5 billion in 2016, while total purchase volumes are expected to grow even faster from $4.3 trillion to $6.6 trillion during the same period. These growth rates will be driven by:
- The increasing acceptance of electronic payments by existing merchants due to the shift away from cash and cheques;
- The adoption of electronic payments by new merchant categories; and
- Same-store sales purchase volume growth rates, (which were approximately 6% in 2012 according to First Data Spend Trend and expected to remain steady).

As part of a strategic review, a decision was taken to seek divestment of WPUS. Despite growing strongly and being profitable, it has been found that the business benefits from limited synergy with the rest of the Group. The results of WPUS are presented as a discontinued operation in the financial results that follow.

Central costs

Central costs		**12 months 2012**	12 months 2011	% change
Direct Costs	£m	**(148)**	(136)	-9%

The central functions provide Group-wide support for business units and comprise the Executive Team, Technology, Operations Support, Finance, Risk, Card Schemes Compliance, Human Resources, Business Transformation and General Counsel.

Central costs grew by £12m (9%) during the year as WorldPay put in place the teams, systems and processes necessary for a fast-growing, independent company. The Human Resources team facilitated a significant strengthening of all business unit teams including recruiting over 900 people in the UK.

In order to ensure that the new central functional teams remain aligned to the business, there have been reorganisations during the year in the Operations Support, Finance and Risk functions and from 2013 central costs will be allocated to business units to give a clearer view of profitability.

Chief Financial Officer's Statement

Group		12 months 2012	17 months 2011	% change
Revenue	£m	**3,089**	3,253	-5%
Gross Profit	£m	**634**	618	3%
Operating Profit	£m	**77**	81	-5%
Finance Costs	£m	**(147)**	(160)	8%
Taxation	£m	**17**	16	6%
Loss before tax	£m	**(70)**	(79)	11%
Capital expenditure	£m	**114**	49	133%
Year end Net Debt	£m	**1,424**	1,302	9%
EBITDA	£m	**305**	303	1%
Project and exceptional costs	£m	**(95)**	(49)	-94%

£3,089m
Revenue

£77m
Operating Profit

Chief Financial Officer's Statement
continued

Revenue and profitability
Group revenue fell 5% to £3,089m driven by the shorter accounting period and the switch out of high volume low gross margin business in eCommerce and WPUS. Gross profit grew £16m (3%) to £634m driven by a favourable Business Unit and Product mix.

Operating profit of £77m was £4m lower than last year as the higher gross profit was more than offset by the shorter accounting period, larger cost base due to the investment in Business Units and central functional teams and higher exceptional items.

Project and Exceptional costs
Operating profit includes £95m of non-recurring Project and Exceptional costs compromising £9m non-recurring Separation costs (necessary to separate the business and its infrastructure from RBS), £42m non-capitalised costs incurred as part of the replacement Tech Platform project, £12m of strategic Business Unit review costs and £32m of other non-recurring Exceptional costs.

We fully expect these costs to fall significantly after full separation from RBS.

These costs were disclosed as 'Separation costs' in 2011.

Finance costs
Finance costs of £147m were £13m lower than the comparative statutory account period. Included in finance costs are cash interest paid of £60m (excluding discontinued operations) with £51m of interest rolling up into subordinated debt and preference shares.

Taxation
£20m of tax was paid in the year. The tax credit of £17m arises from £16m current tax liability offset by £(33)m of deferred tax credit.

The Group is not party to any tax avoidance schemes.

Capital expenditure
Group capital expenditure of £114m (2011: £49m) included £63m on the new Technology platform, £34m of Business Unit capex (mainly merchant terminals) and £17m in Central functions (mainly Technology).

£29m of this capital expenditure in the year was via finance leases.

Net debt
Net debt at the end of the period was £1,424m (2011: £1,302m), comprising £1,528m of external borrowings, £26m of finance leases less £130m of cash. The £75m Capital Expenditure, Acquisition and Restructuring (CAR) Facility was drawn in two tranches during the year. A mandatory debt repayment of £33m was made during the year.

The Group fulfilled all of its debt covenant obligations during the year and had £75m of committed Revolving Credit Facility undrawn at the year end.

Financial instruments
Two-thirds of Group borrowings were hedged throughout the year with interest caps to reduce the risk of increasing interest rates.

Dividend
No dividends were paid or proposed in the year.

Discontinued business
During 2012, the Group decided to dispose of the Group's US operations which are expected to be sold within 12 months. The business has thus been classified as a disposal group held for sale and presented separately in the balance sheet. The proceeds of disposal are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on classification of these operations as held for sale.

The results of the discontinued operations have been separately disclosed in the Consolidated Statement of Comprehensive Income.

Post balance sheet events

On 6 March 2013 the Group acquired the operations of the YESpay Group, a payments systems and software provider, in a 'cash for shares' transaction. The YESpay operations are expected to contribute £1m annually to the Group's gross profit.

In March 2013 a refinancing process was set in motion with the existing banking syndicate to replace a portion of the Subordinated Debt (par value) with Senior Debt. This process is expected to complete later in 2013.

Reconciliation of Statutory Consolidated Statement of Comprehensive Income to pro forma Net Income and EBITDA

			2011		
		2012	17 months	Adjustments	12 months
Revenue	£m	**3,089**	3,253	(253)	3,000
Interchange fees	£m	**(2,199)**			(2,239)
Scheme fees	£m	**(160)**			(139)
Other fees (WPUS)	£m	**(77)**			(66)
Other (see below)*	£m	**(24)**			8
Net Income	£m	**629**			564
Direct costs	£m	**(324)**			(294)
EBITDA	£m	**305**	303	33	270
Transaction costs	£m	**–**	(52)		
Project and exceptional costs**	£m	**(95)**	(49)		
EBITDA post exceptionals	£m	**210**	202		
Depreciation and Amortisation	£m	**(133)**	(121)		
Finance Charges	£m	**(147)**	(160)		
Loss before tax	£m	**(70)**	(79)		
Income Tax Credit	£m	**17**	16		
Loss after tax	£m	**(53)**	(63)		

* Other includes float income and income from alternative payments.
** Disclosed as 'Separation costs' in 2011.

See the inside cover for definition of EBITDA.

The above table reconciles statutory figures from the year ended 31 December 2012 and the 17-month period to 31 December 2011 to Net Income and EBITDA for the 12-month periods ended 31 December 2012 and 2011.

Management considers Net Income and EBITDA to be the key performance indicators for monitoring underlying business performance.

Net Income	Revenue less cost of sales less operational float income.
Project and Exceptional costs	Non-recurring 'Separation' costs (necessary to separate the business and its infrastructure from RBS), non-capitalised costs incurred as part of the replacement Technology 'Platform' project and strategic Business Unit review costs.

Aidan Connolly
Chief Financial Officer

Corporate and Social Responsibility

After two years as an independent company, the Group continues to develop a structured approach to Corporate and Social Responsibility (CSR). As a business that exists to help customers do business, the strategy focuses on the need to think globally but act locally, in the communities within which we serve.

As part of the development of the Group's CSR strategy, the following areas are being considered:

Environment
The Group aims to minimise its impact on the environment, through operational policies that result in energy savings, recycling of office waste and paperless work practice.

WorldPay's new Manchester office building has a number of environmentally friendly features and has been assessed as 'Excellent' by BREEAM (Building Research Establishment Environmental Assessment Method).

Waste recycling
The facility management out-sourced provider across the office estate recycles 100% of all waste collected throughout the buildings and works with major organisations to convert waste to energy using specialist equipment.

Energy and Resource efficiency
Energy and Resource efficiency – the introduction of new Multi-Functional-Devices delivers a measurable saving on paper usage. Passive Infra-red lighting systems (PIR) – all new locations acquired are now fitted with lighting systems that use PIR as a method of activation and this will reduce energy consumption but as yet not quantified by WorldPay. Refurbishment projects carried out throughout the existing portfolio are controlled by the same rigorous standards as a new construction thereby ensuring products used comply to sustainability and environmental standards.

Charitable/community work
The Group encourages its staff to participate in charitable fundraising through sponsorship and will develop a plan to formalise a Group-wide charitable giving programme in line with its values (Accountable, Adventurous, Empowered, Spirit), to support the communities it operates in.

In November, a team of 56 WorldPay employees took part in Movember, a moustache growing charity event held during November each year that raises funds and awareness for prostate cancer and testicular cancer, successfully raising over £9,500 for Prostate Cancer UK and the Institute of Cancer Research.

During 2012, the legal team welcomed an individual from the charity KIDSCOMPANY to join their team on an internship. KIDSCOMPANY provides practical, emotional and educational support to vulnerable inner-city children.

WorldPay also supported Vicky Barr, who competed in the 2012 London Olympics by sponsoring her £24,000.

Employee Code of Conduct
The Group is currently updating its Code of Conduct and Employee Handbook to promote ethical behaviour in and out of the workplace, and to align with the culture and values of the organisation.

The future
The Property Team works closely with all service providers to reduce environmental impact and together with the procurement team ensure that products purchased, such as chairs, desks and tables have lifecycle ratings. Most chairs purchased are 100% recyclable; most carpets are made from renewable sources and are fully recyclable and desks are made from renewable core products.

WorldPay's approach to Risk

A strategy for the implementation of a more sophisticated Enterprise Risk Management ('ERM') has been developed and will be implemented in 2013.

Risk Appetite
The Board provides the direction and approach in approving the Group's Risk Appetite which is then documented and cascaded throughout the organisation through the delegation of authority and policy documents. The overriding tone of the approach is based on balancing risk versus reward and ensuring that at all times WorldPay operates in a legally compliant and ethical manner.

Principal risks and uncertainties

Operational Risk
As noted above, WorldPay is commencing the roll out of a more sophisticated ERM approach which will be completed in 2013. In the interim, the Group continues to benefit from the processes and procedures inherited from the RBS ownership of the Group which have provided a basic outline of Risks inherent in the organisation.

In addition to the above, the Group has identified the Key Risks inherent in the Group and its operations and continues to build detailed management information to ensure that the Risks are managed and the Board is provided with appropriate information to make Risk based decisions

Information Security Risk
WorldPay takes the security of its environment and its customers' data extremely seriously and has implemented a defence in depth approach with layered defences covering preventative, detective and corrective security controls. The controls and processes are critical as organisations address advanced persistent threats from sophisticated cyber-attacks that have the potential to degrade or debilitate information systems supporting WorldPay's critical applications and operations. Structured risk assessments of all its business units have been completed and the Group continues to monitor and manage any residual risk remaining after remediation. A security assurance framework has been implemented to embed security in all business areas within WorldPay to ensure alignment with the business objectives. Meaningful reporting is provided to facilitate informed and meaningful decision-making around the WorldPay security posture and any identified risks.

Strategic Risk
WorldPay develops business plans based on a wide range of variables. Incorrect assumptions about the payment processing market or changes in the needs of merchants may adversely affect the returns achieved by the Group.

The strategy development process draws on internal and external analysis of the payment processing market, emerging merchant trends and a range of other factors.

Economic Risk
WorldPay's Streamline business operates predominantly in the UK market and is thus exposed to downturns in the UK economy. Such downturns could impact consumer spending and, in turn, merchant turnover.

The eCommerce business operates across various countries and so is less affected by the risk of the particular market conditions. Given the likely continued relatively fast growth of its global market, the eCommerce business is likely to be less affected by changing UK market conditions in future years, but is likely to be more exposed to the risk of further global economic downturn.

Both the UK and global economies are monitored and risks and opportunities are considered by business units continually. Operating and financial plans are revised and updated on a quarterly basis.

Business continuity/Disaster Recovery Risk
An interruption to business caused by a technology, environmental, pandemic or denial of access to its primary offices could have a significant adverse impact on the business. The Group has a dedicated business continuity team that ensures that there are comprehensive business continuity and disaster recovery plans in place providing alternate work area recovery sites for critical functions to recover to, which are tested on a regular basis. Disaster recovery tests are also conducted on a regular basis for the technology housed in its two dedicated UK based data centres.

There is also a crisis management team which would direct both the tactical and strategic response to any interruption to business, this team also tests on a regular basis.

