Notes to the Accounts

1 Reconciliation of Movement in Capital and Reserves

	Attributable to equity shareholders								
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	Minority interest £m	Total equity £m
Balance at 31 March 2007	44.7	21.4	5.3	(0.5)	(0.8)	(83.8)	173.6	5.0	164.9
Foreign currency translation differences for foreign operations	–	–	–	–	10.9	–	–	–	10.9
Actuarial gain on retirement benefit obligations	–	–	–	–	–	–	73.5	–	73.5
Effective portion of changes in fair value of cash flow hedges	–	–	–	1.6	–	–	–	–	1.6
Net gain on hedge of net investment in foreign operations	–	–	–	–	3.3	–	–	–	3.3
Income tax on income and expenses recognised directly in equity	–	–	–	(0.4)	–	–	(22.5)	–	(22.9)
Net gain recognised directly in equity	–	–	–	1.2	14.2	–	51.0	–	66.4
Profit for the financial year	–	–	–	–	–	–	88.1	0.3	88.4
Total income recognised for the year	–	–	–	1.2	14.2	–	139.1	0.3	154.8
Share capital issued	0.1	1.1	–	–	–	–	–	–	1.2
Purchase of shares for cancellation	(0.2)	–	0.2	–	–	–	(4.2)	–	(4.2)
Allocation of treasury shares	–	–	–	–	–	–	4.0	–	4.0
Employee share scheme: – value of services provided	–	–	–	–	–	–	3.2	–	3.2
Dividends paid	–	–	–	–	–	–	(105.4)	(0.4)	(105.8)
Disposal of a business	–	–	–	–	–	–	–	(2.6)	(2.6)
Balance at 29 March 2008	44.6	22.5	5.5	0.7	13.4	(83.8)	210.3	2.3	215.5
Foreign currency translation differences for foreign operations	–	–	–	–	3.6	–	–	–	3.6
Actuarial loss on retirement benefit obligations	–	–	–	–	–	–	(75.0)	–	(75.0)
Effective portion of changes in fair value of cash flow hedges	–	–	–	(13.0)	–	–	–	–	(13.0)
Income tax on income and expenses recognised directly in equity	–	–	–	3.7	–	–	21.7	–	25.4
Net gain recognised directly in equity	–	–	–	(9.3)	3.6	–	(53.3)	–	(59.0)
Profit for the financial year	–	–	–	–	–	–	363.0	1.1	364.1
Total income/(expense) recognised for the year	–	–	–	(9.3)	3.6	–	309.7	1.1	305.1
Share capital issued	0.8	4.0	–	–	–	–	–	–	4.8
Return of capital	(0.4)	–	0.4	–	–	–	(119.3)	–	(119.3)
Allocation of shares for cancellation	–	–	–	–	–	–	2.2	–	2.2
Employee share scheme: – value of services provided	–	–	–	–	–	–	2.8	–	2.8
Dividends paid	–	–	–	–	–	–	(376.7)	(0.5)	(377.2)
Disposal of a business	–	–	–	–	(13.3)	–	–	–	(13.3)
Balance at 28 March 2009	**45.0**	**26.5**	**5.9**	**(8.6)**	**3.7**	**(83.8)**	**29.0**	**2.9**	**20.6**

Nature and purpose of other reserves

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

b) Capital redemption reserve
The reserve represents the nominal value of shares redeemed by the Company.

c) Hedge reserve
The reserve records the portion of any gain or loss on hedging instruments that are determined to be effective 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.

1 Reconciliation of Movement in Capital and Reserves continued

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

e) 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, 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 profit and loss account reserve of £83.8m arose as a result of this transaction.

2 Segmental Analysis

The Group's primary reporting format is by business segment. Following the disposal of the Cash Systems business (excluding Cash Processing Solutions (CPS)), the Group comprises Security Paper and Print Division and Cash Processing Solutions (which was previously disclosed within Cash Systems). The Currency and Security Print businesses are involved in the production of a wide range of national currencies and security documents, including authentication labels, travellers' cheques and fiscal stamps. The Identity Systems business is involved in the production of passports, including ePassports, together with other secure identity products. The CPS business is primarily focused in the production of large sorters for central banks complementing our Currency business. Additional information on Security Paper and Print has been provided on a voluntary basis.

Analysis by business segment 2009

	Security Paper and Print						
	Currency £m	Security Print £m	Identity Systems £m	Cash Processing Solutions £m	Eliminations/ Exceptional items £m	Continuing operations £m	Discontinued operations £m
Revenue	348.6	69.7	30.4	66.0	(12.3)	502.4	121.6
Underlying operating profit	82.8	11.0	2.3	0.4	–	96.5	17.6
Exceptional items – operating (note 4)	–	–	–	–	(8.9)	(8.9)	–
Operating profit	82.8	11.0	2.3	0.4	(8.9)	87.6	17.6
Share of profits of associated companies after taxation						8.9	–
Profit on sale of business						–	316.8
Net interest income						1.4	–
Retirement benefit obligations net finance charge						(1.8)	–
Profit before taxation						96.1	334.4
Taxation						(28.5)	(37.9)
Profit for the financial year						67.6	296.5
Segment assets	186.2	26.5	14.9	48.0	–	275.6	–
Unallocated assets						183.0	–
Total assets						458.6	–
Segment liabilities	(100.7)	(14.3)	(15.5)	(20.0)	–	(150.5)	–
Unallocated liabilities						(287.5)	–
Total liabilities						(438.0)	–
Capital expenditure on property, plant and equipment	22.0	2.0	0.4	3.8	–	28.2	0.7
Capital expenditure on intangible assets	1.2	0.1	–	2.6	–	3.9	1.1
Depreciation of property, plant and equipment	14.9	2.6	0.7	1.4	–	19.6	1.3
Amortisation of intangible assets	1.1	0.1	0.1	0.4	–	1.7	1.1

Notes to the Accounts
continued

2 Segmental Analysis continued

Analysis by business segment 2008 (Restated*)

	Security Paper and Print						
	Currency £m	Security Print £m	Identity Systems £m	Cash Processing Solutions £m	Eliminations/ Exceptional items £m	Continuing operations £m	Discontinued operations £m
Revenue	316.7	74.8	26.5	58.4	(9.4)	467.0	286.6
Operating profit	66.5	8.4	3.9	0.4	–	79.2	35.5
Share of profits of associated companies after taxation						7.1	–
Exceptional items – non-operating (note 4)						2.6	–
Net interest income						2.0	–
Retirement benefit obligations net finance income						0.3	–
Profit before taxation						91.2	35.5
Taxation						(24.7)	(13.6)
Profit for the financial year						66.5	21.9
Segment assets	168.3	26.0	12.4	35.4	–	242.1	110.5
Unallocated assets						222.3	–
Total assets						464.4	110.5
Segment liabilities	(103.1)	(12.1)	(12.9)	(14.2)	–	(142.3)	(97.2)
Unallocated liabilities						(119.9)	–
Total liabilities						(262.2)	(97.2)
Capital expenditure on property, plant and equipment	11.2	1.5	4.1	1.4	–	18.2	6.0
Capital expenditure on intangible assets	0.7	–	0.1	–	–	0.8	5.4
Depreciation of property, plant and equipment	12.1	4.4	0.2	2.3	–	19.0	3.0
Amortisation of intangible assets	1.4	0.3	–	1.4	–	3.1	2.0

Analysis by geographical segment 2009

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Continuing operations £m	Discontinued operations £m
Revenue by destination	**62.1**	**80.5**	**63.5**	**296.3**	**502.4**	**121.6**
Segment assets	**159.8**	**58.4**	**31.6**	**25.8**	**275.6**	**–**
Unallocated assets					**183.0**	**–**
Total assets					**458.6**	**–**
Capital expenditure on property, plant and equipment	**19.0**	**3.9**	**3.5**	**1.8**	**28.2**	**0.7**
Capital expenditure on intangible assets	**2.6**	**–**	**1.3**	**–**	**3.9**	**1.1**

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

2 Segmental Analysis continued

Analysis by geographical segment 2008 (Restated*)

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Continuing operations £m	Discontinued operations £m
Revenue by destination	61.5	54.9	92.7	257.9	467.0	286.6
Segment assets	139.6	48.5	26.8	27.2	242.1	110.5
Unallocated assets					222.3	–
Total assets					464.4	110.5
Capital expenditure on property, plant and equipment	6.4	9.8	0.5	1.5	18.2	6.0
Capital expenditure on intangible assets	0.8	–	–	–	0.8	5.4

Underlying operating profit comprises operating profit before exceptional items. Unallocated assets principally comprise centrally managed property, plant and equipment, associates and other investments, deferred tax assets, current tax assets, derivative financial instrument assets and cash and cash equivalents which are used as part of the Group's financing offset arrangements. Unallocated liabilities comprise borrowings, derivative financial instrument liabilities, current and non-current tax liabilities, deferred tax liabilities, retirement benefit obligations, and centrally held accruals and provisions.

