Notes to the accounts

1 Segmental analysis

The Group has four main business units: Currency, Identity Systems, Security Products and Cash Processing Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore four reportable segments. The principal financial information reviewed by the Board is revenue and underlying operating profit, measured on an IFRS basis.

The Group's segments are:

- Currency – provides printed banknotes, banknote paper and polymer substrates and banknote security components
- Identity Systems – involved in the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes
- Security Products – produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps
- Cash Processing Solutions – primarily focused on the production of large banknote sorters and authentication machines for central banks, complementing the Currency business

Inter-segmental transactions are carried out on an arms length basis and eliminated upon consolidation.

2015	Currency £m	Identity Systems £m	Security Products £m	Cash Processing Solutions £m	Unallocated £m	Total £m
Total revenue	**317.9**	**69.0**	**39.6**	**50.7**	**–**	**477.2**
Less: inter-segment revenue	**(0.8)**	**–**	**(2.9)**	**(1.4)**	**–**	**(5.1)**
Revenue	**317.1**	**69.0**	**36.7**	**49.3**	**–**	**472.1**
Underlying operating profit	**50.5**	**11.1**	**7.5**	**0.4**	**–**	**69.5**
Exceptional items – operating (note 3)	**(10.7)**	**–**	**(6.2)**	**(1.9)**	**–**	**(18.8)**
Operating profit/(loss)	**39.8**	**11.1**	**1.3**	**(1.5)**	**–**	**50.7**
Net interest expense					**(4.8)**	**(4.8)**
Retirement benefit obligations net finance expense					**(7.0)**	**(7.0)**
Profit before taxation						**38.9**
Segment assets	**241.7**	**38.8**	**19.8**	**33.1**	**128.0**	**461.4**
Segment liabilities	**(128.8)**	**(21.6)**	**(9.1)**	**(11.1)**	**(437.7)**	**(608.3)**
Capital expenditure on property, plant and equipment	**19.6**	**0.9**	**1.0**	**–**	**1.8**	**23.3**
Capital expenditure on intangible assets	**3.8**	**0.6**	**0.9**	**1.0**	**–**	**6.3**
Depreciation of property, plant and equipment	**17.3**	**2.7**	**1.6**	**–**	**1.4**	**23.0**
Amortisation of intangible assets	**1.3**	**0.4**	**–**	**0.1**	**–**	**1.8**
Impairment of intangible assets	**–**	**–**	**3.8**	**–**	**–**	**3.8**

Unallocated assets principally comprise deferred tax assets of £47.7m (2013/14: £37.5m), cash and cash equivalents of £30.8m (2013/14: £57.9m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £8.1m (2013/14: £2.7m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £236.7m (2013/14: £168.0m), borrowings of £141.8m (2013/14: £147.8m), current tax liabilities of £19.6m (2013/14: £27.6m) and derivative financial instrument liabilities of £13.0m (2013/14: £7.3m) as well as deferred tax liabilities and centrally held accruals and provisions.

1 Segmental analysis continued

2014	Currency £m	Identity Systems £m	Security Products £m	Cash Processing Solutions £m	Unallocated £m	Total £m
Total revenue	342.7	77.6	46.2	57.4	–	523.9
Less: inter-segment revenue	(1.9)	–	(4.5)	(4.2)	–	(10.6)
Revenue	340.8	77.6	41.7	53.2	–	513.3
Underlying operating profit	61.0	21.9	10.6	(4.2)	–	89.3
Exceptional items – operating (note 3)	0.5	–	1.3	(16.9)	(2.4)	(17.5)
Operating profit/(loss)	61.5	21.9	11.9	(21.1)	(2.4)	71.8
Net interest expense					(4.7)	(4.7)
Retirement benefit obligations net finance expense					(7.3)	(7.3)
Profit before taxation						59.8
Segment assets	247.7	39.8	26.4	35.6	133.4	482.9
Segment liabilities	(133.0)	(21.9)	(7.7)	(11.4)	(379.3)	(553.3)
Capital expenditure on property, plant and equipment	35.2	1.7	1.4	0.6	–	38.9
Capital expenditure on intangible assets	1.9	0.1	2.2	2.5	–	6.7
Depreciation of property, plant and equipment	17.1	3.4	2.0	1.3	–	23.8
Impairment of property, plant and equipment	–	–	–	3.6	–	3.6
Amortisation of intangible assets	1.3	0.5	–	2.7	–	4.5
Impairment of intangible assets	–	–	–	10.6	–	10.6

Analysis of revenue by activity

	2015 £m	2014 £m
Goods	**435.8**	476.2
Services	**36.3**	37.1
	472.1	513.3

Geographic analysis of revenue by origin

	2015 £m	2014 £m
UK	**402.4**	428.1
Other countries	**69.7**	85.2
	472.1	513.3

Geographic analysis of non-current assets

	2015 £m	2014 £m
UK	**154.0**	142.0
Malta	**21.3**	26.7
Sri Lanka	**16.8**	18.5
Other countries	**3.9**	15.2
	196.0	202.4

Deferred tax assets and derivative financial instruments are excluded from the analysis shown above.

Major customers

The Group has a major customer from which it derived combined revenues of £51.6m in the Currency and Cash Processing Solutions segments (2013/14: no major customers).

2 Expenses by nature

	2015 £m	2014 £m
Cost of inventories recognised as an expense	**129.1**	155.5
Net increase/(decrease) in impairment of inventories	**3.3**	(1.4)
Depreciation of property, plant and equipment	**23.0**	23.8
Asset impairment charge	**3.8**	14.2
Amortisation of intangibles	**1.8**	4.5
Operating leases:		
– Hire of plant and equipment	**0.9**	1.0
– Hire of property	**2.8**	3.4
Amounts payable to KPMG and its associates:		
– Audit of these consolidated financial statements	**0.2**	0.2
– Audit of the financial statements of subsidiaries pursuant to legislation	**0.3**	0.3
– Taxation services	**0.1**	0.3
– Other	**–**	0.1
Research and non-capitalised development expense	**9.6**	11.1
Loss/(profit) on disposal of property, plant and equipment	**2.2**	(4.0)
Employee costs (including Directors' emoluments) (note 23)	**153.1**	151.0
Foreign exchange losses	**2.5**	0.6

3 Exceptional items

Exceptional items are disclosed separately in the financial statements where the Directors consider it necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

	2015 £m	2014 £m
Site relocation and restructuring	**(4.7)**	(3.5)
Legacy indirect tax issues	**–**	(2.2)
Multi year contract bid costs	**–**	(1.1)
Professional fees on aborted acquisition	**–**	(1.0)
Gain on sale of fixed assets	**–**	4.5
Invocation of guarantees	**(13.3)**	–
Warranty provisions	**3.0**	–
Asset impairment	**(3.8)**	(14.2)
Exceptional items in operating profit	**(18.8)**	(17.5)
Tax credit on exceptional items	**7.3**	4.2

Site relocation and restructuring costs in 2014/15 were £4.7m net (2013/14: £3.5m net). Relocation costs were incurred in connection with the transfer of operations from our Dulles facility into other existing sites. In addition, restructuring costs have been incurred on the reorganisation of CPS and certain operations within Currency.

The £4.7m net exceptional operating charge in respect of site relocation and restructuring (2013/14: £3.5m) comprised £4.3m (2013/14: £1.5m) in staff compensation, £1.9m (2013/14: £3.1m) for site exit costs and £0.4m (2013/14: £2.7m) in other associated reorganisation costs offset by credits on existing provisions of £1.2m (2013/14: £nil) in staff compensation and £0.7m (2013/14: £3.8m) for site exit costs. The £4.7m charge was split between the operating segments as follows; Currency £0.4m, Security Products £2.4m and CPS £1.9m.

As previously announced, the Group has had unresolved issues since 2010 with a major customer regarding banknote paper production contracts. In April 2015, the Group was advised that guarantees, which have been in place since the contracts were entered into, with a value of £13.3m, had been invoked by the customer concerned. As this cost related to a matter pre-existing at the balance sheet date, it has been accounted for as an adjusting post-balance sheet event. The Board considers this to be a material step towards resolution of this issue and discussions continue with this important customer. The warranty provision relating to this matter, previously charged as an exceptional item, has been reviewed resulting in a £3.0m release.

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3 Exceptional items continued

Following an impairment review of capitalised development costs, £3.8m of intangible assets within Security Products were identified as having a carrying value in excess of the recoverable amount. The amounts written off represent the first generation of software that is no longer being marketed as it has been superseded by an enhanced software product.

The net cash cost of exceptional items in the year (excluding the £13.3m above, which was paid in April 2015) was £6.6m of which £1.6m related to prior periods.

