De La Rue plc
Annual Report 2015

Innovate
Deliver
Grow

De La Rue plc

De La Rue is a leading commercial banknote printer, security paper maker and provider of security products and software solutions and, as a trusted partner of governments, central banks and commercial organisations around the world, is at the forefront of the battle against the counterfeiter.

As the world's largest commercial banknote printer, De La Rue provides customers with a fully integrated range of sophisticated products and services which are available either individually or as a whole. This includes a leading design capability, production of innovative security components, manufacture of security paper and polymer substrates and sophisticated printing of banknotes, all contributing to trust in the integrity of currencies.

De La Rue is the world's largest commercial passport manufacturer in an environment of increasing global concern over security at national boundaries and border control.

De La Rue also produces a wide range of other security products, including tax stamps for governments who are seeking to combat illicit trade and collect excise duties. Other products include authentication labels, assuring purchasers of product validity, and government identity documents. In addition the Group manufactures high speed cash sorting and banknote inspection equipment.

The Group also provides a range of specialist services and software solutions including government identity schemes, product authentication systems and cash management processing solutions.

De La Rue is listed on the London Stock Exchange (LON:DLAR)

For further information visit www.delarue.com

Throughout this annual report, 'Group' and 'De La Rue' are used as a collective term to describe De La Rue plc and its subsidiary companies. 'Company' is a reference to De La Rue plc.

Front cover images

1 Active™ banknote security thread

2 Kuwait 10 dinar note – part of the new family of banknotes which won the International Association of Currency Affairs' 'Excellence in Currency' award for Best New Banknote Series for 2014

3 Cardinal bird appearing in clear window on the Trinidad and Tobago $50 commemorative polymer note

4 A machine reads tax stamps as part of a track and trace government revenue protection scheme

5 A DLR 7000 high speed note sorter

6 Governments rely on De La Rue's products and services to protect the identity of their citizens

1		5
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Headlines

2015 Revenue
£472.1m
2014: £513.3m

2015 Underlying operating profit*
£69.5m
2014: £89.3m

2015 Profit before tax
£38.9m
2014: £59.8m

2015 Underlying operating cash flow*
£85.6m
2014: £99.1m

2015 Underlying earnings per share*
45.3p
2014: 60.7p

*Both 2014 and 2015 are stated before the impact of exceptional items.

Strategic report

Directors' report

Accounts

Innovate. Deliver. Grow.
Bringing new products to market

Active™, De La Rue's newest banknote thread launched in May 2015, combines lenticular technology with leading edge microscopic fine line printing to deliver a clear light colour / dark colour switching effect. The result is an aesthetically appealing, clearly visible banknote security feature that is simple to verify but very hard to replicate successfully.

De La Rue at a glance

De La Rue offers a comprehensive portfolio of security products and services.

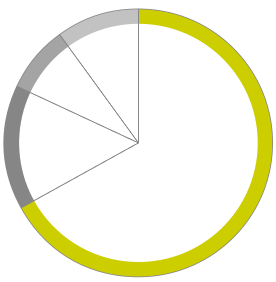
Currency
Supplies banknote paper and polymer substrate as well as printed banknotes and a comprehensive portfolio of banknote security components and features including threads and holograms. The business also advises on effective currency solutions including design, demand forecasting, denominational structure and protection against counterfeiting – all critical issues of currency strategy.

Identity Systems
Works with governments around the world to secure personal identities by delivering tailored end-to-end identity management solutions. The business focuses on all identity document requirements including passports, ePassports, visas, ID cards and eID cards, as well as the associated policies, systems, processes and technology required for an integrated solution to ensure the integrity of every individual's identity. Ongoing training, service and support activities are also provided.

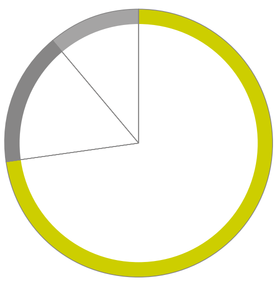
Security Products
Delivers solutions crucial to the authentication of products and documents to protect revenues for governments, commercial organisations and financial institutions around the world. Software and systems are supplied alongside authentication labels, brand licensing products and government and financial documents.

Cash Processing Solutions
Provides central banks and bulk cash handling organisations with a range of sophisticated high speed cash sorting and authentication systems as well as software solutions, consultancy, service and support. These solutions enhance the productivity, performance and security of cash processing operations. The business also manufactures inspection equipment for banknote printing facilities, enabling new notes to be quality assured prior to issue.

2015 share of revenue
- Currency 67%
- Identity Systems 15%
- Security Products 8%
- Cash Processing Solutions 10%



2015 share of underlying operating profit
- Currency 73%
- Identity Systems 16%
- Security Products 11%
- Cash Processing Solutions 0%



Our markets

Our integrated portfolio of products and solutions serves unique markets.

Group market overview

Central banks, governments and commercial organisations rely on De La Rue's products and services to secure transactions, protect identity, revenue and brands and to fight counterfeiting and illicit trade. We are either a leader in these markets or are well placed to take advantage of good growth prospects.

Across our business, market drivers and customer behaviours are changing. While physical product is still of high importance there is an increasing emphasis on technology as customers seek premium security features and wider end-to-end authentication solutions, including digital applications.

There is also a shift to more formal, technology led procurement processes. In Currency, while many customers buy the complete note from one supplier, others are moving to specify each element (security components, substrate and print) separately, so several different suppliers may be involved. Tenders and e-tenders are also becoming more common.

Currency market overview

We believe that the demand for banknotes will continue to grow in the long term however, demand has been relatively stable in recent years. Within the short term, the timing and size of orders can result in volatility.

Key factors affecting banknote issuance by central banks are note retirement, changes in the underlying level of GDP, population growth and the level of use of alternative means of payment. Note retirement remains the most important and is affected by several factors including the timing and frequency of changes in note design, changes in cash circulation policy and technology, changes in 'clean note' policy and the introduction of new anti-counterfeiting security features.

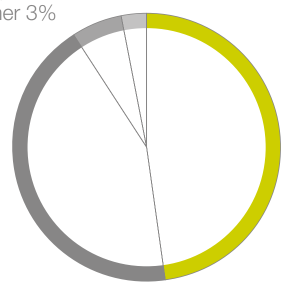
The demand for banknotes and the substrates on which they are printed is largely satisfied by state print works (SPW), state paper mills (SPM) and a small number of commercial manufacturers including De La Rue. SPWs or SPMs may turn to commercial providers to supplement their own production capacity to satisfy demand they are unable to meet, known as 'overspill'. SPWs sometimes emerge as competitors in the commercial market as they seek to utilise surplus capacity.

There remains overcapacity in the print and paper markets which is causing pricing pressure and we expect this overcapacity to continue in the short term.

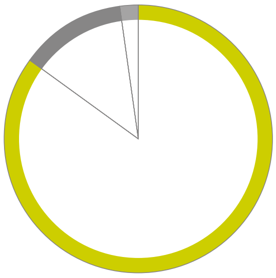
Polymer, which accounts for around 3 per cent of the substrate market, is increasing in popularity due to its greater durability. De La Rue is one of only two suppliers of polymer substrate in the market, which we forecast to grow by c10 per cent per annum over the next 10 years.

Value in banknote production is shifting from print to security components (threads and holograms) as some customers disaggregate note buying into components, substrate and print.

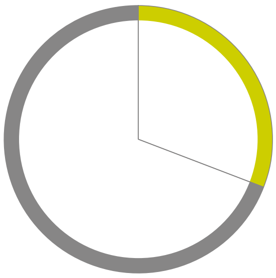
Global substrate market*
c163k tonnes pa
- State paper mills (SPM) 48%
- Commercial paper mills 43%
- Overspill from SPMs 6%
- Polymer 3%



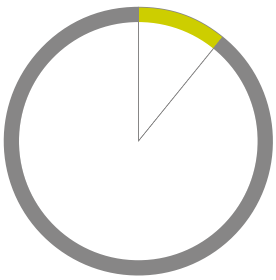
Global print market*
c163 billion notes pa
- State print works (SPW) 85%
- Commercial print works 13%
- Overspill from SPWs 2%



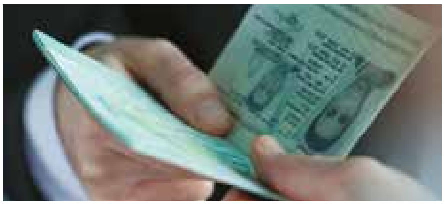
Commercial market share: print*
- De La Rue 31%
- Others 69%



Commercial market share: substrate*
- De La Rue 11%
- Others 89%



*Source: De La Rue estimates



Identity Systems market overview

With increased focus by governments on population authentication and border security, the passport and identity market is increasingly seeking complete end-to-end solutions. This means there is a requirement for the full integration of highly secure passports and ID cards with other government systems and processes, and efficient and reliable personalisation and issuance procedures.

Countries continue to adopt ePassports, although transition has been slower than expected. This is driving not only the demand for further system integration, but also the need for expertise to manage projects efficiently and without undue risk.

Increased focus and value are being placed on security components and the systems and services that surround the physical product, which may be traditional paper based passports or plastic and electronic forms of identification.

Security Products market overview

Governments continue to work hard to protect indirect tax revenues on products such as alcohol and tobacco by minimising illicit trade. A major catalyst for change has been the need to respond to the World Health Organization Framework Convention on Tobacco Control, which is committed to eliminating illicit trade in tobacco products. This will require governments to apply unique and secure codes onto cigarette packs and also the ability to track and trace the products through the supply chain, driving more rapid and broader adoption of authentication solutions.

Revenue loss from counterfeit goods remains a real threat to global brands and consumer confidence. Advanced technology within labels, linked to digital authentication and tracking solutions, ensures brands are protected and that consumers can be confident of buying genuine products. There are market opportunities to utilise track and trace and revenue collection solutions outside the government market, the pharmaceutical industry being an example.

Cash Processing Solutions market overview

Cash processing is an essential aspect of the currency lifecycle to authenticate the cash in circulation and ensure its integrity. There is also a market requirement within banknote print works for end of line inspection and processing of newly printed banknotes.

With the increasing volumes of cash in circulation, both central and commercial banks are under pressure to provide efficient, secure cash processing solutions. Using sophisticated vault software and hardware solutions, much of the process can be automated while also providing the data and controls needed to minimise cost and ensure the quality and integrity of the notes processed.

The ongoing support and maintenance of installed cash processing systems is another market requirement. As well as supplying advanced cash sorting machines, market leading vault management software, and single note inspection systems, De La Rue has a global network of engineers.

The cash processing industry is a mature market with a number of suppliers providing a variety of different products to manage and control the handling of cash.

Our business model

Our sophisticated products and services help our customers to keep their economies and populations secure.

We are a business built on the fundamentals of a rich heritage and a powerful brand and reputation which engender longstanding customer relationships. We also have leading market positions, design skills and capabilities, and expertise in achieving operational efficiencies.

These strengths, together with our integrated portfolio of products providing complementary security and authentication products and services, enable us to meet the needs of our customers as they seek to secure currencies, protect identities, revenues and brands, and fight counterfeiting and illicit trade.

We continuously drive innovation through our physical product offering as well as our expertise in providing end-to-end solutions. By focusing on customer needs in our key markets and delivering quality products efficiently and at optimum cost we will create value for our shareholders.

How we create value

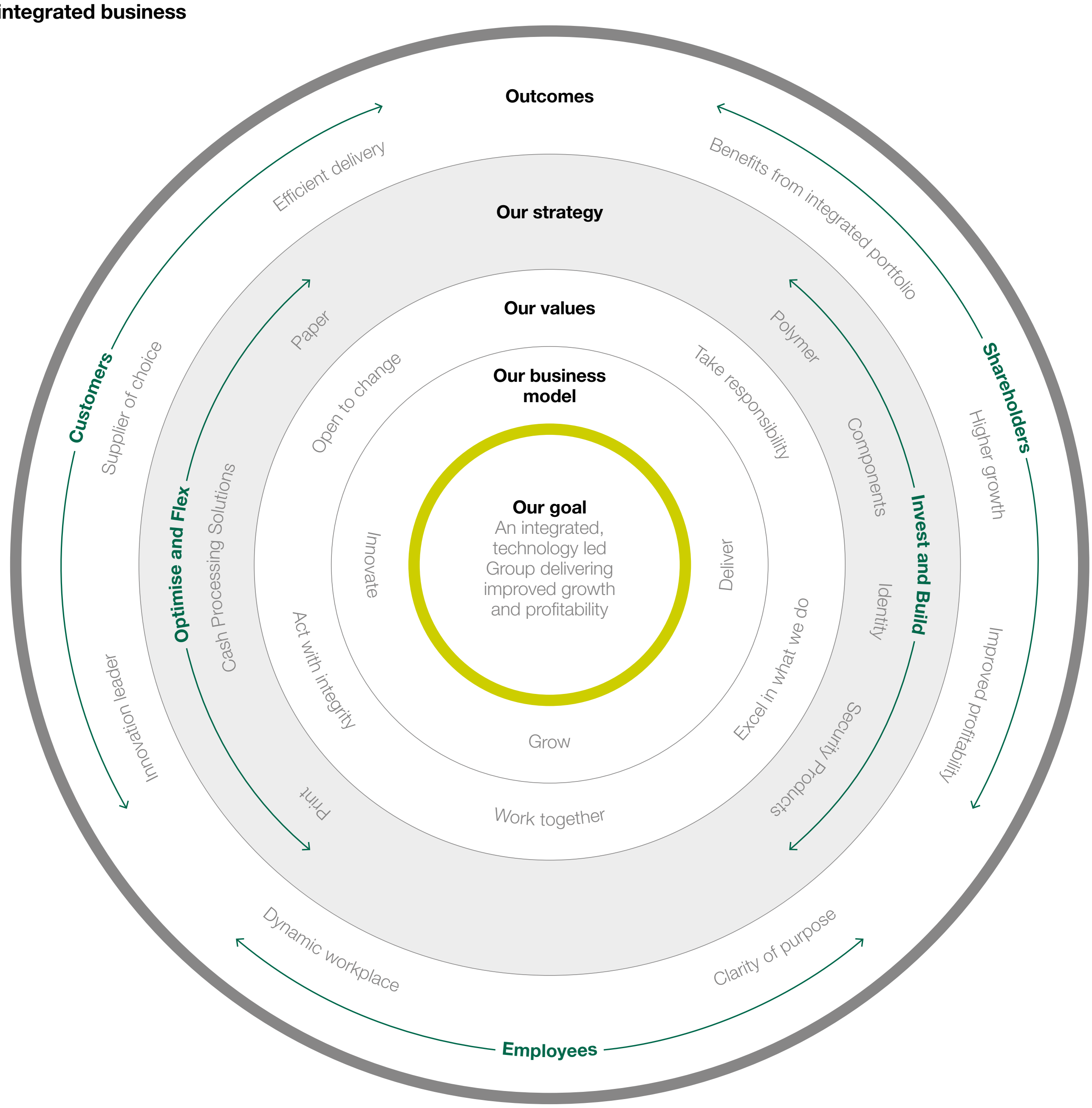
Our strategy

Our goal is for De La Rue to be positioned as an integrated, technology led Group delivering improved growth and profitability.

We have a clear strategic roadmap which will enable us to optimise and flex our print, cash processing and paper products and services while investing and building in the exciting higher growth areas of polymer, components, citizen identity management and product authentication.

For further information about our strategy, see the Chief Executive's review on pages 11 and 12.

An integrated business



Innovate. Deliver. Grow.
Delivering award winning designs

The Central Bank of Trinidad and Tobago's stunning new commemorative $50 banknote, designed and produced by De La Rue on Safeguard®, our polymer substrate, in close collaboration with the Central Bank, won the prestigious International Banknote Society Bank Note of the Year Award 2014. With striking images of hibiscus flowers, a native bird and carnival dancer, the new note is a fitting reflection of the beauty and vibrancy of Trinidad and Tobago. De La Rue's banknote designs have won 14 awards since 2007.

Chairman's statement

Philip Rogerson
Chairman

Group results

As previously announced the Group's results have been impacted by the difficult market environment in Currency, Identity Systems and Security Products, with revenues falling to £472.1m (2013/14: £513.3m) and underlying operating profit (before exceptional items) down at £69.5m (2013/14: £89.3m). Underlying profit before tax was £57.7m (2013/14: £77.3m) and consequently, underlying earnings per share decreased to 45.3p (2013/14: 60.7p). Net exceptional charges, before tax, in the period totalled £18.8m (2013/14: £17.5m) predominantly relating to the invocation of guarantees along with further costs in respect of site relocation, restructuring and asset impairments (more fully described in note 3). As a result profit before tax was £38.9m (2013/14: £59.8m).

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £85.6m (2013/14: £99.1m). This represents a cash conversion ratio of 123 per cent (2013/14: 111 per cent). Net debt at 28 March 2015 was however, up £21.1m at £111.0m (2013/14: £89.9m).

Dividend

In light of the difficult trading environment, and consistent with the reduction in the 2014/15 interim dividend, the Board is recommending a final dividend of 16.7p per share (2013/14: 28.2p per share). Together with the interim dividend paid in January 2015, this will give a total dividend for the year of 25.0p per share (2013/14: 42.3p per share). Subject to approval by shareholders, the final dividend will be paid on 3 August 2015 to shareholders on the register on 3 July 2015.

The Board is mindful of the importance of dividends to shareholders and will seek to maintain dividends at the 2014/15 level.

People

De La Rue benefits enormously from its experienced and loyal employees and the Board would like to thank everyone involved in the business for their contribution and hard work.

Board changes

On 13 October 2014 Martin Sutherland joined the Company as Chief Executive and I returned to my Non-executive role and Colin Child reverted to Chief Financial Officer.

Two of our Non-executive Directors, Warren East, who has served for over eight years, and Gill Rider, who has served for nine years, have informed the Board of their intention to stand down after the Company's AGM on 23 July 2015. The Board would like to thank each of them for their significant and valuable contribution to the business, and to wish them well for the future.

Two new Non-executive Directors, Sabri Challah and Maria da Cunha will join the Board after the AGM on 23 July 2015, and we are delighted to welcome them.

Rupert Middleton, Chief Operating Officer, will also join the Board as an Executive Director after the AGM, and we are looking forward to benefiting from his great experience.

As previously announced, Colin Child, Chief Financial Officer, has informed the Board of his intention to step down from the Board after the AGM on 23 July 2015. Colin joined the Company as Chief Financial Officer in June 2010, and in the five years he has served in that role has also acted as Chief Operating Officer for two separate periods of six months. He will leave with the thanks of the Board, and the acknowledgement of his willingness to take on extra responsibilities in times of need.

Outlook

As anticipated in September 2014, the difficult market conditions have continued into the new financial year. More recently however, the weakness of the euro against sterling has given the euro zone suppliers a commercial advantage putting some further pressure on the Group's profitability.

With the completion of the recent strategic review, the Group has a clear plan to deliver growth and improved profitability in the long term. The Board is confident that the Strategic Plan can be delivered and yield benefits for shareholders, employees and customers.

Innovate. Deliver. Grow.
Investing for growth

Since the launch of Safeguard® in 2013 De La Rue has developed more than 45 polymer banknote designs, built up a wealth of knowledge and understanding of polymer design and print processes and developed polymer feature patents. Safeguard notes have been issued in seven countries already – Fiji, Mauritius, Lebanon, Cape Verde, Trinidad and Tobago, The Gambia, and most recently Scotland for Clydesdale Bank (pictured above).

Chief Executive's review

Martin Sutherland
Chief Executive Officer

The Group's results for 2014/15 reflect the challenging market conditions across all our businesses and hence are, as previously advised, below the level reported in the corresponding period. Within Currency, pricing pressures have continued which has resulted in lower margins, while in Identity Systems and Security Products, the level of new business has been lower than expected. Some mitigation of these conditions has been achieved through operational efficiencies which have realised further benefits of £7m in the period. The actions taken in Cash Processing Solutions (CPS) during the year have returned this business to underlying profitability.

At 28 March 2015, the Group's 12 month closing order book, calculated on a revised basis to include estimated call-off orders for material contracts, was £243m (2013/14 restated: £307m). Pricing in recent tenders continues to reflect the ongoing challenging market conditions.

Strategy

During the past six months we have conducted a strategic review of the Group's businesses and assessed the outlook for the next five years. The review addressed matters such as our customers' changing requirements, a pragmatic appraisal of the Group's capabilities and composition, an assessment of the markets in which the Group operates and an analysis of our competitors. The review has reconfirmed the core strengths and assets of the Group including:

- Powerful brand reputation which engenders longstanding customer relationships
- Leading market positions
- Widely recognised world leading design skills and capabilities
- A long history of product innovation
- A proven track record of delivering operational efficiencies

Having concluded this review we now have a clear Strategic Plan:

- The current integrated portfolio is beneficial and should be maintained
- A differential approach will be applied to products based on market growth opportunities
  - Where products are exposed to low growth markets – we will 'Optimise and Flex' our capabilities through operational efficiencies, cost reduction and accessing flexible capacity
  - Where products are exposed to higher growth and more profitable markets – we will 'Invest and Build' in new capabilities, technologies and resources
- Outcome
  - Higher growth, technology led business
  - Improved and less volatile profitability

The Strategic Plan has recognised and confirmed that the Group derives significant benefit from its existing integrated portfolio of products which provide complementary security and authentication products and services. However, many of our markets have changed in recent years and are expected to continue to change. Some Currency customers are changing their approach to procurement, not just in adopting a more technical process but in some cases seeking to disaggregate currency into its constituent parts, with a growing emphasis on the supply of innovative security components. Our customers in the Identity market often require end-to-end solutions not just a physical token such as a passport or ID card.

In addition to identifying attractive growth opportunities the Strategic Plan will achieve improved profitability, more effective use of capital and reduce the Group's reliance on a small number of material contracts while reducing some of the volatility of the business. The Plan has identified initiatives that will deliver these objectives including seeking to establish longer term contractual commitments from customers, partnering with third parties to provide more flexible capacity to meet surges in demand and a more integrated approach to innovation.

At its core the Strategic Plan has focused our business into product lines and grouped them into those product lines where we will 'Optimise and Flex' and those where we will 'Invest and Build'.

Optimise and Flex: Currency Print, CPS and Currency Paper

As the world's largest commercial banknote printer and a major manufacturer of banknote paper we recognise that these activities are fundamental and core to our brand and also provide the platform from which the other product lines can deliver growth. CPS cash sorting and vault management complements Currency print and shares a common customer base. However, these markets are changing and provide useful but modest growth opportunities.

Accordingly, in Currency print, CPS and Currency paper we will optimise our operations and improve profitability and cash flow through ongoing operational excellence, reducing costs and optimising our production footprint. We will explore opportunities to partner with third parties to provide extra flexibility in our capacities and thereby reduce the impact of unpredictable orders and more efficiently meet short term fluctuations in order demand.

Invest and Build: Polymer, Components, Identity and Security Products

Our market position within Currency print and paper provides us with an enviable platform from which to capture the growth opportunities within the polymer, security components, Security Products and Identity product lines.

We have made good progress since we launched Safeguard®, our polymer substrate, and now have a number of reference customers. We expect demand for polymer substrate to grow at a materially faster rate than demand for paper and as one of only two manufacturers we believe we are well placed to capture this growth.

Within components we see a growing trend from our customers to stipulate specific components in their products. Given the highly technical nature of these components this trend is causing a value shift with an increasing proportion of the total value of a finished banknote residing in the component share and a corresponding decrease in the value share for print. We have an improving pipeline of new products and we intend to increase the level of investment in innovation in this area to ensure we capture an increased share of the growing market for this high margin product line.

Chief Executive's review continued

The Identity market continues to grow with governments increasingly concerned about the authentication of the identity of their citizens and also control over the movement of people at their borders. We are already the largest commercial supplier of passports in the world but we see good opportunities to grow our market share in this area. This growth will arise from increased demand for security features within the passport or identity card and the trend towards governments seeking complete end-to-end solutions addressing personalisation, issuance and integration with other government systems.

As governments increasingly seek software solutions to authenticate products either for tax generation or, in the case of tobacco products for health reasons, we anticipate attractive growth prospects for our authentification products. We have considerable experience of producing the physical tax stamp and increasing experience of delivering an end-to-end service with software products and services.

A common theme across all 'Invest and Build' product lines is technology and innovation. We are well placed to capture the growth opportunities and will seek to build on our position through increased investment in innovation and our people and, where appropriate, through joint ventures and partnerships.

Implementation

We have formulated comprehensive and detailed implementation plans with clearly defined milestones and responsibilities assigned to the Executive Leadership Team. We have already redesigned the organisational structure of the Group to align it with our strategic priorities and needs. In addition we have initiated a culture change programme, a reduction of the Group cost base and a review of the manufacturing footprint. These will realise substantial cost savings which will be largely reinvested in the business to drive growth.

The Group is able to implement the Plan from its existing resources.

Outcome

The successful implementation of the strategy will result in a:

- Better mix of business
- Less volatile performance
- Lower customer concentration
- Higher quality earnings

Which will deliver growth and higher profits.

Currency performance

Market conditions in both print and paper were challenging throughout the period. Through adopting a more tactical approach to both pricing and the utilisation of spare capacity we have achieved satisfactory volumes. Banknote print volumes were up 5 per cent at 6.5bn notes (2013/14: 6.2bn), while paper volumes at 9,400 tonnes were marginally down reflecting the continuing overcapacity and high level of competition in the banknote paper market. The operational excellence, process improvement and asset care programmes have been maintained and the benefits have partially mitigated the impact of lower pricing.

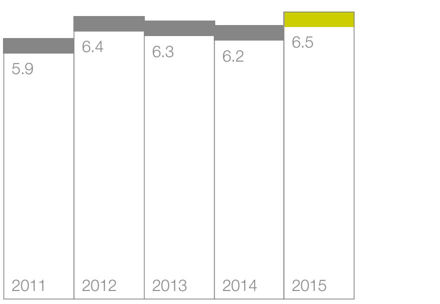
Revenue decreased by 7 per cent to £317.9m (2013/14: £342.7m) largely caused by lower average print and paper prices, reflecting the challenging Currency market conditions and the continuing overcapacity in the paper market partly mitigated by increased revenues from sales of security components. Operating profit* reduced to £50.5m (2013/14: £61.0m) as a result of the lower revenues, partly offset by further operational efficiencies and an improved margin on security components reflecting increased volumes and improved contractual arrangements.

Safeguard, De La Rue's polymer substrate, is now in circulation in seven countries with a number of successful machine trials with state print works and other commercial banknote printers completed during the period. We continue to be encouraged by the progress made since the launch of Safeguard and have a good pipeline of further opportunities.

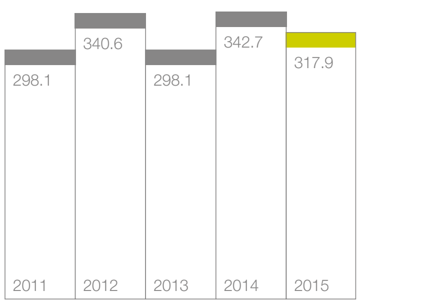
At the period end the 12 month order book, calculated on a revised basis to include estimated call-off orders for material contracts, was £150m (2013/14 restated: £197m) This reflects volatility in short term market demand and a stance of seeking to maintain margins and avoid uneconomic volumes.

During the period, we were delighted to have been successful in winning the new 10 year Bank of England print contract. De La Rue has been printing sterling banknotes for this important and prestigious customer since 2003. The new contract commenced on 1 April 2015.

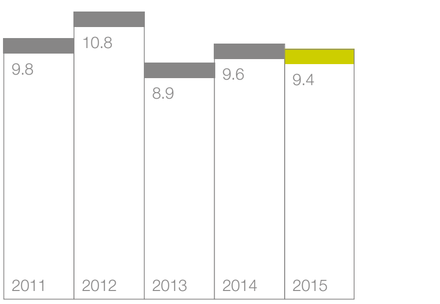
Banknote print volume
Billion notes



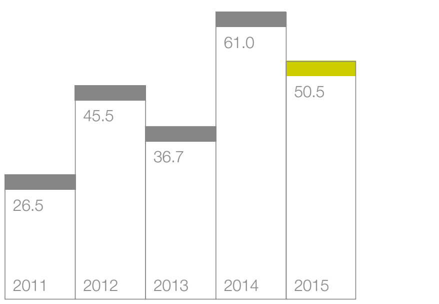
Currency revenue
£m



Banknote paper volume
'000 tonnes



Currency underlying operating profit
£m



Identity Systems performance

Identity Systems operating profit* fell to £11.1m (2013/14: £21.9m) reflecting lower than expected tenders for new contracts in the International business and also, as previously announced, the corresponding period benefited from a larger than normal number of contract completions.

