

## Directors' report

**The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 30 March 2019. The following also form part of this report:**

- Pages 52 and 53, which show the names of all persons who served as Directors of the Company during the year, together with their biographical details, at 30 March 2019
- The reports on corporate governance set out on pages 50 to 91
- Information relating to financial instruments and financial risk management, as provided in note 14 to the financial statements
- Related party transactions as set out in note 28 to the financial statements
- Greenhouse gas emissions, set out on page 44
- Details of Committee membership for each Director are set out on page 55
- Details of Directors' interests are set out on page 88 of the Directors' remuneration report

### Introduction

De La Rue plc is a public limited company, registered in England and Wales incorporated 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.

### Directors' report and Strategic report

The Directors of the Company are aware of their responsibilities in respect of the Annual Report and Accounts. The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further information regarding related processes can be found in the Audit Committee report and Risk management sections of this annual report on pages 64 and 36 respectively. The Statement of Directors' Responsibilities appears on page 95.

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 contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

### Management report

The Strategic report and this Directors' report together with other sections of this annual report incorporated by reference, when taken as a whole, form the management report as required for the purposes of Disclosure and Transparency Rule 4.1.5R.

### Strategic report

The Board has prepared a Strategic report which provides an overview of the development and performance of the Group's business for the period ended 30 March 2019 and which covers likely future developments in the Group. The Chairman's overview, Chief Executive Officer's statement, business overviews, the strategic priorities, key performance indicators, review of operations, responsible business, financial review and managing our risks sections together provide information which the Directors consider to be of strategic importance to the Group.

### Dividends

An interim dividend of 8.3p was paid on 3 January 2019 in respect of the half year ended 29 September 2018. The Board is recommending a final dividend of 16.7p per share, making a total for the year of 25.0p per share (2017/18: 25.0p per share).

Dividend details are given in note 9 of the financial statements. Subject to approval of shareholders at the AGM on 25 July 2019, the final dividend will be paid on 2 August 2019 to those shareholders on the register on 5 July 2019.

### Share capital

As at 30 March 2019, there were 103,796,134 ordinary shares of 44<sup>152</sup>/<sub>175p</sub> 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 of association.

The ordinary shares are listed on the London Stock Exchange.

### Rights and restrictions on shares and transfers of shares

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 the Group's website [www.delarue.com](http://www.delarue.com). The key points are summarised below:

#### Voting

On a show of hands at a general meeting of the Company, each holder of ordinary shares present in person and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary 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.

#### 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.

#### 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 in very limited circumstances (such as a transfer to more than four persons). Certain restrictions, however, may from time to time be imposed by laws and regulations, such as the FCA's Listing Rules, the City Code on Takeovers and Mergers or any other regulations.

#### Dealings subject to the Listing Rules and EU Market Abuse Regulation

In accordance with the Listing Rules of the FCA and EU Market Abuse Regulation, Directors and other persons discharging managerial responsibilities of the Company, and in each case, any persons closely associated with them, are required to seek the prior approval of the Company to deal in the ordinary shares of the Company.

#### 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. The Company is not aware of any agreements between shareholders that may result in any restriction on the transfer of shares or exercise of voting rights.

#### Power to issue and allot

The Directors are generally and unconditionally authorised under authorities granted at the 2018 AGM to allot shares in the Company up to approximately one third of the Company's issued share capital or two thirds in respect of a rights issue. The Directors were also given the power to allot ordinary shares for cash up to a limit representing 10% of the Company's issued share capital as at 30 May 2018, without regard to the pre-emption provisions of the Companies Act 2006 (however, more than 5% can only be used in connection with an acquisition or specified capital investment).

No such shares were issued or allotted under these authorities and at present the Directors have no intention of exercising this authority, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

These authorities are valid until the conclusion of the forthcoming AGM and the Directors again propose to seek equivalent authorities at such AGM.