In addition the following exceptional items were incurred in the prior year: £1.1m of charges in connection with the preparation of bids for the supply of products or services under multi year arrangements, £2.2m of charges with regard to the resolution of an overseas historic indirect tax liability, £1.0m of legal and professional fees in relation to an aborted acquisition, and £14.2m in relation to tangible and intangible asset impairments. These costs were partly offset by a gain on sale of fixed assets in the year of £4.5m.

Net tax credits relating to exceptional items arising in the period were £2.6m (2013/14: £0.9m). In addition there was an exceptional credit of £4.7m (2013/14: £3.3m) in respect of the determination of the tax treatment of prior year exceptional items, of which £4.5m credit related to tax matters retained by the Group following the disposal of a discontinued operation a number of years ago.

4 Interest income and expense

Interest income/expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset/liability to the net carrying amount of that asset/liability.

	2015 £m	2014 £m
Recognised in the income statement		
Interest income:		
– Cash and cash equivalents	**0.2**	0.2
Interest expense:		
– Bank overdrafts	**(0.3)**	(0.6)
– Bank loans	**(3.9)**	(3.4)
– Other, including amortisation of finance arrangement fees	**(0.8)**	(0.9)
Total interest expense calculated using the effective interest method	**(5.0)**	(4.9)
Retirement benefit obligation net finance expense (note 22)	**(7.0)**	(7.3)

All finance income and expense arises in respect of assets and liabilities not restated to fair value through the income statement.

The gain to the income statement in respect of the ineffective portion of derivative financial instruments was £nil (2013/14: £nil).

5 Taxation

The tax expense included in the income statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, including adjustments in respect of prior periods, using tax rates enacted or substantively enacted by the balance sheet date. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill not deductible for tax purposes, or result from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are only offset to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities, they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise an asset and settle a liability simultaneously.

5 Taxation continued

	2015 £m	2014 £m
Consolidated income statement		
Current tax		
UK corporation tax:		
– Current tax	**7.1**	12.4
– Adjustment in respect of prior periods	**(2.8)**	(0.7)
	4.3	11.7
Overseas tax charges:		
– Current period	**3.6**	3.6
– Adjustment in respect of prior periods	**(4.5)**	(2.9)
	(0.9)	0.7
Total current income tax charge	**3.4**	12.4
Deferred tax:		
– Origination and reversal of temporary differences, UK	**0.6**	0.9
– Origination and reversal of temporary differences, overseas	**(0.2)**	(1.4)
Total deferred tax charge/(credit)	**0.4**	(0.5)
Total income tax charge in the consolidated income statement	**3.8**	11.9
Attributable to:		
– Ordinary activities	**11.1**	16.1
– Exceptional items	**(7.3)**	(4.2)
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**(16.0)**	4.7
– On cash flow hedges	**(0.1)**	(0.7)
– On foreign exchange on quasi-equity balances	**0.2**	0.5
Income tax (credit)/charge reported within other comprehensive income	**(15.9)**	4.5
Consolidated statement of changes in equity:		
– On share options	**0.5**	0.3
Income tax charge reported within equity	**0.5**	0.3

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 21 per cent as follows:

	2015			2014		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Profit before tax	**57.7**	**(18.8)**	**38.9**	77.3	(17.5)	59.8
Tax calculated at UK tax rate of 21 per cent (2013/14: 23 per cent)	**12.1**	**(3.9)**	**8.2**	17.8	(4.0)	13.8
Effects of overseas taxation	**(1.5)**	**–**	**(1.5)**	(1.8)	–	(1.8)
(Credits)/charges not allowable for tax purposes	**1.2**	**0.9**	**2.1**	0.6	1.3	1.9
Increase in unutilised tax losses	**1.1**	**0.4**	**1.5**	0.5	1.7	2.2
Adjustments in respect of prior periods	**(1.6)**	**(4.7)**	**(6.3)**	(0.1)	(3.3)	(3.4)
Change in UK tax rate	**(0.2)**	**–**	**(0.2)**	(0.9)	0.1	(0.8)
Tax charge/(credit)	**11.1**	**(7.3)**	**3.8**	16.1	(4.2)	11.9

The underlying effective tax rate excluding exceptional items was 19.3 per cent (2013/14: 20.8 per cent).

6 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the period, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of the dilutive effect of share options.

The Directors are of the opinion that the publication of the underlying earnings per share, before exceptional items, is useful to readers of the accounts as it gives an indication of underlying business performance.

	2015 pence per share	2014 pence per share
Earnings per share		
Basic earnings per share	**34.0**	47.3
Diluted earnings per share	**33.4**	47.0
Underlying earnings per share		
Basic earnings per share	**45.3**	60.7
Diluted earnings per share	**44.7**	60.2

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

Earnings

	2015 £m	2014 £m
Earnings for basic and diluted earnings per share	**34.3**	47.3
Exceptional items	**18.8**	17.5
Less: Tax on exceptional items	**(7.3)**	(4.2)
Earnings for underlying earnings per share	**45.8**	60.6

Weighted average number of ordinary shares

	2015 Number m	2014 Number m
For basic earnings per share	**101.0**	99.9
Dilutive effect of share options	**1.5**	0.7
For diluted earnings per share	**102.5**	100.6

7 Equity dividends

Final dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by the shareholders at the annual general meeting. Interim dividends are recognised in the period that they are paid.

	2015 £m	2014 £m
Final dividend for the period ended 30 March 2013 of 28.2p paid on 1 August 2013	**–**	28.1
Interim dividend for the period ended 28 September 2013 of 14.1p paid on 8 January 2014	**–**	14.1
Final dividend for the period ended 29 March 2014 of 28.2p paid on 1 August 2014	**28.5**	–
Interim dividend for the period ended 27 September 2014 of 8.3p paid on 7 January 2015	**8.3**	–
	36.8	42.2

A final dividend per equity share of 16.7p has been proposed for the period ended 28 March 2015. If approved by shareholders the dividend will be paid on 3 August 2015 to ordinary shareholders on the register at 3 July 2015.

8 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, less accumulated depreciation and any accumulated provision for impairment in value. Assets in the course of construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date.

No depreciation is provided on freehold land. Freehold and long leasehold buildings are depreciated over their estimated useful economic lives of 50 years. Other leasehold interests are depreciated over the lesser of the unexpired period of the lease and 50 years.

The Group's policy is to write off the cost or valuation of all other plant and equipment evenly over their estimated remaining useful life at rates which vary between 4 per cent and 50 per cent per annum. The principal annual rate of depreciation used is 10 per cent on plant and machinery and on fixtures and fittings. No depreciation is provided for assets in the course of construction.

Depreciation methods, residual values and useful lives are reviewed at least at each financial year end, taking into account commercial and technical obsolescence as well as normal wear and tear, provision being made where the carrying value exceeds the recoverable amount.

Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset.

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Cost					
At 30 March 2013	59.9	337.8	26.3	19.5	443.5
Exchange differences	(0.4)	(4.6)	(0.5)	(0.1)	(5.6)
Additions	–	3.0	0.6	35.3	38.9
Transfers from assets in the course of construction	6.1	24.3	3.8	(35.8)	(1.6)
Disposals	–	(8.3)	(1.0)	(0.2)	(9.5)
At 29 March 2014	65.6	352.2	29.2	18.7	465.7
Exchange differences	0.1	(10.0)	(0.2)	(0.2)	(10.3)
Additions	–	4.0	0.3	19.0	23.3
Transfers from assets in the course of construction	0.1	15.9	1.7	(17.7)	–
Disposals	(1.0)	(12.4)	(0.9)	(1.1)	(15.4)
At 28 March 2015	**64.8**	**349.7**	**30.1**	**18.7**	**463.3**
Accumulated depreciation					
At 30 March 2013	24.3	222.2	17.3	–	263.8
Exchange differences	(0.2)	(3.8)	(0.4)	–	(4.4)
Depreciation charge for the period	1.5	19.7	2.6	–	23.8
Impairment	2.2	0.5	0.9	–	3.6
Disposals	–	(4.7)	(0.7)	–	(5.4)
At 29 March 2014	27.8	233.9	19.7	–	281.4
Exchange differences	0.1	(7.4)	(0.1)	–	(7.4)
Depreciation charge for the period	1.7	19.8	1.5	–	23.0
Disposals	(0.8)	(11.8)	(0.4)	–	(13.0)
At 28 March 2015	**28.8**	**234.5**	**20.7**	**–**	**284.0**
Net book value at 28 March 2015	**36.0**	**115.2**	**9.4**	**18.7**	**179.3**
Net book value at 29 March 2014	37.8	118.3	9.5	18.7	184.3
Net book value at 30 March 2013	35.6	115.6	9.0	19.5	179.7

9 Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any impairment losses.

Goodwill arising on consolidation represents the excess of the fair value of consideration transferred in a business combination over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the business acquired at the date of acquisition.