The trend towards ePassports from machine readable passports has been slower than expected. In addition a number of tenders for prospective orders have not been issued as early as originally anticipated. As authentication of individual identity and border security is a major concern for governments around the world, we will continue to focus on higher value, longer term ePassport and ID schemes and the development of our digital and service offering.

The UK Passport contract continues to perform well and successfully met all performance measures in a period of unusually high demand. During the period, the milestone of issuing the 20 millionth passport under this contract, which commenced in October 2010, was achieved.

Security Products performance

Operating profit* decreased to £7.5m (2013/14: £10.6m) caused by lower volume call-offs on a number of mature market products. During the period, in addition to ongoing cost reduction initiatives, we further rationalised our manufacturing footprint with the closure of our Dulles facility, with its operations relocating into other existing sites.

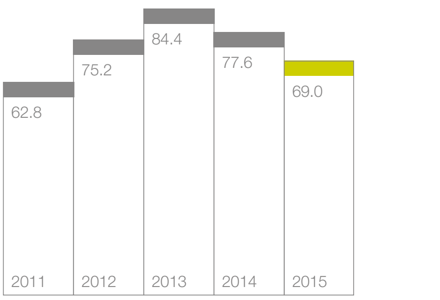
The rate of adoption of new tax stamp schemes during the period has been disappointing. This has meant that contracts for tax stamps have not mitigated the expected declines in some of the other more mature product lines.

Cash Processing Solutions performance

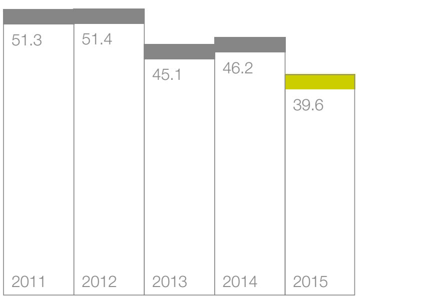
As a result of the completion during the period of the restructuring programme, notwithstanding reduced large sorter and machine upgrades, CPS has moved back into an underlying profitable position reporting an operating profit* of £0.4m (2013/14: operating loss £4.2m).

*References to operating profit/loss refer to underlying operating profit/loss

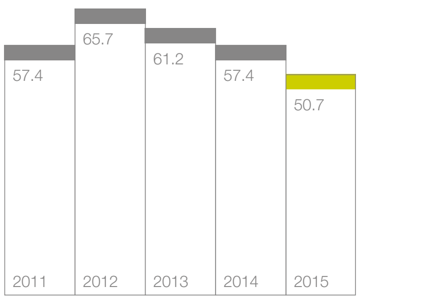
Identity Systems revenue
£m



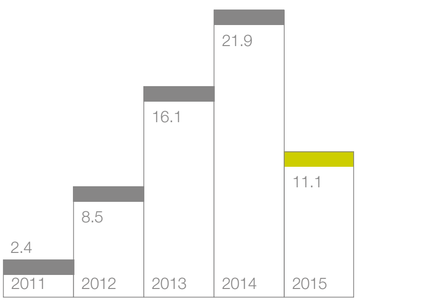
Security Products revenue
£m



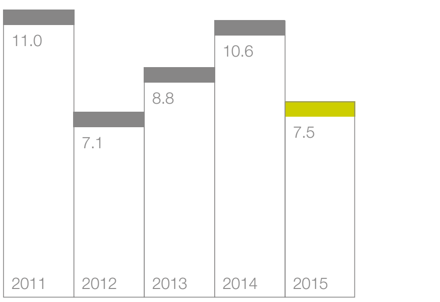
Cash Processing Solutions revenue
£m



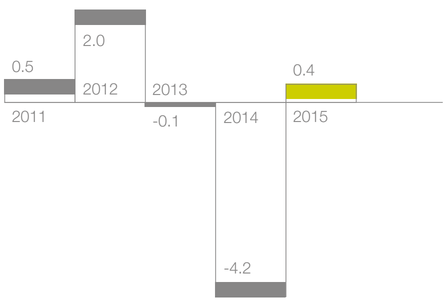
Identity Systems underlying operating profit
£m



Security Products underlying operating profit
£m



Cash Processing Solutions underlying operating profit
£m



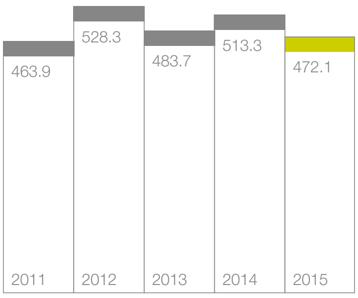
Innovate. Deliver. Grow.
Developing end-to-end solutions

During the period six new products were launched. There is a good and growing pipeline of innovation, with nine new products scheduled to launch in 2015/16.

DLR Identify™, our next generation web-based citizen identity management software solution, will be launched in June 2015. It provides the functionality needed to underpin all eGovernment and eCitizen applications as well as border and document control solutions. Also recently launched were a number of patented new technologies and physical innovations including Continuous Bio-Data Page™ – a revolutionary new passport book construction technique, and SHIELD Embossed™, an innovative thin film holographic patch (as shown above).

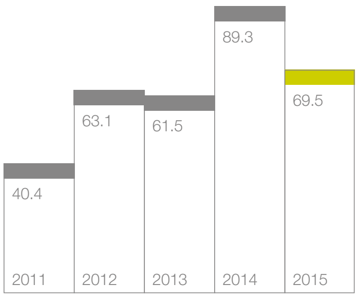
Key performance indicators

Revenue
£m



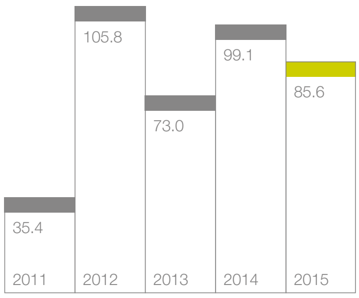
Monitoring of revenues provides a measure of business growth and provides a clear measure of year on year trends.

Underlying operating profit*
£m



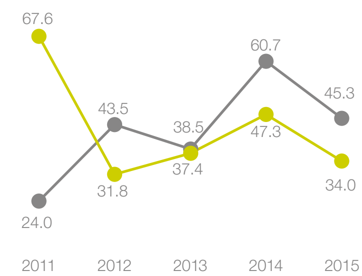
This is the key financial performance indicator used across the Group, giving insight into sales growth, performance efficiency and cost management.

Underlying cash flow*
£m



The Board monitors cash flow to ensure that profitability is converted into cash generation, both for future investment and as a reward for shareholders. The Group measures cash flow as underlying operating profit plus depreciation and after the movement on working capital.

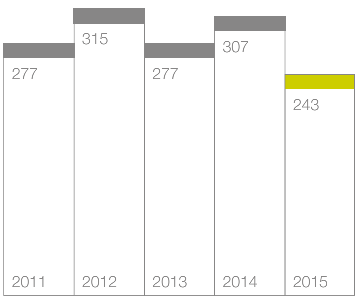
Earnings per share*
Pence
Basic earnings per share
Underlying earnings per share



The aim of our strategy is to maximise shareholder returns over the long term.

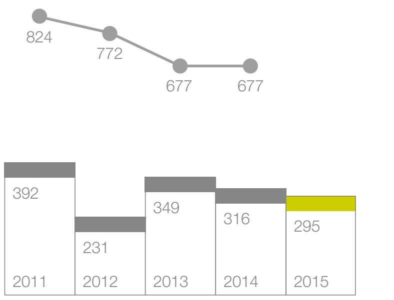
The underlying earnings per share, before exceptional items, is considered useful to readers of the accounts as it gives an indication of underlying business performance.

Group year end 12 month order book
£m



The order book provides an indicator of future business. The KPI records the sales value of orders on hand for delivery in the 12 months following the reporting date. These figures include committed orders and regular call-off orders on material contracts.

Annualised reportable injury rate
per 100,000 employees
UK manufacturing industry average
(Source: Health and Safety Executive, May 2014)



We are committed to reinforcing our strong safety culture as we regard safety performance as a lead indicator of the health of our business. The safety of our employees is core to everything we do.

*2011-2012 comparatives have not been adjusted for the impact of IAS 19

Innovate. Deliver. Grow.
Working with customers to deliver wider economic benefits

The De La Rue Scholarship programme in the Caribbean was started in 2002 in Jamaica as a collaboration between De La Rue, the Central Bank and the University of the West Indies. Since then, using the same model, the programme has been expanded to Trinidad and Tobago, the Eastern Caribbean and Barbados. Initially scholarships were for economics and finance but in 2014 this was extended to include actuarial sciences. There are now 38 De La Rue scholars from across the Caribbean region, all members of the newly formed Association of De La Rue Scholars, launched in January 2015.

Financial review

Colin Child
Chief Financial Officer

Introduction

Challenging market conditions across the business have impacted the Group's results for 2014/15 and therefore are, as previously announced, lower than the corresponding period.

Pricing pressures have continued within Currency resulting in lower margins, while in Identity Systems and Security Products, the level of new business has been lower than anticipated. Some mitigation of these conditions has been achieved through further operational efficiencies which have realised additional benefits of £7m in the period. The actions taken in CPS during the year have returned this business to underlying profitability.

At 28 March 2015, the Group's 12 month closing order book, calculated on a revised basis to include estimated call off orders for material contracts, was £243m (2013/14 restated: £307m). This revised calculation gives a better indication of the underlying order book as we enter the new financial year. Pricing in recent tenders continues to reflect the ongoing challenging market conditions.

Financial results

Group revenue was down by 8 per cent to £472.1m (2013/14: £513.3m) and underlying operating profit down by 22 per cent to £69.5m (2013/14: £89.3m). Underlying profit before tax fell by 25 per cent to £57.7m (2013/14: £77.3m) and consequently, underlying earnings per share decreased by 25 per cent to 45.3p (2013/14: 60.7p).

Net exceptional charges, before tax, in the period totalled £18.8m (2013/14: £17.5m) predominantly relating to the invocation of guarantees along with further costs in respect of site relocation, restructuring and asset impairments (more fully described below).

Profit before tax was £38.9m (2013/14: £59.8m).

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £85.6m (2013/14: £99.1m). This represents a cash conversion ratio of 123 per cent (2013/14: 111 per cent). Net debt at 28 March 2015 was however, up £21.1m at £111.0m (2013/14: £89.9m).

Dividend

The Board is recommending a final dividend of 16.7p per share (2013/14: 28.2p per share). Together with the interim dividend paid in January 2015, this will give a total dividend for the year of 25.0p per share (2013/14: 42.3p per share). Subject to approval by shareholders, the final dividend will be paid on 3 August 2015 to shareholders on the register on 3 July 2015. The proposed total dividend for the year is covered 1.8 times.

The Board is mindful of the importance of dividends to shareholders and will seek to maintain dividends at the 2014/15 level.

Finance charge

The Group's net interest charge was £4.8m (2013/14: £4.7m) reflecting an increase in the average level of net debt during the period. The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was £7.0m (2013/14: £7.3m).

Key financial summary

	2015	2014	Change
Revenue	**£472.1m**	£513.3m	(8%)
Underlying operating profit[1]	**£69.5m**	£89.3m	(22%)
Reported operating profit	**£50.7m**	£71.8m	(29%)
Underlying profit before tax[1]	**£57.7m**	£77.3m	(25%)
Reported profit before tax	**£38.9m**	£59.8m	(35%)
Underlying earnings per share[2]	**45.3p**	60.7p	(25%)
Basic earnings per share	**34.0p**	47.3p	(28%)
Underlying operating cash flow[3]	**£85.6m**	£99.1m	
Cash conversion[4]	**123%**	111%	
Net debt	**£111.0m**	£89.9m	
Dividends per share[5]	**25.0p**	42.3p	

1 Before net exceptional charges of £18.8m (2013/14: £17.5m)

2 Before net exceptional charges per note 1 and exceptional tax credits of £7.3m (2013/14: £4.2m)

3 Underlying operating profit £69.5m (2013/14: £89.3m) adjusted for depreciation £24.8m (2013/14: £28.3m) and the movement in working capital -£8.7m (2013/14: -£18.5m)

4 Underlying operating cash flow divided by underlying operating profit

5 Includes proposed final dividend

Financial review continued

Exceptional items

During the period exceptional items, summarised below, totalling £18.8m net, have been charged (2013/14: £17.5m net).

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.

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.

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 the prior year, the following additional exceptional items were incurred; £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 respect of the 2015/16 financial year, an exceptional gain of c£9m will be recognised on the disposal of surplus land (see note 27).

Cash flow and borrowings

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £85.6m (2013/14: £99.1m). This represents a cash conversion ratio (underlying operating cash flow divided by underlying operating profit) of 123 per cent (2013/14: 111 per cent).

Net debt increased by £21.1m to £111.0m (2013/14: £89.9m) mainly reflecting the reduced operating cash flow, continued capital expenditure, special pension contributions in line with the agreed deficit funding arrangement and dividend payments.

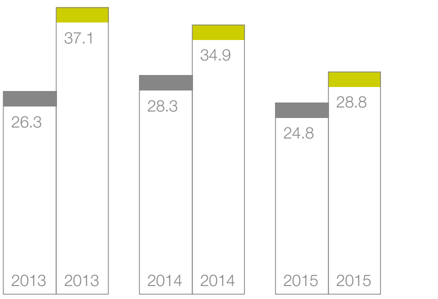
To provide finance for future growth and investment the Group has increased its revolving credit facility by £50m to £250m and extended the term by three years to December 2019, the financial covenants remain unchanged. The covenants require that the ratio of EBIT to net interest payable be greater than 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.

Capital structure

At 28 March 2015 the Group had net liabilities of £146.9m (29 March 2014: £70.4m), reflecting the recognition of the long term retirement benefit obligations of £236.7m.

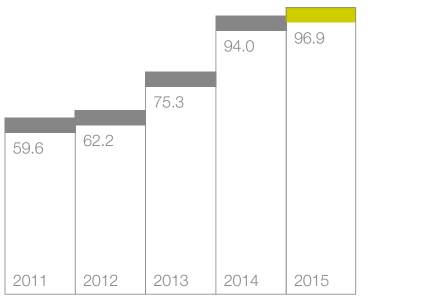
The Company had shareholders' funds of £199.6m (2013/14: £235.5m) and had 101.1m fully paid ordinary shares in issue (2013/14: 100.7m) at the period end.

Capital expenditure relative to depreciation
£m
● Capital expenditure
● Depreciation

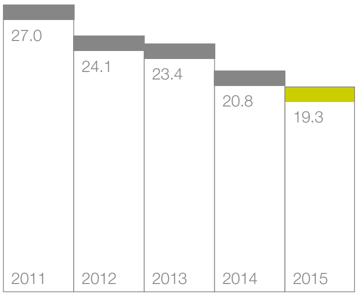


Group trade working capital
£m

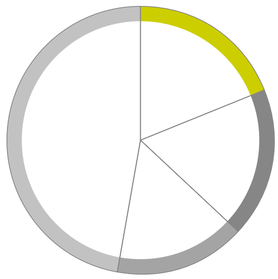
Trade working capital comprises inventory plus trade receivables less trade payables and advance payments



Underlying effective tax rate before exceptional items
Percentage



Geographic revenue by destination
UK 19%
Rest of Europe 18%
Americas 16%
Rest of world 47%



Taxation

The net tax charge for the year was £3.8m (2013/14: £11.9m). The effective tax rate, before exceptional items, was 19.3 per cent (2013/14: 20.8 per cent), predominantly reflecting the reduction in the UK statutory tax rates.

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.

Principal exchange rates used in translating the Group's results

	2014/15 Average	2015 Year end
US dollar	**1.61**	**1.49**
Euro	**1.28**	**1.37**

	2013/14 Average	2014 Year end
US dollar	1.59	1.66
Euro	1.19	1.21

The weakness in the euro has continued into the new financial year and is giving euro zone suppliers some commercial advantage.

Pension deficit and funding

During 2014/15, special funding payments of £18.6m (including scheme administration fees) were made to the Group's UK defined benefit pension scheme (closed to new members in 2010 and future accrual from April 2013). The Group's latest formal (triennial) funding valuation of the UK defined benefit pension scheme took place on 5 April 2012 and identified that the scheme had a deficit of £180m. A new valuation as at 5 April 2015 has commenced. The Group has agreed, with the scheme Trustees and the Pensions Regulator, deficit funding payments to the scheme of £18.2m in 2015/16, rising by 4 per cent per annum. The special funding arrangements, agreed in 2012, remain unchanged and are aimed to eliminate the deficit by 2022.

Recognition of the current deficit in accordance with IFRS results in the negative net assets shown on the Group balance sheet.

The valuation of the pension scheme under IAS 19 principles indicates a pre-tax scheme deficit at 28 March 2015 of £236.7m (29 March 2014: £168.0m). The increase of £68.7m is largely a reflection of the significant decrease in the discount rate used to project the value of the scheme liabilities (3.2 per cent in 2014/15 compared with 4.5 per cent in the prior year). The increase has been partly mitigated by a reduction in the RPI inflation rate, returns on scheme assets and Group funding contributions.

In common with other final salary schemes, the scheme valuation is very sensitive to any movement in the discount rate, with a 0.25 per cent increase in discount rate resulting in a £56m decrease in liabilities or vice versa, and hence the deficit would reduce should interest and discount rates increase in the future.

The charge to operating profit in respect of the UK defined benefit pension scheme for 2014/15 was £1.1m (2013/14: £1.2m). In addition, under IAS 19 there was a finance charge of £7.0m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (2013/14: £7.3m).

Analysis of the Group's assets/(liabilities) and related cash/(debt) by currency

	2015 Group assets/ (liabilities) £m	2015 Group cash/ (debt) £m	Net assets/ (liabilities)* £m	2014 Net assets/ (liabilities)* £m
Sterling	**(85.9)**	**(93.4)**	**(179.3)**	(133.3)
US dollar	**11.3**	**(26.8)**	**(15.5)**	3.5
Euro	**37.0**	**(0.4)**	**36.6**	40.3
All other	**(4.0)**	**9.6**	**5.6**	14.0
	(41.6)	**(111.0)**	**(152.6)**	(75.5)

*Excluding non-controlling interest

Innovate. Deliver. Grow.
Developing our people

At De La Rue, we recognise that building great leaders and managers who set the direction and tone, create a climate for great performance and inspire their people is critical to delivering long term success and sustainable change. That is why our recent focus has been to work with each of our senior leaders on an individual basis to create specific development plans tailored to their needs. Longer term, as part of a global development platform, we will deliver all leadership and management training across the business with best in class and versatile learning solutions.

Risk and risk management

How we manage risk

While collective responsibility and engagement across the entire business are required for the effective management of risk, the Board has overall responsibility for risk management.

The Risk Committee, comprising members of De La Rue's Executive Leadership Team, supports the Board and is accountable for identifying, mitigating and managing risk. Further details of this Committee can be found on page 38.

A formal risk identification process takes place to evaluate and manage the significant risks faced by the Group in accordance with the requirements of the UK Corporate Governance Code.

The Group risk register identifies the risks faced by the business, their potential impact and likelihood of occurrence and the key controls and management processes established to mitigate these risks. Each of the Group's business units and central functions also maintains a risk register.

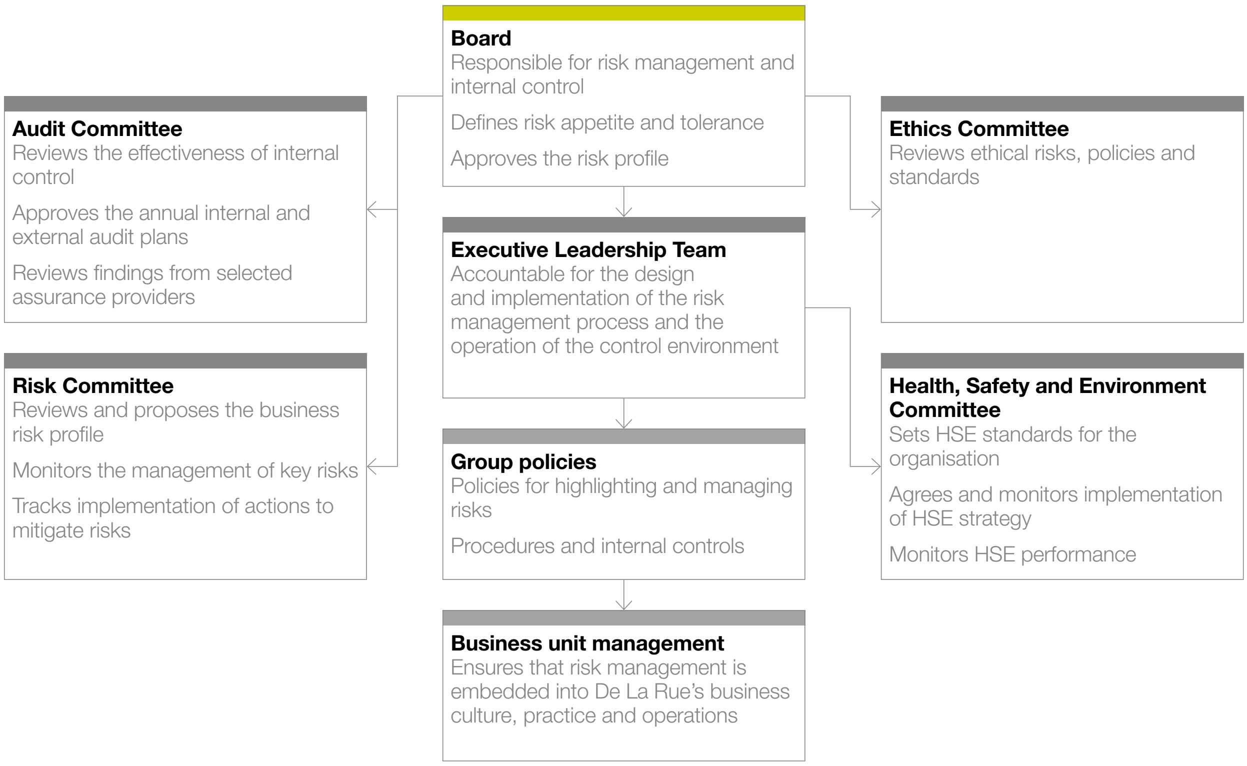
The Risk Committee meets twice each year to review the management of risk arising out of the Group's activities and to monitor the status of key risks and the actions in place to address these risks at Group and business unit level.

Management is responsible for implementing and maintaining controls which are designed to mitigate the risks to which the business is exposed. Controls by their nature are designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. See page 35 for further information regarding internal controls.

Principal risks and uncertainties

The following pages set out the principal risks and uncertainties facing the Group. These are not listed in any order of materiality. There may be, in addition, other risks which are currently believed to be immaterial which could become material to the Group. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results. Due to the very nature of risk, mitigating factors stated cannot be viewed as assurance that the actions taken or planned will be wholly effective.

De La Rue's risk management framework



Risk and risk management continued

Principal risks and uncertainties

Risk	Exposure	Impact	Mitigation
Strategic risks			
Failure to maintain competitive and technologically advanced products and services	The Group operates in competitive markets and our products and services are characterised by continually evolving industry standards and changing technology, driven by the demands of our customers	Failure to maintain technical innovation and intellectual property may result in loss of market share and lower margins	We maintain sustained levels of investment in research and development to ensure a pipeline of ideas generation Our product roadmaps, which are developed by our marketing functions, ensure that our innovation delivers to customers' needs We centralise our materials science expertise at our Technology Centre in Overton and our software science team in Gateshead. These teams deliver through defined technology management processes, which include regular pipeline and portfolio reviews We continue to invest in new technologies to enable us to advance our R&D capabilities
Strategy and organisational change execution	In order to ensure that De La Rue remains positioned for continued success and growth, there were changes to the Executive Leadership Team, a strategy review and the commencement of an organisational redesign in 2014/15	There is the potential for any change initiative to fail to deliver anticipated benefits due to implementation failure	A new Executive Leadership Team is in place, and their introduction to the business is assisted by an induction and development programme. Both the new strategy and organisational design to support the strategy execution have been concluded and are now being implemented Detailed execution plans have been produced with clearly defined accountability and responsibility for measurement by the Executive Leadership Team and the senior leadership teams Effective Group wide communication and updates keep employees informed of progress
Financial risks			
The timing and size of substantial contract awards can be uneven and unpredictable	Political and other factors can delay government procurement decisions for sensitive products like banknotes and passports	The timing and size of contract awards can be uncertain and delays in awards may result in volatility in the order book and our operating performance	Close and regular contact is maintained with customers so that any changes in timing and requirements are recognised promptly The Group monitors its sales activity, order pipeline and forward order book in order to ensure that our production planning is optimised to deliver on time and in full to our customers Any delays in order confirmation are monitored on a weekly basis to ensure that the supply chain remains flexible and is able to accommodate required production planning changes
Failure to win or renew a material contract	While the Group operates globally and has a diversified geographic, product and customer profile, it relies heavily on a small number of medium and longer term material contracts	Failure to win or renew a key contract could restrict growth opportunities and/or have a material impact on the Group's financial performance and reputation	Our track record of delivering product innovation and our commitment to quality, when combined with a commercial approach to tendering, places us in a good position to win or renew strategic or significant contract opportunities. Securing the new Bank of England contract for 2015 to 2025 attests to the strength of our approach The business is focused on retaining its key contracts as and when they fall due for renewal and on winning new opportunities as they arise
Operational risks			
Financial loss and/or damage to reputation as a result of failing to deliver product to the customers either on time or to specification	Each of our contracts requires a unique product to be specified and delivered. Some of these contracts demand a high degree of technical specification. On a contract by contract basis we will be required to deliver to exacting quality standards	A shortfall in quality management may expose us to additional cost to remake and/or to warranty costs in the event of the need to remake	The Group has an established quality management system operating across all of our production sites. Our major sites are all certified to ISO9001 quality management standards In 2013, an operational excellence programme was introduced to further drive continuous improvement across our manufacturing sites. This programme continues to drive enhancements to the operation of our quality management system
Supplier failure	The Group has close trading relationships with a number of key suppliers	Loss or failure of a key supplier, the inability to source critical materials or poor supplier performance in terms of quality or delivery could disrupt the Group's supply and ability to deliver on time and in full	Our exposure is reduced by the fact that the Group can source many of its components from within the De La Rue supply chain Where external supply is required, either at the request of the customer or where the Group does not have the required manufacturing capability, the Group has established procedures for identifying possible risks for each supplier. Key suppliers are managed through a supplier relationship management programme that includes checks on their financial strength, ability to deliver to our quality standards and security and business continuity arrangements. Key suppliers are audited on a rotational basis As a contingency, alternative suppliers are pre-qualified wherever possible and where necessary we retain higher levels of stocks
Product security	Loss of product or high security components from a manufacturing site could occur as a result of negligence or theft. Loss of product while in transit, particularly during transhipment, through the failure of freight companies or through the loss of an aircraft or vessel as a result of an accident or natural disaster, is also possible	There is the potential for reputational and financial damage in the event of the loss of product or high security components. Under contracts with its customers, the Group may be liable for those losses	Robust physical security and materials control procedures at production sites reduce the risk of an inadvertent loss or theft during manufacturing. Movements of security materials between Group sites and onward delivery to customers are conducted applying stringent operational procedures, using carefully selected carriers and suitably screened personnel. All movements are risk managed and monitored globally on a 24/7 basis. The Group maintains a comprehensive global insurance programme

Principal risks and uncertainties continued

Risk	Exposure	Impact	Mitigation
Operational risks continued			
Health, safety or environmental failure	All of De La Rue's activities are subject to extensive internal health, safety and environmental (HSE) procedures, processes and controls. Nevertheless, there is a risk that failure of process could result in a serious incident	Failure of HSE management process could lead to a serious injury or an environmental breach	The Group operates a robust HSE management system which is internally audited and certified to the OHSAS18001 and ISO14001 standards in all major facilities All of De La Rue's activities are subject to extensive internal HSE procedures, processes and controls The Group HSE Committee regularly reviews HSE performance which is also monitored monthly by the supply chain leadership and reported to the Board monthly Each manufacturing facility has clear HSE action plans which are prioritised, monitored and subject to review by local senior management to ensure that health and safety standards are maintained
Loss of a key site	There are a number of manufacturing sites across the business which are exposed to business interruption risks	The total loss of any one of these key sites could have a major financial impact, particularly where the site forms a single source of supply for the business	De La Rue is accredited to ISO22301:2012 Business Continuity standard for its Head Office and Debden banknote production operations The business has a high degree of interoperability between sites for banknote production and security printing. We aim to minimise risk by adopting the highest standards of risk engineering in our production processes In recognition of increasing customer requirements regarding business continuity standards, we continue to enhance our business continuity resilience in line with the ISO standard across all of our major facilities
Legal / regulatory risks			
Breach of legal and regulatory requirements	It is possible that employees or overseas representatives of De La Rue acting either individually or in collusion with others could act in contravention of the Group's stringent requirements in relation to bribery and corruption, anti-competitive behaviours and management of third party partners (TPPs)	Major reputational and financial damage to the business	De La Rue is accredited to the Banknote Ethics Initiative. This accreditation provides governments and central banks with assurance in respect of maintenance of high ethical standards and business practices The ethical tone of the business is articulated in the Code of Business Principles which is supported by underlying policies. These are regularly reviewed and enforced robustly. Non-compliances are dealt with through disciplinary procedures where necessary Particular focus is given to ongoing awareness raising and training on anti-bribery and corruption and competition law. Our policies and processes are independently audited The Group has a process for the appointment, management and remuneration of TPPs which operates independently of the sales function. The behaviours of TPPs are strictly monitored and the TPP process is overseen by the General Counsel and Company Secretary who reports directly to the Board on these matters The Group's whistleblowing policy and procedure forms an integral part of the compliance framework
Information risks			
Information security risk	The confidentiality and integrity of our customer, employee and business data could be affected by factors that include human error, ineffective design or operation of key data security controls or through breakdown of IT control processes	Any compromise of the confidentiality of information could impact our reputation with current and potential customers	The Group maintains accreditation to the ISO27001 Information Security standard in respect of its corporate information systems A strict control environment exists to enforce disciplined information security practices and behaviours. There are a number of key technical controls in place to manage this risk including network segregation, access restrictions, system monitoring, security reviews and vulnerability assessments of infrastructure and applications The Group keeps all aspects of information security arrangements under regular review and employees undertake mandatory information security e-learning
Systems and IT disaster recovery	Given the nature of the business there is a reliance on availability of key IT systems and applications. The business operates a complex system and application portfolio	System or application failure could lead to production issues or disruption of service to customers, resulting in financial penalties and damage to reputation	Our data centres are resilient and secure. Disaster recovery plans are in place to assist in prompt recovery from any significant system outages The top 75 applications, as highlighted in the business impact analysis assessments, have near full resilience between our primary and secondary data centres. These applications benefit from a 30 minute Recovery Time Objective and a one hour Recovery Point Objective. All disaster recovery processes are fully tested annually All data centres benefit from physical security controls and highly sensitive information and systems are segregated and are hosted in physical caged environments, only accessible to security cleared personnel. All data centre facilities are subject to annual physical and logical security audits

Responsible business

Our approach
Responsible business practice not only creates wider benefits for society but also contributes to our commercial success. De La Rue's commitment to doing business responsibly is evidenced by the attainment of various internationally recognised accreditations such as ISO standards, which we work hard to achieve and maintain, but also in the way we conduct our day to day relationships with customers, suppliers, communities, investors and employees based on ethical values and behaviours. Doing business responsibly helps us earn trust and attract and retain talent.

