De La Rue plc
Annual Report 2016

Innovate, deliver, grow

De La Rue plc

Our purpose:
To enable every citizen to participate securely in the global economy

Our mission:
To provide governments and commercial organisations with products and services that underpin the integrity of trade, personal identity and the movement of goods

Our values:

Drive change and innovate

Act with integrity

Take responsibility

Excel in what we do

Work together

For further information visit www.delarue.com

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

Performance highlights

2016 Revenue
£454.5m
2015: £422.8m

2016 Underlying operating profit
£70.4m
2015: £69.1m

2016 Profit before tax
£54.9m
2015: £40.6m

2016 Underlying operating cash flow
£100.2m
2015: £85.6m

2016 Underlying earnings per share
48.1p
2015: 46.1p

Both 2015 and 2016 numbers are stated on a continuing operations basis and before the impact of exceptional items, except the profit before tax figures

Providing governments and commercial organisations with critical products and services – delivered at scale.

Banknotes[1]
We design, manufacture and deliver banknotes to customers around the world.

Banknote Paper[2]
We manufacture high quality banknote paper for use by commercial and state manufacturers.

Polymer
We are the only vertically integrated producer of polymer substrate and banknotes.

Banknotes sold in 2015/16 – notes
7bn

Paper sold in 2015/16 – tonnes
10k

Issuing authorities – in 24 months
14

Banknotes printed per second
200

A truly global business, with customers at the highest level of government and commerce.

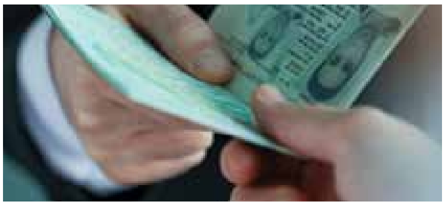
Employees worldwide[6]
3,566

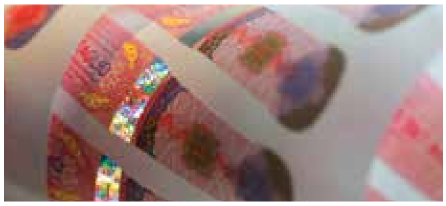
1 Previously Print, part of Currency
2 Previously Paper, part of Currency
3 Previously Components, part of Currency
4 Previously Identity Systems
5 Previously Security Products
6 Average number of employees in 2015/16

Security Features[3]
We create features that are combined with banknotes to make them secure from counterfeits.

Identity Solutions[4]
We create and deliver passports and identity software solutions for governments.

Product Authentication and Traceability[5]
We create and deliver secure product identifiers for governments and commercial customers alike.





Security thread produced in 2015/16 – kms
2m

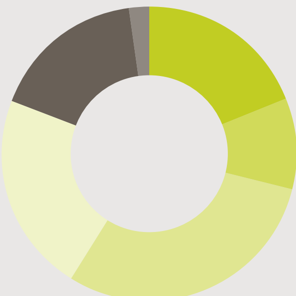
Passports printed in 2015/16
14m

Security identifiers printed in 2015/16
1.2bn

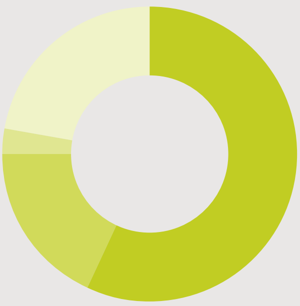
Passports printed per minute
30

Unique security identifiers per second
40

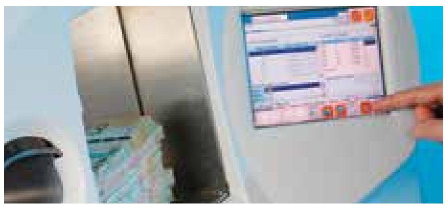
Geographic revenue by region
- UK 19%
- Rest of Europe 10%
- Americas 30%
- Middle East & Africa 22%
- Asia 17%
- Rest of world 2%



Employees by region
- UK 57%
- Rest of Europe 18%
- Americas 3%
- Rest of world 22%



Cash Processing Solutions
We combine cash inspection & processing machines and market leading software platforms to help inspect, count, sort and authenticate banknotes for central and commercial banks.



Banknotes sorted every year – notes
125bn

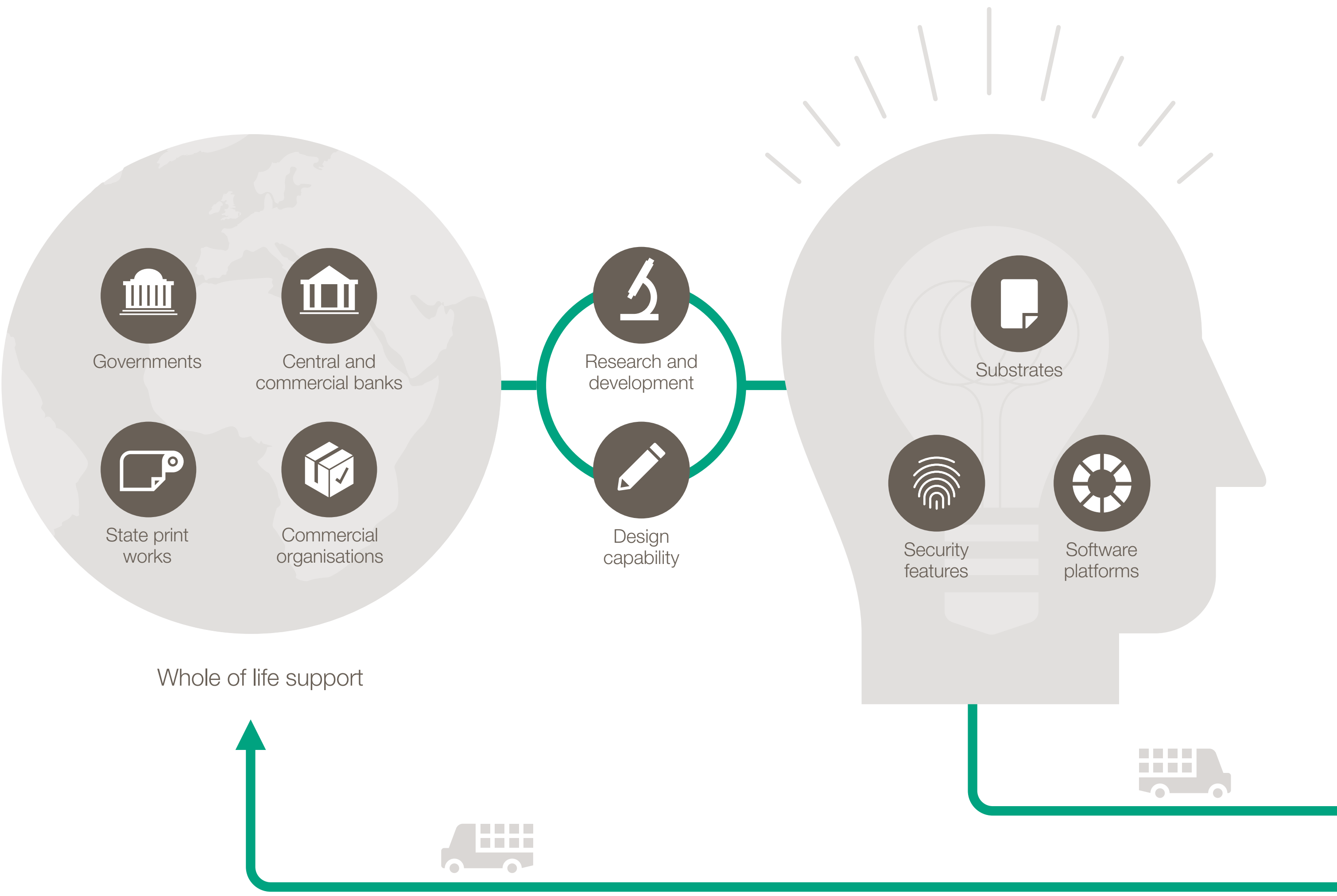
How we create value for our customers through an integrated model, and in turn create value for shareholders.

An integrated approach

De La Rue is the world's largest designer and commercial provider of banknotes and passports. Our customers benefit from our scale, manufacturing expertise, continuing product innovation and lifetime support. Drawing on over 200 years of knowledge and expertise, we are able to offer reliable and secure currency and authentication solutions that are tailored to customers' requirements.

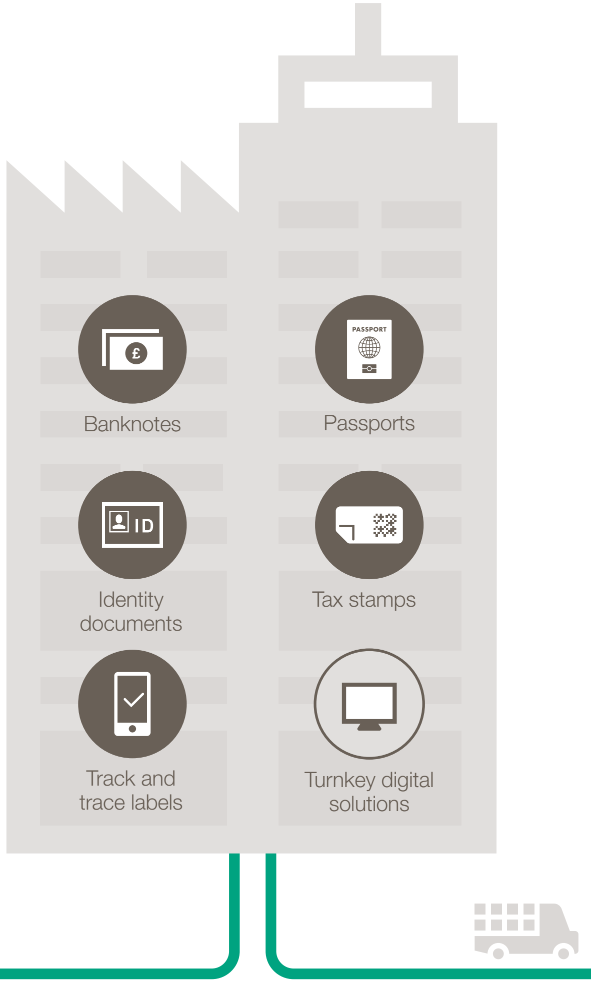
Innovate

We offer our customers cutting edge technology and products and best in class design. We plan to double our R&D investment in the years to 2020 and focus on technology-led product and service development, so our customers will keep benefiting from our continuous innovation.



Deliver

De La Rue's strong track record of continuous improvement and never-ending pursuit of best practice is a symbol of trust to our customers. Our world class manufacturing capability, together with outstanding operational expertise, strong supply chain and secure logistics network, offer our customers quality, reliability and cost efficiency.



Grow

Our ability to innovate and deliver means we can reliably solve our customers' unique challenges through tailored products and services. It allows us to extend the range of services to existing customers and to attract new customers. Innovation will also enable us to create new, longer term revenue streams through recurring digital and service revenues.

Our markets are truly global, from the world's newest nations to its most developed.

Market position – banknotes and passports

No. 1

Longest customer relationship

156 years

De La Rue's relationship with Mauritius government dates back to 1860

Market overview

Governments, central banks and commercial organisations trust De La Rue's products and services to secure transactions, protect identity, revenue and brands.

We operate in four main markets, with strong prospects for long term sustainable growth. These are:

- Currency market, including banknotes and the substrates they are printed on, as well as the security features built into the banknotes
- Identity market, including passports and identity cards
- Product authentication and traceability market, including tax stamps and holograms that help governments and commercial organisations protect tax revenues and the integrity of products and brands
- Cash processing market, including banknote sorting machines and software systems for central banks and cash processing centres

Currency market

Though growth prospects in the currency market remain broadly unchanged, there is a shift to more formal, technology-led procurement. Many customers buy the complete banknote from one supplier, but others are moving to a multi-supplier model by disaggregating note buying into its individual elements: substrate, security features and printing. Tenders are also becoming more common.

Over one third of the world's population has no access to any form of finance except cash[2]. For many people banknotes are the only available option that enables them to trade freely and securely. We estimate that there are c162bn banknotes issued worldwide each year and expect that demand for banknotes will continue to grow at approximately 3-4% a year[1].

Central banks issue new banknotes to replace poor quality notes in circulation and to fill demand driven by GDP and population growth. While note replacement remains the most important factor, other drivers for issuing new notes include changes in note design, changes in monetary policy and the introduction of new anti-counterfeiting security features.

The demand for banknotes and the substrates they are printed on is largely satisfied by state print works (SPW) and state paper mills (SPM), with a proportion of it being met by a number of commercial manufacturers, including De La Rue. De La Rue leads by volume in the commercial banknote print market and is amongst the top three players in the commercial banknote paper market.

Global substrate market[1]
c162k tonnes p.a.
State paper mills 56%
Commercial paper mills 41%
Polymer 3%

Commercial market share: substrate[1]
De La Rue 13%
Others 87%

Global banknote market[1]
c162 billion notes p.a.
State print works 87%
Commercial print works 11%
Overspill from SPWs 2%

Commercial market share: banknote[1]
De La Rue 26%
Others 74%

We serve a global market for currency. For the 38% of the global population who are unbanked[2], cash is often the only option.

1 De La Rue estimates, excluding overspill orders
2 The World Bank

SPWs and SPMs regularly turn to commercial providers for help in fulfilling demand, known as 'overspill'. Overspill orders typically account for 1% to 3% of the market and can have a noticeable effect on the commercial print and paper markets. Conversely, the unpredictability of overspill creates market volatility.

Of the banknotes in circulation, 97% are printed on cotton-based paper. As central banks seek to reduce the 'cost of cash', next generation substrates such as polymer are increasing in popularity due to durability. Polymer currently accounts for 3% of the substrate market and we expect it to grow at approximately 10% per annum over the next ten years[4]. As the second supplier to the market and the only integrated producer with polymer manufacturing and printing capabilities, De La Rue is well placed to capture this growth opportunity.

While pricing pressure in print and paper persists, value in a printed banknote is moving towards security features such as threads and holograms, making security features an attractive market. Most countries purchase security features from the commercial market, which provides the opportunity for De La Rue to sell directly into the SPW market. Several players dominate the security features industry, including De La Rue.

Global population by 2100[1]

11.2bn

Unregistered births[2]

40%

Unregistered deaths[3]

68%

Identity solutions market

Demand for identity and security products and services continues to rise, although market drivers and customer behaviours are changing. The physical product is still highly important but there is an increasing emphasis on technology, as customers seek end-to-end digital solutions.

Comprising passport identity cards and identity software solutions, the global identity market, over half of which is available to commercial manufacturers, is valued at around £5bn[4].

With expected growth of c9% per annum[4], the passport market remains attractive. Customers are increasingly valuing security features and the systems and services that surround the physical product. While we believe demand for physical passports will remain for the long term, the market is transitioning from Machine Readable Passports (MRP) to chip-based ePassports (ePPT). This drives demand for full integration of highly secure passports with other government systems and processes, as well as for project management expertise.

The national ID market is expected to grow at c4% per annum[1] and is also digitising. Today, c65% of national ID in circulation worldwide is chip-based. Technological advances in recent years have enabled new types of ID schemes, combining traditional ID functionality with payment and cross border identification.

We create identity documents and systems, in a world where one million children a week do not get registered at birth[2].

1 The World Bank
2 Unicef
3 World Health Organisation
4 De La Rue estimates

Percentage of alcohol consumed globally estimated to be counterfeit[1]

30%

Percentage of tobacco consumed illegally[2]

10%

Product authentication & traceability market (previously Security Products)

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

For global commercial organisations, revenue loss from counterfeit goods remains a real threat to brands and consumer confidence. Highly secure labels, connected to technology-led authentication and tracking solutions, ensure brands are protected and that consumers can be confident of buying genuine products.

Cash processing market

Cash processing is an aspect of the currency lifecycle, to authenticate the cash in circulation and ensure its integrity.

With the increasing volumes of cash in circulation, central and commercial banks demand efficient and secure cash processing solutions. Due to long product lifecycles and a stable customer base, demand for cash sorting machines and the associated support and maintenance services has remained steady. In addition, there is a requirement within banknote print works for end of line inspection and processing of newly printed banknotes. Cash processing is a mature, consolidated market, dominated by three suppliers.

As central banks and commercial banks increasingly focus on reducing cost of ownership, there is increasing demand for more sophisticated software systems to help better manage the cash cycle.

We create product assurance stamps, in a world where the illicit economy is valued at US$650bn[3].

1 International Center for Alcohol Policies
2 World Health Organisation
3 World Economic Forum

In May 2015, we set out a clear strategic plan to revitalise and grow the business over the five years to 2020. This section outlines our strategy in detail.

Invest and Build
Diversifying our revenue
To reduce our reliance on currency products and curtail volatility in the business, we aim to diversify our revenue by expanding into new markets, broadening our customer base and growing recurring digital and service revenues.

Increasing differentiation through innovation and design
We aim to achieve greater differentiation by focusing R&D on material science and new technologies, such as polymer and next generation security features, as well as accelerating software development for digital solutions.

Optimise and Flex
Driving efficiency
We aim to become leaner, more dynamic and more agile, by driving efficiencies and reducing costs through continuous improvement.

Using assets effectively
We look to generate greater returns from our existing resources and capabilities, by maximising internal synergies and establishing reliable long term partnerships, so we can remain flexible and competitive while reducing capital expenditure.

Innovate

Deliver

Grow

Integrated product offering

Our values

- drive change and innovate
- act with integrity
- take responsibility
- excel in what we do
- work together

Market overview (see pages 6 to 9)
The backdrop to our strategy – an overview of our markets, the latest trends and our market positions

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

Our strategy (see pages 10 to 13)
Invest and Build
Invest in business lines exposed to growth markets, namely Polymer, Security Features, Identity Solutions, and Product Authentication & Traceability

Optimise and Flex
Optimise the business lines challenged by pricing and limited growth, namely Banknotes and Banknote Paper

Culture change
Forge a more dynamic, results focused and high performing culture to drive our business growth in the years to 2020 and beyond

Our business model (see pages 4 to 5)
How we create value for our customers through an integrated model, and in turn create value for our shareholders

Risk and risk management (see pages 14 to 17)
Principal risks and uncertainties related to the business and our strategy, and how we manage them

Some of our markets have become more competitive, while others present excellent growth opportunities. Against this backdrop, we set out a clear strategic plan in May 2015 to revitalise and grow the business over the five years to 2020.

The 2020 Strategic Plan looks at the business in two parts: the business lines where we will Invest and Build and those where we will Optimise and Flex.

Invest and Build
Invest in the business lines that are exposed to higher growth markets: Polymer, Security Features, Identity Solutions, Product Authentication & Traceability (PA&T).

Optimise and Flex
Optimise the business lines that are facing increased competition and pricing pressure: Banknotes and Banknote Paper.

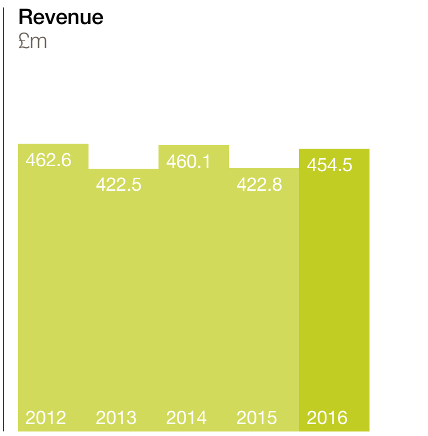
Invest and Build strategic priorities:

Diversifying our revenues
Currency accounts for two thirds of the Group's revenue and more than 70% of our operating profit. However, the currency market is historically lumpy and changing market drivers and customer behaviours have exacerbated volatility. To reduce our reliance on currency products and curtail volatility, we aim to diversify by expanding into new markets, broadening our customer base and growing our recurring digital and service revenues.

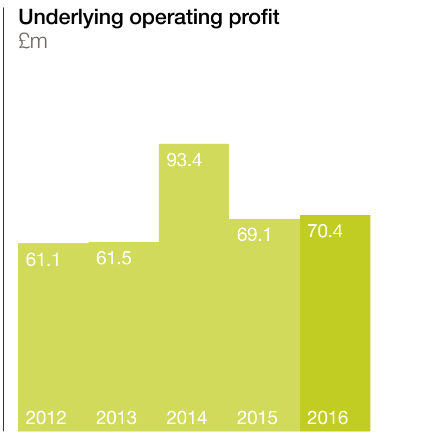
Expanding into new markets
We entered the polymer substrate market with the launch of Safeguard® in 2012. Building a polymer substrate capability has diversified our product portfolio and increased our addressable market. We aim to grow our market share by targeting existing polymer customers and paper customers looking to switch to polymer, as well as converting low value coin denominations. As we are the only integrated polymer provider (manufacturing, design and printing) and substrate agnostic, we believe we are well positioned to capture this growth opportunity.

The identity market is expected to grow as governments focus on population authentication and border security. De La Rue is the world's largest commercial passport manufacturer, supplying international ID to more than 40 countries. By leveraging our strong position in passports, building in-house capability and partnering with industry specialists and technology firms, we aim to expand into the adjacent national ID market.

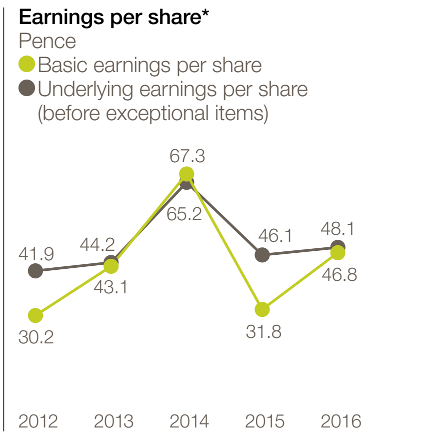
Broadening our customer base
Excluding the UK, the top 10% of contracts in Currency account for c40% of our revenue. To reduce revenue concentration, we seek to grow our customer base by expanding our product range and targeting larger market segments, such as state print works (SPWs). Unlike central and commercial banks, SPWs regularly source individual banknote components from the commercial market, either because state paper mills cannot meet their demand, in the case of substrate, or it is uneconomical to develop their own, as in the case of security features. Selling directly to SPWs gives us an alternative route to grow our substrates and security features.



Revenue demonstrates our ability to deliver growth. This year, market conditions remained challenging but Group revenue grew by 7%. The numbers have been restated to take account of discontinued operations.



Driving efficiencies and reducing costs will enable us to become leaner and more agile, while remaining flexible and competitive. The numbers have been restated to take account of discontinued operations.



The EPS growth is one of the performance metrics for executive management remuneration, along with return on capital employed. The numbers have been restated to take account of discontinued operations.

*2012 comparatives have not been adjusted for the impact of IAS19

Growing our digital and service revenues
Unlike many physical products, software and service contracts are typically multi-year and generate recurring revenues. We plan to grow our digital revenue through continuing product development and equipping our sales force with new skills. An increased proportion of stable income from medium to long term contracts will smooth out our revenue volatility over the longer term. Diversifying toward software-based solutions will also help transition De La Rue from a manufacturing-led banknote and passport printer to a technology-led integrated security product and service provider.

Increasing differentiation through innovation and design
Innovation and design are part of our heritage. De La Rue has amassed over 1,000 patents in its 200 year history and has more than 500 applications pending. As proven by our past success, innovation is vital for our future.

Enhancing our product innovation
We plan to double our investment in research and development (R&D) in the years to 2020, prioritising product development in high growth and high margin businesses such as security features, polymer and digital solutions.

Continuous innovation gives us greater product differentiation in a competitive market. We will focus on developing next generation security features and better managing the lifecycle of each feature in our portfolio, to ensure continuity of the new product pipeline. In addition, we are looking to convert current paper features for use with polymer substrate.

We will also further enhance our digital offering, by accelerating our software development through technology partnerships and potentially through acquisitions, which will give us a competitive edge in the identity and product track and trace markets.

Strengthening our design capability
Our design capability is an essential component of our product development and integrated business model. We design products according to our customers' individual needs. Design plays an important part in each stage of our integrated process, from early customer engagement, to product development, to manufacturing and delivery. We believe that our design capability is unique amongst our competitors. We will continue to strengthen the skills and capabilities in our design team through training and development, as well as bringing in new talent.

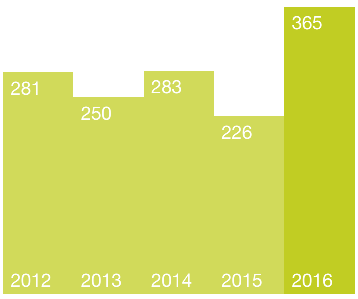
Optimise and Flex strategic priorities:

Driving efficiency
We are looking to create a leaner and more agile organisation. We have completed a thorough assessment of our current work practices, resources and capabilities, and identified opportunities for improvement. This may involve reducing or outsourcing some support functions to generate further savings without jeopardising business operations and productivity. This exercise is ongoing and we will continue to review and revise our methods, in order to operate more efficiently.

Implementing Operational Excellence
Industry overcapacity, compounded with value shifting towards security features, has caused pricing pressure in banknote paper and to some extent in banknotes. It is crucial for us to keep these businesses as competitive as possible. In 2012, we launched an Operational Excellence programme to modernise our banknote production and seek continuous improvement by introducing world class manufacturing methods. Driving down production costs enables us to remain competitive on pricing, while protecting our margin (see page 22 for more details about our Operational Excellence programme).

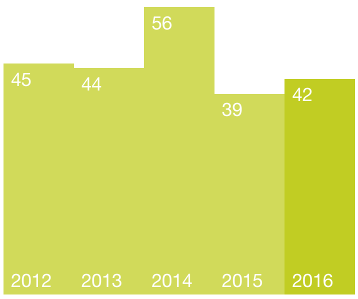
Restructuring manufacturing footprint
The banknote market is oversupplied. De La Rue can produce up to eight billion banknotes a year, equivalent to 38% of

Group year end 12 month order book
£m



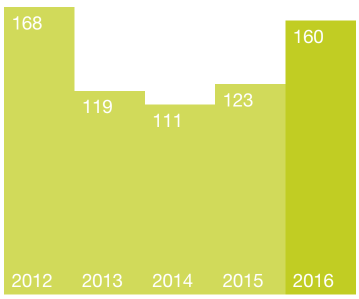
The order book records the sales value of orders on hand for delivery in the 12 months following the reporting date. These figures include committed orders and regular call-off orders on material contracts. The numbers have been restated to take account of discontinued operations.

Return on capital employed
%



Return on capital employed shows how effectively we use our assets and resources to generate return. This is also one of the performance metrics for executive management remuneration, along with EPS growth.

Cash conversion
%



We are focusing on better managing our cash through effective inventory planning and credit control, as well as being disciplined on capital expenditure. Cash conversion is the ratio of underlying operating cash flow to underlying operating profit (including discontinued operations).

the commercial market. We will restructure our print manufacturing footprint in the next two years to reduce our capacity and cost base by reducing the number of print lines and consolidating banknote print productions to four locations: Kenya, Sri Lanka, Debden and Gateshead. To drive further efficiency in the Banknote operation and ease increased pressure from the reduction in production lines, we will upgrade the remaining print lines and create a common manufacturing footprint to make them more productive and give us more flexibility. The plan is expected to take two years to complete at an incremental capital expenditure of £15m and a one off cost of £8m. It will deliver around £13m of savings per annum from the third year onward. (see page 20 for more details about the footprint review).

Exploring options for CPS

We manufactured our cash processing machines in the US and provided aftersales service and maintenance through 15 centres worldwide. The cash processing market conditions have become more challenging recently, particularly in sorting machines. Following a 'root and branch' review in the second half of the year, we decided to exit the business through disposal. The sale of the CPS business was completed on 22 May 2016.

Using assets effectively

Establishing partnerships

Establishing reliable long term partnerships will enable us to increase our flexibility, maintain our competitiveness and reduce our capital requirements and operating costs.

In Banknotes, we need access to surge capacity so we can handle sporadic overspill orders from SPWs. We will create outsourcing partnerships with commercial printers and other SPWs, which often have excess capacity but lack routes to market. This will allow us to flex our capacity from six billion notes per annum following the footprint restructuring to seven billion and above when required, as well as providing us with local expertise and logistics. We are also building stronger partnerships with our key suppliers to ensure continuity, greater flexibility of material supply, and to reduce costs by sharing best practice. The flexibility provided by reliable partnerships, coupled with cost efficiencies from the footprint restructuring, will help to fortify our number one position in the commercial banknote market. Banknote paper is an important part of our integrated offering and provides a gateway to markets for other products, such as embedded security threads. In addition to improving efficiency in our paper production, we are pursuing strategic partnerships to rationalise industry overcapacity and reduce ongoing capital requirements.

Maximising internal synergies

To better capture internal synergies, we have moved the business to a functional structure, focusing on three new functions: Innovation & Technology, Customer & Commercial and Delivery. The new structure encourages greater collaboration between functions and improved utilisation of our resources and capabilities throughout our product offering.

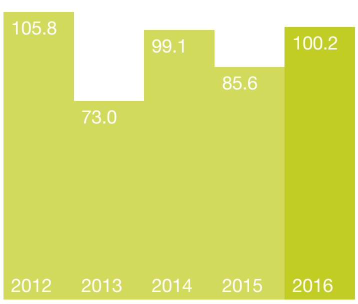
This involves identifying opportunities to fully utilise existing products, such as applying banknote security features to identity documents and adapting paper features to be suitable for polymer, as well as ensuring multi-purpose product development. While many customers have rewarded us with loyalty and trust over decades, we always look to strengthen our longstanding relationships. Assigning dedicated resource and employing local knowledge will help improve our understanding of customers' needs, thus ensuring we offer the right products and services to our customers and take advantage of cross selling and up selling opportunities.

Driving a high performing culture

We recognise the importance of having a culture that aligns with our strategy and corporate goal. We are in the process of forging a dynamic, results focused, high performing culture that will drive business growth in the years to 2020 and beyond, through a combination of:

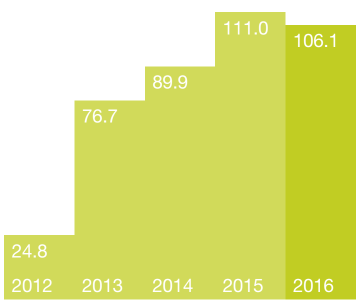
- Focusing on performance
- Bringing in new talent and expertise
- Developing leadership capability
- Open and effective communication

Underlying operating cash flow
£m



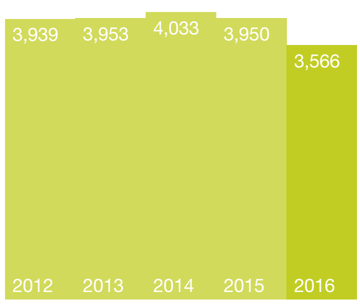
We monitor cash flow to ensure that profitability is converted into cash generation, both for future investment and as a reward for shareholders. Cash flow is underlying operating profit plus depreciation and after the movement on working capital.

Net debt
£m



We aim to strengthen our balance sheet by achieving positive cash flow. We are therefore focusing on better managing our cash, for example through effective inventory planning and credit control, and being disciplined on capital expenditure.

Average number of employees



We are forging a dynamic, results focused, high performing culture that will drive growth in the years to 2020 and beyond.

Principal risks and uncertainties related to our business and our strategy, and how we manage them.

How we manage risk
Effective risk management requires collective responsibility and engagement across the entire business. The Board has overall responsibility for risk management and is supported by the Risk Committee which comprises members of De La Rue's Executive Leadership Team. The Risk Committee is accountable for identifying, mitigating and managing risk. Further details of this Committee can be found on page 48. We have a formal risk identification process, to evaluate and manage the significant risks we face in accordance with the requirements of the UK Corporate Governance Code. The Group risk register identifies the risks, their potential impact and likelihood of occurrence, and the key controls and management processes we have established to mitigate these risks. Each of the Group's functional areas also maintains a risk register. The Risk Committee meets twice each year to review our management of risk arising from our activities and to monitor the status of key risks and the actions we have taken to address them at Group and functional level. Regular risk reporting occurs at the monthly Executive Leadership Team meetings to highlight any material changes. The Audit Committee also reviews the Group's risk report and receives regular reports from the Executive Leadership Team on the material risks at a functional level. Management is responsible for implementing and maintaining controls. Controls by their nature are designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. See page 51 for further information regarding internal controls.

Principal risks and uncertainties
The following pages set out the principal risks and uncertainties facing the Group, which could crystallise over the next three years. The Board has undertaken a robust risk assessment to identify the Group's principal risks. The risks are not listed in order of materiality. There may be other risks that we currently believe to be immaterial, which could become material to the Group. These risks, whether they materialise individually or simultaneously, could significantly affect our business and financial results. We have modelled potential scenarios of these risks crystallising to support the disclosures in the Viability Statement. See page 17 for further details. Due to the very nature of risk, the mitigating factors stated cannot be viewed as assurance that the actions taken or planned will be wholly effective.