Separation Risk
One of the biggest risks facing WorldPay is that associated with the separation of its technology platform from RBS. This separation must be seamless for merchants and WorldPay and ensure no break in service at the point of implementation.

WorldPay's approach to Risk
continued

The separation project has been ongoing since 2011 with detailed cut over plans drawn up by experienced professionals in this field to minimise risk in this area.

Reputational Risk
Failure to protect the Group's reputation and brands could lead to a loss of trust and confidence amongst merchants and a decline in its customer base. Reputational decline could also affect the ability of WorldPay to recruit and retain good people.

Customer surveys are undertaken routinely and results are analysed and acted upon accordingly. The Group has regular dialogue with its key stakeholders and regulatory bodies. This ensures any reputational issues are brought to the Group's attention at the first possible instance.

Legislative Risk
Operating in an evolving and rapidly changing international regulatory environment will increase costs for WorldPay and it is unlikely that all these costs will be able to be transferred to merchants. During the year constructive scoping discussions on the way in which the industry should be regulated were held with relevant external stakeholders and regulatory bodies.

Failure to comply with new legal or regulatory requirements could result in fines and further sanctions. WorldPay has a compliance team in place that monitors changes in the regulatory environment on an ongoing basis. Robust systems are in place to ensure compliance with all current regulatory requirements.

People Risk
Failure to attract, retain, develop and motivate the best people with the right capabilities at all levels could limit the Group's ability to succeed.

Over 900 people were recruited into the Group in the year ending 31 December 2012. People are the Group's most valuable asset and it is recognised that focus is required in bedding-in new teams and supporting them to add value. All staff members receive a personal development plan and objectives to assist with their development and progression.

Health and Safety Risk
Failure to provide a safe environment for the Group's staff to work in could lead to injuries and loss of life.

Compliance with all applicable health and safety regulations and communication with staff on a regular basis are used to mitigate this risk.

Fraud Risk
The merchant business that WorldPay operates provides unscrupulous individuals with the opportunity to attempt various types of fraudulent transactions either with or without the merchant's awareness. To counter the threat, WorldPay operates a transaction monitoring system that monitors every transaction and seeks to prevent such transactions from being processed and paid. A team of highly experienced individuals monitor the outputs of the system and take appropriate action as threats are identified.

Under a sponsorship agreement entered into with RBS Group in November 2010, RBS Group members continue to sponsor relevant WorldPay Group entities for the purposes of card scheme licences in Hong Kong, Singapore, Japan and the USA (in respect of card not present business only).

Financial Risk
The Group uses a comprehensive framework for managing financial risks which encompass credit, liquidity, interest rate and foreign currency aspects. See note 22 of the accounts.

Credit Risk
The predominant credit risk to WorldPay is in relation to chargebacks that arise where customers may not have received the goods or services for which they have paid and seek recompense from the card issuer. Whilst the financial responsibility for a chargeback lies with the merchant, in the event that the merchant is no longer in business, WorldPay has a joint and several liability for supply of the goods or services under the card scheme rules. If the goods or services cannot be provided, WorldPay is obliged to meet the cost of the chargeback raised. Separately, chargebacks can also arise for fraudulent reasons.

WorldPay is additionally exposed to the risk of unpaid merchant service charges ('MSC') where a customer ceases to trade. To manage these risks, the Group maintains credit risk exposure in line with approved appetite for the risk whilst achieving appropriate risk versus reward performance and ensuring that customers will be able to meet their obligations to the Group.

The key principles of the Group's Credit Risk Management Framework are set out below:

All applicants for card and alternative payment processing facilities are assessed for credit risk purposes as part of the application process and appropriate limits are approved and allocated to merchants. Assessment includes a review of, amongst other things, the nature of the merchant's business activity, legal capacity of the merchant to enter into the proposition, the legal and reputational risks associated with the merchant, the management quality of the business, sensitivity to economic and market developments and risk-adjusted return.

Credit risk authority is delegated by the Board of Managers and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, these individuals act independently of any related business revenue origination.

All credit exposures, once approved, are effectively monitored, reviewed and managed periodically against the individual approved limits throughout the facility lifecycle. Lower quality exposures are subject to a greater frequency of analysis and review with prompt remediation action taken where considered appropriate.

Credit quality

Internal reporting and oversight of risk assets is principally differentiated by credit grades. Merchants are assigned credit grades, based on various credit grading models, overlaid with expert opinion for large exposures that reflect the key drivers of default for the customer type. All credit ratings across WorldPay map to a master asset quality scale, expressed as an annual probability of default.

Counterparty Risk

Counterparty risk relates to funds which through the course of payments business are held with banks throughout a number of geographies. This includes the Eurozone where risk is monitored by country and bank counterparty. The Group minimises cash held at a number of banks, moving cash to main banking relationships to mitigate financial risk, and undertakes an annual credit review process which assesses the credit risk of each bank and the ongoing strategic need to maintain relationships with individual banks.

Liquidity Risk

The Group's liquidity management focuses on two distinct areas; own cash and merchant settlement cash (relating to the Group's payment business):

Own Cash

The Group is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. This is achieved by holding significant cash balances and maintaining sufficient committed headroom. As at 31 December 2012, the Group had own cash balances of £130m (2011: £136m) and available headroom under its RCF Facility of £75m (2011: £75m).

Settlement Cycle

The Group's payment business has a short-term settlement cycle where card schemes (predominantly Visa and MasterCard) remit cash and the Group pays merchants from these remittances within three days. The majority of funds are received prior to remittance to the merchant, resulting in significant cash balances relating to the settlement cycle. The Group has an Intra-Day Agreement Facility of £1.7bn to ensure payments can be processed whilst awaiting card scheme remittances.

Following the sale from Royal Bank of Scotland in 2010, the Group's liquidity has grown from operating cash flows, which have funded ongoing operations, capital expenditure and debt servicing. Capital expenditure in 2012 was funded in part by utilisation of the Group's £75m CAR Facility (2011: nil).

Interest rate Risk

The Group is exposed to cash flow interest rate risk on borrowings and cash balances held at variable rates and mismatches on maturities between borrowings and cash, resulting in variable interest cash flows.

The Group's debt agreements include embedded interest rate floors. Two-thirds of borrowings were hedged in March 2011 with interest rate caps to reduce the risk of increasing interest rates; effectively creating an interest rate collar. Cash held at variable rates offsets risk arising from changing interest rates on the Group's borrowings.

The impact on net interest of a 1% increase in LIBOR rates would be an increase of £2m (2011: £3m increase); due to the effect of the floor in the debt agreements, where rates paid are currently above LIBOR.

Foreign Currency Risk

WorldPay provides payments and services throughout the world, with major operations in the United Kingdom, Europe and the US. FX risk is managed at a Group level, focusing on two distinct areas: Group assets and liabilities and merchant transactions (relating to the Group's payment business):

Group Asset and Liabilities

The Group uses debt denominated in foreign currencies to provide a natural offset in the income statement for the translation of foreign currency assets. In addition, foreign currency denominated debt is serviced by operating cash flows without the need to cover from alternate currencies.

Revenues generated in foreign currency are regularly converted to GBP, EUR or USD, dependent upon the operating entity.

A simultaneous 10% adverse change in the USD and EUR foreign exchange rates at year end would have resulted in a £28m charge (2011: £25m charge).

Merchant Transactions

Scheme receipts generally match merchant payments in each currency.

Managers of Ship Luxco Holding CY and S.C.A.

Ailbhe Jennings
Ailbhe serves as a Director at Bain Capital in Luxembourg. Previously Ailbhe served as Corporate Manager and Director at BMO Nesbitt Burns Trading Corp SA. She has been a Director of Bombardier's Luxembourg entities since 2002. Prior to joining Bain Capital in 2002, Ailbhe was a Deputy Managing Director and Finance Director at Banque Pictet and a Senior Audit Manager and Luxembourg Réviseur d'Entreprises with KPMG in Luxembourg. Ailbhe has 27 years professional experience in the Luxembourg financial services sector. She has been a Director of Trinseo SA since 2010 and is on the Boards of all of Bain Capital's Luxembourg companies.

Maike Kieselbach
Resigned 31 January 2012

Phil Loughlin
Phil is a Managing Director in Bain Capital and focuses on financial and business services. Prior to joining Bain Capital, Phil was Executive Advisor to the President of Eagle Snacks, Inc. where he helped manage the restructuring and liquidation of the Company. Previously, Phil was a consultant at Bain & Company where he worked in the telecommunications, industrial manufacturing and consumer products industries and also was a Product Manager at Norton Company.

Desmond Mitchell
Desmond has over 30 years experience in finance, operations and risk management since qualifying as a Chartered Accountant. Most recently he was European Operations Director of Advent International which included the establishment of the Luxembourg offices. Prior to joining Advent International, Desmond held senior finance positions at Coller Capital and Midland Montagu in Europe and the Far East.

Chris Sullivan
Chris is Chief Executive of the RBS Corporate Banking Division and manages Lombard, one of the UK's largest asset finance companies, RBS Invoice Finance, the largest provider of invoice finance solutions in the UK, and Transaction Services, the largest domestic Cash Management bank in the UK. Previously he was Chief Executive of RBS Insurance (now Direct Line Group), which is number one in the UK for both home and motor policies. The division is made up of several well-known brands including Direct Line, Churchill and Privilege. Prior to this, Chris was Chief Executive of Retail Direct, Deputy Chief Executive of Retail Markets and Chief Executive of Lombard where he developed the business to a leadership position in the UK and Europe.

Myriam Deltenre
Resigned 30 April 2012

Fergal O'Hannrachain
Fergal serves as Corporate Manager for Advent in Luxembourg responsible for the WorldPay holding companies. He joined Advent in 2005. Previously he managed captive insurance vehicles for Willis in Dublin and Gecalux in Luxembourg and also acted as the Compliance Officer of Mourant, Luxembourg. He has worked with Deloitte in Dublin and PwC in Luxembourg auditing financial services companies.

Directors of Ship Midco Operating Board

John Allan, CBE – Chairman
John joined WorldPay in 2011 as independent non-executive chairman and has extensive experience in both executive and non-executive capacities. John is currently non-executive chairman of Care UK Limited and Dixons Retail plc and is a non-executive director of the Royal Mail Group and the UK Home Office Supervisory Board. Previously John was chairman of Samsonite Corporation and a non-executive director of 3i Group plc, PHS Group plc, Wolseley plc, Hamleys plc and Connell plc as well as being a member of the supervisory boards of both Lufthansa AG and Deutsche Postbank and senior advisor to Deutsche Bank. In his earlier career, John served as an executive director at BET plc and was on the management board of Deutsche Post following its acquisition of Exel plc in December 2005 where he had been Chief Executive since September 1994.

Ron Kalifa – Chief Executive Officer (CEO)
Ron led WorldPay through its transition to a standalone company following its divestment from RBS in 2010.

Ron previously built the WorldPay business via acquisition, first heading up the WorldPay gateway business following its acquisition by RBS in 2002, integrating it first with NatWest's Streamline business and then leading the acquisitions for Bibit, TrustMarque International, Lynk and Cardsave over the following years to create the leading global payments business WorldPay is today.

Ron was recognised as 'Industry Personality of the Year' at the 2011 Cards and Payments Awards for his commitment and contribution to the Cards and Payments industry.

Ron previously worked for the RBS Group as COO of NatWest Bankcorp based in North America, Head of Marketing and Sales for the NatWest Insurance Businesses and Head of Internet Banking for RBS's Retail Direct division.

Aidan Connolly – Chief Financial Officer (CFO)
Aidan joined WorldPay from Sodexo, the world leader in the integration of quality of daily life services, where since 2007, he has fulfilled the roles of Chief Finance Officer and, more recently, Chief Executive Officer of its UK and Republic of Ireland businesses.

Aidan trained as a chartered accountant and also holds a law degree. His extensive experience has seen him as Chief Executive for a number of public and private companies in the UK, Europe and the USA. Prior to Sodexo, Aidan was Deputy Group Finance Director at MyTravel UK and a senior member of the management team responsible for reconstructing the business and returning it to profitability in one of the UK's largest ever corporate turnarounds.