Accountability
The Board is responsible for assessing the impact of corporate responsibility issues on the Group and setting appropriate policies and the Chief Executive Officer is the Board member with designated responsibility. The Executive Leadership Team, the Risk Committee, and the Health, Safety and Environment Committee support the Chief Executive. The HSE Committee's responsibilities include monitoring HSE activities around the Group, identifying areas for improvement and making recommendations on strategy. The Ethics Committee, made up entirely of Non-executive Directors, is responsible for monitoring and advising the Board on ethical matters. For further information see pages 36 to 37.

Ethics
De La Rue was one of the first companies to be accredited as a member of the Banknote Ethics Initiative (BnEI) in February 2014 and this important achievement has been maintained. The aim of BnEI is to promote ethical business practice, with a focus on the prevention of corruption and on compliance with anti-trust law in the industry. The independent nature of the accreditation provides customers with assurance in respect of the ethical standards they are looking for from their suppliers. De La Rue's BnEI accreditation covers the whole Group, not just our banknote business.

BnEI
Banknote Ethics Initiative

All employees and business partners are required to follow our Code of Business Principles when they are representing De La Rue. Training on the Code is an integral part of our employee induction process and third party partners all receive training on the Code and the standards of ethical behaviour expected by De La Rue.

A steering group of senior employees meets regularly to look at ways to ensure that the principles are embedded in everything we do and is also a central point of advice and support for our network of site based ethics champions. The ethics champion initiative helps us understand and respond to the needs of each site in a focused and effective way and ensure that they have local support and representation for Code of Business Principles related matters. In May 2014 a training conference was attended by all ethics champions and regular conference calls are scheduled to highlight issues and provide a forum for discussion.

Our whistleblowing policy and procedures are reviewed annually by the Audit Committee. They enable employees who have concerns about the application of the Code of Business Principles or business practices within the Group to raise them either internally or anonymously through the De La Rue CodeLine, a telephone and email helpline operated by an independent third party. The Board and Ethics Committee receive details about any issue raised and how it has been followed up.

Our people
Communication
A global internal communications programme with a dedicated resource was introduced during the year and means we have been able to improve significantly employee communications across the Group.

To complement existing internal communications channels, our Chief Executive Officer writes a blog to share his impressions of the business, and employees are invited to post comments. This is available in a printed format for employees who do not have access to a computer. A dedicated email address also means employees are able to communicate directly with the Chief Executive Officer. We also hold regular global business update calls, which are open to all employees, and the Executive Leadership Team hold their monthly meetings at sites to get closer to the business and our people.

We recognise the importance of sharing and celebrating success around the business and one of the ways we do this is via regularly updated news stories on our intranet.

A comprehensive internal communications campaign, using a variety of channels, is underway to ensure that all employees understand the part they will play in execution of our new strategy and are motivated to work together to achieve our strategic goals.

On a localised level there continues to be regular interaction across each functional area and at every site, ranging from daily informal walkabouts to monthly site team briefs. Company management meet regularly with elected representatives of our European and UK National Employee Forums to enable a regular communications channel between our people and senior leadership.

Equality and diversity
Our policy is to treat all employees fairly and equally in recruitment, training, development, promotion and in terms and conditions of employment irrespective of their sex, transgender status, sexual orientation, religion or belief, marital status, civil partnership status, age, colour, nationality, national origin, ethnic origin, disability or trade union membership or affiliation. If an employee becomes disabled when in the Group's employment, full support is given through the provision of special training, equipment or other resources to facilitate continued employment wherever possible.

Every manager and employee has a responsibility to ensure that our equal opportunities policy is implemented.

To the extent permitted by relevant local laws, the Group collects certain data on staff diversity.

Gender diversity

Employees by gender (as at 28 March 2015)		
Male	2,915	(73%)
Female	1,072	(27%)
Total	**3,987**	

Senior managers by gender (as at 28 March 2015)		
Male	60	(83%)
Female	12	(17%)
Total	**72**	

Directors by gender (as at 28 March 2015)		
Male	5	(71%)
Female	2	(29%)
Total	**7**	

For further information about Board diversity, see page 37.

Engagement and development

Recognising the importance of really understanding our people to get the best from them is key to a successful future. Our 'Your say' employee engagement survey was most recently conducted across all sites in local languages in October 2014. The survey achieved an excellent overall response rate of 83 per cent (compared with 70 per cent in 2012), with 71 per cent of our people stating that they would recommend De La Rue as a great place to work. The survey results identified areas for improvement and team workshops have focused on these and developed action plans.

Alongside the employee survey we have engaged with the employer review platform Glassdoor where existing, past and potential employees can post their views on what it is like to work at De La Rue. We monitor all reviews which are fed back to our Executive Leadership Team so we can capture what we do well and not so well.

As part of our focus on learning and development we have recently launched a global training platform, our Centre for Learning, to facilitate all De La Rue training, talent and leadership development. Our aim is to develop consistent, best in class learning experiences for everyone at De La Rue. We are initially focusing on our senior leaders, to ensure they are equipped to manage their teams through the restructuring and the new strategic goals, with a wider programme scheduled for later in the year.

Our values of working together, acting with integrity, excelling in what we do, taking responsibility and being open to change are now being embedded across the business through various initiatives: as well as being an integral part of the personal development review process they are also used as a measure across many sites as part of reward and recognition schemes.

Health and safety

We have a responsibility to safeguard the health and safety of all stakeholders affected by our operations and keeping employees safe and secure when they are at work and travelling on business is a priority.

To enhance existing health and safety training we have launched a Hostile Environment Awareness training programme for travellers who regularly visit high risk areas. A mandatory online 'Travelsafe' training module for all employees who travel regularly for business will launch in July 2015.

We also hold a regular health and safety conference which brings together representatives from our sites all over the world to discuss key issues and share best practice.

In 2014 De La Rue received a Merit award in the UK's Royal Society for the Prevention of Accidents annual Occupational Health and Safety Awards and our Sri Lanka site won the manufacturing section of the National Occupational Safety and Health Excellence Award.

All of our main manufacturing sites have maintained OHSAS18001 certification for their health and safety management systems, following audit by accredited providers.

During the year no De La Rue operation was prosecuted for infringing any health and safety laws or regulations. However, we had one small administrative fee to pay in Malta following a machinery accident that occurred in February 2013. We were not cited or prosecuted following this accident.

The Executive Leadership Team and the Board receive confirmation that all sites comply with Group health, safety and environmental policies and any applicable legislation through external and internal audits on their management systems. Sites are measured against any corrective actions identified and these reports are used to develop effective continuous improvement programmes. The HSE standards and audit protocols were updated this year and aligned with the stepped approach used in the operational excellence programme.

De La Rue works with its main suppliers and contractors to ensure their health and safety processes are robust. Our focus on machinery safety continues, with many improvements completed this year. All new machinery purchased is checked by an independent machinery safety consultancy to verify compliance with the latest UK/EU machinery safety requirements.

We have continued to invest in and improve our fire risk management with several sites upgrading their fire alarm and suppression systems. We had two minor fires this year at one site both of which were controlled well by our procedures and suppression systems.

We achieved all of our health and safety objectives for 2014/15. We reduced our overall number of reportable accidents and lost time days due to accidental injuries and increased our near miss reporting by 18 per cent which we view as a positive trend. With continuing organisational changes we have successfully maintained our positive safety culture and excellent internal reporting processes and continue to engage employees in our safety training programmes. We delivered over 2,000 man-days of HSE related training this year across the Group. We will continue to set robust health and safety objectives and targets and verify our compliance/good practice programmes through our internal audit programme.

Our health and safety objectives for 2015/16 are:

- To move to using a Lost Time Injury Frequency Rate (LTIFR) per 200,000 worked hours metric
- To continue to reduce at work injuries and achieve a LTIFR per 200,000 worked hours of 0.55 or lower
- To continue to demonstrate manufacturing site improvements within our internal HSE audit levels programme
- To ensure that all older equipment is independently assessed for safety and upgraded or replaced as appropriate over a three to five year period
- To obtain OHSAS18001 certification at head office with a view to bringing all manufacturing sites under a group accreditation within two years

Human rights

De La Rue fully supports the principles set out in the UN Universal Declaration of Human Rights, in particular with regard to equal opportunity and freedom from discrimination, fair working conditions, freedom of association and collective bargaining and the prohibition of forced and child labour. Our Code of Business Principles covers human rights issues including whistleblowing, employment principles, health and safety, and protecting personal information. These principles are underpinned by specific global Group policies and other relevant local workplace policies which the business is required to follow.

Responsible business continued

Our relationships

Third party partners

All applications for the appointment or renewal of third party partners are managed by a central team which reports directly to the General Counsel and Company Secretary. The process is subject to audit and external verification. All third party partners are subject to appropriate due diligence and receive training covering anti-bribery and corruption, competition law and third party partner policy.

Customers

We have invested in software to enable the creation of bespoke market surveys and have used these to collect meaningful information from both existing and prospective customers about the marketplace as well as about De La Rue's products and services.

We attend relevant industry conferences to maximise personal contact with our customers. Regional conferences and user group meetings are held on a regular basis and we run an annual 'Advanced Banknote Manager' course which is available to our central bank and state print work customers.

Suppliers

De La Rue applies consistent procurement policies and processes to ensure accountability and sustainable value for money while minimising risk and enabling the Group to fulfil its legal and financial obligations. De La Rue expects its suppliers to share the Group's commitment to best practice standards in HSE matters. Suppliers are also required to meet defined quality, product security and business continuity standards.

Suppliers are obliged to abide by the Group's Code of Business Principles and the United Nations Convention on the Rights of the Child and International Labour Organisation Conventions 138 and 182. As part of our ongoing procurement programme we will continue to monitor our key cotton comber and linter suppliers.

De La Rue subscribes to the policies in the UK Government's Prompt Payment Code. We undertake to pay suppliers on time, give them clear guidance on payment procedures, and encourage good practice amongst our lead suppliers.

Community

Our sites continue to support local charities.

In the UK, at our head office, activities included employability workshops and interactive demonstrations for local students as well as fundraising for a local hospice. In Malta employees got together to donate blood and also took part in the President's fun run. Other sites held bake sales, swapped rival football shirts, took part in ice bucket challenges, climbed mountains, cycled, drummed and ran multiple marathons as well as donating food and bedding for a local homeless charity.

The Group operates a Give As You Earn scheme in the UK which enables employees to make regular donations to charity from their pre-tax monthly salary. Donations are matched by De La Rue up to £500 per employee per annum.

The De La Rue Charitable Trust continues to match funds raised by employees for charitable causes and also distributes funds to appropriate causes.

Environment

The Group continues to measure greenhouse gas (GHG) emissions arising from all of the activities for which it is responsible worldwide. In response to new mandatory reporting requirements the Group has undertaken a thorough review of its data collection and reporting programme with support from independent specialist consultants Carbon Clear.

Using an operational control approach the Group has collected activity data and reported on all material GHG emissions including scopes 1 and 2 and a range of scope 3. The validity and completeness of the data were checked both internally and by Carbon Clear, with the internally assured data being used to calculate the GHG emissions for the Group. KPMG LLP previously reviewed the process used for collecting and analysing the data.

The calculations performed follow the ISO 14064-1:2006 standard and the results presented in the table on page 27 give absolute and intensity factors for Group emissions. The Group uses renewable energy and exports electricity to the grid at one of its sites. These practices have been quantified and accounted for against the Group's gross GHG emissions to show a net reduction.

The emissions intensity, which is reported relative to Group revenue is 222 net tCO_2e per £m revenue (2013/14: 209 net tCO_2e per £m), an increase of 6.2 per cent mainly reflecting the 8 per cent drop in revenue.

In real energy terms the natural gas consumption kWh usage was up 2 per cent, primarily affected by production demand at the Overton site. On electricity consumption there has been a decrease of 6.6 per cent, of which 1.7 per cent is related to site closures and 4.9 per cent is a reduction in consumption from all active sites.

Water used per gross tonne of banknote paper produced is dependent on product mix and volume and also reflects complexity of specifications and security features. Water usage in absolute terms decreased by 8.8 per cent compared with the prior year, partly reflecting the slightly reduced production volumes and more efficient production runs. Due to the ongoing increased complexity of paper specifications the levels of water recycling remained low. The water used per gross tonne of banknote paper produced was down 6.5 per cent. Overton mill is one of De La Rue's major installations. Its sole water resource is groundwater, which is abstracted and then cleaned and recycled into the River Test, within 500 metres of the point of abstraction. At least 95 per cent of water abstracted is recycled. The river is classified as a Site of Special Scientific Interest protected by UK conservation regulations. We share the keen interest shown by varied stakeholders in ensuring that the water quality and quantity are optimised for good ecology, and so follow best practice regarding our use, treatment and release of freshwater. Our water treatment facilities meet and exceed expected quality standards as stipulated within the installation's environmental permit.

Greenhouse gas emissions year on year comparison

Type of emissions	Activity	2015 tCO_2e	2015 % of total	2014 tCO_2e	2014 % of total	% change
Direct (scope 1)	Natural gas	**38,375**	**37**	37,505	35	2
	Other fuels	**983**	**1**	1,048	1	(6)
	Process emissions	**35**	**–**	34	–	3
	Fugitive emissions	**235**	**–**	234	–	–
	Owned vehicles	**240**	**–**	75	–	221
	Subtotal	**39,868**	**38**	38,896	36	2
Indirect (scope 2)	Electricity	**37,532**	**35**	40,177	37	(7)
	Subtotal	**37,532**	**35**	40,177	37	(7)
Indirect other (scope 3)	Rail travel	**2**	**–**	2	–	–
	Air travel	**5,307**	**5**	8,803	8	(40)
	Non-owned vehicles	**500**	**–**	271	–	85
	Water	**1,900**	**2**	1,956	2	(3)
	WTT all scopes[1]	**20,826**	**20**	18,402	17	13
	Subtotal	**28,535**	**27**	29,434	27	(3)
Total gross emissions (tCO_2e)		**105,935**		108,507		(2)
Renewable electricity (tCO_2e)		**(8)**		(19)		(58)
Electricity exported to grid (tCO_2e)		**(1,164)**		(891)		31
Total net emissions (tCO_2e)		**104,763**		107,597		(3)

Intensity metric

	2015	2014	% change
Total gross emissions (tCO_2e)	**105,935**	108,507	(2)
Total net emissions (tCO_2e)	**104,763**	107,597	(3)
Revenue (£m)	**472**	513	(8)
Tonnes of gross CO_2e per £m	**224**	211	6
Tonnes of net CO_2e per £m	**222**	209	6

1 Standard 'well to tank' carbon calculation

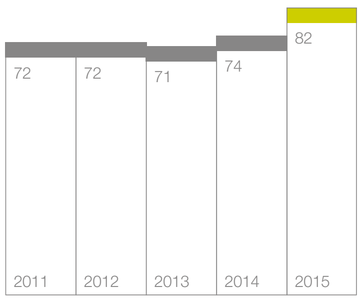
Examples of environmental achievements during 2014/15 include:

- Maintenance of ISO14001 certification that is independently externally audited for all supply chain manufacturing sites with only a few minor non-conformances, all of which were promptly rectified
- Reduction in our solid waste going to landfill sites by 10 per cent over the three year period (>3 per cent p.a.)
- A reduced carbon footprint and improved utilisation of energy at some sites resulted in a saving of over 1,600 tCO_2e in Scope 1 and 2 emissions during the year
- Projects to reduce energy use such as the installation of a gas boiler optimised burner and trialling an innovative steam recovery electricity generating unit at our Bathford site, and the installation of LED lighting throughout our Gateshead facility

Environmental objectives for 2015/16 are to:

- Progress our ISO14001 certification alignment for all manufacturing sites so that they are all covered by one central certificate and audit process
- Reduce our greenhouse gas emissions in tCO_2e related to output by 3 per cent per annum over a three year period ending 2017/18
- Achieve EU Energy Savings Opportunity Scheme (ESOS) compliance in the UK and Malta by December 2015
- Reduce solid waste sent to landfill by 2 per cent per annum over a three year period ending 2017/18
- Install centralised, energy efficient compressed air and vacuum plant at our Gateshead site
- Upgrade our combined heat and power control system panels to improve efficiency of our plant at Overton mill
- Improve energy utilisation through increased LED lighting, replacement of machinery and upgrade of lagging

Recycled and recovered solid waste as a percentage of solid waste
Percentage



Directors and Secretary

Philip Rogerson
Chairman 2, 3, 4

Philip was appointed to the Board on 1 March 2012, becoming Non-executive Chairman on 26 July 2012. He assumed executive responsibilities on an interim basis following the departure of the Chief Executive Officer on 29 March 2014 until the appointment of Martin Sutherland on 13 October 2014. Philip is Chairman of both the Nomination Committee and the Ethics Committee.
He is currently chairman of Bunzl plc and was formerly chairman of Aggreko plc and Carillion plc. He was an executive director of BG plc (formerly British Gas plc) from 1992 to 1998, latterly as deputy chairman. He is Chairman of the Advisory Board of the North and East London Commissioning Support Unit (NELCSU) of the NHS.

Martin Sutherland
Chief Executive Officer 3, 5

Martin was appointed to the Board and as Chief Executive Officer on 13 October 2014. Martin joined from BAE Systems Applied Intelligence, where he was Managing Director since its acquisition by BAE Systems in 2008. At BAE Systems Applied Intelligence (formerly Detica), Martin was responsible for the strategic expansion of the business internationally through both organic growth and a number of acquisitions. Prior to joining Detica in 1996, Martin worked for Andersen Consulting (now Accenture) and British Telecom.

Colin Child
Chief Financial Officer 5

Colin was appointed to the Board as Group Finance Director on 1 June 2010. He was appointed as Chief Operating Officer on an interim basis following the departure of the Chief Executive Officer on 29 March 2014 until the appointment of Martin Sutherland on 13 October 2014. Colin was previously group finance director at DTZ Holdings plc, and prior to that he held roles as group finance director at Stanley Leisure plc, Fitness First Plc and National Express Group PLC. He was a non-executive director of The Rank Group Plc until 18 March 2014. He is a chartered accountant. Colin will step down from the Board at the conclusion of the 2015 AGM.

[1] Member of the Audit Committee
[2] Member of the Ethics Committee
[3] Member of the Nomination Committee
[4] Member of the Remuneration Committee
[5] Member of the Risk Committee

Warren East CBE
Non-executive [1, 2, 3, 4]

Warren was appointed to the Board on 9 January 2007 and on 25 July 2013 was appointed Senior Independent Director. Warren has been Chairman of the Audit Committee since 1 April 2009. Warren was chief executive officer of ARM Holdings plc until 1 July 2013. He is a non-executive director and chairman of the science and technology committee of Rolls-Royce Holdings plc and will become its new chief executive from 3 July 2015. Warren is also a non-executive director of BT Group plc, until he steps down with effect from 31 May 2015, Micron Technology Inc and Dyson Limited. He will step down from the Board at the conclusion of the 2015 AGM.

Victoria Jarman
Non-executive [1, 2, 3, 4]

Victoria was appointed to the Board on 22 April 2010. Victoria started her career in 1995 with KPMG, before moving to Lazard Corporate Finance in 1998 where she was chief operating officer of Lazard's London and Middle East operations and a member of its European management committee. She has worked closely with the boards of major FTSE companies and businesses advising them on a variety of strategic options. She is a chartered accountant, a non-executive director and chairman of the audit committee of Hays plc and a non-executive director and chairman of the audit committee of Equiniti Group Limited. Victoria will succeed Warren East as Chairman of the Audit Committee at the conclusion of the 2015 AGM.

Gill Rider CB
Non-executive [1, 2, 3, 4]

Gill was appointed to the Board on 22 June 2006 and since 26 July 2007 has been the Chairman of the Remuneration Committee. Gill worked for Accenture for 27 years, and was a global executive committee member from 1999 to 2006. Gill spent five years, until May 2011, as Director General in the UK Government's Cabinet Office and as Head of the Civil Service Capability Group. She is president of the Chartered Institute of Personnel and Development, chair of the University of Southampton Council, a non executive director and chairman of the sustainability committee of Pennon Group plc and a non-executive director and Chairman of the remuneration committee of Charles Taylor Consulting plc. She will step down from the Board at the conclusion of the 2015 AGM.

Andrew Stevens
Non-executive [1, 2, 3, 4]

Andrew was appointed to the Board on 2 January 2013. Andrew has extensive international experience in the technology and engineering sectors, having spent over thirty years operating across the globe, including in North America, Europe, the Middle East and Asia. He was a director of Cobham plc between 2003 and 2012, where he held a range of positions, becoming chief executive in 2010 until stepping down from that role in June 2012. Before that he held senior positions in Rolls Royce, Messier Dowty International and Spirent plc. Andrew is a non-executive director of CAE Inc and Hèroux-Devtek Inc and non-executive chairman of AIM-Aviation Holdings Limited and non-executive director of AIM Holdings Cooperatief U.A. He will succeed Warren East as the Senior Independent Director at the conclusion of the 2015 AGM.

Edward Peppiatt
General Counsel and Company Secretary [5]

Edward was appointed as General Counsel of De La Rue plc on 1 March 2009 and as Company Secretary with effect from 1 April 2009. He is Chairman of the Risk Committee. Edward was previously general counsel and corporate secretary of Christian Salvesen PLC and before that practised as a corporate lawyer in the City.

Corporate governance report

Philip Rogerson
Chairman

Chairman's introduction to the corporate governance report

Dear Shareholder,

De La Rue's corporate governance framework is designed to facilitate and ensure that high standards of corporate governance are maintained to safeguard shareholders' interests and sustain the success of the Group over the longer term. In order to achieve this, the Company is committed to high standards of corporate governance. In September 2012 the Financial Reporting Council published the 2012 edition of the UK Corporate Governance Code (the Code) a copy of which is available at www.frc.org.uk The Code contains broad principles together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. The corporate governance report describes how these principles have been applied by the Group during the period ended 28 March 2015. The Financial Reporting Council published a revised edition of the Code in September 2014 which will apply to the Company for the period ending 26 March 2016. The Company has sought to reflect the revisions to the Code in its practices and will aim to comply with the revised Code in 2015. However all references to the Code in this report relate to the 2012 edition of the Code.

The Group's corporate governance procedures, which are approved by the Board, define the matters reserved to the Board, the terms of reference of various Committees of the Board and the functions delegated to these Committees. The corporate governance policies are reviewed and amended to reflect changes to legislation and good practice. Revisions were last made in March 2015.

During the period to 28 March 2015, as detailed below and in the risk and risk management report and directors' remuneration report on pages 21 to 23 and 42 to 63 respectively, the Company complied fully with the requirements of the Code save in respect of the separation of the roles of the Chairman and Chief Executive Officer from 29 March 2014 to 13 October 2014 when I assumed executive responsibilities pending the appointment of a new Chief Executive Officer.

Strong ethical standards and behaviours, supported by good governance, are fundamental to a healthy company and corporate governance will continue to be the driving force by which the Group is run. We aim to ensure that our values are at the heart of everything we do and they are helping to shape the culture, character and beliefs of our business. For more information on our values see page 25. This will enable the Board to achieve its objectives while complying with the required standards of accountability and probity, through a combination of comprehensive internal policies, rigorous processes and controls, strong leadership and measures designed to create a culture in which high standards of ethics and integrity are instinctive.

Philip Rogerson
Chairman
27 May 2015

Governance principle: leadership

The Board is collectively accountable to the Company's shareholders for good corporate governance and all Directors are responsible for complying with their legal and fiduciary obligations. The Board believes that good corporate governance is not just a matter of compliance: it should contribute to the Group's performance by making sure we have a clear strategic direction, manage our risks to the right level and keep the business under control. The Directors' biographical details are on pages 28 and 29 and demonstrate the skills and experience of the Board. The diverse range of experience offered by the Chairman and the Non-executive Directors means that they are well qualified to scrutinise performance, assess the Group's risk management and control processes, provide constructive challenge and to support the Executive Directors.

The core objectives of the Board are:

- Delivering value to shareholders and other stakeholders
- Maintaining the Group's reputation for integrity as the Company's foundation of its relationship with stakeholders, shareholders, customers, staff and suppliers
- Building long term success through innovation, quality and sound management

Under the Board's leadership, the Group has put in place a comprehensive management structure together with clearly defined policies, procedures and limits of delegated authority. Our governance framework is summarised in the diagram below.