De La Rue's risk management framework

Board
Responsible for risk management and internal control
Defines risk appetite and tolerance
Approves the risk profile

Audit Committee
Reviews the effectiveness of internal control
Approves the annual internal and external audit plans
Reviews findings from selected assurance providers

Risk Committee
Reviews and proposes the business risk profile
Monitors the management of key risks
Tracks implementation of actions to mitigate risks

Ethics Committee
Reviews ethical risks, policies and standards

Executive Leadership Team
Accountable for the design and implementation of the risk management process and the operation of the control environment

Health, Safety and Environment (HSE) Committee
Sets HSE standards
Agrees and monitors implementation of HSE strategy
Monitors HSE performance

Group policies
Policies for highlighting and managing risks
Procedures and internal controls

Functional management
Ensures that risk management is embedded into De La Rue's business culture, practice and operations

Risk appetite

At each of its meetings the Board reviews a number of the principal risks so that over the course of the year all principal risks and uncertainties are covered. The Board considers a report from management with their assessment as to whether the principal risks are within a proposed acceptable level of risk appetite, and where they are not, what further investment is being made to reduce the likelihood and potential impact of the risk. The Board either approves the level of risk being taken, or requires management to reduce the risk exposure.

For core areas of the business, the Board exercises control that management operate within an accepted risk appetite through a number of means. These include delegated authority levels, the approval of specific policies and procedures and the approval of the annual insurance programme. The Board receives regular feedback as to whether management are operating within acceptable risk tolerances through regular operational and financial management reports, internal audit reports, external audit reporting and any reports to the whistleblowing hotline. All members of the Executive Leadership Team have individual ownership for one or more of the principal risks. Management of those risks forms part of their personal objectives.

Principal risks and uncertainties

Risk	Exposure	Impact	Mitigation	Outlook
Strategic risks				
Failure to maintain competitive and technologically advanced products and services	We operate in competitive markets. Our products and services are characterised by continually evolving industry standards and changing technology, driven by the demands of our customers. Longer term threats include the growth of e-commerce, cashless societies and increasing ease of manufacture.	Failure to maintain technical innovation and intellectual property may result in lower demand, loss of market share and lower margins.	We maintain sustained levels of investment in research and development to ensure a pipeline of ideas generation. Our product roadmaps are designed to deliver our customers' needs. We centralise our materials science expertise and our software science team in the UK. These teams deliver through defined technology management processes, which include regular pipeline and portfolio reviews. We continue to invest in new technologies to enable us to advance our R&D capabilities. We have increased our focus on digital technologies since the strategy review in 2015. We look to double our R&D investment in the five years to 2020.	→
Cultural change	In order to ensure our continued success and growth, an internal organisational redesign took place in 2015/16. The focus in 2016/17 and beyond is on achieving sustained cultural change in our organisation to be able to adapt to a rapidly changing market environment.	Without the culture change we seek to achieve, we may not be able to execute the strategy laid out in May 2015.	In 2015/16 we completed the formation of the new Executive Leadership Team. Extensive training on strategic leadership skills was rolled out to the Senior Leadership Team. We have set specific targets for performance appraisal and employee engagement. The strategic plan envisaged a three year programme of training, communication and recruitment to fill capability gaps. The outcome is expected to be a change in behaviours and skills that will allow De La Rue to be a more dynamic, agile and high performing organisation. The plan is on track.	↗
Financial risks				
The timing and size of substantial contract awards can be uneven and unpredictable	Political and other factors can delay government procurement decisions for sensitive products like banknotes and passports.	The timing and size of contract awards is often uncertain and delays in awards result in volatility in the order book and our financial performance.	We maintain close and regular contact with customers so that any changes in timing and requirements are recognised promptly. We monitor sales activity, order pipeline and forward order book in order to ensure that our production planning is optimised to deliver on time and in full to our customers. We also monitor any delays in order confirmation on a weekly basis to ensure that the supply chain remains flexible and is able to accommodate required production planning changes. For the long term, we proactively pursue longer term commitment from customers, as well as aim to grow recurring revenues by expanding our digital and service offerings.	→
Failure to win or renew a material contract	While we operate globally and have a diversified geographic, product and customer profile, we rely heavily on a small number of medium and longer term material contracts.	Failure to win or renew a key contract could restrict growth opportunities and have a material impact on our financial performance and reputation.	Our track record of delivering product innovation and our commitment to quality, combined with a commercial approach to tendering, places us in a good position to win or renew strategic or significant contract opportunities. The business is focused on retaining its key contracts, as and when they fall due for renewal, and on winning new opportunities as they arise.	→
Political risk	A number of the countries that we sell to have a history of unstable government or conflict. There is an ongoing risk that orders may be unexpectedly cancelled or cannot be fulfilled; outstanding debts do not get paid; or performance guarantees do not get cancelled because of local political issues leading to financial loss.	Losses from cancelled orders and non payment of debt could lead to a reduction in operating profit. Where performance guarantees remain outstanding, credit facilities will be tied up, restricting our ability to utilise those credit facilities to support new contracts or investment.	We assess overall risk of contract pre-tender, including credit risk. There are defined approval limits for management and the Board to approve material contracts based on risk as well as contract size. We negotiate payment terms with substantial down payments requested in higher risk situations. All performance guarantees are approved by the Treasury department prior to contract signature.	↘

Principal risks and uncertainties continued

Risk	Exposure	Impact	Mitigation	Outlook
Operational risks				
Quality management failure	Each of our contracts has a unique specification on product quality and delivery. Some of these contracts demand a high degree of technical specification.	A shortfall in quality management may expose us to additional cost to remake and to warranty costs in the event of the need to remake.	We have an established quality management system operating across all of our production sites. Our major sites are all certified to ISO9001 quality management standards. In 2012, an Operational Excellence programme was introduced to further drive continuous improvement across our manufacturing sites. This programme is well established and continues to drive enhancements to the operation.	↗
Supplier failure	We have close trading relationships with a number of key suppliers. Some are unique producers of specialised components that we incorporate into our finished products.	Failure of a key supplier, the inability to source critical materials or poor supplier performance in terms of quality or delivery could disrupt our supply and ability to deliver on time and in full.	Our exposure is reduced by the fact that we source many of our components from within the De La Rue supply chain. Where external supply is required, we have established procedures for identifying possible risks for each supplier. Key suppliers are managed through a supplier relationship management programme that includes checks on their financial strength, ability to deliver to our quality standards and security and business continuity arrangements. Key suppliers are audited on a rotational basis. As a contingency, alternative suppliers are pre-qualified wherever possible and where necessary we retain higher levels of stocks.	→
Product security	Loss of product or high security components from a manufacturing site could occur as a result of negligence or theft. Loss of product while in transit, particularly during transhipment, through the failure of freight companies or through the loss of an aircraft or vessel as a result of an accident or natural disaster, is also possible.	There is the potential for reputational and financial damage in the event of the loss of product or high security components. Under contracts with our customers, we may be liable for those losses.	We have robust physical security and materials control procedures at our production sites, which reduce the risk of an inadvertent loss or theft during manufacturing. We apply stringent operational procedures and use carefully selected carriers and personnel to handle movements of security materials between our sites and onward delivery to customers. All movements are risk managed and monitored globally on a 24/7 basis. The Group maintains a comprehensive global insurance programme.	→
Health, safety or environmental failure	All of our activities are subject to extensive internal health, safety and environmental (HSE) procedures, processes and controls. Nevertheless, there is a risk that failure of process could result in a serious incident.	Failure of an HSE management process could lead to a serious injury or an environmental breach.	We operate a robust HSE management system which is internally audited and certified to the OHSAS18001 and ISO14001 standards in all major facilities. All of our activities are subject to extensive internal HSE procedures, processes and controls. The Group HSE Committee regularly reviews HSE performance which is also monitored by the Chief Operating Officer's leadership team and reported to the Board monthly. Each manufacturing facility has clear HSE action plans which are prioritised, monitored and subject to review by local senior management to ensure that health and safety standards are maintained.	→
Loss of a key site	There are a number of manufacturing sites across the business which are exposed to business interruption risks.	The total loss of any one of these key sites could have a major financial impact, particularly where the site forms a single source of supply for the business.	We are accredited to ISO22301:2012 Business Continuity standard for our Head Office and the banknote production operations in Debden, UK. The business has a high degree of interoperability between sites for banknote production and security printing. We aim to minimise risk by adopting the highest standards of risk engineering in our production processes. In recognition of increasing customer requirements regarding business continuity standards, we continue to enhance our business continuity resilience in line with the ISO standard across all of our major facilities.	→

Principal risks and uncertainties continued

Risk	Exposure	Impact	Mitigation	Outlook
Legal / regulatory risks				
Breach of legal and regulatory requirements	It is possible that employees or overseas representatives of De La Rue, acting either individually or in collusion with others, could act in contravention of the Group's stringent requirements in relation to bribery and corruption, anti-competitive behaviours and management of third party partners (TPPs).	Major reputational and financial damage to the business.	We are accredited to the Banknote Ethics Initiative. This accreditation provides governments and central banks with assurance in respect of maintenance of high ethical standards and business practices. The ethical tone of the business is articulated in the Code of Business Principles which is supported by underlying policies. These are regularly reviewed and enforced robustly. Non-compliances are dealt with through disciplinary procedures where necessary. Particular focus is given to ongoing awareness raising and training on anti-bribery and corruption and competition law. Our policies and processes are independently audited. We have a process for the appointment, management and remuneration of TPPs which operates independently of the sales function. The behaviours of TPPs are strictly monitored and the TPP process is overseen by the General Counsel and Company Secretary who reports directly to the Board on these matters. The Group's whistleblowing policy and procedure forms an integral part of the compliance framework.	→
Information risks				
Information security risk	The confidentiality and integrity of our customer, employee and business data could be affected by factors that include human error, ineffective design or operation of key data security controls or through breakdown of IT control processes.	Any compromising of the confidentiality of information could impact our reputation with current and potential customers.	We maintain accreditation to the ISO27001 Information Security standard in respect of our corporate information systems. A strict control environment exists to enforce disciplined information security practices and behaviours. There are a number of key technical controls in place to manage this risk including network segregation, access restrictions, system monitoring, security reviews and vulnerability assessments of infrastructure and applications. We keep all aspects of information security arrangements under regular review and employees undertake mandatory information security e-learning.	→

Viability statement

The Directors have considered the longer term viability of De La Rue plc in line with the recommendations under the UK Corporate Governance Code.

Period of review

While the Group has a five year strategic planning horizon, the financial performance of the Group is inherently less predictable in years four and five, therefore the Directors believe that an appropriate period to consider the Group's viability is over three years. In assessing the viability of the Group, the Directors have reviewed the principal risks as set out on pages 15 to 17 and considered foreseeable scenarios of one or more of the principal risks crystallising in the same time period in the context of its strategic plan.

The Directors have focused on principal risks that could plausibly occur and cause the Group's future operational results, financial condition and future prospects to materially differ from current expectations, including the ability to maintain a dividend, meet current investment plans and compliance with liquidity ratios.

Scenarios that are seen as implausible have not been modelled, nor have all potential mitigating responses. The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements throughout the three year period.

The result of reviewing plausible scenarios is that the Directors have a reasonable expectation that the Group is viable and will be able to meet its obligations as they fall due up to March 2019.

Philip Rogerson
Chairman

A year of solid performance and early strategic progress

Group results
I am pleased to report a solid performance in a year of important changes for the Group.

Against challenging market conditions, the Group delivered 7% revenue[1] growth to £454.5m (2014/15: £422.8m) and 2% underlying operating profit[1] growth to £70.4m (2014/15: £69.1m). Underlying profit before tax[1] was 2% higher at £58.5m (2014/15: £57.5m) and consequently, underlying earnings per share increased to 48.1p (2014/15: 46.1p). Net exceptional charge before tax[1] in the period was £3.6m (2014/15: £16.9m) primarily relating to site relocation and restructuring and asset impairment, which were offset by an exceptional gain from the sale of land. As a result, profit before tax[1] was 35% higher at £54.9m (2014/15: £40.6m).

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, increased by 17% to £100.2m (2014/15: £85.6m). Net debt at 26 March 2016 was at £106.1m (2014/15: £111.0m).

Strategic progress
We have made good progress in the first year of the 2020 strategic plan which aims to focus De La Rue into growth markets while driving operational efficiency. During the year, we have completed a review of the manufacturing footprint, a key component of the Optimise and Flex strategy, and have a clear plan to drive efficiency and reduce costs in banknote manufacturing. In addition, we decided to exit the cash processing business as a conclusion of the 'root and branch' review.

We have continued to invest in new capabilities and technologies to support future growth. The number of patent filings more than doubled year on year. The Group has launched Active™, a lenticular technology-based security thread that features a colour shifting effect and has designed and launched a new UK passport featuring one of our latest inventions, Continuous Bio-Data Page™, which helps to prevent counterfeiting. The Group has also made good progress in its digital offering with the launch of its first software suites for both Identity and Product Authentication and Traceability – DLR Identify™ and DLR Certify™, respectively.

Dividend
We continue to focus on maximising shareholder value through a combination of growing profits, managing working capital better and being disciplined on capital expenditure. Taking account of all of these factors, the Board proposes to maintain the dividend at the 2014/15 level and is recommending a final dividend of 16.7p per share (2014/15: 16.7p per share).

Together with the interim dividend paid in January 2016, this will give a total dividend for the year of 25.0p per share (2014/15: 25.0p per share). Subject to shareholders' approval, the final dividend will be paid on 3 August 2016 to shareholders on the register on 24 June 2016.

Board changes
There have been significant changes to both the Board and the executive management team in the past year.

We have welcomed four new Board members since the AGM on 23 July 2015. Sabri Challah and Maria da Cunha joined the Board as Non-executive Directors to replace Warren East and Gill Rider who stood down after serving eight years and nine years respectively. Sabri Challah was appointed Chair of the Remuneration Committee in July 2015, replacing Gill Rider.

Jitesh Sodha, appointed in August 2015 to replace Colin Child as Chief Financial Officer, and the Group's Chief Operating Officer Rupert Middleton also joined the Board as Executive Directors after the 2015 AGM.

Victoria Jarman has informed the Board of her decision to step down after the AGM having served six years as a Non-executive Director. We are in the advanced stages of recruiting a new Non-executive Director to the Board whom we anticipate will succeed Victoria as Chair of the Audit Committee. We would like to thank Victoria for her significant contribution she has made during her time on the Board.

We believe that the current Board composition offers the right balance of experience and skills to provide insightful strategic guidance as well as robust corporate governance to the business.

People
To coincide with the organisational restructuring, the Group has also embarked on a culture change programme initiated by Chief Executive Officer Martin Sutherland, which aims to forge a dynamic, agile and high performing culture throughout the Group.

As always, I would like to acknowledge the skills and dedication of our colleagues at De La Rue. They have worked hard to deliver a solid performance and good strategic progress amid volatile market conditions and the many changes that have taken place internally.

Outlook
The Group's 12 month closing order book of £365m provides good visibility for the year ahead. Whilst, as previously announced, a material contract came to an end, we are confident we can mitigate the impact and our expectations for the current year are unchanged.

1 Continuing operations only, before exceptional items

Strategic report
Directors' report
Accounts

Martin Sutherland
Chief Executive Officer

Our core strengths:

Trusted brand with longstanding customer relationships

Leading market positions in highly specialised industries

World leading design skills and capabilities

Heritage of product innovation

Proven track record of delivering operational excellence

In May 2015, we announced a clear strategic plan to transform De La Rue in the five years to 2020 into a technology-led security product and service provider, with a more balanced business portfolio that will deliver growth and increased profits, as well as reduce performance volatility. Changes in the market and customers' shift towards more technology-based, value driven procurement mean we must be more flexible and agile in our approach to managing our customer relationships, product pipelines and delivery.

As our product lines are exposed to different market dynamics we have identified two courses of action: Optimise and Flex and Invest and Build (see pages 10 to 13 for a detailed description of our strategy). We have set out implementation plans and a clear roadmap in each of these areas with the aim of achieving:

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

During the year, we reorganised the business to a functional structure (see below for more about the reorganisation). In parallel with the reorganisation, I strengthened my Executive Leadership Team with a number of new hires, including Chief Financial Officer Jitesh Sodha, Chief Technology Officer Selva Selvaratnam and Chief Commercial Officer Richard Hird, as well as streamlining and reshaping our Senior Leadership Team to align with the functional structure. We also established a product management team to ensure focus on the development of each product line.

We are one year into our five year plan and have already made good progress in expanding our polymer product line and enhancing our product and service offerings with the launch of two end-to-end software solutions. We have also taken actions to address the overcapacity in Banknotes and sold the underperforming cash processing business. I am pleased with the progress we have made in the first year and I am confident that the right foundations are now in place to grow the business. However, there is still much more to do in order to deliver our strategic goals.

Reorganisation

To support the delivery of our strategy, we have reorganised the business from a divisional structure to a functional structure, focusing on innovation and technology, customers and delivery. Completed in October 2015, the new organisational structure is vitally important to our integrated operating model. It encourages greater collaboration among functions and aims to crystallise internal synergies. It also creates a lean and dynamic organisation that adapts to the ever-changing needs of our customers and competitive environment.

Optimise and Flex

Currency is core to our business and our brand. The number of banknotes in circulation is expected to grow at 3-4% a year[1], but with ongoing oversupply in both the banknotes and paper making industries, we must optimise our capabilities by continuing to drive operational efficiencies and cost reduction. The volatility of the banknote market means it is essential that we build flexibility into our production capacity.

Banknotes

We made good progress in achieving production cost reduction through our ongoing Operational Excellence programme. We finished rolling out the Advanced Product Quality Planning (APQP) system, giving us a standardised process across all manufacturing sites. This enables us to share best practice, improve productivity and reduce spoilage.

In December 2015, we announced the results of our manufacturing footprint review. The review concluded that we can achieve more than £13m of annual savings from FY2018/19 by reducing the number of print lines and consolidating banknote production into four centres of excellence. This will reduce our banknote print production capacity from eight billion to six billion[2] notes a year, matching current and long term average market demand, as well as increasing our machine utilisation. The implementation of the restructuring plan is now under way following the conclusion of the consultation with affected employees (see below for more about the manufacturing footprint review).

We plan to gain access to additional capacity, as and when required, through external partnerships. During the year, we have successfully outsourced the printing of 500 million banknotes to three commercial and state banknote printers. We are now looking to build stronger relationships with selected third parties.

Banknote Paper

In the past year we saw increased demand for Banknote Paper though pricing remained competitive as a result of industry overcapacity. We made good progress in reducing production costs by driving efficiency and reducing overheads. We will continue to drive down cost and focus on growing direct sales. We are also seeking strategic partnerships in this market and exploratory discussions with a number of parties are ongoing, though they are complex and will take time.

Cash Processing Solutions

In November 2015, we announced a 'root and branch' review of CPS to address ongoing underperformance. We have completed the review and concluded that whilst CPS has a strong product profile and excellent long term customer relationships, we do not believe that this is a business which should form part of our portfolio. In order to focus on our core businesses, we have decided to exit the cash processing market by selling CPS to Privet Capital LLP. We believe that the business will benefit from standalone ownership.

Manufacturing footprint review

In light of the continuing overcapacity in the banknote industry, we launched an extensive review of our manufacturing footprint in May 2015. We completed the review in December 2015 and concluded that in order to improve efficiency and reduce cost, a restructuring of the footprint was needed. We plan to reduce our banknote print production capacity from eight billion to six billion[2] banknotes per year by reducing the number of print lines from eight to four and consolidating banknote production into four centres of excellence: in Kenya, Sri Lanka, as well as Gateshead and Debden in the UK. The existing banknote production in Malta will be closed. We will have the ability to increase capacity up to seven billion notes through built in flexibility and to access to additional capacity through external partnerships. In order to accelerate growth in Identity Solutions and Product Authentication and Traceability, we plan to invest in new technologies and skills to create a centre of excellence for identity and security print at the current site in Malta. The restructuring requires an incremental capital investment of c£15m, with an associated one-off cost of £8m over the next two years. The plan is expected to generate more than £13m annual cost savings once it is complete in FY2018/19.

1 De La Rue estimates
2 Excluding the site managed on behalf of Bank of England

Revenue breakdown
- Optimise and Flex 69%
- Invest and Build 31%

Invest and Build

We continue to build on De La Rue's long history of innovation, investing in differentiating features, new technologies and digital solutions. We have restructured our R&D team and prioritised our efforts in high growth and high margin product lines. We plan to double our R&D investment by 2020.

In order to accelerate growth in Identity Solutions and Product Authentication and Traceability (PA&T), we plan to invest in new capabilities and skills to create a centre of excellence for identity and security print at the De La Rue site in Malta. We have also put in place a dedicated team with new skills to strengthen our sales effort for both Identity Solutions and PA&T.

Polymer

Launched in 2012, sales of our polymer substrate Safeguard® have started to gain traction. We built on the progress made in 2014 by growing the number of customers from seven to 14, including all three Scottish note issuing banks. We reached an important milestone by winning our first volume customer, with a significant three year contract of polymer substrate and a technology partnership. This raises our nominal market share to c5% by volume. We aim to continue to grow our market share by targeting customers that already use polymer as well as those looking to convert paper and coins to polymer.

We continue to focus much of our R&D efforts on developing our polymer capability, expanding the number of polymer-suited security features and enhancing the process for substrate manufacturing and banknote printing. There is a growing interest in polymer banknotes as central banks look for ways to reduce the overall cost of banknote ownership. As the only integrated polymer substrate manufacturer and experienced polymer banknote printer, we are well placed to capture this growth opportunity.

Security features

We believe that continuous innovation will give us greater differentiation and a unique advantage in a competitive market.

In 2015 we made good progress in security feature development, with the launch of a micro-optics security thread – Active™ – which has already won its first two customers. The combination of cutting edge lenticular technology with microscopic fine line printing gives the new feature a distinctive 3D colour shifting effect that is simple to verify but difficult for counterfeiters to replicate.

To maximise the value of our existing product capabilities, we have started to explore cross-product utilisation, such as applying polymer and holographic features to passports. We also leverage our award winning design capabilities to enhance the sales channel for our new features by incorporating them into banknote and passport designs. In order to be at the forefront of technological progress and to accelerate product development, we continue to seek partnerships with research institutes and universities.

Differentiating through design

The design team plays an important role in each stage of our integrated business model. Our refined engraving skills and a century of knowledge and experience in banknote production give us a competitive advantage. The introduction of our polymer substrate Safeguard® provides further opportunity for design innovation, illustrated by the new Maldives banknotes (see image) launched in November 2015. Moreover, the new UK passport, designed and produced by De La Rue, won the 2015 London Design Award for its sophisticated security layering and intricate design.

Chief Executive Officer's review continued

Revenue by product

- Currency 72%
- Identity Solutions 13%
- Product Authentication and Traceability 8%
- Cash Processing Solutions 7%

Identity Solutions

In collaboration with Her Majesty's Passport Office (HMPO) in the UK, we redesigned the UK passport. The redesign was launched in November 2015. The passport won the prestigious London Design Award for its intricate design and sophisticated security layering. It includes one of our latest inventions, the Continuous Bio-Data Page™ construction method which makes the passport much harder to counterfeit. To further enhance our passport offering we also acquired expertise, unique manufacturing capabilities and technologies by partnering with Japanese printer Dai Nippon Printing Co.

As countries increasingly look for secure and technology based population authentication and border control, there is expected to be a growing demand for end-to-end solutions and services. In June, we launched our first identity software suite – DLR Identify™ which provides an end-to-end solution for governments to manage and monitor the process for authenticating and issuing a passport.

Product Authentication and Traceability

We made steady progress in PA&T during the year, with the launch of our next generation digital solution – DLR Certify™. The end-to-end solution provides a track and trace capability, helping governments and commercial organisations to protect tax revenue and the integrity of their products and brands. We have already secured our first customer and will continue to focus on building credibility by securing reference customers. We have also initiated discussions with a number of potential technology partners to strengthen our digital platform.

Operational excellence

As part of the Operational Excellence programme, we have introduced the Advanced Product Quality Planning system used widely in the automotive industry into our product development process. The purpose of this process, known as 'design for manufacture', is to design products according to our manufacturing capabilities and allow potential problems to be fixed in the design phase, avoiding substantial wastage at the manufacturing stage and saving costs. Rigorous quality control is then applied at each stage of the production process by shop floor operators, who are accountable for meeting cost and quality targets.

Continuous innovation

According to the World Bank, more than 100 countries around the world don't have efficiently functioning civil registration systems. DLR Identify™ CRVS (Civil Registration, Vital Statistics) extends the DLR Identify™ service from passports to civil registration. It enables governments to record life events of their citizens such as births, death and marriages more efficiently and cost effectively. The data recorded establishes the rights of individuals to services such as education and health care as well as providing vital statistics to governments for future planning.

Driving a high performing culture

We recognise the importance of corporate culture to the success of our strategy. In order to become a dynamic, agile and results driven organisation, we have made significant changes in the last 18 months, including the complete reorganisation of the business and a revision of sales incentive schemes. To create a flatter organisational structure, we have reshaped the Senior Leadership Team to a smaller number of talented people with increased accountability, and reduced total average headcount by 10%.

To encourage a performance driven culture, we have launched a recognition programme – High Five – where employees can be recognised and rewarded by their colleagues and managers for demonstrating the Company values and for outstanding performance. We have also put in place a performance management framework, including regular personal development reviews for all employees.

As part of our leadership development and succession planning, 50 of our Senior Leadership Team members took part in a customised Harvard Intelligent Strategy programme. The programme builds insight and capability in strategic thinking, strategy execution and managing change. With the first phase of the programme completed in December 2015, the second phase has now started and focuses on implementation. In addition, we launched the Centre for Learning platform that will provide best in class training for all De La Rue employees.

Currency performance

The Currency segment comprises Banknotes, Banknote Paper, Polymer, and Security Features.

The segment grew its revenue by 11% to £353.3m (2014/15: £317.9m) and operating profit by 9% to £55.1m (2014/15: £50.5m), primarily reflecting the increased volumes in Banknotes.

While volatility in the banknote market continued and orders remained lumpy, overall margins in the year were stable. Banknote volumes increased by 9% to 7.1bn notes (2014/15: 6.5bn) partly due to winning overspill orders. Following extensive trials, production of the new £5 Sterling polymer notes began in October 2015 and is progressing well.

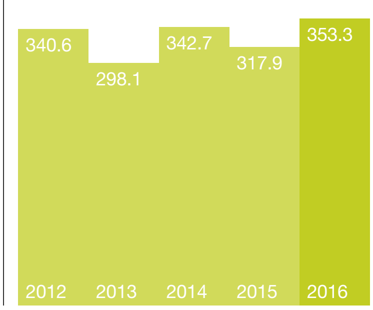
Banknote Paper volumes were up 6% to 10,000 tonnes (2014/15: 9,400 tonnes), also benefiting from overspill contracts. Margins, however, continued to face downward pressure from oversupply in the industry.

Polymer gained encouraging momentum marked by the significant three year contract with a large customer, which resulted in a modest revenue contribution and a small operating loss for the year.

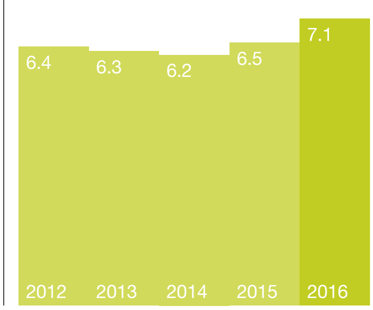
Security Features performed as expected, though an important five year contract, which had contributed annual revenue of £30m, came to an end and was not renewed. While this is expected to affect the profitability of this product line in 2016/17, we are confident that we can mitigate the impact through other opportunities that we are actively pursuing. We remain optimistic about the long term growth prospect of this business.

At the year end the 12 month order book for Currency including estimated call-off orders for material contracts was up 85% at £278m on a like for like basis (2014/15: £150m). This provides good visibility for 2016/17.

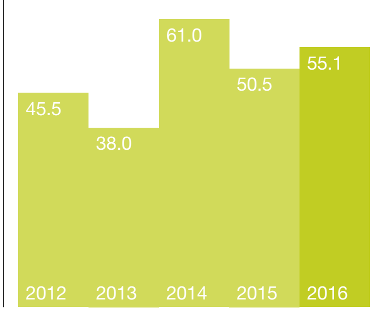
Currency revenue
£m



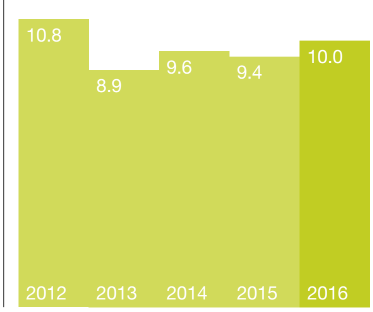
Banknote volume
Billion notes



Currency underlying operating profit before exceptional items
£m



Banknote paper volume
'000 tonnes



Identity Solutions performance

Revenue was 5% lower at £65.8m (2014/15: £69.0m) and operating profit was down to £6.4m (2014/15: £11.1m). The decline in both revenue and operating profit was expected and predominantly due to contractual reduction in contribution on a large contract.

The ten year contract with HMPO in the UK to produce and issue passports continues to perform well. Volumes were up 2% year on year. A new design of the passport was launched in November 2015 which included our latest security features Continuous Bio-Data Page™ and SkyLight™.

Sales of e-passports were slower than anticipated as a number of expected tenders were delayed, although the sales pipeline remained good. Our main focus in the next 12 months is to convert some of the pipeline to revenue and profit.

In June 2015, we launched our first identity software suite, DLR Identify™. During the year, we successfully installed the software with its first customer.

Product Authentication and Traceability performance

Revenue was flat year on year at £39.5m (2014/15: £39.6m), with operating profit up 19% to £8.9m (2014/15: £7.5m). The higher operating margin was due to cost savings from the closure of the Dulles site in 2014/15.

We continued to focus on building reference customers in both the public and private sectors, aiming particularly at central governments and enterprises that produce high value goods or operate in highly regulated industries.

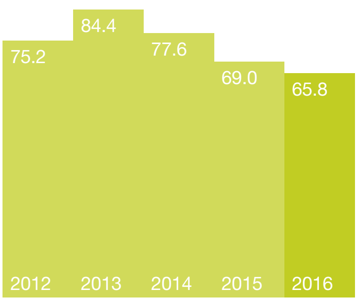
Our track and trace solution DLR Certify™ was launched in April 2015 and successfully delivered to its first customer in November 2015.

Cash Processing Solutions performance

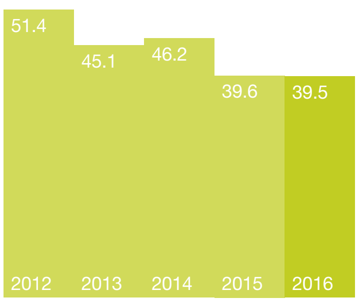
Sales volumes in Cash Processing Solutions (CPS) were affected by increased competition and adverse exchange movement, which resulted in a 33% decline in revenue to £33.9m (2014/15: £50.7m) and an operating loss of £7.9m (2014/15: operating profit of £0.4m).

Following a 'root and branch' review initiated in November 2015, we have decided to exit the cash processing business. The sale of the CPS business was completed on 22 May 2016.

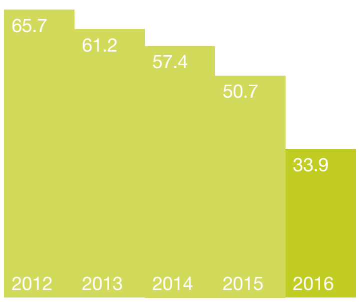
Identity Solutions revenue
£m



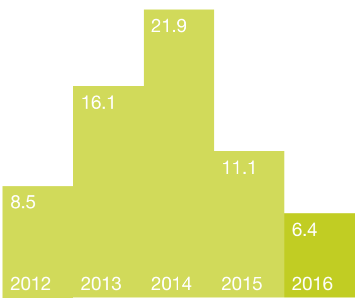
Product Authentication and Traceability revenue
£m



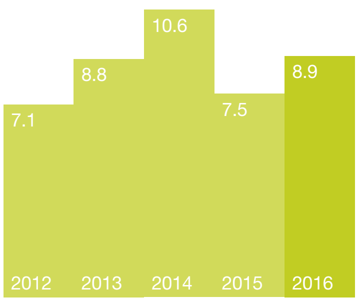
Cash Processing Solutions revenue
£m



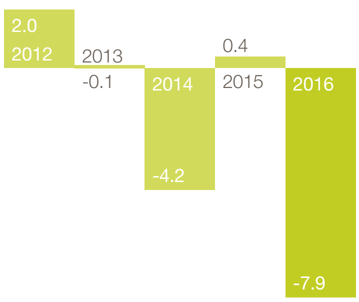
Identity Solutions underlying operating profit
£m



Product Authentication and Traceability underlying operating profit
£m



Cash Processing Solutions underlying operating profit
£m



Financial review

Jitesh Sodha
Chief Financial Officer

Introduction

I am pleased that in my first year as Chief Financial Officer, full year underlying operating profit was better than expected. Following a strategic review, the Board decided to dispose of the Cash Processing Solutions (CPS) business. It is a business that has underperformed for a number of years. The results for the CPS business have been treated as a discontinued operation in this Annual Report and its net assets are disclosed as an 'asset held for sale' on the balance sheet. Excluding discontinued businesses underlying operating profit increased to £70.4m (2014/15: £69.1m). All figures presented in this section are for continuing operations only unless stated otherwise.

Financial results

Group revenue increased by 7% to £454.5m (2014/15: £422.8m) and underlying operating profit increased slightly to £70.4m (2014/15: £69.1m). Underlying profit before tax increased by 2% to £58.5m (2014/15: £57.5m) and consequently underlying earnings per share increased by 4% to 48.1p (2014/15: 46.1p).