In addition, Aidan has many years of varied experience of change management in the retail, leisure and consultancy industries.

Humphrey Battcock

Humphrey joined Advent in 1994 and has 28 years of private equity experience. Humphrey has led or co led investments in 28 companies, 12 during his time at Advent, including The Priory Group, Towergate, Moeller, Aviagen, Boart Longyear and WorldPay. Prior to joining Advent, Humphrey spent nine years as a partner with Trinity Capital Partners, a UK private equity firm. From 1976 to 1983, Humphrey worked for Coopers & Lybrand, in London and New York, where he gained experience in international mergers and acquisitions.

James Brocklebank

James joined Advent International in 1997 and has 16 years of private equity experience. Based in London, James is responsible for the European business and financial services sector team and is a member of the Western Europe Investment Advisory Committee. James has led Advent's investments in WorldPay and Equiniti Group and participated in seven others (two as sponsor).

Prior to Advent, James worked on international mergers and acquisitions in the London office of investment bank Baring Brothers and then its affiliate Dillon, Read & Co. in New York.

Robin Marshall

Robin joined Bain Capital in 2009 and is a Managing Director. Prior to joining Bain Capital, Robin was a Partner at 3i where he completed transactions in the healthcare, business services, and consumer sectors. Robin was the founding partner of 3i's US Private Equity business and prior to that was a Managing Director of 3i's UK business. Previously, he was with McKinsey & Company and Procter & Gamble. Robin is currently a Director of WorldPay and Securitas Direct.

Steve Pagliuca

Steve joined Bain Capital in 1989 as a Managing Director. Prior to joining Bain Capital, Steve was a Partner at Bain & Company where he managed client relationships in the media, software, information services and healthcare industries. Steve was also involved in developing Bain & Company's turnaround practice. Previously, he worked as a senior accountant and international tax specialist at Peat Marwick Mitchell & Company in the Netherlands.

Melissa Bethell

Melissa joined Bain Capital in 1999 and relocated to London in 2000 as a member of Bain Capital's European investment team. Prior to joining Bain Capital, Melissa worked in the Capital Markets group at Goldman Sachs, with a focus on media and technology fundraisings.

Bruce van Saun

Appointed to the Board of the Royal Bank of Scotland Group in October 2009 as Group Finance Director, Bruce has extensive leadership experience with 30 years in the financial services industry. From 1997 to 2008 he held a number of senior positions with Bank of New York and later Bank of New York Mellon, most recently as vice chairman and chief financial officer and before that was responsible for Asset Management and Market Related businesses. Prior to that he held senior positions with Deutsche Bank, Wasserstein Perella Group and Kidder Peabody & Co. He is currently a non-executive director of Direct Line Insurance Group plc, WorldPay (Ship Midco Limited) and Lloyd's of London. He previously served on several corporate Boards in the US and has been active in numerous community organisations.

Chris Sullivan

See biography on page 22.

David Yates

David most recently joined VocaLink as CEO in 2012 with nearly 30 years of experience in the payments and transaction processing industries. Prior to that, David was President of Western Union with responsibility for Business Development and Innovation. At Western Union, David oversaw the development of strategy for eCommerce, Mobile Payments, Business Payments and Pre-Paid Cards. Previously he spent six years at First Data Corporation (FDC), most recently as Executive Vice President managing all of FDC's activities outside of the US, including merchant acquiring, merchant transaction processing, issuer processing and ATM network solutions business units. David has also served in executive roles with several major international corporations, including IBM, General Electric and American Management Systems.

Senior Executive Team

Ron Kalifa - CEO
See biography on page 22.

Aidan Connolly - CFO
See biography on page 22.

Tony Catalfano – Managing Director, WorldPay US
Tony is the President and CEO of WorldPay US. He joined the business in March 2012 from Fiserv, where he was Division President of Electronic Payments and was responsible for their digital payment strategy.

Having joined Fiserv in 2002 through the Company's acquisition of Electronic Data Systems (EDS) Corp's Consumer Network Services (CNS) business, Tony served as President and COO of Fiserv EFT/CNS, one of the US's largest providers of electronic funds transfer processing. Tony also served as President of Fiserv's Bank Solutions division where he was responsible for driving growth and directing the global technology services and outsourcing operations of Fiserv for large financial institutions.

Mark Chambers – General Counsel
Mark joined WorldPay in May 2011 as General Counsel as a highly experienced individual with considerable UK and international financial services experience at a senior level. Prior to joining WorldPay he was the General Counsel and Group Company Secretary at RSA Insurance Group (formerly Royal & Sun Alliance). His previous experience includes roles at American Express, GE Capital and Slaughter and May. Mark is a non-executive director of WWF-UK.

Rob Hornby – Chief Transformation Officer
Rob is Chief Transformation Officer and joined WorldPay in August 2012. Rob is responsible for ensuring the platform programme delivers business change in addition to technology improvements and works closely with Erik Toivonen to lead the programme overall.

Rob previously worked as Chief Information Officer for Old Mutual Wealth Management, CRM Transition Manager & Programme Director at Sky Television and Interim IT & Business Change Director at Swinton Insurance. Before these industry roles Rob worked as a consultant at Andersen focused on technology enabled business transformation and large programme delivery.

Floris de Kort – Managing Director, WorldPay eCommerce
Floris joined WorldPay in December 2010 from GlobalCollect where he was Chief Commercial Officer. Prior to this Floris launched GlobalCollect's local offices in San Francisco and Singapore.

Floris is active in various industry organisations and is a Board Member of the Merchant Risk Council.

Erik Toivonen – Chief Technology Officer
Erik is Chief Technology Officer and has been with WorldPay since January 2011. Erik previously worked for GTX Partners, a business he co-founded and prior to this he was Managing Director and Chief Information Officer for Technology and Marketing Operations at Barclaycard US and was also Executive Vice President and CIO of Global Systems and Technology at NOVA Information Systems (Elavon).

Erik has over 29 years of extensive business application and business line experience in the payment systems and credit card industry.

Pete Smith – Chief Human Resources Officer
Pete has been with WorldPay since January 2011. Pete has a wealth of international experience. His previous position was as Chief Human Resources Officer for Burger King where he shaped and transformed the HR global strategy. He performed similar roles for AutoNation Inc, Citibank and Pepsico.

Darren Wilson – Managing Director, Streamline
Darren joined WorldPay in November 2011 from Global Payments where he was CEO/President of Western Europe and responsible for all aspects of the Western European business, as well as the global eCommerce business of Global Payments Inc. During his time at Global Payments, he led a major IT platform migration strategy for Global Payments' UK customer base.

Darren has global experience and an excellent track record in the payments industry including 22 years with HSBC latterly as Head of Merchant Services and previously as Regional Director, HSBC, South West England.

He led the sale of 51% of HSBC Merchant Services to Global Payments in June 2008 and then led the buyout of the remaining 49% in June 2009 and also was the lead in buying 51% of the largest card processor in Spain, la Caixa in December 2010.

Board of Managers/ Governance Report

Principal activities

The principal activity of the Group is the provision of merchant terminals, approval technology and other services to enable merchants to accept payment via credit and debit cards and other payment methods. The managers do not anticipate any material change in either the type or level of activities of the Group.

The Group has a leading position in the UK payment market, offering an end-to-end payment solution that enables merchants to accept multiple forms of electronic payments in a cost-effective manner. It offers Point-of-Sale (POS) merchant services, an online gateway and a proprietary risk tool, enabling merchants to understand risk and fraud. The Group benefits from active participation in the whole payment processing value chain for a variety of merchant types, allowing it to maximise revenue and profit, and to utilise economies of scale. It provides services to merchants across 148 countries globally, in 120 different currencies, but has a primary focus on the UK, US and European markets.

Ownership

Equity ownership of the Group is as follows:

Advent International	36.3%
Bain Capital	36.3%
RBS	17.8%
Employee benefit trust	9.6%

Managers/Directors

Please refer to detail given on pages 22 and 23.

Employees

WorldPay has made significant progress in evolving the business since we became an independent company. We are investing heavily in growing and maintaining our market leading position. Investment in people is vital to this strategy going forward as the Group continues its journey to become the world's leading independent payment processing company.

Since divestment from RBS, we have created a pay for performance philosophy. The first step of this was to ask employees to create a set of objectives that equally reflected 'what' they do and 'how' they get the job done. We conducted a thorough analysis of external market data and graded all positions and created salary ranges, which in the spirit of transparency, have been shared and communicated with our people.

We have overhauled the variable pay component of reward packages, to provide bonuses for all eligible employees. Prior to divestment, only a limited number of employees were eligible. We provide very contemporary benefit options, including over 20 components that employees can select from.

As we continue on our journey, it remains vitally important that we have the right organisational capability in place to help drive our business forward. Effective Performance Management lies at the heart of creating the high performance culture we need in order to meet our strategic objectives. Our annual Performance Management process is fundamental to our journey's success as it not only drives the performance of our business, but also motivates our employees through feedback, reward and recognition.

A formal recognition programme, The WorldPay Ambassador Awards, was launched to recognise and reward exceptional people in our organisation who have made an outstanding contribution and truly lived our values. We are committed to recognising and celebrating excellence within our organisation, and give those who are most deserving maximum opportunity to excel.

We introduced a discipline in performance calibration, designed to provide objectivity into the Performance Management system. We want to create an environment where we talk openly about how we get the job done. The way we think and act in line with our values. It is more than just about delivery. The values are embedded throughout performance at WorldPay. How the job is done is as important as what you do. Employees are encouraged to take the time to understand the values, and what they look like to their role is a key step in successful Performance Management at WorldPay.

The Group is committed to an inclusive working environment in which individuals are valued for their skills, strengths and perspectives, contribution and individuality. WorldPay is an equal opportunity employer and aims to attract, develop and retain people that reflect our values, culture and diversity.

In February 2012, the eCommerce business launched the 'eCommerce university'. The university aims to create a blended learning experience where eLearning modules, instructor-led classes and webinars facilitate a dynamic and practical educative environment. A number of these modules can be applied across the Group.

Dividends

No dividend was paid during the year ending 31 December 2012 (2011: nil).

Share capital

The Company has three classes of shares of ordinary shares and one class of management shares. Ordinary and management shares in issue are fully paid up at par. The holders of the ordinary and management shares are entitled to dividends and one vote per share at meetings of the Company. For more details please see note 23 to the financial statements.

Charitable/Political donations

£3,000 was donated to charity during the year (2011: £2,000).
No political donations were made during the year (2011: nil).

Supplier Payment Policy

Payment terms of 30 days from date of invoice are applied unless otherwise agreed. All payments are made via bank transfer.

Other essential contractual arrangements

While the sale of the Group in 2010 ensured economic and financial separation from RBS, the business will continue to be operationally connected to RBS systems for a period of time under Transitional Service Arrangements ('TSAs'). However, significant steps are continuing to be taken to ensure operational separation from RBS well in advance of the expiry of our TSAs.

For the purposes of its business as an acquirer, WorldPay (UK) Limited (together with, where appropriate, its sister company WorldPay Limited) has entered into contractual arrangements with the following payment schemes, including Visa Europe Limited, MasterCard International Incorporated, JCB International Co Limited, Diners Club International Limited, China Union Pay Co Limited, American Express Europe Limited and American Express Payment Services Limited, and Laser Card Services Limited. Visa Europe Limited is a membership organisation of which WorldPay (UK) Limited is a member, and has voting rights.

Under a sponsorship agreement entered into with RBS Group in November 2010, RBS Group members continue to sponsor relevant WorldPay Group entities for the purposes of card scheme licences in Hong Kong, Singapore, Japan and the USA (in respect of card not present business only).

The Group has no other essential contractual arrangements.

Board of Managers/ Governance Report continued

Going concern

The Managers have prepared forecasts covering a period of at least 12 months from the date of signing of the financial statements which demonstrate that the Group is anticipated to be profitable and cash generative. As set out above, the Group's borrowings are primarily repayable after more than one year and have certain financial covenants which the Group is required to comply with. The forecasts demonstrate compliance with those covenants for a minimum of 12 months from the date of signing. The Managers have also considered key sensitivities to the forecasts and these have demonstrated that the Group anticipates it will comply with its financial covenants for the forecast period.