Board composition and responsibilities

Members of the Board as at 28 March 2015 and their roles and Committee memberships are on pages 28 to 29.

As at the date of this report the Board comprises four independent Non-executive Directors, the Chairman and two Executive Directors. The Board has concluded that its composition throughout the year was appropriately balanced and remains so.

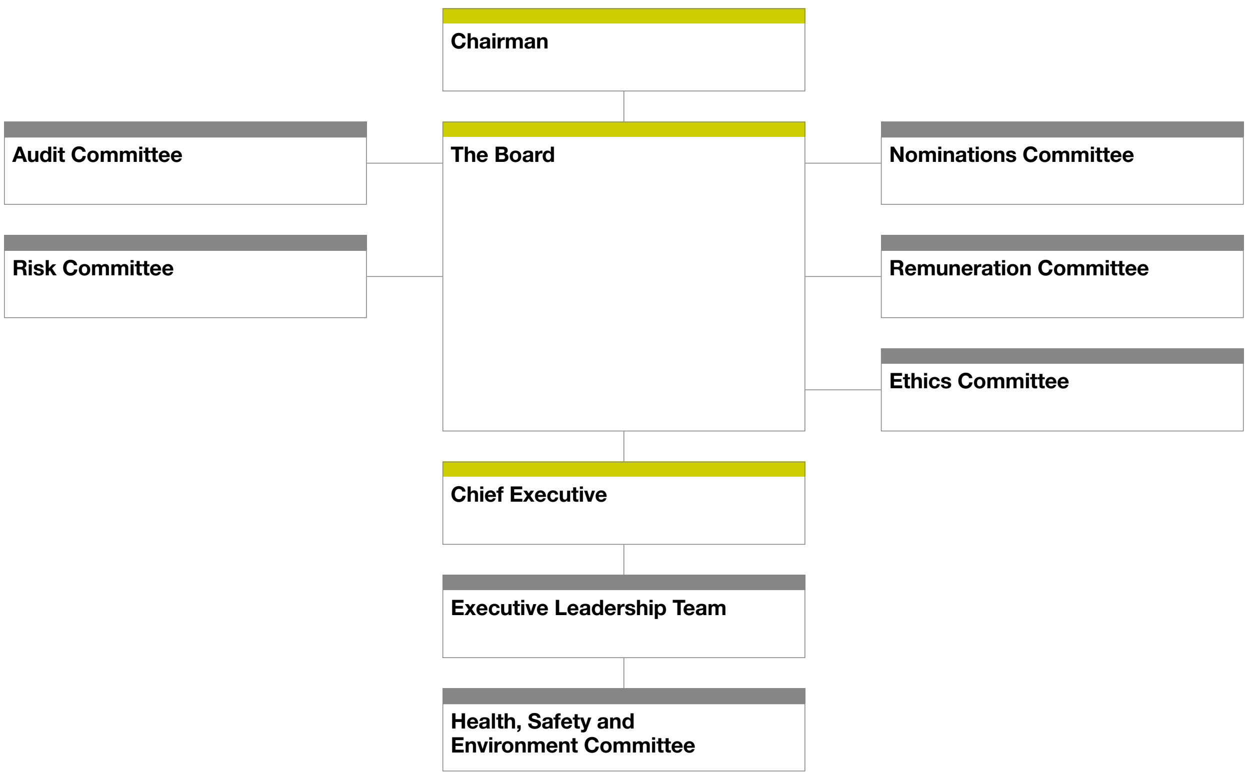
To ensure Directors maintain overall control over strategic, financial and operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision. During the year the Board held nine meetings. Details of attendance at Board and Committee meetings can be found on page 33. There was a clear division between the management of the Board and the Executive Directors' responsibility for managing the Group's business. However, no individual or small group can dominate decision making.

Key roles

The Chairman is primarily responsible for the working and leadership of the Board and ensuring its effectiveness in all aspects of its role while the Chief Executive Officer is responsible for the leadership and the operational and performance management of the Group within the strategy approved by the Board. The Chairman provides continuity, experience and governance to the Board process. In particular the Chairman will act in such a way as to ensure that:

- The Board takes balanced and objective decisions in the performance of its agreed role and functions
- The Board sets a strategy for the future of the business and recruits and retains the people it needs to implement that strategy
- High standards of corporate governance and probity throughout the Group are established and maintained
- Shareholders are kept properly informed on all important matters

De La Rue's corporate governance framework



Corporate governance report continued

Matters considered by the Board in 2014/15 included:

- Appointment of Chief Executive Officer
- Health and safety performance
- Presentations on the business units' performance and strategy
- Group strategy update
- Full and half year financial statements
- Forecasts and budgets
- Refinancing facility
- Major capital projects
- Regulatory announcements
- Annual report and accounts
- Dividends
- Monthly Executive Directors' reports
- Security
- Group insurance renewal programme
- Review of governance policies and procedures
- Delegation of authorities
- Succession planning
- Leadership and management capability
- Results of the employee engagement survey
- Board effectiveness
- Investor feedback
- Review of conflicts of interests

The Chief Executive Officer is responsible for running the business and implementing Board strategy and policy. In particular the Chief Executive Officer has operational responsibility to:

- Maintain a senior leadership team with the appropriate knowledge, experience, skills, attitude and motivation to manage the Group's day to day activities
- Exercise personal leadership and develop, on an ongoing basis, a management style which encourages excellent and open working relationships at all levels within the Group
- Ensure, through the Chief Financial Officer, the implementation, control and coordination of the Group's financial and funding policies approved by the Board
- Ensure that the Group has in place appropriate risk management and control mechanisms
- Set the operating plans and budgets required to deliver the agreed strategy
- Implement and review health, safety and environment policy and, supported by the Executive Leadership Team, oversee improvements and performance

To ensure the Group has a sustainable business going forward and remains competitive and aligned more closely with customers, the Chief Executive Officer identified three key organisational priorities needed for the future success of the Group. The new organisation will focus on strengthening our product offering and innovation, driving top line growth and optimising delivery and profit. The Executive Leadership Team was restructured with three newly created functional roles: Chief Technology Officer, Chief Commercial Officer and Chief Operating Officer to ensure focus on these priorities.

Warren East is the Senior Independent Director, until he steps down from the Board on 23 July 2015 when Andrew Stevens will become the Senior Independent Director. Shareholders may contact the Senior Independent Director if they consider that their concerns are not being addressed through normal channels.

The roles and responsibilities of other Directors are also clearly defined. The Executive Directors and the other members of the Executive Leadership Team operate within clearly defined limits of authority delegated by the Board.

Board changes

Philip Rogerson assumed executive responsibilities on 29 March 2014 on an interim basis until Martin Sutherland was appointed Chief Executive Officer on 13 October 2014.

Colin Child, Chief Financial Officer, was appointed Chief Operating Officer on an interim basis on 29 March 2014 until Martin Sutherland joined the Group. During the year, Colin Child informed the Board that he intends to stand down from the Board at the conclusion of the Company's AGM on 23 July 2015.

As indicated above, following his appointment as chief executive of Rolls-Royce Holdings plc from 3 July 2015, Warren East will step down from the Board at the AGM on 23 July 2015. Andrew Stevens will succeed Warren East as Senior Independent Director and Victoria Jarman will succeed Warren East as Chairman of the Audit Committee.

Gill Rider will also stand down from the Board at the conclusion of the AGM.

Two new Non-executive Directors, Sabri Challah and Maria da Cunha will join the Board after the AGM on 23 July 2015. Sabri Challah will succeed Gill Rider as Chairman of the Remuneration Committee.

Rupert Middleton, Chief Operating Officer, will join the Board as an Executive Director after the AGM on 23 July 2015.

The Non-executive Directors hold letters of appointment which will be displayed at the AGM, together with the Executive Directors' service agreements and Directors' indemnification agreements.

Role and operation of the Board

The Board has a programme of meetings during the year and also meets on an ad hoc basis as required. The Board's core procedures are set out in the terms of reference for the Board, its Committees and Directors and include the control of risk.

To ensure Directors maintain overall control over strategic, financial and compliance issues, the Board has reserved certain matters to itself, generally being those items which affect the shape and risk profile of the Group. These matters are reviewed regularly by the Board. Full details are set out on the Group's website. Key aspects of the Board's role include:

- Determining the responsibilities of Directors, in particular those of the Chairman and Chief Executive Officer
- Reviewing the effectiveness of internal control processes
- Approving the final and interim financial statements
- Approving, in conjunction with the Audit Committee, the recommendation of dividends
- Approving appointments to, and removals from, the Board and the terms of reference and membership of Board Committees
- Approving the Group's strategy and annual budget
- Setting authority levels, financial and treasury policies and any material acquisition or disposal

Subject to the provisions of relevant statutes, the Company's articles of association and any directions given by special resolution, the Directors may exercise all the powers of the Company.

Role and independence of Non-executive Directors

The Board conducts a rigorous review of the independence of the Non-executive Directors every year, based on the criteria in the Code. The Board concluded that all the Non-executive Directors remained independent in character and judgement as at 28 March 2015.

The Non-executive Directors have an appropriate range of business, financial and international experience which is relevant to the Company's activities and which allows them to assist constructively in the development of strategy. None of the Non-executive Directors holds a material shareholding in the Company. Under the Code, Philip Rogerson ceased to be independent upon his appointment as Chairman on 26 July 2012 and he also assumed executive responsibilities from 29 March 2014 to 13 October 2014 but the Board considers that his contribution and objectivity in Board and Committee discussions were fully consistent with those of an independent director. Non-executive Directors confirm on appointment, and any re-appointment, that they are able to allocate sufficient time to enable them to discharge their duties properly. Directors who have been unable to attend Board or Committee meetings have made known their views on pertinent matters before the meeting.

Non-executive Directors are expected to participate actively in Board discussions involving the following key elements:

- Strategy: constructively challenge and contribute to the development of strategy
- Risk: ensure that the financial and other information is accurate and appropriate to enable the Non-executive Directors to fulfil their roles and that financial controls and systems of risk management are robust and defensible
- People: contribute to the development of appropriate levels of senior management (including Executive Directors) and succession planning
- Performance: review the performance of management in meeting agreed goals and objectives

Board Committees

The Board has established a number of Committees, the principal ones being Audit, Remuneration, Nomination, Ethics and Risk. Terms of reference for each Committee are available on the Group's website. The Board is satisfied that the Committees have the appropriate balance of skills, experience and independence and that they discharged their responsibilities satisfactorily. Membership of these Committees is given on the Directors' biographies on pages 28 and 29. Reports on the activities of each of the principal Committees are on pages 36 to 63. Details of key activities undertaken by the Health, Safety and Environment Committee and Risk Committee are on pages 24 and 38 respectively.

Senior management and advisers are invited to attend Board and Committee meetings where appropriate to contribute to discussions and advise members of the Board or Committee on relevant matters. The involvement of senior management additionally helps strengthen the relationship between the Board and senior management and helps to provide the Board with greater understanding of operations and strategy. The Board Committees are given Company resources upon request to enable them to undertake their duties.

Board protocol

The Board timetable ensures that the Board receives regular reports and presentations from the Executive Directors and Executive Leadership Team.

Directors receive agendas and Board papers generally seven days before each Board meeting; minutes are circulated as soon as possible after the meeting. The Board reviews progress on implementing actions arising from the Board and its Committee meetings each time it meets.

The Chairman of each of the Board Committees provides verbal reports on matters discussed by that Committee since the previous Board meeting. Matters considered by the Board during 2014/15 can be found on page 32. There is also a defined procedure for dealing with urgent matters between Board meetings.

Any Director can request additional information from management at any time. All Directors have direct access to the advice and services of the General Counsel and Company Secretary who is responsible for ensuring that Board procedures are followed. The Board decides the appointment and removal of the Company Secretary.

Details of attendance at Board and Committee meetings

The number of Board meetings and Committee meetings attended by each Director during the period was as follows:

Directors' attendance 2014/15	Board	Audit Committee	Ethics Committee	Nomination Committee	Remuneration Committee
Number of meetings held	9	5	2	2	5
Colin Child	9 (9)	–	–	–	–
Warren East	9 (9)	5 (5)	2 (2)	2 (2)	5 (5)
Victoria Jarman	9 (9)	5 (5)	2 (2)	2 (2)	4 (5)
Gill Rider	9 (9)	5 (5)	2 (2)	2 (2)	5 (5)
Philip Rogerson	9 (9)	–	2 (2)	2 (2)	4 (5)
Andrew Stevens	8 (9)	5 (5)	2 (2)	2 (2)	5 (5)
Martin Sutherland (appointed 13 October 2014)	4 (4)	–	–	–	–

Note
Figures in brackets denote the maximum number of meetings that could have been attended.

Corporate governance report continued

Governance principle: effectiveness

Board evaluation and effectiveness review

The Code requires that the Board undertakes an annual evaluation of its own performance and that of its Committees and individual Directors and for the evaluation to be undertaken by an external provider at least every three years. The performance evaluation for 2014/15 involved the use of an external independent facilitator, Linstock Limited.

The review process involved completion of online questionnaires which focused on Board composition, expertise and dynamics, Board support and process, structure, behaviours and other key issues such as strategy and succession. The review also addressed delivery of the Board's objectives and any issues identified during the previous review or which became relevant during the year. A report on the performance of the Board and each of the principal Committees was compiled by Linstock and presented to the Board and each relevant Committee as a basis for discussing and agreeing appropriate actions for the forthcoming year.

The Chairman and each Committee chairman have discussions with each Director or Committee member based on the responses. The Senior Independent Director is responsible for appraising the Chairman's performance in discussions with the Non-executive Directors and the Executive Directors in the absence of the Chairman. The Chairman holds one to one meetings with the Non-executive Directors.

Following the 2015 reviews the Board and individual Committees have concluded that the performance of the Board, its Committees and individual Directors was effective. Any areas for improvement are agreed by the Board.

Directors' terms of appointment

Executive Directors are employees who have day to day responsibilities as executives of the Group in addition to their duties as Directors. Each Executive Director enters a service contract on appointment (see page 49 for further information).

Non-executive Directors are generally independent of the Company, are not employees and do not participate in the daily business management of the Group. Non-executive Directors receive a letter of appointment setting out the conditions of their appointment. Non-executive Directors are appointed for an initial period of three years, which may be extended with the agreement of the Board.

Service contracts and letters of appointment will be available for inspection at the AGM.

Outside commitments

The Directors' biographies and other appointments appear on pages 28 and 29. The Board's policy is that the Chairman and Executive Directors should accept appointments to the boards of other companies only with the prior approval of the Board. Non-executive Directors must seek the agreement of the Chairman and confirmation by the Board before accepting additional commitments that may affect the time they devote to their role. The Board must be satisfied that these commitments do not conflict with their ability to carry out effectively their duties as Directors of the Company.

Appointments and annual election

A formal, rigorous and transparent process is followed during the selection and subsequent appointment of new Directors. All Directors are required to submit themselves for annual re-election. New Directors are subject to election by shareholders at the first opportunity after their appointment. Non-executive Directors are appointed for an initial period of three years with the expectation of one further three year term subject to satisfactory performance and annual re-election by shareholders. Terms beyond this period are considered on a case by case basis. A rigorous review is undertaken, taking account of their performance and ability to contribute to the Board in the light of their knowledge, skills, experience and diversity required, when considering a term for a Non-executive Director beyond six years.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for election and re-election at this year's AGM to be fully satisfactory and is of the opinion that they have demonstrated ongoing effectiveness and continued commitment to the role.

The Board strongly supports their election and re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

Succession planning

The Board reviews its composition at least annually, assessing the skills profile, diversity and type and number of Non-executive Directors required to enable the Board to perform effectively. The Board also reviews the Group's internal talent review process in planning Executive Director and senior management succession.

Induction and training

All new Directors receive a structured induction programme on joining the Company, for which the Chairman is responsible. This covers such matters as the strategy, operation and activities of the Group (including key financial data, and business, social and environmental risks to the Group's activities), corporate governance matters such as the role of the Board and individual Committees, and the Group's corporate governance procedures as outlined in this report. They are advised on the duties and obligations of directors of a listed company. Site visits and meetings with senior management are also arranged. Any newly appointed Director, who has not had previous experience of a listed company, is invited to attend external training covering such duties and responsibilities.

Directors are briefed, where appropriate, by the Group's external advisers and functional management on changes to legislation, regulation or market practice. Briefings from individual businesses are also received throughout the year. The Directors have the opportunity of attending appropriate training sessions.

Visits by Board members to our operating sites are also an important part of both induction and continuing education. The Board visits at least one operational site each year (Overton and Westhoughton in 2014/15). Directors are also encouraged to visit other sites and meet with staff. The General Counsel and Company Secretary, in conjunction with the Chairman, ensures that there is proper communication between the Board and its Committees and senior management and that Non-executive Directors receive appropriate information. The Chairman reviews and the General Counsel and Company Secretary facilitates induction and other professional development as required. All Directors have access to the advice and services of the Company Secretary.

Directors may take independent professional advice at the Group's expense, although no such advice was sought during the year.

Other Board matters

Conflicts of interests

Directors have a duty to avoid a direct or indirect interest which conflicts, or may conflict, with the interests of the Group unless that conflict has been authorised by the Board. Such conflict may arise by reason of a situation or a specific transaction. The Board has established a process to review at least annually and, if thought appropriate, authorise any conflict of interest and has carried out such a review during the year and authorised all Directors' situational conflicts. Any transactional conflicts are reviewed as they arise. Directors are asked to review and confirm reported conflicts of interests as part of the year end process.

Indemnity

To the extent permitted by the Companies Act 2006 and the FCA Listing Rules the Group indemnifies certain officers so that the Group may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine but any advance must be refunded if the Director or officer is subsequently convicted. The indemnities were in force during the financial period and remain in force at the date of this report. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly. The Group also maintains directors' and officers' liability insurance cover for its Directors and Officers. This cover also extends to directors of subsidiary companies.

Corporate responsibility

Information on the Group's initiatives and commitment to corporate responsibility can be found on pages 24 to 27.

Internal controls

The Company has complied with the provisions of the Code relating to internal control, which require the Board to review the effectiveness of internal controls and to have in place an ongoing system of risk management and internal control.

This system of internal control has been in place throughout the year and up to the date of approval by the Board of the annual report and accounts. The Board concluded its last review of the system of internal control in April 2015.

This review does not extend to associated companies or joint ventures where the Group does not have management control.

De La Rue's internal control

The system of internal control is built on the pillars of effective governance, control and assurance, the main elements of which are summarised in the table below:

Governance	Control	Assurance
The Board and its various sub committees	A detailed financial, operational, compliance, security, people and information security control environment	Annual control self assessment declaration process
Annual strategic planning and budgeting	Site based control environments that meet Group, customer and local legal and regulatory requirements	Assurance provision through activities of internal health, safety and environment, quality, security and business continuity teams
Group central functions: finance, human resources, company secretariat and legal, health, safety and environment, security and global information services	Operational processes governing quality management, research and development, enquiry to delivery management, health, safety and environment and security	External audit activities
Delegated levels of authority		Customer audits
A Group policy framework which contains the core polices covering finance, operational, people, legal and IS policies		ISO audits
A system of monthly financial and operational reporting		Internal audit, which is subject to the controlling direction of the Audit Committee
		A 24/7 whistleblowing hotline
		The Audit Committee assists the Board in discharging its responsibility to review the system of internal control

Corporate governance report continued

Governance principle: accountability

Financial and business reporting

The Group has a comprehensive budgeting system with an annual budget approved by the Board. Revised forecasts for the year are reported to the Board. Actual results, at both a segment and Group level, are reported monthly against budget and variances are kept under scrutiny.

The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Investor and shareholder relations

The Company places great importance on communications with and accountability to shareholders. An audited annual report and accounts is made available to shareholders either in hard copy by post or via the Group's website and the interim statement is posted on the Group's website. Other information about the Group is also available on the website including current business strategy, historical financial data and recent presentation materials.

Announcements are also regularly made by the Company through a Regulatory Information Service to the London Stock Exchange. The shareholder register is actively monitored. The Group conducts a dedicated investor relations programme with institutional investors which includes various formal events during the year, as well as a regular series of one to one and group meetings. The views of shareholders and analysts' and brokers' reports are reported to the Board and from time to time a survey of institutional shareholders' views is carried out by the Company's brokers.

The Chairman and the Senior Independent Director are available to meet key shareholders to discuss strategy, governance and other matters if they have concerns that contact through the normal channels has either failed or is deemed inappropriate.

All holders of ordinary shares are entitled to attend the AGM and receive the notice of meeting which is posted at least 20 working days before the AGM. They are also entitled to speak at general meetings of the Company, to appoint one or more proxies or, if they are corporations, corporate representatives, and to exercise voting rights. Shareholders may vote and appoint proxies electronically. Shareholders are encouraged periodically to register their email addresses so that they may benefit from immediate communication of the publication of notices of meetings and our online annual report.

At this year's AGM, voting on resolutions will be conducted on a poll, the results of which will be made available to shareholders on the Group's website. At the meeting, the Chairman will provide a trading update and unless unforeseen circumstances arise, all Chairmen of Board Committees will be present to answer questions on any matters relating to the Group's business. Shareholders also have an opportunity to meet Directors informally after the meeting.

Committees of the Board

To ensure compliance with regulatory requirements, the Board delegates certain matters to its Committees, which are required to consider these in accordance with their terms of reference.

Ethics Committee report

The Ethics Committee comprises all Non-executive Directors and is chaired by the Chairman with the Chief Executive Officer in attendance. The General Counsel and Company Secretary is Secretary to the Committee and advises on governance. The Committee is responsible, on the Board's behalf, for reviewing compliance with the Group's Code of Business Principles (CBP). De La Rue is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards across all territories in which it operates. The Committee considers ethical matters and makes recommendations to the Board on how they should be addressed in De La Rue and underlines the Group's commitment to ensuring that business ethics are a fundamental and enduring part of the Group's culture.

The main responsibilities of the Ethics Committee are to:

- Advise the Board on the development of strategy and policy on ethical matters
- Advise the Board on steps to be taken to embed a culture of integrity and honesty in all of the Group's business dealings
- Oversee the Group's policies and procedures for the identification, assessment, management and reporting of ethical risk
- Oversee the development and adoption of, and compliance with, the Group's ethical due diligence policies and procedures covering business relationships, including third party partners (TPPs) and mergers, acquisitions and major new projects
- Oversee the investigation of any material irregularities of an ethical or non-financial fraudulent nature and review subsequent findings and recommendations

The Group delivers high profile security print products and services to customers across the world, offering them security, confidence and efficiency. It is essential that the Group maintains the trust and confidence of its customers, and everyone it deals with both inside and outside the Group, by demonstrating complete integrity in the way the Group and its business partners behave.

The Group has clear core values and principles which govern how all employees and business partners must behave when competing for business and delivering services. We believe that by committing to these values, supporting the business objectives and adhering to the expected behaviours, the culture of the business and the industry itself will be strengthened and the business will be well placed to deliver its strategic objectives.

The Banknote Ethics Initiative (BnEI) sets out a rigorous framework for promoting and maintaining high ethical standards in the industry and requires members to commit to a code of Ethical Business Practice that was developed in partnership with the Institute of Business Ethics. Compliance with the code is rigorously tested through an audit framework developed in conjunction with GoodCorporation (GC), recognised worldwide as a leading company in the field of corporate responsibility assurance and business ethics. The initiative was established to promote ethical business practice, with a focus on the prevention of corruption and on compliance with anti-trust law within the banknote industry. De La Rue played a leading role in the establishment of the initiative and the BnEI Accreditation Council accredited De La Rue as a BnEI member at its first meeting in February 2014, following a detailed audit completed by independent auditors GC. In February 2015 we submitted confirmation of our ongoing commitment and an update on activities related to our BnEI accreditation, and our continuing accreditation was confirmed on this basis. An internal audit review of our progress against action points raised as part of the BnEI accreditation was undertaken during the year.

De La Rue's ethics and business integrity programme includes:

- Anti-bribery and corruption and anti-trust controls: regular audits are undertaken of the Group's anti-bribery and corruption policies and processes. Targeted training, including the launch of an online anti-trust training module took place during the year and will continue during the forthcoming year in relation to all relevant employees and TPPs
- CBP: a launch meeting for the Group's ethics champions was held during the year and this was followed up later in the year by regular conference calls to ensure that each site has local support and representation for CBP related matters. Ethics champions are supported by a Code of Business Principles steering group chaired by the General Counsel and Company Secretary
- Gifts and hospitality: in support of the CBP the Group's gifts and hospitality policy requires that all gifts, hospitality and entertainment offered, given or received above a certain value are to be recorded. The Ethics Committee periodically reviews the gifts and hospitality given or received by the Executive Directors
- Whistleblowing: since 2004, employees have been able to access a confidential reporting line to report concerns about any alleged malpractice within the Group. The provision was enhanced recently with employees now able to report concerns, anonymously where necessary, through email as well as by traditional telephone and written reporting routes. The Board and Ethics Committee receive regular updates on whistleblowing reports received and key investigations being undertaken. The Audit Committee reviews the arrangements in place annually
- Insider trading: relevant employees who have access to inside information are advised of their responsibilities under the insider dealing rules and all new employees are advised of the share dealing and market abuse policy which the Company has in place

Nomination Committee report

At the date of this report the Nomination Committee consists of four independent Non-executive Directors and the Chairman (who chairs the Committee unless the Committee is dealing with the matter of succession of the Chairman of the Company) and the Chief Executive Officer.

The Committee meets at least once a year and otherwise as necessary and makes recommendations to the Board with regard to any vacancies for Executive or Non-executive Directors or other changes to the composition of the Board that are considered necessary. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness. The Committee has the power to employ the services of such advisers as it deems necessary in order to carry out its responsibilities. The Committee also reviews the time commitment required of Non-executive Directors at least once a year. The Board as a whole approves the appointment and removal of Directors and retains appropriate executive search consultants, having prepared a job specification for the particular role to be filled.

The Committee and the Board recognise and understand the importance and benefits of gender diversity and currently have two female Non-executive Directors (29 per cent of the Board). The Board expects to maintain the number of women Directors to at least the current level, while maintaining flexibility to ensure that all appointments are made on merit, regardless of gender.

The Group's equality and diversity policy is discussed further on page 24.

The Committee met twice during the year and the principal activities of the Committee during the period included:

- Review of the composition of the Board and the range of skills and experience on the Board
- Board and management succession
- Review of Board diversity
- Non-executive Directors' periods of appointments and confirmation that all should stand for re-election at the AGM following a formal performance appraisal process
- Review of the composition of Board Committees
- Arrangements for the search and recommendation for the appointment of Martin Sutherland as Chief Executive Officer, using an external search consultancy (The Zygos Partnership) which does not have other connections with the Company
- Arrangements for the appointment of the Chief Financial Officer following Colin Child's decision to stand down from the Board at the AGM. An external search consultancy (Russell Reynolds Associates) which does not have any other connections with the Company has been retained by the Company to assess potential candidates for consideration
- Arrangements for the search and appointment of two new Non-executive Directors to replace Warren East and Gill Rider on their retirement from the Board at the forthcoming AGM. The Zygos Partnership assisted in the process

Corporate governance report continued

Remuneration Committee

Gill Rider was appointed to the Remuneration Committee in July 2006 and she has been the Committee Chairman since 26 July 2007. The Committee met on five occasions during the year. Details of the Committee and of the annual report on remuneration can be found in the directors' remuneration report on pages 42 to 63.

Risk Committee

The Directors acknowledge that they have overall responsibility for the Group's system of internal control for managing risks associated with the business and markets within which the Company operates. Further details relating to how the Directors maintain overall control over significant strategic, financial, operational and compliance issues is set out in the risk and risk management report on pages 21 to 23.

In addition, the Board has delegated to the Risk Committee the responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are managed.

