A solid performance
Financial highlights

Revenue

£493.9m

2017: £461.7m

Dividend per share

25.0p

2017: 25.0p

Adjusted EBITDA*[1]

£87.3m

2017: £97.4m

Reported EBITDA

£148.2m

2017[4]: £96.0m

Adjusted operating profit*[2]

£62.8m

2017: £70.7m

Reported operating profit

£123.0m

2017: £70.2m

Adjusted basic earnings per share*[3]

42.9p

2017: 47.1p

Reported basic earnings per share from continuing operations[4]

93.7p

2017: 47.2p

* This is an non-IFRS measure. See further explanations and reconciliations to the comparable IFRS measures on page 157. 'Reported' measures are on an IFRS basis.

1 Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items.

2 Adjusted operating profit represents operating profit from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

3 Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items, amortisation of acquired intangible assets and discontinued operations divided by the weighted average number of ordinary shares outstanding during the year.

4 Continuing operations only, excluding the Cash Processing Solutions business which was sold on 22 May 2016.

Continuing the good momentum
Introduction from the Chairman

"We made good progress against the strategic plan outlined in May 2015 to transform the Group into a less capital intensive, more technology led business. The sale of the paper business was a significant milestone towards achieving this goal. The strong focus on R&D and product management in the last three years has also strengthened the Group's product portfolio and ensured a strong pipeline that will drive sustainable growth in the future.

The year under review

Although the failure to win the UK Passport contract announced in March 2018 was a blow, the Group has made good progress in the year against the strategic plan outlined in May 2015 to transform the Group into a less capital intensive, more technology led business. The sale of the paper business – Portals De La Rue – was a significant milestone towards achieving this goal. The strong focus on R&D and product management in the last three years has also strengthened the Group's product portfolio and ensured a strong pipeline that will drive sustainable growth in the future. Martin Sutherland will comment more fully on this progress in his Chief Executive Officer's review on page 23 to 28.

I am pleased to report significant progress in strengthening the Group's balance sheet. Net debt of £49.9m at the end of the period (25 March 2017 £120.9m) was the lowest in five years, benefiting from the proceeds of the sale of the paper business together with a small net cash inflow from overall trading. The deficit of the Group's UK defined benefit pension scheme reduced from £237.0m to £87.6m in the past year, mostly reflecting the change of indexation linked to future pension increases from RPI to CPI. The stronger balance sheet gives us greater flexibility in allocation of capital in order to deliver long term shareholder value.

We are proud participants of the UN Global Compact since late 2016, reflecting the alignment of our strategy and operations with its principles on human rights, labour, environment and anti-corruption, as well as the Sustainable Development Goals (SDG). We have used the UN SDG logos in the report to show this alignment. We have also made good progress in embedding broader social, ethical, and sustainable practices across our day-to-day business. Further information can be found in our responsible business section on pages 42 to 51.

The Board

The Board has undergone a few changes and added new skills and experience in the last few years and I feel that we have the right balance of capabilities, expertise and experience to support and challenge management in the most effective way.

As previously announced, Jitesh Sodha, Chief Financial Officer, decided to step down and resigned as a Director on 19 March. We are grateful for his contribution and wish him well for his future. A search has commenced to identify a suitable successor.

Our people

Our people are our greatest assets and are vital to the successful execution of our strategy and to fulfilling our purpose. They provide products and services that enable people's participation in social, economic and commercial activities in the many countries in which we operate. On behalf of the Board, I would like to express our thanks for their continuing hard work and dedication.

In its gender pay gap statistics published in January 2018, the Group reported a gender pay gap of 10%. This is less than the UK average of 17% but still far from our goal of zero. The Board has welcomed the launch of our strategy which in part aims to eliminate the gender pay gap while creating an inclusive and diverse workforce at De La Rue.

The safety and wellbeing of our people are of great importance to the Board, and we shall continue to support the efforts being made to ensure consistent improvement in the Group's performance.

Financial performance

Group revenue increased by 7%, with growth across all three segments. Adjusted operating profit* was 11% lower at £62.8m, reflecting the write off of the one off bid costs associated with the UK Passport retender, the ongoing investment programme and the relatively poor performance of the paper business, which were offset in part by additional margin from increased sales and certain provision and accrual releases, where we now have additional information as to the likelihood and amount of potential liabilities. On an IFRS basis operating profit was £123.0m, 75% higher than the prior year. This reflected the £60.9m net exceptional gain relating to the re-measurement of the pension liability of £80.5m following the indexation change less the exceptional charges primarily relating to the paper disposal.

Adjusted basic earnings per share* were 9% lower at 42.9p due to lower adjusted operating profit in the current year. Reported basic earnings per share were up 99% to 93.7p, reflecting the impact of the significant exceptional gain explained above.

The Group delivered strong cash flows in the year with cash generated from operating activities of £73.5m, 14% higher than the prior year (2016/17: £64.3m). The lower profit in the year was compensated by the significant improvement in working capital as a result of successful inventory management and strong cash collections from debtors. Inventory and trade debtors, excluding the exited paper business, were £13m and £10m lower than the prior year.

More details of the Group's financial performance is covered in the operational and financial review on page 29 to 33.

Dividend

The Board is recommending a final dividend of 16.7p per share (2016/17: 16.7p per share). This, together with the 8.3p paid in January 2018, will make a full year dividend of 25.0p per share. Subject to shareholders' approval, the final dividend will be paid on 3 August 2018 to shareholders on the register on 6 July 2018.

Outlook

The Board was disappointed that the Group did not win the new UK Passport tender. While this clearly is a setback, it does not change the Group's goals set out in May 2015. The strong underlying performance and good strategic progress in the past three years gives the Board confidence in the future of the business. Viability assessment of the business can be found on page 41.

Philip Rogerson
Chairman