Therefore the Managers, having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

Following the separation from RBS the Managers consider that funding will be available for the Group's future operations and that the business will continue operating without significant change to its business model.

Auditors

During the year, it was decided to appoint KPMG as the Company's auditor. This decision was made in order to increase the Group's independence from RBS. Deloitte remain auditors of RBS.

KPMG was appointed as the Company's auditor with effect from 17 September 2012. A resolution to re-appoint KPMG as the Company's auditor will be put to the forthcoming Annual General Meeting.

Disclosure of information to auditors

Each of the Managers (together with the Directors of Ship Midco) who held office at the date of approval of this report confirms that; so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all steps that they ought to have taken as a Manager or Director to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Role of the Board of Managers and subsidiary company Directors

For details of the Board of Managers please see pages 22 and 23.

The Board is responsible for the proper management of the Group, and in particular for ensuring the maintenance of accounting records which disclose with reasonable accuracy the financial position of the Group.

Ship Luxco 3 S.a.r.l. is an indirect subsidiary of Ship Luxco Holding & Cy SCA and has been commissioned by the Board to assume the primary responsibility for providing strategic guidance to the Group. The Board of Ship Midco Limited, another indirect subsidiary of Ship Luxco 3 S.a.r.l., is responsible for all matters delegated to it by Luxco 3 S.a.r.l., including the execution of the Group strategy determined by Ship Luxco 3 S.a.r.l., and the oversight of operational performance. The Boards of the Group's principal regulated entities, WorldPay UK Limited and WorldPay Limited (both of which are indirect subsidiaries of Ship Midco Limited) are, in turn, responsible for the day-to-day management of the payment services businesses operated by each company.

WorldPay UK Limited and WorldPay Limited are authorised as 'Payment Institutions' by the UK Financial Services Authority under the Payment Services Regulations 2009. As Authorised Payment Institutions, WorldPay (UK) Limited and WorldPay Limited are required to have robust governance arrangements for payment services, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility. In addition, both companies are required to be able to demonstrate that their governance arrangements and internal control mechanisms are proportionate, appropriate, sound and adequate. Each of WorldPay (UK) Limited and WorldPay Limited operate within a corporate governance framework which enables each regulated entity to comply with company law and all corporate governance requirements appropriate to their status as regulated entities.

Ship Midco Limited, in fulfilling its role of overseeing the operational performance of the Group, imposes certain restrictions on day-to-day management. The Investment Agreement, which governs the investment made by Bain Capital LLC, funds managed by Advent International Corporation and The Royal Bank of Scotland Group PLC in the Group, imposes positive and negative obligations on the conduct of the Group. Certain operational decisions also require majority shareholder and/or lender consent.

The Boards of Directors of Ship Midco Limited, WorldPay UK Limited and WorldPay Limited and their committees each has a duly appointed company secretary. The company secretary's responsibilities include ensuring good information flow to the Boards and their committees. The company secretary is responsible, through the Chairman, for advising each Board and its committees on all corporate governance matters. All Managers and Directors of all Group companies have direct access to the advice and services of the relevant company secretary.

Conflicts of interest

Managers are able to declare actual or potential conflicts of interest. Such matters will be considered for authorisation by those Managers who have no interest in the matter being considered.

Ship Midco Limited – Governance Framework

The individual roles of Chairman and Chief Executive are acknowledged. The Board has delegated to the Chief Executive Officer, who has in turn, delegated authority to the Executive Committee (comprising the Chief Executive Officer, Chief Financial Officer, General Counsel, Managing Director – Streamline, Managing Director – eCommerce, Chief Human Resources Officer, Chief Technology Officer and Chief Transformation Officer) authority to execute Group strategy and to manage the Company on a day-to-day basis, including approval of financial commitments below the levels requiring Board or investor approval.

Ship Midco Directors

For Director details, please see pages 22 and 23.

The Ship Midco Limited Board has established the following Board committees; Audit, Risk, Remuneration and IT. Each Board committee has its own terms of reference detailing its constitution, operation, authority and responsibility. Each board and committee may invite any employee to attend a meeting in order to discharge its responsibilities.

The Ship Midco Limited Non-Executive Directors also provide strategic and market input to the Group's principal operating subsidiaries. This input ensures appropriate co-ordination and sharing of knowledge, information and best practice across the group. The Board of Ship Midco Limited reports matters to Ship Luxco 3 S.a.r.l as required within the scope of its delegation or as appropriate.

Committees

The matrix below shows the member of each of the Ship Midco Committees:

Name	Representing	Audit	Risk	Remuneration	IT
John Allan, CBE	Independent	M	M	M	C
James Brocklebank	Advent	C	M	M	–
Jeff Paduch	Advent	M	M	–	M
Clyde Thomas	Advent	–	–	–	M
Robin Marshall	Bain	M	M	C	M
Melissa Bethell	Bain	M	C	–	M
Brian Stevenson	Independent	–	M	–	–

C Chairman
M Member

Ship Midco Audit Committee

The Audit Committee is composed of the Chairman of Ship Midco, two members nominated by Advent and two members nominated by Bain. The Chairman of the Audit Committee is elected from one of the two members from Advent. The quorum for the Audit Committee is three.

The Audit Committee discharges its responsibilities in accordance with its terms of reference, through its meetings, which are held at least quarterly. Certain members of the executive team including the CEO, CFO, General Counsel, and Head of Internal Audit are entitled to attend meetings together with the Group's external Auditors. The Audit Committee also received updates from the WorldPay Limited and WorldPay UK Limited Audit Committees.

The Audit Committee will commission reports from the Company's external auditors, internal audit and management as necessary to discharge its responsibilities.

During the year, the Audit Committee met on five occasions and considered (among others) the following matters:

- Approval of previous minutes and actions;
- Review and recommendation of full-year financial results;
- External full-year reports;
- The scope and plan for Internal Audit and its resourcing;
- Co-ordination of internal and external audit functions;
- Periodic internal control and assurance reports from Internal Audit;
- Compliance updates;
- Anti-fraud and Whistleblowing procedures;
- Matters to be reported to Ship Midco Limited;
- Review of the suitability of the Group's accounting policies and practices; and
- Change of Auditors.

Following each meeting the Audit Committee reports its activities, including any recommendations or matters for escalation, to the meeting of the Ship Midco Limited Board.

The financial statements for Ship Midco Limited for 2012 were considered by the Audit Committee prior to being reviewed by the Ship Midco Limited Board.

The Committee has adopted and supervises a protocol for the provision of non-audit services by the Company's external auditors. The Committee is satisfied that the level of fees payable in respect of audit services is appropriate for a group of its size and that an effective audit was conducted for the year.

Ship Midco Risk Committee

The Risk Committee is composed of the Chairman of Ship Midco, two members nominated by Advent, two members nominated by Bain and one non-executive independent member. The Chairman of the Risk Committee is elected from one of the two members from Bain. The quorum for the Risk Committee is three.

The Risk Committee discharges its responsibilities in accordance with its terms of reference, through its meetings which are held at least quarterly. Certain members of the executive team including the CEO, CFO, COO, General Counsel, and Head of Risk and Head of Internal Audit are entitled to attend meetings. The Risk Committee also received updates from the WorldPay Limited and WorldPay UK Limited Risk Committees.

During the year, the Risk Committee met on four occasions and considered (among others) the following matters:

- Approval of previous minutes and actions;
- Risk strategy;
- Evaluation of the Group's key risks including credit and operational risks;
- Risk appetite;
- Enterprise risk management;
- Key performance indicators;
- Matters to be reported to Ship Midco Limited; and
- Reports on regulatory compliance.

Following each meeting the Risk Committee reports its activities, including any recommendations or matters for escalation to the meeting of the Ship Midco Limited Board.

Board of Managers/ Governance Report continued

Ship Midco Remuneration Committee
The Remuneration Committee is composed of the Chairman of Ship Midco, one member nominated by Advent and one member nominated by Bain. The chairman of the Remuneration Committee shall be the member elected by Bain. The quorum for the Remuneration Committee is three.

The Remuneration Committee has responsibility for determining the overall framework and policy for remuneration of the executive directors and other senior executives as the Board designates it to consider. The ongoing remuneration policy for executive directors and senior management is to provide packages that are intended to attract, motivate and retain high calibre individuals to develop the Group further. The Remuneration Committee discharges its responsibilities in accordance with its terms of reference, through its meetings which are held at least twice a year. Certain members of the executive team including the CEO, General Counsel and Chief Human Resource Officer are entitled to attend meetings, although each member excuses themselves when discussions on their own remuneration are held.

During the year, the Remuneration Committee met on six occasions and considered the following matters:

- Approval of previous minutes and actions;
- Reward structures for senior management;
- 2011 bonus payment approval;
- 2012 bonus target approval;
- Bonus methodology for 2012; and
- Equity grants.

Following each meeting the Remuneration Committee reports its activities, including any recommendations or matters for escalation to the Ship Midco Limited Board.

Ship Midco IT Committee
The IT Committee is composed of the Chairman of Ship Midco, two members nominated by Advent and two members nominated by Bain. The Chairman of the IT Committee shall be the member elected by Advent. The quorum for the IT Committee is three.

The IT Committee discharges its responsibilities in accordance with its terms of reference, through its meetings which are held at least four times a year. Certain members of the executive team including the CEO, General Counsel, and Head of the Platform Readiness Team are entitled to attend meetings.

During the year, the IT Committee met on six occasions and considered but not limited to the following matters:

- Review of the Group's IT Platform Programme;
- The Group's Technology Operating Model;
- Ongoing IT services;
- Cyber crime and IT security;
- Business continuity; and
- IT Risk.

Following each meeting the IT Committee reports its activities, including any recommendations or matters for escalation to the meeting of the Ship Midco Limited Board.

Regulatory environment
During the year constructive scoping discussions on the way in which the industry should be regulated were held with relevant external stakeholders and regulatory bodies. We look forward to working with the Financial Conduct Authority in the future and are committed to helping define a regulatory regime that protects customers with an appropriate level of complexity and bureaucracy.

Approved by the Board of Managers and signed on behalf of the Board.

A. J

Fergal O'Hannrachain
Manager

Ailbhe Jennings
Manager

Date: 27 March 2013

Report of the Reviseur d'Entreprises Agréé

To the Shareholders of
Ship Luxco Holding & CY S.C.A.
2-4, rue Beck
L-1222 Luxembourg

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Ship Luxco Holding & CY S.C.A., which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements
The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Reviseur d'Entreprises agréé
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Reviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of the Reviseur d'Entreprises Agréé continued

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Ship Luxco Holding & CY S.C.A. as of December 31, 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

Luxembourg,
March 27, 2013

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Jean-Manuel Séris

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2012

	Note	Year to 31 December 2012 Continuing £m	Year to 31 December 2012 Discontinued £m	Year to 31 December 2012 Total £m	17 months to 31 December 2011* Continuing £m	17 months to 31 December 2011* Discontinued £m	17 months to 31 December 2011* Total £m
Revenue	3	**1,606**	**1,483**	**3,089**	1,627	1,626	3,253
Cost of sales		**(1,170)**	**(1,285)**	**(2,455)**	(1,155)	(1,480)	(2,635)
Gross profit		**436**	**198**	**634**	472	146	618
Operating expenses		**(110)**	**(81)**	**(191)**	(89)	(73)	(162)
Administrative expenses		**(268)**	**(98)**	**(366)**	(307)	(68)	(375)
Operating profit	7	**58**	**19**	**77**	76	5	81
Finance costs	5	**(136)**	**(11)**	**(147)**	(144)	(16)	(160)
(Loss)/Profit before tax		**(78)**	**8**	**(70)**	(68)	(11)	(79)
Tax credit/(charge)	8	**16**	**1**	**17**	13	3	16
(Loss)/Profit after tax		**(62)**	**9**	**(53)**	(55)	(8)	(63)
Other comprehensive income:							
– Currency translation differences		**(2)**	**(7)**	**(9)**	–	1	1
Total comprehensive (loss)/profit for the financial year		**(64)**	**2**	**(62)**	(55)	(7)	(62)

* £33m has been reclassified from Administrative expenses to Operating expenses in the comparative period to align them with the current year reporting method.