Core responsibilities of the Risk Committee are to:

- Recommend the risk management policy and strategy
- Oversee development and maintenance of a Group wide risk management framework for identifying and managing risks
- Identify and review all major risks faced by the Group and ensure that appropriate controls are in place to manage those risks
- Review the Group's ability to identify and manage new types of risks
- Promote a risk management culture and control environment
- Review the effectiveness of the Group's non-financial internal control systems in the management and reporting of risks

The Committee, chaired by the General Counsel and Company Secretary, meets and reports to the Board at least twice a year. Other members of the Committee include the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Technology Officer, Chief Operating Officer, Group Director of HR, the Group Director of Risk and Internal Audit and the Group Director of Security and such other members as determined by the Board. Any Director may attend meetings. At the period end, following review by the Audit Committee of internal controls and of the processes covering these controls, the Board evaluates the results of the risk management procedures conducted by senior management.

The Committee is assisted by Group Committees, which deal with specific areas of risk, such as health, safety and environment and security.

The Committee met twice during the year.

Information included in the Directors' report

Certain additional information that fulfils the requirement of the corporate governance statement can be found in the other statutory information section on pages 64 to 66 and is incorporated into this corporate governance statement report by reference.

A copy of the corporate governance report is available on the Group's website.

By order of the Board

Edward Peppiatt
Company Secretary
27 May 2015

Audit Committee report

Warren East CBE
Chairman of the Audit Committee

I am pleased to present the report of the Audit Committee for the period ended 28 March 2015. This report describes the Committee's ongoing responsibilities and key tasks as well as its major activities over the past year.

Composition of the Audit Committee
Members of the Committee are Victoria Jarman, Gill Rider, Andrew Stevens and myself, all of whom are independent Non-executive Directors. I have been the chief executive of a listed company and therefore have strong financial experience. In addition, Victoria Jarman is a chartered accountant, is chair of the audit committees at Hays plc and Equiniti Group Limited and has relevant financial experience. The Board is satisfied that the membership of the Audit Committee meets the requirement for relevant and recent financial experience.

At my invitation, meetings are attended by the Chairman, Chief Executive, Chief Financial Officer, General Counsel and Company Secretary, Group Director of Risk and Internal Audit and the external and internal auditors. The internal and external auditors each meet the Committee without Executive Directors or employees being present.

Role
The Audit Committee provides an independent overview of the effectiveness of the internal financial control systems and financial reporting processes. Its principal responsibilities are:

- The appointment of the external auditors including the agreement of the terms of engagement at the start of each audit, the audit scope and the external audit fee
- Monitoring and reviewing the effectiveness of internal financial controls and internal control and risk management systems and the effectiveness of the internal audit function
- Reviewing the integrity of the interim and full year financial statements
- Reviewing significant financial reporting issues and judgements contained in the financial statements
- Reviewing and monitoring the external auditor's effectiveness, independence and objectivity including the nature and appropriateness of any non-audit fees
- Reviewing reports on the effectiveness of the Group's whistleblowing procedures and arrangements, details of which are set out on page 24
- Advising the Board on whether the Committee believes the annual report and accounts are fair, balanced and understandable

The terms of reference of the Audit Committee are available on the Group's website.

Activities
During the period, the Audit Committee met on five occasions and dealt with the following matters:

- Group half year results
- Group preliminary announcement and annual results
- Principal judgemental accounting matters affecting the Group based on reports from management and the external auditors
- External audit plans and reports
- Risk and assurance plans and reports including:
  - Group risk profile
  - Internal audit plan
  - Internal audit reports
  - Follow up of internal audit recommendations
  - Annual review of the system of internal controls
  - Quality and security internal assurance reviews
  - Internal control self assessment review
  - HSE legal assurance and compliance audits
- Group disclosure and whistleblowing policy
- Review of controls concerning the management of capital expenditure proposals
- Going concern
- Audit Committee effectiveness
- External auditor effectiveness, independence, re-appointment and fees

Audit Committee report continued

Significant accounting matters

The Audit Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the financial statements. In respect of the financial statements for the period ended 28 March 2015, the significant issues reviewed and how these issues were addressed are summarised below:

Revenue recognition in the Currency division

The Committee considered the Group's revenue recognition and contract accounting policies and procedures to ensure that they remained appropriate and that the Group's internal controls were operating effectively in this area. Feedback was also sought from the external auditors over the application of the revenue recognition policy including a specific review of shipments pre and post year end. Following a review of the varied sources of information received, the Committee concluded that the accounting treatments were reasonable and appropriate.

Post-retirement benefit obligations

The Committee received and considered reports from management and the external auditors in relation to the valuation of the defined benefit pension scheme and challenged the key actuarial assumptions used in calculating the scheme liabilities, especially in relation to discount rates, RPI inflation rates and mortality. The Committee discussed the reasons for the increase in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in note 22.

Valuation of inventory in Currency

The Committee reviewed the Group's policies and procedures over the valuation and recoverability of inventory in Currency (£42.7m). The Committee received confirmation that the valuation principles had been consistently applied and noted that the majority of inventory items were made to order rather than held for generic stock and hence the recoverability risk was low. Accordingly, the Committee concluded that the accounting treatments were reasonable and appropriate.

Estimation of warranty provisions

The Group holds a number of provisions relating to warranties including present obligations for defective products and known claims as well as anticipated claims that had not been reported at the balance sheet date. In addition a warranty provision has been created in relation to the invocation of guarantees after the balance sheet date (more fully described in note 3). The Committee reviewed and discussed reports from management and the external auditors concerning the significant provisions held for such matters including any provisions with notable movements. The Committee considered the background to such provisions and challenged management over the judgements applied in determining the value of provisions required. The Committee enquired of management and the external auditors as to the existence of other matters potentially requiring a provision to be made. The Committee concluded that it was satisfied with the value of warranty provisions carried.

Classification of exceptional items

As part of the Committee's deliberations over whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, the Committee also considered the amounts disclosed as exceptional items. The nature of the items classified as operating exceptional items during the period are described in note 3. The Committee considered the accounting treatment and disclosure of these items in the financial statements including seeking the views of the external auditors. On the basis of this review, the Committee concluded that the accounting treatment and disclosures in relation to these items were appropriate.

Independence and objectivity of external auditors

The Committee ensures that the external auditors (KPMG) remain independent of the Group. The Audit Committee has a detailed policy covering:

- Choosing the statutory auditors and approving the audit fee
- Commissioning non-audit work
- Defining circumstances in which it is appropriate or inappropriate for incumbent auditors to be allowed to provide or be prohibited from providing non-audit work
- De La Rue's procedures for procuring non-audit services from external sources, which specifically prohibits KPMG from undertaking certain types of service (including but not limited to services where it would audit its own work, where it would act in an advocacy role for the Group or where it would participate in activities normally undertaken by management)

It may be cost effective for KPMG to perform certain non-audit services, in particular where the skills and experience required make KPMG the most suitable supplier. Certain categories of non-audit services, including corporation tax compliance and due diligence services must be subject to competitive tender unless it is justifiable in the circumstances not to do so. Areas which would not normally be acceptable non-audit services but in exceptional circumstances may be considered appropriate, such as litigation and compliance services, require my prior approval. The selection criteria include detailed proposals, timescales, local resource, cost and the safeguards put in place by KPMG to avoid conflicts of interest or loss of independence.
In addition, the Group's policy is for any individual assignment to be undertaken by KPMG where the fee is likely to be in excess of £50,000 to be approved by myself prior to commencement of work. During 2014/15 the amount of non-audit fees paid to KPMG was £0.1m.

The safeguards KPMG put in place avoid compromising their objectivity and independence. They provide a written report to the Audit Committee on how they comply with professional and regulatory requirements and best practice designed to ensure their independence. Key members of the KPMG audit team rotate and the firm ensures, where appropriate, that confidentiality is maintained between different parts of the firm providing services to De La Rue.

Appointment of auditors

The Audit Committee assesses annually the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process. The Audit Committee's assessment is performed by an audit satisfaction questionnaire completed by the Chairman, relevant senior management and Audit Committee members.

KPMG have been the Company's auditors since 11 October 2006. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. During the year, the Audit Committee considered the tenure, performance and audit fees of the external auditors, and the level of non-audit work undertaken, and has not considered it necessary to date to require KPMG to re-tender for the audit work. Accordingly, the Committee recommended to the Board that a resolution for the re-appointment of KPMG for a further year as the Company's auditors be proposed to shareholders at the AGM.

The Committee acknowledges the recommendation in the new EU legislation and the report of the UK Competition and Markets Authority that the external audit contract should be put out to tender at least every 10 years. Following completion of the 2011/12 audit KPMG's audit engagement partner was rotated providing fresh oversight of the audit process. Given this change, the Committee will keep under review the timing of its next tender process but does not currently intend that the audit will be put out to tender during 2015/16.

The Audit Committee places great emphasis on the objectivity of the Company's auditors, KPMG, in reporting to shareholders.

The KPMG audit partner is present at Audit Committee meetings to ensure communication of matters relating to the audit. The Audit Committee has discussions with the auditors, without management being present, on the adequacy of controls and on judgemental areas and receives and reviews the auditors' highlights reports and management letters which are one of the main outputs from the external audit.

The scope and key focus of the forthcoming year's audit is discussed with, and approved by, the Audit Committee.

Internal control and risk management

As noted above, the Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Group's internal financial controls and the assurance procedures relating to the Group's risk management systems. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Group to meet its business objectives and, as such, provide reasonable but not absolute assurance against material misstatement or loss. The key elements of the Group's internal financial control framework and procedures are set out on page 35. The Committee reviews these topics at each meeting and considers that none of the areas identified for enhancement during the year constituted a significant failing or weakness for the Group.

Internal audit

Assurance over the design and operation of internal controls across the Group is provided through a combination of techniques. The Board through the Audit Committee monitors the effectiveness of internal control systems through reports received from the internal audit function during the period. The internal audit function has been outsourced since 2009. PricewaterhouseCoopers LLP have performed this role since the start of 2013/14. The Committee periodically reviews whether the internal audit function is likely to be more effective or efficient if provided internally. In view of the nature and scope of the Group's business and its management structure, the Committee considers that it continues to be more effective and efficient for the core internal audit functions to be undertaken by a specialist external service provider.

Internal audit continued to ensure that their efforts were better aligned to the operational risks that the Group faces while maintaining an emphasis on reviewing the adequacy and effectiveness of general finance and IT controls across the Group on a cyclical basis. In addition to internal audit work, there is a system of self assessment internal control reviews by which management are required to detail and certify that controls are in operation to ensure the control environment in their business areas is appropriate. Actions agreed are followed up by senior management to ensure that satisfactory control is maintained. The internal audit plan is set and reviewed by the Audit Committee. Additionally, the Audit Committee reviews reports from the external auditors on internal control matters noted as part of their audit work.

Fair, balanced and understandable view

At its May 2015 meeting, the Committee reviewed the content of this annual report and accounts and advised the Board that, in its view, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Warren East CBE
Chairman of the Audit Committee
27 May 2015

Directors' remuneration report

Gill Rider CB
Chairman of the Remuneration Committee

Annual statement from the Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present our directors' remuneration report for 2015, which sets out the amounts earned in respect of the period ended 28 March 2015 under the terms of the remuneration policy for Directors of De La Rue plc approved by shareholders last year.

The directors' remuneration report complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the 2012 UK Corporate Governance Code (the 'Code') and the Financial Conduct Authority Listing Rules.

This report is presented in two sections: the annual report on remuneration (pages 44 to 55) and the directors' remuneration policy (pages 56 to 63). The annual report on remuneration provides details of the amounts earned in respect of the period ended 28 March 2015 and the application of the directors' remuneration policy for the period commencing 29 March 2015. This is subject to an advisory vote at the 2015 AGM. The second section sets out the Group's directors' remuneration policy, which was approved by shareholders at the AGM on 24 July 2014 and had a binding effect from that date. The policy is not subject to a vote at the 2015 AGM.

As reported last year, the Remuneration Committee carried out a thorough review of the remuneration policy in 2014 and made some changes to the Annual Bonus Plan (ABP) and Performance Share Plan (PSP) for 2014/15. One of the aims was to have a stable structure and framework that was effective for a number of years and which supported the strategic direction of the business. The structure of remuneration remains the same. Performance related elements which are transparent, stretching and rigorously applied are designed to promote the long term success of the Group.

The Remuneration Committee's overriding objective is to ensure that the Group's executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value. When considering remuneration for our senior executives, the Remuneration Committee has used the policy framework approved by shareholders in July 2014 and takes into consideration reward across the whole Group, not just for the Executive Directors.

De La Rue's strength lies in its relationships with central banks, governments and specialist commercial organisations. Our strategy is to be a professional and innovative leader in the markets in which we operate. In doing so we will ensure that employees are empowered and fairly rewarded as part of generating the performance culture our customers demand. The successful execution of the strategy will provide shareholders with increasing value from each of our businesses and from the Group as a whole.

Outcomes 2014/15

Annual Bonus Plan (ABP)

The maximum opportunity for Executive Directors under the ABP continues to be 135 per cent of salary for the Chief Executive Officer and 115 per cent for the Chief Financial Officer. For 2014/15 the bonus opportunity was based on an element of personal objectives and financial measures including:

- Group revenue
- Group underlying operating profit
- Group cash conversion

None of the financial measures were met and therefore no bonus will be paid against these financial measures. Martin Sutherland received a bonus in relation to the achievement of personal objectives. Full details are on page 47.

Performance Share Plan (PSP)

Awards made in 2012 under the PSP are due to vest in July 2015. The maximum opportunity for Executive Directors is 100 per cent of salary. The three year performance criteria was based on earnings per share (EPS) (75 per cent of award) and average cash conversion (25 per cent of award). Group annual growth in EPS and cash conversion were below the base level set by the Remuneration Committee and therefore the award under the PSP in 2012 will lapse in full.

Awards 2014

The Remuneration Committee made awards under the ABP and PSP in 2014 and details of award levels and the performance conditions are on pages 47 to 49.

Interim arrangements in 2014

In line with best practice, the directors' remuneration policy is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group except in circumstances listed in the binding policy. The exceptions include situations where an Executive Director took on increased responsibility.

In the absence of a Chief Executive Officer interim arrangements were put in place. Philip Rogerson, Chairman, assumed executive responsibilities until Martin Sutherland was appointed Chief Executive Officer on 13 October 2014. He was supported by Colin Child, Chief Financial Officer, who was appointed Chief Operating Officer on a similar temporary basis. The interim remuneration arrangements are outlined more fully on page 46.

The remuneration arrangements for the recruitment of Martin Sutherland during 2014 were within the directors' remuneration policy approved by shareholders and details are contained on page 49.

Proposed changes in executive remuneration for 2015/16

The Remuneration Committee has continued to monitor the executive remuneration policy to take account of evolving market practice, while also seeking to ensure that a stable framework is maintained to avoid unnecessary and frequent changes to the structure of pay.

Accordingly there are no changes proposed to the Annual Bonus Plan or to the Performance Share Plan other than to introduce clawback provisions to cash and share based elements under the ABP in recognition of the changes in the 2014 edition of the UK Corporate Governance Code. These provisions include the addition of a one year clawback period in relation to the cash bonuses and share awards vesting under the ABP.

Past Directors

The Remuneration Committee gave careful consideration to the remuneration matters relating to the departure of James Hussey the former Chief Executive Officer in 2010, in accordance with the remuneration policy agreed by the Board and approved by shareholders at the 2014 AGM. The details of payments are on page 50.

Governance

The Remuneration Committee's remit is set out in its terms of reference, which are regularly reviewed by the Board and were updated in March 2015. They are available on the Company's website. Membership of the Remuneration Committee and the key activities during 2014/15 are summarised on pages 54 and 55.

We continue to believe that our remuneration policy, by aligning executive rewards with shareholders' interests and with our strategy, positions us to deliver the performance and long term success that both the Board and shareholders expect.

Gill Rider CB
Chairman of the Remuneration Committee
27 May 2015

Annual report on remuneration

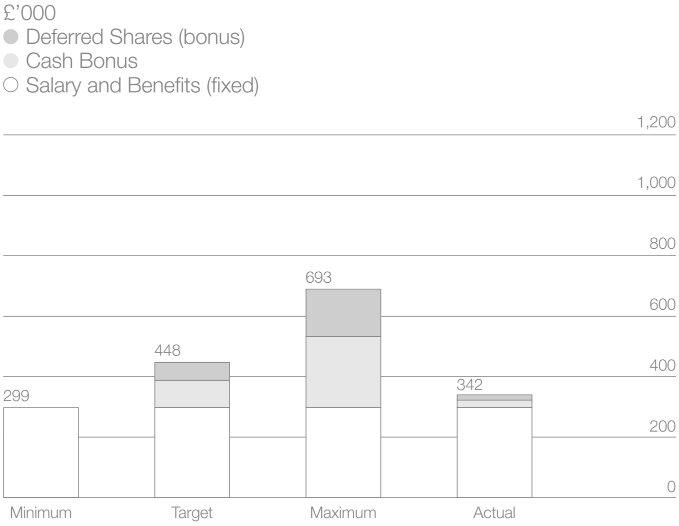
Remuneration policy framework

The Remuneration Committee believes that performance related pay and incentives should account for a significant proportion of the overall remuneration package of Executive Directors so that their remuneration is aligned with shareholder interests and the Group's performance, without encouraging excessive risk taking. The overriding objective is to ensure that executive remuneration encourages, reinforces and rewards successful execution of strategy and provides shareholders with increasing value from each of our businesses and from the Group as a whole.

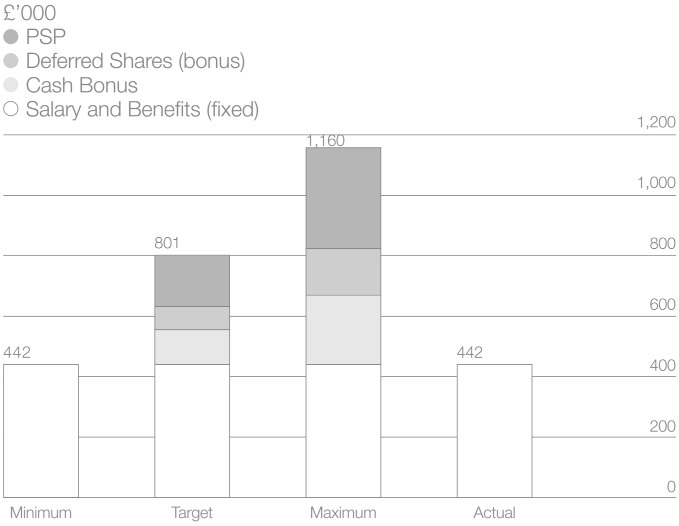
This section of the directors' remuneration report gives information on directors' remuneration and incentive out-turns for 2014/15, and details how the remuneration policy, set out on pages 56 to 63, will be applied in 2015/16.

The bar charts below show the total remuneration received for the Executive Directors against the range of potential remuneration as illustrated in last year's directors' remuneration report (see page 63). The figures for Martin Sutherland include actual and potential total remuneration for the period of his employment, from 13 October 2014 (during which there was no entitlement to PSP).

Martin Sutherland



Colin Child



Performance scenarios for the Annual Bonus Plan (ABP) and Performance Share Plan (PSP) assumed the following:

Minimum	Target	Maximum
There is no cash bonus or deferred share award under the ABP or vesting under the PSP	Target cash bonus and deferred shares under the ABP, target vesting under PSP	Maximum cash bonus, maximum deferred shares under the ABP, maximum vesting under the PSP

Key

Minimum: salary plus pension and benefits

Target: salary, benefits, pension and target annual bonus opportunity and vesting of performance shares

Maximum: salary, pension, benefits and maximum bonus opportunity and vesting of performance shares

Actual: salary, pension, benefits and bonus opportunity received

Single figure of remuneration for each Director (audited)

The remuneration of the Directors of the Company for the period ended 28 March 2015 and the previous period is set out in the table below.

	Salary and fees (a)		Benefits (excluding pensions) (b)		Bonus (c)		Long term incentive (PSP) (vested) (d)		Pension allowance (e)		Other payments (f)		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Executive Directors														
Martin Sutherland (appointed with effect from 13 October 2014)	**220**	–	**14**	–	**42**	–	**–**	–	**66**	–	**765**	–	**1,107**	–
Colin Child	**335**	325	**23**	23	**–**	13	**–**	395	**84**	81	**150**	51	**592**	888
Tim Cobbold (resigned with effect from 29 March 2014)	**–**	464	**–**	31	**–**	–	**–**	351	**–**	139	**–**	86	**–**	1,071
	555	789	**37**	54	**42**	13	**–**	746	**150**	220	**915**	137	**1,699**	1,959
Non-executive Chairman														
Philip Rogerson	**183**	175	**–**	–	**–**	–	**–**	–	**–**	–	**156**	–	**339**	175
Non-executive Directors														
Warren East	**62**	57	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**62**	57
Sir Jeremy Greenstock (resigned with effect from 25 July 2013)	**–**	17	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	17
Victoria Jarman	**47**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	45
Gill Rider	**55**	52	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**55**	52
Andrew Stevens	**47**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	45
Aggregate emoluments	**949**	1,180	**37**	54	**42**	13	**–**	746	**150**	220	**1,071**	137	**2,249**	2,350

Notes

The figures in the single figure table above are derived from the following:

(a) Base salary and fees: the actual salary and fees received during the period

(b) Benefits (excluding pensions): the gross value of all taxable benefits received in the period, including for example car or car allowance and private medical and permanent health insurance

(c) Bonus: bonus is the cash value of the bonus earned in respect of the period which is 14 per cent of the maximum opportunity including the value of deferred shares which must be held for a minimum period as detailed on page 47. A description of the performance measurements that applied for the year 2014/15 is provided on page 47

(d) PSP: PSP awards in 2012 vesting in 2015. The performance targets for the three year performance period ending 28 March 2015 have been determined for the awards as detailed on page 48. The awards lapsed in full

The PSP amounts for 2014 (being the final year of the performance period) relating to the share award to Colin Child that vested in June 2014 have been recalculated using the vesting price of 834.5p per share on the actual number of shares and dividend shares exercised. The original calculation used a share price of 810.5p per share as the actual vesting price and the additional dividend shares exercised were not known at the time

(e) Pension allowance: relates to cash in lieu of pension contributions

(f) Other payments relate to:

2015

Martin Sutherland: Replacement Bonus, Replacement Retention Award and the estimated value (£205,231) of Martin Sutherland's CEO Share Award (38,174 shares) that will vest multiplied by the average share price of 537.62p over the quarter ending 31 March 2015. Further details are on page 49

Colin Child: Cash supplement as reported on page 46. The Sharesave options that reached maturity on 1 March 2015 were underwater at maturity and are therefore not included in 'Other payments' for Colin Child

Philip Rogerson: Additional fee as reported on page 46

2014

Tim Cobbold: Dividend shares equivalent to a value of £73,508 in respect of Tim Cobbold's Recruitment Share Award (9,412 shares based on the De La Rue plc share price of 781p on 31 January 2014 vesting date) and contractual benefits and holiday pay to Tim Cobbold

Colin Child: Dividend shares equivalent to a value of £51,444 in respect of Colin Child's Retention Share Award (6,587 shares based on the De La Rue plc share price of 781p on 31 January 2014 vesting date)

Individual elements of remuneration

Base salary and fees

Base salaries for Executive Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities, Group performance, affordability and market competitiveness. The Remuneration Committee agreed an increase of 2 per cent in salary for Martin Sutherland for 2015/16 which is consistent with increases across the UK business. The following is payable from 1 July 2015:

	Base salary 2015 £'000	Base salary 2014 £'000
Martin Sutherland (appointed with effect from 13 October 2014)	**473**	220(1)
Colin Child	**335(2)**	335

(1) Prorated for the period in office (£463,500 for full year)

(2) Colin Child will stand down from the Board at the conclusion of the AGM on 23 July 2015 and he did not receive a salary increase for 2015/16

In line with best practice, the directors' remuneration policy, approved by shareholders at the 2014 AGM, is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group except in the specific circumstances listed in the binding policy. The exceptions include where an Executive Director took on an increase in scope of responsibility as in the case of Colin Child who was appointed Chief Operating Officer on a temporary basis in the absence of a Chief Executive Officer from 1 April 2014 to 13 October 2014. He received an additional salary supplement of £150,000 over that period.

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board. Fees reflect the responsibilities and duties placed upon Non-executive Directors while also having regard to the market place. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions. The Chairmen of the Remuneration Committee and Audit Committee and the Senior Independent Director received an additional fee of £7,500 to reflect their additional duties in 2014/15. Basic fees payable to Non-executive Directors were increased by 2 per cent for 2015/16 and are as follows:

Non-executive Director fees	**2015 £'000**	2014 £'000
Basic fee	**48**	47
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

In 2014/15 Philip Rogerson received a fee of £182,500 as Chairman and to reflect the additional time commitment for the period he assumed executive responsibilities pending the appointment of a new Chief Executive Officer on 13 October 2014, he was paid an additional fee of £297,500 per annum pro-rated for the period from 1 April 2014. The Chairman will receive a fee of £186,500 in 2015/16.

Performance against targets (audited)

Annual Bonus

The annual bonus is delivered under the Annual Bonus Plan (ABP) and in 2014 Colin Child was eligible for an award representing 115 per cent of salary. The Remuneration Committee has discretion to consider other factors, such as ethical behaviours, corporate responsibility, environment and health and safety matters as it sees fit when determining awards.

ABP performance measures 2014/15

The ABP was refined to include a re-weighting of the elements attributable to cash and deferred shares and the bonus opportunity was based on an element of personal objectives (20 per cent) and a number of financial performance metrics apportioned as follows:

- Group revenue (20 per cent)
- Group underlying operating profit (40 per cent)
- Group cash conversion (20 per cent)

The 2014/15 performance resulted in no bonus out-turn against the financial measures:

Group revenue	Group revenue of £472.1m was below the threshold at which any bonus was payable
Group underlying operating profit	Group underlying operating profit of £69.5m was below the threshold at which any bonus was payable
Group cash conversion	Group cash conversion for the period, for the purpose of ABP, was 99% which was below the threshold at which any bonus was payable

Following its review of personal objectives set for Martin Sutherland for the six months in office including delivery of a strategic review and a number of key change initiatives the Remuneration Committee concluded that the performance of Martin Sutherland warranted the award of 14 per cent of maximum opportunity (pro rated from 13 October 2015) as shown in the table below.

Under the rules of the plan Colin Child is not eligible to receive any bonus incentive payment because he resigned and is working his notice at the time of the payment.

The extent of this disclosure reflects the Board's view that the specific profit and revenue targets are commercially sensitive.

Annual bonus payments to Executive Directors also have the following additional restrictions: 60 per cent of the bonus opportunity is payable in cash with the remaining 40 per cent deferred in shares. Half of the deferred shares will vest one year after the cash payout and the remaining half of the deferred shares will vest two years after the cash payout. There was no change to the maximum bonus opportunities for Executive Directors as described in the Directors' remuneration policy table on page 57.

The 2014/15 cash bonus and deferred share element is detailed in the table below:

Name	Cash payment £'000	Deferred into shares £'000	Total annual bonus shown in column (c) of total remuneration table on page 45 in respect of 2015 £'000
Martin Sutherland	25	17	42

ABP 2015/16

The Remuneration Committee has determined that the bonus in respect of 2015/16 will be operated on similar terms of structure, financial measures and weightings as in 2014/15. No payments will be made on any element of bonus (including the personal element) if a minimum operating profit threshold is not achieved. There will be no change to the maximum bonus opportunities for Executive Directors. The Remuneration Committee considers that the annual bonus targets are commercially sensitive as they provide our competitors with insight into our business plans, expectations and our strategic actions and should therefore remain confidential to the Company. However, the Remuneration Committee will continue to disclose how bonuses paid relate to performance against targets on a retrospective basis. A malus provision exists on deferred shares and from 2015/16 post-vesting clawback provisions will apply to the cash and share based elements.

Long term Incentive – Performance Share Plan (PSP)

The PSP is a share based long term incentive aligned closely with interests of shareholders and business strategy through the performance measures chosen. The PSP is designed to provide Executive Directors and selected senior managers with a long term incentive that promotes annual and long term performance and reinforces alignment between participants and shareholders.