After initial recognition, goodwill is not amortised and is stated at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units for the purpose of impairment testing and is tested annually for impairment or when there are indications of impairment. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business. Goodwill arising on the acquisition of subsidiaries is presented in goodwill, and goodwill arising on the acquisition of associates is presented in investments in associates. Internally generated goodwill is not recognised as an asset. Goodwill arising on acquisitions before 27 March 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost less accumulated amortisation and impairment losses. Software intangibles are amortised on a straight line basis over the shorter of their useful economic life or their licence period at rates which vary between three and five years. Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the income statement as incurred. Capitalised development costs are amortised on a straight line basis over their estimated useful economic lives, which vary between 5 and 10 years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Distribution rights are capitalised at cost less accumulated amortisation and impairment losses and are amortised over their useful economic lives as determined by the life of the products to which they relate.

	Goodwill £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 30 March 2013	8.4	23.1	9.5	0.4	41.4
Exchange differences	(0.4)	(1.0)	–	–	(1.4)
Additions	–	6.3	0.4	–	6.7
Transfers from assets in the course of construction	–	1.6	–	–	1.6
Disposals	–	(0.2)	(0.6)	–	(0.8)
At 29 March 2014	8.0	29.8	9.3	0.4	47.5
Exchange differences	(0.3)	1.3	–	–	1.0
Additions	–	5.1	1.2	–	6.3
Disposals	–	(2.2)	(0.8)	–	(3.0)
At 28 March 2015	**7.7**	**34.0**	**9.7**	**0.4**	**51.8**
Accumulated amortisation					
At 30 March 2013	0.6	6.3	8.1	0.4	15.4
Exchange differences	(0.1)	(0.3)	(0.1)	–	(0.5)
Amortisation for the period	–	3.9	0.6	–	4.5
Impairment	3.2	7.4	–	–	10.6
Disposals	–	–	(0.6)	–	(0.6)
At 29 March 2014	3.7	17.3	8.0	0.4	29.4
Exchange differences	–	1.0	–	–	1.0
Amortisation for the period	–	1.3	0.5	–	1.8
Impairment	–	3.8	–	–	3.8
Disposals	–	–	(0.8)	–	(0.8)
At 28 March 2015	**3.7**	**23.4**	**7.7**	**0.4**	**35.2**
Carrying value at 28 March 2015	**4.0**	**10.6**	**2.0**	**–**	**16.6**
Carrying value at 29 March 2014	4.3	12.5	1.3	–	18.1
Carrying value at 30 March 2013	7.8	16.8	1.4	–	26.0

Notes to the accounts continued

9 Intangible assets continued

Impairment testing

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed for all Cash Generating Units (CGUs) to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For all other intangible assets, an impairment test is performed whenever an indicator of impairment exists.

An impairment loss is recognised immediately in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use and, in the case of goodwill, is not subsequently reversed. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For other intangible assets, at each balance sheet date an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill is allocated to the Group's CGUs identified according to business segment and country of operation.

With regards to development costs in the table above, 'disposals' relate to decisions taken by the Board during the year to cease continuing with the development of particular products or features, resulting in a write-off of the costs capitalised up to the decision date. 'Impairment' relates to developed products where an assessment has been performed, based on the policy set out below, at the year end that identifies that the carrying value is in excess of the recoverable amount, leading to an impairment charge needing to be recorded.

The £4.0m (2014: £4.3m) of goodwill relates to the acquisition of CSI Inc in 2001, and was allocated to the Currency segment.

The estimates of recoverable amounts are based on value in use calculations which utilise cash flow projections covering a five year period using the latest projections approved by management plus a terminal value. Cash flows beyond the period covered by the projections have been held constant. The key assumptions underlying these projections are summarised below:

(a) The volume and price of orders secured, particularly in respect of banknotes and banknote papers, are based on a combination of the current order book and past experience, taking into account:

(i) Expectations in respect of economic growth and the banknote circulation policies of central banks

(ii) The Group's knowledge of its customer base, gained through its long standing relationships with them

The pre-tax discount rate used for Currency was 12 per cent (2013/14: 13 per cent). The discount rates applied take into account the Group's weighted average cost of capital, the relative risks associated with the CGUs' operations and the level of risk inherent in the forward projections.

The Directors do not consider there to be any reasonably possible change in assumptions that would result in the recoverable amount being below the carrying amount of the Currency CGU.

10 Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises directly attributable purchase and conversion costs, including direct labour and an allocation of production overheads based on normal operating capacity that have been incurred in bringing those inventories to their present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

	2015 £m	2014 £m
Raw materials	**28.5**	25.7
Work in progress	**11.7**	22.2
Finished goods	**31.0**	29.2
	71.2	77.1

The replacement cost of inventories is not materially different from original cost.

Provisions of £5.6m recognised in pre-exceptional operating expenses were made against inventories in 2014/15 (2013/14: £0.6m). The Group also reversed provisions of £2.3m (2013/14: £2.0m), being provisions against inventory that was subsequently utilised or sold.

11 Trade and other receivables

Trade and other receivables are measured at carrying value less any impairment, which approximates to fair value.

	2015 £m	2014 £m
Trade receivables	**94.4**	97.3
Provision for impairment	**(3.8)**	(3.4)
Net trade receivables	**90.6**	93.9
Other receivables	**9.7**	7.1
Prepayments	**5.1**	4.0
	105.4	105.0

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

The ageing of trade and other receivables (excluding prepayments) at the reporting date was:

	Gross 2015 £m	Impairment 2015 £m	Gross 2014 £m	Impairment 2014 £m
Not past due	**68.8**	**(0.5)**	66.9	–
Past due 0-30 days	**14.5**	**(0.1)**	15.5	(0.2)
Past due 31-120 days	**11.6**	**(0.8)**	13.6	(0.6)
Past due more than 120 days	**9.2**	**(2.4)**	8.4	(2.6)
	104.1	**(3.8)**	104.4	(3.4)

The provision for impairment in respect of trade receivables is used to record losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2015 £m	2014 £m
Balance at beginning of period	**(3.4)**	(4.5)
Impairment losses recognised	**(1.2)**	(0.9)
Impairment losses reversed	**0.8**	2.0
Balance at end of period	**(3.8)**	(3.4)

Amounts can go past due before collection in situations where the customer may have raised queries over contractual compliance. Such issues arise in the normal course of business and are routinely addressed to the satisfaction of the customer. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

12 Financial risk

Financial risk management

Overview

The Group's activities expose it to a variety of financial risks, the most significant of which are liquidity risk, market risk and credit risk.

The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The use of financial derivatives is governed by the Group's risk management policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group's treasury department is responsible for the management of these financial risks faced by the Group.

Group treasury identifies, evaluates and in certain cases hedges financial risks in close cooperation with the Group's operating units. Group treasury provides written principles for overall financial risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities where due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

12 Financial risk continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The Group uses a range of derivative instruments, including forward contracts and swaps to hedge its risk to changes in foreign exchange rates and interest rates with the objective of controlling market risk exposures within acceptable parameters, while optimising the return. Derivative financial instruments are only used for hedging purposes.

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group's risk management policy aims to hedge firm commitments in full, and between 60 per cent and 100 per cent of forecast exposures in each major currency for the subsequent 12 months to the extent that forecast transactions are highly probable.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies and through foreign currency swaps.

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

(b) Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where the Group has forecast average levels of net debt above £50m on a continuing basis, the policy is to use floating to fixed interest rate swaps to fix the interest rate on a minimum of 50 per cent of the Group's forecast average levels of net debt for a period of at least 12 months.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk. Where appropriate, letters of credit are used to mitigate the credit risk from customers.

The Group has established a credit policy that ensures that sales of products are made to customers with an appropriate credit history. The Group has a policy to procure advance payments during order negotiation which further reduces credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

Financial Instruments

Derivative financial instruments are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The gain or loss on subsequent fair value measurement is recognised in the income statement unless the derivative qualifies for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item also affects the income statement. However, if the hedged item results in the recognition of a non-financial asset or liability, the amounts accumulated in equity on the hedging instrument are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Fair value hedges

For an effective hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in net income. Gains or losses from remeasuring the derivative or, for non-derivatives, the foreign currency component of its carrying value, are recognised in net income.

12 Financial risk continued

Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Any unrealised gains or losses on such separated derivatives are reported in the income statement within revenue or operating expenses in line with the host contract.