Net exceptional charges before tax, in the period totalled £3.6m (2014/15: £16.9m). Further details of exceptional items are noted on page 26.

Profit before tax was £54.9m (2014/15: £40.6m).

On a pre disposal basis, underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £100.2m (2014/15: £85.6m). This represents a cash conversion ratio of 160% (2014/15: 123%).

Net debt at 26 March 2016 improved by £4.9m at £106.1m (2014/15: £111.0m).

Dividend

The Board is recommending a final dividend of 16.7p per share (2014/15: 16.7p per share). Together with the interim dividend paid in January 2016, this will give a total dividend for the year of 25.0p per share (2014/15: 25.0p per share). Subject to approval by shareholders, the final dividend will be paid on 3 August 2016 to shareholders on the register on 24 June 2016. The proposed total dividend for the year is covered 1.6 times.

Finance charge

The Group's net interest charge was £4.8m (2014/15: £4.6m) reflecting an increase in the average level of net debt during the period. The IAS19 related finance cost, which represents the difference between the interest on pension liabilities and assets was £7.1m (2014/15: £7.0m).

Key financial summary on a continuing operations basis

	2016	2015	Change
Revenue	**£454.5m**	£422.8m	7%
Underlying operating profit[1]	**£70.4m**	£69.1m	2%
Reported operating profit	**£66.8m**	£52.2m	28%
Underlying profit before tax[1]	**£58.5m**	£57.5m	2%
Reported profit before tax	**£54.9m**	£40.6m	35%
Underlying earnings per share[2]	**48.1p**	46.1p	4%
Basic earnings per share	**46.8p**	31.8p	47%
Underlying operating cash flow[3]	**£100.2m**	£85.6m	17%
Cash conversion[4]	**160%**	123%	
Net debt	**£106.1m**	£111.0m	(4%)
Dividends per share[5]	**25.0p**	25.0p	0%

1 Before an exceptional operating charge of £3.6m (2014/15: £16.9m)

2 Before exceptional charges per note 1 and exceptional tax credit of £2.3m (2014/15: £2.4m)

3 Underlying operating profit £70.4m (2014/15: £69.1m) adjusted for depreciation £26.2m (2014/15: £24.8m) and the movement in working capital £11.5m (2014/15: -£8.7m)

4 Underlying operating cash flow divided by underlying operating profit

5 Includes proposed final dividend

Exceptional items

During the period exceptional items on continuing operations, summarised below, totalling £3.6m net, have been charged (2014/15: £16.9m net – see note 4 for details).

Site relocation and restructuring costs in 2015/16 were £9.2m net (2014/15: £2.8m net). Restructuring costs were incurred as part of the redesign of the organisation structure and the optimisation of manufacturing capabilities including the impact of the manufacturing footprint review which will reduce our banknote print production capacity from eight billion to six billion[1] notes a year.

The sale of surplus land in Overton generated a profit of £9.5m while surplus warranty provisions of £1.3m, previously charged as exceptional items (2014/15: £3.0m) were released in the period.

Following a review of capitalised assets, £5.2m of tangible assets within the Currency segment were written down representing assets linked with specific products whose future income streams are forecast to be insufficient to support the current carrying value.

The net cash cost of exceptional items for continuing operations in the period was £12.5m. £17.6m of cash costs related to prior periods and predominantly reflected the settlement of the invocation of guarantees provided for as a post balance sheet event in 2014/15.

Exceptional charges on discontinued operations were £26.0m – see note 2 for details. These related to CPS which was sold on 22 May 2016.

Site closure and restructuring costs in 2015/16 were £2.6m (2014/15: £1.9m) mainly reflecting the closure of the Brazil operation.

Asset impairments of £23.4m arising on the remeasurement of the disposal group to fair value less costs to sell have been recognised. The impairment has been applied to intangibles of £1.6m and goodwill of £4.0m and inventories of £17.8m.

The cash cost for exceptional items, on discontinued operations, was £1.0m (2014/15: £1.7m).

Cash flow and borrowings

All figures stated in this section are on a pre disposal basis. Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £100.2m (2014/15: £85.6m). This represents a cash conversion ratio (underlying operating cash flow divided by underlying operating profit) of 160% (2014/15: 123%).

Net debt decreased by £4.9m to £106.1m (2014/15: £111.0m). This was predominantly from improved working capital with increases in advanced payments received from customers.

The Group utilises a £250.0m revolving credit facility which expires in December 2019. The Group has operated well within the key financial covenants on this facility. These are that the ratio of EBIT to net interest payable be greater than four times and the net debt to EBITDA ratio be less than three times. At the period end the specific bank covenant tests were as follows: EBIT/net interest payable of 12.9 times and Net debt/EBITDA of 1.25 times.

Capital structure

At 26 March 2016 the Group had net liabilities of £145.6m (28 March 2015: £146.9m) mainly due to the recognition of the long term retirement benefit obligations of £219.9m (2014/15: £236.7m) in accordance with IAS19.

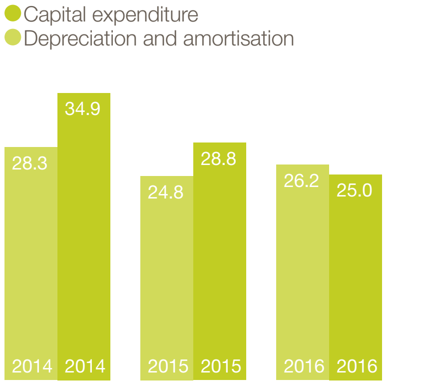
The Company had shareholders' funds of £174.4m (2014/15: £199.6m) and had 101.4m fully paid ordinary shares in issue (2014/15: 101.1m) at the year end.

Taxation

The net tax charge for the year was £6.3m (2014/15: £7.7m). The effective tax rate before exceptional items was 14.7% (2014/15: 17.6%). The tax rate is lower than the prior year primarily as a result of favourable changes to UK tax rates, reducing from 21% to 20% in the current year and further reducing to 18% from April 2020. The Group has also benefited from the increasing relief available under the UK Patent Box regime.

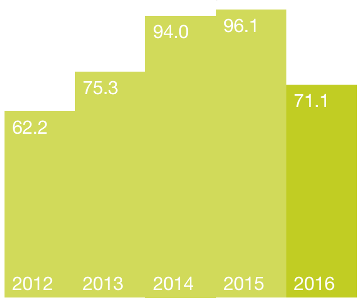
Net tax credits relating to exceptional items, on continuing operations, arising in the period were £1.8m (2014/15 £2.4m). In addition there was an exceptional credit of £0.5m (2014/15: £nil) in respect of the determination of the tax treatment of a prior year exceptional restructuring item.

Capital expenditure relative to depreciation
£m



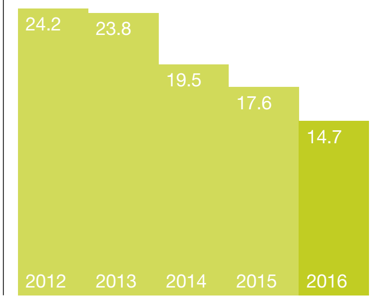
Group trade working capital
£m

Trade working capital comprises inventory plus trade receivables less trade payables and advance payments. 2012-15 comparatives have not been restated for discontinued operations



1 Excluding the site managed on behalf of Bank of England

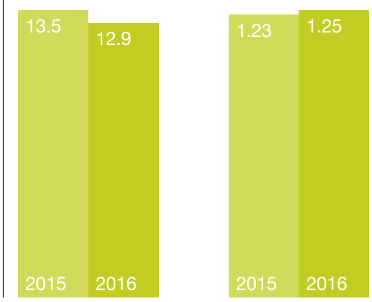
Underlying effective tax rate before exceptional items (restated)
%



Bank covenants
Times

Adjusted EBIT/
net interest
Covenant ≥4.0

Adjusted net debt/
EBITDA
Covenant ≤3.0



Principal exchange rates used in translating the Group's results

	2015/16 Average	2016 Year end
US dollar	**1.50**	**1.41**
Euro	**1.36**	**1.27**

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

Pension deficit and funding

During 2015/16, special funding payments of £19.1m (including scheme administration fees) were made to the Group's UK defined benefit pension scheme (closed to new members in 2010 and future accrual from April 2013). The Group's formal triennial funding valuation of the UK defined benefit pension scheme as at 5 April 2015 has not been finalised as the Company and scheme Trustees continue discussions with the Pensions Regulator. The previous valuation took place on 5 April 2012 and identified that the scheme had a deficit of £180.0m. The Group had agreed with the scheme Trustees and the Pension Regulator deficit funding payments to the scheme of £18.9m in 2016/17, rising by 4% per annum. Pending finalisation of the 2015 valuation, the special funding arrangements agreed in 2012 which aim to eliminate the deficit by 2022 remain unchanged.

Recognition of the current deficit in accordance with IFRS when combined with overseas unfunded obligations results in the negative net assets shown on the Group balance sheet.

The valuation of the UK pension scheme under IAS19 principles indicates a pre-tax scheme deficit at 26 March 2016 of £217.6m (28 March 2015: £234.1m). The decrease of £16.5m is largely a reflection of the increase in the discount rate used to project the value of the scheme liabilities (3.5% in 2015/16 compared with 3.2% in the prior year) and the Group funding contributions. The decrease has been partly mitigated by an increase in the life expectancy of members and lower than expected returns of scheme assets.

In common with other final salary schemes, the scheme valuation is very sensitive to any movement in the discount rate, with a 0.25% increase in the discount rate resulting in a £49.0m decrease in liabilities or vice versa. The deficit would reduce should interest and discount rates increase in the future.

The charge to operating profit in respect of the UK defined benefit pension scheme for 2015/16 was £1.2m (2014/15: £1.1m). In addition, under IAS19 there was a finance charge of £7.1m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (2014/15: £7.0m).

Post balance sheet events

Since the year end the following material non adjusting event has occurred:

On 22 May 2016 the sale of the Cash Processing Solutions business was completed. The net result will be recognised in the half year ending 24 September 2016. This includes the loss on disposal of current assets and liabilities held for sale (refer to note 2), the recycling through the income statement of accumulated foreign exchange translation movements recorded in reserves and the estimated costs of disposal.

In addition to the cash payment upon completion and deferred cash payments there is also a contingent element of consideration which is dependent upon the disposed business meeting certain future targets.

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

	2016 Group assets/ (liabilities) £m	2016 Group cash/ (debt) £m	2016 Net assets/ (liabilities)* £m	2015 Net assets/ (liabilities)* £m
Sterling	**(63.7)**	**(126.9)**	**(190.6)**	(179.3)
US dollar	**(12.7)**	**1.2**	**(11.5)**	(15.5)
Euro	**42.7**	**(0.3)**	**42.4**	36.6
All other	**(12.4)**	**19.9**	**7.5**	5.6
	(46.1)	**(106.1)**	**(152.2)**	(152.6)

*Excluding non-controlling interest

We meet recognised standards of corporate responsibility with regard to our resources, stakeholder relationships and the environment.

Centre for learning

Reward and recognition

high five

above & beyond

Our approach
We use our resources wisely and take our relationships and responsibilities seriously. We have responsibilities that go well beyond pure commercial gain: to the environment and to our customers, employees, local communities, suppliers and investors. These responsibilities are key, as we commit to invest in and develop our people in addition to dealing ethically with all our stakeholders. We have maintained our membership of the FTSE4Good Index which identifies companies that meet recognised standards of corporate responsibility.

Accountability
The Board is responsible for assessing how corporate responsibility issues could affect the Group and for setting appropriate polices. The Chief Executive Officer is the Board member with designated responsibility. He is supported by the Executive Leadership Team, the Risk Committee, and the Health, Safety and Environment (HSE) Committee. For the responsibilities of each Committee, see pages 31 and 38.

Resources

Our employees are the key to our success. They are a vital resource that we value and are keen to retain and develop. We have launched a number of initiatives this year to engage and develop our employees, some of which are detailed below.

Engagement and development

Centre for learning

In 2015, we launched a new centre of excellence for learning to focus on developing our staff and equipping them with the most appropriate knowledge, skills and behaviours. It has a clear mission to provide best in class learning and development for all our staff, to enable us to realise our strategy. It focuses on two key areas, which are crucial to our long term success:

- Developing our leaders – equipping them with the business and people skills to execute our strategy
- Developing our high potentials – ensuring we identify, engage and effectively manage our talent

In 2016, we will build on these two key areas and begin to offer function based skills training. We will also continue to build on the great work achieved by our Delivery function through the Operational Excellence programme.

Reward and recognition

As part of our performance management strategy, we have introduced a global recognition programme called 'High Five', which is underpinned by our five corporate values.

The initiative was the result of feedback from our global employee survey, which told us we could do more to recognise high levels of performance.

Employee assistance programme

An Employee Assistance Programme was recently launched for our UK employees. This offers free and confidential help and advice provided by an independent third party. We offer similar support to our employees in other regions.

High Five programme

High Five is an online platform, which helps us to share and celebrate success and commitment around the business. Employees can send recognition to each other and managers can allocate 'points' for great performance and behaviours that employees can turn into gifts. The online platform also gathers nominations for our Annual Recognition Event that recognises employees who have gone 'above and beyond' their day job in driving De La Rue's success.

Equality and diversity

Our policy is to treat all employees fairly and equally in recruitment, training, development, promotion and in their terms and conditions of employment, irrespective of their gender, transgender status, sexual orientation, religion or belief, marital status, civil partnership status, age, colour, nationality, national origin, disability or trade union affiliation.

We provide all line managers globally with equal opportunities training, as part of our Management Fundamentals training programme. We also re-trained all employees on our Code of Business Principles (see below) so they understand that treating others with fairness and respect is inherent to our business. To the extent permitted by local laws, we collect certain data on staff diversity.

Gender diversity

Employees by gender (as at 26 March 2016)		
Male	2,584	73%
Female	932	27%
Total	**3,516**	

Senior managers by gender (as at 26 March 2016)		
Male	46	84%
Female	9	16%
Total	**55**	

Executive management by gender (as at 26 March 2016)		
Male	6	86%
Female	1	14%
Total	**7**	

For further information about Board diversity, see pages 42 and 45.

Communications

We are committed to direct and open communication with our employees.

It is vital that all our employees understand their part in achieving our strategic goals. The Executive Leadership Team, in conjunction with local management, have held face to face presentations and global calls to explain the strategy to their teams. We followed these events with a series of digital, print and video updates.

As a result, 97% of respondents in our recent pulse employee survey agreed that 'De La Rue's Group strategy has been communicated to me'.

To encourage two way communication, the Chief Executive Officer holds regular global update calls in which all employees can participate and ask questions. In addition, the executive management meet operational teams at our manufacturing sites regularly. This direct and open approach has ensured that a high proportion of our employees believe in and understand the strategy.

Human rights

We fully support the principles set out in the UN Declaration of Human Rights and the guidelines of the International Labour Organisation. This includes respecting diversity, supporting the drive to abolish child labour and complying with national legal requirements regarding the minimum wage and working hours. The Code of Business Principles was recently relaunched and demonstrates how the organisation is fully committed to ensuring that the highest ethical standards are embedded throughout our business. The Code covers issues including whistleblowing, human rights, protecting personal information, bribery and corruption. Through training for all employees relating to the Code of Business Principles and with monitoring of feedback through our De La Rue CodeLine, we seek to ensure that our policies work in practice. We are not aware of any human rights issues in our business.

Relationships

In addition to our employees, we have important relationships with many external stakeholders and engage with them on a daily basis.

Customers

The customer remains at the heart of everything we do. We are very proud of the long lasting customer relationships that have been built, some of which span decades and even centuries. To measure our performance, we undertake regular market surveys to collect meaningful information from both existing and prospective customers.

In addition to regular meetings and interactions with individual customers, we attend industry conferences to reach as wide an audience as possible. We also run our own regular training courses and conferences, both in specific regions and centrally in the UK. Our Advanced Banknote Manager Course is available to our central bank and SPW customers and offers the opportunity for in-depth interaction with and between the delegates.

Third party partners

The Group has a number of third party partners (TPPs), who support the sales process and customer relationships around the world. We have an independent central team which manages all third party partner appointments and renewals. The team reports directly to the General Counsel and Company Secretary. The process is subject to audit and external verification and all appointments are subject to appropriate due diligence. We provide our TPPs with mandatory training covering anti-bribery and corruption, competition law and our third party partner policy, which sets out our requirements in terms of the partners' ethical and business behaviour.

Suppliers

De La Rue applies consistent procurement policies and processes. This ensures accountability and sustainable value for money while minimising risk and enabling us to fulfil our legal and financial obligations. We expect our suppliers to share our commitment to best practice standards in HSE matters. We also require suppliers to meet defined quality, product security and business continuity standards.

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

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

Community

Many of our sites across the world engage with their local communities by supporting charitable organisations, often focusing on smaller, locally based charities where our employees can have the maximum impact. Over the last twelve months, employees have participated in a wide variety of activities including:

- Refurbishing a residential home for people with disabilities
- Sponsoring a local children's hospice
- Collecting tinned foods for an organisation which provides assistance for families who need a helping hand

Like many sites, our head office supports a charity of the year, voted for annually by our employees. We hold themed events throughout the year and have managed to exceed our fundraising target every year.

Our annual Three Peaks Challenge in the UK has raised over £148,000 in five years. This year, 10 teams of employees competed to complete the event in the shortest time, with prizes also awarded to the best costume and the most unusual item to take up a mountain. For UK employees undertaking their own fundraising activities, the De La Rue Charitable Trust offers fund matching. We also offer our UK employees the opportunity to donate to their chosen charity directly from their salary, via our Give As You Earn scheme.

Leaders of the future

We continue to work with local communities and customers to deliver wider economic benefits. In the UK, we work with charities and schools to engage young people in employability skills and to promote and inspire them to pursue science, technology, engineering and maths (STEM) subjects, by sharing details of the varied STEM-related careers within De La Rue.

We have run the De La Rue Scholarship programme in the Caribbean since 2002 and now have 42 scholars from Jamaica, Trinidad and Tobago, the Eastern Caribbean and Barbados. We offer scholarships through the University of the West Indies for students studying economics, finance and actuarial sciences. In summer 2015, we ran a two month internship for two scholars, giving us the opportunity to use their expertise and giving them the opportunity to live and work in the UK.

Responsibilities

Ethics

As one of the founding members of the Banknote Ethics Initiative (BnEI), De La Rue continues to drive best practice across the banknote industry. BnEI promotes ethical business practice, with a focus on preventing corruption and on compliance with anti-trust law in the industry. The independent accreditation provides customers with assurance in respect of the ethical standards they want from their suppliers. De La Rue's BnEI accreditation covers the whole Group, not just our Banknotes business.

We require all employees and business partners to follow our Code of Business Principles when they are representing De La Rue. We have re-launched the Code across the entire business, with a number of updated policies and materials. All employees and third party partners receive training on the Code and the standards of ethical behaviour De La Rue expects. In our recent pulse employee survey, 91% of respondents agreed that 'At this site we are encouraged to always act in an honest and ethical way', a 6% increase since the 2014 survey.

'There is fantastic support from employees for the work that we do with local charities, whether they contribute to fundraising, spend time coaching school students or simply donate items to a collection. For staff it also creates development opportunities and the chance to get to know employees from other departments and business areas.'

Amanda Wiltshire, Head of De La Rue For Good Team at Basingstoke

'The internship was absolutely fantastic. I had complete freedom over the direction of the research project once the topic was selected and I really got a chance to put my econometric skills to use.'

Travis Atkinson, intern 2015

'I met dedicated and fascinating people who take the role seriously and I'm confident will be able to help if asked.'

'Real life examples prove again and again that ethics principles must not be undervalued.'

Comments from Ethics Champions following training in October 2015

A steering group of senior employees meets regularly to look at ways to ensure that the Code's principles are embedded in everything we do. The steering group is also a central point of advice and support for our network of site based ethics champions. The ethics champion initiative helps us to understand and respond to the needs of each site in a focused and effective way, and ensures they have local support and representation for Code related matters. In October 2015, all our ethics champions attended a second training conference. The champions also schedule regular conference calls, to highlight issues and provide a forum for discussion.

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

Health and safety

The Group Health, Safety and Environment (HSE) Committee is responsible for monitoring HSE activities throughout the Group, identifying areas for improvement and making recommendations on strategy.

A working environment in which every individual cares about the health, welfare and safety of their colleagues is necessary for a highly productive and good place to work. We have a responsibility to safeguard the health and safety of all stakeholders affected by our operations and to keep our employees safe and secure when they are at work and travelling on business. We have clearly defined systems that identify responsibilities, training requirements, hazard spotting, risk assessments and other appropriate controls at all of our facilities, to help us to achieve this.

Our employee survey this year confirmed that over 92% of our people think De La Rue is a safe place to work. To enhance existing training, we have launched a global travel security awareness programme for all employees, to raise awareness of potential travel security and safety risks and identify appropriate action. This is particularly important to us and we offer enhanced training for our employees who travel to higher risk countries to carry out our business.

We have just received a Bronze award in the UK's Royal Society for the Prevention of Accidents (RoSPA) annual Occupational Health and Safety Awards for consistently good H&S performance.

All of our main manufacturing sites have maintained OHSAS18001 certification for their health and safety management systems, which is externally audited by accredited providers. We are currently working towards centralising these scopes. During the year, no De La Rue operation was prosecuted for infringing any health and safety laws or regulations.

The Executive Leadership Team and the Board receive confirmation that all sites comply with Group health, safety and environmental policies and any applicable legislation through external and internal audits on their management systems. We measure sites against any corrective actions identified and use these reports, along with employee suggestions, to develop effective continuous improvement programmes. Our Global HSE Manager reviews our HSE standards and audit protocols annually and updates these where needed. This ensures we continue to drive good practices and that our standards and protocols are aligned with the phased approach used in the Delivery Operational Excellence programme.

De La Rue works with its main suppliers and contractors to ensure their health and safety processes are robust. Our focus on machinery safety continues, with many improvements completed this year. An independent machinery safety consultancy checks all the machinery we purchase, to verify its compliance with the latest UK/EU machinery safety standards. As part of the footprint review, we are relocating several large machines and we will conduct full safety reviews prior to refurbishing and shipping them to their new location. We also continue to invest in and improve our fire risk management, with several sites upgrading their on-machinery fire suppression systems.

We achieved all of our health and safety objectives for 2015/16. We reduced our overall number of lost time accidents and lost time work days due to accidental injuries by 50% and increased our near miss reporting by a further 6%, which we view as a positive trend. With continuing organisational changes, we have successfully maintained our positive safety culture and excellent internal reporting processes and continue to engage employees in our safety training programmes. We delivered over 2400 man-days of HSE related training this year across the company, about 20% was part of our new Making Good Safety Decisions programme. We will continue to set robust health and safety objectives and targets and verify our compliance and good practice programmes through our internal audit programme.

Our health and safety objectives for 2015/16 were:

- To continue to reduce at work injuries and move to a Lost Time Injury Frequency Rate per 200,000 worked hours (to enable benchmarking) – Achieved
- To continue to demonstrate manufacturing site improvements within our internal HSE audit levels programme (Levels 1-5 are verified on Group audits) – Achieved
- To achieve a Lost Time Injury Frequency Rate (LTIFR) per 200,000 worked hours of 0.55 or less (ie better than UK manufacturing rate) – Achieved 0.31
- To ensure that all older machinery, after independent safety assessments, is upgraded or replaced over the next four years – On track part of the manufacturing footprint restructuring
- To obtain OHSAS18001 certification at Head Office, with a view to bringing all manufacturing sites under this scope by December 2017

Our health and safety objectives for 2016/17 are:

- To maintain a world class lost time injury frequency rate per 200,000 worked hours (<0.62 LTIFR)
- To continue to demonstrate manufacturing site continuous improvement by our internal HSE audit levels programme
- To continue progressing our new Making Good Safety Decisions training by completing three modules at Delivery sites
- To ensure that all older machinery, after independent safety assessments, is upgraded or replaced over the next three years
- To obtain ISO45001 certification at Head Office with a view to bringing all manufacturing sites under this scope during 2016/17

Environment

We continue to measure greenhouse gas (GHG) emissions arising from all of the activities for which we are responsible worldwide.

As in previous years we have reviewed our data collection and reporting processes in line with best practice with support from independent specialist consultants Carbon Clear.

Using an operational control approach the Group has collected activity data and reported on all material GHG emissions including scopes 1 and 2 and a range of scope 3. The validity and completeness of the data were checked both internally and by Carbon Clear, with the internally assured data being used to calculate the GHG emissions for the Group. KPMG LLP also reviewed the process used for collecting and analysing the data in 2014 and this has not changed.

The calculations performed follow the ISO14064-1:2006 standard and the results presented in the table on page 33 give absolute and intensity factors for Group emissions. The Group uses renewable energy and exports electricity to the grid at some sites. These practices have been quantified and accounted for against the Group's gross GHG emissions to show a net reduction.

This year the figures can be compared to last year with confidence as several improvements to data collection techniques and calculation methods were again achieved. The emissions intensity, which is reported relative to Group revenues is 213 net tCO_2e per million turnover. This shows a decrease of 6% compared against last year's figure of 226 net tCO_2e per £m turnover. This improvement has partially been affected by the 3% increase in revenue but also reflects a 2% reduction in the emissions associated with electricity consumption.

In real energy terms the natural gas consumption emissions were up 2.3%, primarily affected by increased production volume at the Overton site.

Water used per gross tonne of banknote paper produced is dependent on product mix and volume and also reflects complexity of specifications and security features and has remained level with the previous year. Overton Mill is one of De La Rue's major installations. Its sole water resource is abstracted groundwater, which is in turn cleaned and discharged into the River Test, within 500 metres of the point of abstraction. The river is classified as a Site of Special Scientific Interest protected by UK conservation regulations. We share the keen interest shown by varied stakeholders in ensuring that the water quality and quantity is optimised for good ecology, and so follow best practice regarding our use, treatment and release of freshwater. Our water treatment facilities meet and exceed expected quality standards as stipulated within the installation's environmental permit. Overton Mill cleans and returns to the river most of the water abstracted, which provides an important and valuable contribution to the ecology of the region.

Examples of environmental achievements during 2015/16 include:

- We have achieved ISO14001 certification for Head Office and have already included some manufacturing sites in this Group scope. We have also maintained certification at all other Delivery sites receiving an expected low level of minor non-conformances all of which have been promptly rectified. We are aiming to transition to the new ISO14001:2015 over the next 18 months
- We have improved our overall solid waste recycling to 83%. The volumes of solid waste going to landfill sites is similar to the previous year partially due to some local restrictions at some overseas sites
- Over £0.5m investment in energy efficiency projects at our sites. Examples of these include:

  Overton – air compressor replacements

  Debden – lighting replaced with LEDs

  Gateshead – centralised compressors and vacuum system

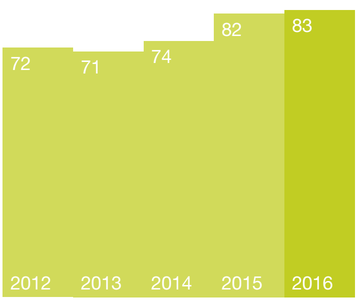
  Bathford – micro-turbine extended trial

  These activities are lowering fixed costs and showing an annual reduction in GHG emissions of 500 tCO_2e

Environmental objectives for 2016/17 are:

- To continue with our ISO14001 certification alignment for all manufacturing sites so that they are all covered by one central certificate and audit process
- To reduce our greenhouse gas emissions in tCO_2e related to output by 3% per annum over a three year period ending 2017/18
- To reduce solid waste sent to landfill by 2% per annum over a three year period ending 2017/18
- To develop and build a broader sustainability programme for De La Rue

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



Greenhouse gas emissions year on year comparison

Type of emissions	Activity	2016[2] tCO2e	2016[2] % of total	2015 tCO2e	2015 % of total	% change
Direct (scope 1)	Natural gas	**38,963**	**37**	38,075	35	2
	Other fuels	**491**	**1**	983	1	(50)
	Process emissions	**1,048**	**1**	965	1	9
	Fugitive emissions	**24**	**–**	235	–	(90)
	Owned vehicles	**122**	**–**	240	–	(49)
	Subtotal	**40,648**	**39**	40,498	37	0
Indirect (scope 2)	Electricity	**36,870**	**35**	37,532	35	(2)
	Subtotal	**36,870**	**35**	37,532	35	(2)
Indirect other (scope 3)	Rail travel	**15**	**–**	2	–	565
	Air travel	**8,168**	**8**	7,011	6	17
	Non-owned vehicles	**228**	**–**	297	–	(23)
	Water	**2,049**	**2**	1,900	2	8
	WTT all scopes[1]	**16,536**	**16**	20,786	19	(20)
	Subtotal	**26,996**	**26**	29,996	27	(10)
Total gross emissions (tCO_2e)		**104,514**		108,025		(3)
Renewable electricity (tCO_2e)		**(8)**		(8)		0
Electricity exported to grid (tCO_2e)		**(756)**		(1,164)		(35)
Total net emissions (tCO_2e)		**103,750**		106,853		(3)

Intensity metric

	2016	2015	% change
Total gross emissions (tCO_2e)	**104,514**	108,025	(3)
Total net emissions (tCO_2e)	**103,750**	106,853	(3)
Revenue[3] (£m)	**488**	472	3
Tonnes of gross CO_2e per £m	**214**	229	(6)
Tonnes of net CO_2e per £m	**213**	226	(6)

1 Standard 'well to tank' carbon calculation

2 Figures for the last period are estimates

3 Pre disposal

Philip Rogerson
Chairman

Compliance with the UK Corporate Governance Code (the Code)
The Board considers that it and the Company have, throughout the period to 26 March 2016, complied in all respects with the provisions of the Code save as disclosed in this report. The Code is issued by the FRC and is available for review on the FRC website: https//www.frc.org.uk

Dear Shareholder

As a Board, we are committed to maintaining the highest standards of corporate governance. We strongly believe that good governance is at the heart of and is fundamental to the effective management of the business and its long term sustainability. The Board is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards. One of the ways in which the Board achieves this is by requiring that good governance principles and practices are adhered to throughout the Group.

Good governance also involves the exercise of judgement as to the definitions of success for the Group, the levels of risk we are willing to take to achieve that success and the levels of delegation to the executives. The exercise of this judgement is the responsibility of the Board.

The Executive Leadership Team is required to provide such information to the Board as the Board needs to enable it to exercise judgements over these matters. The Board sets the tone for the Group. The way in which it conducts itself, its attitude to ethical matters, its definition of success and the assessment of appropriate risk, all define the atmosphere within which the Executive Leadership Team works.

In September 2014, the Financial Reporting Council (FRC) published the latest edition of the Code. This contains broad principles together with more specific provisions in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. The new version of the Code incorporates a number of changes to the previous edition including amendments to the principles and provisions relating to directors’ remuneration and risk management and internal control. It has also introduced a new requirement for the Board to make an annual viability statement. Details of the viability statement can be found on page 17 and the going concern statement on page 86.

We recognise the importance of planning for the future and, in line with our succession planning strategy, with help from the Nomination Committee, we have continued to develop our Board with a number of new appointments. See pages 35 to 37 for information on the Board and Board Committees.

Each year, the Board undertakes a formal evaluation of its effectiveness. This year we have had this process facilitated by an external independent facilitator, Lintstock Limited. In addition, the Senior Independent Director has led a review of my performance with input from other Non-executive Directors. Further details of the evaluation process can be found on page 41. I am satisfied that the Board and its Committees are performing effectively and that there is the appropriate balance of skills, experience, independence and knowledge of the Group to enable the Directors to discharge their respective duties and responsibilities effectively. I am also satisfied that members of the Board, and the Non-executive Directors in particular, have sufficient time to undertake their roles at Board and Committee level, so as to be able to discharge their responsibilities effectively.

In the pages which follow, we have set out our governance policies and practices and included details of how the Group has applied the main principles and complied with the relevant provisions of the Code. The corporate governance report includes reports from each of the Committee Chairs to provide details on key matters addressed by the Committees during the year.

Philip Rogerson
Chairman

24 May 2016

Directors and Secretary

Philip Rogerson
Chairman

Appointment to the Board
Appointed to the Board 1 March 2012 and became Chairman on 26 July 2012

Committees
Ethics Committee (Chairman)
Nomination Committee (Chairman)
Remuneration Committee

Current directorships and business interests
- Bunzl plc, chairman
- Advisory Board of the North and East London Commissioning Support Unit (NELCSU) of the NHS, chairman

Career, skills and experience
Philip was formerly chairman of Aggreko plc and Carillion plc. He was an executive director of BG plc (formerly British Gas plc) from 1992 to 1998, latterly as deputy chairman.

Martin Sutherland
Chief Executive Officer

Appointment to the Board
Appointed to the Board on 13 October 2014

Committees
Nomination Committee
Risk Committee

Current directorships and business interests
- International Currency Association, member

Career, skills and experience
Martin joined De La Rue from BAE Systems Applied Intelligence, where he was Managing Director since its acquisition by BAE Systems in 2008. At BAE Systems Applied Intelligence (formerly Detica), Martin was responsible for the strategic expansion of the business internationally through both organic growth and acquisitions. Prior to joining Detica in 1996, Martin worked for Andersen Consulting (now Accenture) and British Telecom.