3 Operating Profit

	2009 £m	2008 Restated* £m
Operating profit is arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	**74.9**	74.3
Net impairment of inventories	**2.3**	1.9
Depreciation of property, plant and equipment:		
– purchased	**16.4**	15.4
– leased	**3.2**	3.6
Amortisation of other intangibles	**1.7**	3.1
Impairment of trade receivables	**0.4**	–
Operating leases:		
– hire of plant and equipment	**2.0**	1.4
– hire of property	**3.9**	3.6
Auditor's remuneration:		
– Fees payable to the Company's auditors for the audit of the Company's consolidated financial statements	**0.2**	0.2
– Fees payable to the Company's auditors and its associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.4
– tax services	**0.1**	0.1
– services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or Group	**1.0**	1.0
Research and non-capitalised development expense	**10.3**	7.8
(Profit)/loss on disposal of property, plant and equipment	**(0.1)**	0.9
Reorganisation costs (Exceptional items – see note 4)	**8.9**	–
Foreign exchange losses	**5.3**	3.9

Auditor's remuneration relates to fees paid to the Company's current auditors KPMG Audit plc. Other assurance services include corporate finance work performed in connection with the disposal of the Cash Systems business in 2008/2009 and the group's strategic review in 2007/2008, including vendor due diligence on the Cash Systems business.

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

Notes to the Accounts
continued

4 Exceptional Items

	2009 £m	2008 £m
Operating – Reorganisation of central operations	(8.9)	–
Non-operating – Profit on disposal of investments	–	2.6
Exceptional items – continuing operations	(8.9)	2.6
Exceptional items – tax	0.9	–

During the year, De La Rue announced its intention to reduce central costs by approximately 50 per cent following the disposal of Cash Systems. This programme is largely complete.

Central reorganisation costs relating to this programme principally cover redundancy, separation costs and site rationalisation charges. Tax credits relating to exceptional items were £0.9m, with a credit of £1.9m in relation to the central reorganisation being partly offset by a £1.0m charge in respect of the phasing out of Industrial Buildings Allowances, included in the Finance Act 2008.

In the prior year, profit from disposal of investments comprises a £1.7m gain from the sale of the Group's Valora investment and £0.9m gain on the sale of its 50 per cent stake in De La Rue Smurfit.

5 Interest Income and Expense

	2009 £m	2008 £m
Recognised in profit and loss		
Interest income		
Cash and cash equivalents	7.8	4.4
Interest expense:		
Bank overdrafts	(1.3)	(1.6)
Bank loans	(2.9)	(0.1)
Finance leases	(0.3)	(0.6)
Other	(1.9)	(0.1)
Total interest expense calculated using the effective interest method	(6.4)	(2.4)
Retirement benefit obligation net finance (expense)/income (note 25)	(1.8)	0.3
The above financial income and expense include the following in respect of assets and liabilities not at fair value through profit or loss:		
Total interest income on financial assets	7.8	4.4
Total interest expense on financial liabilities	(6.4)	(2.4)
Recognised directly in equity		
Foreign currency differences for foreign operations	3.6	10.9
Cash flow hedges recognised	(13.0)	1.6
Tax on cash flow hedges	3.7	(0.4)
Net gain on hedge of net investment in foreign operations	–	3.3
	(5.7)	15.4
Recognised in		
Hedge reserve	(9.3)	1.2
Translation reserve	3.6	14.2
	(5.7)	15.4

The ineffective portion charged to profit and loss on derivatives in 2009 was £nil (2008: £nil).

6 Taxation

	2009 £m	2008 Restated* £m
Consolidated income statement		
Current tax		
UK Corporation tax		
Current tax	11.6	19.3
Double tax relief	(0.5)	(3.3)
Adjustment in respect of prior years	0.2	(0.4)
	11.3	15.6
Overseas tax charges		
Current year	6.3	6.8
Adjustment in respect of prior years	0.2	(1.1)
	6.5	5.7
Total current income tax expense	17.8	21.3
Deferred tax		
UK		
Origination and reversal of temporary differences	10.5	2.6
Overseas		
Origination and reversal of temporary differences	0.2	0.8
Total deferred tax expense	10.7	3.4
Income tax expense reported in the consolidated income statement in respect of continuing operations	28.5	24.7
Income tax expense in respect of discontinued operations (note 7)	5.0	13.6
Total income tax expense in the consolidated income statement	33.5	38.3
Consolidated statement of recognised income and expense		
On pension actuarial adjustments	(21.0)	22.5
On share options	(0.7)	–
On cash flow hedges	(3.7)	0.4
Income tax (income)/expense reported within equity	(25.4)	22.9

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 28 per cent as follows:

	2009 Before Exceptionals £m	2009 Exceptional Items £m	2009 Total £m	2008 Restated* Before Exceptionals £m	2008 Restated* Exceptional Items £m	2008 Restated* Total £m
Profit before tax	105.0	(8.9)	96.1	88.6	2.6	91.2
Tax calculated at UK tax rate at 28 per cent (2008: 30 per cent)	29.4	(2.5)	26.9	26.6	0.8	27.4
Effects of overseas taxation	(1.5)	–	(1.5)	(2.0)	–	(2.0)
Income not subject to tax	–	–	–	–	(0.8)	(0.8)
Expenses not deductible for tax purposes	3.6	0.6	4.2	3.7	–	3.7
Adjustment for tax on profits of associate	(2.5)	–	(2.5)	(2.1)	–	(2.1)
Adjustments in respect of prior years	0.4	–	0.4	(1.5)	–	(1.5)
Industrial Buildings Allowances	–	1.0	1.0	–	–	–
Tax charge	29.4	(0.9)	28.5	24.7	–	24.7

The underlying effective tax rate excluding one-off items was 28.0 per cent (2008: 27.9 per cent). A charge of £1.0m related to the impact on deferred tax balances of the phasing out of Industrial Buildings Allowances, included in the Finance Act 2008.

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

Notes to the Accounts
continued

7 Discontinued Operations

The Group completed the disposal of the Cash Systems business (excluding Cash Processing Solutions) on 1 September 2008.

Results of discontinued operations

	2009 £m	2008 £m
Revenue	121.6	286.6
Operating expenses	(104.0)	(251.1)
Operating profit	17.6	35.5
Taxation on operating profits from discontinued operations	(5.0)	(13.6)
Gain on disposal of discontinued operations before tax	316.8	–
Taxation on gain on disposal of discontinued operations	(32.9)	–
	283.9	–
Profit for the year from discontinued operations	296.5	21.9

Gain on disposal of discontinued operations

	2009 £m
Amounts paid by purchaser	367.3
Amounts payable by purchaser	1.9
Disposal costs paid	(11.2)
Disposal costs accrued	(5.4)
Taxation on gain on disposal	(32.9)
Reserves recycled on disposal	13.3
Net assets and liabilities disposed (see note 24)	(49.1)
Gain on disposal	283.9

8 Earnings Per Share

	2009 pence per share	2008 Restated* pence per share
Basic earnings per share	277.7	57.8
Diluted earnings per share	275.0	56.7
Basic earnings per share from continuing operations	50.9	43.4
Diluted earnings per share from continuing operations	50.4	42.7
Basic earnings per share from discontinued operations	226.8	14.4
Diluted earnings per share from discontinued operations	224.6	14.0
Headline earnings per share	57.0	41.7

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the year, 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 dilutive share options.