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Fair value measurement basis	**Total fair value 2015 £m**	**Carrying amount 2015 £m**	Total fair value 2014 £m	Carrying amount 2014 £m
Financial assets					
Trade and other receivables(1)		**100.3**	**100.3**	101.0	101.0
Cash and cash equivalents		**30.8**	**30.8**	57.9	57.9
Derivative financial instruments:					
– Forward exchange contracts designated as cash flow hedges	Level 2	**3.3**	**3.3**	0.7	0.7
– Short duration swap contracts designated as fair value hedges	Level 2	**0.1**	**0.1**	0.1	0.1
– Foreign exchange fair value hedges – other economic hedges	Level 2	**2.0**	**2.0**	1.2	1.2
– Embedded derivatives	Level 2	**2.7**	**2.7**	0.5	0.5
– Interest rate swaps	Level 2	**–**	**–**	0.2	0.2
Total financial assets		**139.2**	**139.2**	161.6	161.6
Financial liabilities					
Unsecured bank loans and overdrafts		**(141.8)**	**(141.8)**	(147.8)	(147.8)
Trade and other payables(2)		**(62.9)**	**(62.9)**	(72.9)	(72.9)
Derivative financial instruments:					
– Forward exchange contracts designated as cash flow hedges	Level 2	**(7.7)**	**(7.7)**	(5.0)	(5.0)
– Short duration swap contracts designated as fair value hedges	Level 2	**(0.2)**	**(0.2)**	(0.2)	(0.2)
– Foreign exchange fair value hedges – other economic hedges	Level 2	**(3.4)**	**(3.4)**	(0.1)	(0.1)
– Embedded derivatives	Level 2	**(1.7)**	**(1.7)**	(2.0)	(2.0)
Total financial liabilities		**(217.7)**	**(217.7)**	(228.0)	(228.0)

(1) Excluding prepayments

(2) Excluding accrued expenses, deferred income and payments received on account

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Interest rate swaps

Interest rate swaps are measured by reference to third party bank confirmations and discounted cash flows using the yield curves in effect at the balance sheet date.

Embedded derivatives

The fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts and using quoted forward foreign exchange rates at the balance sheet date.

Determination of fair values of non-derivative financial assets and liabilities

Non-derivative financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred. Non-derivative financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

12 Financial risk continued

Hedge reserves

The hedge reserve balance on 28 March 2015 was (£3.5m), 29 March 2014: (£3.2m). Net movements in the hedge reserve are shown in the Group statement of changes in equity.

Comprehensive income after tax was £0.3m comprising a gain of £7.3m of fair value movements on new and continuing cash flow hedges, and a £6.9m charge to the income statement to match the recognition of the related cash flows in effective cash flow hedge relationships. Deferred tax on the net gain of £0.4m amounted to £0.2m.

Hedge reserve movements in the income statement were as follows:

	Revenue £m	Operating expense £m	Interest expense £m	Total £m
28 March 2015				
– Maturing cash flow hedges	**0.1**	**(7.0)**	**–**	**(6.9)**
– Ineffectiveness on de-recognition of cash flow hedges	**–**	**–**	**–**	**–**
	0.1	**(7.0)**	**–**	**(6.9)**
29 March 2014				
– Maturing cash flow hedges	(0.3)	(0.3)	–	(0.6)
– Ineffectiveness on de-recognition of cash flow hedges	–	–	–	–
	(0.3)	(0.3)	–	(0.6)

The ineffective portion of fair value hedges that was recognised in the income statement amounted to £nil (2013/14: £nil). The ineffective portion of cash flow hedges that was recognised in the income statement was £nil (2013/14: £nil).

Liquidity risk

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

28 March 2015	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total undiscounted cash flows £m**	**Impact of discounting and netting £m**	**Carrying amount £m**
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	**141.8**	**–**	**–**	**141.8**	**–**	**141.8**
Derivative financial liabilities						
Gross amount payable from currency derivatives:						
– Forward exchange contracts designated as cash flow hedges	**107.8**	**16.0**	**2.5**	**126.3**	**(118.6)**	**7.7**
– Short duration swap contracts designated as fair value hedges	**32.2**	**–**	**–**	**32.2**	**(32.0)**	**0.2**
– Fair value hedges – other economic hedges	**61.7**	**0.4**	**–**	**62.1**	**(58.7)**	**3.4**
	343.5	**16.4**	**2.5**	**362.4**	**(209.3)**	**153.1**

29 March 2014	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	147.8	–	–	147.8	–	147.8
Derivative financial liabilities						
Gross amount payable from currency derivatives:						
– Forward exchange contracts designated as cash flow hedges	119.6	7.6	0.9	128.1	(123.1)	5.0
– Short duration swap contracts designated as fair value hedges	34.4	–	–	34.4	(34.2)	0.2
– Fair value hedges – other economic hedges	9.6	1.3	–	10.9	(10.8)	0.1
	311.4	8.9	0.9	321.2	(168.1)	153.1

12 Financial risk continued

Liquidity risk continued

The following are the contractual undiscounted cash flow maturities of financial assets, including contractual interest receipts and excluding the impact of netting agreements.

28 March 2015	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total undiscounted cash flows £m**	**Impact of discounting and netting £m**	**Carrying amount £m**
Non-derivative financial assets						
Cash and cash equivalents	**30.8**	**–**	**–**	**30.8**	**–**	**30.8**
Derivative financial assets						
Gross amount receivable from currency derivatives:						
– Forward exchange contracts designated as cash flow hedges	**74.5**	**6.3**	**–**	**80.8**	**(77.5)**	**3.3**
– Short duration swap contracts designated as fair value hedges	**31.9**	**–**	**–**	**31.9**	**(31.8)**	**0.1**
– Fair value hedges – other economic hedges	**35.5**	**0.4**	**0.3**	**36.2**	**(34.2)**	**2.0**
	172.7	**6.7**	**0.3**	**179.7**	**(143.5)**	**36.2**

29 March 2014	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets						
Cash and cash equivalents	57.9	–	–	57.9	–	57.9
Derivative financial assets						
Gross amount receivable from currency derivatives:						
– Forward exchange contracts designated as cash flow hedges	34.9	2.8	–	37.7	(37.0)	0.7
– Short duration swap contracts designated as fair value hedges	14.9	–	–	14.9	(14.8)	0.1
– Fair value hedges – other economic hedges	84.7	3.4	0.4	88.5	(87.3)	1.2
Interest rate swaps	–	0.2	–	0.2	–	0.2
	192.4	6.4	0.4	199.2	(139.1)	60.1

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

To provide finance for future growth and investment the Group has increased its revolving credit facility by £50m to £250m and extended the term by three years to December 2019, the financial covenants remaining unchanged. The covenants require that the ratio of EBIT to net interest payable be greater than four times and the net debt to EBITDA ratio be less than three times. At the period end the specific bank covenant tests were as follows: EBIT/net interest payable of 13.5 times, net debt/EBITDA of 1.23 times.

Cash and cash equivalents, trade and other current receivables, bank loans and overdrafts, trade payables and other current liabilities have fair values that approximate to their carrying amounts due to their short-term nature.

As at 28 March 2015, the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £110.1m (29 March 2014: £53.9m in more than one year). The amount of loans drawn on the £250m facility is £139.9m (29 March 2014: £146.1m). Guarantees of £nil (29 March 2014: £nil) have been drawn using the facility.

Forward foreign exchange contracts

The net principal amounts of the outstanding forward foreign exchange contracts at 28 March 2015 are US dollar 78.6m, euro (66.2m), Swiss franc (19.6m), Japanese yen (3.2bn).

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are euro (11.5m), US dollar 3.9m and Japanese yen (1.1bn). These forward contracts are designated as cash flow hedges or fair value hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 28 March 2015 will be released to the income statement at various dates between one month and 36 months from the balance sheet date.

12 Financial risk continued

Short duration swap contracts

(i) Cash management swaps

The Group uses short duration currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 28 March 2015 was £nil (2013/14: £nil). Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps at 28 March 2015 are US dollar 13.6m, euro 15.9m, Swiss franc (5.3m), South African rand 31.0m, Australian dollar (2.5m), and Japanese yen (0.4bn).

(ii) Balance sheet swaps

The Group uses short duration currency swaps to manage the translational exposure of monetary assets and liabilities denominated in foreign currencies. The fair value of balance sheet swaps as at 28 March 2015 was (£0.1m) (2013/14: (£0.1m)). Gains and losses on balance sheet swaps are included in the consolidated income statement.

The principal amounts outstanding under balance sheet swaps at 28 March 2015 are US dollar 24.5m, euro (17.9m), Swiss franc 2.1m, South African rand 11.4m, and Mexican peso (50.2m).

Embedded derivatives

Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The net fair value of embedded derivatives at 28 March 2015 was £1.0m (2013/14: (£1.5m)).

Gains and losses on fair value hedges

The gains and losses recognised in the period on the Group's fair value hedges were (£0.1m) relating to balance sheet hedges (2013/14: (£0.1m)), £4.0m relating to other fair value hedges (2013/14: £1.4m), and £nil relating to cash management hedges (2013/14: £nil).