Jitesh Sodha
Chief Financial Officer

Appointment to the Board
Appointed to the Board on 10 August 2015

Committee
Risk Committee

Career, skills and experience
Jitesh is a CIMA qualified accountant and has worked in a range of businesses with an international footprint, most recently Greenergy International, one of the largest private companies in the UK, where he served as CFO from 2008 until May 2015. His previous roles included CFO of Mobilestreams Plc, where he played a key role in the IPO, and CFO of T-Mobile International UK.

Sabri Challah
Independent
Non-executive Director

Appointment to the Board
Appointed to the Board on 23 July 2015

Committees
Audit Committee
Ethics Committee
Nomination Committee
Remuneration Committee (Chairman)

Current directorships and business interests
- Contemporary Art Society, trustee

Career, skills and experience
Sabri was a Partner at Deloitte from 1991 to 2013, where he had a varied career. He served as a member of both the Deloitte UK Board, where he acted as chairman of the remuneration committee, and the Deloitte Global Board, where he was chairman of the succession planning committee. Sabri was also chairman of Igneus UK Limited, a leading provider of welfare to work services. Sabri has significant and wide ranging experience in organisational design, change management, strategy, and corporate development.

Maria da Cunha
Independent
Non-executive Director

Appointment to the Board
Appointed to the Board on 23 July 2015

Committees
Audit Committee
Ethics Committee
Nomination Committee
Remuneration Committee

Current directorships and business interests
- British Airways, director of People and Legal

Career, skills and experience
Maria has spent her career in a range of legal roles as a solicitor and in-house at Lloyds of London and since 2000, with British Airways where she is director of people and legal and is a member of the executive board, corporate security board and pensions strategy board. Maria is experienced at working with international regulators and governments and has a deep understanding of operational risk, including cyber security, data and mobile risk. She also has significant geo-political, multi channel distribution, acquisition and post merger integration experience.

Victoria Jarman
Independent
Non-executive Director

Appointment to the Board
Appointed to the Board on 22 April 2010

Committees
Audit Committee (Chairman)
Ethics Committee
Nomination Committee
Remuneration Committee

Current directorships and business interests
- Hays plc, non-executive director and chairman of the audit committee
- Equiniti Group plc, non-executive director and chairman of the audit committee

Career, skills and experience
Victoria started her career in 1995 with KPMG, before moving to Lazard Corporate Finance in 1998 where she was chief operating officer of Lazard's London and Middle East operations and a member of its European management committee. She has worked closely with the boards of major FTSE companies and businesses advising them on a variety of strategic options. Victoria is a chartered accountant. She will step down from the Board after the AGM.

Rupert Middleton
Chief Operating Officer

Appointment to the Board
Appointed to the Board on 23 July 2015

Committee
Risk Committee

Career, skills and experience
Rupert joined De La Rue in October 2011 as Managing Director, Supply Chain before being appointed Chief Operating Officer in April 2015. Rupert has extensive experience of manufacturing with particular emphasis on printing. His previous role was group director of manufacturing at Trinity Mirror, responsible for the integrated manufacturing division that prints all Trinity Mirror newspaper titles. Prior to joining Trinity Mirror, Rupert was integration director at Transport for London, managing director of a division within The Stationery Office and managing director of Westferry Printers.

Andrew Stevens
Senior Independent Non-executive Director

Appointment to the Board
Appointed to the Board on 2 January 2013

Committees
Audit Committee
Ethics Committee
Nomination Committee
Remuneration Committee

Current directorships and business interests
- CAE Inc., non-executive director
- Hèroux-Devtek Inc., non-executive director

Career, skills and experience
Andrew has extensive international experience in the technology and engineering sectors, having spent over thirty years operating across the globe, including in North America, Europe, the Middle East and Asia. He was a director of Cobham plc between 2003 and 2012, where he held a range of positions, becoming chief executive in 2010 until stepping down from that role in June 2012. Before that he held senior positions in Rolls Royce, Messier Dowty International and Spirent plc. Andrew was appointed Senior Independent Director on 23 July 2015.

Edward Peppiatt
General Counsel and Company Secretary

Appointment
Appointed as General Counsel on 1 March 2009 and as Company Secretary with effect from 1 April 2009

Committee
Risk Committee (Chairman)

Career, skills and experience
Edward has many years of experience as a general counsel and company secretary in publicly quoted businesses and his roles in the past have included responsibility for risk, security, insurance, HSE and HR. He was previously general counsel and corporate secretary of Christian Salvesen PLC and prior to that practised as a corporate lawyer at Stephenson Harwood. He is a qualified solicitor and holds an MBA from Cranfield School of Management.

Our governance framework

The role of the Board and its Committees

Board

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

The core objectives of the Board are:

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

The Board has delegated authority to manage the business to the Chief Executive Officer, who delegates specific responsibilities to members of the Executive Leadership Team.

To enhance its effectiveness, the Board also delegates some matters to its Committees and management as appropriate:

Nomination Committee

To review the composition of the Board and plan for its progressive refreshing with regard to balance and structure as well as succession planning

See pages 44 to 45

Ethics Committee

To consider and make recommendations to the Board on ethical matters and how they should be addressed reinforcing the Group's commitment to ensuring that business ethics are a fundamental and enduring part of the Group's culture

See pages 46 to 47

Risk Committee

To identify, evaluate and monitor the principal risks facing the Group and to decide how these are managed

See page 48

Audit Committee

To oversee the Group's financial reporting, risk management and internal control procedures and the work of its internal and external auditors

See pages 49 to 52

Remuneration Committee

To determine the framework, policy and levels of remuneration and make recommendations to the Board on the policy regarding executive remuneration and determine, on the Board's behalf, the specific remuneration packages of the Chairman, the Executive Directors and senior executives

See pages 53 to 73

Chief Executive Officer

Executive Leadership Team

To develop and implement strategy, operational budgets, policies and procedures; monitor operating and financial performance; assess and control risks and allocate resources; and monitor competitive forces in each area of operation

See page 41

The terms of reference of each Committee, which are reviewed on an annual basis, can be found on our website (www.delarue.com). The Board and each Committee is satisfied that it receives sufficient, reliable and timely information in advance of meetings and is provided with all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner. The Board has formally adopted a schedule of matters reserved to it for decision. This schedule is reviewed annually and was last reviewed on 31 March 2016.

Directors' attendance 2015/16	Board	Nomination Committee	Ethics Committee	Audit Committee	Remuneration Committee
Number of meetings held	7	3	2	5	2
Sabri Challah (appointed 23 July 2015)	4(4)	2(2)	1(1)	3(3)	1(1)
Colin Child (stood down from the Board 23 July 2015)	3(3)	–	–	–	–
Maria da Cunha (appointed 23 July 2015)	4(4)	2(2)	1(1)	3(3)	1(1)
Warren East (stood down from the Board 23 July 2015)	3(3)	1(1)	1(1)	2(2)	0(1)
Victoria Jarman	6(7)	2(3)	2(2)	5(5)	2(2)
Rupert Middleton (appointed 23 July 2015)	4(4)	–	–	–	–
Gill Rider (stood down from the Board 23 July 2015)	3(3)	1(1)	1(1)	2(2)	1(1)
Philip Rogerson	7(7)	3(3)	2(2)	–	2(2)
Jitesh Sodha (appointed 10 August 2015)	4(4)	–	–	–	–
Andrew Stevens	7(7)	2(3)	2(2)	5(5)	2(2)
Martin Sutherland	7(7)	3(3)	–	–	–

Note

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

Board roles

Role	Responsibilities
Chairman Responsible for leading the Board, its effectiveness and governance	The Chairman is primarily responsible for the working and leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman provides continuity, experience and governance to the Board process. In particular the Chairman will act in such a way as to ensure that: • The Board takes balanced and objective decisions in the performance of its agreed role and functions • The Board sets a strategy for the future of the business and recruits and retains the people it needs to implement that strategy • High standards of corporate governance and probity throughout the Group are established and maintained • Shareholders are kept informed on all important matters and material events
Chief Executive Officer Responsible for running the business and implementing strategy and policy	The Chief Executive Officer has responsibility to: • Maintain a senior leadership team with the appropriate knowledge, experience, skills, attitude and motivation to manage the Group's day to day activities • Exercise personal leadership and develop, on an ongoing basis, a management style which encourages excellent and open working relationships at all levels within the Group • Ensure, through the Chief Financial Officer, the implementation, control and coordination of the Group's financial and funding policies approved by the Board • Ensure that the Group has in place appropriate risk management and control mechanisms • Set the operating plans and budgets required to deliver the agreed strategy • Implement and review health, safety and environment policy and, supported by the Executive Leadership Team, oversee improvements and performance • Identify acquisitions and monitor competitive forces The Chief Executive Officer chairs the Executive Leadership Team and maintains a close working relationship with the Chairman.
Senior Independent Director Discusses any concerns with shareholders that cannot be resolved through the normal channels of communication	The role of Senior Independent Director is to: • Provide a point of contact for those shareholders who wish to raise issues with the Board other than through the Chairman or if they consider that their concerns are not being addressed through normal channels • Be responsible for appraising the Chairman's performance in discussions with the other Non-executive Directors and Executive Directors in the absence of the Chairman • Lead recruitment of a new Chairman other than when being considered for the position himself
General Counsel and Company Secretary Ensures good information flows to the Board and its Committees and between senior management and Non-executive Directors	The General Counsel and Company Secretary is available to all directors to provide advice and assistance, and is responsible for providing governance and legal advice to the Board. The Company Secretary ensures Board procedures are complied with, that applicable rules and regulations are followed and acts as secretary to the Board and all of its Committees. Minutes of all meetings are circulated to all Directors. He facilitates the induction of new Directors and in conjunction with the Chairman assists in the professional development of Directors as required.

The role of the Chairman and the Chief Executive Officer are distinct from one another and are clearly defined in a letter of appointment and a written service contract respectively. These are available for inspection at the AGM.

Focus of the Board for the year

In the period under review, the Board's focus has been on strategy and ensuring that the structures, capabilities and reports are in place to support the Group strategy. The Board has received regular reports from the Chief Executive Officer, Chief Financial Officer and the other members of the Executive Leadership Team.

In particular, time has been spent considering:

- Review and communication of our strategy
- Our products and product strategy
- Innovation and technology
- Manufacturing footprint
- The areas of principal risks across our businesses
- Our viability statement
- Full and half year financial statements including dividends
- Forecasts and budgets
- Major capital projects
- Succession planning for the Board and Executive Leadership Team
- Conflicts of interest
- Review of governance policies and procedures

Governance principle: leadership

The Board is collectively accountable to the Company's shareholders for good corporate governance and all Directors are responsible for complying with their legal and fiduciary obligations. The Directors' biographical details on pages 35 to 37 demonstrate the skills and experience of the Board. The balance of skills and experience ensures that the duties and responsibilities of the Board and its Committees are discharged effectively.

Under the Board's leadership, the Group has put in place a comprehensive management structure together with clearly defined policies, procedures and delegated authority.

Board composition and responsibilities

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

There was a clear division between the management of the Board and the Executive Directors' responsibility for managing the Group's business. However, no individual or small group can dominate decision making.

Andrew Stevens succeeded Warren East as the Senior Independent Director on 23 July 2015. Shareholders may contact the Senior Independent Director if they consider that their concerns are not being addressed through normal channels.

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

Colin Child, Warren East and Gill Rider all stood down from the Board at the conclusion of the Company's AGM on 23 July 2015.

Two new Non-executive Directors, Sabri Challah and Maria da Cunha, joined the Board after the AGM on 23 July 2015. Sabri Challah succeeded Gill Rider as Chairman of the Remuneration Committee. Victoria Jarman succeeded Warren East as Chairman of the Audit Committee.

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

Jitesh Sodha replaced Colin Child as Chief Financial Officer and joined the Board on 10 August 2015.

Victoria Jarman has informed the Board of her decision to step down after the AGM having served six years as a Non-executive Director. We are in the advanced stages of recruiting a new Non-executive Director to the Board whom we anticipate will succeed Victoria Jarman as Chair of the Audit Committee.

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

Operation of the Board

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

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

- Determining the responsibilities of Directors, in particular those of the Chairman and Chief Executive Officer
- Reviewing the effectiveness of internal control processes
- Approving the terms of reference and membership of Board Committees
- Setting authority levels, financial and treasury policies and approving any material acquisition or disposal

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

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

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

Governance principle: effectiveness

Board effectiveness

The Board timetable ensures that the Board receives regular reports and presentations from Executive Directors and members of the Executive Leadership Team (ELT). At each scheduled meeting, the Board is supplied with reports on business and financial performance including the approval of financial statements and budgets. During the year, the Board focused on areas of importance including amongst other things technology and innovation, customers, operations and health, safety and environment and also conducted a review of its governance arrangements.

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

The Chairman of each of the Board Committees provides verbal reports on matters discussed by that Committee since the previous Board meeting. There is also a defined procedure for dealing with urgent matters between Board meetings.

Any Director can request additional information from management at any time.

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

Executive Leadership Team

The ELT is the senior decision-making executive body and is chaired by the Chief Executive Officer. During the period, the ELT implemented the strategy approved by the Board and put in place functional reports to provide an effective process and system for tracking strategic drivers and KPIs and to facilitate transparency across all functions. It also reviewed health, safety and environmental performance, governance, principal risks, financial and operational performance.

Board evaluation

The Board recognises the importance of reviewing its practices and performance on a regular basis and has evaluated its performance and that of its Committees and individual members. The performance evaluation followed the same format as in previous years and involved the use of an external independent facilitator, Lintstock Limited.

The review process involved completion of online questionnaires which focused on Board composition, expertise and dynamics, quality of the decisions made, Board support and processes, structure, behaviours and other key issues such as strategy and succession. The review also addressed delivery of the Board's objectives and any issues identified during the previous review or which became relevant during the year. A report on the performance of the Board and each of the principal Committees was compiled by Lintstock. The results of the questionnaire as they applied to the Board were discussed collectively and objectives for the coming year agreed.

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

The reviews undertaken in the year have concluded that the performance of the Board, its Committees and individual Directors was effective. A number of positive points were noted as well as areas of focus for the coming year, which will be monitored and progressed at the Board meetings scheduled for the year.

Directors' terms of appointment

Executive Directors are employees who have day to day responsibilities as executives of the Group in addition to their duties as Directors. Each Executive Director enters a service contract on appointment (see page 60 for further information).

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

Outside commitments

On appointment, all Non-executive Directors are advised of the likely time commitments. The Directors' biographies and other appointments appear on pages 35 to 37. The Board's policy is that the Chairman and Executive Directors should accept appointments to the boards of other companies only with the prior approval of the Board. Non-executive Directors must seek the agreement of the Chairman and confirmation by the Board before accepting additional commitments that may affect the time they devote to their role. The Board must be satisfied that these commitments do not conflict with their ability to carry out effectively their duties as Directors of the Company. The ability of individual Directors to allocate sufficient time to discharge of their responsibilities is, where necessary, part of the Directors' annual evaluation process overseen by the Chairman.

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

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

In accordance with the Code, all of the Directors will submit themselves for election or re-election at the AGM to be held on 21 July 2016. The Board strongly supports their election and re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

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

Diversity
The Committee and the Board recognise and understand the importance and benefits of gender diversity. As at 26 March 2016 the Board has two female Non-executive Directors (25% of the Board).The Board's preference is to maintain the number of women Directors to at least the current level, but the over arching aim will continue to be the recruitment of the best candidate on merit regardless of gender.

The Group's equality and diversity policy is discussed further on page 29.

Induction and training
An induction programme is agreed for all new Directors aimed at ensuring they are able to develop an understanding and awareness of the Group's core processes, its people and businesses.

During the year, Jitesh Sodha, Sabri Challah and Maria da Cunha received such induction, which included: strategy, operation and activities of the Group (including key financial data, and business, social and environmental risks to the Group's activities). Together with Rupert Middleton they also received advice on corporate governance matters such as the role of the Board and individual Committees, and the Group's corporate governance procedures as outlined in this report, as well as the duties and obligations of directors of a listed company.

Site visits and meetings with senior management are also arranged. Newly appointed Directors are invited to attend external training covering directors' duties and responsibilities within a listed company. Jitesh Sodha, Maria da Cunha, Sabri Challah and Rupert Middleton all attended such training.

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

Visits by Board members to our operating sites are an important part of both induction and continuing education. The Board visits at least one operational site each year (Debden in 2015/16). Directors are encouraged to visit other sites and meet with staff. The General Counsel and Company Secretary, in conjunction with the Chairman, ensures that there is proper communication between the Board and its Committees and senior management and that Non executive Directors receive appropriate information. All Directors have access to the advice and services of the Company Secretary.

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

Corporate responsibility
Information on the Group's initiatives and commitment to corporate responsibility can be found on pages 28 to 33.

During the year we reviewed our current policies and procedures to ensure compliance with the Modern Slavery Act 2015 which came into force in October 2015. We are scoping and developing an implementation plan to ensure compliance with these new regulations is achieved in line with the timelines set out within the Modern Slavery Act 2015.

Risk management and internal controls
The Board retains overall responsibility for setting the Group's risk appetite, and for risk management and internal control systems. In accordance with section C.2.3 of the Code, the Board is responsible for reviewing their effectiveness, and confirms that:

- There is an ongoing process for identifying, evaluating, and managing the principal risks faced by the Group
- The systems have been in place for the period under review and up to the date of approval of the annual report and accounts
- They are regularly reviewed by the Board
- The systems accord with the FRC guidance on risk management, internal control and related financial and business reporting

During the period the Board has directly, and through delegated authority to the Audit Committee, Risk Committee and the Executive Leadership Team, overseen and reviewed the performance of risk management activities and practices and internal control systems within De La Rue. Through both its ongoing involvement and overview in risk management and internal control activities, the Board is satisfied that the risk management and internal control systems in place remain effective.

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

Further details on the ongoing risk management and internal control systems can be found in both the risk management section of this Annual Report and the Audit Committee report on pages 14 to 17 and pages 49 to 52 respectively.

Governance principle: accountability

Financial and business reporting

The Audit Committee has considered the requirement to put the audit out to tender every ten years. Further details can be found in the Audit Committee report on page 51.

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

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

Investor and shareholder relations

The Company places great importance on communications with and accountability to shareholders. During 2015, various steps have been taken to improve performance in this area. These included strengthening our investor relations department with the addition of an experienced professional. The investor relations department plays a key role in building stronger, clearer discussions with current and potential investors. On 27 January 2016 De La Rue held an analysts day at the Debden site. The purpose of such events is to highlight particular issues, themes or announcements that the Group believes develop a better understanding of the business or which warrant further explanation or clarification.

A full annual report and accounts is made available to shareholders either in hard copy by post or via the Group's website and the interim statement is posted on the Group's website. Other information about the Group is also available on the website including current business strategy, historical financial data and recent presentation materials.

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

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

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

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

Information included in the report of directors

Certain information, which is required to be included in the corporate governance statement, can be found in the report of directors and is incorporated into this corporate governance section by reference.

By order of the Board

Edward Peppiatt
Company Secretary

24 May 2016

Nomination Committee report

Philip Rogerson
Chairman of the Nomination Committee

Dear Shareholder

On behalf of the Board I am pleased to present the 2016 Nomination Committee report.

The Nomination Committee has an important role to play in ensuring that the Board and its Committees have the right mix of skills, experience and diversity. This year, as part of our Board succession planning process, we have seen further enhancements to the composition of the Board.

On 22 May 2015, we announced that two long serving members of the Board, Gill Rider and Warren East, would both step down at the conclusion of the AGM in July 2015. At the same time we announced the appointment of Maria da Cunha and Sabri Challah as Non-executive Directors on the Board effective 23 July 2015. Both bring highly relevant experience of strategy and change management which will enable them to make an excellent contribution to the Board at an exciting time for the business. Rupert Middleton, Chief Operating Officer, was also appointed an Executive Director to the Board on 23 July 2015. Rupert Middleton has a proven track record of driving productivity, quality and procurement improvements and his experience will be an important asset to the Board.

During the year, we announced that Colin Child, Group Finance Director, would step down from the Board at the conclusion of the AGM on 23 July 2015, and we were pleased to announce the appointment of Jitesh Sodha as Chief Financial Officer and an Executive Director effective from 10 August 2015. Jitesh Sodha's wide ranging financial and commercial experience gained within a number of large international businesses will be an asset to the Group.

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 35 to 37.

In the coming year, in consultation with the Chairmen of the principal Committees, we will continue to monitor the needs of the Board and its Committees with the aim of ensuring that the Group's composition is aligned to and evolves to meet the ongoing strategic aims of the Group.

Composition of the Committee

The Nomination Committee comprises Philip Rogerson, Chairman, Martin Sutherland, Chief Executive Officer and all of the Non-executive Directors.

Member	Date of appointment to Committee
Philip Rogerson (Chair)	1 March 2012
Martin Sutherland	13 October 2014
Sabri Challah	23 July 2015
Maria da Cunha	23 July 2015
Victoria Jarman	22 April 2010
Andrew Stevens	2 January 2013

Key objective

To ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure compliance with all legal and fiduciary obligations and to deliver value to shareholders and other stakeholders.

Committee meetings

The Committee is required, in accordance with its terms of reference, to meet at least twice a year. During the year, the Committee met three times.

Role and responsibilities

The Committee has the power to employ the services of such advisers as it deems necessary in order to carry out its responsibilities. The Committee also reviews the time commitment required of Non-executive Directors at least once a year. The Board as a whole approves the appointment and removal of Directors and retains appropriate executive search consultants, having prepared a job specification for the particular role to be filled.

The principal activities of the Committee during the period included:

- Review of the composition of the Board and the range of skills and experience on the Board
- Board and management succession
- Review of Board diversity
- Non-executive Directors' periods of appointment and confirmation that all should stand for election and re-election at the AGM following a formal performance appraisal process
- Review of the composition of Board Committees
- Annual election and re-election
- Evaluation and effectiveness review
- External commitments

Succession planning and diversity

The Group adopts a formal, rigorous and transparent procedure for the appointment of new Directors and senior executives with due regard to diversity and gender. Prior to making an appointment, the Committee will evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in the light of this evaluation, will prepare a description of the role and capabilities required, with a view to appointing the best placed individual for the role. In identifying suitable candidates, the Committee:

- Uses open advertising or the services of external consultants to facilitate the search
- Considers candidates from different genders and a wide range of backgrounds
- Considers candidates on merit and against objective criteria ensuring that appointees have sufficient time to devote to the position, in light of other potential significant commitments

The Board and the Committee recognise and understand the importance and benefits of gender diversity and as at 26 March 2016 the Company has two female Directors, both of whom are Non-executive Directors. The Board's preference is to maintain the number of women Directors to at least the current level but the aim will continue to be the recruitment of the best candidate on merit regardless of gender. The Company's policy on diversity applies across all levels of the Group, and further details on the approach to diversity are set out on page 29.

Focus during the year

During the year, the Committee focused on the composition of the Board and, in doing so, it considered the tenure, mix and diversity of skills and experience of existing Board members and prospective Board members in the context of Group strategy.

In its search for Non-executive Directors, the Board retained The Zygos Partnership, an independent executive search firm which does not have any other connections with the Company. The Committee agreed the process, timetable and mandate for the Zygos Partnership. Sabri Challah and Maria da Cunha were identified by the Nomination Committee as part of the external search process and were subsequently recommended to the Board for appointment on the basis that they met the criteria required, including having sufficient time to discharge the requirements of the role.

In reviewing succession planning and the composition of the Board the Committee made a recommendation for the appointment of Rupert Middleton, Chief Operating Officer as an Executive Director on the Board with effect from 23 July 2015. Rupert Middleton joined De La Rue in October 2011 and has extensive experience of manufacturing with a particular emphasis on printing. During his time with De La Rue Rupert Middleton has transformed the manufacturing function through implementation of an Operational Excellence programme.

The Committee retained an external search consultancy (Russell Reynolds) which does not have other connections with the Company for the search and appointment of a new Chief Financial Officer. Russell Reynolds was provided with a brief of the desired candidate profile based on merit and against objective criteria, and their services were used to conduct a search to identify suitable candidates. A list of potential candidates was assessed against these criteria and Jitesh Sodha was interviewed and his appointment was recommended to the Nomination Committee. The Board appointed Jitesh Sodha Chief Financial Officer with effect from 10 August 2015.

Philip Rogerson
Chairman of the Nomination Committee

24 May 2016

Philip Rogerson
Chairman of the Ethics Committee

Dear Shareholder

On behalf of the Board I am pleased to present the 2016 Ethics Committee report.

De La Rue is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards across all territories in which it operates.

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

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

Composition of the Committee

The Committee comprises Philip Rogerson and all Non-Executive Directors.

Member	Date of appointment to Committee
Philip Rogerson (Chair)	27 September 2012
Sabri Challah	23 July 2015
Maria da Cunha	23 July 2015
Victoria Jarman	27 September 2012
Andrew Stevens	2 January 2013

Key objective

The Committee is responsible, on the Board's behalf, for reviewing compliance with the Group's Code of Business Principles (CBP). The Committee considers ethical matters and makes recommendations to the Board on how they should be addressed and reinforces the Group's commitment to ensuring business ethics are a fundamental and enduring part of the Group's culture.

Role and responsibilities

The main responsibilities of the Ethics Committee are to:

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

De La Rue's ethical framework

Code of Business Principles – nine core topics

Bribery and corruption	Competition and anti-trust	Gifts and hospitality	Health, safety & environment	Employment principles	Records and reports	Personal information	Insider trading	Conflicts of interest

Backed up by policies

Anti-bribery and corruption Gifts and entertainment Charitable giving	Competition and anti-trust	Gifts and entertainment Expenses Anti-bribery and corruption Conflicts of interest	Health and safety Environmental Fire safety	Equal opportunities Anti-harassment	Group finance manual	Data protection	Share dealing, market abuse and insider trading	Conflicts of interest Gifts and entertainment

Supported by processes

Third party partners Gifts register Expenses vetting	Legal department guidelines	Gifts register Expenses vetting	Monthly reporting Global HSE standards ISO management systems	Grievance procedure Disciplinary process	Compliance declarations External monitoring Separation of duties	Data protection officer Annual data protection returns	Procedure for dealing with inside information Dealing approvals	Gifts register

Underpinned by oversight, controls and communication

CodeLine	Employee surveys	External audit	Ethics Committee	Internal audits	Specialist audits	Training/ induction	SharePoint	Risk reviews	BnEI accreditation	Bench-marking

Oversight, controls and communication

De La Rue's ethical framework

As an organisation we are fully committed to ensuring that the highest ethical standards are embedded throughout our business.

The Group's ethical framework is supported by the standards, policies and internal controls as shown above.

The Code of Business Principles (CBP) was reviewed recently and our nine core principles have not changed and continue to underpin the way in which we all conduct ourselves and work on a daily basis. Adhering to the CBP will ensure that we demonstrate complete integrity in the way we behave towards our customers, colleagues and business partners.

De La Rue is one of the founding members of the Banknote Ethics Initiative (BnEI) as reported on page 30. BnEI sets out a rigorous framework for promoting high ethical standards in the industry and requires members to commit to a Code of Ethical Business Practice that was developed in partnership with the Institute of Business Ethics. The initiative was established to promote ethical business practice, with a focus on the prevention of corruption and on compliance with anti-trust law within the banknote industry. Compliance with the code is rigorously tested through an audit framework developed in conjunction with GoodCorporation, recognised worldwide as a leading company in the field of corporate responsibility assurance and business ethics. Renewal of De La Rue's accreditation in February 2016 will be followed by a full re-accreditation audit later in the year.

Activities during the period

During the year to 26 March 2016 the Committee focused on the following activities:

- Reviewed the steps taken to implement a network of Ethics Champions throughout the Group
- Proposed structure for the management of TPPs
- CBP activity update
- Reviewed the Employee Engagement Survey results on perception of ethical behaviour
- Reviewed the internal audit findings of the implementation of actions arising from the first BnEI audit and of preparedness for re-accreditation in 2017
- Review of the gift register for Executive Directors

Philip Rogerson
Chairman of the Ethics Committee

24 May 2016

Risk Committee report

Edward Peppiatt
Chairman of the Risk Committee

Dear Shareholder

On behalf of the Risk Committee, I am pleased to present the 2016 Risk Committee report. This report sets out its composition, role and activities in the period ended 26 March 2016.

Composition of the Committee

Member	Date of appointment to Committee
Edward Peppiatt (Chair)	20 October 2009
Steve Brown	22 September 2015
Jo Easton	22 September 2014
Richard Hird	22 September 2015
Rupert Middleton	20 March 2012
Selva Selvaratnam	22 September 2015
Jitesh Sodha	10 August 2015
Martin Sutherland	13 October 2014
Martin Sutton	22 September 2015

The Committee comprises all Executive Directors of the Board, the rest of the Executive Leadership Team members including Customer and Commercial Officer, Chief Technology Officer and Group Director of HR, and Group Director of Audit, Risk and Assurance, as well as Group Director of Security. The Committee meets and reports to the Board at least twice a year.

Any Director may attend meetings and the Board may direct other members to join.

Role and responsibilities

The Directors acknowledge that they have overall responsibility for the Group's system of internal control for managing risks associated with the business and markets within which the Company operates. Further details relating to how the Directors maintain overall control over significant strategic, financial, operational and compliance issues is set out in the risk and risk management report on pages 14 to 17.

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

Core responsibilities of the Risk Committee are to:

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

At the period end, following review by the Audit Committee of internal controls and of the processes covering these controls, the Board evaluates the results of the risk management procedures conducted by senior management.

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

The Committee met twice during the year.

Activities during the period

During the period, the Risk Committee considered reports on:

- The Principal Risks of the Group (see the risk and risk management report on pages 14 to 17)
- Risk appetite
- Proposals on how to evolve the internal risk management processes
- Outputs from executive and functional risk workshops
- Specific operational risks of concern and the mitigations in place

Edward Peppiatt
Chairman of the Risk Committee

24 May 2016

Victoria Jarman
Chairman of the Audit Committee

Dear Shareholder

I am pleased to present the 2016 Audit Committee report. This report describes the Committee's ongoing responsibilities and key tasks as well as its major activities in the period ended 26 March 2016.

Composition of the Committee

Member	Date of appointment to Committee
Victoria Jarman (Chair)	22 April 2010
Sabri Challah	23 July 2015
Maria da Cunha	23 July 2015
Andrew Stevens	2 January 2013

There has been significant change in the composition of the Committee in the year. Warren East stood down as Chair on his resignation from the Board at the AGM on 23 July 2015, and I took over as Chair at the next meeting in September 2015 having previously been a member of the Committee since April 2010. Gill Rider also resigned from the Committee in July 2015 when she left the Board. My thanks go to them for their contribution to the work of the Committee over the years.

Maria da Cunha and Sabri Challah joined the Committee in July 2015. All members of the Committee are Independent Non-executive Directors. The Board is satisfied that the membership of the Audit Committee meets the requirement for relevant and recent financial experience.

I have continued with the practice under Warren East of inviting the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel and Company Secretary, Director of Audit, Risk and Assurance and the external and internal auditors to join meetings of the Committee. The Director of Audit, Risk and Assurance, who is the chief internal auditor, and external auditors each meet the Committee without Executive Directors or other employees being present.

Role and responsibilities

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

- The appointment of the external auditors including the agreement of the terms of engagement at the start of each audit, the audit scope and the external audit fee
- Monitoring and reviewing the effectiveness of internal financial controls and internal control and risk management systems and the effectiveness of the internal audit function
- Reviewing the integrity of the interim and full year financial statements
- Reviewing significant financial reporting issues and judgements contained in the financial statements
- Reviewing and monitoring the external auditor's effectiveness, independence and objectivity including the nature and appropriateness of any non-audit fees
- Reviewing reports on the effectiveness of the Group's whistleblowing procedures and arrangements, details of which are set out on page 31
- Advising the Board on whether taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

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

Activities during the period

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

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

Significant accounting matters

The Audit Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the financial statements. In respect of the financial statements for the period ended 26 March 2016, the significant issues reviewed and how these issues were addressed is summarised below:

Accounting Treatment for the Cash Processing Systems (CPS)

During this financial year the Board decided to carry out a strategic review of the CPS business.

The Board has considered a number of options for the CPS business. The Committee considered the accounting treatments of the most likely outcome of the review. The Committee received updates from the executive management team on progress against various options being considered. The Committee concluded, after enquiries of both the Chief Financial Officer and the external auditors, that for the purpose of the Annual Report the appropriate accounting treatment of the CPS business follows the requirements of IFRS 5 covering discontinued operations. Accordingly, the activities in the financial year for CPS are shown as a discontinued operation on the face of the profit and loss account. Notes 1 and 2 to the accounts provide sufficient information to gain an understanding of the impact of the CPS business. Prior year comparatives have also been restated where applicable.

Revenue recognition in the Currency division

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

Post-retirement benefit obligations

The Committee received and considered reports from management and the external auditors in relation to the valuation of the defined benefit pension scheme and challenged the key actuarial assumptions used in calculating the scheme liabilities, especially in relation to discount rates, RPI inflation rates and mortality. The Committee discussed the reasons for the decrease in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in note 23.