PSP awards vesting July 2015 (audited)

The following sets out details in respect of the July 2012 PSP award, for which the final year performance was the 2014/15 financial year

Date of award	Performance measures	Performance thresholds	Proportion of award vesting	Vested %	% of salary
July 2012	75% of award based on annual growth in EPS[1]	EPS >RPI +12%	25% of maximum	–	–
		EPS >RPI +15%	100% of maximum	–	–
	25% of award based on average cash conversion over three years[2]	Cash conversion of 80%	25% of maximum	–	–
		Cash conversion of 100%	100% of maximum	–	–

Notes

(1) EPS is defined as the undiluted post tax earnings per share adjusted for exceptional items (although exceptional items which are attributable to management may be taken into account). EPS was chosen because it is a key performance indicator for shareholders. Based on full year results, EPS growth was below this minimum hurdle and this portion of the award lapsed

(2) Cash conversion is defined as the operating cash flow (as per the cash flow statement) excluding exceptional items, special pension contributions and movement in advanced payments, less cash capital expenditure, dividend by operating profit (before exceptional items). To avoid distortion from one year to the next, cash conversion will be measured as an average over a three year performance period and as this was below the threshold this portion of the award lapsed

Executive Directors did not receive awards under the PSP in 2013/14.

PSP performance measures 2014/15

The targets for awards made under the PSP in June 2014 were based on compound average growth in underlying EPS (75 per cent of award) and average return on capital employed (ROCE) (25 per cent of award) subject to the specific performance measures outlined below. Sixty per cent of an award will vest and become exercisable on the third anniversary of grant and 40 per cent will vest and become exercisable on the fourth anniversary of grant.

EPS was chosen because it is a key performance indicator for shareholders. ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns. Award vesting levels will apply as follows:

	Vesting % of EPS element of award for Executive Directors	EPS growth
Threshold	25%	5%
Maximum	100%	10%

	Vesting % of ROCE element of award for Executive Directors	ROCE
Threshold	25%	40%
Maximum	100%	45%

The Remuneration Committee believes that the performance necessary to achieve awards is sufficiently stretching.

All awards are made as performance shares based on a percentage of salary and the value is divided by the average share price over a period before the date of grant in accordance with the rules of the PSP. In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. Any adjustments will depend on the nature, timing and materiality of any contributory factors. The Remuneration Committee will disclose how the Group has performed against each of the performance metrics at the end of the performance period.

PSP awards made in 2014 (audited)

On 27 June 2014, Colin Child received a PSP award in line with the directors' remuneration policy as follows:

Number of shares awarded	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
40,301	100	327	25	25 March 2017

The award is made as performance shares based on a percentage of salary and the value is divided by the average share price over a five day period which was 830p prior to the date of award. Face value is the maximum number of shares that would vest multiplied by the share price (810.5p) at the date of grant. A clawback provision will apply pursuant to the Rules of the PSP. No payment is required at grant, vesting or exercise. The Remuneration Committee may add dividend shares accrued on vested shares during the performance and extended vesting period.

PSP awards to be made in 2015

The Remuneration Committee has decided that the performance measurements in respect of the PSP award in 2015 to Executive Directors will be on similar terms to 2014 save that threshold vesting under the ROCE target will occur for achievement of a return of 26 per cent, target vesting for a return of 32 per cent and maximum vesting for a return of over 32 per cent. There will be no change to the maximum entitlement for Executive Directors.

Executive Directors' contracts

The table below summarises the notice periods contained in the Executive Directors' service contracts.

Name	Date of contract	Date of appointment	Notice from Company	Notice from Director
Martin Sutherland	28 August 2014	13 October 2014	12 months	6 months
Colin Child	20 May 2010	1 June 2010	12 months	6 months

Recruitment of Chief Executive Officer

Martin Sutherland was recruited as Chief Executive Officer on 13 October 2014 on an annual salary of £463,500. To secure the recruitment and to compensate him for remuneration forfeited under his previous employment the Company matched certain elements of such forfeited remuneration with the following:

- A Replacement Bonus of £200,000 payable on 2 March 2015
- A Replacement Retention Award in the sum of £360,000 due and payable on 2 April 2015
- A share award of 38,174 shares with a total value of £181,175 granted on 26 November 2014 based on a formula linked to the De La Rue plc and BAE Systems plc listed share price. The award comprises two equal tranches vesting on 7 March 2016 and 7 March 2017 respectively or, in either case, if earlier, in the event of a change of control. The Company will procure shares comprised in each tranche and transfer the shares to Martin Sutherland on or as soon as possible following the vesting date. An additional number of shares may be procured and transferred to Martin Sutherland equivalent in value to the amount of dividends that would have been received since the date of the CEO Share Award agreement up to the date on which the shares are transferred following vesting

The buy out arrangements are within the parameters of the directors' remuneration policy for recruitment and match forfeited cash with cash and forfeited shares with shares. None of the awards is subject to performance conditions nor is any award pensionable. In respect of the CEO Share Award, the Remuneration Committee may make such adjustments in the event of a variation of the share capital of the Company. The CEO Share Award lapses if Martin Sutherland:

- Ceases to be an employee of the Company prior to the vesting date of either tranche
- Purports to transfer, assign, pledge, charge or otherwise dispose of his interest in the CEO Share Award
- Becomes bankrupt, unless or to the extent otherwise determined by the Remuneration Committee
- Exercises, in full or in part, options awarded by his previous employer

As a condition of Martin Sutherland receiving the cash payments above, he irrevocably undertook to apply an amount equal to £60,000 in acquiring ordinary shares in the Company, which he did on 13 March 2015. The pay arrangements for Martin Sutherland mirror those of the previous Chief Executive Officer and are within the parameters of the directors' remuneration policy approved by shareholders in July 2014.

Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors have letters of appointment rather than service contracts.

Non-executive Director	Date of appointment	Current letter of appointment end date
Warren East*	9 January 2007	8 January 2016
Victoria Jarman	22 April 2010	21 April 2016
Gill Rider*	22 June 2006	21 June 2015
Philip Rogerson	1 March 2012	28 February 2018
Andrew Stevens	2 January 2013	1 January 2016

*Warren East and Gill Rider will step down from the Board at the conclusion of the AGM on 23 July 2015

Total pension entitlements (audited)

The Group's UK pension schemes are funded, HMRC registered and approved schemes. They include both defined contribution and defined benefit pension schemes.

Martin Sutherland received a cash allowance of 30 per cent of his basic salary in lieu of a pension contribution up until 31 March 2015. Since that date the Company has made contributions to the defined contribution plan equal to the HMRC annual allowance and the cash allowance has been reduced by a corresponding amount. The Company made a contribution to Colin Child's self invested personal pension of 25 per cent of his basic salary up until 31 March 2012. Since that date he has received a cash allowance in lieu of a pension contribution of 25 per cent of his basic salary.

Neither of the Executive Directors was a member of the legacy defined benefit schemes.

Details of the payments made to the Executive Directors are included on page 45.

Payments for loss of office

There were no payments for loss of office during the period.

Payments to past Directors (audited)

There were no payments to past Directors during the period in respect of services provided to the Company as a Director.

Following the departure in August 2010 of its former Chief Executive Officer, James Hussey, De La Rue plc has entered into a settlement agreement pursuant to which Mr Hussey has agreed to withdraw all claims against De La Rue plc. Under the terms of the settlement agreement, De La Rue plc has paid £126,670 in respect of Mr Hussey's legal fees and £500 to Mr Hussey in connection with other obligations agreed by him. Depending on the satisfaction of certain conditions, the Company may pay up to a further £372,830 to Mr Hussey under the settlement agreement. The settlement in no way implies an acceptance of liability by De La Rue plc.

External directorships of Executive Directors

The Board considers whether it is appropriate for an Executive Director to serve as a non-executive director of another company and as at the date of this report Executive Directors do not hold any non-executive directorships outside of the Group.

Share retention policy

The Remuneration Committee believes it is important that the interests of Executive Directors should be closely aligned with those of shareholders. The Committee has adopted a policy that Executive Directors should be encouraged to build up a shareholding over five years, equivalent to one times salary. This may be achieved either through market share purchases or retention of vested share awards. Colin Child has complied with the minimum shareholding requirement as detailed in the table below and Martin Sutherland as a recent recruit has started to build up a shareholding in line with the above policy.

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 28 March 2015:

			Unvested awards				Vested shares
			Subject to performance conditions	Not subject to performance conditions			
	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Annual Bonus Plan	CEO Share Award	SAYE	Exercised/ unexercised during the period
Executive Directors							
Martin Sutherland (appointed 13 October 2014)	11,169	29	–	–	38,174	2,876	–
Colin Child	68,366	114	73,042	8,958	–	2,876	105,776(1)
Non-executive Chairman							
Philip Rogerson	5,000	n/a	–	–	–	–	–
Non-executive Directors							
Warren East	4,314	n/a	–	–	–	–	–
Victoria Jarman	1,481	n/a	–	–	–	–	–
Gill Rider	454	n/a	–	–	–	–	–
Andrew Stevens	2,327	n/a	–	–	–	–	–

There have been no changes in Directors' outright interests in ordinary shares in the period 28 March 2015 to 27 May 2015. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary are calculated using the closing De La Rue plc share price of 563.50p on 27 March 2015 (28 March 2015 being a Saturday).

Note

(1) Includes a total of 15,919 vested dividend shares exercised and 1,245 unexercised Sharesave options

Directors' remuneration report continued

Directors' interest in vested and unvested share awards

The awards over De La Rue plc shares held by Executive Directors under the ABP, PSP, CEO Share Award, Retention Share Award and Sharesave scheme during the period are detailed below:

	Date of award	Total award as at 29 March 2014	Awarded during year	Exercised during year	Lapsed during year	**Awards held at 28 March 2015**	Awards vested (unexercised) during year	Mid-market share price immediately preceding date of award (pence)	Market price at vesting date (pence)	Date of vesting	Expiry date
Martin Sutherland											
CEO Share Award[1]	Nov 14	–	19,087	–	–	**19,087**	–	474.60[2]	–	Mar 16	Mar 16
	Nov 14	–	19,087	–	–	**19,087**	–	474.60[2]	–	Mar 17	Mar 17
			38,174			**38,174**					
Sharesave options[1]	Jan 15	–	2,876	–	–	**2,876**	–	438.00[3]	–	Mar 18	Aug 18
Colin Child											
Retention Share Award[1]	Jan 11	45,884	–	(45,884)[4]	–	**–**	–	686.50	781.00	Jan 14	Jan 21
Performance Share Plan	Jan 11	45,884	–	(27,530)[4]	(18,354)	**–**	–	686.50	781.00	Jan 14	Jan 21
	Jun 11	62,187	–	(15,198)[4]	(46,989)	**–**	–	759.80[6]	834.50	Jun 14	Jun 21
	Jul 12	32,741	–	–	–	**32,741**	–	991.10[6]	–	Jul 15	Jul 22
	Jun 14	–	24,180[5]	–	–	**24,180**	–	830.00[6]	–	Jun 17	Jun 24
	Jun 14	–	16,121[5]	–	–	**16,121**	–	830.00[6]	–	Jun 18	Jun 24
Annual Bonus Plan[1]	May 12	8,958	–	–	–	**8,958**	–	984.50	–	May 15	May 22
		195,654	40,301	(88,612)	(65,343)	**82,000**					
Sharesave options[1]	Dec 11	1,245	–	–	–	**1,245**	1,245	722.66[3]	579.00[7]	Mar 15	Aug 15
Sharesave options[1]	Jan 15	–	2,876	–	–	**2,876**	–	438.00[3]	–	Mar 18	Aug 18

Notes

(1) These awards do not have any performance conditions attached

(2) Based on price formula linked to De La Rue plc and BAE Systems plc listed share price. The shares were awarded as part of a recruitment award and were intended to mirror the fair value and vesting profile of incentives Martin Sutherland forfeited on leaving his previous employer

(3) For Sharesave options the share price shown is the exercise price which was 80% of mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date

(4) A total of 15,919 dividend shares were allotted

(5) Details of the performance conditions attached to the PSP are set out on page 48

(6) Mid-market value of an ordinary share averaged over the five dealing days immediately preceding award date

(7) The mid-market value of an ordinary share on 27 February 2015 (as 1 March was a Saturday) and the options remain unexercised

CEO Share Award

The Company will procure shares and transfer the shares to Martin Sutherland at vesting of each tranche.

Retention Share Award

Colin Child subscribed for the shares (including dividend shares) at nominal value on exercise and the award was satisfied by newly issued shares.

Dividend shares on unvested awards

An additional award of shares may be released on the vesting date in respect of awards under the ABP, PSP and CEO Share Award equivalent in value to the amount of dividends that would have been received pursuant to the relevant Plan Rules or Agreement. As at 28 March 2015 and based on the prevailing market share price on the respective dividend record date, the dividend shares accrued and assuming full vesting as appropriate were as follows:

Martin Sutherland (appointed with effect from 13 October 2014): 615 ordinary shares

Colin Child: 7,066 ordinary shares

Gain on exercise

Colin Child made an aggregate taxable gain (after subscription and dealing costs excluding PAYE/NI) of £757,902 on exercise of awards (at a market price of 748.284p) under the PSP and Retention Share Award during the period. The balance of shares after disposals to meet all liabilities were retained.

Chief Executive Officer pay, total shareholder return (TSR) and all employee pay

This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the six years to 28 March 2015
- A history of De La Rue's Chief Executive Officer's remuneration over the same period
- A comparison of the year on year change in De La Rue's Chief Executive Officer's remuneration with the change in the average remuneration across the Group
- A year on year comparison of the total amount spent on pay across the Group with profit before tax and dividends paid

TSR performance

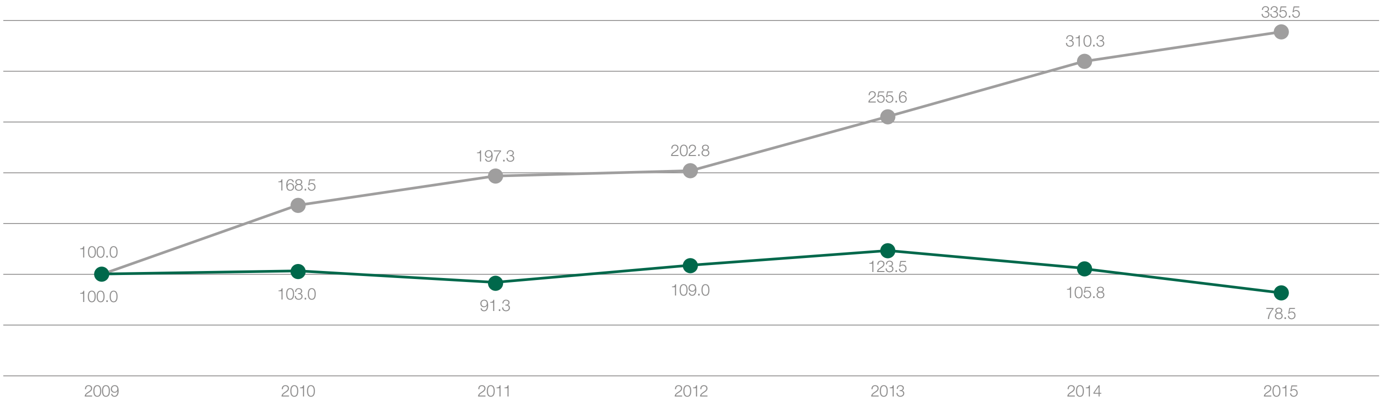
The graph below shows the value, at 28 March 2015, of £100 invested in De La Rue plc on 28 March 2009 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. The FTSE 250 has been chosen as it is the index of which De La Rue was a constituent. (Source: Thomson Reuters)

Total shareholder return

£

● De La Rue plc

● FTSE 250 index excluding investment trusts



Chief Executive Officer pay

Period ended March	2010	2011	2011	2012	2013	2014	2015
Chief Executive Officer	James Hussey[1]	James Hussey[1]	Tim Cobbold[2,3]	Tim Cobbold[2]	Tim Cobbold[2]	Tim Cobbold[2]	Martin Sutherland[4]
Single figure of total remuneration £000	843	433	604	1,053	634	1,071	1,107
Annual bonus payout as a % of maximum opportunity	46	44	Nil	80	Nil	Nil	14
LTIP vesting against maximum opportunity (%)	100	100	Nil	Nil	Nil	60	Nil

Notes

(1) Role as Chief Executive Officer ended on 12 August 2010

(2) Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014

(3) Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014)

(4) Appointed 13 October 2014

Percentage change in Chief Executive Officer remuneration

The table below compares the percentage change in the Chief Executive Officer's salary, bonus and benefits to the average change in salary, bonus and benefits for all UK employees between 2013/14 and 2014/15. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 53 per cent of the total employee population.

	Salary %	Benefits %	Annual bonus %
Chief Executive Officer	–	–	–
UK employees average	2.9	–	(47.4)

Relative spend on pay

The following table sets out the percentage change in payments to shareholders and the overall expenditure on pay across the Group.

	2015 £m	2014 £m	Change %
Dividends (note 7 to the financial statements)	**36.8**	42.2	(12.8)
Overall expenditure on pay (note 23 to the financial statements)	**153.1**	151.0	1.4

Statement of shareholder voting 2014

	Total votes cast	For(1)	(%)	Against	(%)	Votes withheld(2)
Approval of directors' remuneration policy	81,458,347	80,512,460	98.84	945,887	1.16	68,796
Approval of 2014 remuneration report	81,483,228	81,329,696	99.81	153,532	0.19	43,917

Notes

(1) The votes 'For' include votes given at the Chairman's discretion

(2) A vote 'Withheld' is not a vote in law and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'

De La Rue carefully monitors shareholder voting on the remuneration policy and implementation and the Company recognises the importance of ensuring that shareholders continue to support the remuneration arrangements. All voting at the AGM is undertaken by poll.

Remuneration Committee members

The Remuneration Committee comprises: Philip Rogerson, Warren East, Victoria Jarman and Andrew Stevens and I chair the Committee. The Remuneration Committee consists exclusively of Non-executive Directors, all of whom are regarded as independent. The Chairman of the Board, who was regarded as independent on his appointment as Chairman, assumed executive responsibilities from 1 April 2014 until the new Chief Executive Officer was appointed on 13 October 2014.

The Remuneration Committee is responsible for making recommendations to the Board on the Group's policy regarding executive remuneration and determines, on the Board's behalf, the specific remuneration packages of the Chairman, the Executive Directors and senior executives who report to the Chief Executive Officer. The Remuneration Committee's terms of reference are available on the Group's website.

The Remuneration Committee met five times during the period and details of attendance can be found on page 33. The Chief Executive Officer and the Group HR Director also attended meetings. The General Counsel and Company Secretary, who is also secretary to the Committee, advised on governance issues.

No Executive Director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration.

The work of the Remuneration Committee during 2014/15

The Remuneration Committee follows a clear cycle of activities during the year and in 2014/15 this covered among other things the following matters:

- Approval of PSP awards vesting in respect of the three year performance period to March 2014
- Review of pay awards for Executive Directors and the Executive Leadership Team for 2014/15
- Approval of remuneration arrangements for the new Chief Executive Officer
- Review of performance against short and long term incentive plans
- Redesign and operation of the ABP presented to shareholders in 2014 and the PSP
- Undertaking an effectiveness review of the Committee
- Reviewing and agreeing the remuneration policy statement and directors' remuneration report
- Awards under the Sharesave and US employee share schemes

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During 2014/15, the Committee also received advice from Towers Watson UK Limited (Towers Watson). Towers Watson has been formally appointed by the Remuneration Committee and advised on executive remuneration and trends, Chief Executive Officer recruitment, directors' remuneration report preparation and target setting for incentive plans. The Remuneration Committee requests Towers Watson to attend meetings periodically during the year.

Towers Watson is a member of the Remuneration Consultants' Group and has signed up to the code of conduct relating to the provision of executive remuneration advice in the UK. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice has been objective and independent.

Total fees for advice provided to the Remuneration Committee during the year by Towers Watson were £58,000.

Dilution limits

The share incentives operated by the Company comply with the institutional investors' share dilution guidelines.

Statutory requirements

The directors' remuneration report has been prepared on behalf of the Board by the Remuneration Committee.

The Remuneration Committee adopts the principles of good governance as set out in the UK Corporate Governance Code 2012 and complies with the Listing Rules of the Financial Conduct Authority and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the relevant schedules of the Companies Act 2006.

The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on page 69 and to state that this section has been properly prepared in accordance with these regulations. The directors' remuneration report is subject to shareholder approval at the AGM on 23 July 2015.

The directors' remuneration report was approved by the Board on 27 May 2015 and signed on its behalf.

Gill Rider CB
Chairman of the Remuneration Committee
27 May 2015

Directors' remuneration report continued

Directors' remuneration policy

This part of the report sets out the Group's current Directors' remuneration policy. The Group's policy was approved by shareholders at the AGM on 24 July 2014, and took effect from that date. The policy is reproduced here for information only and cross referencing to page numbering refers to the 2015 Annual Report. New designations and Executive Directors' service contract notice periods and the Non-executive Directors current term of appointments have also been updated and appear in the annual report on remuneration. The approved Directors' remuneration policy can be found on the Company's website www.delarue.com

Element	Purpose and link to strategy	Operation
Base salary	Fixed competitive remuneration set at levels to recruit and retain talent. Judgement informed, but not led, by reference to the market place for companies of similar size and complexity Reflects individual skills, experience and responsibility necessary to deliver business strategy Rewards individual performance	Reviewed annually and fixed for 12 months (but may be reviewed more frequently) Influenced by: • Role, experience, responsibilities and performance • Change in broader workforce salary • Group profitability and prevailing market conditions • Salary levels across the Group generally Increases are not automatic
Benefits	To provide market competitive benefits sufficient to recruit and retain the talent necessary to develop and execute the business strategy	Provision of car allowance, life assurance and private medical scheme. Executive Directors are also provided with permanent health insurance Other benefits may be provided based on individual circumstances such as, but not limited to, relocation allowances, including transactional and legal costs, disturbance and travel and subsistence costs or other benefits
Pension	To provide market competitive pensions sufficient to recruit and retain executives	Executive Directors are offered membership of a defined contribution pension plan. The contribution rates offered are reflective of market practice and based on base salary only If contributions to the plan would cause an Executive Director to exceed the HM Revenue and Customs (HMRC) annual allowance or lifetime allowance limits they will be offered a cash allowance in lieu of pension contribution
Annual Bonus Plan (ABP) post 2014/15 AGM	Annual cash award: To incentivise and reward delivery of financial and/or personal performance targets that address the distinct commercial needs of the business, and better alignment with shareholder interests Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose To support a pay for performance philosophy To help attract and retain top talent and be cost effective	The Remuneration Committee sets Group financial targets and agrees personal objectives for each Executive Director at the start of each year. Reference is made to the prior year and to budgets and business plans while ensuring the levels set are appropriately challenging but do not encourage excessive risk taking Payments are determined by the Remuneration Committee after the year end. The bonus plan is non-contractual and may be offered on a year by year basis 60% of annual bonus payable immediately in cash 40% of the annual bonus deferred in shares Deferred share element is subject to clawback provisions
	Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element. Executive Directors are encouraged to hold a level of shareholding as described on page 51	40% of annual bonus is payable in deferred shares and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions 50% of deferred shares released one year after cash payout and remaining 50% two years after cash payout The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest The deferred share element will be disclosed in the annual report on remuneration

Remuneration policy framework

The Group's remuneration policy aims to align the interests of the Executive Directors and other senior executives with those of shareholders. The overriding objective is to ensure that the Company's executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value. The Remuneration Committee believes that performance related pay and incentives should account for a significant proportion of the overall remuneration package of Executive Directors so that their remuneration is aligned with shareholder interests and the Group's performance, without encouraging excessive risk taking. Performance related elements of remuneration therefore form a significant proportion of the total remuneration packages. The Committee believes that an effective remuneration strategy plays an essential part in the future success of the Group.

Maximum opportunity	Performance metrics
To avoid expectations of Executive Directors and other employees no maximum base salary has been set under the remuneration policy although increases will not normally exceed the average of increases awarded within the rest of the Group in the UK Larger increases may be awarded in certain circumstances including, but not limited to: • Increases in scope or responsibility • Where market conditions indicate a level of under competitiveness and there is a risk in relation to attracting or retaining executives • Other exceptional circumstances Where the Remuneration Committee exercises its discretion to award increases above the average for other employees, a full explanation will be provided in the next annual report on remuneration	Individual performance is the primary consideration in setting salary alongside overall Group performance, affordability and market competitiveness
While the Remuneration Committee has not set an absolute maximum, benefits will be market competitive taking into account the role and individual circumstances and the relevant market levels	Not applicable
The contribution rates for the Executive Directors are 30% of base salary for the Chief Executive Officer and 25% of base salary for the Chief Financial Officer The Executive Directors may choose to receive a cash allowance in lieu of contributions. The allowance is equal to the pension contribution that would otherwise have been paid	Not applicable
The current annual maximum bonus opportunity of 135% of salary for the Chief Executive Officer and 115% of salary for the Chief Financial Officer linked to business performance will continue to apply The Remuneration Committee has the discretion to increase the overall maximum bonus level to 150% of salary, subject to this not being above the competitive market range	The bonus payout level is determined by achievement of Group financial performance measures with an element based on personal objectives. The metrics, while stretching, do not encourage inappropriate business risks to be taken For 2014/15 the bonus opportunity will be based on an element of personal objectives and the following financial measures: • Group revenue • Group underlying operating profit • Group cash conversion The Remuneration Committee will maintain discretion to consider the financial underpin in respect of awards under the ABP. Financial targets and weightings will be disclosed in the annual report on remuneration
The Remuneration Committee has the right to reduce any deferred bonus awards which have not yet vested to the extent there has been a material misrepresentation in relation to the performance of the Group (ie clawback provision)	Linked to cash award

Directors' remuneration report continued

Element	Purpose and link to strategy	Operation
Annual Bonus Plan (ABP) pre 2014/15 AGM	The purpose of the ABP pre the 2014/15 proposed changes is consistent with the purpose of the ABP described on page 56	The operation of the ABP prior to the 2014/15 proposed changes is as described for the ABP on page 56 except as follows: • Potential maximum cash award: 100% of salary • Potential share award: up to 35% of salary deferred for three years subject to continued employment
Performance Share Plan (PSP) 2014/15 onwards	Share based long term incentive aligned closely with interests of shareholders and business strategy through the performance measures chosen Increase the overall timetable of pay to four years and supports a pay for performance philosophy Retain key executives over a longer term measurement period. Executive Directors are encouraged to hold a level of shareholding as described on page 51 Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose Help attract and retain top talent and continue to be cost effective Ensure overall cost efficiency and that overall cost is sustainable EPS growth ensures any payout is supported by sound profitability ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns	Annual share award with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk taking 60% of the award vests after three years provided Group performance (two metrics) criteria are met and the balance will vest after a further one year subject to continued employment The Remuneration Committee may add dividend shares accrued only on vested shares during the performance and extended vesting period The Remuneration Committee has the right to clawback any PSP awards within three years of an award vesting to the extent there has been misconduct, or a material misrepresentation in relation to the performance of the Company Vesting of awards is subject to continued employment until the vesting date but, as described on page 62, PSP awards may also vest early in 'good leaver' circumstances Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time
PSP awards pre 2014/15	Same principle as above	Awards vest after three years provided performance criteria met Clawback provisions apply to awards from 10 July 2012
All employee share plans	Encourage employees including the Executive Directors to build a shareholding through the operation of all employee share plans such as the HMRC approved De La Rue Sharesave scheme in the UK and the De La Rue US Employee Share Purchase Plan ('ESPP') established in the US under the Internal Revenue Code	Executive Directors may participate in the Sharesave scheme on the same terms as other employees Under the UK Sharesave scheme, the option price may be discounted by up to 20%. Accumulated savings through payroll may be used to exercise an option to acquire shares Under the ESPP, employees in the US may purchase the Company's shares at a 15% discount to the market price. Purchases are funded through accumulated payroll deductions

Note

In addition to the specific provisions of this policy, the Company may also honour any pre-existing arrangements to make remuneration or loss of office payments to current and former Directors which remain at the time that this policy becomes effective (including the satisfaction of any outstanding awards of variable remuneration made to Executive Directors). Details of any such payments will be set out in the annual report on remuneration as they arise.