The accompanying notes on pages 35 to 56 form an integral part of these financial statements.

Consolidated Balance Sheet
as at 31 December 2012

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Goodwill	9	**958**	1,157
Other intangible assets	9	**565**	757
Plant and equipment	10	**100**	61
Deferred tax assets	11	**4**	3
		1,627	1,978
Current assets			
Discontinued operations – assets held for sale	12	**916**	–
Trade and other receivables	13	**179**	298
Current tax assets	16	**3**	–
Scheme debtors		**165**	1,107
Merchant Float	14	**750**	548
Own cash and cash equivalents	14	**130**	136
		2,143	2,089
Total assets		**3,770**	4,067
Liabilities			
Current liabilities			
Trade and other payables	15	**(158)**	(127)
Merchant creditors		**(915)**	(1,726)
Discontinued operations – liabilities held for sale	12	**(728)**	–
Current tax liabilities	16	**–**	(9)
Borrowings	17	**(52)**	(25)
Finance leases	18	**(6)**	–
Provisions	19	**(13)**	(7)
		(1,872)	(1,894)
Non-current liabilities			
Borrowings	17	**(1,255)**	(1,413)
Finance leases	18	**(20)**	–
Deferred tax liabilities	11	**(124)**	(199)
		(1,399)	(1,612)
Total liabilities		**(3,271)**	(3,506)
Equity			
Share capital	23	**(8)**	(8)
Capital contribution		**(615)**	(615)
Foreign exchange reserve		**8**	(1)
Retained deficit		**116**	63
Total equity		**(499)**	(561)
Total liabilities and equity		**(3,770)**	(4,067)

The accompanying notes on pages 35 to 56 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Managers on 27 March 2013 and signed on its behalf by:

A. J

Fergal O'Hannrachain
Manager

Ailbhe Jennings
Manager

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2012

	Note	Share capital £m	Capital contribution £m	Foreign exchange reserve £m	Retained deficit £m	Total £m
At 28 July 2010		–	–	–	–	–
Issue of share capital	23	(8)	(532)	–	–	(540)
Issue of preferred equity certificates		–	(83)	–	–	(83)
Foreign currency translation		–	–	(1)	–	(1)
Loss for the financial period		–	–	–	63	63
At 31 December 2011		**(8)**	**(615)**	**(1)**	**63**	**(561)**
(Profit)/Loss for the year		–	–	–	53	53
Foreign currency translation		–	–	9	–	9
At 31 December 2012		**(8)**	**(615)**	**8**	**116**	**(499)**

The total comprehensive loss for the financial year of £62m (2011: £62m) was wholly attributable to the owners of the Company.

The accompanying notes on pages 35 to 56 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the financial year ended 31 December 2012

	Note	Total Group Year to 31 Dec 2012 £m	Continuing Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Operating activities				
Loss for the financial year / period before tax		**(70)**	**(78)**	(79)
Adjustments for:				
Depreciation of plant and equipment	7	**32**	**26**	22
Amortisation of intangible assets	7	**101**	**70**	99
Impairments	7	**–**	**–**	1
Non cash disposals		**4**	**4**	–
Finance costs	5	**147**	**136**	160
Net cash inflow from operating activities		**214**	**158**	203
(Increase)/Decrease in trade and other receivables		**(66)**	**(81)**	20
Decrease/(Increase) in scheme debtors		**814**	**559**	(962)
Increase/(Decrease) in trade and other payables		**60**	**74**	(44)
(Decrease)/Increase in merchant creditors		**(372)**	**(273)**	1,001
Increase in provisions		**6**	**6**	6
Net cash flows from operating activities before tax		**656**	**443**	224
Finance costs paid		**(68)**	**(60)**	(113)
Tax paid		**(25)**	**(20)**	(19)
Net cash flows from operating activities		**563**	**363**	92
Cash flows from investing activities				
Acquisition of WorldPay business		**–**	**–**	(344)
Acquisition of Cardsave		**–**	**–**	(67)
Acquisition of Envoy		**–**	**–**	(57)
Take-on of acquiring balances		**–**	**–**	362
Purchases of plant and equipment		**(90)**	**(82)**	(23)
Purchase of intangible assets		**(28)**	**(20)**	(26)
Disposal of plant and equipment		**–**	**–**	1
Net cash flows from investing activities		**(118)**	**(102)**	(154)
Cash flows from financing activities				
Proceeds on issue of shares		**–**	**–**	421
Proceeds on issue of preferred equity certificates		**–**	**–**	252
New financing raised		**141**	**141**	125
Loans repaid		**(91)**	**(91)**	(53)
Net cash flows from financing activities		**50**	**50**	745
Net increase in cash and cash equivalents		**495**	**311**	683
Cash and cash equivalents at beginning of financial year/period		**684**	**684**	–
Net increase in cash and cash equivalents from discontinuing operations		**–**	**184**	–
Discontinued operations cash and cash equivalents reclassified as held for sale		**–**	**(290)**	–
Effect of foreign exchange rate changes		**(9)**	**(9)**	1
Cash and cash equivalents at end of financial year/period	14	**1,170**	**880**	684

The accompanying notes on pages 35 to 56 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Accounting policies

a) Presentation of financial statements

Basis of preparation

As set out in the Management Report, the consolidated financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union.

The Company is incorporated and registered in Luxembourg.

The functional and presentational currency of the Group is GBP.

Statement of compliance

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

c) Investments in Group undertakings

Investments in subsidiaries

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value as at the acquisition date.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the following reporting year, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into sterling using exchange rates prevailing at the end of each reporting year. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting year. Exchange differences arising are recognised in equity.

e) Revenue recognition

Revenue represents amounts receivable from the sale of secure transactions of data between the customer and an acquiring bank or processor. Revenue from transaction service charges and similar services is recognised as revenue when the services are performed.

Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

Rental income from operating leases is discussed at Note 1 k).

f) Pension cost

The Group operates defined contribution pension schemes. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

g) Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes, except in relation to overseas earnings where remittance is controlled by the Company. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

h) Intangible assets

Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill, including brands, customer lists and computer software, are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Purchased goodwill represents the excess of the consideration given over the fair value of the separable net assets acquired.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The principal annual amortisation rates used are:

Customer relationships and brands	3 – 25 years
Computer software	3 – 4 years

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 1c above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and there is an ability to use or sell it;
- The software product will generate probable future economic benefits; and
- Expenditure attributable to the software product during its development can be reliably measured.

1. Accounting policies continued

Directly attributable costs that are capitalised as part of the software product include the employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

i) Plant and equipment

Plant and equipment are stated at their purchase price, including incidental expenses on acquisition less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis over the expected useful economic lives of the assets concerned. Depreciation is provided on a monthly basis with the first charge occurring in the month of acquisition and no charge in the month of disposal.

The principal annual rates used for this purpose are:

Terminals	3 – 5 years
Leasehold improvements	5 – 15 years
Computers and office equipment	4 – 5 years

Plant and equipment purchased from companies under common control is transferred across at carrying value.

j) Impairment of intangible assets and plant and equipment

At each reporting date, the Group assesses whether there is any indication that its intangible assets, or plant and equipment are impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss (if any). If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a pre-tax rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been reflected in the estimation of future cash flows. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

A reversal of an impairment loss on intangible assets (excluding goodwill) or plant and equipment is recognised as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognised. Impairment losses on goodwill are not reversed.

k) Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the Group. Other contracts to lease assets are classified as operating leases.

The Group as lessor

Rental income from operating leases for merchant terminals is charged on a monthly basis.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised as part of the borrowing cost. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

l) Provisions

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

m) Financial assets

On initial recognition, financial assets are classified as loans and receivables.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

n) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

o) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost.

Amortised cost

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method. Finance costs are included in the effective interest rate calculation.

p) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

q) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when it has been transferred to another entity along with substantially all the risks and rewards of the asset.

A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires.

r) Merchant float, scheme debtors and merchant creditors

Merchant float, scheme debtors and merchant creditors represent intermediary balances arising in the merchant settlement process.

Merchant float represents surplus cash balances that the Group holds on behalf of its merchants when the incoming amount from the card schemes/networks precedes the merchants' funding obligation. The funds are included as cash and cash equivalents and held in a fiduciary capacity.

Scheme debtors consist primarily of (i) the Group's receivable from the card schemes/networks for transactions processed on behalf of merchants where it is a Member of that particular scheme/network; (ii) the Group's receivable from the card schemes/networks for transactions where it has funded merchants on behalf of the merchants in advance of receipt of card association funding; and (iii) other net receivables from the schemes.

Merchant creditors consist primarily of (i) the Group's liability to merchants for transactions that have been processed but not yet funded where it is a Member of that particular scheme/network; (ii) the Group's liability to the merchants for transactions for which it has received funding from the Members under the sponsorship agreement but have not funded merchants on behalf of the Members; (iii) Exception items; (iv) Merchant Reserves; and (v) the fair value of the Group's guarantees of customer chargebacks.

s) Cash and cash equivalents

Cash and cash equivalents comprises cash, merchant float, and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

t) Netting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, there is a legally enforceable right to set off the recognised amounts; and intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The entity is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented gross.

u) Treasury shares

The consideration for any ordinary shares of the Company purchased by a group company ('Treasury Shares') is deducted from equity. On the cancellation of treasury shares their nominal value is removed from equity and any excess of consideration over the nominal value is treated in accordance with capital maintenance provisions as required by law. On the sale or reissue of treasury shares the consideration received is credited to equity, net of any directly attributable incremental costs and related tax.

v) Discontinued operations – assets and liabilities held for sale

An operational group is presented as a discontinued operation held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing ownership and it represents either a separate major line of business, a subsidiary acquired exclusively with a view to resale or a separate geographical area of operations. For this condition to be met, the discontinued operation must be available for immediate sale in its present condition, management must be committed to a plan to sell the disposal group at a price that is reasonable in relation to its current fair value, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the discontinued operation must be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

1. Accounting policies continued

w) Accounting developments

The following changes to IFRS are effective for annual periods beginning 1 January 2012 and have had no material effect on the Group's financial statements for the financial year ended 31 December 2012:

- Amendments to IFRS 7. 'Financial Instruments: Disclosures' that require greater disclosure transparency around risk exposures when financial assets are transferred.
- Amendments to IAS 12, 'Income Taxes' that provide a practical approach for measuring deferred tax assets and liabilities when investment properties are measured at fair value.

The following accounting standards have been issued but do not come into effect until future years:

- IFRS 9 'Financial Instruments' – IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted, subject to endorsement by the EU. The Group does not expect to change its classification of financial assets and liabilities under IFRS 9 and will assess the impact of the other phases of the IAS 39 replacement project when they are issued.
- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 11, 'Joint arrangements' requires that the Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities, and that those interests will be equity-accounted. IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has yet to assess full impact of IFRS 10, 11 and 12 and intends to adopt these IFRS no later than the accounting period beginning on 1 January 2014, subject to endorsement by the EU.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013, subject to endorsement by the EU.

2. Critical accounting estimates and judgements

The reported results of the Group for the financial year to 31 December 2012 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. IFRS requires the Managers, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Group's accounting policies that are considered by the Managers to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Managers to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The future cash flows have been estimated using a weighted average growth rate of between 5.0% and 13.8% over four years and a terminal value of 2.0%. The discount rate used is between 10.5% and 14.0%.

The carrying amount of goodwill at 31 December 2012 was £958m (2011: £1,157m). No impairment loss was recognised during the financial year. Details of the impairment assumptions are set out in note 9.

Income and deferred taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Trade receivables impairment provisions

The Group's trade receivables impairment provisions are established to recognise incurred impairment losses in its trade receivables balance. A trade receivable is impaired when there is objective evidence that events since the trade receivable was created have affected expected cash flows from the trade receivable. The impairment loss is the difference between the carrying value of the trade receivable and the present value of estimated future cash flows at the trade receivable's original effective interest rate.