Valuation of inventory in Currency

The Committee reviewed the Group's policies and procedures over the valuation and recoverability of inventory in Currency (£54.7m). The Committee received confirmation that the valuation principles had been consistently applied and noted that the majority of inventory items were made to order rather than held for generic stock and hence the recoverability risk was low. Accordingly, the Committee concluded that the accounting treatments were reasonable and appropriate.

Estimation of warranty provisions

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

Classification of exceptional items

As part of the Committee's deliberations over whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, the Committee also considered the amounts disclosed as exceptional items. The nature of the items classified as operating exceptional items during the period is described in note 4. The Committee considered the accounting treatment and disclosure of these items in the financial statements including seeking the views of the external auditors. On the basis of this review, the Committee concluded that the accounting treatment and disclosures in relation to these items were appropriate.

Independence and objectivity of external auditors

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

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

It may be cost effective for KPMG to perform certain non-audit services, in particular where the skills and experience required make KPMG the most suitable supplier. Certain categories of non-audit services, including corporation tax compliance and due diligence services must be subject to competitive tender unless it is justifiable in the circumstances not to do so. Areas which would not normally be acceptable non-audit services but in exceptional circumstances may be considered appropriate, such as litigation and compliance services, require my prior approval. The selection criteria include detailed proposals, timescales, local resource, cost and the safeguards put in place by KPMG to avoid conflicts of interest or loss of independence. In addition, the Group's policy is for any individual assignment to be undertaken by KPMG where the fee is likely to be in excess of £50,000 to be approved by me prior to commencement of work. During 2015/16 the amount of non-audit fees paid to KPMG was £0.1m.

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

Appointment of auditors

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

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

The Committee acknowledges the recommendation in the new EU legislation and the report of the UK Competition and Markets Authority that the external audit contract should be put out to tender at least every 10 years. The Committee will keep under review the timing of its next tender process but does not currently intend that the audit will be put out to tender during 2016/17.

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

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

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

Internal control and risk management

As noted above, the Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Group's internal financial controls and the assurance procedures relating to the Group's risk management systems. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Group to meet its business objectives and, as such, provide reasonable but not absolute assurance against material misstatement or loss. The key elements of the Group's risk management framework and procedures are set out on page 14. The Committee reviews these topics at each meeting and considers that none of the areas identified for enhancement during the year constituted a significant failing or weakness for the Group.

Internal audit

Assurance over the design and operation of internal controls across the Group is provided through a combination of techniques. The Board through the Audit Committee monitors the effectiveness of internal control systems through reports received from the internal audit function during the period. The internal audit function has been outsourced since 2009. PricewaterhouseCoopers LLP have performed this role since the start of 2013/14. The Committee has asked the Director of Audit, Risk and Assurance to report back in 2016/17 as to whether the existing model continues to be fit for purpose or whether a new internal audit model should be implemented from 2017/18.

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

The 2016/17 Internal Audit plan has been approved by the Committee in April 2016. The focus of the plan is to provide assurance that mitigating actions being taken against a number of the principal risks are proving effective.

Fair, balanced and understandable view

At its May 2016 meeting, the Committee reviewed the content of this Annual Report and accounts and advised the Board that, in its view, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In making its recommendation to the Board the Committee enhanced its robust existing governance arrangements by:

- Comprehensive Group and subsidiary accounts process, with written confirmations provided by the business unit senior management teams on the health of the financial control environment
- Reviews of the annual report undertaken at different levels of the Group and by the senior management team that aim to ensure consistency and overall balance
- External audit review
- Clear guidance and instruction of the requirement provided to contributors
- Written confirmation that information provided by executive management has been done so on a fair and balanced basis
- Additional reviews by the Committee Chairman of the draft annual report in advance of the final sign-off in the context of the revised Code provision

Final sign-off is provided by the Board, on the recommendation of the Committee.

Victoria Jarman
Chairman of the Audit Committee

24 May 2016

Annual statement from the Chairman of the Remuneration Committee

Sabri Challah
Chairman of the Remuneration Committee

Dear Shareholder

As the recently appointed Chairman of the Remuneration Committee, I am pleased to present the report on the work of the Committee during the period to 26 March 2016.

There has been significant change in the composition of the Committee in the year. Gill Rider stood down as Chair on her resignation from the Board at the AGM on 23 July 2015, and I took over as Chair at the next meeting in October 2015. Warren East also resigned from the Committee in July 2015 when he left the Board. My thanks go to them for their contribution to the work of the Committee over the past years. Maria da Cunha joined the Committee on joining the Board in July 2015.

We regard the remuneration strategy as integral to our successful commercial strategy. We want to ensure that remuneration will support achievement of long term objectives, reward the right behaviours among our people and reinforce our desired culture. We aim to ensure that executive remuneration is fair and competitive and enables the Group to attract and retain the talented individuals needed to drive our strategy forward.

The UK Corporate Governance Code (the Code) places great emphasis on ensuring that remuneration policies are designed to promote each company’s long term success. It also emphasises that arrangements should be in place to enable withholding or recovery of variable pay, when appropriate, as well as holding periods for deferred remuneration. I am confident that the relevant performance targets are in place to measure progress in delivering our plans and strategy and that the malus and clawback provisions are in line with best practice. We continue to keep the deferral and holding periods under review.

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

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

We are not proposing any changes to the remuneration policy for the year ahead. I am pleased to present our directors’ remuneration report for 2016, which sets out the amounts earned in respect of the period ended 26 March 2016 under the terms of the remuneration policy for Directors of De La Rue plc approved by shareholders in 2014.

Outcomes 2015/16

Annual Bonus Plan (ABP)

The maximum opportunity for Executive Directors under the ABP is 135% of salary for the Chief Executive Officer, 115% for the Chief Financial Officer and 100% of salary for the Chief Operating Officer. For 2015/16 the bonus opportunity was based on an element of personal objectives and financial measures including:

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

No payment is made on any element of bonus (including the personal element) if a minimum operating profit threshold is not achieved. Full details are on page 58.

In light of the above structure and ABP measures, I am pleased to report that the ABP payout against the financial measures outlined above will be 41.6% of a maximum of 80% of entitlement. In this regard, during the year the Committee reviewed its stance with respect to the disclosure of annual bonus targets for Executive Directors. The previous policy of the Committee was ‘not to disclose specific targets while still commercially sensitive’. After full discussion, the Committee has agreed that, although we would continue not to disclose the specific targets for the year in which they operate (on a forward looking basis), the measures, weightings and the performance achieved for the year being reported on will be disclosed retrospectively. The outcomes for the financial measures that were used to determine the 2015/16 bonus are contained on page 58.

Annual statement from the Chairman of the Remuneration Committee continued

Performance Share Plan (PSP)
Executive Directors did not receive awards under the PSP in 2013/14 and consequently none are due to vest in 2016.

Awards 2015
The Remuneration Committee made awards under the ABP and PSP in 2015 and details of award levels and the performance conditions are on pages 58 to 60.

Remuneration arrangements in 2015
This report is designed to demonstrate the link between the Group's strategy, its operational performance, and the remuneration outcomes for our Executive Directors: Martin Sutherland, Chief Executive Officer, Rupert Middleton, Chief Operating Officer, and Jitesh Sodha, Chief Financial Officer.

The policy relating to the recruitment of Executive Directors in 2015 was used as the basis for determining the remuneration packages for Rupert Middleton and Jitesh Sodha. Rupert Middleton was appointed to the Board on 23 July 2015. Rupert is an internal appointment and his base salary was set at £320,000. The remuneration package that the Committee has put in place is in accordance with the approved remuneration policy. On joining the Board on 10 August 2015, after an extensive search process, Jitesh Sodha's base salary was set at £320,000. In line with best practice, the remuneration policy for Directors is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group except in circumstances listed in the binding policy. The exceptions include situations where an Executive Director took on increased responsibility.

The business strategy has remained constant for the Group including the continuing drive to improve the efficiency of our operations. As a result, no changes have been made to the current remuneration arrangements and no changes are being proposed to the current policy at the forthcoming AGM. We continue to believe that our remuneration policy, which aligns executive rewards with shareholders' interests and with our strategy, positions us to deliver the performance and long term success that the Board and shareholders expect.

Governance summary
Composition of the Committee
The Remuneration Committee consists exclusively of Non-executive Directors, all of whom are regarded as independent, and the Chairman of the Board, who was regarded as independent on his appointment as Chairman.

Member	Date of appointment to Committee
Sabri Challah (Chair)	23 July 2015
Philip Rogerson	26 July 2012
Maria da Cunha	23 July 2015
Victoria Jarman	22 April 2010
Andrew Stevens	2 January 2013

Key objective and responsibilities
The Remuneration Committee's remit is set out in its terms of reference, which are regularly reviewed by the Board. They are available on the Group's website. The Committee is responsible for making recommendations to the Board on the Group's policy regarding executive remuneration and determines, on the Board's behalf, the specific remuneration packages of the Chairman, the Executive Directors and senior executives who report to the Chief Executive Officer.

Committee meetings
The Committee met twice during the period and details of attendance can be found on page 38. The Chief Executive Officer and the Group HR Director also attended meetings. The General Counsel and Company Secretary, who is also secretary to the Committee, advised on governance issues.

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

The work of the Remuneration Committee during 2015/16
The Committee follows a cycle of activities during the year and in 2015/16 this covered among other things the following matters:

- Review of performance targets against short and long term incentive plans
- Approval of pay awards for Executive Directors and the Executive Leadership Team
- Review of the remuneration arrangements for Rupert Middleton following his appointment to the Board
- Approval of the remuneration arrangements for the new Chief Financial Officer
- Retention arrangements for key senior executives
- An effectiveness review of the Committee
- Review and approval of the directors' remuneration report
- Awards under the Sharesave and US employee share schemes

Structure and content of directors' remuneration report (DRR)
This report is presented in three main sections: an annual statement from the Chairman of the Committee; the annual report on remuneration (pages 55 to 65) and the directors' remuneration policy (pages 66 to 73). The annual report on remuneration provides details of the amounts earned in respect of the period ended 26 March 2016 and the application of the directors' remuneration policy for the period commencing 27 March 2016. It also describes how the principles of good governance relating to directors' remuneration, as set out in the Code, are applied in practice. This is subject to an advisory vote at the 2016 AGM. The second section sets out the directors' remuneration policy, which was approved by shareholders at the AGM on 24 July 2014 and had a binding effect from that date. The policy is not subject to a vote at the 2016 AGM.

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

The directors' remuneration report has been prepared in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on pages 78 to 80 and to state that this section has been properly prepared in accordance with these regulations.

Sabri Challah
Chairman of the Remuneration Committee

24 May 2016

Annual report on remuneration

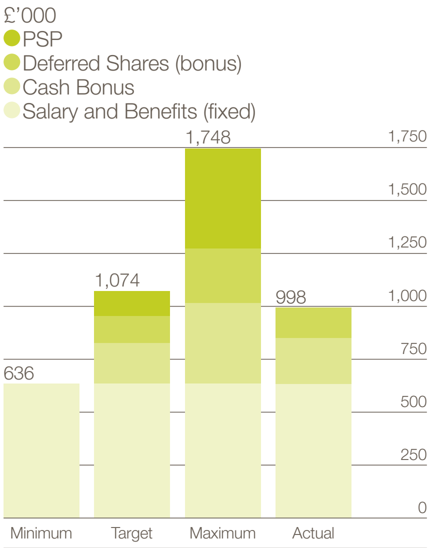
Remuneration policy framework

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

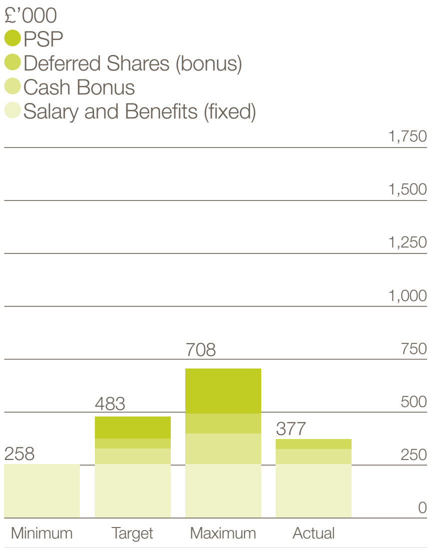
This section of the directors' remuneration report gives information on directors' remuneration and incentive out-turns for 2015/16, and details how the remuneration policy, set out on pages 66 to 73, will be applied in 2016/17.

The bar charts below show the total remuneration received by the Executive Directors against the range of potential remuneration as illustrated in the 2014 directors' remuneration report (see page 73). The figures for Jitesh Sodha and Rupert Middleton include actual and potential total remuneration prorated for the period of their appointment as Executive Directors as appropriate.

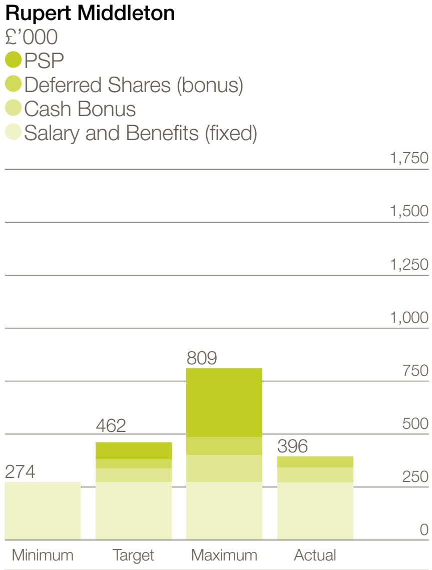
Martin Sutherland



Jitesh Sodha



Rupert Middleton



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

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

Annual report on remuneration continued

Single figure of remuneration for each Director (audited)

The remuneration of the Directors of the Company for the period ended 26 March 2016 and the previous period is set out in the table below.

	Salary and fees (a)		Benefits (excluding pensions) (b)		Bonus (c)		Long term incentive (PSP) (vested) (d)		Pensions (e)		Other payments (f)		Total	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 0£'000
Executive Directors														
Martin Sutherland	**464**	220	**31**	14	**361**	42	**–**	–	**136**	66	**6**	765	**998**	1,107
Jitesh Sodha (appointed with effect from 10 August 2015)	**206**	–	**15**	–	**119**	–	**–**	–	**37**	–	**–**	–	**377**	–
Rupert Middleton (appointed with effect from 23 July 2015)	**222**	–	**11**	–	**122**	–	**–**	–	**41**	–	**–**	–	**396**	–
Colin Child (stood down from the Board with effect from 23 July 2015)	**119**	335	**8**	23	**–**	–	**–**	–	**30**	84	**–**	150	**157**	592
	1,011	555	**65**	37	**602**	42	**–**	–	**244**	150	**6**	915	**1,928**	1,699
Chairman														
Philip Rogerson	**185**	183	**–**	–	**–**	–	**–**	–	**–**	–	**–**	156	**185**	339
Non-executive Directors														
Sabri Challah (appointed with effect from 23 July 2015)	**39**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**39**	–
Maria da Cunha (appointed with effect from 23 July 2015)	**33**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**33**	–
Warren East (stood down from the Board with effect from 23 July 2015)	**23**	62	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	62
Victoria Jarman	**54**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	47
Gill Rider (stood down from the Board with effect from 23 July 2015)	**20**	55	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**20**	55
Andrew Stevens	**54**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	47
Aggregate emoluments	**1,419**	949	**65**	37	**602**	42	**–**	–	**244**	150	**6**	1,071	**2,336**	2,249

Notes

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

(a) Base salary and fees: the actual salary and fees received during the period. The Executive Directors' salaries are normally reviewed, but not necessarily increased, with effect from 1 July each year

(i) Martin Sutherland has a salary of £473,000 per annum effective 1 July 2015 and the salary shown above is to the period 26 March 2016. Martin Sutherland took advantage of the annual leave flexibility scheme and purchased an additional three and a half days' annual leave entitlement during the period at a cost of £6,730 which is reflected in the table above (five days in the calendar year at a total cost of £9,096)

(ii) Jitesh Sodha and Rupert Middleton have a salary each of £320,000 per annum effective from the date of their appointment. The salaries shown above are from the date of their appointment to the end of the financial period

Jitesh Sodha took advantage of the annual leave flexibility scheme and purchased an additional half day annual leave entitlement during the period at a cost of £615 which is reflected in the table above (two days in the calendar year at a cost of £2,461)

(iii) Colin Child stood down from the Board on 23 July 2015. Figures in the table relate to the beginning of the financial period to that date

(iv) Philip Rogerson's Chairman's fee is £186,400 effective from 1 July 2015 and the fee shown is the fee to the end of the financial period

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

(c) Bonus: bonus is the cash value of the bonus earned in respect of the period including the value of deferred shares which must be held for a minimum period as detailed on page 58. A description of the performance measures that applied for the year 2015/16 is provided on page 58

(d) There are no long term incentives vesting to Executive Directors for which the final year of the performance was the 2015/16 financial year

(e) Pension allowance and contributions to defined contribution section. See page 60 for further details of pension arrangements

(f) Other payments relate to:

2016

Martin Sutherland: dividend equivalent payments made under the CEO Share Award at the point of vesting. See page 62 for further details.

2015

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

Colin Child: Cash supplement as reported on page 46 of the 2015 Annual Report.

Philip Rogerson: Additional fee for the Chairman for when he assumed executive responsibilities as described on page 70.

Individual elements of remuneration

Base salary and fees

Base salaries for Executive Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities, Group performance, affordability and market competitiveness. An annual salary review was carried out by the Remuneration Committee on 18 May 2016. Following that review the Committee agreed an increase in salary for Martin Sutherland, Jitesh Sodha and Rupert Middleton for 2016/17 payable from 1 July 2016 as follows:

	Base salary 2016 £'000	Base salary 2015 £'000	Increase %
Martin Sutherland	**480**	473	1.5
Jitesh Sodha (appointed with effect from 23 July 2015)	**325**	206[1]	1.6
Rupert Middleton (appointed with effect from 23 July 2015)	**325**	222[1]	1.6
Colin Child (stood down from the Board with effect from 23 July 2015)	**–**	119[2]	–

(1) Pro-rated for the period in office (£320,000 full year)

(2) Pro-rated for the period in office (£335,000 full year)

In line with best practice, the directors' remuneration policy, approved by shareholders at the 2014 AGM, is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group except in the specific circumstances listed in the binding policy.

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board. Fees reflect the responsibilities and duties placed upon Non-executive Directors while also having regard to the market place. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions. The Chairmen of the Remuneration Committee and Audit Committee and the Senior Independent Director received an additional fee of £8,000 to reflect their additional duties in 2015/16. Basic fees payable to Non-executive Directors were increased by 2% for 2016/17 effective from 1 July 2016 and are as follows:

Non-executive Director fees	**2016 £'000**	2015 £'000
Basic fee	**49**	48
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

The Chairman will receive a fee of £190,250 with effect from 1 July 2016.

Annual report on remuneration continued

Performance against targets (audited)

Annual Bonus

The annual bonus is delivered under the Annual Bonus Plan (ABP).

ABP performance measures 2015/16

The ABP was operated on similar terms of structure, financial measures and weightings as in 2014/15. The bonus opportunity was based on an element of personal objectives (20%) and a number of financial performance metrics apportioned as follows:

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

No payments will be made on any element of bonus (including the personal element) if a minimum operating profit threshold is not achieved. The Remuneration Committee has discretion to consider other factors, such as ethical behaviours, corporate responsibility, environment and health and safety matters as it sees fit when determining awards.

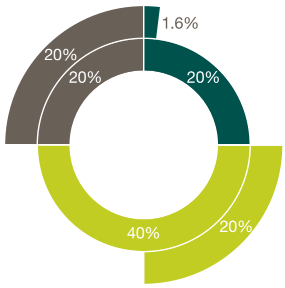
Annual bonus payments to Executive Directors have the following additional restrictions: Sixty per cent of the bonus opportunity is payable in cash with the remaining 40% deferred in shares. Half of the deferred shares will vest one year after the cash payout and the remaining half of the deferred shares will vest two years after the cash payout. There was no change to the maximum bonus opportunities for Executive Directors as described in the Directors' remuneration policy table on page 67.

Disclosure of 2015/16 bonus targets

The target ranges for financial measures used to determine the 2015/16 bonus were not disclosed in last year's Annual Report as this was considered by the Board to be commercially sensitive information. Last year's report also stated that it was intended for retrospective disclosure to be made. The chart below sets out the financial measures and their weightings (inner circle) and the performance achieved against their maximum (outer circle) to determine the 2015/16 bonus.

Annual Bonus Plan 2015/16 outturn

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



Following a review of achievement against personal objectives for the Executive Directors, the Remuneration Committee concluded that of a 20% maximum opportunity:

- Martin Sutherland should receive a payment of 15%
- Jitesh Sodha should receive a payment of 8%
- Rupert Middleton should receive a payment of 15%

The 2015/16 cash bonus and deferred share element is detailed in the table below:

	Cash payment £'000	Deferred into shares £'000	Total annual bonus shown in column (c) of total remuneration table on page 56 in respect of 2016 £'000
Martin Sutherland	217	144	361
Jitesh Sodha	72	47	119
Rupert Middleton	73	49	122

ABP 2016/17

The Remuneration Committee has determined that the bonus in respect of 2016/17 will be operated on similar terms of structure, financial measures and weightings as in 2015/16. The performance measures are appropriately weighted and incentivise the Executive Directors to achieve the desired outcomes without undue risk of focusing on any one financial measure. No payments will be made on any element of bonus (including the personal element) if a minimum operating profit threshold is not achieved. There will be no change to the maximum bonus opportunities for Executive Directors. The Remuneration Committee considers that the annual bonus targets are commercially sensitive as they provide our competitors with insight into our business plans, expectations and our strategic actions and should therefore remain confidential to the Company. However, the Remuneration Committee will continue to disclose how bonuses paid relate to the performance measures on a retrospective basis. A malus provision exists on deferred shares and since 2015 post-vesting clawback provisions will apply to the cash and share based elements.

Long term incentive – Performance Share Plan (PSP)

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

Executive Directors did not receive awards under the PSP in 2013/14 and consequently no awards are due to vest based on the 2015/16 performance.

Performance measures applying to PSP awards in 2014/15

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

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

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

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

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

All awards are made as performance shares based on a percentage of salary and the value is divided by the average share price over a period before the date of grant in accordance with the rules of the PSP. In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. Any adjustments will depend on the nature, timing and materiality of any contributory factors. The Remuneration Committee will disclose how the Group has performed against each of the performance metrics at the end of the 2016/17 performance period.

PSP awards made in June and September 2015 (audited)

Martin Sutherland and Jitesh Sodha received PSP awards in line with the directors' remuneration policy as follows:

	Number of shares awarded	Date of award	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
Martin Sutherland	85,675	29 June 2015	100	453	25	31 March 2018
Jitesh Sodha	67,092	23 September 2015	100	312	25	31 March 2018

All awards are made as performance shares based on a percentage of salary and the value is divided by the average share price over a five day period prior to the date of award, being 541.00p for the award on 29 June 2015 and 476.95p for the award on 23 September 2015. Face value is the maximum number of shares that would vest multiplied by the share price (528.50p on 29 June 2015 and 465.50p on 23 September 2015) at the date of grant. A clawback provision will apply pursuant to the Rules of the PSP. No payment is required at grant, vesting or exercise. The Remuneration Committee may add dividend shares accrued on vested shares over the period between the award date and the relevant vesting date. The performance measurements in respect of the PSP awards are shown below.

The award under the PSP to Rupert Middleton was made prior to his appointment to the Board and is therefore excluded from the table above, but the awards under the ABP and PSP held by Rupert Middleton are shown on page 62 and the performance conditions relating to the awards are shown in this report.

Performance measures applying to PSP awards in 2015/16

Threshold vesting levels under the EPS and ROCE measures (outturn to be reported at the end of the 2017/18 period) will be as follows:

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

	Vesting % of ROCE element of award for Executive Directors	ROCE
Threshold	25%	26%
Maximum	100%	32%

Annual report on remuneration continued

Performance measures applying to PSP awards to be made in 2016/17

The Remuneration Committee has decided that the performance measurements, weighting and award vesting levels in respect of the PSP award in 2016 to Executive Directors will be as follows:

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

	Vesting % of ROCE element of award for Executive Directors	ROCE
Threshold	25%	30%
Maximum	100%	36%

EPS growth ensures any payout is supported by sound profitability. ROCE supports the strategic focus on growth and margins ensuring cash is reinvested to generate the appropriate returns. The vesting levels under ROCE have been adjusted to take account of the impact of a discontinued operation held for sale as described in note 2 to the financial statements. The Remuneration Committee is satisfied that the performance measures which are appropriately weighted support the Group's strategy and business objectives.

Executive Directors' service contracts

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

	Date of contract	Date of appointment	Notice from Company	Notice from Director
Martin Sutherland	28 August 2014	13 October 2014	12 months	6 months
Rupert Middleton	23 July 2015	23 July 2015	6 months	6 months
Jitesh Sodha	24 June 2015	10 August 2015	6 months	6 months

Recruitment of Chief Financial Officer

Jitesh Sodha was recruited as Chief Financial Officer and Executive Director on 10 August 2015 on a salary of £320,000 per annum.

Appointment of Rupert Middleton

Rupert Middleton, Chief Operating Officer was appointed an Executive Director to the Board on 23 July 2015 on a salary of £320,000 per annum.

Non-executive Directors' letters of appointment

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

Non-executive Director	Date of appointment	Current letter of appointment end date
Sabri Challah	23 July 2015	22 July 2018
Maria da Cunha	23 July 2015	22 July 2018
Victoria Jarman*	22 April 2010	21 July 2016
Philip Rogerson	1 March 2012	28 February 2018
Andrew Stevens	2 January 2013	2 January 2019

*Victoria Jarman will step down from the Board at the conclusion of the AGM on 21 July 2016

Total pension entitlements (audited)

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

Martin Sutherland received a cash allowance of 30% of his basic salary in lieu of a pension contribution up until 31 March 2015. During the year the Company made contributions to the defined contribution plan of £36,666 and his cash allowance was reduced by a corresponding amount. Pension contributions ceased on 29 February 2016 and the cash allowance reverted to 30% of his basic salary. The Company made a contribution to Colin Child's self invested personal pension of 25% of his basic salary up until 31 March 2012. After that date, and until he left service, he received a cash allowance in lieu of a pension contribution of 25% of his basic salary. Jitesh Sodha receives a cash allowance of 20% of his basic salary in lieu of a pension contribution. Rupert Middleton was a member of the defined contribution plan up until 31 March 2014, since that date he has received a cash allowance of 20% of his basic salary in lieu of a pension contribution.

None of the Executive Directors was a member of the legacy defined benefit schemes.

Details of the payments made to the Executive Directors are included on page 56.

Payments for loss of office

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

Payments to past Directors (audited)

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

In accordance with the terms of the settlement agreement signed in connection with termination of his employment and in full and final settlement of claims brought or intimated against De La Rue plc, James Hussey, former CEO, was paid £372,829.40. The settlement in no way implies an acceptance of liability by De La Rue plc.

Remuneration for the former Chief Financial Officer

Colin Child stood down from the Board on 23 July 2015. He remained an employee of the Group until 8 September 2015 and continued to receive a salary, pension and benefits including holiday pay totalling £89,188 until the date of cessation of his employment to ensure a smooth change over. He did not receive a bonus payment in relation to his period as a Director or as an employee after he stood down from the Board. He also did not receive a PSP award in 2015. The award under the PSP in 2014 is subject to performance conditions as reported on page 59.

External directorships of Executive Directors

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

Share retention policy

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

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 26 March 2016:

			Unvested awards				Vested shares
			Subject to performance conditions	Not subject to performance conditions			
	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Annual Bonus Plan	CEO Share Award	SAYE (subject to continued employment)	Vested shares exercised/ during the period
Executive Directors							
Martin Sutherland	28,631	28	85,675	3,230	19,087	4,443	20,358[1]
Jitesh Sodha (appointed 10 August 2015)	4,839	11[2]	67,092	–	–	2,613	–
Rupert Middleton (appointed 23 July 2015)	2,176	4[2]	89,155	3,178	–	–	–
Non-executive Chairman							
Philip Rogerson	13,000	n/a	–	–	–	–	–
Non-executive Directors							
Sabri Challah (appointed 23 July 2015)	3,400	n/a	–	–	–	–	–
Maria da Cunha (appointed 23 October 2015)	4,735	n/a	–	–	–	–	–
Victoria Jarman	1,481	n/a	–	–	–	–	–
Andrew Stevens	2,327	n/a	–	–	–	–	–

There have been no changes in Directors' outright interests in ordinary shares in the period 26 March 2016 to 24 May 2016. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary during the period are calculated using the closing De La Rue plc share price of 451.25p on 24 March 2016 (26 March 2016 being a Saturday and the preceding Friday being a Bank Holiday).

Note

(1) Includes a total of 1,271 vested dividend shares exercised

(2) Based on salary earned as a Director during the period

Annual report on remuneration continued

Directors' interest in vested and unvested share awards

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

	Date of award	Total award as at 28 March 2015 (or date of appointment)	Awarded during year	Exercised during year	Lapsed during year	**Awards held at 26 March 2016 (or date of termination)**	Awards vested (unexercised) during year	Mid-market share price at date of award (pence)	Market price at vesting date (pence)	Date of vesting	Expiry date
Martin Sutherland											
CEO Share Award[1]	Nov 14	19,087	–	19,087[2]	–	**–**	–	474.60[3]	435.50	Mar 16	Mar 16
	Nov 14	19,087	–	–	–	**19,087**	–	474.60[3]	–	Mar 17	Mar 17
Annual Bonus Plan[1]	Jun 15	–	1,615	–	–	**1,615**	–	514.50[4]	–	Jul 16	Jul 25
	Jun 15	–	1,615	–	–	**1,615**	–	514.50[4]	–	Jul 17	Jul 25
Performance Share Plan	Jun 15	–	51,405	–	–	**51,405**	–	541.00[4]	–	Jun 18	Jun 25
	Jun 15	–	34,270	–	–	**34,270**	–	541.00[4]	–	Jun 19	Jun 25
		38,174	88,905	19,087	–	**107,992**	–				
Sharesave options[1]	Jan 15	–	2,876	–	–	**2,876**	–	438.00[5]	–	Mar 18	Aug 18
	Jan 16	–	1,567	–	–	**1,567**	–	344.40[5]	–	Mar 19	Aug 19
Jitesh Sodha (appointed with effect from 10 August 2015)											
Performance Share Plan	Sep 15	–	40,255	–	–	**40,255**	–	476.95[4]	–	Sep 18	Sep 25
	Sep 15	–	26,837	–	–	**26,837**	–	476.95[4]	–	Sep 19	Sep 25
		–	67,092	–	–	**67,092**	–				
Sharesave options[1]	Jan 16	–	2,613	–	–	**2,613**	–	344.40[5]	–	Mar 19	Aug 19
Rupert Middleton (appointed with effect from 23 July 2015)											
Annual Bonus Plan[1]	Jun 15	–	1,589	–	–	**1,589**	–	514.50[4]	–	Jul 16	Jun 25
	Jun 15	–	1,589	–	–	**1,589**	–	514.50[4]	–	Jul 17	Jun 25
Performance Share Plan	Jun 14	21,108	–	–	–	**21,108**	–	830.00[4]	–	Jun 17	Jun 24
	Jun 14	14,073	–	–	–	**14,073**	–	830.00[4]	–	Jun 18	Jun 24
	Jun 15	–	32,384	–	–	**32,384**	–	541.00[4]	–	Jun 18	Jun 25
	Jun 15	–	21,590	–	–	**21,590**	–	541.00[4]	–	Jun 19	Jun 25
		35,181	53,974	–	–	**89,155**	–				
Colin Child (stood down from the Board with effect from 23 July 2015)											
Annual Bonus Plan[1]	May 12	8,958	–	8,958[6]	–	**–**	–	984.50[7]	508.05	May 15	May 22
Performance Share Plan	Jul 12	32,741	–	–	32,741	**–**	–	991.10[4]	–	Jul 15	–
	Jun 14	24,180	–	–	14,777	**9,403**	–	830.00[4]	–	Jun 17	Dec 17
	Jun 14	16,121	–	–	9,582	**6,269**	–	830.00[4]	–	Jun 18	Dec 18
		73,042	–	8,958	57,100	**15,672**	–				
Sharesave options[1]	Dec 11	1,245	–	–	1,245	**–**	–	722.66[5]	–	Mar 15	Aug 15
Sharesave options[1]	Jan 15	2,876	–	–	2,876	**–**	–	438.00[5]	–	Mar 18	Aug 18

Notes

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

(2) The Company procured shares and transferred the shares to Martin Sutherland at vesting. An additional 1,271 dividend shares were procured at vesting. The balance of shares (10,769) following disposal to meet all liabilities were retained by Martin Sutherland

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

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

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

(6) An additional 1,265 dividend shares were allotted at vesting

(7) Mid-market value of an ordinary share immediately preceding the date of award

Awards to Colin Child

The awards shown for Colin Child are shown to the date he stepped down from the Board. His PSP award is preserved pro-rata to the date of cessation of employment in accordance with the Rules of the PSP, and will vest, to the extent that the performance conditions are met, on the vesting date. His Sharesave options subsequently lapsed as they remained unexercised after leaving employment.