Maximum opportunity	Performance metrics
Same aggregate bonus opportunity as described for the ABP post the 2014/15 AGM on page 57	See page 53 (2014 Annual Report)
The maximum number of shares which may be subject to an award granted to eligible employees in any financial year shall be an amount equal to such percentage, not exceeding 100% of salary as at the award date, as may be determined by the Remuneration Committee. The Committee retains discretion in exceptional circumstances to grant awards with a face value of up to 150% of salary	Awards will vest subject to the achievement of Group performance over a period of three years against key metrics set by the Remuneration Committee which are aligned to commercial business needs and strategy. For proposed awards in 2014/15, the vesting of PSP awards will be subject to EPS (compound average growth rate) and return on capital employed (ROCE) (absolute) performance conditions At least 5% pa growth in EPS must be achieved for threshold vesting of 25% under the EPS performance measure with maximum vesting at 10% pa A return of at least 40% must be achieved for threshold vesting of 25% under the ROCE performance measure with a maximum vesting of 100% at a return of 45% The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance achieved The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with the Group's business objectives and strategy and retains the discretion to change the measures and their respective weightings to ensure continuing alignment with such objectives and strategy The Remuneration Committee maintains the ability to adjust or set different performance measures if events occur or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. If varied or replaced, the amended performance conditions must, in the opinion of the Committee, be fair, reasonable and materially no more or less difficult than the original condition when set and these will be disclosed in the annual report on remuneration
As above As reported in the Group's 2011 annual report and accounts the Committee exercised discretion, on an exceptional basis, and made share based awards in June 2011 under the PSP with a maximum face value on grant of 150% of salary	The performance measures and outturn for awards made in January 2011 and June 2011 are described on page 53 (2014 Annual Report) The award in 2012 under the PSP is dependent on achievement of the following: • Up to 75% of awards will vest subject to annual growth in EPS: – EPS>RPI + 12% pa will achieve 25% of maximum vesting – EPS>RPI + 15% pa will result in 100% of maximum vesting • Up to 25% of award is based on average cash conversion over three years: – Cash conversion of 80% – 25% of maximum vesting – Cash conversion of 100% – 100% of maximum vesting
The maximum savings amount currently offered is £250 per month over a three or five year period under the Company's Sharesave scheme. The rules of the scheme provide for savings up to the legislative limit of £500 per month Under the ESPP, participants are eligible to save up to a monthly maximum of 10% of salary (US$25,000 per annum) to go towards the purchase of shares at the end of the offering period (currently one year)	No performance measures but employment conditions apply

Directors’ remuneration report continued

Remuneration policy for the Chairman and Non-executive Directors

Element	Operation by the Company
Chairman fees	The remuneration of the Chairman is set by the Remuneration Committee. Fees are set at a level which reflects the skills, knowledge and experience of the individual, while taking into account market data
Non-executive Director fees	Non-executive Directors do not have service contracts but are appointed for fixed terms of three years renewable for a further three years. Terms beyond this period are considered on a case by case basis The Board (excluding Non-executive Directors) is responsible for setting Non-executive Directors’ fees. Fees are structured as a basic fee for Board and Committee membership. Committee Chairmen and the Senior Independent Director receive an additional fee. Reasonable expenses for attending Board meetings are reimbursed by the Company and the Group may pay any tax due on such benefits Fees paid to Non-executive Directors will remain within the limit set out in the Company’s Articles of Association of £750,000 per annum Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group’s annual incentive arrangements, or share option schemes. No compensation is payable to the Chairman or to any Non-executive Director if the appointment is terminated

Remuneration policy for new appointments

When considering the appointment of Executive Directors, the Committee balances the need to attract candidates of sufficient calibre while remaining mindful of the need to pay no more than necessary. The Committee will typically align the remuneration package with the above remuneration policy. Base salary may be set at a higher or lower level than previous incumbents. Where possible, salary may be set at an initially lower level with the intention of increasing it over the following two years dependent on performance in the role and experience gained. In certain circumstances, to facilitate the recruitment of individuals of the required calibre, incentive arrangements and awards may also be higher. The Remuneration Committee retains the discretion to make payments or awards which are outside the policy to facilitate the recruitment of candidates of the appropriate calibre to implement the Group’s strategy. In addition, remuneration forfeited on resignation from a previous employer may be compensated. The form of this compensation would be considered on a case by case basis and may comprise either cash or shares. Generally (though not necessarily in all circumstances) the Committee will favour share awards with appropriately stretching performance targets attached and at a minimum expects that:

- If forfeited remuneration was in the form of shares, compensation will be in the form of shares
- If forfeited remuneration was subject to achievement of performance conditions, compensation will be subject to no less challenging performance conditions
- The timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited

A newly appointed Executive Director may be provided with reasonable relocation support.

Internal appointments will receive a remuneration package that is consistent with the remuneration policy. Legacy terms and conditions would be honoured, including pension entitlements and any outstanding incentive awards.

Subject to the limit on additional maximum variable remuneration set out below, incentive awards may be granted within the first 12 months of appointment above the maximum award opportunities set out in the policy table above. Excluding payments or awards to compensate for remuneration forfeited on resignation from a previous employer, the maximum level of variable remuneration which may be awarded to a new Executive Director, above the maximum levels set out in the policy table above, is one times base salary.

The Remuneration Committee will ensure that variable remuneration is linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Fees payable to a newly appointed Chairman or Non-executive Director will be in line with the fee policy in place at the time of appointment.

In the absence of a Chief Executive Officer interim arrangements were put in place. Philip Rogerson, Chairman, assumed executive responsibilities until a new Chief Executive Officer joined the Board and he was supported by Colin Child, Chief Financial Officer, who was appointed Chief Operating Officer on a similar temporary basis. In order to reflect the additional time commitment Philip Rogerson was paid an additional fee of £297,500 per annum, to take effect from 1 April 2014, to be pro-rated for so long as he continued in this role.

Pay policy for other employees

When determining the remuneration arrangements for Executive Directors, the Remuneration Committee takes into consideration the pay and conditions of employees throughout the Group. In particular, the Committee is kept informed of:

- Salary increases for the general employee population
- Overall spend on annual bonus
- Participation levels in the ABP

The remuneration policy applied to the Executive Leadership Team and the most senior executives in the Group is similar to the policy for the Executive Directors in that a significant element of remuneration is dependent on Group and individual performance. The key principles of the remuneration are applied consistently across the Group below this level, taking account of seniority and local market practice. The Group aims to offer competitive levels of remuneration, benefits and incentives to attract and retain employees. The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined above. On authority of the Committee, the Chief Executive Officer has discretion to make awards to a limited number of employees not being Executive Directors or Executive Leadership members.

All UK employees may join the Company's HMRC approved Sharesave scheme. Options are granted over De La Rue plc shares, at an exercise price equal to 80 per cent of the prevailing market share price at the time of grant. Eligible US employees may participate in the ESPP. The purchase price is 85 per cent of the lower of the market value of a De La Rue plc share either at the beginning or end of the offering period.

The Remuneration Committee considered that it would be impractical to consult with employees when drawing up the remuneration policy.

Shareholder views

The Remuneration Committee engages in regular dialogue with shareholders to discuss and take feedback on its remuneration policy and governance matters. In particular, the Committee discusses any significant changes to the policy. The Committee consulted De La Rue's largest UK shareholders, the main investors outside the UK and the main UK institutional investor bodies on the proposals for the redesign of the ABP and the PSP. The Committee welcomes an open dialogue with shareholders and intends to continue to consult with major shareholders before implementing any significant change to the Executive Director remuneration policy.

Service contracts

The Board's policy for current and new Executive Directors is that service contracts are one year rolling contracts with a notice period that should not exceed one year.

The Remuneration Committee recognises that in the case of appointments to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to 12 months after that initial period.

Non-executive Directors

Philip Rogerson, Chairman, was initially appointed as a Non-executive Director and Chairman designate on 1 March 2012.

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service contracts for Executive Directors and letters of appointment for Non-executive Directors are available for inspection at the registered office address of the Company.

Payment for loss of office

In determining compensation for early termination of a service contract, the Remuneration Committee carefully considers the specific circumstances, the Company's commitments under the individual's contract and the individual's obligation to mitigate loss. The table below outlines the framework for contracts for Executive Directors. Should additional compensation matters arise, such as a settlement or compromise agreement, the Remuneration Committee will exercise judgement and will take into account the specific commercial circumstances.

Policy	
Notice period on termination by the Company	12 calendar months. The Remuneration Committee recognises that in the case of appointment to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to 12 months after that initial period
Termination payment at the Company's sole discretion	On termination on notice by either the Company or the relevant Executive, the Company retains the discretion to make a payment in lieu of notice not exceeding 12 months' basic salary, excluding bonus but including benefits in kind (including company car or car allowance and private health insurance) and pension contributions (which may include salary supplement) Benefits provided in connection with termination payments may also include, but are not limited to, outplacement and legal fees
Change of control	Under the ABP, share awards will vest in full on change of control. Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time
Vesting of incentives for leavers	The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an Executive Director leaves. Typically for 'good leavers', bonus amounts (as estimated by the Remuneration Committee) will be pro-rated for time in service to termination and will be subject to performance, paid at the usual time The vesting of share awards is governed by the rules of the appropriate incentive plan approved by shareholders. Typically for 'good leavers': • Under the ABP the provisions allow awards to vest in full at the normal vesting date or earlier at the discretion of the Remuneration Committee • Under the PSP, awards, pro-rated (unless the Remuneration Committee determines otherwise) to the date of departure, will vest at the normal vesting date if the relevant performance targets have been met unless the Remuneration Committee decides to test the performance targets early and accelerate vesting • Good leavers under the Sharesave scheme, which is HMRC approved, are entitled to exercise options, pro-rata to the savings made • If awards are made on recruitment the treatment on leaving would be determined at the time at the Remuneration Committee's discretion in accordance with the relevant plan rules
Pension benefits	Will be paid in accordance with the rules of the pension scheme. Where an early retirement pension is paid from a legacy UK defined benefit arrangement, a reduction will be made to the pension to reflect early receipt using factors determined and set by the Trustees from time to time

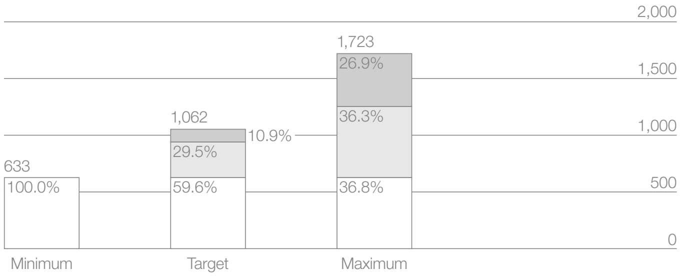
Illustration of remuneration policy application

The following chart illustrated the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 1 April 2014.

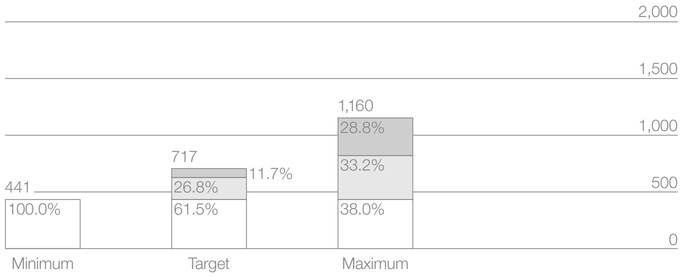
Performance scenarios for the ABP and PSP assume the following:

Minimum	Target	Maximum
There is no cash bonus or deferred shares award under the ABP or vesting under the PSP	Target cash bonus and deferred shares under the ABP, target vesting under PSP	Maximum cash bonus, maximum deferred shares under the ABP, maximum vesting under the PSP

CEO
£'000
Long term variable remuneration
Annual variable remuneration
Fixed remuneration



CFO
£'000
Long term variable remuneration
Annual variable remuneration
Fixed remuneration



The role of Chief Executive Officer was vacant and the above information was therefore an illustration only, based on the remuneration package which the outgoing Chief Executive Officer would have had, had he remained in employment.

Assumptions for the scenario charts

Minimum performance	• Fixed pay (base salary, benefits and pension) • No bonus payout • No vesting under ABP or PSP
Target performance	• Fixed pay (base salary, benefits and pension) • 50% of maximum bonus opportunity (67.5% of salary for CEO, 57.5% of salary for CFO). 30% will be payable immediately in cash and 20% will be deferred in shares • 25% of PSP shares vesting (25% of salary for CEO and CFO)
Maximum performance	• Fixed pay (base salary, benefits and pension) • 100% of maximum bonus opportunity (135% of salary for CEO, 115% of salary for CFO). 60% will be payable immediately in cash and 40% will be deferred in shares • 100% of PSP shares vesting (100% of salary for CEO and CFO)

Executive Director remuneration mix 2014/15

Based on the above performance scenarios the table below illustrates the proportion of Executive Directors' remuneration that is fixed and variable:

		Minimum %	Target %	Maximum %
CEO	Fixed	100	60	37
	Variable	–	40	63
CFO	Fixed	100	62	38
	Variable	–	38	62

The remuneration mix above is based on the remuneration policy as it was intended to be operated for 2014/15. As indicated above the Company was in the process of recruiting a new Chief Executive Officer. In the absence of a Chief Executive Officer interim arrangements were put in place. Philip Rogerson assumed executive responsibilities and the arrangements are disclosed more fully on page 60 and do not include any variable elements.

Other statutory information

Introduction
De La Rue plc is incorporated as a public limited company, is registered in England and Wales under the Companies Act 1985 with registered number 3834125 and has its registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Annual general meeting
The AGM will be held at 10:30am on Thursday 23 July 2015 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Dividends
An interim dividend of 8.3p was paid on 7 January 2015 in respect of the half year ended 27 September 2014 and the Board is recommending a final dividend of 16.7p per share, making a total for the year of 25.0p per share (2014/15: 42.3p per share). Dividend details are given in note 7 to the financial statements. Subject to approval of shareholders at the AGM on 23 July 2015, the final dividend will be paid on 3 August 2015 to those shareholders on the register on 3 July 2015.

Share capital
As at 28 March 2015, there were 101,128,329 ordinary shares of $44^{152}/_{175}$p each and 111,673,300 deferred shares of 1p each in issue.

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

The ordinary shares are listed on the London Stock Exchange.

Details of shares issued during the period are provided in note 18 to the financial statements on page 97.

Power to issue and allot shares
At the AGM in 2014, authority was given to the Directors to allot new ordinary shares up to a nominal value of £15,066,997 equivalent to one-third of the issued ordinary share capital of the Company.

The Companies Act 2006 requires that any shares issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings unless authorised to the contrary by a resolution of the shareholders. A special resolution was passed at the 2014 AGM to affect a disapplication of pre-emption rights up to the maximum nominal value of £2,260,050 representing approximately 5 per cent of the issued ordinary share capital of the Company. Authorities to renew for one year the power of Directors to allot shares without regard to the pre-emption provisions of the Companies Act 2006 will be sought from shareholders at the AGM.

Financial instruments
Details of the Group's financial instruments are set out in note 12 to the financial statements.

Authority to purchase own shares
At the 2014 AGM, the Company was authorised by its shareholders to purchase up to 10,074,081 of its own ordinary shares representing 10 per cent of its issued ordinary share capital either for cancellation or to be held in treasury (or a combination of these). No purchases have been made pursuant to this authority and a resolution will be put to shareholders to renew the authority for a further period of one year.

Rights and restrictions on shares and transfers of shares
Certain restrictions, which are customary for a listed company, apply to the rights and transfers of shares in the Company. The rights and obligations attaching to the Company's ordinary and deferred shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. The key points are summarised below.

Ordinary shares
Notices of meetings must be given to every shareholder and to any person entitled to a share unless the articles of association or the rights of the shares say they are not entitled to receive them from the Company. The Board can decide that only people who are entered on the register of members at the close of business on a particular day are entitled to receive the notice. On a show of hands, each holder of shares present in person and entitled to vote has one vote and, upon a poll, each such holder who is present in person or by proxy and entitled to vote has one vote for every share held. Electronic and paper proxy appointments, and voting instructions, must be received by the Company's Registrar no later than 48 hours before a general meeting.

Dividends and distributions to shareholders on winding up
Holders of ordinary shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to a special resolution of the Company the liquidator may divide among members in specie the whole or any part of the assets of the Company and may, for such purpose, value any assets and may determine how such division shall be carried out.

Transfers of shares
The Company's articles of association place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them except: (i) in very limited circumstances (such as a transfer to more than four persons), (ii) where the Company has exercised its rights to suspend their voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with part 22 of the Companies Act 2006, or (iii) where the holder is precluded from exercising rights by the Financial Conduct Authority's Listing Rules, the City Code on Takeovers and Mergers or any other regulations.

Dealings subject to the Model Code of the Listing Rules
Pursuant to the Listing Rules of the Financial Conduct Authority, Directors and other persons discharging managerial responsibilities and certain employees require the approval of the Company to deal in the ordinary shares of the Company.

Exercise of rights of shares in employee share schemes
Awards held by relevant participants under the Company's various share plans carry no voting rights until the shares are issued. The Trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on existing shares held in the employee trust. No shares are currently held in trust.

Shareholder agreements and consent requirements
There are no known arrangements under which financial rights carried by any of the shares in the Company are held by a person other than holders of the shares and no known agreements between the holders of shares with restrictions on the transfer of shares or exercise of voting rights.

Additional information to shareholders
Processes for the appointment and replacement of Directors are governed by the Company's articles of association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The articles of association may be amended by special resolution of shareholders. The powers of the Board are described in the corporate governance report on pages 30 to 38.

Substantial share interests

As at 27 May 2015, the Company had been notified in accordance with the Financial Conduct Authority's Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

Persons notifying	Date last TR1 notification made	Nature of interest	% of issued ordinary share capital held at notification date
Prudential plc group of Companies	16/04/2015	Direct	10.83
Franklin Templeton Investment Management Limited	11/02/2014	Indirect	5.74
Schroders plc	21/04/2015	Indirect	5.33
Jupiter Asset Management Limited	04/01/2013	Indirect	5.09
BlackRock, Inc.	03/07/2013	Indirect Contracts for difference	4.13 0.84
		Total	4.97
Ameriprise Financial, Inc.	30/06/2014	Direct Indirect	0.02 4.64
		Total	4.66
Nordia 1 SICAV	11/05/2015	Direct	3.03

Change of control

Contracts

There are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group.

Banking facilities

The £250m credit facility between the Company and its key relationship banks contains a provision such that, in the event of a change of control, any lender may, if it so requires, notify the agent that it wishes to cancel its commitment whereupon the commitment of that lender will be cancelled and all its outstanding loans, together with accrued interest, will become immediately due and payable.

Employee share plans

In the event of a change of control, automatic vesting would occur in accordance with the relevant scheme or plan rules.

Political donations

The Group's policy is not to make any political donations and none were made during the period. The Company will propose to shareholders at this year's AGM that the precautionary authority granted at the 2014 AGM, pursuant to the Companies Act 2006, be renewed and details are included in the notice of meeting.

Essential contracts or other arrangements

The Group has a number of suppliers of key components, the loss of which could disrupt the Group's ability to deliver on time and in full. However, none of these arrangements are so vital that their loss would affect the viability of the Group as a whole.

Branches

The Group has established branches in a small number of different countries in which it operates. These branches are, however, not material to the Group's financial results.

Our principal subsidiaries are listed on page 106.

Related party transactions

Related party transactions are set out in note 26 to the financial statements.

Disclosures in the strategic report

The Board has taken advantage of section 414C(11) of the Companies Act 2006 to include disclosures in the strategic report on:

- Greenhouse gas emissions on page 27
- Disabled people and employee involvement on pages 24 and 25
- The future developments, performance and position of the Group throughout pages 1 to 27
- The financial position of the Group on pages 9 to 19
- The R&D activities of the Group on page 14
- The summary of principal risks on pages 22 to 23

In addition, note 12 to the consolidated financial statements include the Group's objectives, policies and processes for financial risk management, details of its cash and cash equivalents, indebtedness and borrowing facilities and the financial instruments used for hedging liquidity, currency and interest rate risk.

Going concern

As described on page 75, the Directors continue to adopt the going concern basis (in accordance with the guidance 'Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009' issued by the FRC) in preparing the consolidated financial statements.

Events after the balance sheet date

Details of post balance sheet events are reported in note 27 to the financial statements.

Disclosures required under UK Listing Rule 9.8.4

Apart from the CEO Share Award to Martin Sutherland as reported on page 49 and the allotment of shares during the period on exercise of awards under the Recruitment share award and the Retention share award respectively as reported under note 18 to the consolidated financial statements, there are no disclosures required to be made under the UK Listing Rule 9.8.4.

Other statutory information continued

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM on 23 July 2015.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

The Directors who held office at the date of approval of this report confirm to the best of their knowledge:

- The Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- The strategic report on pages 1 to 27 and pages 28 to 66 of the directors' report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Management report

The strategic report and the directors' report together are the management report for the purposes of the Disclosure and Transparency Rules 4.1.8R.

Strategic report and directors' report

Pages 1 to 27 inclusive consist of the strategic report and pages 28 to 66 inclusive consist of the directors' report. These reports have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the strategic report and the directors' report. Under English law, the Directors would be liable to the Company, but not to any third party, if the strategic report or the directors' report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The strategic report and the directors' report were approved by the Board on 27 May 2015.

By order of the Board

Edward Peppiatt
Company Secretary
27 May 2015

Independent auditor's report to the members of De La Rue plc

Opinion and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of De La Rue plc for the period ended 28 March 2015 set on pages 70 to 110. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 28 March 2015 and of the Group's profit for the period then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- The Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Our assessment of risks of material misstatement

In our audit report for the period ended 29 March 2014 we included recoverability of assets within the CPS division and related impairment charge of £14.2m as one of the risks of material misstatement that had the greatest effect on our audit. Following the decision to impair these assets in full last year this risk of material misstatement is no longer significant to our audit opinion and has therefore been removed.

In arriving at our audit opinion on the financial statements for the period ended 28 March 2015 the risks of material misstatement that had the greatest effect on our audit were as follows:

	The risk	Our response
Revenue recognition and cut off in Currency – £317.9m Refer to pages 40 (Audit Committee report), 76 (accounting policy) and 78 (financial disclosures)	Reflecting the specialist nature of the Currency products, many customer contracts include specific terms that impact the timing of revenue recognition on those contracts. For example, a number of customer contracts have complex acceptance conditions and some allow for 'bill and hold' arrangements where the customer asks the division to store finished products on its behalf. Reflecting these contractual complexities, there is a risk that revenue may be misstated	In this area our audit procedures include reading significant new contracts to obtain an understanding of contract terms, and in particular those relevant to the timing and quantum of revenue recognition, testing the design and operating effectiveness of controls designed to ensure that revenue is recognised in the correct accounting period and testing of specific revenue transactions recorded before and after the year end To test revenue recognition on contracts with complex acceptance conditions we obtain appropriate evidence of customer acceptance on a sample basis. In relation to revenue recorded under 'bill and hold' transactions we evaluate the underlying contractual arrangements and obtain third party documentation that demonstrates when the risks and rewards of ownership have been transferred to the customer We also assess the adequacy of the Group's disclosure about significant judgements in relation to revenue recognition
Post-retirement benefit obligation – £236.7m Refer to pages 40 (Audit Committee report), 77 (accounting policy) and 102 (financial disclosures)	The Group has material defined benefit pension schemes. Small changes in the assumptions and estimates used to value the Group's post-retirement benefit obligations would have a significant effect on the financial position of the Group	In this area our audit procedures include testing of the membership data provided to support triennial valuations and testing of asset valuations used in determining the net deficit In addition, with the support of our own actuarial specialists, we challenge the key assumptions used to determine the Group's net deficit, which are the discount rate, inflation rate and mortality/life expectancy. This includes a comparison of these key assumptions against externally derived data We also consider the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions
Estimation of warranty provisions – £18.8m Refer to pages 40 (Audit Committee report), 77 (accounting policy) and 97 (financial disclosures)	As noted above, the Group's products are complex and produced to exacting standards. Product quality issues can be identified subsequent to delivery to customers. Accordingly, at any point in time the Group may be in dialogue with customers over potential product quality issues The Group holds provisions for the potential costs associated with these risks. The assumptions underpinning these provisions are inherently uncertain	In relation to provisions for specific known issues, our audit procedures include challenging the basis of the Group's calculations by reference to management's risk assessment, the status of discussions with the relevant customer (determined by inspecting relevant correspondence) and the cost estimates for rectification work. In performing these procedures we have regard to past experience in addressing such matters In relation to unidentified issues, we assess and challenge the Group's methodology for determining the level of provision required taking into account the key assumptions such as historical accuracy of provisioning, the levels of expense incurred over time together with current information on product quality experience and an assessment of the risk of bias within these calculations We also assess the adequacy of the Group's disclosures in relation to the significant judgements in relation to warranty provisioning and related contingent liabilities, if relevant

Independent auditor's report to the members of De La Rue plc continued

	The risk	Our response
Valuation of inventory in Currency – £42.7m Refer to pages 40 (Audit Committee report), 76 (accounting policy) and 86 (financial disclosures)	At the balance sheet date the Group has significant inventory, including work in progress on customer banknote orders. Production of banknote paper, printed banknotes and other security products is a complex process reflecting the tight specifications set by customers and the many embedded security features which are often bespoke to each product Accordingly, there is a risk that work in progress will fail quality control checks at a later stage in production and need to be scrapped or reworked. The Group provides for this through allowances based on past experience and known issues but there is a risk that this allowance will be misstated Finished goods inventory is valued at the lower of cost and net realisable value. Due to the bespoke nature of each product, fluctuations in production efficiency and spoilage rates could affect the allocated cost and carrying amount of inventory	In this area our audit procedures include testing the Group's controls over the determination of inventory allowances, recalculating the historical experience factors used and assessing their appropriateness in light of current manufacturing quality. We also consider the adequacy of the Group's allowances for specific issues by reference to current and recent customer complaints and assessing the risk of bias within these calculations In performing these procedures we assess information obtained from the quality control and sales functions in relation to quality performance levels and overall customer satisfaction respectively to identify possible emerging trends In addition, audit procedures include testing of the approach to the allocation of costs to work in progress and finished goods inventory and assessing the net realisable value by reference to the selling prices relevant for each product We also assess the adequacy of the Group's disclosures in relation to the significant judgements in relation to the carrying value of inventory including work in progress
Classification of exceptional items – £18.8m Refer to pages 40 (Audit Committee report), 77 (accounting policy) and 80 (financial disclosures)	The Group discloses separately 'exceptional items' which the Directors consider to be items of income or expenses which are important to identify to shareholders to aid their understanding of the 'underlying' business performance Determining which items should or should not be disclosed as exceptional is judgemental Accordingly, there is a risk that inappropriate selection and disclosure of exceptional items may result in the Group not meeting its' objective of giving a view of company performance that is fair, balanced and understandable	In this area our audit procedures include assessing the basis of the Group's determination of exceptional items as compared with internal policy, past practice and market norms and considering whether the amounts disclosed have been determined appropriately and consistently with due regard to the need to be balanced Based on our understanding of the Group's activities, both planned and actual, and results of the business for the period, taking the risk of management bias into account, we assess the classification of items as exceptional and challenge whether any additional items should be disclosed as exceptional We also assess the adequacy of the Group's disclosures around the exceptional items, especially announced restructuring activity, and the basis of selection of exceptional items

Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2.5 million. This has been determined with reference to a benchmark of Group profit before taxation, normalised to remove the impact of separately identified exceptional items (as disclosed in note 3 of the financial statements) of £57.7 million, of which it represents 4.3 per cent.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £125,000 for income statement items, in addition to other audit misstatements that warranted reporting on qualitative grounds.

Of the Group's 70 reporting components, we subjected 12 to audits for Group reporting purposes and seven to specified, risk-focused, audit procedures. The latter were not individually financially significant enough to require an audit for Group reporting purposes, but did include specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Audit	Specified Procedures	Total Coverage
Group revenue	76%	11%	87%
Group profit before tax (normalised to remove the impact of separately identified exceptional items)	83%	4%	87%
Group total assets	72%	11%	83%

For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.1 million to £2.0 million, having regard to the mix of size and risk profile of the Group across the components. The work on six of the 19 components was performed by component auditors and the rest by the Group audit team.