Market risk: Currency risk

Exposure to currency risk

The following significant exchange rates applied during the period:

	Average rate		Reporting date spot rate	
	2015	2014	**2015**	2014
US dollar	**1.61**	1.59	**1.49**	1.66
Euro	**1.28**	1.19	**1.37**	1.21

Sensitivity analysis

A 10 per cent strengthening of sterling against the following currencies at 28 March 2015 and 29 March 2014 would have increased/(decreased) profit or loss by the amounts shown below, based on the Group's external monetary assets and liabilities.

	2015 £m	2014 £m
US dollar	**(1.8)**	1.0
Euro	**(1.6)**	(0.8)

A 10 per cent weakening of sterling against the above currencies at 28 March 2015 and 29 March 2014 would have had the following effect:

	2015 £m	2014 £m
US dollar	**2.2**	(1.3)
Euro	**2.0**	1.0

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013/14.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	2015 £m	2014 £m
Variable rate instruments		
Financial assets	**30.8**	57.9
Financial liabilities	**(141.8)**	(147.8)
	(111.0)	(89.9)

At the period ending 28 March 2015 the Group had sterling 39m and US dollar 15m of floating to fixed interest rate swaps with financial institutions and with maturities of January and February 2016.

12 Financial risk continued

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
28 March 2015	**(0.5)**	**1.2**	**–**	**–**
29 March 2014	(0.7)	0.8	–	–

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the credit exposure at the reporting date. The exposure to credit risk at the reporting date was:

		Carrying amount	
	Notes	**2015 £m**	2014 £m
Trade and other receivables (excluding prepayments)	11	**100.3**	101.0
Cash and cash equivalents	13	**30.8**	57.9
Forward exchange contracts used for hedging		**5.4**	2.0
Embedded derivatives		**2.7**	0.5
Interest rate swaps		**–**	0.2
		139.2	161.6

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) by geographic region was:

	Carrying amount	
	2015 £m	2014 £m
UK and Ireland	**24.8**	13.3
Rest of Europe	**15.6**	13.4
The Americas	**7.8**	11.7
Rest of world	**52.1**	62.6
	100.3	101.0

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) by type of customer was:

	Carrying amount	
	2015 £m	2014 £m
Banks and financial institutions	**11.8**	40.5
Government institutions	**49.8**	34.2
Distributors	**3.4**	4.3
Retail customers	**0.1**	0.1
End user customers	**12.1**	13.9
Other	**23.1**	8.0
	100.3	101.0

Fair value adjustment to credit risk on derivative contracts

The impact of credit related adjustments being made to the carrying amount of derivatives measured at fair value and used for hedging currency and interest rate risk has been assessed and considered to be immaterial. These derivatives are transacted with investment grade financial institutions. Similarly, the impact of the credit risk of the Group on the valuation of its financial liabilities has been assessed and considered to be immaterial.

12 Financial risk continued

Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group finances its operations through a mixture of equity funding and debt financing, which represent the Group's definition of capital for this purpose.

	Note	**2015 £m**	2014 £m
Total equity attributable to shareholders of the Company		**(152.6)**	(75.5)
Add back long term pension deficit liability		**236.7**	168.0
Adjusted equity attributable to shareholders of the Company		**84.1**	92.5
Net debt	20	**111.0**	89.9
Group capital		**195.1**	182.4

The long term pension deficit has been removed as a separate agreement is in place regarding the funding for this deficit which is paid out of cash flows from continuing operations. The Group's debt financing is also analysed in notes 16 and 20.

Included within the Group's net debt are cash and cash equivalent balances that are not readily available for use by the Group. These balances are not significant, and are not readily available due to restrictions within some of the countries in which we operate.

Earnings per share and dividend payments are the two measures which, in the Board's view, summarise best whether the Group's objectives regarding equity management are being met. The Group's earnings and dividends per share and relative rates of growth illustrate the extent to which equity attributable to shareholders has changed. Both measures are disclosed and discussed within the strategic report and notes 6 and 7.

The Group's objective is to maximise sustainable long term growth of the earnings per share.

De La Rue's dividend policy is to provide shareholders with a competitive return on their investment, while assuring sufficient reinvestment of profits to enable the Group to achieve its strategy. During the period, the Group invested £33.9m in ongoing research and development and capital expenditure. The proposed total dividend for the year is covered 1.8 times.

The decision to pay dividends, and the amount of the dividends, will depend on, among other things the earnings, financial position, capital requirements, general business conditions, cash flows, net debt levels and share buyback plans.

There were no changes to the Group's approach to capital management during the period.

13 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash held by the Group and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

	2015 £m	2014 £m
Cash at bank and in hand	**28.6**	55.7
Short term bank deposits	**2.2**	2.2
	30.8	57.9

An analysis of cash, cash equivalents and bank overdrafts is shown in the Group cash flow statement.

All cash and deposits are of a floating rate nature and are recoverable within three months.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 12.

14 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2015 £m	2014 £m
Deferred tax assets	**47.7**	37.5
Deferred tax liabilities	**(1.1)**	(1.3)
	46.6	36.2

14 Deferred taxation continued

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

	2015 £m	2014 £m
Beginning of the period	**36.2**	42.7
Exchange differences	**(0.6)**	0.1
Income statement (charge)/credit	**(0.4)**	0.5
Tax credited/(charged) to equity	**11.4**	(7.1)
End of the period	**46.6**	36.2

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

	Property, plant and equipment £m	Fair value gains £m	Development costs £m	Other £m	Total £m
Liabilities					
At 30 March 2013	8.9	0.4	2.6	0.2	12.1
Recognised in the income statement	–	(0.1)	(0.1)	(0.2)	(0.4)
Recognised in equity	–	–	–	–	–
At 29 March 2014	8.9	0.3	2.5	–	11.7
Recognised in the income statement	0.7	(0.3)	(0.3)	0.1	0.2
Recognised in equity	–	–	–	–	–
At 28 March 2015	**9.6**	**–**	**2.2**	**0.1**	**11.9**

	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
Assets					
At 30 March 2013	(3.7)	(39.0)	(0.8)	(11.3)	(54.8)
Recognised in the income statement	0.8	(1.9)	0.4	0.6	(0.1)
Recognised in equity	0.9	7.0	–	(0.8)	7.1
Exchange differences	–	–	–	(0.1)	(0.1)
At 29 March 2014	(2.0)	(33.9)	(0.4)	(11.6)	(47.9)
Recognised in the income statement	0.4	(1.3)	(0.3)	1.4	0.2
Recognised in equity	1.1	(12.4)	–	(0.1)	(11.4)
Exchange differences	–	–	–	0.6	0.6
At 28 March 2015	**(0.5)**	**(47.6)**	**(0.7)**	**(9.7)**	**(58.5)**

Other deferred assets and liabilities predominantly relate to tax associated with provisions of £2.9m (2013/14: £3.7m) and overseas tax credits of £4.2m (2013/14: £4.7m).

Deferred tax assets are recognised for tax losses available to carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has not recognised deferred tax assets of £3.0m (2013/14: £1.9m) in respect of losses amounting to £10.4m (2013/14: £7.1m) that can be carried forward against future taxable income. Similarly, the Group has not recognised deferred tax assets of £11.2m (2013/14: £13.6m) in respect of overseas tax credits that are carried forward for utilisation in future periods.

Unremitted earnings totalled £502m at 28 March 2015 (2013/14: £492m). Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries where the timing of the reversal can be controlled and it was considered unlikely that dividends would be paid from those subsidiaries.

UK capital losses of £330.1m are carried forward at 28 March 2015 (2013/14: £330.1m). No deferred tax asset has been recognised in respect of these losses.

UK tax rate

The main rate of UK corporation tax was reduced from 21 per cent to 20 per cent from April 2015. This will reduce the UK Group's future current tax charge accordingly. The UK deferred tax assets and liabilities at 28 March 2015 have been calculated based on the rate of 20 per cent substantively enacted at the balance sheet date.

15 Trade and other payables

Trade and other payables are measured at carrying value which approximates to fair value.

	2015 £m	2014 £m
Current liabilities		
Payments received on account	**27.2**	33.4
Trade payables	**38.5**	43.6
Amounts owed to associated companies	**1.3**	0.1
Social security and other taxation	**3.6**	3.2
Deferred income	**4.8**	4.7
Accrued expenses	**64.2**	59.9
Other payables	**19.5**	26.0
	159.1	170.9
Non-current liabilities		
Other payables	**6.9**	7.2
	6.9	7.2

Payments received on account relate to monies received from customers under contract prior to commencement of production of goods or delivery of services.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 12.

16 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 12.