During the year the Company returned cash of £460m to shareholders and at the same time carried out a consolidation of its share capital. These transactions were conditional on each other. They were specifically designed to achieve the same overall effect on the Company's capital structure as a buy back of shares in a way in which all shareholders could participate. Accordingly, earnings per share is presented on the basis that in substance a share buy back has occurred.

The Directors are of the opinion that the publication of the headline earnings is useful to readers of interim statements and annual accounts as they give an indication of underlying business performance.

8 Earnings Per Share continued

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

Earnings

	2009 £m	2008 Restated* £m
Earnings for basic earnings per share	**363.0**	88.1
Deduct: Profit for the year from discontinued operations	**(296.5)**	(21.9)
Earnings for basic earnings per share from continuing operations	**66.5**	66.2
Add: Exceptional items – operating	**8.9**	–
Deduct: Exceptional items – non-operating	**–**	(2.6)
Less: Tax on exceptional items	**(1.9)**	–
Add: Tax effect of phasing out of Industrial Buildings Allowances	**1.0**	–
Earnings for headline earnings per share	**74.5**	63.6

Weighted average number of shares

	2009 Number m	2008 Number m
For basic earnings per share	**130.7**	152.5
Effect of dilutive options	**1.3**	2.8
For diluted earnings per share	**132.0**	155.3

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

9 Equity Dividends

	2009 £m	2008 £m
Final dividend for the year ended 29 March 2008 of 14.87p paid on 1 August 2008	**22.3**	–
B Shares dividend of 305.0p paid on 28 November 2008	**340.6**	–
Interim dividend for the period ended 27 September 2008 of 13.7p paid on 14 January 2009	**13.8**	–
Final dividend for the year ended 31 March 2007 of 13.27p paid on 3 August 2007	**–**	21.2
Special dividend of 46.5p paid on 3 August 2007	**–**	74.4
Interim dividend for the period ended 29 September 2007 of 6.53p paid on 16 January 2008	**–**	9.8
	376.7	105.4

A final dividend per equity share of 27.4 pence has been proposed for the year ended 28 March 2009, payable on 31 July 2009. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

Notes to the Accounts
continued

10 Property, Plant and Equipment

Year ended 28 March 2009

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 29 March 2008	58.1	256.6	44.1	13.6	372.4
Exchange differences	1.6	13.3	1.0	0.1	16.0
Additions	–	10.7	1.1	17.1	28.9
Disposal of business	(6.1)	(5.0)	(31.3)	(1.7)	(44.1)
Transfers from assets in the course of construction	–	13.2	1.4	(14.6)	–
Disposals	–	(6.8)	(0.3)	–	(7.1)
At 28 March 2009	53.6	282.0	16.0	14.5	366.1
Accumulated depreciation					
At 29 March 2008	21.2	171.9	36.1	–	229.2
Exchange differences	0.6	6.7	0.8	–	8.1
Depreciation charge for the year	1.3	17.3	2.3	–	20.9
Disposal of business	(3.1)	(3.2)	(27.3)	–	(33.6)
Disposals	–	(6.5)	(0.3)	–	(6.8)
At 28 March 2009	20.0	186.2	11.6	–	217.8
Net book value					
At 28 March 2009	33.6	95.8	4.4	14.5	148.3

Year ended 29 March 2008

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 31 March 2007	57.4	240.0	39.5	19.7	356.6
Exchange differences	0.8	8.5	3.4	0.7	13.4
Additions	0.1	6.2	2.9	15.0	24.2
Transfers from assets in the course of construction	1.3	19.8	0.4	(21.5)	–
Disposals	(1.5)	(17.9)	(2.1)	(0.3)	(21.8)
At 29 March 2008	58.1	256.6	44.1	13.6	372.4
Accumulated depreciation					
At 31 March 2007	20.0	165.3	31.9	–	217.2
Exchange differences	0.4	4.4	2.8	–	7.6
Depreciation charge for the year	1.8	17.5	2.7	–	22.0
Disposals	(1.0)	(15.3)	(1.3)	–	(17.6)
At 29 March 2008	21.2	171.9	36.1	–	229.2
Net book value					
At 29 March 2008	36.9	84.7	8.0	13.6	143.2

Included within plant and machinery are assets held under finance leases with net book value of £2.1m (2008 £7.8m). Additions include £0.1m (2008 £2.5m) for plant and machinery held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

11 Intangible Assets

Year ended 28 March 2009

	Goodwill* £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 29 March 2008	28.0	21.5	10.7	2.9	63.1
Exchange differences	3.8	0.3	0.1	(0.2)	4.0
Additions	–	4.4	0.6	–	5.0
Disposal of business	(23.5)	(15.8)	(5.6)	(2.3)	(47.2)
At 28 March 2009	8.3	10.4	5.8	0.4	24.9
Accumulated amortisation					
At 29 March 2008	13.3	7.1	6.6	2.9	29.9
Exchange differences	2.3	–	0.3	(0.2)	2.4
Amortisation for the year	–	1.6	1.2	–	2.8
Disposal of business	(15.3)	(7.5)	(3.4)	(2.3)	(28.5)
At 28 March 2009	0.3	1.2	4.7	0.4	6.6
Carrying value at 28 March 2009	8.0	9.2	1.1	–	18.3

Year ended 29 March 2008

	Goodwill* £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 31 March 2007	25.0	15.6	15.4	2.9	58.9
Exchange differences	3.0	1.5	0.5	–	5.0
Additions	–	4.7	1.5	–	6.2
Disposals	–	(0.3)	(6.7)	–	(7.0)
At 29 March 2008	28.0	21.5	10.7	2.9	63.1
Accumulated amortisation					
At 31 March 2007	11.4	4.8	9.5	2.9	28.6
Exchange differences	1.9	0.4	0.4	–	2.7
Amortisation for the year	–	2.0	3.1	–	5.1
Disposals	–	(0.1)	(6.4)	–	(6.5)
At 29 March 2008	13.3	7.1	6.6	2.9	29.9
Carrying value at 29 March 2008	14.7	14.4	4.1	–	33.2

*Goodwill amortisation relates to impairments made in previous years. Goodwill is allocated to the Group's Cash Generating Units (CGUs) identified according to business segment and country of operation.

Notes to the Accounts
continued

11 Intangible Assets continued

A segment level summary of the goodwill allocation is presented below:

	2009 £m	2008 £m
Cash Processing Solutions (Cash Systems in 2008)	3.7	9.9
Security Paper and Print	4.3	4.8
	8.0	14.7

Goodwill relates to the acquisition of CSI Inc in 2001 which was allocated to Cash Processing Solutions and Security Paper and Print on the basis that the acquired business generated synergies for both CGUs. The estimates of recoverable amount are based on value-in-use calculations. In each case, the value-in-use calculations use cash flow projections covering a five year period based on the 2009/2010 budget, plus a terminal value. The key assumptions underlying these projections are summarised below:

(a) Cash Processing Solutions: unit sales of large sorters and the extent of maintenance income generated from these sales, which are based on a combination of orders on hand and past experience.

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

(i) expectations in respect of economic growth and central banks' banknote circulation policies, and

(ii) the Company's knowledge of its customer base, gained through its long standing relationships with them.

Material input prices and foreign exchange rates are also factors but are not considered significant in the context of the headroom available in the calculations.

The pre-tax discount rate used for both Cash Processing Solutions and Security Paper and Print was 14.1 per cent (2008 14.4 per cent). The discount rates applied take into account the Group's weighted average cost of capital (WACC) and the relative risks associated with the CGUs' operations. The post tax discount rate used is unchanged compared to the prior period reflecting the fact that the Group's WACC has not changed and that the risks associated with the CGU's in question have not been materially affected by the recent economic conditions. Cash flows beyond the period covered by the projections have been extrapolated assuming a growth rate of 3 per cent, which approximates to the long term GDP growth in the markets served by the Group.

Sensitivity analysis has been performed and management do not consider there to be any reasonably possible change in assumptions that could result in the assets' recoverable amounts falling below their book values.

12 Investments

	Associated companies		
	Equity shares £m	Redeemable shares £m	Total £m
At 29 March 2008	12.5	10.0	22.5
Share of post tax profits	8.9	–	8.9
Dividends paid	(10.3)	–	(10.3)
At 28 March 2009	**11.1**	**10.0**	**21.1**
At 31 March 2007	13.1	–	13.1
Additions	–	10.0	10.0
Share of post tax profits	7.1	–	7.1
Dividends paid	(7.7)	–	(7.7)
At 29 March 2008	12.5	10.0	22.5

At 28 March 2009 and 29 March 2008, the principal associate of the Group was Camelot Group Plc, in which the Group has a 20 per cent holding.