Dividend shares on unvested awards

Dividend shares are an additional award of shares that may be released by the Remuneration Committee on the vesting date in respect of awards under the ABP, PSP and CEO Share Award equivalent in value to the amount of dividends that would have been received pursuant to the relevant Plan Rules or Agreement. As at 26 March 2016 and based on the prevailing market share price on the respective dividend record date, the dividend shares accrued and assuming full vesting as appropriate were as follows:

Martin Sutherland: 5,761 ordinary shares

Jitesh Sodha: 1,185 ordinary shares

Rupert Middleton: 9,729 ordinary shares

Gain on exercise

Colin Child made an aggregate taxable gain (after dealing costs excluding PAYE/NI) of £52,264 on exercise of the ABP award (at a market price of 511.2412p).

Martin Sutherland made an aggregate taxable gain (after dealing costs excluding PAYE/NI) of £89,700 on exercise of the CEO Share Award (at a market price of 440.6124p). The balance of shares after disposal to meet all liabilities was retained by Martin Sutherland.

Annual report on remuneration continued

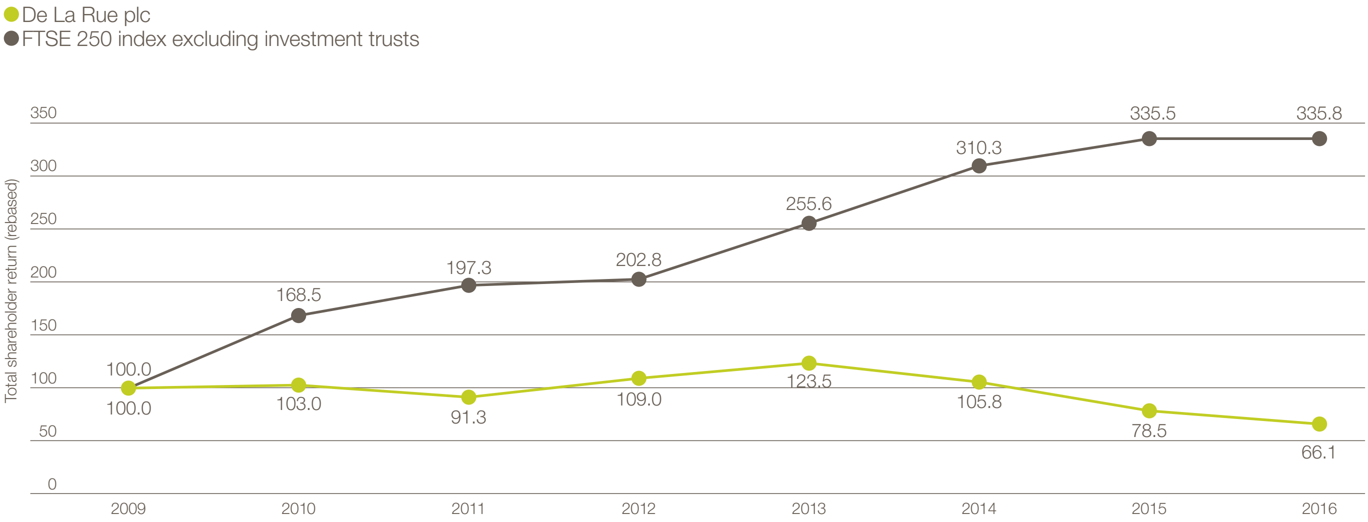
Chief Executive Officer pay, total shareholder return (TSR) and all employee pay
This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the seven years to 26 March 2016
- A history of De La Rue's Chief Executive Officer's remuneration for the current and previous six years
- A comparison of the year-on-year change in De La Rue's Chief Executive Officer's remuneration with the change in the average remuneration across the Group
- A year-on-year comparison of the total amount spent on pay across the Group with profit before tax and dividends paid

TSR performance

The graph below shows the value, at 26 March 2016, of £100 invested in De La Rue plc on 28 March 2009 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. The FTSE 250 has been chosen as it is the index of which De La Rue was a constituent for a majority of the period reported. (Source: Thomson Reuters)

Total shareholder return
£



Chief Executive Officer pay

Period ended March	2010	2011	2011	2012	2013	2014	2015	2016
Chief Executive Officer	James Hussey[1]	James Hussey[1]	Tim Cobbold[2,3]	Tim Cobbold	Tim Cobbold	Tim Cobbold[2]	Martin Sutherland[4]	Martin Sutherland
Single figure of total remuneration £000	843	433	604	1,053	634	1,071	1,107	998
Annual bonus payout as a % of maximum opportunity	46	44	Nil	80	Nil	Nil	14	57
LTIP vesting against maximum opportunity (%)	100	100	Nil	Nil	Nil	60	Nil	Nil

Notes
(1) Role as Chief Executive Officer ended on 12 August 2010
(2) Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014
(3) Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014)
(4) Appointed 13 October 2014

Percentage change in Chief Executive Officer remuneration

The table below compares the percentage change in the Chief Executive Officer's salary, bonus and benefits to the average change in salary, bonus and benefits for all UK employees between 2014/15 and 2015/16. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 57% of the total employee population.

	Salary %	Benefits %	Annual bonus %
Chief Executive Officer	2.0	–	297.2
UK employees average	2.2	–	826.3

Relative spend on pay

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

	2016 £m	2015 £m	Change %
Dividends (note 8 to the financial statements)	**25.3**	36.8	(31)
Overall expenditure on pay (note 24 to the financial statements)	**149.3**	153.1	(2)

Statement of shareholder voting 2015

	Total votes cast	For[1]	(%)	Against	(%)	Votes withheld[2]
Approval of 2015 remuneration report	75,231,699	71,698,805	95.30	3,532,894	4.70	3,028,150

Notes

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

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

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

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During 2015/16, the Committee also received advice from Towers Watson UK Limited (now named Willis Towers Watson following merger). Willis Towers Watson has been formally appointed by the Remuneration Committee and advised on executive remuneration levels and trends (including malus and clawback), directors' remuneration report preparation and target setting for incentive plans. The Remuneration Committee requests Willis Towers Watson to attend meetings periodically during the year.

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

Total fees for advice provided to the Remuneration Committee during the year by Willis Towers Watson were £18,000.

Dilution limits

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

The directors' remuneration report was approved by the Board on 24 May 2016 and signed on its behalf.

Sabri Challah
Chairman of the Remuneration Committee

24 May 2016

Directors' remuneration policy

This part of the report sets out the Group's current Directors' remuneration policy. The Group's policy was approved by shareholders at the AGM on 24 July 2014, and took effect from that date. The policy is reproduced here for information only and cross referencing to page numbering refers to the 2016 Annual Report. New designations and Executive Directors' service contract notice periods and the Non-executive Directors' current term of appointments have also been updated and appear in the annual report on remuneration. The approved Directors' remuneration policy can be found on the Company's website www.delarue.com

Element	Purpose and link to strategy	Operation
Base salary	Fixed competitive remuneration set at levels to recruit and retain talent. Judgement informed, but not led, by reference to the market place for companies of similar size and complexity Reflects individual skills, experience and responsibility necessary to deliver business strategy Rewards individual performance	Reviewed annually and fixed for 12 months (but may be reviewed more frequently) Influenced by: • Role, experience, responsibilities and performance • Change in broader workforce salary • Group profitability and prevailing market conditions • Salary levels across the Group generally • Increases are not automatic
Benefits	To provide market competitive benefits sufficient to recruit and retain the talent necessary to develop and execute the business strategy	Provision of car allowance, life assurance and private medical scheme. Executive Directors are also provided with permanent health insurance Other benefits may be provided based on individual circumstances such as, but not limited to, relocation allowances, including transactional and legal costs, disturbance and travel and subsistence costs or other benefits
Pension	To provide market competitive pensions sufficient to recruit and retain executives	Executive Directors are offered membership of a defined contribution pension plan. The contribution rates offered are reflective of market practice and based on base salary only If contributions to the plan would cause an Executive Director to exceed the HM Revenue and Customs (HMRC) annual allowance or lifetime allowance limits they will be offered a cash allowance in lieu of pension contribution
Annual Bonus Plan (ABP) post 2014/15 AGM	Annual cash award: To incentivise and reward delivery of financial and/or personal performance targets that address the distinct commercial needs of the business, and better alignment with shareholder interests Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose To support a pay for performance philosophy To help attract and retain top talent and be cost effective	The Remuneration Committee sets Group financial targets and agrees personal objectives for each Executive Director at the start of each year. Reference is made to the prior year and to budgets and business plans while ensuring the levels set are appropriately challenging but do not encourage excessive risk taking Payments are determined by the Remuneration Committee after the year end. The bonus plan is non-contractual and may be offered on a year by year basis 60% of annual bonus payable immediately in cash 40% of the annual bonus deferred in shares Deferred share element is subject to clawback provisions
	Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element. Executive Directors are encouraged to hold a level of shareholding as described on page 61	40% of annual bonus is payable in deferred shares and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions 50% of deferred shares released one year after cash payout and remaining 50% two years after cash payout The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest The deferred share element will be disclosed in the annual report on remuneration

Remuneration policy framework

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

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

Directors' remuneration policy continued

Element	Purpose and link to strategy	Operation
Annual Bonus Plan (ABP) pre 2014/15 AGM	The purpose of the ABP pre the 2014/15 proposed changes is consistent with the purpose of the ABP described on page 66	The operation of the ABP prior to the 2014/15 proposed changes is as described for the ABP on page 67 except as follows: • Potential maximum cash award: 100% of salary • Potential share award: up to 35% of salary deferred for three years subject to continued employment
Performance Share Plan (PSP) 2014/15 onwards	Share based long term incentive aligned closely with interests of shareholders and business strategy through the performance measures chosen Increase the overall timetable of pay to four years and supports a pay for performance philosophy Retain key executives over a longer term measurement period. Executive Directors are encouraged to hold a level of shareholding as described on page 61 Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose Help attract and retain top talent and continue to be cost effective Ensure overall cost efficiency and that overall cost is sustainable EPS growth ensures any payout is supported by sound profitability ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns	Annual share award with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk taking 60% of the award vests after three years provided Group performance (two metrics) criteria are met and the balance will vest after a further one year subject to continued employment The Remuneration Committee may add dividend shares accrued only on vested shares during the performance and extended vesting period The Remuneration Committee has the right to clawback any PSP awards within three years of an award vesting to the extent there has been misconduct, or a material misrepresentation in relation to the performance of the Company Vesting of awards is subject to continued employment until the vesting date but, as described on page 72, PSP awards may also vest early in 'good leaver' circumstances Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time
PSP awards pre 2014/15	Same principle as above	Awards vest after three years provided performance criteria met Clawback provisions apply to awards from 10 July 2012
All employee share plans	Encourage employees including the Executive Directors to build a shareholding through the operation of all employee share plans such as the HMRC approved De La Rue Sharesave scheme in the UK and the De La Rue US Employee Share Purchase Plan ('ESPP') established in the US under the Internal Revenue Code	Executive Directors may participate in the Sharesave scheme on the same terms as other employees Under the UK Sharesave scheme, the option price may be discounted by up to 20%. Accumulated savings through payroll may be used to exercise an option to acquire shares Under the ESPP, employees in the US may purchase the Company's shares at a 15% discount to the market price. Purchases are funded through accumulated payroll deductions

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

Maximum opportunity	Performance metrics
Same aggregate bonus opportunity as described for the ABP post the 2014/15 AGM on page 67	See page 53 (2014 Annual Report)
The maximum number of shares which may be subject to an award granted to eligible employees in any financial year shall be an amount equal to such percentage, not exceeding 100% of salary as at the award date, as may be determined by the Remuneration Committee. The Committee retains discretion in exceptional circumstances to grant awards with a face value of up to 150% of salary	Awards will vest subject to the achievement of Group performance over a period of three years against key metrics set by the Remuneration Committee which are aligned to commercial business needs and strategy. For proposed awards in 2014/15, the vesting of PSP awards will be subject to EPS (compound average growth rate) and return on capital employed (ROCE) (absolute) performance conditions At least 5% pa growth in EPS must be achieved for threshold vesting of 25% under the EPS performance measure with maximum vesting at 10% pa A return of at least 40% must be achieved for threshold vesting of 25% under the ROCE performance measure with a maximum vesting of 100% at a return of 45% The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance achieved The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with the Group's business objectives and strategy and retains the discretion to change the measures and their respective weightings to ensure continuing alignment with such objectives and strategy The Remuneration Committee maintains the ability to adjust or set different performance measures if events occur or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. If varied or replaced, the amended performance conditions must, in the opinion of the Committee, be fair, reasonable and materially no more or less difficult than the original condition when set and these will be disclosed in the annual report on remuneration
As above As reported in the Group's 2011 annual report and accounts the Committee exercised discretion, on an exceptional basis, and made share based awards in June 2011 under the PSP with a maximum face value on grant of 150% of salary	The performance measures and outturn for awards made in January 2011 and June 2011 are described on page 53 (2014 Annual Report) The award in 2012 under the PSP is dependent on achievement of the following: • Up to 75% of awards will vest subject to annual growth in EPS: – EPS>RPI + 12% pa will achieve 25% of maximum vesting – EPS>RPI + 15% pa will result in 100% of maximum vesting • Up to 25% of award is based on average cash conversion over three years: – Cash conversion of 80% – 25% of maximum vesting – Cash conversion of 100% – 100% of maximum vesting
The maximum savings amount currently offered is £250 per month over a three or five year period under the Company's Sharesave scheme. The rules of the scheme provide for savings up to the legislative limit of £500 per month Under the ESPP, participants are eligible to save up to a monthly maximum of 10% of salary (US$25,000 per annum) to go towards the purchase of shares at the end of the offering period (currently one year)	No performance measures but employment conditions apply

Directors' remuneration policy continued

Remuneration policy for the Chairman and Non-executive Directors

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

Remuneration policy for new appointments

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

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

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

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

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

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

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

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

Pay policy for other employees

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

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

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

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

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

Shareholder views

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

Service contracts

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

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

Non-executive Directors

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

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

Directors' remuneration policy continued

Payment for loss of office

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

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

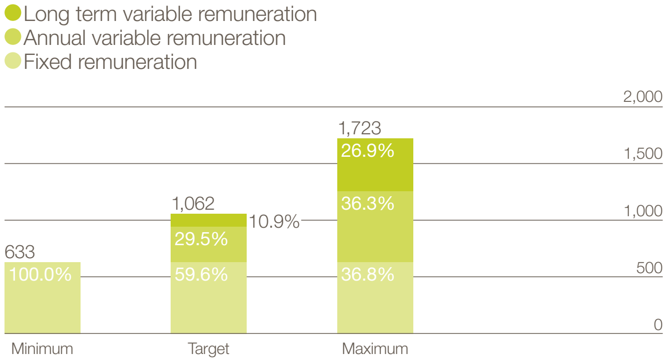
Illustration of remuneration policy application

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

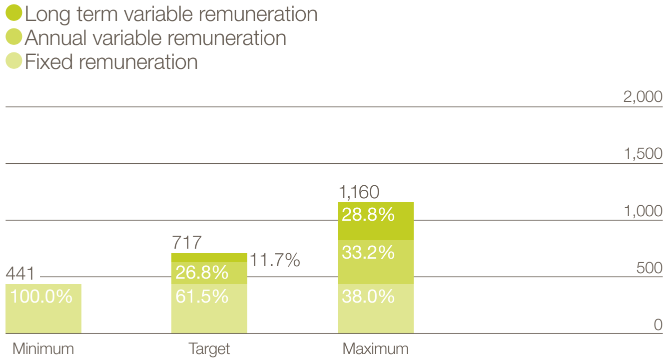
Performance scenarios for the ABP and PSP assume the following:

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

CEO
£'000



CFO
£'000



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

Assumptions for the scenario charts

Minimum performance
- Fixed pay (base salary, benefits and pension)
- No bonus payout
- No vesting under ABP or PSP

Target performance
- Fixed pay (base salary, benefits and pension)
- 50% of maximum bonus opportunity (67.5% of salary for CEO, 57.5% of salary for CFO).
  30% will be payable immediately in cash and 20% will be deferred in shares
- 25% of PSP shares vesting (25% of salary for CEO and CFO)

Maximum performance
- Fixed pay (base salary, benefits and pension)
- 100% of maximum bonus opportunity (135% of salary for CEO, 115% of salary for CFO).
  60% will be payable immediately in cash and 40% will be deferred in shares
- 100% of PSP shares vesting (100% of salary for CEO and CFO)

Executive Director remuneration mix 2014/15

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

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

The remuneration mix above is based on the remuneration policy as it was intended to be operated for 2014/15. As indicated above the Company was in the process of recruiting a new Chief Executive Officer. In the absence of a Chief Executive Officer interim arrangements were put in place. Philip Rogerson assumed executive responsibilities and the arrangements are disclosed more fully on page 70 and do not include any variable elements.

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

The Directors of the Company are required to produce a directors' report on an annual basis under the Companies Act. The Directors are also required under the Companies Act to publish a strategic report for the Group and the Company. The directors' strategic report must:

- Contain a fair review of the Company's business and a description of the principal risks and uncertainties facing the business
- Be a balanced and comprehensive analysis of the development and performance of the Company's business at the end of that year, consistent with the size and complexity of its business

This section of the annual report sets out the information required to be disclosed by the Company and the Group in the directors' report. Certain matters that would otherwise be disclosed in this directors' report have been reported elsewhere in this annual report and consequently this directors' report should be read in conjunction with the strategic report on pages 1 to 33 and the corporate governance report for 2016 on pages 34 to 52, which are incorporated by reference into this directors' 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. The management report for 2016 has been prepared and presented in accordance with and in reliance upon applicable English law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided under such law.

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

Overview of the information required
A summary of the information required to be disclosed in the directors' report together with the relevant report and page reference is set out in the table below:

Disclosure	Reported in	Page reference
Acquisitions and disposals	Directors' report	75
Amendment of articles of association	Directors' report	77
AGM	Directors' report	74
Appointment of directors	Directors' report	42
Disclosure of information to auditors	Directors' report	77
Authority to allot shares	Directors' report	75
Change of control	Directors' report	76
Community and charitable giving	Strategic report	30
Conflicts of interest	Directors' report	76
Directors	Corporate governance report	35 to 37
Directors' indemnity	Directors' report	76
Directors' responsibilities	Directors' report	77
Employee involvement	Strategic report	28
Employee with disabilities	Strategic report	29
Going concern	Directors' report	76
Greenhouse gas emissions	Strategic report	32
Political donations	Directors' report	76
Post balance sheet events	Directors' report	74
Purchase of own shares	Directors' report	75
Powers of directors	Directors' report	76
R&D activities	Strategic report	4, 12, 21
Restrictions on transfers of shares	Directors' report	75
Results and dividends	Strategic report	18
Rights and obligations attaching to shares	Directors' report	75
Risk management	Strategic report	14
Share capital	Directors' report	75
Substantial share interests	Directors' report	76
Voting and restrictions on voting	Directors' report	75

Annual general meeting
The annual general meeting (AGM) will be held at 10:30am on Thursday 21 July 2016 at The Hampshire Court Hotel, Centre Drive, Great Binfields Road, Chineham, Basingstoke, RG24 8FY. The notice of the AGM accompanies this annual report.

Dividends
An interim dividend of 8.3p was paid on 6 January 2016 in respect of the half year ended 26 September 2015.The Board is recommending a final dividend of 16.7p per share, making a total for the year of 25.0p per share (2014/15: 25.0p per share).

Dividend details are given in note 8 to the financial statements. Subject to approval of shareholders at the AGM on 21 July 2016, the final dividend will be paid on 3 August 2016 to those shareholders on the register on 24 June 2016.

Post balance sheet events
Details of post balance sheet events are reported in note 28 to the financial statements.

Share capital
As at 26 March 2016, there were 101,358,815 ordinary shares of $44^{152}/_{175}$p each and 111,673,300 deferred shares of 1p each in issue.

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

The ordinary shares are listed on the London Stock Exchange.

Power to issue and allot
At the AGM in 2015, authority was given to the Directors to allot new ordinary shares up to a nominal value of £30,251,454 equivalent to two-thirds of the issued ordinary share capital of the Company providing that, consistent with the Investment Association's guidelines, any amount in excess of one third of the existing issued shares should be applied to fully pre-emptive rights only.

The Companies Act 2006 requires that any shares issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings unless authorised to the contrary by a resolution of the shareholders. A special resolution was passed at the 2015 AGM to affect a disapplication of pre-emption rights up to the maximum nominal value of £4,537,718 representing approximately 10% of the issued ordinary share capital of the Company. This disapplication authority is in line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles which were revised in 2015 to allow the authority for an issue of shares for cash (otherwise than in connection with a pre-emptive offer) to be increased from 5% to 10% of the Company's issued ordinary share capital provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. Authorities to renew for one year the power of Directors to allot shares without regard to the pre-emption provisions of the Companies Act 2006 will be sought from shareholders at the AGM.

Details of shares issued during the year and outstanding options are given in notes 19 and 20 on pages 110 to 113 which form part of this report. Details of the share incentives in place are provided on pages 57 to 59 of the Directors' remuneration report.

Authority to purchase own shares
At the 2015 AGM, the Company was authorised by its shareholders to purchase up to 10,113,356 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 AGM to renew the authority for a further period of one year.

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

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

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

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

Dealings subject to the Model Code of the Listing Rules
Pursuant to the Listing Rules of the FCA, Directors and other persons discharging managerial responsibilities and certain employees require the approval of the Company to deal in the ordinary shares of the Company. The Group will develop its policies to take account of the new EU Market Abuse Regulation effective 3 July 2016.

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

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

Substantial share interests

As at 24 May 2016, the Company had received formal notifications of the following holdings in its shares under the Disclosure and Transparency Rules of the Financial Conduct Authority. It should be noted that these holdings may have changed since the Company was notified, however, notifications 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.	30/03/2016	Indirect	10.22
Neptune Investment Management Limited	30/03/2016	Direct	9.69
Majedie Asset Management Limited	17/12/2015	Indirect	5.60
Schroders plc	21/04/2015	Indirect	5.33
Aberforth Partners LLP	21/09/2015	Indirect	5.01

Directors

The names of the Directors who held office during the year are set out on pages 35 to 37 and changes in the membership of the Board are summarised on page 40 of the corporate governance report. Details of Directors' remuneration are provided in the directors' remuneration report on pages 53 to 73. The interests of the Directors and their families in the share capital of the Company are shown on page 61 of the directors' remuneration report which also includes information on the Company contracts of service with its Directors on page 60.

Powers of Directors

Subject to the Company's articles and any directions given by the Company in general meeting by a special resolution, the business of the Company is managed by the Board which 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 report on pages 34 to 43.

Conflicts of interests

The Board has established a process to review at least annually and, if appropriate, authorise any conflict of interest and has carried out such a review during the year and authorised all Directors' situational conflicts. Any transactional conflicts are reviewed as they arise. Directors are asked to review and confirm reported conflicts of interests as part of the year end process.

Indemnity

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

Change of control

Contracts

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

Banking facilities

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

Employee share plans

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

Political donations

The Group's policy is not to make any political donations and none were made during the period. The Company will propose to shareholders at this year's AGM that the precautionary authority granted at the 2015 AGM, pursuant to the Companies Act 2006, be renewed and details are included in the notice of meeting.

Essential contracts or other arrangements

The Group has a number of suppliers of key components, the loss of which could disrupt the Group's ability to deliver on time and in full. See more details on pages 14 to 17.

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 119 to 120.

Related party transactions

Related party transactions are set out in note 27 to the financial statements.

Financial instruments

Details of the Group's financial instruments are set out in note 13 to the financial statements.

Going concern

As described on page 86, 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.

Amendment of articles of association

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

Global Greenhouse gas (GHG) emissions date

The disclosures in respect of CO_2 emissions, as required to be reported under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013), can be found in the responsible business section of the strategic report on page 32.

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.

Disclosure of information to auditors

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

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM on 21 July 2016.

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 1 to 33 and the Directors' report on pages 34 to 77 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; and
- The Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

The Strategic report and the Directors' report were approved by the Board on 24 May 2016.

By order of the Board

Edward Peppiatt
Company Secretary

24 May 2016

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

Opinion and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of De La Rue plc for the period ended 26 March 2016 set on pages 81 to 126. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 26 March 2016 and of the Group's profit for the period then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- The Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

	The risk	Our response
Revenue recognition and its inclusion in the appropriate period for the Currency division – £353.3 million (2015: £317.9 million) Risk vs 2015: ◀▶ Refer to pages 50 (Audit Committee report), 88 (accounting policy) and 89 (financial disclosures)	Reflecting the specialist nature of the Currency division's products, many customer contracts include specific terms that impact the timing of revenue recognition on those contracts. For example, a number of customer contracts have complex acceptance conditions and some allow for 'bill and hold' arrangements where the customer asks the division to store finished products on its behalf. Due to these contractual complexities there is a risk that revenue may be misstated	In this area our procedures include reading significant new contracts to obtain an understanding of contract terms, and in particular those relevant to the timing of revenue recognition, testing the design and operating effectiveness of controls designed to ensure that revenue is recognised in the correct accounting period and testing of specific revenue transactions recorded before and after the year end To test revenue recognition on contracts with complex acceptance conditions we obtain appropriate evidence of customer acceptance on a sample basis. In relation to revenue recorded under 'bill and hold' transactions we evaluate the underlying contractual arrangements and obtain third party documentation that demonstrates when the risks and rewards of ownership have been transferred to the customer We also assess the adequacy of the Group's disclosure about significant judgements in relation to revenue recognition
Valuation of inventory in the Currency Division – £54.7 million (2015: £42.7 million) Risk vs 2015: ◀▶ Refer to pages 50 (Audit Committee report), 88 (accounting policy) and 99 (financial disclosures)	At the balance date the Group has significant inventory, including work in progress on customer banknote orders. Production of banknote paper, printed banknotes and other security products is a complex process reflecting the tight specifications set by customers and the many embedded security features which are often bespoke to each product Accordingly, there is a risk that work in progress will fail quality control checks at a later stage in production and need to be scrapped or reworked. The Group provides for this through allowances based on past experience and known issues but there is a risk that this allowance will be misstated Finished goods inventory is valued at the lower of cost and net realisable value. Due to the bespoke nature of each product, fluctuations in production efficiency and spoilage rates could affect the allocated cost and carrying amount of inventory	In this area our procedures include testing the Group's controls over the determination of inventory allowances, considering historical experience and assessing the appropriateness of estimates used in light of current manufacturing quality. We also consider the adequacy of the Group's allowances for specific issues by reference to current and recent customer complaints In performing the above procedures we assess information obtained from the quality control and sales functions in relation to quality performance levels and overall customer satisfaction respectively to identify possible emerging trends In addition, procedures include testing of the approach to the allocation of costs to work in progress and finished goods inventory and assessing the net realisable value by reference to the selling prices relevant for each product We also assess the adequacy of the Group's disclosures in relation to the significant judgements in relation to the carrying value of inventory including work in progress
Estimation of warranty provisions- £5.9 million (2015: £18.8 million) Risk vs 2015: ◀▶ Refer to pages 50 (Audit Committee report), 88 (accounting policy) and 110 (financial disclosures)	As noted above, the Group's products are complex and produced to exacting standards. Product quality issues can be identified subsequent to delivery to customers. Accordingly, at any point in time the Group may be in dialogue with customers over potential product quality issues The Group holds provisions for the potential costs associated with these risks. The assumptions underpinning these provisions are inherently uncertain	In relation to provisions for specific known issues, our procedures include challenging the basis of the Group's calculations by reference to the Group's risk assessment, the status of discussions with the relevant customer (determined by inspecting relevant correspondence) and the cost estimates for rectification work. In performing these procedures we have regard to past experience in addressing such matters In relation to unidentified issues, we assess and challenge the Group's methodology for determining the level of provision required taking into account the key assumptions such as historical accuracy of provisioning, the levels of expense incurred over time together with current information on product quality experience. We also assess the adequacy of the Group's disclosures in relation to the significant judgements in relation to warranty provisioning and related contingent liabilities, if relevant
Classification of exceptional items – £29.6 million (2015: £18.8 million) Risk vs 2015: ▼ Refer to pages 50 (Audit Committee report), 88 (accounting policy) and 92 to 93 (financial disclosures)	The Group discloses separately 'exceptional items' which the directors consider to be items of income or expenses which are important to identify to shareholders to aid their understanding of the 'underlying' business performance Determining which items should or should not be disclosed as exceptional is judgemental. Accordingly, there is a risk that inappropriate selection and disclosure of exceptional items may result in the Group not meeting its' objective of giving a view of company performance that is fair, balanced and understandable	In his area our procedures include assessing the basis of the Group's determination of exceptional items as compared with their accounting policy and past practice and considering whether the amounts so classified have been disclosed appropriately and consistently with due regard to the need to be balanced Based on our understanding of the Group's activities and results of the business for the period, we assess the classification of items as exceptional and challenge whether any additional items should be disclosed as exceptional We also assess the adequacy of the Group's disclosures around the exceptional items, especially announced restructuring activity, and the basis of selection of exceptional items

	The risk	Our response
Presentation as discontinued operation and related asset held for sale treatment – £31.0 million result of discontinued operations and £11.2 million asset and £10.5 million liabilities held for sale (New risk) Refer to pages 50 (Audit Committee report), 88 (accounting policy) and 91 (financial disclosures)	The Group has presented the Cash Processing Systems business as a discontinued operation in the income statement and as a disposal group held for sale within the balance sheet. These accounting treatments require specific conditions to be met and judgements made at the balances sheet date around the identification and measurement of assets. There are also detailed related disclosure requirements	In this area our procedures include assessing whether the underlying facts and circumstances support the accounting treatment adopted. This involved reading of minutes and other relevant supporting documentation as well as discussions with management and their external advisors. In performing these procedures we considered whether assets and liabilities presented as held for sale have been accurately identified and appropriately measured We also assess the adequacy of the Group's disclosures in relation to these matters
Post-retirement benefits – £219.9 million (2015: £236.7 million) Risk vs 2015: ◀▶ Refer to pages 50 (Audit Committee report), 88 (accounting policy) and 115 (financial disclosures)	The Group has material defined benefit pension schemes. Small changes in the assumptions and estimates used to value the Group's post-retirement benefit obligations would have a significant effect on the financial position of the Group	In this area our procedures include assessing the membership data provided to support triennial valuations and testing of asset valuations used in determining the net deficit In addition, with the support of our own actuarial specialists, we challenge the key assumptions used to determine the Group's net deficit, which are the discount rate, inflation rate and mortality/life expectancy. This includes a comparison of these key assumptions against externally derived data We also consider the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions

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

The Materiality for the Group financial statements as a whole was set at £2.3 million (2015: £2.5 million), determined with reference to a benchmark of Group profit before tax (from continuing and discontinued operations), normalised to remove the impact of separately identified exceptional items (as disclosed in notes 2 and 4 of the financial statements) of which it represents 3.9% (2015: 4.3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £115,000 (2015: £125,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 70 (2015: 70) reporting components, we subjected 12 (2015: 12) to audits for group reporting purposes and six (2015: seven) to specified, risk-focused, audit procedures.

The components within the scope of our work accounted for the following percentages of the Group's results (including continuing operations and discontinued operations held for sale).

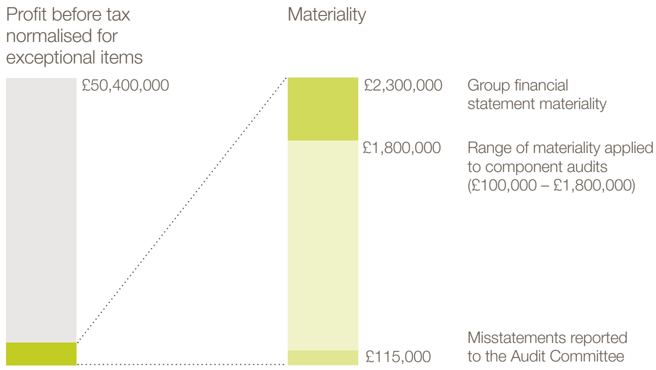
Group revenue
- Audit for group reporting purposes 80% (2015: 76%)
- Specified risk focused audit procedures 9% (2015: 11%)
- Subject to Group level analytical procedures 11% (2015: 13%)

Group profit before tax*
- Audit for group reporting purposes 84% (2015: 83%)
- Specified risk focused audit procedures 8% (2015: 4%)
- Subject to Group level analytical procedures 8% (2015: 13%)

*normalised to remove the impact of separately identified and audited exceptional items.

Group total assets
- Audit for group reporting purposes 67% (2015: 72%)
- Specified risk focused audit procedures 18% (2015: 11%)
- Subject to Group level analytical procedures 15% (2015: 17%)

Materiality



The components for which we performed specified risk-focused audit procedures were not individually financial significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality levels used, which ranged from £0.1 million to £1.8 million (2015: £0.1 million to £2.0 million), having regard to the mix of size and risk profile of the Group across the components. The work on six of the 18 components (2015: six of the 19 components) was performed by component auditors and the rest by the Group audit team.