	Currency	Nominal interest rate	Year of maturity	Face value 2015 £m	Carrying amount 2015 £m	Face value 2014 £m	Carrying amount 2014 £m
Current liabilities							
Unsecured bank loans and overdrafts	EUR	4.00%	2015	**0.8**	**0.8**	0.9	0.9
Unsecured bank loans and overdrafts	GBP	2.01%	2015	**111.0**	**111.0**	119.1	119.1
Unsecured bank loans and overdrafts	USD	1.70%	2015	**28.9**	**28.9**	27.1	27.1
Unsecured bank loans and overdrafts	Other	–	2015	**1.1**	**1.1**	0.7	0.7
Total interest bearing liabilities				**141.8**	**141.8**	147.8	147.8

As at 28 March 2015, bank overdrafts of £95.1m (2013/14: £83.5m) were offset for interest purposes against credit balances.

As at 28 March 2015, the Group has committed borrowing facilities, all maturing in more than one year, of £250m. Up to £100m of the £250m facility can be utilised for either loans or guarantees.

As the draw downs on these loans are typically rolled over on terms of between one and three months, the borrowings are disclosed as a current liability. This is notwithstanding the long term nature of this facility which expires in December 2019.

17 Provisions for liabilities and charges

Provisions are recognised when the Group has a present obligation in respect of a past event, it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date and are discounted where the time value of money is considered material.

	Restructuring £m	Warranty £m	Other £m	Total £m
At 29 March 2014	5.9	11.7	5.6	23.2
Exchange differences	–	–	0.2	0.2
Charge for the period	4.3	18.8	1.8	24.9
Utilised in period	(3.2)	(3.0)	(0.9)	(7.1)
Released in period	(1.9)	(8.7)	(0.5)	(11.1)
At 28 March 2015	**5.1**	**18.8**	**6.2**	**30.1**
Expected to be utilised within 1 year	5.1	18.8	2.7	26.6
Expected to be utilised after 1 year	–	–	3.5	3.5

Restructuring provisions principally represent amounts for various reorganisations, in Currency and Security Products, involving the closure of one site in Dulles, USA and the reorganisation of manufacturing activity in a number of Currency locations. These provisions include amounts for staff compensation and site exit costs, which are expected to be utilised within one year.

Warranty provisions relate to present obligations for defective products and include known claims as well as anticipated claims that had not been reported at the balance sheet date. The provisions are management judgements based on information currently available, past history and experience of the products sold. However, it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year. The charge for the year includes £13.3m in respect of the invocation of guarantees, more fully described in note 3. Existing warranty provisions in respect of this matter have been reassessed resulting in a release of £3.0m.

Other provisions comprise a number of liabilities with varying expected utilisation rates. There are no individually material provisions within this total.

18 Share capital

	2015 £m	2014 £m
Issued and fully paid		
101,128,329 ordinary shares of 44 152/175p each (2013/14: 100,718,004 ordinary shares of 44 152/175p each)	**45.4**	45.2
111,673,300 deferred shares of 1p each (2013/14: 111,673,300 deferred shares of 1p each)	**1.1**	1.1
	46.5	46.3

	2015		2014	
	Ordinary shares '000	**Deferred shares '000**	Ordinary shares '000	Deferred shares '000
Allotments during the period				
Shares in issue at 29 March 2014 / 30 March 2013	**100,718**	**111,673**	99,744	111,673
Issued under Savings Related Share Option Scheme	**46**	**–**	815	–
Issued under US Employee Share Purchase Plan	**14**	**–**	11	–
Issued under Recruitment Share Award	**75**	**–**	–	–
Issued under Retention Share Award	**54**	**–**	–	–
Issued under Annual Bonus Plan	**–**	**–**	75	–
Issued under Performance Share Plan	**221**	**–**	73	–
Shares in issue at 28 March 2015 / 29 March 2014	**101,128**	**111,673**	100,718	111,673

The deferred shares carry limited economic rights and no voting rights. They are unlisted and are not transferable except in accordance with the articles.

19 Share based payments

The Group operates various equity settled and cash settled option schemes. For equity settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the consolidated income statement, together with a corresponding increase in shareholders' equity, on a straight line basis over the vesting period, based on the numbers of shares that are actually expected to vest, taking into account non-market vesting conditions (including service conditions). Vesting conditions, other than non-market based conditions, are not taken into account when estimating the fair value.

For cash settled share options, the services received from employees are measured at the fair value of the liability for options outstanding and recognised in the consolidated income statement on a straight line basis over the vesting period. The fair value of the liability is remeasured at each reporting date and at the date of settlement with changes in fair value recognised in the consolidated income statement.

At 28 March 2015, the Group has a number of share based payment plans, which are described below. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, Share Based Payments, which means that IFRS 2 has been applied to all grants of employee share based payments granted after 7 November 2002 that had not vested at 1 January 2005 and cash settled awards outstanding at 1 January 2005.

The compensation cost and related liability that have been recognised for the Group's share based plans are set out in the table below:

	Expense recognised for the period		Liability at end of period	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Annual Bonus Plan	**0.5**	0.5	**–**	–
Performance Share Plan	**(1.0)**	–	**–**	–
CEO Share Award	**–**	(1.4)	**–**	–
Recruitment Share Award	**–**	(0.1)	**–**	–
Retention Share Award	**–**	(0.1)	**–**	–
Savings Related Share Option Scheme	**(0.1)**	0.6	**–**	–
US Employee Share Purchase Plan	**–**	–	**–**	–
	(0.6)	(0.5)	**–**	–

The fair value of share options is estimated at the date of grant using a lattice based option valuation model. The significant assumptions used in the valuation model are disclosed below:

Arrangement	CEO Share Award	Performance Share Plan	Savings Related Share Option Scheme	US Employee Share Purchase Plan
Dates of current period grants	27 Nov 2014	27 Jun 2014	06 Jan 2015	01 Jan 2015
Number of options granted	38,174	382,046	1,993,493	12,500 (estimated)
Exercise price	n/a	n/a	438.00	See below
Contractual life (years)	1 or 2	3 or 4	3 or 5	1
Settlement	Shares	Shares	Shares	Shares
Vesting period (years)	1 or 2	3 or 4	3 or 5	1
Dividend yield	n/a	n/a	4.5%	n/a
Fair value per option at grant date	£4.75	£8.30	£0.96 for 3 year plan £1.02 for 5 year plan	n/a

Arrangement	Annual Bonus Plan	Annual Bonus Plan	Annual Bonus Plan	Annual Bonus Plan
Dates of current period grants	01 Sep 2014	01 Dec 2014	19 Jan 2015	24 Mar 2015
Number of options granted	10,334	54,792	25,167	53,412
Exercise price	n/a	n/a	n/a	n/a
Contractual life (years)	3	2, 3 or 4	2, 3 or 4	1, 2 or 3
Settlement	Shares	Shares	Shares	Shares
Vesting period (years)	3	2, 3 or 4	2, 3 or 4	1, 2 or 3
Dividend yield	n/a	n/a	n/a	n/a
Fair value per option at grant date	£7.11	£5.48	£5.17	£5.62

An expected volatility rate of 30 per cent (2013/14: 20 per cent) has been used for grants in the period. This rate is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life. The rate applied during the year was 0.8 or 1.1 per cent depending on the vesting period.

Reconciliations of option movements over the period to 28 March 2015 for each class of options are shown below:

19 Share based payments continued

Annual Bonus Plan

For details of the Annual Bonus Plan, refer to the directors' remuneration report on pages 42 to 63.

	2015 Number of options '000	2014 Number of options '000
Options outstanding at start of period	**145**	240
Granted	**144**	–
Forfeited	**(7)**	(30)
Exercised	**–**	(65)
Expired	**–**	–
Outstanding at end of period	**282**	145
Exercisable at period end	**–**	–

Performance Share Plan

For details of the Performance Share Plan, refer to the directors' remuneration report on pages 42 to 63.

	2015 Weighted average exercise price pence per share	2015 Number of options '000	2014 Weighted average exercise price pence per share	2014 Number of options '000
Options outstanding at start of period	**836.95**	**1,283**	738.80	1,453
Granted	**830.00**	**382**	892.90	150
Forfeited	**780.32**	**(574)**	785.82	(259)
Exercised	**723.13**	**(174)**	559.50	(61)
Expired	**–**	**–**	–	–
Outstanding at end of period	**891.13**	**917**	836.95	1,283
Exercisable at period end	**–**	**–**	–	–

The awards have been allocated based on a share price of 559.5p for the 26 November 2010 grants, 686.5p for the 31 January 2011 grants, 759.8p for the 23 June 2011 grants, 991.1p for the 10 July 2012 grants, 892.9p for the 4 December 2013 grants, and 830.0p for the 27 June 2014 grants.

Retention and Recruitment Share Award

For details of the Recruitment Share Award and Retention Share Award, refer to the directors' remuneration report on pages 42 to 63.