On 30 August 2007 the Group subscribed for 10,000,000 redeemable shares of £1 each at par in Camelot Group plc. The redeemable shares do not carry any voting rights, but rank equally with Ordinary Shares for dividend and return of capital.

On 31 December 2007, the Group disposed of its entire holding in Valora-Servicos de Apoio a Emissao Monitaria SA (25 per cent) to Banco de Portugal for £1.7m. The investment in this Company was previously impaired.

12 Investments continued

The Group's share of the results, assets and liabilities for associates are as follows:

	Camelot Group	
	2009 £m	2008 £m
Share of the associate's results:		
Revenue	1,029.9	993.3
Profit after tax	8.9	7.1
Share of the associate's balance sheet:		
Non-current assets	33.1	16.0
Current assets	61.2	73.7
Share of gross assets	94.3	89.7
Non-current liabilities	(1.7)	(1.2)
Current liabilities	(69.7)	(65.1)
Share of gross liabilities	(71.4)	(66.3)
Share of net assets	22.9	23.4

13 Inventories

	2009 £m	2008 £m
Raw materials	21.4	17.5
Work in progress	23.4	32.9
Finished goods	20.5	44.5
	65.3	94.9

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

Provisions of £5.0m recognised in operating expenses were made against inventories in 2009 (2008: £7.2m). The Group also reversed provisions of £2.2m (2008: £5.0m), being part of an inventory write down that was not subsequently required.

14 Trade and Other Receivables

	2009 £m	2008 £m
Non current assets		
Other receivables	–	0.8
	–	0.8
Current assets		
Trade receivables	70.3	100.4
Provision for impairment	(4.1)	(4.8)
Net trade receivables	66.2	95.6
Other receivables	11.7	14.4
Prepayments	4.6	4.2
	82.5	114.2
	82.5	115.0

The carrying value of trade and other receivables approximate to their fair value.

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

Notes to the Accounts
continued

15 Financial Instruments

Financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments:

– Credit risk
– Liquidity risk
– Currency risk
– Market risk

The Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital are set out below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established 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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors.

The Group Treasury Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group Treasury Department provides written principles for overall 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.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

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.

Trade and other receivables
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 and the value of the Group's revenue attributable to sales transactions with any one customer is not significant.

The Group has established a credit policy that ensures that wholesale 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.

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 when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

15 Financial Instruments continued

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, Euro and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net 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 and between 60 per cent and 100 per cent of forecast exposures in each major currency for the subsequent 12 months. Forecast transactions must be highly probable for hedge accounting purposes.

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

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 Board of Directors monitors earnings per share, which the Group defines as the earnings attributable to ordinary shareholders divided by the weighted average number of Ordinary Shares outstanding during the year. The Board also monitors the level of dividends to ordinary shareholders.

The Group's strong cash generative characteristics have given the Board scope to regularly return to shareholders surplus cash flow through a combination of progressive dividends, share buy backs and special dividends. There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

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

	2009 Carrying amount £m	2009 Fair value £m	2008 Carrying amount £m	2008 Fair value £m
Financial assets				
Trade and other receivables (excluding prepayments)	77.9	77.9	110.8	110.8
Cash and cash equivalents	58.5	58.5	120.3	120.3
Derivative financial instruments:				
– Forward exchange contracts designated as cash flow hedges	6.5	6.5	1.9	1.9
– Forward exchange contracts not designated as cash flow hedges	3.0	3.0	6.2	6.2
– Embedded derivatives	25.4	25.4	11.4	11.4
Total financial assets	171.3	171.3	250.6	250.6
Financial liabilities				
Unsecured bank loans and overdrafts	(88.3)	(88.3)	(5.1)	(5.1)
Finance lease liabilities	(3.3)	(3.6)	(8.5)	(9.7)
Trade and other payables (excluding accruals)	(105.3)	(105.3)	(173.3)	(173.3)
Derivative financial instruments:				
– Forward exchange contracts designated as cash flow hedges	(18.4)	(18.4)	(0.8)	(0.8)
– Forward exchange contracts not designated as cash flow hedges	(19.5)	(19.5)	(12.6)	(12.6)
– Embedded derivatives	(4.0)	(4.0)	(4.4)	(4.4)
– Interest rate swaps	(0.1)	(0.1)	–	–
– Net investment hedges	–	–	(0.1)	(0.1)
Total financial liabilities	(238.9)	(239.2)	(204.8)	(206.0)

Determination of fair values

Trade and other receivables and payables
The amortised cost less impairment provision of trade receivables and payables is assumed to approximate to fair value due to their short maturities.

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.

Notes to the Accounts
continued

15 Financial Instruments continued

Forward exchange contracts used for hedging
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by using valuation techniques. In estimating fair values, the Group makes assumptions based on market conditions existing at each balance sheet date. The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Non-derivative financial liabilities
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. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

The interest rates used to discount estimated cash flows, where applicable, are based on LIBOR in the relevant currencies and were as follows:

	2009	2008
Leases	1.89%	5.70%

Credit risk

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

		Carrying amount	
	Notes	2009 £m	2008 £m
Trade and other receivables (excluding prepayments)	14	77.9	110.8
Cash and cash equivalents	16	58.5	120.3
Forward exchange contracts used for hedging		9.5	8.1
Embedded derivatives		25.4	11.4
		171.3	250.6

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	Carrying amount	
	2009 £m	2008 £m
UK and Ireland	15.2	5.2
Rest of Europe	10.2	33.5
The Americas	9.9	19.1
Rest of World	42.6	53.0
	77.9	110.8

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	Carrying amount	
	2009 £m	2008 £m
Banks and financial institutions	38.6	65.3
Government institutions	15.0	11.1
Distributors	3.6	12.7
Retail customers	–	2.4
End user customers	6.8	10.2
Other debtors	13.9	9.1
	77.9	110.8

15 Financial Instruments continued

Impairment losses

The ageing of trade and other receivables at the reporting date was:

	2009 Gross £m	2009 Impairment £m	2008 Gross £m	2008 Impairment £m
Not past due	62.6	(0.1)	92.5	(1.6)
Past due 0-30 days	6.2	(0.1)	12.9	(0.2)
Past due 31-120 days	6.6	(1.0)	5.9	(1.0)
More than one year	6.6	(2.9)	4.3	(2.0)
	82.0	(4.1)	115.6	(4.8)

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

	2009 £m	2008 £m
Balance at beginning of year	(4.8)	(4.3)
Impairment loss released/(recognised)	0.7	(0.5)
Balance at end of year	(4.1)	(4.8)

The allowance accounts in respect of trade receivables are used to record impairment 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.

Based on past experience, the Group believes that no impairment is required for financial assets that are not past due and are not currently known to be impaired.

Liquidity risk

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

28 March 2009

	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 and fair value £m	Carrying amount £m
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	37.8	–	50.5	88.3	–	88.3
Finance lease liabilities	2.5	1.1	–	3.6	(0.3)	3.3
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging:						
– Gross amount payable from currency derivatives	168.3	88.8	–	257.1	(219.2)	37.9
Interest rate swaps	0.3	0.3	–	0.6	(0.5)	0.1
	208.9	90.2	50.5	349.6	(220.0)	129.6

29 March 2008

	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 and fair value £m	Carrying amount £m
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	5.1	–	–	5.1	–	5.1
Finance lease liabilities	6.0	3.7	–	9.7	(1.2)	8.5
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging:						
– Gross amount payable from currency derivatives	226.3	101.7	–	328.0	(314.5)	13.5
	237.4	105.4	–	342.8	(315.7)	27.1

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.

Notes to the Accounts
continued

15 Financial Instruments continued

Forward foreign exchange contracts
The principal amounts of the outstanding forward foreign exchange contracts at 28 March 2009 are US Dollar 87.0m, Euro 179.6m and Swiss Franc (14.6m).