At 31 December 2012, gross trade receivables totalled £148m (2011: £235m) and trade receivables impairment provisions amounted to £24m (2011: £18m).

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that take into consideration market inputs such as interest rates and volatility.

Notes to the Consolidated Financial Statements continued

3. Revenue

	Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Transaction service charges	**2,721**	3,082
Terminal rental fees	**64**	51
Float income	**5**	3
Foreign exchange charges	**85**	73
Other	**214**	44
	3,089	3,253

With the intended disposal of the US business (note 12), the Group's operations are concentrated in the UK, Ireland and the Netherlands, as represented by the Streamline, eCommerce and Cardsave business units. A breakdown of each Business Unit's contribution is discussed on page 10 of the Management report. The Group's revenue is generally consistent with the geographical locations of the Business Units, with the exception of the eCommerce (online/gateway) businesses, whose revenue is derived from worldwide sources.

4. Staff costs

The average number of employees was:

	2012	2011
Staff	**3,497**	2,943
Contractors	**670**	114
	4,167	3,057

The aggregate remuneration (including Company Managers) comprised:

	Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Wages and salaries, including redundancy costs	**183**	149
Pensions	**10**	4
Social security	**14**	12
	207	165

Managers' emoluments

The Managers of the Company do not receive remuneration for specific services provided to the Company.

5. Finance costs

Interest expense arising from:	Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Effective interest on borrowings	**113**	113
Other finance costs	**3**	15
Preferred equity certificates	**31**	32
	147	160

Interest expense arises from the Group's borrowings (note 17) that include external third-party loans and draw-down facilities, and the issue of preferred equity certificates to the Company's parent entity.

The cost of funding preferred equity certificates is accrued against the carrying value of the preferred equity certificates in accordance with the terms of the preferred equity certificates issued (note 17).

6. Auditor remuneration

	Year to 31 Dec 2012 £'000	17 months to 31 Dec 2011 £'000
Fees payable to the Group's auditor, KPMG (2011: Deloitte) for the audit of the Group's annual report and accounts	**690**	1,219
Fees payable to other auditors for the audit of the Company's subsidiaries pursuant to legislation	**28**	50
Fees payable to the Group's auditor, KPMG (2011: Deloitte) and its associates for other services:		
– Tax advisory services	**27**	487
– Other assurance services	**73**	205
– Other non-audit services	**818**	–
	1,636	1,961

7. Operating profit

	Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment	**32**	22
Amortisation of intangible assets	**101**	99
Operating lease costs: land and buildings	**9**	10
Impairment of plant and equipment	**–**	1
Foreign exchange gains	**(5)**	(2)

Included in the depreciation and amortisation of plant and equipment and intangible assets is £6m and £31m respectively that is related to the US operations.

Research and development expenditure recognised was £32m (2011: £12m)

8. Tax

	Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Current taxation:		
UK corporation tax charge for the financial year/period	**3**	13
Prior period adjustment	**1**	–
Foreign corporation tax charges	**12**	8
	16	21
Deferred taxation:		
UK credit for the financial year	**(15)**	(30)
Prior period adjustment – UK	**6**	–
– Foreign	**(4)**	–
Effect of rate change	**(13)**	–
Foreign credit for the financial year/period	**(7)**	(7)
	(33)	(37)
Tax credit for the financial year/period	**(17)**	(16)

Notes to the Consolidated Financial Statements
continued

8. Tax continued

The Group is mainly exposed to UK tax. The actual tax charge differs from the expected tax charge computed by applying the average UK corporation tax of 24.5% (2011: 26.6%) as follows:

	Year to 31 Dec 2012 £m	17 months to 31 Dec 2011 £m
Expected tax credit	**(18)**	(22)
Non-deductible items	**14**	19
Utilisation of tax losses	**–**	(1)
Prior period adjustment	**1**	–
Tax exempt income	**(5)**	–
Effect of tax rates in foreign jurisdictions	**2**	–
Reduction in tax rate	**(13)**	(12)
Deferred tax prior period adjustment	**2**	–
Actual tax credit for the financial year/period	**(17)**	(16)

9. Goodwill and other intangible assets

	Goodwill £m	Customer relationships £m	Brands £m	Computer software £m	Total other intangible assets £m
Cost					
At 28 July 2010	–	–	–	–	–
Acquisitions (note 27)	1,157	723	20	87	830
Additions	–	–	–	26	26
At 31 December 2011	1,157	723	20	113	856
Additions	–	–	–	26	26
Transferred to discontinued operations held for sale	(191)	(132)	(7)	(34)	(173)
Foreign Exchange impact	(8)	(6)	(1)	(1)	(8)
At 31 December 2012	**958**	**585**	**12**	**104**	**701**
Accumulated amortisation					
At 28 July 2010	–	–	–	–	–
Acquisitions	–	–	–	–	–
Charge for the financial period	–	(75)	(2)	(22)	(99)
At 31 December 2011	–	(75)	(2)	(22)	(99)
Transferred to discontinued operations held for sale	–	49	2	11	62
Charge for the year	–	(70)	(4)	(27)	(101)
Foreign exchange impact	–	2	–	–	2
At 31 December 2012	**–**	**(94)**	**(4)**	**(38)**	**(136)**
Net book value					
At 31 December 2012	**958**	**491**	**8**	**66**	**565**
At 31 December 2011	1,157	648	18	91	757

The following useful lives are used in the calculation of amortisation:

Customer relationships and brands – up to 25 years
Computer software – up to 4 years

Amortisation cost is included in operating expenses.

9. Goodwill and other intangible assets continued

Goodwill is not subject to amortisation but is tested annually for impairment. The carrying amount of goodwill allocated to cash-generating units and the key assumptions used for impairment calculations are as follows:

	2012 £m	Gross Margin £m	Growth rate %	Discount rate %
Streamline	**617**	216	6.16	10.6
eCommerce (including Envoy)	**263**	186	13.78	11.5
Cardsave	**78**	28	10.39	14.0
	958			

	2011 £m	Gross Margin £m	Growth rate %	Discount rate %
Streamline	617	120	3.35	10.6
E-Commerce (including Envoy)	261	121	3.34	11.5
WorldPay US	201	62	3.46	11.0
Cardsave	78	13	7.15	14.0
	1,157			

The recoverable amount of goodwill recognised for each cash-generating unit is determined based on value in use calculations which use cash flow projections covering a four-year period incorporating the above assumptions that are used in financial budgets approved by the Managers. Cash flows beyond that four-year period have been extrapolated using a steady 2% per annum growth rate. The Managers believe that the growth rates are reasonable based on the products being developed, and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

10. Plant and equipment

	Terminals £m	Leasehold Improvements £m	Computers and Office Equipment £m	Total £m
Cost				
At 28 July 2010	–	–	–	–
Acquisitions (note 27)	28	11	23	62
Additions	10	–	13	23
Disposals	(1)	(1)	(2)	(4)
At 31 December 2011	37	10	34	81
Additions	18	4	66	88
Reclassifications	20	–	(20)	–
Disposals	(1)	–	(2)	(3)
Assets moved to held for sale	–	(4)	(21)	(25)
Foreign exchange impact	–	–	(1)	(1)
At 31 December 2012	**74**	**10**	**56**	**140**
Accumulated depreciation				
At 28 July 2010	–	–	–	–
Charge for the financial period	(12)	(1)	(9)	(22)
Disposals	1	1	1	3
Impairment	(1)	–	–	(1)
At 31 December 2011	(12)	–	(8)	(20)
Charge for the year	(15)	(1)	(16)	(32)
Reclassifications	(11)	–	11	–
Disposals	1	–	1	2
Assets moved to held for sale	–	1	9	10
At 31 December 2012	(37)	–	(3)	(40)
Net book value				
At 31 December 2012	37	10	53	100
At 31 December 2011	25	10	26	61

Notes to the Consolidated Financial Statements continued

10. Plant and equipment continued

The following useful lives are used in the calculation of depreciation:

Terminals	3 – 5 years
Leasehold improvements	5 – 15 years
Computers and office equipment	4 – 5 years

The Group's obligations under finance leases (note 18) are secured by the lessor's title to the leased assets, which have a carrying amount of £25m (2011: £nil) after depreciation expense of £4m in the financial year was charged (2011: £nil).

Included in the additions to Computers and Office Equipment is £20m of assets under the course of construction that are expected to commence depreciation in 2013.

Terminals are leased by the Group to third-party merchants under operating leases. The future minimum lease rental payments receivable from operating leases are as follows:

Terminal Rentals	2012 £m	2011 £m
Within 1 year	**12**	11
Between 1 and 5 years	**11**	9
After 5 years	**–**	–
	23	20

11. Deferred tax

Analysis of deferred tax assets and deferred tax liabilities recognised by the Group:

	2012 £m	2011 £m
Deferred tax assets:		
– To be recovered within 12 months	**–**	–
– To be recovered after more than 12 months	**(4)**	(3)
	(4)	(3)
Deferred tax liabilities:		
– To be recovered within 12 months	**17**	14
– To be recovered after more than 12 months	**107**	185
	124	199
Net deferred tax liabilities	**120**	196

The gross movement on the deferred tax account is as follows:

	Deferred capital allowances £m	Provisions £m	Intangibles £m	Total £m
At 28 July 2010	–	–	–	
Acquisition (note 27)	–	–	233	233
Charge to statement of comprehensive income	(3)	–	(34)	(37)
At 31 December 2011	(3)	–	199	196
Charge to statement of comprehensive income	2	(3)	(32)	(33)
Foreign exchange rate impact	–	–	(3)	(3)
Transfer of US discontinued operations to held for sale	–	–	(40)	(40)
At 31 December 2012	(1)	(3)	124	120

11. Deferred tax continued

The majority of deferred tax liabilities arise from the establishment of intangible assets at the time of acquisition and recognises the tax benefit that would be available if the related amortisation had been eligible for tax relief.

The 2012 UK Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014, the December 2012 UK Autumn Statement announced a planned further reduction to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the Company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2012 have been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future current tax charge and reduce the company's deferred tax assets and liabilities accordingly.

12. Discontinued operations

In October 2012 the Group decided to dispose of the Group's US operations (represented by WorldPay US Inc.) and negotiations have commenced with several interested parties. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet. The proceeds of disposal are expected to substantially exceed the book value of the related net assets and accordingly no impairment losses have been recognised on classification of these operations as held for sale.

The US operations' balance sheet items reclassified as held for sale consist of:

Assets	£m
Intangibles	304
Tangible fixed assets	15
Trade and other receivables	107
Scheme debtors	197
Tax assets	3
Cash	290
	916

Liabilities	£m
Trade and other payables	(29)
Merchant Creditors	(438)
Borrowings	(221)
Deferred tax liability	(40)
	(728)

The results of the discontinued operation have been separately disclosed in the consolidated income statement.

13. Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**124**	217
Prepayments and accrued income	**40**	18
Other receivables	**15**	63
	179	298

	2012 £m	2011 £m
Gross trade receivables	**148**	235
Impairment provisions	**(24)**	(18)
Trade receivables	**124**	217

Notes to the Consolidated Financial Statements continued

13. Trade and other receivables continued

Movement in impairment provisions:

	2012 £m	2011 £m
At period start	**18**	–
Impairments provided in the year	**9**	21
Transfer to provision (note 19)	**(3)**	–
Impairment losses recognised	**–**	(3)
At period end	**24**	18

Analysis of impaired financial assets:

	2012 £m	2011 £m
Cost of impaired receivables	**27**	18
Impairment provision	**(24)**	(18)
Net book value	**3**	–

The following trade receivables were past due at the balance sheet date but not considered impaired:

Past Due	2012 £m	2011 £m
0-3 months	**5**	22
Between 3 months and 1 year	**–**	4
After 1 year	**–**	11
	5	37

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customers being unrelated. Accordingly, the Managers believe that no further credit provision is required in excess of the allowance for doubtful debts. The Managers consider that the carrying amount of trade and other receivables approximates to their fair value.