	Retention Share Award		Recruitment Share Award	
	2015 Number of options '000	2014 Number of options '000	2015 Number of options '000	2014 Number of options '000
Options outstanding at start of period	**46**	46	**66**	66
Exercised	**(46)**	–	**(66)**	–
Outstanding at end of period	**–**	46	**–**	66
Exercisable at period end	**–**	–	**–**	–

The shares were granted based on a share price of 686.5p.

19 Share based payments continued

CEO Share Award

For details of the CEO Share Award, refer to the directors' remuneration report on page 49.

	CEO Share Award	
	2015 Number of options '000	2014 Number of options '000
Options outstanding at start of period	**–**	–
Granted	**38**	–
Forfeited	**–**	–
Exercised	**–**	–
Expired	**–**	–
Outstanding at end of period	**38**	–
Exercisable at period end	**–**	–

The shares have been granted based on a share price of 474.6p.

Savings Related Share Option Scheme

The scheme is open to all UK employees. Options are granted at the prevailing market price at the time of the grant (with a discretionary discount to the market price) to employees who agree to save between £5 and the maximum savings amount offered per month over a period of three or five years.

There are no performance conditions attaching to the options. After the three or five year term has expired, employees normally have six months in which to decide whether or not to exercise their options. A pre-vesting forfeiture rate of 5 per cent has been assumed.

	2015		2014	
	Weighted average exercise price pence per share	**Number of options '000**	Weighted average exercise price pence per share	Number of options '000
Options outstanding at start of period	**636.08**	**1,332**	522.30	1,736
Granted	**438.00**	**1,993**	705.70	530
Forfeited	**706.76**	**(567)**	624.13	(109)
Exercised	**452.16**	**(49)**	447.75	(815)
Expired	**669.45**	**(31)**	566.20	(10)
Outstanding at end of period	**476.63**	**2,678**	636.08	1,332
Exercisable at period end	**–**	**–**	454.13	47

The range of exercise prices for the share options outstanding at the end of the period is 438.00 – 819.55p (2014: 444.14 – 819.55p). The weighted average remaining contractual life of the outstanding share options is 1 September 2018 (2013/14: 1 September 2016).

US Employee Share Purchase Plan

De La Rue operates a US Employee Share Purchase Plan for US employees. Under the plan, employees have an option to purchase De La Rue plc shares at the end of each 12 month savings period at a price which is the lower of the market value of the De La Rue plc share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2014/15, 13,979 shares (2013/14: 11,079 shares) were allotted pursuant to the plan. It is estimated that 12,500 shares will be required to satisfy the Company's 2014/15 obligations in respect of employees' savings under the plan as at 28 March 2015.

Market share purchase of shares by Trustee De La Rue Employee Share Ownership Trust

The De La Rue Employee Share Ownership Trust (Trust) is a separately administered trust established to administer shares granted under the various De La Rue Executive Share Option Schemes (ESOS) and the De La Rue Executive Share Option Plan (ESOP) (or any other share option plan established by the Company) to Executive Directors and senior employees. Liabilities of the Trust are guaranteed by the Company and the assets of the Trust mainly comprise shares in the Company. Ardel Trust Company (Guernsey) Limited is the Trustee. The own shares held by the Trust are shown as a reduction in shareholders' funds. The shares will be held at historical rates until such time as they are disposed of. Any profit or loss on the disposal of own shares is treated as a movement in reserves rather than as an income statement item. With effect from 20 April 2015 Ardel Trust Company (Guernsey) Limited completed a change of name to Equiom (Guernsey) Limited.

The Trustee held no shares at 28 March 2015.

20 Analysis of net debt

	2015 £m	2014 £m
Cash at bank and in hand	**28.6**	55.7
Short term bank deposits	**2.2**	2.2
Bank overdrafts	**(1.9)**	(1.7)
Total cash and cash equivalents	**28.9**	56.2
Borrowings due within one year	**(139.9)**	(146.1)
Net debt	**(111.0)**	(89.9)

21 Operating leases

A lease is defined as an agreement whereby the lessor conveys to the lessee the right to use a specific asset for an agreed period of time in return for a payment or a series of payments.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

	2015 Property £m	2015 Plant and equipment £m	2014 Property £m	2014 Plant and equipment £m
Total commitments due:				
– Within one year	**2.8**	**0.2**	2.3	0.2
– Between one and five years	**7.7**	**0.4**	1.5	0.1
– Over five years	**32.0**	**–**	25.0	–
	42.5	**0.6**	28.8	0.3

22 Retirement benefit obligations

The Group operates retirement benefit schemes, devised in accordance with local conditions and practices in the country concerned, covering the majority of employees. The assets of the Group's schemes are generally held in separately administered trusts or are insured. The major schemes are defined benefit pension schemes with assets held separately from the Group. The major defined benefit pension schemes are based in the UK and are now closed to future accrual, with all members being deferred members or pensioners. The cost of providing benefits under each scheme is determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in operating costs in the Group income statement. The interest income on the plan assets of funded defined benefit pension schemes and the imputed interest on pension scheme liabilities are disclosed as retirement benefit obligation net finance expense respectively in the income statement.

Return on plan assets excluding interest income on the assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of comprehensive income in full in the period in which they arise.

The liability recognised in respect of defined benefit pension schemes is the present value of the defined benefit obligation less the fair value of the scheme assets, as determined by actuarial valuations carried out at the balance sheet date.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

22 Retirement benefit obligations continued

(a) Defined benefit pension schemes

Amounts recognised in the consolidated balance sheet:

	2015 UK £m	2015 Overseas £m	2015 Total £m	2014 UK £m	2014 Overseas £m	2014 Total £m
Equities	311.0	–	311.0	281.1	–	281.1
Bonds	104.5	–	104.5	89.4	–	89.4
Gilts	157.1	–	157.1	154.1	–	154.1
Diversified Growth Fund	193.7	–	193.7	155.6	–	155.6
Liability Driven Investment Fund	97.1	–	97.1	65.8	–	65.8
Other	28.2	–	28.2	27.9	–	27.9
Fair value of scheme assets	891.6	–	891.6	773.9	–	773.9
Present value of funded obligations	(1,117.6)	–	(1,117.6)	(931.8)	–	(931.8)
Funded defined benefit pension schemes	(226.0)	–	(226.0)	(157.9)	–	(157.9)
Present value of unfunded obligations	(8.1)	(2.6)	(10.7)	(7.7)	(2.4)	(10.1)
Net liability	(234.1)	(2.6)	(236.7)	(165.6)	(2.4)	(168.0)

Amounts recognised in the consolidated income statement:

	2015 UK £m	2015 Overseas £m	2015 Total £m	2014 UK £m	2014 Overseas £m	2014 Total £m
Included in employee benefits expense:						
– Current service cost	–	(0.4)	(0.4)	–	(0.2)	(0.2)
– Administrative expenses and taxes	(1.1)	–	(1.1)	(1.2)	–	(1.2)
Included in interest on retirement benefit obligation net finance expense:						
– Interest income on scheme assets	34.4	–	34.4	33.7	–	33.7
– Interest cost on liabilities	(41.4)	–	(41.4)	(41.0)	–	(41.0)
Retirement benefit obligation net finance expense	(7.0)	–	(7.0)	(7.3)	–	(7.3)
Total recognised in the consolidated income statement	(8.1)	(0.4)	(8.5)	(8.5)	(0.2)	(8.7)
Return on scheme assets excluding interest income	98.7	–	98.7	3.5	–	3.5
Remeasurement (losses)/gains on defined benefit pension obligations	(178.0)	0.2	(177.8)	(5.8)	0.2	(5.6)
Amounts recognised in other comprehensive income	(79.3)	0.2	(79.1)	(2.3)	0.2	(2.1)

Major categories of scheme assets as a percentage of total scheme assets:

	2015 UK %	2015 Overseas %	2015 Total %	2014 UK %	2014 Overseas %	2014 Total %
Equities	34.9	–	34.9	36.3	–	36.3
Bonds	11.7	–	11.7	11.6	–	11.6
Gilts	17.6	–	17.6	19.9	–	19.9
Diversified Growth Fund	21.7	–	21.7	20.1	–	20.1
Liability Driven Investment Fund	10.9	–	10.9	8.5	–	8.5
Other	3.2	–	3.2	3.6	–	3.6

All assets have quoted prices in active markets.

The Diversified Growth Fund is a diversified asset portfolio which includes investments in equities, emerging market bonds, property, high yield credit and structured finance and smaller holdings in other asset classes. The Liability Driven Investment (LDI) fund consists of fixed interest bond holdings (approximately 62 per cent), index linked bond holdings (approximately 37 per cent) and cash (approximately 1 per cent). Interest rate swaps and floating rate notes are employed to complement the role of the LDI fund for liability risk management.