The principal amount outstanding under forward contracts with maturities greater than 12 months is Euro 80.5m. These forward contracts are designated as cash flow hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity (note 1) on forward foreign exchange contracts at 28 March 2009 will be released to the income statement at various dates between one month and 24 months from the balance sheet date.

Net investments
Following the sale of the Cash Systems business (excluding CPS), the Group has de-designated all of its previous net investment hedges. No net investment hedges were outstanding at 28 March 2009.

At 29 March 2008, the following net investment hedges were in place:

The Group designated $30m of US Dollar swaps as a hedge of the net investments in the Group's US subsidiary operations. The fair value of the currency swaps at 29 March 2008 was nil.

The Group designated €30m of Euro swaps as a hedge of the net investment in the Group's European subsidiary operations. The fair value of the currency swaps at 29 March 2008 was (£0.1m).

The Group designated Rand 40m of South African Rand swaps as a hedge of the net investment in the Group's South African subsidiary operations. The fair value of the currency swaps at 29 March 2008 was nil.

The Group designated Franc 5m of Swiss Franc swaps as a hedge of the net investment in the Group's Swiss subsidiary operations. The fair value of the currency swaps at 29 March 2008 was nil.

Cash management swaps
The Group uses currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 28 March 2009 was £0.2m (2008: (£0.7m)).

Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps are US Dollars 8.4m, Euro (16.8m), Canadian Dollar 3.2m, Singapore Dollar (0.9m), Swiss Francs (1.7m), South African Rand (9.3m) and Japanese Yen (14.5m).

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 fair value of embedded derivatives at 28 March 2009 was £21.4m (2008: £7.0m).

Currency risk

Exposure to currency risk
The Group's exposure to foreign currency risk was as follows based on notional amounts:

Some of the Group's net assets are in currencies other than sterling. The Group's policy is to limit the translation exposure and resulting impact on equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets. At 28 March 2009 there were no material currency exposures after accounting for the effect of the hedging transactions.

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations. However, where transaction exposures do occur the Group's policy is to hedge firm commitments as soon as they are entered into using forward foreign exchange contracts, which are designated as cashflow hedges if applicable. In addition it is the Group's policy to hedge between 60 per cent and 100 per cent of forecast exposures in each major currency for the subsequent 12 months. Forecast transactions must be highly probable for hedge accounting purposes. For the year ended 28 March 2009 all foreign exchange cash flow hedges were effective with a £12.0m loss recognised in equity.

15 Financial Instruments continued

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
USD	1.73	2.01	1.43	1.99
EUR	1.21	1.42	1.08	1.26

Sensitivity analysis

A 10 per cent strengthening of GBP against the following currencies at 28 March 2009 and 29 March 2008 would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009 £m	2008 £m
USD	(0.1)	(0.7)
EUR	0.9	(0.9)

A 10 per cent weakening of GBP against the above currencies at 28 March 2009 and 29 March 2008 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

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

	Carrying amount	
	2009 £m	2008 £m
Variable rate instruments		
Financial assets	58.5	120.3
Financial liabilities	(91.6)	(13.6)
	(33.1)	106.7

As at 28 March 2009 the Group does not hold any fixed rate instruments.

The Group reduced its exposure to cash flow interest rate risk in March 2009 by entering into interest rate swaps with notional principal amounts of £50m, which have the effect of fixing the interest cost on £50m of borrowings under the Group's committed bank facility until May 2011 at an average rate of 2.64 per cent (inclusive of borrowing margin).

Cash flow sensitivity analysis for variable rate instruments

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. The analysis is performed on the same basis for 2008.

	Profit and Loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
28 March 2009				
Variable rate instruments cash flow sensitivity (net)	1.3	(1.3)	–	–
29 March 2008				
Variable rate instruments cash flow sensitivity (net)	1.2	(1.2)	–	–

Notes to the Accounts
continued

16 Cash and Cash Equivalents

	2009 £m	2008 £m
Cash at bank and in hand	43.4	49.9
Short term bank deposits	15.1	70.4
	58.5	120.3

The effective interest rate on short-term bank deposits was 1.2 per cent (2008: 5.1 per cent) and the deposits had an average maturity period of 23 days.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2009 £m	2008 £m
Cash and cash equivalents	58.5	120.3
Bank overdrafts repayable on demand	(8.4)	(3.6)
Balance per Group cash flow statement	50.1	116.7

All cash and deposits are of a floating rate nature, earn interest based on the relevant national LIBID equivalents 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 15.

17 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:

	2009 £m	2008 £m
Deferred tax assets	29.3	25.9
Deferred tax liabilities	–	(0.6)
	29.3	25.3

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

	2009 £m	2008 £m
Beginning of the year	25.3	49.3
Exchange differences	1.5	2.1
Income statement charge	(15.9)	(3.6)
Tax (credited)/charged to equity	25.0	(22.5)
Disposal of business	(6.6)	–
End of the year	29.3	25.3

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

Liabilities	Property, plant and equipment £m	Fair value gains £m	Development costs £m	Other £m	Total £m
At 31 March 2007	8.2	0.4	3.4	6.8	18.8
Charged/(credited) to the income statement	(0.2)	–	1.2	(4.9)	(3.9)
At 29 March 2008	8.0	0.4	4.6	1.9	14.9
Credited to the income statement	(0.4)	–	(2.6)	(0.5)	(3.5)
Disposal of business	(0.2)	–	(1.2)	–	(1.4)
At 28 March 2009	**7.4**	**0.4**	**0.8**	**1.4**	**10.0**

17 Deferred Taxation continued

Assets	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 31 March 2007	(6.3)	(32.4)	(4.3)	(25.1)	(68.1)
Charged to the income statement	0.5	2.9	1.4	2.8	7.6
Charged to equity	–	22.5	–	–	22.5
Exchange differences	–	–	(1.6)	(0.6)	(2.2)
At 29 March 2008	(5.8)	(7.0)	(4.5)	(22.9)	(40.2)
Charged to the income statement	3.1	8.5	4.5	3.3	19.4
Credited to equity	(0.2)	(21.0)	–	(3.8)	(25.0)
Disposal of business	–	0.1	–	7.9	8.0
Exchange differences	–	–	–	(1.5)	(1.5)
At 28 March 2009	**(2.9)**	**(19.4)**	**–**	**(17.0)**	**(39.3)**

Other deferred assets and liabilities predominantly relate to tax associated with provisions (£8.4m), and overseas tax credits (£4.7m).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of £2.2m (2008: £7.1m) in respect of losses amounting to £8.6m (2008: £26.9m) that can be carried forward against future taxable income.

Deferred income tax liabilities of £127.3m (2008: £103.8m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled £527.1m at 28 March 2009 (2008: £435.2m).

UK capital losses of £372m are carried forward at 28 March 2009 (2008: £382m). No deferred tax asset has been recognised in respect of these losses.

18 Trade and Other Payables

	2009 £m	2008 £m
Current liabilities		
Payments received on account	**38.4**	72.8
Trade payables	**40.7**	45.4
Amounts owed to associated companies	**1.6**	0.6
Social security and other taxation	**–**	4.8
Deferred income	**4.3**	25.8
Accrued expenses	**56.5**	73.9
Other payables	**17.0**	22.0
	158.5	245.3
Non current liabilities		
Other payables	**3.3**	1.9
	3.3	1.9

The Directors consider the carrying amounts of trade and other payables to approximate to their fair values.

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 15.

Notes to the Accounts
continued

19 Borrowings
This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 15.

	Currency	Nominal interest rate	Year of maturity	2009 Face value £m	2009 Carrying amount £m	2008 Face value £m	2008 Carrying amount £m
Current liabilities							
Unsecured bank loans and overdrafts	GBP	1.50%	2009	4.9	4.9	3.6	3.6
Unsecured bank loans and overdrafts	GBP	2.30%	2009	5.0	5.0	–	–
Unsecured bank loans and overdrafts	USD	1.46%	2009	24.4	24.4	–	–
Unsecured bank loans and overdrafts	BRL	16.15%	2009	3.5	3.5	–	–
Finance leases	GBP	1.89%	2009	2.3	2.3	3.4	3.4
Finance leases	USD			–	–	1.6	1.6
				40.1	40.1	8.6	8.6
Non current liabilities							
Unsecured bank loans repayable by instalments	EUR	2.50%	2011	1.3	1.3	1.5	1.5
Unsecured bank loans repayable otherwise than by instalments	GBP	2.09%	2011	49.2	49.2	–	–
Finance leases	GBP	1.89%	2010–2011	1.0	1.0	3.5	3.5
				51.5	51.5	5.0	5.0
Total interest bearing liabilities				91.6	91.6	13.6	13.6

In 2009, bank loans and overdrafts of £115.4m (2008: £250.5m) were pooled for interest purposes against cash and cash equivalents.