14. Cash and cash equivalents

	2012 £m	2011 £m
Merchant Float	**750**	548
Own cash balances	**130**	136
	880	684

15. Trade and other payables

	2012 £m	2011 £m
Trade payables	**77**	37
Accruals and deferred income	**54**	65
Other liabilities	**27**	25
	158	127

16. Current tax assets/(liabilities)

	2012 £m	2011 £m
Current tax – UK	**8**	(6)
Current tax – foreign	**(5)**	(3)
	3	(9)

17. Borrowings

	2012			2011		
	Current £m	Non-Current £m	Total £m	Current £m	Non-Current £m	Total £m
Senior debt	**53**	**860**	**913**	25	853	878
Subordinated debt	**2**	**324**	**326**	–	302	302
Preferred equity certificates	**–**	**289**	**289**	–	258	258
Total (inc US operations)	**55**	**1,473**	**1,528**	25	1,413	1,438
US operations senior debt	**(3)**	**(218)**	**(221)**			
Total	**52**	**1,255**	**1,307**			

Included within the senior debt figure above is £221m (2011: £229m) of Group debt that is attributable to the US operational entity, which is classified as discontinued in 2012.

The Group's senior and subordinated borrowings are syndicated floating rate loan notes on the following terms:

Facility	CCY	Repayment Type	Coupon Rate	LIBOR Floor
Senior – Facility A Loans	GBP	Scheduled	LIBOR + 4.00%	1.25%
Senior – Facility B1 Loans	GBP	Bullet	LIBOR + 4.75%	1.25%
Senior – Facility B2A Loans	USD	Bullet	LIBOR + 4.00%	1.25%
Senior – Facility B2B Loans	EUR	Bullet	EURIBOR + 4.25%	1.25%
Senior – Acquisition	GBP	Bullet	LIBOR + 4.75%	1.25%
Senior – CAR	GBP	Bullet	LIBOR + 4.00%	1.25%
Senior – RCF	GBP	Bullet	LIBOR + 4.00%	1.25%
Senior – Bilateral	GBP	Bullet	LIBOR + 2.00%	–
Subordinated	GBP	Bullet	LIBOR + 12.00%	2.00%

The 12% margin on the subordinated debt above includes payment in kind interest at 6% which is capitalised to the loan on each roll over date. The weighted average effective interest rates on the senior and subordinated debt are 6.8% and 14.7% respectively.

The senior facilities have maturity periods between three and five years and the subordinated debt matures in 2018.

Two thirds of borrowings were hedged using interest rate caps in March 2011. The fair value of these caps as at 31 December 2012 was £0.8m.

The Group fulfilled all of its debt covenant obligations during the year. As a result of cash generated during 2012, an excess cash flow repayment of senior debt will be required in 2013 in accordance with the facility agreement. In addition, reduction in the Group's leverage covenant will result in a reduction of the margin to 3.75% on Facility A, and CAR and the RCF.

Notes to the Consolidated Financial Statements continued

17. Borrowings continued

The carrying amounts and fair value of the non-current borrowings are as follows:

	2012 Carrying value £m	2012 Fair value £m	2011 Carrying value £m	2011 Fair value £m
Senior	**642**	**710**	853	940
Subordinated	**324**	**388**	302	326
Preferred equity certificates	**289**	**289**	258	258
	1,255	**1,387**	1,413	1,524

The fair value is based on the repayment costs, including outstanding principal and accrued interest balances, write off of capitalised finance costs through profit and loss and early repayment penalties.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2012 £m	2011 £m
GBP	**1,218**	1,119
EUR	**89**	90
USD	**221**	229
	1,528	1,438

The Group's revolving creditor facility of £75m was undrawn at the year end. Commitment fees of 1.6% are paid to the provider and are included as financing costs in the statement of comprehensive income.

Preferred equity certificates issued by Ship Luxco Holding & CY S.C.A. to its parent entity have the characteristics of, and are classified, as liabilities:

	Interest-bearing £m	Yield-free £m	Total £m
At 28 July 2010	–	–	–
Certificates issued 30 November 2010	99	200	299
– Discount to par	–	(81)	(81)
Certificates issued 20 December 2010	2	3	5
– Discount to par	–	(1)	(1)
Certificates issued 27 July 2011	2	3	5
– Discount to par	–	(1)	(1)
Accrued interest expense	18	14	32
In issue at 31 December 2011	121	137	258
Accrued interest expense	16	15	31
In issue at 31 December 2012	**137**	**152**	**289**

Interest-bearing preferred equity certificates are subject to a 15% p.a. coupon that is accrued as additional amounts due to the parent company. No discount is applied as the par value equates to the fair value of the instrument.

Yield-free preferred equity certificates have a par value of £206m and were issued at a fair value of £123m. The discounted fair value will accrete back to the par value of the instrument over its useful life, estimated to be up to four years, using a discount rate of 15% which is deemed to reflect an appropriate market rate.

The £83m fair value discount to par value of the yield-free preferred equity certificates is classified as a capital contribution.

18. Finance leases

Finance lease liabilities are payable as follows:

	2012 Future minimum lease payments £m	2012 Interest £m	2012 Present value of minimum lease payments £m	2011 Future minimum lease payments £m	2011 Interest £m	2011 Present value of minimum lease payments £m
Less than one year	**7**	**(1)**	**6**	–	–	–
One to five years	**22**	**(2)**	**20**	–	–	–
More than five years	**–**	**–**	**–**	–	–	–
	29	**(3)**	**26**	–	–	–

The Group has entered into leasing arrangements for certain tangible fixed assets in 2012. The majority of finance leases have a lease term of five years. For the current financial year, the average effective borrowing rate was 5.7%. Interest rates are fixed at the contract date and all finance lease obligations are denominated in sterling. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets (note 10).

19. Provisions

	Debtors £m	Severance £m	Total £m
Balance brought forward	–	–	–
Additions	7	–	7
Balance at 31 December 2011	7	–	7
Transferred from bad debt reserve	3	–	3
Write backs	(5)	–	(5)
Additions	3	5	8
Balance at 31 December 2012	8	5	13

Provisions relate to projected chargeback debtor balances that are anticipated to be incurred in future periods in relation to merchant accounts that have been fully provided (note 13), specific legal provisions against debtors and the provision of severance payments payable due to the relocation of the Risk and Financial Business Service teams to Manchester.

Notes to the Consolidated Financial Statements
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20. Commitments and contingent liabilities

At 31 December 2012, the Group had obligations to make non-cancellable operating lease payments as follows:

Land and buildings	Within 1 year £m	Between 1 and 5 years £m	After 5 years £m	Total £m
2012	6	8	–	14
2011	7	15	–	22

As at 31 December 2012, each material company within the Group (being Ship Luxco 3 S.ă r.l., Ship Holdco Limited, Ship Midco Limited, Ship Submidco Limited, WorldPay (UK) Limited, WorldPay eCommerce Limited, WorldPay Limited (Jersey), WorldPay Ltd (UK), Ship US Holdco, Inc and WorldPay US, Inc (together the 'Material Companies' and each a 'Material Company')) has (a) guaranteed, to the extent possible by way of upstream, cross-stream and downstream guarantees, each other Material Company's obligations and liabilities and (b) granted security over the material assets of each such Material Company (including real estate, bank accounts, intra group receivables, third party receivables, IP and the ownership interests in each Material Company). Such guarantees and security have been provided to secure all monies or liabilities due, owing or incurred by each Material Company and Ship Luxco 3 S.ă r.l.'s immediate parent company, Ship Luxco 2 S.ă r.l. to any secured party under the finance documents which have been entered into in connection with the financing of the overall WorldPay acquisition on 30 November 2010, the subsequent acquisitions of Cardsave Group Limited on 16 December 2010 and Envoy Services Limited on 26 July 2011 and the other facilities provided to the Group at the time of the WorldPay acquisition in 2010 for the Group's general corporate and working capital purposes and for planned capital expenditure, acquisitions and restructuring requirements of the Group.

As at 31 December 2012, Envoy Services Limited (now WorldPay AP Limited) has entered into (i) two deeds of charge over credit balances dated 24 August 2009 and 20 November 2011 respectively in favour of Barclays Bank PLC which secure specific charged accounts to secure all monies or liabilities due, owing or incurred to Barclays Bank PLC; (ii) a rent deposit deed dated 14 September 2009 in favour of SCI KAIA securing a rent deposit; and (iii) a rent deposit deed dated 17 February 2010 in favour of Brogue Properties Limited securing a rent deposit.

As at 31 December 2012, Payment Trust Limited has entered into three rent deposit deeds with one dated 15 February 2005 and the other two dated 3 February 2006 respectively each in favour of Logistix Limited to secure various rent deposits.

The acquisition of Cardsave included deferred consideration payable to the former shareholders of the Company that remained in employment at the Group following the acquisition. The amounts will become payable upon the Company achieving certain EBITDA targets for the three years ending 31 December 2014. As the deferred consideration is subject to the individuals remaining in the employment of the Group, it forms a part of their post-acquisition remuneration.

The potential amount of all future payments that the Group could be required to make under this agreement is between £4.4m and £16.3m.

21. Financial instruments

Other than those explained in Borrowings (note 17) and Finance Leases (note 18) there are no material differences between the carrying value and fair value of the financial instruments.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year £m	1-5 years £m	More than 5 years £m	2012 Total £m	Less than 1 year £m	1-5 years £m	More than 5 years £m	2011 Total £m
Borrowings	**55**	**909**	**476**	**1,440**	25	187	1,167	1,379
Finance lease liabilities	**7**	**22**	**–**	**29**	–	–	–	–
Other non-interest bearing	**–**	**–**	**206**	**206**	–	–	206	206
	62	**931**	**682**	**1,675**	25	187	1,373	1,585

22. Financial risk management

The Group uses a comprehensive framework for managing financial risks as established by the Group. The risks associated with the Group are as follows:

Credit risk

The predominant credit risk to WorldPay is in relation to chargebacks that arise where customers may not have received the goods or services for which they have paid and seek recompense from the card issuer. Whilst the financial responsibility for a chargeback lies with the merchant, in the event that the merchant is no longer in business, WorldPay has a joint and several liability for supply of the goods or services under the card scheme rules. If the goods or services cannot be provided, WorldPay is obliged to meet the cost of the chargeback raised. Separately, chargebacks can also arise for fraudulent reasons.

WorldPay is additionally exposed to the risk of unpaid merchant service charges ('MSC') where a customer ceases to trade. To manage these risks, the Group maintains credit risk exposure in line with approved appetite for the risk whilst achieving appropriate risk versus reward performance and ensuring that customers will be able to meet their obligations to the Group.

The key principles of the Group's Credit Risk Management Framework are set out below:

- All applicants for card and alternative payment processing facilities are assessed for credit risk purposes as part of the application process and appropriate limits are approved and allocated to merchants. Assessment includes a review of, amongst other things, the nature of the merchant's business activity, legal capacity of the merchant to enter into the proposition, the legal and reputational risks associated with the merchant, the management quality of the business, sensitivity to economic and market developments and risk-adjusted return.
- Approval of all credit exposures is granted, prior to promoting to live, any card or alternative payment processing facilities.
- Credit risk authority is delegated by the Board of Managers and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, these individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored, reviewed and managed periodically against the individual approved limits throughout the facility lifecycle. Lower quality exposures are subject to a greater frequency of analysis and review with prompt remediation action taken where considered appropriate.

The carrying amount of financial assets recorded in the financial statements, which is net of provisions for impairments, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held. The amount of credit risk reported to Management consists of the provisions for impairments recognised in the financial statements, plus the chargeback levels for any merchants that are under specific observation by the Credit Risk function. The aggregate of the amounts reported 'at risk' to management at the financial year end is £65m. In the comparative period, a different basis of reporting credit risks to Management was used.

Credit quality

Internal reporting and oversight of risk assets is principally differentiated by credit grades. Merchants are assigned credit grades, based on various credit grading models, overlaid with expert opinion for large exposures that reflect the key drivers of default for the customer type. All credit ratings across the Group map to a master asset quality scale, expressed as an annual probability of default.

Counterparty risk

Counterparty risk relates to funds which through the course of payments business are held with banks throughout a number of geographies. This includes Eurozone where risk is monitored by country and bank counterparty. The Group minimises cash held at a number of banks, moving cash to main banking relationships to mitigate financial risk, and undertakes an annual credit review process which assesses the credit risk of each bank and the ongoing strategic need to maintain relationships with individual banks.