The Group audit team visited five component locations in the UK and Malta, to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors and the other location that was not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006
- The information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- The Audit Committee report on pages 39 to 41 does not appropriately address matters communicated by us to the Audit Committee

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 75, in relation to going concern; and
- The part of the corporate governance report on pages 30 to 38 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Ian Bone
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 15 Canada Square, London

27 May 2015

Group income statement
for the period ended 28 March 2015

	Notes	**2015 £m**	2014 £m
Revenue	1	**472.1**	513.3
Operating expenses – ordinary	2	**(402.6)**	(424.0)
Operating expenses – exceptional	2, 3	**(18.8)**	(17.5)
Total operating expenses		**(421.4)**	(441.5)
Operating profit		**50.7**	71.8
Comprising:			
Underlying operating profit		**69.5**	89.3
Exceptional items	3	**(18.8)**	(17.5)
Profit before interest and taxation		**50.7**	71.8
Interest income	4	**0.2**	0.2
Interest expense	4	**(5.0)**	(4.9)
Retirement benefit obligation net finance expense	22	**(7.0)**	(7.3)
Net finance expense		**(11.8)**	(12.0)
Profit before taxation		**38.9**	59.8
Comprising:			
Underlying profit before tax		**57.7**	77.3
Exceptional items	3	**(18.8)**	(17.5)
Taxation	5	**(3.8)**	(11.9)
Profit for the period		**35.1**	47.9
Comprising:			
Underlying profit for the period		**46.6**	61.2
Loss for the period on exceptional items	3	**(11.5)**	(13.3)
Profit attributable to equity shareholders of the Company		**34.3**	47.3
Profit attributable to non-controlling interests		**0.8**	0.6
		35.1	47.9

	Notes	**2015**	2014
Profit for the period attributable to the Company's equity holders			
Earnings per ordinary share			
Basic	6	**34.0p**	47.3p
Diluted	6	**33.4p**	47.0p

Group statement of comprehensive income for the period ended 28 March 2015

	Notes	2015 £m	2014 £m
Profit for the period		**35.1**	47.9
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement losses on retirement benefit obligations	22	**(79.1)**	(2.1)
Tax related to remeasurement of net defined benefit liability	5	**16.0**	(4.7)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(10.4)**	(2.5)
Change in fair value of cash flow hedges		**(7.3)**	(4.2)
Change in fair value of cash flow hedges transferred to profit or loss		**6.9**	0.6
Income tax relating to components of other comprehensive income	5	**(0.1)**	0.2
Other comprehensive income for the period, net of tax		**(74.0)**	(12.7)
Total comprehensive income for the period		**(38.9)**	35.2
Comprehensive income for the period attributable to:			
Equity shareholders of the Company		**(39.7)**	34.6
Non-controlling interests		**0.8**	0.6
		(38.9)	35.2

Group balance sheet at 28 March 2015

	Notes	2015 £m	2014 £m
ASSETS			
Non-current assets			
Property, plant and equipment	8	**179.3**	184.3
Intangible assets	9	**16.6**	18.1
Investments in associates and joint ventures		**0.1**	0.1
Deferred tax assets	14	**47.7**	37.5
Derivative financial assets	12	**0.3**	0.4
		244.0	240.4
Current assets			
Inventories	10	**71.2**	77.1
Trade and other receivables	11	**105.4**	105.0
Current tax assets		**2.2**	0.2
Derivative financial assets	12	**7.8**	2.3
Cash and cash equivalents	13	**30.8**	57.9
		217.4	242.5
Total assets		**461.4**	482.9
LIABILITIES			
Current liabilities			
Borrowings	16	**(141.8)**	(147.8)
Trade and other payables	15	**(159.1)**	(170.9)
Current tax liabilities		**(19.6)**	(27.6)
Derivative financial liabilities	12	**(12.0)**	(5.8)
Provisions for liabilities and charges	17	**(26.6)**	(21.1)
		(359.1)	(373.2)
Non-current liabilities			
Retirement benefit obligations	22	**(236.7)**	(168.0)
Deferred tax liabilities	14	**(1.1)**	(1.3)
Derivative financial liabilities	12	**(1.0)**	(1.5)
Provisions for liabilities and charges	17	**(3.5)**	(2.1)
Other non-current liabilities	15	**(6.9)**	(7.2)
		(249.2)	(180.1)
Total liabilities		**(608.3)**	(553.3)
Net liabilities		**(146.9)**	(70.4)
EQUITY			
Share capital	18	**46.5**	46.3
Share premium account		**35.5**	35.3
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**(3.5)**	(3.2)
Cumulative translation adjustment		**(13.8)**	(3.4)
Other reserve		**(83.8)**	(83.8)
Retained earnings		**(139.4)**	(72.6)
Total equity attributable to shareholders of the Company		**(152.6)**	(75.5)
Non-controlling interests		**5.7**	5.1
Total equity		**(146.9)**	(70.4)

Approved by the Board on 27 May 2015

Philip Rogerson
Chairman

Colin Child
Chief Financial Officer

Group statement of changes in equity for the period ended 28 March 2015

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
	Attributable to equity shareholders								
Balance at 30 March 2013	45.8	31.9	5.9	(0.3)	(0.4)	(83.8)	(70.4)	4.7	(66.6)
Profit for the period	–	–	–	–	–	–	47.3	0.6	47.9
Other comprehensive income for the period, net of tax	–	–	–	(2.9)	(3.0)	–	(6.8)	–	(12.7)
Total comprehensive income for the period	–	–	–	(2.9)	(3.0)	–	40.5	0.6	35.2
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.5	3.4	–	–	–	–	–	–	3.9
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(0.2)	–	(0.2)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.3)	–	(0.3)
Dividends paid	–	–	–	–	–	–	(42.2)	(0.2)	(42.4)
Balance at 29 March 2014	46.3	35.3	5.9	(3.2)	(3.4)	(83.8)	(72.6)	5.1	(70.4)
Profit for the period	–	–	–	–	–	–	34.3	0.8	35.1
Other comprehensive income for the period, net of tax	–	–	–	(0.3)	(10.4)	–	(63.3)	–	(74.0)
Total comprehensive income for the period	–	–	–	(0.3)	(10.4)	–	(29.0)	0.8	(38.9)
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.2	0.2	–	–	–	–	–	–	0.4
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(0.5)	–	(0.5)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	(36.8)	(0.2)	(37.0)
Balance at 28 March 2015	**46.5**	**35.5**	**5.9**	**(3.5)**	**(13.8)**	**(83.8)**	**(139.4)**	**5.7**	**(146.9)**

Share premium account
This reserve arises from the issuance of shares for consideration in excess of their nominal value.

Capital redemption reserve
This reserve represents the nominal value of shares redeemed by the Company.

Hedge reserve
This reserve records the portion of any gain or loss on hedging instruments that are determined to be effective cash flow hedges. When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. If a forecast transaction is no longer expected to occur, the gain or loss on the related hedging instrument previously recognised in equity is transferred to the income statement.

Cumulative translation adjustment
This reserve records cumulative exchange differences arising from the translation of the financial statements of foreign entities since transition to IFRS. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. This reserve also records the effect of hedging net investments in foreign operations.

Other reserve
On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

Group cash flow statement
for the period ended 28 March 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Profit before tax		**38.9**	59.8
Adjustments for:			
Finance income and expense		**11.9**	12.0
Depreciation and amortisation		**24.8**	28.3
Decrease/(increase) in inventory		**5.7**	(6.1)
Decrease/(increase) in trade and other receivables		**0.1**	(11.5)
Decrease in trade and other payables		**(5.4)**	(0.9)
Decrease in reorganisation provisions		**(0.3)**	(6.0)
Special pension fund contributions		**(18.6)**	(11.5)
Loss/(profit) on disposal of property, plant and equipment and software intangibles		**2.2**	(4.0)
Asset impairment		**3.8**	14.2
Other non-cash movements		**0.5**	(0.4)
Cash generated from operating activities		**63.6**	73.9
Tax paid		**(9.3)**	(11.2)
Net cash flows from operating activities		**54.3**	62.7
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles		**(28.8)**	(34.9)
Development assets capitalised		**(5.1)**	(4.7)
Proceeds from sale of property, plant and equipment		**0.2**	8.1
Net cash flows from investing activities		**(33.7)**	(31.5)
Net cash flows before financing activities		**20.6**	31.2
Cash flows from financing activities			
Proceeds from issue of share capital		**0.4**	3.8
(Repayments of)/proceeds from borrowings		**(6.8)**	47.2
Interest received		**0.2**	0.2
Interest paid		**(4.8)**	(4.6)
Dividends paid to shareholders		**(36.8)**	(42.2)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**(48.0)**	4.2
Net (decrease)/increase in cash and cash equivalents in the period		**(27.4)**	35.4
Cash and cash equivalents at the beginning of the period		**56.2**	21.7
Exchange rate effects		**0.1**	(0.9)
Cash and cash equivalents at the end of the period		**28.9**	56.2
Cash and cash equivalents consist of:			
Cash at bank and in hand	13	**28.6**	55.7
Short term deposits		**2.2**	2.2
Bank overdrafts		**(1.9)**	(1.7)
	20	**28.9**	56.2

Accounting policies

The Company

De La Rue plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on page 112 of this annual report. The consolidated financial statements of the Company for the period ended 28 March 2015 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The Company financial statements present information about the Company as a separate entity and not about its Group. The principal activities of the Group are described in note 1.

Statement of compliance

European Union (EU) law (IAS Regulation EC 1606/2002) requires that the consolidated financial statements, for the period ended 28 March 2015, be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. These consolidated financial statements have been approved by the Directors and prepared in accordance with IFRS including interpretations issued by the International Accounting Standards Board.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The accounts have been prepared as at 28 March 2015, being the last Saturday in March. The comparatives for the 2013/14 financial year are for the period ended 29 March 2014.

The Company has elected to prepare its financial statements in accordance with UK generally accepted accounting practice (UK GAAP).

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or have been incorporated with the relevant notes to the accounts where appropriate. These policies have been consistently applied to all the years presented, unless otherwise stated.

During the period a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

A number of other new and amended IFRS were issued during the year, which do not become effective until after 29 March 2015. The Group has yet to assess the significance of the impact of IFRS 15, Revenue Recognition, on the Group. Otherwise, none of the new or amended IFRSs are expected to have a material impact on the Group for the 2015/16 year.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 4 to 27 of the strategic report. In addition, pages 87 to 94 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on page 18 of the strategic report.

The Group meets its funding requirements through cash generated from operations and a revolving credit facility which expires in December 2019. The Group's forecasts and projections, which cover a period of more than 12 months, taking into account reasonably possible changes in normal trading performance, show that the Group should be able to operate within its currently available facilities. The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business.

As a consequence and notwithstanding the net liability position being reported in the consolidated balance sheet, which has primarily arisen due to the value of the deficit in the retirement benefit obligations, the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 28 March 2015. Control exists when the Group has the power to direct the activities of an entity so as to affect the return on investment. The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the date that control commences or until the date that control ceases. The majority of the subsidiaries prepare their financial statements up to 28 March.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to the income statement in the period of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Accounting policies continued

Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been incorporated into the relevant notes where possible. General accounting policies which are not specific to an accounting note, for example foreign exchange, are set out below.

Foreign currency

Foreign currency transactions

These financial statements are presented in sterling, which is the functional and presentational currency of the Company. The functional currency of Group entities is principally determined by the primary economic environment in which the respective entity operates.

Transactions in foreign currencies entered into by Group entities are translated into the functional currencies of those entities at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary items measured in terms of historical cost are translated at the rate of exchange at the date of the transaction. Exchange differences on non-monetary items are recognised in line with whether the gain or loss on the non-monetary item itself is recognised in the income statement or in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (refer to note 12 for details of the Group's accounting policies in respect of such derivative financial instruments).

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at average exchange rates (which approximate to actual rates). Exchange differences arising on re-translation are recognised in the Group's translation reserve, which is a component of equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Exchange differences in respect of foreign operations that arose before 27 March 2004, the date of transition to Adopted IFRS, are presented as part of retained earnings, as permitted by IFRS 1.

Net investment in foreign operations

Foreign currency differences arising on the re-translation of a financial liability designated as a hedge of a net investment in foreign operations are recognised in the translation reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised as finance income or costs in the income statement. Cumulative gains or losses in equity arising since the date of transition to Adopted IFRS are taken to the income statement on disposal of the foreign operation.

Revenue recognition

Group revenue predominantly represents sales to external customers of manufactured products which fall within the Group's ordinary trading activities. This excludes VAT and other sales taxes.

Revenue is recognised in the income statement to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group and the amount can be reliably measured. In practice, the timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of products and associated components, when sold separately, the transfer usually occurs on loading the goods onto the relevant carrier or, at an earlier point in time when conditions are met for recognition of revenue on a bill and hold basis.

Revenue is recognised on a bill and hold basis when a formal contract is in place, the product is in hand and ready for delivery, the customer has acknowledged acceptance of the bill and hold transaction and normal payment terms apply.

Revenue on service based contracts is recognised as services are provided. If the services under a single arrangement are rendered in different reporting periods, or under an arrangement that also includes the sale of goods, then the consideration is allocated on a relative fair value basis between the sale of goods and rendering of services and then allocated to the appropriate reporting periods in accordance with the transfer of risks and rewards and the contractual life of the service contract.

Revenues and costs on a small number of project based contracts are recognised by reference to the stage of completion, based on the work performed to date and the overall contract profitability. The assessment of the stage of completion is dependent on the nature of the contract and is assessed by reference to reviews of work performed, achievement of contractual milestones and costs incurred.

Critical accounting judgements and key sources of estimation uncertainty

Management has discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Management is required to exercise significant judgement in the application of these policies. Estimates are made in many areas and the outcome may differ from that calculated. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Revenue recognition and cut-off in Currency

Customer contracts within the Currency business will often include specific terms that impact the timing of revenue recognition. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of products and associated components, when sold separately, the transfer usually occurs on loading the goods onto the relevant carrier or, at an earlier point in time when conditions are met for recognition of revenue on a bill and hold basis. Judgement is used in interpreting these terms and conditions in assessing when the risks and rewards have been transferred to the customer especially where they include complex acceptance criteria.

Valuation of inventory in Currency

At any point in time, the Group has significant levels of inventory, including work in progress. Currency manufacturing is a complex process and the final product is required to be made to exacting specifications and tolerance levels. In valuing the work in progress at the balance sheet date, assessments are made over the level of waste contained within the product based on the production performance to date and past experience. In assessing the recoverability of finished stock assessments are made to validate that inventory is correctly stated at the lower of cost and net releasable value and that obsolete inventory, including inventory in excess of requirements, is provided against.

Classification of exceptional items

The Directors consider items of income and expenditure which are both material by size and/or by nature and non-recurring should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses (other than those within the scope of IFRS 5), curtailments on defined benefit pension arrangements, restructuring of businesses and asset impairments. All exceptional items are included on the appropriate income statement category to which they relate.

Post-retirement benefit obligations

Pension costs within the income statement and the pension obligations as stated in the balance sheet are both dependent upon a number of assumptions chosen by management. These include the rate used to discount future liabilities, the expected longevity for current and future pensioners and estimates of future rates of inflation.

The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. See page 103 for detail of the relative sensitivity of the value of the scheme liabilities to changes in the discount and inflation rates.

Estimation of warranty provisions

The Group measures warranty provisions at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date, discounted where the time value of money is considered material. These estimates take account of available information, historical experience and the likelihood of different possible outcomes. Both the amount and the maturity of these liabilities could be different from those estimated.

Other accounting judgements, estimates and assumptions

Tax

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates. It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities. The actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and on the income statement in the period in which such determination is made.

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.

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

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 $44^{152}/_{175}$p each (2013/14: 100,718,004 ordinary shares of $44^{152}/_{175}$p 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.

Notes to the accounts continued

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

Company balance sheet at 28 March 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments in subsidiaries	4a	**152.4**	152.4
		152.4	152.4
Current assets			
Debtors receivable within one year	5a	**79.4**	120.0
Cash at bank and in hand		**1.0**	3.6
		80.4	123.6
Creditors: amounts falling due within one year			
Borrowings	6a	**(29.0)**	(27.1)
Other creditors	7a	**(4.2)**	(13.4)
		(33.2)	(40.5)
Net current assets		**47.2**	83.1
Total assets less current liabilities		**199.6**	235.5
Net assets		**199.6**	235.5
Capital and reserves			
Share capital	8a, 9a	**46.5**	46.3
Share premium account	9a	**35.5**	35.3
Capital redemption reserve	9a	**5.9**	5.9
Retained earnings	9a	**111.7**	148.0
Total shareholders' funds		**199.6**	235.5

Approved by the Board on 27 May 2015

Philip Rogerson
Chairman

Colin Child
Chief Financial Officer

Accounting policies – Company

Basis of preparation

The financial statements of De La Rue plc (the Company) have been prepared under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The Company has taken advantage of the exemption in Financial Reporting Standard (FRS) 29 (IFRS 7), Financial Instruments: Disclosures, not to prepare a financial instrument note as the information is included in the published consolidated financial statements of the Group.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, cash flow statements.

The accounts have been prepared as at 28 March 2015, being the last Saturday in March. The comparatives for the 2013/14 financial year are for the period ended 29 March 2014.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

Foreign currencies

Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate year end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included within the interest section of the profit and loss account except for exchange gains and losses associated with hedging loans that are taken to reserves.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account.

Dividends

Under FRS 21, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Retirement benefits

The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme that is funded partly by contributions from members and partly by contributions from the Company and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with FRS 17, the Company accounts for its contributions as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover the Company and a number of its subsidiaries and those assets and liabilities cannot be split between each subsidiary on a consistent and reasonable basis. Full details of the scheme and its deficit (measured on an IAS 19R basis) can be found in note 22 to the consolidated financial statements.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the accounts – Company

1a Employee costs and numbers

Employee costs are borne by De La Rue Holdings Limited. For details of Directors' remuneration, refer to disclosures in the directors' remuneration report on pages 42 to 63.

	2015 Number	2014 Number
Average employee numbers	**3**	4

2a Auditor's remuneration

Auditor's remuneration is borne by De La Rue Holdings Limited. For details of auditor's remuneration, see note 2 to the consolidated financial statements.

3a Equity dividends

For details of equity dividends, see note 7 to the consolidated financial statements.

4a Investments

Investments are stated at cost or valuation in the balance sheet, less provision for any permanent diminution in the value of the investment.

	2015 £m	2014 £m
Investments comprise:		
Investments in subsidiaries	**152.4**	152.4

	2015 £m	2014 £m
Cost		
At 28 March 2015 and 29 March 2014	**152.4**	152.4

For details of investments in Group companies, refer to principal subsidiaries and associated companies on page 106.

5a Debtors

Other receivables are measured at amortised cost less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material.

	2015 £m	2014 £m
Amounts due within one year		
Amounts owed by Group undertakings	**79.4**	120.0

6a Borrowings

	2015 £m	2014 £m
Short term borrowings		
Bank loans and overdrafts	**29.0**	27.1

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

	2015 £m	2014 £m
US dollar	**28.9**	27.1
Sterling	**0.1**	–
	29.0	27.1

7a Other creditors

	2015 £m	2014 £m
Amounts falling due within one year		
Amounts due to Group undertakings	**4.0**	13.1
Accruals and deferred income	**0.2**	0.3
Other creditors	**4.2**	13.4

8a Share capital

For details of share capital, see note 18 to the consolidated financial statements.

9a Other reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' funds £m
At 30 March 2013	45.8	31.9	5.9	189.4	273.0
Share capital issued	0.5	3.4	–	–	3.9
Profit for the financial period	–	–	–	1.0	1.0
Dividends paid	–	–	–	(42.2)	(42.2)
Employee share scheme:					
– value of services provided	–	–	–	(0.2)	(0.2)
At 29 March 2014	46.3	35.3	5.9	148.0	235.5
Share capital issued	0.2	0.2	–	–	0.4
Profit for the financial period	–	–	–	1.0	1.0
Dividends paid	–	–	–	(36.8)	(36.8)
Employee share scheme:					
– value of services provided	–	–	–	(0.5)	(0.5)
At 28 March 2015	**46.5**	**35.5**	**5.9**	**111.7**	**199.6**

10a Share based payments

The Company operates various equity and cash settled option schemes although the majority of plans are settled by the issue of shares. 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 profit and loss account, together with a corresponding increase in shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 20 has been applied to share settled share options granted after 7 November 2002.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 20 share based payments. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

Share based payments recharged to subsidiaries are recorded via the inter-company loan account.

For details of share based payments, see note 19 to the consolidated financial statements and the directors' remuneration report on pages 42 to 63.

11a Related party transactions

The Company has no transactions with or amounts due to or from subsidiary undertakings that are not 100 per cent owned either directly by the Company or by its subsidiaries.

For details of key management compensation, see note 26 to the consolidated financial statements.

Five year record

Income statement

	Notes	2011* £m	2012* £m	2013 £m	2014 £m	**2015 £m**
Revenue		463.9	528.3	483.7	513.3	**472.1**
Operating profit						
– Underlying operating profit		40.4	63.1	61.5	89.3	**69.5**
– Exceptional items – operating		(15.6)	(24.8)	(7.6)	(17.5)	**(18.8)**
Total		24.8	38.3	53.9	71.8	**50.7**
Exceptional items – non-operating		55.1	–	–	–	**–**
Profit before interest		79.9	38.3	53.9	71.8	**50.7**
Net interest expense		(3.8)	(4.1)	(3.6)	(4.7)	**(4.8)**
Retirement benefit obligation net finance expense		(3.3)	(1.3)	(6.6)	(7.3)	**(7.0)**
Profit before taxation		72.8	32.9	43.7	59.8	**38.9**
Taxation		(5.4)	(0.7)	(5.5)	(11.9)	**(3.8)**
Profit after taxation		67.4	32.2	38.2	47.9	**35.1**
Equity non-controlling interests		(0.5)	(0.6)	(1.0)	(0.6)	**(0.8)**
Profit for the period		66.9	31.6	37.2	47.3	**34.3**
Dividends		(41.9)	(42.0)	(42.1)	(42.2)	**(36.8)**
Retained profit/(loss) for the period		25.0	(10.4)	(4.9)	5.1	**(2.5)**
Earnings per ordinary share		67.6p	31.8p	37.4p	47.3p	**34.0p**
Diluted earnings per share		67.2p	31.5p	36.9p	47.0p	**33.4p**
Underlying earnings per ordinary share		24.0p	43.5p	38.5p	60.7p	**45.3p**
Dividends per ordinary share	(a)	42.3p	42.3p	42.3p	42.3p	**25.0p**
Underlying profit before taxation		33.3	57.7	51.3	77.3	**57.7**

Balance sheet

	£m	£m	£m	£m	**£m**
Non-current assets	213.5	225.6	251.3	240.4	**244.0**
Net current liabilities	(58.6)	(90.9)	(58.6)	(40.8)	**(33.1)**
Net debt	(31.2)	(24.8)	(76.7)	(89.9)	**(111.0)**
Other liabilities	(106.9)	(155.5)	(182.6)	(180.1)	**(249.2)**
Equity non-controlling interests	(3.5)	(3.9)	(4.7)	(5.1)	**(5.7)**
Total equity attributable to shareholders of the Company	13.3	(49.5)	(71.3)	(75.5)	**(155.0)**

Notes

*Not restated to reflect the amendments to IAS 19R Employment benefits.

(a) Includes proposed final dividend which, in accordance with IFRS accounting requirements, has not been accrued.

Shareholders' information

Registered office
De La Rue House
Jays Close
Viables
Basingstoke
Hampshire
RG22 4BS

Telephone: +44 (0)1256 605000
Fax: +44 (0)1256 605336

Registered number: 3834125
Company Secretary: Mr E H D Peppiatt

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: +44 (0)870 703 6375
Fax: +44 (0)870 703 6101

Annual general meeting
The AGM will be held at 10:30am on Thursday 23 July 2015 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS. Each shareholder is entitled to attend and vote at the AGM, the arrangements for which are described in a separate notice to shareholders. The notice of AGM can also be found in the investors section on the Group's website.

Electronic shareholder communications
Shareholders can register online at www.investorcentre.co.uk/ecomms to receive statutory communications electronically rather than through the post. Shareholders who choose this option will receive an email notification each time the Group publishes new shareholder documents on its website. Shareholders will need to have their shareholder reference number ('SRN') available when they first log in. This 11 character number (which starts with the letter C or G) can be found on share certificates and dividend tax vouchers. Shareholders who subscribe for electronic communications can revert to postal communications or request a paper copy of any shareholder document at any time in the future.

Electronic voting
All shareholders can submit proxies for the AGM electronically by logging onto Computershare's website at www.eproxyappointment.com/login

Shareholder enquiries
Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare Investor Services PLC. Details of shareholdings and how to make amendments to personal details can be viewed online at www.investorcentre.co.uk

Shareholder helpline telephone:
+44 (0)870 703 6375

Dividends
Shareholders are encouraged to have dividends paid directly into their bank accounts to ensure an efficient payment method on the payment date. Shareholders selecting this payment method will receive a tax voucher in respect of each dividend payment.

Consolidation of shares
Where registered shareholdings are represented by several individual share certificates, shareholders may wish to have these replaced by one consolidated certificate. The Company will meet the cost for this service. Share certificates should be sent to the Company's registrar together with a letter of instruction.

Website
The Group has a wide range of information that is available on its website www.delarue.com including:

- Financial information – annual and interim reports, financial news and events
- Share price information
- Shareholder services information
- Press releases both current and historical

Capital gains tax
March 1982 valuation

The price per share on 31 March 1982 was 617.5p.

Shareholders are advised to refer to their brokers/financial advisers for detailed advice on individual capital gains tax calculations.

Analysis of shareholders at 28 March 2015

	Shareholders		Shares	
By range of holdings	Number	%	Number	%
0 – 1,000	4,948	75.62	1,677,300	1.66
1,001 – 5,000	1,200	18.34	2,378,854	2.35
5,001 – 10,000	124	1.90	884,486	0.87
10,001 – 100,000	250	3.82	29,083,913	28.76
100,001 – 500,000	17	0.26	32,927,597	32.56
500,001 and above	4	0.06	34,176,179	33.80
Total	**6,543**	**100.00**	**101,128,329**	**100.00**

Share dealing facilities
Computershare Investor Services PLC

Computershare, the Company's registrar, provides a simple way to sell or purchase De La Rue plc shares.

Internet share dealing

Available 24 hours a day/seven days a week with real time pricing in market hours. Commission is charged at 1 per cent, subject to a minimum charge of £30, with no set up or annual management fees. Further information can be obtained by logging on to: www.computershare.com/dealing/uk

Telephone share dealing

Commission is charged at 1 per cent plus £35, with no set up or annual management fees. The telephone share dealing service is available from 08:00 to 16:30 Monday to Friday, excluding bank holidays, on telephone number: +44 (0)870 703 0084

Stocktrade

An execution only telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling De La Rue plc shares. Basic commission is 0.5 per cent, with a minimum charge of £17.50 up to £10,000 and then 0.2 per cent thereafter with no maximum. For further information, please call +44 (0)131 240 0414 and quote reference 'De La Rue dial and deal service'. Please note that these services are not available in the US.

Financial calendar

Ex-dividend date for 2014/15 final dividend	2 July 2015
Record date for final dividend	3 July 2015
Payment of 2014/15 final dividend	3 August 2015

Warning to shareholders – boiler room fraud
We are aware that some shareholders might have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive. You should always check any firm calling you about investment opportunities is properly authorised by the FCA. You will find useful advice and information about protecting yourself from investment scams on the FCA website www.fca.org.uk/consumers.

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DeLaRue

De La Rue plc
De La Rue House
Jays Close
Viables
Basingstoke
Hampshire
RG22 4BS

T +44 (0)1256 605000
F +44 (0)1256 605004
www.delarue.com