Details of shares issued during the year and outstanding options are given in notes 20 and 21 on pages 138 and 139 which form part of this report. Details of the share incentives in place are provided on pages 82 to 86 of the Directors' remuneration report.

#### Authority to purchase own shares

At the 2018 AGM, shareholders gave the Company authority to purchase up to 10,257,648 of its own ordinary shares representing 10% 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 at the 2019 AGM to renew the authority for a further period of one year.

#### Directors

Details of Directors' remuneration are provided in the Directors' remuneration report on pages 74 to 91. The interests of the Directors and their families in the share capital of the Company are shown on page 88 of the Directors' remuneration report which also includes information on the Company contracts of service with its Directors on page 86.

#### Appointment and removal of Directors

Rules regarding the appointment and removal of Directors are set out in the Company's articles of association.

## Directors' report continued

### Substantial shareholdings

As at 30 May 2019, the Company had received formal notification of the following holdings in its shares under the Disclosure and Transparency Rules of the FCA. It should be noted that these holdings may have changed since the Company was notified, however notification of any change is not required until the next notifiable threshold is crossed.

Persons notifying	Date last TR1 notification made	Nature of interest	% of issued ordinary share capital held at notification date
Brandes Investment Partners, L.P.	19/07/2016	Indirect	9.97
Majedie Asset Management Limited	17/12/2015	Indirect	5.60
Royal London Asset Management Limited	22/08/2018	Direct	5.23
Aberforth Partners LLP	09/04/2018	Indirect	5.11
Crystal Amber Fund Limited	10/09/2018	Direct	5.00
Neptune Investment Management Limited	01/05/2018	Direct	4.70
Norges Bank	12/10/2017	Direct	3.03

### Powers of Directors

Subject to the Company's articles of association, the Companies Act 2006 and any directions given by the Company in general meeting by a special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The powers of the Board are described in the corporate governance statement on pages 54 to 58.

### Indemnity

At the date of this report, the Company has agreed, to the extent permitted by the law and the Company's articles of association, to indemnify Directors and officers in respect of all costs, charges, losses, damages and expenses arising out of claims made against them in the course of the execution of their duties as a Director or officer of the Company or any associated company. The Company 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 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 extends to directors of subsidiary companies.

### Amendment of articles of association

The articles of association may be amended by special resolution of the shareholders.

### 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.

### Financial risk management

See note 14 on page 127.

### Banking facilities

The 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.

At the 2017 AGM, shareholders approved a proposal to increase the borrowing limit from £250m (as stated in the Company's articles of association) to £325m.

### 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. However, it is possible that certain routine activities may unintentionally fall within the broad scope of the Companies Act 2006 provisions relating to political donations and expenditure. As in previous years, the Company will therefore propose to shareholders at the forthcoming AGM that the authority granted at the AGM in July 2018 regarding political donations be renewed.

### 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. See more details on page 38.

### Branches

De La Rue is a global company and our activities and interests are operated through subsidiaries, branches of subsidiaries and associates which are subject to the laws and regulations of many different jurisdictions. Our subsidiaries and associates are listed on pages 147 and 148.

### Acquisitions and disposals

No acquisitions or disposals were made during the year.

### Post-balance sheet events

Post-balance sheet events are disclosed in note 29 to the financial statements.

### Going concern

As described on page 109, 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.

### Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### Disclosures required under UK Listing Rule 9.8.4

There are no disclosures required to be made under the UK Listing Rule 9.8.4 not already reported by reference within the annual report.

### Auditor and disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is 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

Ernst & Young LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

### 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.

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, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law.

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 and Group'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

Each of the persons who is a Director at the date of approval of this report confirms that to the best of his or her 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 2 to 50 and the Directors' report on pages 92 to 95 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 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy

The Strategic report and the Directors' report were approved by the Board on 30 May 2019.

By order of the Board

**Edward Peppiatt**  
Company Secretary  
30 May 2019