The Group has the following undrawn borrowing facilities:

	2009 £m	2008 £m
Floating rate:		
– Expiring within one year	13.9	–
– Expiring beyond one year	93.9	110.0
Fixed rate:		
– Expiring within one year	–	–
	107.8	110.0

As at 28 March 2009, the total of undrawn committed borrowing facilities maturing in more than two years was £93.9m (2008: £110m).

Finance lease liabilities
Finance lease liabilities are payable as follows:

	2009 Future minimum lease payments £m	2009 Interest £m	2009 Present value of minimum lease payments £m	2008 Future minimum lease payments £m	2008 Interest £m	2008 Present value of minimum lease payments £m
Less than one year	2.5	(0.2)	2.3	6.0	(1.0)	5.0
Between one and five years	1.1	(0.1)	1.0	3.7	(0.2)	3.5
	3.6	(0.3)	3.3	9.7	(1.2)	8.5

20 Provisions for Liabilities and Charges

	Restructuring £m	Business disposals £m	Warranty £m	Other £m	Total £m
At 29 March 2008	2.0	1.5	9.7	9.9	23.1
Exchange differences	–	–	0.2	1.2	1.4
Charge for the year	12.0	–	11.8	0.7	24.5
Utilised in year	(0.7)	–	(5.5)	(1.4)	(7.6)
Released in year	(0.8)	(0.4)	(1.1)	(1.2)	(3.5)
Disposal of business	–	–	(4.0)	(1.9)	(5.9)
Reclassified from/(to) other payables	–	–	0.6	(0.1)	0.5
At 28 March 2009	**12.5**	**1.1**	**11.7**	**7.2**	**32.5**

Restructuring provisions relate to exceptional amounts set aside for various reorganisations within the Group, principally involving Central functions. Most of the utilisation of these provisions is likely within the next year.

Business disposal provisions represent amounts reserved to cover exposures arising in connection with businesses previously owned by the Group. These exposures include product warranties provided prior to disposal, disputed contractual amounts and certain indemnities provided by the Group to the new owners. The majority of these provisions 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 the year.

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

21a Share Capital

	2009 £m	2008 £m
Authorised		
144,641,840 Ordinary Shares of $44^{152}/_{175}$p each (2008: 223,125,756 Ordinary Shares of $29^{16}/_{21}$p each)	**64.9**	66.4
111,673,300 Deferred Shares of 1p each (2008: nil)	**1.1**	–
Authorised, called up and fully paid		
97,786,854 Ordinary Shares of $44^{152}/_{175}$p each (2008: 149,842,853 Ordinary Shares of $29^{16}/_{21}$p each)	**43.9**	44.6
111,673,300 Deferred Shares of 1p each (2008: nil)	**1.1**	–
	45.0	44.6

	2009 Ordinary Shares '000	2009 B Shares/ Deferred Shares '000	2008 Ordinary Shares '000	2008 Deferred Shares '000
Allotments during the year				
Shares in issue at 29 March 2008	**149,843**	**–**	160,827	–
Sub-division of shares*	**–**	**150,774**		
Shares bought back for cancellation	**–**	**(39,101)**	(610)	–
Issued under executive share option plan	**546**	**–**	–	–
Issued under savings related share option scheme	**724**	**–**	295	–
Issued under US employee share purchase plan	**23**	**–**	54	–
Issued under deferred bonus and matching share plan	**775**	**–**	–	–
Shares consolidated*	**(54,124)**	**–**	(10,723)	–
Shares in issue at 28 March 2009	**97,787**	**111,673**	149,843	–

*Following shareholders' approval of a return of cash at the Extraordinary General Meeting of the Company on 14 November 2008, each existing Ordinary Share held by shareholders on the Company's Register of Members at the close of business on 14 November 2008 was sub-divided into one undesignated share and one B Share. The undesignated shares were immediately consolidated on the basis of 25 new Ordinary Shares for every 39 undesignated shares. On 28 November 2008, shareholders opting for the single B Share dividend alternative received 305 pence per B Share. JPMorgan Cazenove Limited acting as principal purchased 39,101,452 B Shares in respect of which valid acceptances of the purchase offer had been received for 305 pence each. The Company acquired the 39,101,452 B Shares for an aggregate consideration of approximately £119.3m, and these B Shares were cancelled on 28 November 2008. The remaining B Shares were converted into Deferred Shares of 1 penny nominal value. As a consequence of the return of cash and share consolidation, the Company's authorised share capital was reduced from £66.4m to £66.0m, representing 111,673,300 Deferred Shares of 1 penny each and 144,641,840 Ordinary Shares of $44^{152}/_{175}$ pence each. The issued Ordinary Share capital was reduced from 150,774,752 to 96,650,482.

On 30 July 2007 the Group carried out a share consolidation of 14 new Ordinary Shares of $29^{16}/_{21}$p for every 15 Ordinary Shares of $27^{7}/_{9}$p in issue, accompanied by the payment of a special dividend to all shareholders.

The Deferred Shares carry no voting rights and are unlisted.

Notes to the Accounts
continued

21b Share Based Payments

At 28 March 2009, De La Rue plc 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 De La Rue’s share based compensation plans are set out in the table below:

	Expense recognised for the year		Liability at end of year	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Executive share option plan	**–**	0.7	**–**	–
Deferred bonus and matching share plan	**2.5**	3.1	**–**	–
Savings related share option scheme	**0.6**	0.5	**–**	–
US employee share purchase plan	**0.1**	0.1	**–**	–
Phantom share option plan	**–**	–	**–**	0.4
	3.2	4.4	**–**	0.4

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	Executive share option plan	Deferred bonus and matching share plan	Savings related share option scheme	US employee share purchase plan	Phantom share option plan
Dates of current year grants	n/a	26 Jun ’08	7 Jan ’09	n/a	n/a
Number of options granted	n/a	277,348	299,920	n/a	n/a
Exercise price	n/a	n/a	714.14p	n/a	n/a
Contractual life (years)	n/a	3	3	n/a	n/a
Settlement	Shares	Shares	Shares	Shares	Cash
Vesting period (years)	n/a	3	3	n/a	n/a
Dividend yield	n/a	3.5%	3.5%	n/a	n/a
Fair value per option at grant date	n/a	£8.89 for Deferred Allocation £6.39 for Matching Allocation	£3.18	n/a	remeasured at period end

An expected volatility rate of 25 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 in the region of 4.5 per cent depending on exact grant date.

21b Share Based Payments continued

Reconciliations of option movements over the year to 28 March 2009 for each class of options are shown below:

Executive Share Option Plan

The Executive Share Option Plan was open to senior executives of the Group and expired on 17 July 2006 for the purposes of grant of options. Options were granted at a price equal to the average market price of a share over the three dealing days immediately preceding the date of grant with a performance condition based on the achievement of an earnings per share growth target. The performance condition related to the achievement over three years of three per cent per annum earnings per share growth over the rate of increase in the retail price index. All options under the Plan vested with the exception of the 2002 grant of options which failed the performance condition. A pre vesting forfeiture rate of 5 per cent per annum has been assumed.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	1,072	362.84	2,783	337.28
Forfeited	–	–	(19)	407.42
Exercised	(1,032)	362.42	(906)	332.07
Expired	–	–	(786)	304.47
Outstanding at end of year	40	373.59	1,072	362.84
Exercisable at year end	40	373.59	696	338.76

The range of exercise prices for the share options outstanding at the end of the year is 340.50 – 407.42p (2008: 237.33p – 407.42p).

The remaining contractual life of the outstanding share options is up to 5 July 2015 (2008: up to 5 July 2015).