The Group audit team visited three (2015: five) component locations in the UK (2015: in the UK and Malta), including to assess the audit risk and strategy. Telephone conference meetings and remote file reviews were held with all component auditors. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

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

In our opinion:

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

We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The directors' statement of longer term viability on pages 15 to 17 concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to March 2019; or
- The disclosures on page 86 of the financial statements concerning the use of the going concern basis of accounting

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

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

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

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- The report of the Audit Committee report on pages 49 to 52 does not appropriately address matters communicated by us to the Audit Committee

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

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

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 86 and 17 in relation to going concern and longer term viability
- The part of the corporate governance report on pages 34 to 47 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review

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

Scope of report and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 77, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

24 May 2016

Group income statement
for the period ended 26 March 2016

	Notes	2016 £m	Restated* 2015 £m
Revenue	1	**454.5**	422.8
Operating expenses – ordinary	3	**(384.1)**	(353.7)
Operating expenses – exceptional	3, 4	**(3.6)**	(16.9)
Total operating expenses		**(387.7)**	(370.6)
Operating profit		**66.8**	52.2
Comprising:			
Underlying operating profit		**70.4**	69.1
Exceptional items	4	**(3.6)**	(16.9)
Profit before interest and taxation		**66.8**	52.2
Interest income	5	**0.1**	0.1
Interest expense	5	**(4.9)**	(4.7)
Retirement benefit obligation net finance expense	23	**(7.1)**	(7.0)
Net finance expense		**(11.9)**	(11.6)
Profit before taxation		**54.9**	40.6
Comprising:			
Underlying profit before tax		**58.5**	57.5
Exceptional items	4	**(3.6)**	(16.9)
Taxation	6	**(6.3)**	(7.7)
Profit from continuing operations		**48.6**	32.9
Comprising:			
Underlying profit for the year		**49.9**	47.4
Loss for the year on exceptional items	4	**(1.3)**	(14.5)
(Loss)/profit from discontinued operations	2	**(31.0)**	2.2
Profit for the year		**17.6**	35.1
Profit attributable to equity shareholders of the Company			
Profit for the year from continuing operations		**47.4**	32.1
(Loss)/profit for the year from discontinued operations		**(31.0)**	2.2
Total profit attributable to equity shareholders of the Company		**16.4**	34.3
Profit attributable to non-controlling interests			
Profit for the year from continuing operations		**1.2**	0.8
Profit for the year from discontinued operations		**–**	–
Total profit attributable to non-controlling interests		**1.2**	0.8
Profit for the year		**17.6**	35.1

*2015 figures have been restated for the impact of discontinued operations – see note 2.

	Notes	2016	2015
Profit for the year attributable to the Company's equity holders			
Earnings per ordinary share			
Basic	7		
Basic EPS continuing operations		**46.8p**	31.8p
Basic EPS discontinued operations		**(30.6p)**	2.2p
Total Basic Earnings per share		**16.2p**	34.0p
Diluted	7		
Diluted EPS continuing operations		**46.2p**	31.3p
Diluted EPS discontinued operations		**(30.2p)**	2.1p
Total Diluted Earnings per share		**16.0p**	33.4p

Group statement of comprehensive income for the period ended 26 March 2016

	Notes	2016 £m	2015 £m
Profit for the year		**17.6**	35.1
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement losses on retirement benefit obligations	23	**5.4**	(79.1)
Tax related to remeasurement of net defined benefit liability	6	**(5.4)**	16.0
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**1.5**	(10.4)
Change in fair value of cash flow hedges		**4.1**	(7.3)
Change in fair value of cash flow hedges transferred to profit or loss		**1.6**	5.3
Change in fair value of cash flow hedges transferred to non-current assets		**1.5**	1.6
Income tax relating to components of other comprehensive income	6	**(1.8)**	(0.1)
Other comprehensive income for the year, net of tax		**6.9**	(74.0)
Total comprehensive income for the year		**24.5**	(38.9)
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		**23.3**	(39.7)
Non-controlling interests		**1.2**	0.8
		24.5	(38.9)

Group balance sheet at 26 March 2016

	Notes	2016 £m	2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	**167.0**	179.3
Intangible assets	10	**13.4**	16.6
Investments in associates and joint ventures		**0.1**	0.1
Deferred tax assets	15	**41.6**	47.7
Derivative financial assets	13	**1.9**	0.3
		224.0	244.0
Current assets			
Inventories	11	**67.1**	71.2
Trade and other receivables	12	**93.5**	105.4
Current tax assets		**1.3**	2.2
Derivative financial assets	13	**15.0**	7.8
Cash and cash equivalents	14	**40.5**	30.8
Assets classified as held for sale	2	**11.2**	–
		228.6	217.4
Total assets		**452.6**	461.4
LIABILITIES			
Current liabilities			
Borrowings	17	**(146.6)**	(141.8)
Trade and other payables	16	**(171.5)**	(159.1)
Current tax liabilities		**(17.6)**	(19.6)
Derivative financial liabilities	13	**(12.0)**	(12.0)
Provisions for liabilities and charges	18	**(9.0)**	(26.6)
Liabilities classified as held for sale	2	**(10.5)**	–
		(367.2)	(359.1)
Non-current liabilities			
Retirement benefit obligations	23	**(219.9)**	(236.7)
Deferred tax liabilities	15	**(1.6)**	(1.1)
Derivative financial liabilities	13	**(1.2)**	(1.0)
Provisions for liabilities and charges	18	**(6.9)**	(3.5)
Other non-current liabilities	16	**(1.4)**	(6.9)
		(231.0)	(249.2)
Total liabilities		**(598.2)**	(608.3)
Net liabilities		**(145.6)**	(146.9)
EQUITY			
Share capital	19	**46.6**	46.5
Share premium account		**35.7**	35.5
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**2.3**	(3.5)
Cumulative translation adjustment		**(12.3)**	(13.8)
Other reserve		**(83.8)**	(83.8)
Retained earnings		**(146.6)**	(139.4)
Total equity attributable to shareholders of the Company		**(152.2)**	(152.6)
Non-controlling interests		**6.6**	5.7
Total equity		**(145.6)**	(146.9)

Approved by the Board on 24 May 2016

Philip Rogerson
Chairman

Jitesh Sodha
Chief Financial Officer

Group statement of changes in equity for the period ended 26 March 2016

	Attributable to equity shareholders							Non-controlling interests	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 29 March 2014	46.3	35.3	5.9	(3.2)	(3.4)	(83.8)	(72.6)	5.1	(70.4)
Profit for the year	–	–	–	–	–	–	34.3	0.8	35.1
Other comprehensive income for the year, net of tax	–	–	–	(0.3)	(10.4)	–	(63.3)	–	(74.0)
Total comprehensive income for the year	–	–	–	(0.3)	(10.4)	–	(29.0)	0.8	(38.9)
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.2	0.2	–	–	–	–	–	–	0.4
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(0.5)	–	(0.5)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	(36.8)	(0.2)	(37.0)
Balance at 28 March 2015	46.5	35.5	5.9	(3.5)	(13.8)	(83.8)	(139.4)	5.7	(146.9)
Profit for the year	–	–	–	–	–	–	16.4	1.2	17.6
Other comprehensive income for the year, net of tax	–	–	–	5.8	1.5	–	(0.4)	–	6.9
Total comprehensive income for the year	–	–	–	5.8	1.5	–	16.0	1.2	24.5
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.1	0.2	–	–	–	–	–	–	0.3
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	2.4	–	2.4
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.3)	–	(0.3)
Dividends paid	–	–	–	–	–	–	(25.3)	(0.3)	(25.6)
Balance at 26 March 2016	**46.6**	**35.7**	**5.9**	**2.3**	**(12.3)**	**(83.8)**	**(146.6)**	**6.6**	**(145.6)**

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

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

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

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

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

Group cash flow statement for the period ended 26 March 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Profit before tax*		**20.8**	38.9
Adjustments for:			
Finance income and expense		**12.1**	11.9
Depreciation		**23.0**	23.0
Amortisation		**3.2**	1.8
Decrease in inventory		**5.0**	5.7
(Increase)/decrease in trade and other receivables		**(2.0)**	0.1
Increase/(decrease) in trade and other payables		**11.4**	(5.4)
Increase/(decrease) in reorganisation provisions		**0.4**	(0.3)
Special pension fund contributions		**(19.1)**	(18.6)
(Profit)/loss on disposal of property, plant and equipment and software intangibles		**(7.6)**	2.2
Asset impairments		**10.8**	3.8
Other non-cash movements		**0.9**	0.5
Cash generated from operating activities		**58.9**	63.6
Tax paid		**(4.7)**	(9.3)
Net cash flows from operating activities		**54.2**	54.3
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles		**(25.0)**	(28.8)
Development assets capitalised		**(3.0)**	(5.1)
Proceeds from sale of property, plant and equipment		**9.9**	0.2
Net cash flows from investing activities		**(18.1)**	(33.7)
Net cash flows before financing activities		**36.1**	20.6
Cash flows from financing activities			
Proceeds from issue of share capital		**0.3**	0.4
Proceeds from/(repayments of) borrowings		**3.6**	(6.8)
Interest received		**0.1**	0.2
Interest paid		**(4.2)**	(4.8)
Dividends paid to shareholders		**(25.3)**	(36.8)
Dividends paid to non-controlling interests		**(0.3)**	(0.2)
Net cash flows from financing activities		**(25.8)**	(48.0)
Net increase/(decrease) in cash and cash equivalents in the year		**10.3**	(27.4)
Cash and cash equivalents at the beginning of the year		**28.9**	56.2
Exchange rate effects		**(1.3)**	0.1
Cash and cash equivalents at the end of the year		**37.9**	28.9
Cash and cash equivalents consist of:			
Cash at bank and in hand	14	**40.5**	28.6
Short term deposits		**–**	2.2
Bank overdrafts		**(2.6)**	(1.9)
	21	**37.9**	28.9

*Profit before tax includes continuing and discontinued operations. The cash flows relating to discontinued operations are included within note 2.

Accounting policies

The Company
De La Rue plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on page 128 of this Annual Report. The consolidated financial statements of the Company for the period ended 26 March 2016 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The Company financial statements present information about the Company as a separate entity and not about its Group. The principal activities of the Group are described in note 1.

Statement of compliance
European Union (EU) law (IAS Regulation EC 1606/2002) requires that the consolidated financial statements, for the period ended 26 March 2016, be prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU. These consolidated financial statements have been approved by the Directors and prepared in accordance with IFRS including interpretations issued by the International Accounting Standards Board.

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The accounts have been prepared as at 26 March 2016, being the last Saturday in March. The comparatives for the 2014/15 financial period are for the period ended 28 March 2015.

The Company has elected to prepare its financial statements in accordance with FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland. This period is the first period that the financial statements have been prepared under FRS 102. They are set out on pages 122 to 126 and the accounting policies in respect of the Company financial statements are set out on page 124.

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

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

A number of other new and amended IFRS were issued during the period, which do not become effective until after 27 March 2016. IFRS 15 Revenue from Contracts with Customers (effective for the year ending 30 March 2019, not yet endorsed by the EU) provides a single, principles based, five step model to be applied to all sales contracts. Based on a provisional assessment, IFRS 15 is not expected to have a significant impact on the timing of revenue recognition in the Group. The group will continue to assess the impact during 2016/17. Otherwise, none of the new or amended IFRSs are expected to have a material impact on the Group for the 2016/17 period.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 4 to 33 of the Strategic report. In addition, pages 101 to 107 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on page 26 of the Strategic report.

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

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 26 March 2016. Control exists when the Group has the power to direct the activities of an entity so as to affect the return on investment. The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the date that control commences or until the date that control ceases. The majority of the subsidiaries prepare their financial statements up to 26 March.

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

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

Significant accounting policies

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

Foreign currency

Foreign currency transactions

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

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

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (refer to note 13 for details of the Group's accounting policies in respect of such derivative financial instruments).

Financial statements of foreign operations

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

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

Net investment in foreign operations

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

Revenue recognition

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

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

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

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

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

Classification of assets held for sale and discontinued operations

Following a root and branch review of the cash processing systems operation (CPS), the Board concluded that whilst CPS has a good product profile and long term customer relationships, it does not believe that this is a business which should form part of the Group's portfolio and decided to exit this market. In line with the requirements of IFRS 5, where the carrying value of an asset will be recovered principally through a sale transaction rather than through continuing use, the disposal group has been classified as an asset held for sale on the balance sheet and the segment as a discontinued operation. This treatment has been made with regard to the requirement for any disposal group to be immediately available for sale, the sale should be probable and expected to be completed within the next 12 months.

Critical accounting judgements and key sources of estimation uncertainty

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

Revenue recognition and cut-off in Currency

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

Valuation of inventory in Currency

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

Classification of exceptional items

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

Post-retirement benefit obligations

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

The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. See page 116 for detail of the relative sensitivity of the value of the scheme liabilities to changes in the discount and inflation rates.

Estimation of warranty provisions

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

Presentation of disposal group held for sale

The Directors have exercised judgement in assessing whether the criteria for recognising a disposal group as held for sale were met in respect of the CPS business at the year end, including whether a sale was considered highly probable. Further judgement was required in estimating fair value less costs to sell when determining the remeasurement of assets and liabilities within the disposal group based on the lower of the carrying amount and fair value less costs to sell.

Other accounting judgements, estimates and assumptions

Tax

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

1 Segmental analysis

The continuing operations of the Group have three main operating units: Currency, Identity Solutions and Product Authentication and Traceability. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and underlying operating profit, measured on an IFRS basis.

The Group's segments are:

- Currency – provides printed banknotes, banknote paper and polymer substrates and banknote security components
- Identity Solutions – involved in the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes
- Product Authentication and Traceability (previously Security Products) – produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps

Inter-segmental transactions are eliminated upon consolidation.

Discontinued operations – The Cash Processing Solutions operation, primarily focused on the production of large banknote sorters and authentication machines for central banks, has been classified as a disposal group held for sale (see Note 2).

2016	Currency £m	Identity Solutions £m	Product Authentication and Traceability £m	Unallocated £m	Total of Continuing operations £m	Discontinued operations £m	Total £m
Total revenue	353.3	65.8	39.5	–	458.6	33.9	492.5
Less: inter-segment revenue	(0.8)	–	(3.3)	–	(4.1)	(0.2)	(4.3)
Revenue	352.5	65.8	36.2	–	454.5	33.7	488.2
Underlying operating profit/(loss)	55.1	6.4	8.9	–	70.4	(7.9)	62.5
Exceptional items – operating (note 4 and 2)	(13.1)	–	(0.5)	10.0	(3.6)	(26.0)	(29.6)
Operating profit/(loss)	42.0	6.4	8.4	10.0	66.8	(33.9)	32.9
Net interest expense				(4.8)	(4.8)	(0.2)	(5.0)
Retirement benefit obligations net finance expense				(7.1)	(7.1)	–	(7.1)
Profit/(loss) before taxation					54.9	(34.1)	20.8
Segment assets	238.4	38.9	20.8	143.3	441.4	11.2	452.6
Segment liabilities	(119.4)	(26.7)	(7.2)	(434.4)	(587.7)	(10.5)	(598.2)
Capital expenditure on property, plant and equipment	11.1	0.2	1.7	3.5	16.5	–	16.5
Capital expenditure on intangible assets	3.3	1.4	0.3	–	5.0	0.3	5.3
Depreciation of property, plant and equipment	17.0	2.6	1.4	2.0	23.0	–	23.0
Impairment of property, plant and equipment	5.2	–	–	–	5.2	–	5.2
Amortisation of intangible assets	2.2	0.7	0.1	–	3.0	0.2	3.2
Impairment of intangible assets	–	–	–	–	–	5.6	5.6

Unallocated assets principally comprise deferred tax assets of £41.6m (2014/15: £47.7m), cash and cash equivalents of £40.5m (2014/15: £30.8m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £17.1m (2014/15: £8.1m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £219.9m (2014/15: £236.7m), borrowings of £146.6m (2014/15: £141.8m), current tax liabilities of £17.6m (2014/15: £19.6m) and derivative financial instrument liabilities of £13.4m (2014/15: £13.0m) as well as deferred tax liabilities and centrally held accruals and provisions.

1 Segmental analysis continued

2015 restated	Currency £m	Identity Solutions £m	Product Authentication and Traceability £m	Unallocated £m	Total of Continuing operations £m	Discontinued operations £m	Total £m
Total revenue	317.9	69.0	39.6	–	426.5	50.7	477.2
Less: inter-segment revenue	(0.8)	–	(2.9)	–	(3.7)	(1.4)	(5.1)
Revenue	317.1	69.0	36.7	–	422.8	49.3	472.1
Underlying operating profit	50.5	11.1	7.5	–	69.1	0.4	69.5
Exceptional items – operating (note 4 and 2)	(10.7)	–	(6.2)	–	(16.9)	(1.9)	(18.8)
Operating profit/(loss)	39.8	11.1	1.3	–	52.2	(1.5)	50.7
Net interest expense				(4.6)	(4.6)	(0.2)	(4.8)
Retirement benefit obligations net finance expense				(7.0)	(7.0)	–	(7.0)
Profit before taxation					40.6	(1.7)	38.9
Segment assets	241.7	38.8	19.8	128.0	428.3	33.1	461.4
Segment liabilities	(128.8)	(21.6)	(9.1)	(437.7)	(597.2)	(11.1)	(608.3)
Capital expenditure on property, plant and equipment	19.6	0.9	1.0	1.8	23.3	–	23.3
Capital expenditure on intangible assets	3.8	0.6	0.9	–	5.3	1.0	6.3
Depreciation of property, plant and equipment	17.3	2.7	1.6	1.4	23.0	–	23.0
Impairment of property, plant and equipment	–	–	–	–	–	–	–
Amortisation of intangible assets	1.3	0.4	–	–	1.7	0.1	1.8
Impairment of intangible assets	–	–	3.8	–	3.8	–	3.8

Analysis of revenue by activity

	2016 £m	Restated 2015 £m
Goods	**446.6**	421.5
Services	**7.9**	1.3
	454.5	422.8

Geographic analysis of revenue by origin

	2016 £m	Restated 2015 £m
UK	**434.5**	389.6
Other countries	**20.0**	33.2
	454.5	422.8

Geographic analysis of non-current assets

	2016 £m	2015 £m
UK	**142.2**	154.0
Malta	**20.7**	21.3
Sri Lanka	**15.1**	16.8
Other countries	**2.5**	3.9
	180.5	196.0

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

Major customers

The Group has a major customer from which it derived revenues of £120.4m in the Currency unit (2014/15: £51.6m from the Currency and Cash Processing Solution units).

2 Discontinued operation held for sale

The Cash Processing Solutions business ('CPS') is presented as a disposal group held for sale following the conclusion of a root and branch review. The Board concluded that whilst CPS has a good product profile and long term customer relationships, it does not believe that this is a business which should form part of the Group's portfolio and has therefore decided to exit this market. This will enable the continuing Group to focus on its core business and future growth areas, as well as allow CPS to achieve its full potential under new dedicated ownership.

The CPS assets and liabilities that the group planned to dispose of were transferred into the disposal group at their carrying value. A charge of £23.4m arising on the remeasurement of the disposal group to the lower of the carrying amount and its fair value less costs to sell has been recognised in exceptional items. This has been applied first to non-current assets and then to inventory within the disposal group.

In line with IFRS 5 no remeasurement has been applied to financial assets. The fair value reflects the anticipated sales price to be achieved upon completion.

No UK pension liability will transfer as part of the disposal group.

Results of the discontinued operation including the disposal group held for sale

	Notes	2016 £m	2015 £m
Revenue	1	**33.7**	49.3
Operating expenses – ordinary		**(41.6)**	(48.9)
Operating expenses – exceptional		**(26.0)**	(1.9)
Total operating expenses		**(67.6)**	(50.8)
Operating loss		**(33.9)**	(1.5)
Comprising:			
Underlying operating (loss)/profit		**(7.9)**	0.4
Exceptional items	1	**(26.0)**	(1.9)
Loss before interest and taxation		**(33.9)**	(1.5)
Interest income	1	**–**	0.1
Interest expense	1	**(0.2)**	(0.3)
Net finance expense		**(0.2)**	(0.2)
Loss before taxation	1	**(34.1)**	(1.7)
Comprising:			
Underlying (loss)/profit before tax		**(8.1)**	0.2
Exceptional items		**(26.0)**	(1.9)
Taxation	6	**3.1**	3.9
(Loss)/profit from discontinued operations		**(31.0)**	2.2
Comprising:			
Underlying (loss)/profit for the year		**(7.2)**	1.8
(Loss)/profit for the year on exceptional items		**(23.8)**	0.4

Assets/liabilities held for sale/disposal group

	2016 £m	2015 £m
Assets classified as held for sale		
Intangible assets	**–**	–
Derivative financial assets	**0.2**	–
Inventories	**–**	–
Trade and other receivables	**11.0**	–
	11.2	–

2 Discontinued operation held for sale continued

	2016 £m	2015 £m
Liabilities classified as held for sale		
Trade and other payables	(10.0)	–
Derivative financial liabilities	(0.3)	–
Provisions for liabilities and charges	(0.2)	–
	(10.5)	–

Cash flows from discontinued operation held for sale

	2016 £m	2015 £m
Net cash from operating activities	(3.3)	9.1
Net cash from investing activities	(0.3)	(0.9)
Net cash from financing activities	(0.1)	(0.2)
Net cash (used in)/from discontinued operations held for sale	(3.7)	8.0

Exceptional items on discontinued operations

	2016 £m	2015 £m
Site closures and restructuring	(2.6)	(1.9)
Remeasurement of carrying value following classification as an asset for sale	(23.4)	–
Exceptional items	(26.0)	(1.9)
Tax credit on exceptional items	2.2	2.3

Site closure and restructuring costs in 2015/16 were £2.6m (2014/15: £1.9m) comprising £0.7m (2014/15: £1.5m) in staff compensation, and £1.9m (2014/15: £nil) for site exit costs and £nil (2014/15: £0.4m) in other associated reorganisation costs.

Asset impairments of £23.4m arising on the remeasurement of the disposal group to fair value less costs to sell have been recognised. The impairment relates to intangibles of £1.6m, goodwill of £4.0m and inventories of £17.8m.

The cash costs for exceptional items in the period was £1.0m (2014/15: £1.7m).

Tax credits relating to the exceptional items arising in the period were £0.3m (2014/15 £0.4m). In addition there was an exceptional credit of £1.9m in respect of the determination of the tax treatment of prior year discontinued exceptional items (2014/15: £1.9m).

Accumulated foreign currency translation gains and losses within the disposal group held for sale

The Group has accumulated foreign currency translation gains and losses in relation to the entities included within the disposal group. IAS 21 requires recycling of these foreign currency translation gains or losses, which have previously been taken direct to reserves, through the income statement at the point of disposal. At 26 March 2016 these foreign exchange gains or losses have not been recycled.

Subsequent to the year end the disposal of the CPS business has been completed (see note 28).

3 Expenses by nature

	2016 £m	Restated 2015 £m
Cost of inventories recognised as an expense	**151.4**	120.9
Net (decrease)/increase in impairment of inventories	**(12.3)**	4.3
Depreciation of property, plant and equipment	**23.0**	23.0
Asset impairment charge	**5.2**	3.8
Amortisation of intangibles	**2.3**	1.7
Operating leases:		
– Hire of plant and equipment	**0.4**	0.6
– Hire of property	**1.9**	2.5
Amounts payable to KPMG and its associates:		
– Audit of these consolidated financial statements	**0.2**	0.2
– Audit of the financial statements of subsidiaries pursuant to legislation	**0.3**	0.3
– Taxation services	**0.1**	0.1
Research and non-capitalised development expense	**9.0**	6.8
(Profit)/loss on disposal of property, plant and equipment	**(7.6)**	2.2
Employee costs (including Directors' emoluments) (note 24)*	**149.3**	153.1
Foreign exchange (gains)/losses	**(5.5)**	2.5

*Employee costs include both continuing and discontinued operations.

4 Exceptional items

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

	2016 £m	Restated 2015 £m
Site relocation and restructuring	**(9.2)**	(2.8)
Invocation of guarantees	**–**	(13.3)
Sale of land	**9.5**	–
Warranty provisions	**1.3**	3.0
Asset impairment	**(5.2)**	(3.8)
Exceptional items in operating profit	**(3.6)**	(16.9)
Tax credit on exceptional items	**2.3**	2.4

Site relocation and restructuring costs in 2015/16 were £9.2m net (2014/15: £2.8m net). Restructuring costs were incurred as part of the redesign of the organisation structure and the optimisation of manufacturing capabilities including the impact of the manufacturing footprint review which will reduce our core banknote print production capacity from eight billion to six billion notes a year, excluding the site managed on behalf of Bank of England.

The £9.2m net exceptional operating charge in respect of site relocation and restructuring (2014/15: £2.8m) comprised £8.4m (2014/15: £2.8m) in staff compensation, £1.0m (2014/15: £1.9m) for site exit costs offset by credits on existing provisions of £0.2m (2014/15: £1.2m) in staff compensation and £nil (2014/15: £0.7m) for site exit costs. The £9.2m charge was split between the operating segments as follows: Currency £8.7m, Product Authentication and Traceability £0.5m.

The sale of surplus land in Overton generated a profit of £9.5m while surplus warranty provisions of £1.3m, previously charged as exceptional items due to being significant one-off claims (2014/15: £3.0m) were released in the period.

Following a review of capitalised assets, £5.2m of tangible assets within the Currency segment were written down representing assets linked with specific products whose future income streams are forecast to be insufficient to support the current carrying value.

The net cash cost of exceptional items for continuing operations in the period was £12.5m. £17.6m of cash cost of exceptional items related to prior periods and predominantly reflected the settlement of the invocation of guarantees provided for as an adjusting post balance sheet event in 2014/15.

In addition the following exceptional items were incurred in the prior year: £13.3m of charges in relation to the invocation of guarantees and £3.8m write off on first generation software within the Product Authentication and Traceability segment.

Tax credits relating to continuing exceptional items arising in the period were £1.8m (2014/15 £2.4m). In addition there was an exceptional credit of £0.5m (2014/15: £nil) in respect of the determination of the tax treatment of a prior year exceptional restructuring item.

5 Interest income and expense

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

	2016 £m	Restated 2015 £m
Recognised in the income statement		
Interest income:		
– Cash and cash equivalents	**0.1**	0.1
Interest expense:		
– Bank loans	**(3.7)**	(3.9)
– Other, including amortisation of finance arrangement fees	**(1.2)**	(0.8)
Total interest expense calculated using the effective interest method	**(4.9)**	(4.7)
Retirement benefit obligation net finance expense (note 23)	**(7.1)**	(7.0)

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

The gain to the income statement in respect of the ineffective portion of derivative financial instruments was £nil (2014/15: £nil).

6 Taxation

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

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

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

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

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

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

6 Taxation continued

	2016 £m	Restated 2015 £m
Consolidated income statement		
Current tax		
UK corporation tax:		
– Current tax	**8.3**	6.1
– Adjustment in respect of prior years	**(0.1)**	(1.2)
	8.2	4.9
Overseas tax charges:		
– Current year	**2.2**	2.8
– Adjustment in respect of prior years	**(0.7)**	(0.3)
	1.5	2.5
Total current income tax charge	**9.7**	7.4
Deferred tax:		
– Origination and reversal of temporary differences, UK	**(3.3)**	0.3
– Origination and reversal of temporary differences, overseas	**(0.1)**	–
Total deferred tax (credit)/charge	**(3.4)**	0.3
Income tax expense reported in the consolidated income statement in respect of continuing operations	**6.3**	7.7
Income tax expense in respect of discontinued operations (note 2)	**(3.1)**	(3.9)
Total income tax charge in the consolidated income statement	**3.2**	3.8
Tax on continuing operations attributable to:		
– Ordinary activities	**8.6**	10.1
– Exceptional items	**(2.3)**	(2.4)
Tax on discontinued operations attributable to:		
– Ordinary activities	**(0.9)**	(1.6)
– Exceptional items	**(2.2)**	(2.3)
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**5.4**	(16.0)
– On cash flow hedges	**1.4**	(0.1)
– On foreign exchange on quasi-equity balances	**0.4**	0.2
Income tax charge/(credit) reported within other comprehensive income	**7.2**	(15.9)
Consolidated statement of changes in equity:		
– On share options	**0.3**	0.5
Income tax charge reported within equity	**0.3**	0.5

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 20 per cent as follows:

	2016			Restated 2015		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Profit before tax	**58.5**	**(3.6)**	**54.9**	57.5	(16.9)	40.6
Tax calculated at UK tax rate of 20 per cent (2014/15: 21 per cent)	**11.7**	**(0.7)**	**11.0**	12.1	(3.5)	8.6
Effects of overseas taxation	**(1.1)**	**–**	**(1.1)**	(1.4)	–	(1.4)
(Credits)/charges not allowable for tax purposes	**(1.5)**	**0.8**	**(0.7)**	1.1	0.9	2.0
(Decrease)/increase in unutilised tax losses	**–**	**(1.9)**	**(1.9)**	–	0.4	0.4
Adjustments in respect of prior years	**(0.1)**	**(0.5)**	**(0.6)**	(1.5)	(0.2)	(1.7)
Change in UK tax rate	**(0.4)**	**–**	**(0.4)**	(0.2)	–	(0.2)
Tax charge/(credit)	**8.6**	**(2.3)**	**6.3**	10.1	(2.4)	7.7

The underlying effective tax rate was 14.7 per cent (Restated 2014/15: 17.6 per cent).

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the 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 the dilutive effect of share options.

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

	2016 Continuing operations pence per share	2016 Discontinued operations pence per share	2016 Total pence per share	Restated 2015 Continuing operations pence per share	Restated 2015 Discontinued operations pence per share	Restated 2015 Total pence per share
Earnings per share						
Basic earnings per share	**46.8**	**(30.6)**	**16.2**	31.8	2.2	34.0
Diluted earnings per share	**46.2**	**(30.2)**	**16.0**	31.3	2.1	33.4
Underlying earnings per share						
Basic earnings per share	**48.1**	**(7.1)**	**41.0**	46.1	1.8	47.9
Diluted earnings per share	**47.5**	**(7.0)**	**40.5**	45.5	1.8	47.3

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

Earnings

	2016 Continuing operations £m	2016 Discontinued operations £m	2016 Total £m	Restated 2015 Continuing operations £m	Restated 2015 Discontinued operations £m	Restated 2015 Total £m
Earnings for basic and diluted earnings per share	**47.4**	**(31.0)**	**16.4**	32.1	2.2	34.3
Exceptional items	**3.6**	**26.0**	**29.6**	16.9	1.9	18.8
Less: Tax on exceptional items	**(2.3)**	**(2.2)**	**(4.5)**	(2.4)	(2.3)	(4.7)
Earnings for underlying earnings per share	**48.7**	**(7.2)**	**41.5**	46.6	1.8	48.4

Weighted average number of ordinary shares

	2016 Number m	2015 Number m
For basic earnings per share	**101.3**	101.0
Dilutive effect of share options	**1.3**	1.5
For diluted earnings per share	**102.6**	102.5

8 Equity dividends

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

	2016 £m	2015 £m
Final dividend for the period ended 29 March 2014 of 28.2p paid on 1 August 2014	**–**	28.5
Interim dividend for the period ended 27 September 2014 of 8.3p paid on 7 January 2015	**–**	8.3
Final dividend for the period ended 28 March 2015 of 16.7p paid on 1 August 2015	**16.9**	–
Interim dividend for the period ended 26 September 2015 of 8.3p paid on 6 January 2016	**8.4**	–
	25.3	36.8

A final dividend per equity share of 16.7p has been proposed for the period ended 26 March 2016. If approved by shareholders the dividend will be paid on 3 August 2016 to ordinary shareholders on the register at 24 June 2016.