The Group has a 44% market share (2011: 47%) of UK merchant acquiring however this concentration risk is spread amongst many merchants retailing across different products/services and geographies.

Notes to the Consolidated Financial Statements
continued

22. Financial risk management continued

Liquidity risk
The Group's liquidity management focuses on two distinct areas: own cash and merchant settlement cash (relating to the Group's payment business).

Own cash
The Group is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. This is achieved by holding significant cash balances and maintaining sufficient committed headroom. As at 31 December 2012, the Group had own cash balances of £130m (2011: £136m) and available headroom under its RCF Facility of £75m (2011: £75m).

Settlement cycle
The Group's payment business has a short-term settlement cycle where card schemes (predominantly Visa and MasterCard) remit cash and the Group pays merchants from these remittances within three days. The majority of funds are received prior to remittance to the merchant, resulting in significant cash balances relating to the settlement cycle. The Group has an Intra-Day Agreement Facility of £1.7bn to ensure payments can be processed whilst awaiting card scheme remittances.

Following the sale from Royal Bank of Scotland in 2010, the Group's liquidity has grown from operating cash flows, which have funded ongoing operations, capital expenditure and debt servicing. Capital expenditure in 2012 was funded in part by utilisation of the Group's £75m CAR Facility (2011: nil).

Interest rate risk
The Group is exposed to cash flow interest rate risk on borrowings and cash balances held at variable rates and mismatches on maturities between borrowings and cash, resulting in variable interest cash flows.

The Group's debt agreements include contractual interest rate floors. Two-thirds of borrowings were hedged in March 2011 with interest rate caps to reduce the risk of increasing interest rates; effectively creating an interest rate collar. Cash held at variable rates offsets risk arising from changing interest rates on the Group's borrowings.

The impact on net interest of a 1% increase in LIBOR rates would be a increase of £2m (2011: £3m increase); due to the effect of the floor in the debt agreements, where rates paid are currently above LIBOR.

Foreign currency risk
The Group provides payments and services throughout the world, with major operations in the United Kingdom, Europe and the US. Foreign currency risk is managed at a Group level, focusing on two distinct areas: Group assets and liabilities and merchant transactions (relating to the Group's payment business).

Group asset and liabilities
The Group uses debt denominated in foreign currencies to provide a natural offset in the income statement for the translation of foreign currency assets. In addition, foreign currency denominated debt is serviced by operating cash flows without the need to cover from alternate currencies.

Revenues generating in foreign currency are regularly converted to GBP, EUR or USD, dependent upon the operating entity.

A simultaneous 10% adverse change in the USD and EUR foreign exchange rates at year end would have resulted in a £28m charge (2011: £25m charge).

Merchant transactions
Scheme receipts generally match merchant payments in each currency.

23. Share capital

	Nominal value (£)	Number of shares	Par value £m
At 28 July 2010	–	–	–
Ordinary shares:			
– Issued 28 July 2010	0.01	2,600,000	–
– Issued 19 November 2010	0.01	500,000	–
– Converted 19 November 2010	0.01	(200)	–
– Converted 25 November 2010	0.01	(3,099,800)	–
		–	–
Management shares:			
– Converted 19 November 2010	0.01	200	–
– Converted 25 November 2010	0.01	(200)	–
		–	–
Ordinary shares			
A shares:			
– Converted 25 November 2010	1.00	30,998	–
– Issued 25 November 2010	1.00	5,873,740	6
– Issued 1 April 2011	1.00	117,154	–
– Issued 27 July 2011	1.00	122,949	–
Total A shares		6,144,841	6
B Shares:			
– Issued 30 November 2010	1.00	1,475,262	1
– Issued 1 April 2011	1.00	29,270	–
Total B shares		1,504,532	1
C Shares:			
– Issued 30 November 2010	1.00	820,000	1
– Remaining shares held by the Employee Benefit trust at 31 December 2011	1.00	(155,390)	–
Total C shares		664,610	1
Total ordinary shares in issue		8,313,983	8
Management shares in issue:			
– Converted 25 November 2010	1.00	2	–
At 31 December 2011		8,313,985	8
Total A shares carried forward	1.00	6,144,841	6
Total B shares carried forward	1.00	1,504,532	1
C shares:			
– Total C shares carried forward	1.00	820,000	1
– Remaining shares held by the Employee Benefit trust at 31 December 2012	1.00	(227,140)	–
Total C shares		592,860	1
Total ordinary shares in issue		8,242,233	8
Total Management shares in issue	1.00	2	–
At 31 December 2012		**8,242,235**	**8**

Notes to the Consolidated Financial Statements continued

23. Share capital continued

Ordinary and management shares in issue are fully paid up at par. The holders of ordinary and management shares are entitled to dividends and one vote per share at meetings of the Company.

The C shares are issued to an Employee Benefit Trust ('EBT') in order to facilitate management's investment in the Group. These shares are subsequently purchased by certain eligible employees from the EBT. As the EBT exists solely for the benefit of the Group, the EBT is consolidated in accordance with SIC 12. At year end, a total of 227,140 (2011: 155,390) C shares remain held within the EBT. These shares are treated as Treasury shares upon consolidation of the EBT.

Upon the occurrence of a liquidity event such as change in ownership or control, the ordinary shares participate in the aggregate distributable net proceeds received to a different extent depending on the achieved return on investment.

Ordinary and management shares in the Company were initially issued at a par value of £0.01. On 25 November 2010, each £0.01 ordinary and management share in issue was converted to an equivalent share with a par value of £1.00.

The holders of preferred equity certificates are not entitled to dividends and do not vote at meetings of the Company. The Company has issued both cumulative redeemable preferred equity certificates and yield-free preferred equity certificates to its A and B shareholders that are classified as loans and included in Borrowings (note 17).

24. Reserves

Capital contributions arise from the initial funding received from the shareholders in excess of the share capital issued, and the issue of yield-free PECS (note 17) where the fair value of the preferred equity certificates are issued at a discount to their par value.

25. Capital resources

The Group's capital consists of equity comprising issued share capital, capital contribution and retained earnings. The regulated entities within the Group are required to maintain minimum regulatory capital. This ensures the Company has sufficient capital resources for the activities required to undertake payment services. The capital employed in the Company, together with reserves, ensure that a buffer to the minimum regulatory capital requirement is achieved.

26. Related parties

The Group's ultimate holding company is Ship Investor & CY S.C.A. incorporated and registered in Luxembourg, which is also its immediate parent company. The ultimate holding company is jointly controlled by Advent International and Bain Capital.

On 30 November 2010, the Royal Bank of Scotland Group ('RBS') divested the WorldPay Group of businesses that were purchased by Ship Luxco Holding & CY S.C.A. RBS retains a 17.76% holding in the Group as well as representation on the Board.

As at 31 December 2012, Ship Investor & CY S.C.A. heads the largest Group in which the Company is consolidated with this being the smallest Group in which the Company is consolidated.

The Statement of Comprehensive Income impact for the financial year ended 31 December 2012 is set out in the table below:

Sales revenue from related parties	2012 £m	2011 £m
RBS Group companies	**6**	59

Purchases from related parties	2012 £m	2011 £m
Advent International	**2**	2
Bain Capital	**2**	2
RBS Group companies	**37**	40
	41	44

Balances with Group companies as at 31 December 2012 are set out in the table below:

Amounts due from related parties	2012 £m	2011 £m
RBS Group companies	**–**	1

Amounts due to related parties	2012 £m	2011 £m
RBS Group companies	**4**	5

Cash and cash equivalents held with related parties	2012 £m	2011 £m
RBS Group companies	**486**	210

In addition to the transactions and balances noted above, during the year from 1 December 2010 to 30 November 2011, RBS was the 'Acquirer of Record' with all CardSchemes following the Group's separation. As a result of CardScheme regulations all related funds were therefore retained in RBS clearing bank accounts. The Acquirer of Record was then transferred for UK and Europe, with a CardScheme agreed approach for all other countries, enabling related funds to be deposited and managed by the Group from 1 December 2011. Interest arising on these funds, whether held in RBS or WorldPay bank accounts during the financial year, accrues to the Group as float income (note 3).

Notes to the Consolidated Financial Statements
continued

26. Related parties continued

Key management

The Company is a subsidiary of the Group whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged. However, the Group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs.

In the Company and the Group, key management comprises Managers of the Company and members of the Group Executive Management Committee. The emoluments of the Managers of the Company are met by the Group.

The Managers of the Company do not receive remuneration for specific services provided to the Company. The remuneration of the Group Executive Management Committee is set out below:

	2012 £m	2011 £m
Basic salary and bonus	**8**	5
Pensions and social security	**1**	1
Termination benefits	**–**	1
	9	7

27. Acquisitions

There were no acquisitions during the year. The following acquisitions occurred in the comparative period:

A) On 30 November 2010 the Group acquired the following businesses from the Royal Bank of Scotland ('RBS') Group :

Businesses/subsidiaries acquired	Principal activity	Voting rights acquired
Streamline	Merchant acquirer and processor, with mail and telephone order capabilities in the UK and Ireland	Net assets and trade
WorldPay Limited ('eCommerce')	Provider of online payment processing solutions	100%
WorldPay US	Merchant acquirer and processor, and ATM off-premise acquirer and processor, in the USA	100%

The following table summarises the consideration paid for the subsidiaries acquired and the fair value of net assets acquired at the acquisition date:

	Streamline £m	eCommerce £m	WorldPay US £m	Total £m
Consideration	1,033	400	356	1,789
Fair value of net assets acquired	416	195	155	766
Goodwill	617	205	201	1,023

The total consideration is settled through the issue of preferred equity certificates of £20m, yield-free preferred equity certificates of £40m, and the issue of £104m of ordinary shares, £571m paid in cash, and the remainder being net settled through the borrowings arrangements.

B) During the prior financial year the Group acquired the following businesses:

Subsidiaries acquired	Principal activity	Date of acquisition	Voting rights acquired
Cardsave Group	Merchant acquisition	20 December 2010	100%
Envoy Group	Alternative payments clearing	27 July 2011	100%

As a result of these acquisitions, the Group is expected to increase its presence in these markets and also expects to reduce costs through economies of scale. The goodwill of £78m and £56m arising is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the subsidiaries acquired, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Cardsave £m	Envoy £m
Consideration	71	74
Fair value of net assets/(liability) acquired	(7)	18
Goodwill	78	56

The consideration for the Cardsave acquisition was settled in full in cash. The consideration for the Envoy acquisition was settled by £61m cash and £13m loan notes.

28. Group entities

The following table lists the Group's significant subsidiaries:

Consolidated companies	Country of incorporation	Nature of business	2012 % interest
Ship Midco Limited	United Kingdom	Holding company servicing Group debt	100
WorldPay (UK) Limited	United Kingdom	Provision of terminal card payment clearing services	100
WorldPay eCommerce Limited	United Kingdom	Holding company servicing Group debt	100
WorldPay Limited	United Kingdom	Provision of online card payment clearing services	100
WorldPay US Inc (Georgia)	United States	Provision of terminal card payment clearing and ATM services	100
Cardsave Group Limited	United Kingdom	Provision of merchant terminals and related membership services	100
WorldPay AP Limited (formerly Envoy Services Limited (Group))	United Kingdom	Provision of alternative card payment clearing services	100

All significant subsidiary undertakings have the same year end as Ship Luxco Holding & CY S.C.A. All the above companies have been included in the Group consolidation. The companies listed above are those which materially affect the amount of profit and the assets of the Group.

29. Subsequent events

On 6 March 2013 the Group, through Ship Submidco Ltd, acquired the legal entities and operations of the YESPay (comprising YESPay International Ltd, YesSecure Ltd and Tayvin 346 Ltd), a payments systems and software provider. The fair value of the net assets of YESPay acquired has not yet been determined. The YESPay operations are expected to contribute £1m annually to the Group's gross profit.

In March 2013 a refinancing process was set in motion with the existing banking syndicate to replace a portion of the Subordinated debt with Senior Debt. This process is expected to complete later in 2013.

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