Executive Share Option Scheme

The Company operated an Executive Share Option Scheme with a HM Revenue and Customs approved section and unapproved section which expired on 31 December 2004. Options granted under the Scheme can only be exercised if the total return of a share over a consecutive three-year period exceeds the total return of the median ranked company in the FTSE Mid-250 Index over the same period. A pre vesting forfeiture rate of 5 per cent per annum has been assumed. All options have now vested.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	120	514.79	894	496.62
Exercised	(83)	518.92	(229)	494.61
Expired	–	–	(545)	490.19
Outstanding at end of year	37	505.56	120	514.79
Exercisable at year end	37	505.56	120	514.79

The range of exercise prices for the share options outstanding at the end of the year was 482.33p – 522.30p (2008: 482.33p – 522.30p). The remaining contractual life of the outstanding share options is up to 3 December 2011.

Notes to the Accounts
continued

21b Share Based Payments continued

Deferred Bonus and Matching Share Plan
The Plan is open to senior executives of the Group. The Plan is a combination of three elements: Deferred Allocation, Dividend Allocation and Matching Allocation. The Matching Allocation is linked to the Deferred Allocation and is subject to the following performance condition: up to 50 per cent of the award is released subject to an earnings per share test and up to 50 per cent is released based on the performance of the total shareholder return test (TSR) against the companies in the FTSE Mid 250 excluding investment trusts. The performance conditions are described in more detail on pages 64 and 65. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2009 Number of options '000	2008 Number of options '000
Options outstanding at start of year	1,447	1,005
Granted – Deferred Allocation of Shares	107	181
Granted – Matching Allocation of Shares	170	269
Forfeited	(102)	(8)
Exercised	(735)	–
Outstanding at end of year	887	1,447
Exercisable at year end	–	–

The Deferred and Matching Shares have been allocated based on a share price of 908.5p (2008: 758.4p).

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 £250 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.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	1,778	439.63	1,875	366.00
Granted	300	714.14	300	745.74
Forfeited	(119)	570.50	(92)	371.29
Exercised	(723)	319.63	(295)	306.02
Expired	(11)	387.65	(10)	456.94
Outstanding at end of year	1,225	565.31	1,778	439.63
Exercisable at year end	36	352.46	31	346.20

The range of exercise prices for the share options outstanding at the end of the year is 258.90p – 745.74p (2008: 258.90p – 745.74p). The weighted average remaining contractual life of the outstanding share options is 1 September 2013 (2008: 1 September 2013).

Phantom Share Option Scheme
This Scheme operated under similar rules to the Executive Share Option Scheme but provides a payment in the form of cash rather than shares.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	93	344.99	256	355.23
Exercised	(93)	344.99	(117)	340.22
Expired	–	–	(46)	413.23
Outstanding at end of year	–	–	93	344.99
Exercisable at year end	–	–	73	328.24

There were no options outstanding at the end of the year.

21b Share Based Payments continued

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 Ordinary Shares at the end of each 12 month savings period at a price which is the lower of the value of a De La Rue plc Ordinary Share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2008/2009, 22,152 shares (2007/2008: 54,472 shares) were allotted pursuant to the Plan. It is estimated that 25,541 shares will be required to satisfy the Company's 2009/2010 obligations in respect of employees' savings under the Plan as at 28 March 2009.

Market Share Purchase of Shares by Trustees
De La Rue Employee Share Ownership Trust
The De La Rue Employee Share Ownership Trust was established to satisfy options 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.

Bachmann Trust Company Limited is the Trustee. The Trustee at 29 March 2008 held 570,886 shares due for release to participants of the ESOS and ESOP. Following the transfer to option holders of 570,886 Ordinary Shares, the Trustee held no shares at 28 March 2009.

The Trustee agreed to waive dividends on these shares except for 0.0001 per cent per share and accordingly such shareholding is not included in the Company's EPS calculation referred to in note 8.

22 Notes to Group Cash Flow Statement

	2009 £m	2008 £m
Net cash flows attributable to discontinued operations		
Cash (utilised by)/generated from discontinued operations	(2.2)	37.3
Tax paid	(10.0)	(12.8)
Net cash (used in)/from operating activities	(12.2)	24.5
Net cash used in investing activities	(1.8)	(7.7)
Net cash (used in)/from discontinued operations	(14.0)	16.8

	2009 £m	2008 £m
Disposal of subsidiary undertakings		
Consideration received, satisfied in cash	367.3	4.0
Net cash disposed of	(22.4)	(1.9)
Disposal costs paid	(11.2)	-
Disposal of subsidiary undertakings (net of cash disposed)	333.7	2.1

	2009 £m	2008 £m
Analysis of net cash		
Cash at bank and in hand	43.4	49.9
Short-term bank deposits	15.1	70.4
Bank overdrafts	(8.4)	(3.6)
Total cash and cash equivalents	50.1	116.7
Other debt due within one year	(31.7)	(5.0)
Borrowings due after one year	(51.5)	(5.0)
Net (debt)/cash at end of period	(33.1)	106.7

Notes to the Accounts
continued

23 Group Operating Leases

	2009 Property £m	2009 Plant and equipment £m	2008 Property £m	2008 Plant and equipment £m
Total commitments due:				
Within one year	3.6	0.2	5.6	2.6
Between one and five years	5.0	0.2	8.4	4.9
Over five years	28.3	–	26.0	–
	36.9	0.4	40.0	7.5

24 Disposals
On 1 September 2008 the Group disposed of the Cash Systems business (excluding Cash Processing Solutions), and in 2007 the Group disposed of its shareholding in De La Rue Smurfit Limited.

The effect of these disposals on the financial position of the Group is summarised as follows:

Assets and liabilities disposed of

	2009 £m	2008 £m
Property, plant and equipment	10.5	2.6
Intangible assets	18.7	–
Inventories	42.0	1.1
Trade and other receivables	39.2	1.4
Cash and cash equivalents	22.4	1.9
Trade and other payables	(17.6)	(0.4)
Advance payments	(12.0)	–
Other current assets and liabilities	(22.0)	(1.4)
Retirement benefit obligations	(2.9)	–
Provisions for liabilities and charges	(5.9)	–
Deferred income	(23.3)	–
Minority interest	–	(2.6)
Net assets and liabilities	**49.1**	**2.6**

25 Retirement Benefit Obligations
The Group operates pension plans throughout the world covering the majority of employees. These plans are devised in accordance with local conditions and practices in the country concerned. The assets of the Group's plans are generally held in separately administered trusts or are insured.

(i) Defined benefit pension plans

	UK defined benefit pension £m	Overseas defined benefit pension £m	Gross defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 30 March 2008	(20.7)	(4.6)	(25.3)	7.0	(18.3)
Exchange differences	–	(0.4)	(0.4)	–	(0.4)
Current service cost included in operating profit	(5.8)	(0.2)	(6.0)	1.6	(4.4)
Curtailments	0.8	–	0.8	(0.2)	0.6
Net finance cost	(1.8)	–	(1.8)	–	(1.8)
Actuarial gains and losses arising over the year	(75.1)	0.1	(75.0)	21.0	(54.0)
Cash contributions and benefits paid	35.5	–	35.5	(9.9)	25.6
Disposal of business	–	2.9	2.9	(0.2)	2.7
Transfers	(0.4)	–	(0.4)	0.1	(0.3)
At 28 March 2009	**(67.5)**	**(2.2)**	**(69.7)**	**19.4**	**(50.3)**

25 Retirement Benefit Obligations continued

	UK defined benefit pension £m	Overseas defined benefit pension £m	Gross defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 1 April 2007	(104.3)	(3.8)	(108.1)	32.4	(75.7)
Exchange differences	–	(0.7)	(0.7)	0.2	(0.5)
Change in tax rate	–	–	–	(0.5)	(0.5)
Current service cost included in operating profit	(10.0)	(0.8)	(10.8)	3.0	(7.8)
Net finance income/(cost)	0.4	(0.1)	0.3	–	0.3
Actuarial gains and losses arising over the year	73.4	0.1	73.5	(22.0)	51.5
Cash contributions and benefits paid	20.5	0.7	21.2	(6.2)	15.0
Transfers	(0.7)	–	(0.7)	0.1	(0.6)
At 29 March 2008	(20.7)	(4.6)	(25.3)	7.0	(18.3)

Amounts recognised in the consolidated balance sheet:

	2009 UK £m	2009 Overseas £m	2009 Total £m	2008 UK £m	2008 Overseas £m	2008 Total £m
Fair value of plan assets	427.3	0.8	428.1	507.4	15.8	523.2
Present value of funded obligations	(489.3)	(0.8)	(490.1)	(522.4)	(18.7)	(541.1)
Funded defined benefit pension plans	(62.0)	–	(62.0)	(15.0)	(2.9)	(17.9)
Present value of unfunded obligations	(5.5)	(2.2)	(7.7)	(5.7)	(1.7)	(7.4)
Net liability	(67.5)	(2.2)	(69.7)	(20.7)	(4.6)	(25.3)

Amounts recognised in the consolidated income statement:

	2009 UK £m	2009 Overseas £m	2009 Total £m	2008 UK £m	2008 Overseas £m	2008 Total £m
Included in employee benefits expense:						
Current service cost	(5.8)	(0.2)	(6.0)	(10.0)	(0.8)	(10.8)
Included in profit from discontinued operations:						
Curtailments	0.8	–	0.8	–	–	-
Included in net finance cost:						
Expected return on plan assets	33.2	0.1	33.3	33.7	0.5	34.2
Interest cost	(35.0)	(0.1)	(35.1)	(33.3)	(0.6)	(33.9)
	(1.8)	–	(1.8)	0.4	(0.1)	0.3
Total recognised in the consolidated income statement	(6.8)	(0.2)	(7.0)	(9.6)	(0.9)	(10.5)
Actual return on plan assets	(90.5)	0.1	(90.4)	(9.9)	0.5	(9.4)

Amounts recognised in the statement of recognised income and expense:

	2009 UK £m	2009 Overseas £m	2009 Total £m	2008 UK £m	2008 Overseas £m	2008 Total £m
Actuarial losses on plan assets	(123.7)	–	(123.7)	(43.6)	–	(43.6)
Actuarial gains on defined benefit pension obligations	48.6	0.1	48.7	117.0	0.1	117.1
Amounts recognised in the statement of recognised income and expense	(75.1)	0.1	(75.0)	73.4	0.1	73.5

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

	2009 UK %	2009 Overseas %	2009 Total %	2008 UK %	2008 Overseas %	2008 Total %
Equities	54.4	–	54.3	55.2	–	53.6
Bonds	15.0	–	15.0	17.1	–	16.5
Gilts	28.8	–	28.7	26.4	–	25.6
Other	1.8	100.0	2.0	1.3	100.0	4.3

Other UK assets comprise cash. Categories of plan assets for overseas plans have not been disclosed as these plans are not considered sufficiently material to warrant such disclosure.

Notes to the Accounts
continued

25 Retirement Benefit Obligations continued

Principal actuarial assumptions:

	2009 UK %	2009 Overseas %	2008 UK %	2008 Overseas %
Future salary increases	**3.50**	**3.00**	4.10	3.10
Future pension increases – past service	**3.30**	**1.35**	3.60	1.50
Future pension increases – future service	**2.90**	**–**	3.40	1.50
Discount rate	**6.80**	**5.80**	6.80	5.70
Inflation rate	**2.90**	**2.00**	3.50	2.80
Expected return on plan assets:				
Equities	**8.30**	**–**	7.75	–
Bonds	**6.80**	**–**	6.30	–
Gilts	**4.00**	**–**	4.60	–
Other	**–**	**5.80**	5.25	4.10

The expected rate of return on plan assets has been determined following advice from the plans' independent actuary and is based on the expected return on each asset class together with consideration of the long term asset strategy.

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 2009 and 29 March 2008 mortality assumptions are based on the PxA92 birth year tables multiplied by a rating of 125 per cent and allowance for medium cohort mortality improvements in future. The resulting life expectancy for a 65 year old pensioner is 20.2 years (2008: 20.2 years).

History of experience gains and losses:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of plan assets	**428.1**	523.2	537.6	525.1	453.0
Present value of defined benefit pension obligations	**(497.8)**	(548.5)	(645.7)	(644.7)	(572.9)
Net liability	**(69.7)**	(25.3)	(108.1)	(119.6)	(119.9)
Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	**(17.8)**	57.2	(16.3)	(19.8)	(22.1)
Experience (losses)/gains arising on defined benefit pension obligations:					
Amount (£m)	**(0.1)**	0.3	16.2	–	4.9
Percentage of present value of defined benefit pension obligations	**–**	-0.1%	-2.5%	–	-0.9%
Experience (losses)/gains arising on plan assets:					
Amount (£m)	**(123.7)**	(43.6)	(9.6)	55.3	11.3
Percentage of plan assets	**-28.9%**	-8.3%	-1.8%	10.5%	2.5%

The largest defined benefit pension plan operated by the Group is in the UK. A full actuarial valuation of the plan was carried out by a qualified actuary as at 5 April 2006, and updated to 28 March 2009. The plan is valued formally every three years, the next valuation being as at April 2009.

Changes in the fair value of UK plan assets:

	2009 £m	2008 £m
At 30 March 2008/1 April 2007	**507.4**	524.4
Expected return on plan assets	**33.2**	33.7
Actuarial losses	**(123.7)**	(43.6)
Employer contributions	**34.9**	20.0
Plan participant contributions	**3.3**	3.2
Claims from insurance policy	**0.6**	0.5
Benefits paid	**(25.3)**	(27.2)
Plan administration and investment management expenses	**(2.2)**	(2.4)
Life assurance premiums	**(0.5)**	(0.5)
Transfers	**(0.4)**	(0.7)
At 28 March 2009/29 March 2008	**427.3**	507.4

25 Retirement Benefit Obligations continued

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

	2009 £m	2008 £m
At 30 March 2008/1 April 2007	(528.1)	(628.7)
Current service cost	(5.8)	(10.0)
Curtailments	0.8	–
Interest cost	(35.0)	(33.3)
Actuarial gains	48.6	117.0
Plan participant contributions	(3.3)	(3.2)
Benefits paid	25.3	27.2
Plan administration and investment management expenses	2.2	2.4
Life assurance premiums	0.5	0.5
At 28 March 2009/29 March 2008	(494.8)	(528.1)

Movements in the fair value of plan assets and defined benefit pension obligations for overseas plans have not been disclosed as these plans are not considered sufficiently material to warrant such disclosure.

The Group is committed to making special contributions of £12m to its UK pension fund annually until 2012.

(ii) Defined contribution pension plans
The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the year was £1.3m (2008: £3.0m).

26 Employees

	2009	2008
Average number of employees		
United Kingdom and Ireland	1,992	2,327
Rest of Europe	593	1,982
The Americas	309	914
Rest of World	1,065	1,051
	3,959	6,274
Average number of employees		
Cash Processing Solutions (including Cash Systems in 2008)	820	3,114
Security Paper & Print	3,139	3,160
	3,959	6,274

	2009 £m	2008 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	134.8	198.1
Social security costs	6.1	16.5
Share incentive schemes	2.6	3.9
Sharesave schemes	0.6	0.5
Pension costs	7.3	13.8
	151.4	232.8

27 Capital Commitments

	2009 £m	2008 £m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	2.5	5.0

Notes to the Accounts
continued

28 Contingent Liabilities

There are contingent liabilities, arising in the ordinary course of business, in respect of litigation and guarantees in various countries, for which the Directors believe adequate provisions have been made in the accounts. Pursuant to the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland, the Company has guaranteed the liabilities of certain of its Irish subsidiaries and as a result such subsidiaries have been exempted from the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland.

29 Related Party Transactions

During the year the Group traded with the associated company Fidink (33.3 per cent).

The Group's trading activities with this company included £9.2m (2008: £9.9m) for the purchase of ink and other consumables.

At the balance sheet date there were creditor balances of £1.6m (2008: £0.6m) with Fidink.

Key management compensation

	2009 £'000	2008 £'000
Salaries and other short-term employee benefits	5,457.4	4,005.0
Termination benefits	114.2	75.7
Retirement benefits:		
Defined contribution	11.2	6.0
Defined benefit	410.1	367.3
Share-based payments	2,209.0	2,223.0
	8,201.9	6,677.0

Key management comprises members of the Board (including fees of non-executive Directors) and the Operating Board. Key management compensation includes 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.