Other UK assets comprise cash, interest rate swaps and floating rate notes.

22 Retirement benefit obligations continued

Principal actuarial assumptions:

	2015 UK %	2015 Overseas %	2014 UK %	2014 Overseas %
Future pension increases – past service	**3.60**	**–**	3.70	–
Discount rate	**3.20**	**–**	4.50	–
RPI inflation rate	**3.10**	**–**	3.40	–

The financial assumptions adopted as at 28 March 2015 reflect the duration of the scheme liabilities which has been estimated to be 20 years.

The mortality assumptions used to assess the defined benefit obligation for the UK plan are based on tables issued by the Continuous Mortality Investigation Bureau. At 28 March 2015 mortality assumptions were based on the SAPS All lives tables, with future improvements in line with the CMI model, CMI_2011 and a long term rate of 1.0 per cent per annum. This assumption is unchanged from that used in 2013/14. The resulting life expectancies within retirement are as follows:

		2015	2014
Aged 65 retiring immediately (current pensioner)	Male	**22.2**	22.2
	Female	**24.6**	24.6
Aged 50 retiring in 17 years (future pensioner)	Male	**21.6**	21.5
	Female	**24.0**	23.9

The defined benefit pension schemes expose the Group to the following main risks:

Mortality risk – an increase in the life expectancy of members will increase the liabilities of the schemes. The mortality assumptions are reviewed regularly, and are considered appropriate.

Interest rate risk – A decrease in bond yields will increase the liabilities of the scheme. Liability driven investment strategies are used to hedge part of this risk.

Investment risk – The pension schemes invest in a range of assets to mitigate the risk of any single asset class, and align growth and returns to the long term funding objectives. The investment strategy is reviewed regularly to ensure it continues to be appropriate.

Inflation risk – The liabilities of the scheme are linked to inflation. An increase in inflation will result in an increase in liabilities. There are caps in place for UK scheme benefits to mitigate the risk of extreme increases in inflation. Liability driven investment strategies are used to hedge part of this risk.

Any increase in the retirement benefit obligation could lead to additional funding obligations in future years. The Group has agreed deficit funding to the scheme of £18.2m for the year ending 31 March 2016, rising by 4 per cent per annum until 2022.

The table below provides the sensitivity of the liability in the scheme to changes in various assumptions:

Assumption change	Approximate impact on liability
0.25% decrease in discount rate	Increase in liability of c£56m
0.25% increase in RPI inflation rate	Increase in liability of c£47m
Increasing life expectancy by one year	Increase in liability of c£31m

The largest defined benefit pension scheme operated by the Group is in the UK. A full actuarial valuation of the scheme was carried out by a qualified actuary as at 5 April 2012 and updated to 28 March 2015. The scheme is valued formally every three years. A valuation as at 5 April 2015 is currently being carried out.

Changes in the fair value of UK scheme assets:

	2015 £m	2014 £m
At 29 March 2014 / 30 March 2013	**773.9**	761.1
Interest income on scheme assets	**34.4**	33.7
Scheme administration expenses	**(1.1)**	(1.2)
Return on scheme assets less interest income	**98.7**	3.5
Employer contributions and other income	**18.9**	11.9
Benefits paid (including transfers)	**(33.2)**	(35.1)
At 28 March 2015 / 29 March 2014	**891.6**	773.9

22 Retirement benefit obligations continued

Changes in the fair value of UK defined benefit pension obligations:

	2015 £m	2014 £m
At 29 March 2014 / 30 March 2013	**(939.5)**	(927.8)
Interest cost on liabilities	**(41.4)**	(41.0)
Effect of changes in financial assumptions	**(178.5)**	0.2
Effect of experience items on liabilities	**0.5**	(6.0)
Benefits paid (including transfers)	**33.2**	35.1
At 28 March 2015 / 29 March 2014	**(1,125.7)**	(939.5)

The Group's agreed deficit funding contributions for the year ending 31 March 2016 are £18.2m. Due to the Group's variable financial year end reporting date the expected deficit funding cash contribution, to its UK pension scheme, in 2015/16 is £17.5m.

(b) Defined contribution pension plans

The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the period was £10.0m (2013/14: £9.6m).

23 Employee information

	2015 number	2014 number
Average number of employees		
United Kingdom and Ireland	**2,089**	2,196
Rest of Europe	**734**	731
The Americas	**174**	221
Rest of world	**953**	885
	3,950	4,033
Average number of employees		
Currency	**2,739**	2,648
Identity Systems	**402**	393
Security Products	**277**	311
Cash Processing Solutions	**532**	681
	3,950	4,033

	2015 £m	2014 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**131.5**	129.9
Social security costs	**11.9**	11.8
Share incentive schemes	**(0.5)**	(1.1)
Sharesave schemes	**(0.1)**	0.6
Pension costs	**10.3**	9.8
	153.1	151.0

24 Capital commitments

	2015 £m	2014 £m
The following commitments existed at the balance sheet date:		
– Contracted but not provided for in the accounts	**4.4**	9.3

25 Contingent liabilities

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters from which, in the ordinary course of business, contingent liabilities can arise. While the outcome of litigation, disputes and investigations by regulatory authorities can never be predicted with certainty, having regard to legal advice received and the insurance arrangements of the Company and its subsidiaries, the Directors believe that adequate provision has been made to cover these matters. The Group also provides guarantees and performance bonds which are issued in the ordinary course of business. In the event that a guarantee or bond is called, provision may be required subject to the particular circumstances, including an assessment of its recoverability.

26 Related party transactions

During the period the Group traded on an arms length basis with the associated company Fidink S.A. (33.3 per cent owned). The Group's trading activities with this company included £24.4m (2013/14: £24.5m) for the purchase of security ink and other consumables. At the balance sheet date there were creditor balances of £5.7m (2013/14: £7.1m) with Fidink S.A. Intra-Group transactions between the parent and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation. Such transactions were contracted on an arms length basis.

Key management compensation

	2015 £'000	2014 £'000
Salaries and other short term employee benefits	**3,222.7**	5,096.8
Termination benefits	**158.0**	200.0
Retirement benefits:		
– Defined contribution	**168.1**	171.7
Share based payments	**(163.4)**	(617.1)
	3,385.4	4,851.4

Key management comprises members of the Board (including the fees of Non-executive Directors) and the Executive Leadership Team. Termination benefits include compensation for loss of office, ex gratia payments, redundancy payments, enhanced retirement benefits and any related benefits in kind connected with a person leaving office or employment.

27 Events since the balance sheet date

Since the period end the following material events have occurred:

Adjusting event

In April 2015, the Group was advised that guarantees with a value of £13.3m had been invoked, see note 3 for further details.

Non-adjusting event

In April 2015, the Group completed the disposal of surplus land at Overton following receipt of local government planning approval. The proceeds of £9.6m have been received and a gain arising on disposal of c£9m will be reported as an exceptional item in 2015/16.

28 Principal subsidiaries and associated companies as at 28 March 2015

The Directors consider that to give full particulars of all subsidiary undertakings would have led to a statement of excessive length. A full list of subsidiary undertakings will be filed with the Company's annual return.

The trading companies listed below include those which principally affect the profits and assets of the Group.

Country of incorporation and operation		Activities	De La Rue interest %
Europe			
United Kingdom	DLR (No.1) Limited	Holding company	100
	DLR (No.2) Limited*	Holding company	100
	De La Rue Holdings Limited	Holding and general commercial activities	100
	De La Rue International Limited	Security paper and printing, sale and maintenance of CPS products and services, identity systems, brand protection and holograms	100
	De La Rue Overseas Limited	Holding company	100
	De La Rue Finance Limited	Internal financing	100
	De La Rue Investments Limited	Holding company	100
	Portals Group Limited	Holding company	100
Channel Islands	The Burnhill Insurance Company Limited	Insurance	100
Malta	De La Rue Currency and Security Print Limited	Security printing	100
The Netherlands	De La Rue BV	Holding company and distribution and marketing of CPS products	100
Russia	De La Rue CIS	Manufacturing, distribution, service and marketing	100
Switzerland	Thomas De La Rue A.G.	Holding company	100
North America			
USA	De La Rue North America Holdings Inc.	Holding company	100
	De La Rue North America Inc.	Security printing	100
South America			
Mexico	De La Rue Mexico, S.A. de C.V.	Distribution, marketing and identity systems	100
Africa			
Kenya	De La Rue Currency and Security Print Limited	Security printing	100
Far East			
China	De La Rue Trading (Shenzhen) Co Limited	Distribution, service and marketing	100
Hong Kong	De La Rue Systems Limited	Distribution, service and marketing	100
Asia			
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited	Security printing	60

*Held directly by De La Rue plc