9 Property, plant and equipment

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

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

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

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

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

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Cost					
At 29 March 2014	65.6	352.2	29.2	18.7	465.7
Exchange differences	0.1	(10.0)	(0.2)	(0.2)	(10.3)
Additions	–	4.0	0.3	19.0	23.3
Transfers from assets in the course of construction	0.1	15.9	1.7	(17.7)	–
Disposals	(1.0)	(12.4)	(0.9)	(1.1)	(15.4)
At 28 March 2015	64.8	349.7	30.1	18.7	463.3
Exchange differences	0.4	4.9	0.3	0.2	5.8
Additions	–	7.0	0.2	9.3	16.5
Transfers from assets in the course of construction	0.2	14.8	1.6	(16.6)	–
Disposals	(0.1)	(5.4)	(2.3)	(1.6)	(9.4)
Transferred to assets classified as held for sale	(3.8)	(1.6)	(3.8)	–	(9.2)
At 26 March 2016	**61.5**	**369.4**	**26.1**	**10.0**	**467.0**
Accumulated depreciation					
At 29 March 2014	27.8	233.9	19.7	–	281.4
Exchange differences	0.1	(7.4)	(0.1)	–	(7.4)
Depreciation charge for the year	1.7	19.8	1.5	–	23.0
Disposals	(0.8)	(11.8)	(0.4)	–	(13.0)
At 28 March 2015	28.8	234.5	20.7	–	284.0
Exchange differences	0.3	3.8	0.1	–	4.2
Depreciation charge for the year	1.6	19.4	2.0	–	23.0
Impairment	–	5.2	–	–	5.2
Disposals	–	(4.9)	(2.3)	–	(7.2)
Transferred to assets classified as held for sale	(3.8)	(1.6)	(3.8)	–	(9.2)
At 26 March 2016	**26.9**	**256.4**	**16.7**	**–**	**300.0**
Net book value at 26 March 2016	**34.6**	**113.0**	**9.4**	**10.0**	**167.0**
Net book value at 28 March 2015	36.0	115.2	9.4	18.7	179.3
Net book value at 29 March 2014	37.8	118.3	9.5	18.7	184.3

10 Intangible assets

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

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

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

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

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

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

	Goodwill £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 29 March 2014	8.0	29.8	9.3	0.4	47.5
Exchange differences	(0.3)	1.3	–	–	1.0
Additions	–	5.1	1.2	–	6.3
Disposals	–	(2.2)	(0.8)	–	(3.0)
At 28 March 2015	7.7	34.0	9.7	0.4	51.8
Exchange differences	0.4	0.7	–	–	1.1
Additions	–	3.0	2.3	–	5.3
Disposals	–	–	(2.5)	–	(2.5)
Transferred to assets classified as held for resale	(8.1)	(16.7)	–	(0.3)	(25.1)
At 26 March 2016	**–**	**21.0**	**9.5**	**0.1**	**30.6**
Accumulated amortisation					
At 29 March 2014	3.7	17.3	8.0	0.4	29.4
Exchange differences	–	1.0	–	–	1.0
Amortisation for the year	–	1.3	0.5	–	1.8
Impairment	–	3.8	–	–	3.8
Disposals	–	–	(0.8)	–	(0.8)
At 28 March 2015	3.7	23.4	7.7	0.4	35.2
Exchange differences	0.4	0.5	(0.1)	–	0.8
Amortisation for the year	–	2.4	0.8	–	3.2
Disposals	–	–	(2.5)	–	(2.5)
Transferred to assets classified as held for resale	(4.1)	(15.1)	–	(0.3)	(19.5)
At 26 March 2016	**–**	**11.2**	**5.9**	**0.1**	**17.2**
Carrying value at 26 March 2016	**–**	**9.8**	**3.6**	**–**	**13.4**
Carrying value at 28 March 2015	4.0	10.6	2.0	–	16.6
Carrying value at 29 March 2014	4.3	12.5	1.3	–	18.1

10 Intangible assets continued

Impairment testing

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

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

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

For other intangible assets, at each balance sheet date an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Development costs with a carrying value of £1.6m have been transferred to assets held for sale to be included within the disposal group. See note 2 for further details.

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

The £4.0m (2014/15: £3.7m) of goodwill relates to the acquisition of CSI Inc, a provider of cash processing systems, in 2001. This goodwill has been transferred to assets held for sale to be included within the disposal group. See note 2 for further details.

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

11 Inventories

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

	2016 £m	2015 £m
Raw materials	**29.1**	28.5
Work in progress	**17.8**	11.7
Finished goods	**20.2**	31.0
	67.1	71.2

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

Provisions of £1.2m recognised in pre-exceptional operating expenses were made against inventories in 2015/16 (2014/15: £5.6m). The Group also reversed provisions of £13.6m (2014/15: £2.3m), being provisions against inventory that was subsequently utilised or sold.

12 Trade and other receivables

Trade and other receivables are measured at cost net of allowances for impairments, which approximates to fair value.

	2016 £m	2015 £m
Trade receivables	81.1	94.4
Provision for impairment	(3.5)	(3.8)
Net trade receivables	77.6	90.6
Other receivables	11.1	9.7
Prepayments	4.8	5.1
	93.5	105.4

At 26 March 2016 the Group had a single customer with a receivable of £15.0m, which has been received after the balance sheet date. Excluding this customer, there is no other concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

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

	Gross 2016 £m	Impairment 2016 £m	Gross 2015 £m	Impairment 2015 £m
Not past due	54.6	(0.4)	68.8	(0.5)
Past due 0-30 days	6.6	–	14.5	(0.1)
Past due 31-120 days	22.6	(0.1)	11.6	(0.8)
Past due more than 120 days	8.4	(3.0)	9.2	(2.4)
	92.2	(3.5)	104.1	(3.8)

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

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

	2016 £m	2015 £m
Balance at beginning of year	(3.8)	(3.4)
Impairment losses recognised	(2.3)	(1.2)
Impairment losses reversed	1.8	0.8
Transferred to assets held for resale	0.8	–
Balance at end of year	(3.5)	(3.8)

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

13 Financial risk

Financial risk management

Overview

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

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

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

Liquidity risk

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

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

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

Market risk

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

(a) Currency risk

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

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

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

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

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

(b) Interest rate risk

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

Credit risk

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

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

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

13 Financial risk continued

Financial instruments

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

Cash flow hedges

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

Fair value hedges

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

Embedded derivatives

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

Fair values

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

	Fair value measurement basis	**Fair value – Discontinued operations 2016 £m**	**Fair value – Continuing operations 2016 £m**	**Carrying amount – Continuing operations 2016 £m**	Total fair value 2016 £m	Total fair value 2015 £m	Carrying amount 2015 £m
Financial assets							
Trade and other receivables[1]		**10.8**	**88.7**	**88.7**	99.5	100.3	100.3
Cash and cash equivalents		**–**	**40.5**	**40.5**	40.5	30.8	30.8
Derivative financial instruments:							
– Forward exchange contracts designated as cash flow hedges	Level 2	**–**	**5.0**	**5.0**	5.0	3.3	3.3
– Short duration swap contracts designated as fair value hedges	Level 2	**–**	**0.1**	**0.1**	0.1	0.1	0.1
– Foreign exchange fair value hedges – other economic hedges	Level 2	**0.1**	**3.6**	**3.6**	3.7	2.0	2.0
– Embedded derivatives	Level 2	**0.1**	**8.2**	**8.2**	8.3	2.7	2.7
– Interest rate swaps	Level 2	**–**	**–**	**–**	–	–	–
Total financial assets		**11.0**	**146.1**	**146.1**	157.1	139.2	139.2
Financial liabilities							
Unsecured bank loans and overdrafts		**–**	**(146.6)**	**(146.6)**	(146.6)	(141.8)	(141.8)
Trade and other payables[2]		**(1.8)**	**(61.3)**	**(61.3)**	(63.1)	(62.9)	(62.9)
Derivative financial instruments:							
– Forward exchange contracts designated as cash flow hedges	Level 2	**–**	**(1.8)**	**(1.8)**	(1.8)	(7.7)	(7.7)
– Short duration swap contracts designated as fair value hedges	Level 2	**–**	**(0.3)**	**(0.3)**	(0.3)	(0.2)	(0.2)
– Foreign exchange fair value hedges – other economic hedges	Level 2	**(0.3)**	**(10.1)**	**(10.1)**	(10.4)	(3.4)	(3.4)
– Embedded derivatives	Level 2	**–**	**(0.7)**	**(0.7)**	(0.7)	(1.7)	(1.7)
– Interest rate swaps	Level 2	**–**	**(0.3)**	**(0.3)**	(0.3)	–	–
Total financial liabilities		**(2.1)**	**(221.1)**	**(221.1)**	(223.2)	(217.7)	(217.7)

(1) Excluding prepayments

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

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates. There has been no movement between levels during the current or prior periods.

13 Financial risk continued

Forward exchange contracts used for hedging

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

Interest rate swaps

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

Embedded derivatives

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

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

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

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

Hedge reserves

The hedge reserve balance on 26 March 2016 was £2.3m, 28 March 2015: (£3.5m). Net movements in the hedge reserve are shown in the Group statement of changes in equity.

Comprehensive income after tax was £5.8m comprising a loss of £4.1m of fair value movements on new and continuing cash flow hedges, a loss of £1.5m on maturing cash flow hedges for capital expenditure and a £1.6m charge to the income statement to match the recognition of the related cash flows in effective cash flow hedge relationships. Deferred tax on the net loss of £7.2m amounted to £1.4m. £0.1m of the (£1.4m) operating expense relates to discontinued operations.

Hedge reserve movements in the income statement were as follows:

	Revenue £m	Operating expense £m	Interest expense £m	Total £m
26 March 2016				
– Maturing cash flow hedges	**(0.2)**	**(1.4)**	**–**	**(1.6)**
– Ineffectiveness on de-recognition of cash flow hedges	**–**	**–**	**–**	**–**
	(0.2)	**(1.4)**	**–**	**(1.6)**
28 March 2015				
– Maturing cash flow hedges	0.1	(5.4)	–	(5.3)
– Ineffectiveness on de-recognition of cash flow hedges	–	–	–	–
	0.1	(5.4)	–	(5.3)

The ineffective portion of fair value hedges that was recognised in the income statement amounted to £nil (2014/15: £nil). The ineffective portion of cash flow hedges that was recognised in the income statement was £nil (2014/15: £nil).

Liquidity risk

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

26 March 2016	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	**146.6**	**–**	**–**	**146.6**	**–**	**146.6**
Derivative financial liabilities						
Gross amount payable from currency derivatives:						
– Forward exchange contracts designated as cash flow hedges	**42.0**	**0.2**	**–**	**42.2**	**(40.4)**	**1.8**
– Short duration swap contracts designated as fair value hedges	**48.6**	**–**	**–**	**48.6**	**(48.3)**	**0.3**
– Fair value hedges – other economic hedges	**148.7**	**19.3**	**2.1**	**170.1**	**(160.0)**	**10.1**
Interest rate swaps	**0.3**	**–**	**–**	**0.3**	**–**	**0.3**
	386.2	**19.5**	**2.1**	**407.8**	**(248.7)**	**159.1**

13 Financial risk continued

Liquidity risk continued

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

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

26 March 2016	**Due within 1 year £m**	**Due between 1 and 2 years £m**	**Due between 2 and 5 years £m**	**Total undiscounted cash flows £m**	**Impact of discounting and netting £m**	**Carrying amount £m**
Non-derivative financial assets						
Cash and cash equivalents	**40.5**	**–**	**–**	**40.5**	**–**	**40.5**
Derivative financial assets						
Gross amount receivable from currency derivatives:						
– Forward exchange contracts designated as cash flow hedges	**102.8**	**5.0**	**–**	**107.8**	**(102.8)**	**5.0**
– Short duration swap contracts designated as fair value hedges	**31.6**	**–**	**–**	**31.6**	**(31.5)**	**0.1**
– Fair value hedges – other economic hedges	**66.2**	**0.5**	**–**	**66.7**	**(63.1)**	**3.6**
Interest rate swaps	**–**	**–**	**–**	**–**	**–**	**–**
	241.1	**5.5**	**–**	**246.6**	**(197.4)**	**49.2**

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

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.

The Group has a revolving credit facility of £250m which matures in December 2019. The covenants require that the ratio of EBIT to net interest payable be greater than four times and the net debt to EBITDA ratio be less than three times. At the year end the specific bank covenant tests were as follows: EBIT/net interest payable of 12.9 times, net debt/EBITDA of 1.25 times.

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

As at 26 March 2016, the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £106.0m (28 March 2015: £110.1m in more than one year). The amount of loans drawn on the £250.0m facility is £144.0m (28 March 2015: £139.9m). Guarantees of £nil (28 March 2015: £nil) have been drawn using the facility.

13 Financial risk continued

Forward foreign exchange contracts

The net principal amounts of the outstanding forward foreign exchange contracts at 26 March 2016 are US dollar 35.9m, euro 38.7m, Swiss franc (28.7m), Japanese yen (1.6bn).

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are euro 18.5m, US dollar 6.2m and Japanese yen (0.4bn). These forward contracts are designated as cash flow hedges or fair value hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 26 March 2016 will be released to the income statement at various dates between one month and 30 months from the balance sheet date.

Short duration swap contracts

(i) Cash management swaps

The Group uses short duration currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 26 March 2016 was £nil (2014/15: £nil). Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps at 26 March 2016 are US dollar 34.0m, euro 4.0m, Swiss franc (6.8m), South African rand 10.0m, Australian dollar (1.4m), Japanese yen (1.2bn) and Canadian dollar 0.1m.

(ii) Balance sheet swaps

The Group uses short duration currency swaps to manage the translational exposure of monetary assets and liabilities denominated in foreign currencies. The fair value of balance sheet swaps as at 26 March 2016 was (£0.2m) (2014/15: (£0.1m)). Gains and losses on balance sheet swaps are included in the consolidated income statement.

The principal amounts outstanding under balance sheet swaps at 26 March 2016 are US dollar 24.8m, euro (22.2m), Swiss franc 1.7m, South African rand 11.4m, and Mexican peso (55.7m).

Embedded derivatives

Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The net fair value of embedded derivatives at 26 March 2016 was £7.5m (2014/15: £1.0m).

Gains and losses on fair value hedges

The gains and losses recognised in the year on the Group's fair value hedges were (£0.1m) relating to balance sheet hedges (2014/15: (£0.1m)), (£2.2m) relating to other fair value hedges (2014/15: £3.8m), and £nil relating to cash management hedges (2014/15: £nil).

Market risk: Currency risk

Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	**2016**	2015
US dollar	**1.50**	1.61	**1.41**	1.49
Euro	**1.36**	1.28	**1.27**	1.37

Sensitivity analysis

A 10 per cent strengthening of sterling against the following currencies at 26 March 2016 and 28 March 2015 would have increased/(decreased) profit or loss by the amounts shown below, based on the Group's external monetary assets and liabilities.

	2016 £m	2015 £m
US dollar	**(2.9)**	(1.8)
Euro	**(1.2)**	(1.6)

A 10 per cent weakening of sterling against the above currencies at 26 March 2016 and 28 March 2015 would have had the following effect:

	2016 £m	2015 £m
US dollar	**3.5**	2.2
Euro	**1.4**	2.0

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014/15.

13 Financial risk continued

Interest rate risk

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

	Carrying amount	
	2016 £m	2015 £m
Variable rate instruments		
Financial assets	40.5	30.8
Financial liabilities	(146.6)	(141.8)
	(106.1)	(111.0)

At the year ending 26 March 2016 the Group had sterling 65m of floating to fixed interest rate swaps with financial institutions and with maturities of October and November 2018.

Sensitivity analysis

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

	Profit and loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
26 March 2016	(0.5)	0.8	–	–
28 March 2015	(0.5)	1.2	–	–

Credit risk

Exposure to credit risk

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

	Notes	Carrying amount	
		2016 £m	2015 £m
Trade and other receivables (excluding prepayments)	12	88.7	100.3
Cash and cash equivalents	14	40.5	30.8
Forward exchange contracts used for hedging		8.7	5.4
Embedded derivatives		8.2	2.7
Interest rate swaps		–	–
		146.1	139.2

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

	Carrying amount	
	2016 £m	2015 £m
UK and Ireland	12.3	24.8
Rest of Europe	6.0	15.6
The Americas	17.9	7.8
Rest of world	52.5	52.1
	88.7	100.3

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

	Carrying amount	
	2016 £m	2015 £m
Banks and financial institutions	15.3	11.8
Government institutions	52.6	49.8
Distributors	3.2	3.4
Retail customers	0.1	0.1
End user customers	3.2	12.1
Other	14.3	23.1
	88.7	100.3

13 Financial risk continued

Fair value adjustment to credit risk on derivative contracts

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

Capital management

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

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

	Note	2016 £m	2015 £m
Total equity attributable to shareholders of the Company		**(134.4)**	(152.6)
Add back long term pension deficit liability		**219.9**	236.7
Adjusted equity attributable to shareholders of the Company		**85.5**	84.1
Net debt	21	**106.1**	111.0
Group capital		**191.6**	195.1

The long term pension deficit has been removed as a separate agreement is in place regarding the funding for this deficit which is paid out of cash flows from continuing operations. The Group's debt financing is also analysed in notes 17 and 21.

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

Earnings per share and dividend payments are the two measures which, in the Board's view, summarise best whether the Group's objectives regarding equity management are being met. The Group's earnings and dividends per share and relative rates of growth illustrate the extent to which equity attributable to shareholders has changed. Both measures are disclosed and discussed within the strategic report and notes 7 and 8.

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

De La Rue's dividend policy is to provide shareholders with a competitive return on their investment, while assuring sufficient reinvestment of profits to enable the Group to achieve its strategy. During the period, the Group invested £37m in ongoing research and development and capital expenditure. The proposed total dividend for the year is covered 1.6 times.

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

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

14 Cash and cash equivalents

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

	2016 £m	2015 £m
Cash at bank and in hand	**40.5**	28.6
Short term bank deposits	**–**	2.2
	40.5	30.8

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

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

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 13.

15 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:

	2016 £m	2015 £m
Deferred tax assets	**41.6**	47.7
Deferred tax liabilities	**(1.6)**	(1.1)
	40.0	46.6

15 Deferred taxation continued

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

	2016 £m	2015 £m
Beginning of the year	**46.6**	36.2
Exchange differences	**0.3**	(0.6)
Income statement credit/(charge)	**4.1**	(0.4)
Tax (charge)/credit to equity	**(11.0)**	11.4
End of the year	**40.0**	46.6

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

	Property, plant and equipment £m	Fair value gains £m	Development costs £m	Other £m	Total £m
Liabilities					
At 29 March 2014	(8.9)	(0.3)	(2.5)	–	(11.7)
Recognised in the income statement	(0.7)	0.3	0.3	(0.1)	(0.2)
Recognised in equity	–	–	–	–	–
At 28 March 2015	(9.6)	–	(2.2)	(0.1)	(11.9)
Recognised in the income statement	1.4	–	0.5	(0.4)	1.5
Recognised in equity	–	–	–	–	–
At 26 March 2016	**(8.2)**	**–**	**(1.7)**	**(0.5)**	**(10.4)**

	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
Assets					
At 29 March 2014	2.0	33.9	0.4	11.6	47.9
Recognised in the income statement	(0.4)	1.3	0.3	(1.4)	(0.2)
Recognised in equity	(1.1)	12.4	–	0.1	11.4
Exchange differences	–	–	–	(0.6)	(0.6)
At 28 March 2015	0.5	47.6	0.7	9.7	58.5
Recognised in the income statement	0.3	1.6	0.1	0.6	2.6
Recognised in equity	(0.3)	(9.3)	–	(1.4)	(11.0)
Exchange differences	–	–	–	0.3	0.3
At 26 March 2016	**0.5**	**39.9**	**0.8**	**9.2**	**50.4**

Other deferred assets and liabilities include tax associated with provisions of £2.4m (2014/15: £2.9m) and in respect of overseas tax credits £4.5m (2014/15: £4.2m).

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

The Group has not recognised deferred tax assets of £6.1m (2014/15: £3.0m) in respect of losses amounting to £19.7m (2014/15: £10.4m) that can be carried forward against future taxable income. Similarly, the Group has not recognised deferred tax assets of £10.0m (2014/15: £11.2m) in respect of overseas tax credits that are carried forward for utilisation in future periods.

Unremitted earnings totalled £201m at 26 March 2016 (2014/15: £502m). Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries where the timing of the reversal can be controlled and it was considered unlikely that dividends would be paid from those subsidiaries.

UK capital losses of £329.2m are carried forward at 26 March 2016 (2014/15: £330.1m). No deferred tax asset has been recognised in respect of these losses.

UK tax rate

A reduction in the main rate of UK corporation tax from 20 per cent to 19 per cent (effective from April 2017) then 18 per cent (effective from April 2020) was substantively enacted on 26 October 2015. This will reduce the UK Group's future current tax charge accordingly. The UK deferred tax assets and liabilities at 26 March 2016 have been calculated based on the rate of 18 per cent substantively enacted at the balance sheet date.

It was announced at the 2016 Budget that the main rate of UK corporation tax shall be reduced to 17 per cent from April 2020. This amendment was not substantively enacted at 26 March 2016 and therefore has not been reflected in the deferred tax figures on the balance sheet.

16 Trade and other payables

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

	2016 £m	2015 £m
Current liabilities		
Payments received on account	**44.1**	27.2
Trade payables	**40.1**	38.5
Amounts owed to associated companies	**0.4**	1.3
Social security and other taxation	**3.4**	3.6
Deferred income	**–**	4.8
Accrued expenses	**66.2**	64.2
Other payables	**17.3**	19.5
	171.5	159.1
Non-current liabilities		
Other payables	**1.4**	6.9
	1.4	6.9

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 13.

17 Borrowings

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

For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 13.

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £m	Carrying amount 2016 £m	Face value 2015 £m	Carrying amount 2015 £m
Current liabilities							
Unsecured bank loans and overdrafts	EUR	3.85%	2016	**0.9**	**0.9**	0.8	0.8
Unsecured bank loans and overdrafts	GBP	2.04%	2016	**144.0**	**144.0**	111.0	111.0
Unsecured bank loans and overdrafts	USD	1.88%	2016	**0.9**	**0.9**	28.9	28.9
Unsecured bank loans and overdrafts	Other	–	2016	**0.8**	**0.8**	1.1	1.1
Total interest bearing liabilities				**146.6**	**146.6**	141.8	141.8

As at 26 March 2016, bank overdrafts of £111.0m (2014/15: £95.1m) were offset for interest purposes against credit balances.

As at 26 March 2016, the Group has committed borrowing facilities, all maturing in more than one year, of £250m. Up to £100m of the £250m facility can be utilised for either loans or guarantees.

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

18 Provisions for liabilities and charges

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

	Restructuring £m	Warranty £m	Other £m	Total £m
At 28 March 2015	5.1	18.8	6.2	30.1
Exchange differences	0.3	–	–	0.3
Charge for the year	5.6	6.1	0.1	11.8
Utilised in year	(4.3)	(16.0)	(2.0)	(22.3)
Released in year	(0.9)	(2.9)	–	(3.8)
Transferred to held for sale	–	(0.1)	(0.1)	(0.2)
At 26 March 2016	**5.8**	**5.9**	**4.2**	**15.9**
Expected to be utilised within 1 year	1.7	5.9	1.4	9.0
Expected to be utilised after 1 year	4.1	–	2.8	6.9

Restructuring provisions principally represent amounts for various reorganisations, in Currency and Product Authenticity and Traceability. In December 2015 we announced the results of our manufacturing footprint review which will reduce our core banknote print production capacity from eight billion to six billion notes a year. These provisions include related amounts for staff compensation and site exit costs, which are expected to be utilised over three years.

Warranty provisions relate to present obligations for defective products and include known claims as well as anticipated claims that had not been reported at the balance sheet date. The provisions are management judgements based on information currently available, past history and experience of the products sold. However, it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year. The utilisation for the year includes payment of £13.3m in respect of the invocation of guarantees, provided in 2014/15.

Other provisions comprise a number of liabilities with varying expected utilisation rates. There are no individually material provisions within this total in the current or prior period.

19 Share capital

	2016 £m	2015 £m
Issued and fully paid		
101,358,815 ordinary shares of $44\frac{152}{175}$p each (2014/15: 101,128,329 ordinary shares of $44\frac{152}{175}$p each)	**45.5**	45.4
111,673,300 deferred shares of 1p each (2014/15: 111,673,300 deferred shares of 1p each)	**1.1**	1.1
	46.6	46.5

	2016		2015	
	Ordinary shares '000	**Deferred shares '000**	Ordinary shares '000	Deferred shares '000
Allotments during the year				
Shares in issue at 28 March 2015 / 29 March 2014	**101,128**	**111,673**	100,718	111,673
Issued under Savings Related Share Option Scheme	**39**	**–**	46	–
Issued under US Employee Share Purchase Plan	**11**	**–**	14	–
Issued under Recruitment Share Award	**–**	**–**	75	–
Issued under Retention Share Award	**–**	**–**	54	–
Issued under Restricted Share Award	**19**	**–**	–	–
Issued under Annual Bonus Plan	**138**	**–**	–	–
Issued under Performance Share Plan	**24**	**–**	221	–
Shares in issue at 26 March 2016 / 28 March 2015	**101,359**	**111,673**	101,128	111,673

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

20 Share based payments

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

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

At 26 March 2016, the Group has a number of share based payment plans, which are described below. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, Share Based Payments, which means that IFRS 2 has been applied to all grants of employee share based payments granted after 7 November 2002 that had not vested at 1 January 2005 and cash settled awards outstanding at 1 January 2005.

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

	Expense recognised for the year		Liability at end of year	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Annual Bonus Plan	**0.6**	0.5	**–**	–
Performance Share Plan	**1.8**	(1.0)	**–**	–
Restricted Share Award	**0.1**	–	**–**	–
Recruitment Share Award	**–**	–	**–**	–
Retention Share Award	**–**	–	**–**	–
Savings Related Share Option Scheme	**0.1**	(0.1)	**–**	–
US Employee Share Purchase Plan	**–**	–	**–**	–
	2.6	(0.6)	**–**	–

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	Performance Share Plan	Performance Share Plan	Savings Related Share Option Scheme
Dates of current year grants	29 Jun 2015	23 Sep 2015	05 Jan 2016
Number of options granted	646,356	67,092	1,880,324
Exercise price	n/a	n/a	344.40
Contractual life (years)	3 or 4	3 or 4	3 or 5
Settlement	Shares	Shares	Shares
Vesting period (years)	3 or 4	3 or 4	3 or 5
Dividend yield	n/a	n/a	25p pa
Fair value per option at grant date	£5.41	£4.77	£0.99 for 3 year plan £1.11 for 5 year plan

Arrangement	Annual Bonus Plan	Annual Bonus Plan
Dates of current year grants	02 Jun 2015	04 Jun 2015
Number of options granted	21,476	16,389
Exercise price	n/a	n/a
Contractual life (years)	1 or 2	1, 2 or 3
Settlement	Shares	Shares
Vesting period (years)	1 or 2	1, 2 or 3
Dividend yield	n/a	n/a
Fair value per option at grant date	£5.12	£5.15

An expected volatility rate of 30 per cent (2014/15: 30 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 1.0 or 1.4 per cent depending on the vesting period.

Reconciliations of option movements over the period to 26 March 2016 for each class of options are shown below:

20 Share based payments continued

Annual Bonus Plan

For details of the Annual Bonus Plan, refer to the directors' remuneration report on pages 53 to 73.

	2016 Number of options '000	2015 Number of options '000
Options outstanding at start of year	**282**	145
Granted	**38**	144
Forfeited	**(1)**	(7)
Exercised	**(138)**	–
Expired	**–**	–
Outstanding at end of year	**181**	282
Exercisable at year end	**–**	–

Performance Share Plan

For details of the Performance Share Plan, refer to the directors' remuneration report on pages 53 to 73.

	2016 Weighted average exercise price pence per share	2016 Number of options '000	2015 Weighted average exercise price pence per share	2015 Number of options '000
Options outstanding at start of year	**891.13**	**917**	836.95	1,283
Granted	**534.98**	**713**	830.00	382
Forfeited	**713.07**	**(171)**	780.32	(574)
Exercised	**714.27**	**(19)**	723.13	(174)
Expired	**990.62**	**(348)**	–	–
Outstanding at end of year	**657.75**	**1,092**	891.13	917
Exercisable at year end	**–**	**–**	–	–

The awards have been allocated based on a share price of 559.50p for the 26 November 2010 grants, 686.50p for the 31 January 2011 grants, 759.80p for the 23 June 2011 grants, 991.10p for the 10 July 2012 grants, 892.90p for the 04 December 2013 grants, 830.00p for the 27 June 2014 grants, 541.00p for the 29 June 2015 grants, and 476.95p for the 23 September 2015 grants.

Retention and Recruitment Share Award

	Retention Share Award		Recruitment Share Award	
	2016 Number of options '000	2015 Number of options '000	2016 Number of options '000	2015 Number of options '000
Options outstanding at start of year	**–**	46	**–**	66
Exercised	**–**	(46)	**–**	(66)
Outstanding at end of year	**–**	–	**–**	–
Exercisable at year end	**–**	–	**–**	–

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

20 Share based payments continued

Restricted Share Award

For details of the Restricted Share Award, refer to the directors' remuneration report on pages 53 to 73.

	Restricted Share Award	
	2016 Number of options '000	2015 Number of options '000
Options outstanding at start of year	**38**	–
Granted	**–**	38
Forfeited	**–**	–
Exercised	**(19)**	–
Expired	**–**	–
Outstanding at end of year	**19**	38
Exercisable at year end	**–**	–

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

Savings Related Share Option Scheme

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

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

	2016		2015	
	Weighted average exercise price pence per share	**Number of options '000**	Weighted average exercise price pence per share	Number of options '000
Options outstanding at start of year	**476.63**	**2,678**	636.08	1,332
Granted	**344.40**	**1,880**	438.00	1,993
Forfeited	**450.41**	**(1,168)**	706.76	(567)
Exercised	**443.23**	**(39)**	452.16	(49)
Expired	**618.04**	**(222)**	669.45	(31)
Outstanding at end of year	**397.36**	**3,129**	476.63	2,678
Exercisable at year end	**–**	**–**	–	–

The range of exercise prices for the share options outstanding at the end of the year is 344.40p – 775.34p (2015: 438.00p – 819.55p). The weighted average remaining contractual life of the outstanding share options is 1 September 2019 (2014/15: 1 September 2018).

US Employee Share Purchase Plan

De La Rue operates a US Employee Share Purchase Plan for US employees. Under the plan, employees have an option to purchase De La Rue plc shares at the end of each 12 month savings period at a price which is the lower of the market value of the De La Rue plc share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2015/16, 11,335 shares (2014/15: 13,979 shares) were allotted pursuant to the plan. The Company has suspended future offerings from 1 January 2016 due to the low number of participants and corresponding shares awarded, as it is no longer considered a cost effective incentive and benefit to US employees.

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

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

The Trustee held no shares at 26 March 2016.

21 Analysis of net debt

	2016 £m	2015 £m
Cash at bank and in hand	**40.5**	28.6
Short term bank deposits	**–**	2.2
Bank overdrafts	**(2.6)**	(1.9)
Total cash and cash equivalents	**37.9**	28.9
Borrowings due within one year	**(144.0)**	(139.9)
Net debt	**(106.1)**	(111.0)

22 Operating leases

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

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

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

	2016 Property £m	2016 Plant and equipment £m	2015 Property £m	2015 Plant and equipment £m
Total commitments due:				
– Within one year	**1.9**	**0.1**	2.5	0.1
– Between one and five years	**7.4**	**0.1**	7.4	–
– Over five years	**30.1**	**–**	32.0	–
	39.4	**0.2**	41.9	0.1

23 Retirement benefit obligations

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

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

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

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

The Group has considered whether the minimum funding commitments made to its schemes could give rise to an additional liability under IFRIC 14 and determined that no additional liability is required based on the Group's rights.

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

23 Retirement benefit obligations continued

(a) Defined benefit pension schemes

Amounts recognised in the consolidated balance sheet:

	2016 UK £m	2016 Overseas £m	2016 Total £m	2015 UK £m	2015 Overseas £m	2015 Total £m
Equities	**303.9**	**–**	**303.9**	311.0	–	311.0
Bonds	**100.1**	**–**	**100.1**	104.5	–	104.5
Gilts	**156.7**	**–**	**156.7**	157.1	–	157.1
Diversified Growth Fund	**186.3**	**–**	**186.3**	193.7	–	193.7
Liability Driven Investment Fund	**90.3**	**–**	**90.3**	97.1	–	97.1
Other	**24.6**	**–**	**24.6**	28.2	–	28.2
Fair value of scheme assets	**861.9**	**–**	**861.9**	891.6	–	891.6
Present value of funded obligations	**(1,072.2)**	**–**	**(1,072.2)**	(1,117.6)	–	(1,117.6)
Funded defined benefit pension schemes	**(210.3)**	**–**	**(210.3)**	(226.0)	–	(226.0)
Present value of unfunded obligations	**(7.3)**	**(2.3)**	**(9.6)**	(8.1)	(2.6)	(10.7)
Net liability	**(217.6)**	**(2.3)**	**(219.9)**	(234.1)	(2.6)	(236.7)

Amounts recognised in the consolidated income statement:

	2016 UK £m	2016 Overseas £m	2016 Total £m	2015 UK £m	2015 Overseas £m	2015 Total £m
Included in employee benefits expense:						
– Current service cost	**–**	**(0.2)**	**(0.2)**	–	(0.4)	(0.4)
– Administrative expenses and taxes	**(1.2)**	**–**	**(1.2)**	(1.1)	–	(1.1)
Included in interest on retirement benefit obligation net finance expense:						
– Interest income on scheme assets	**28.1**	**–**	**28.1**	34.4	–	34.4
– Interest cost on liabilities	**(35.2)**	**–**	**(35.2)**	(41.4)	–	(41.4)
Retirement benefit obligation net finance expense	**(7.1)**	**–**	**(7.1)**	(7.0)	–	(7.0)
Total recognised in the consolidated income statement	**(8.3)**	**(0.2)**	**(8.5)**	(8.1)	(0.4)	(8.5)
Return on scheme assets excluding interest income	**(37.1)**	**–**	**(37.1)**	98.7	–	98.7
Remeasurement (losses)/gains on defined benefit pension obligations	**42.7**	**(0.2)**	**42.5**	(178.0)	0.2	(177.8)
Amounts recognised in other comprehensive income	**5.6**	**(0.2)**	**5.4**	(79.3)	0.2	(79.1)

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

	2016 UK %	2016 Overseas %	2016 Total %	2015 UK %	2015 Overseas %	2015 Total %
Equities	**35.3**	**–**	**35.3**	34.9	–	34.9
Bonds	**11.6**	**–**	**11.6**	11.7	–	11.7
Gilts	**18.2**	**–**	**18.2**	17.6	–	17.6
Diversified Growth Fund	**21.6**	**–**	**21.6**	21.7	–	21.7
Liability Driven Investment Fund	**10.5**	**–**	**10.5**	10.9	–	10.9
Other	**2.8**	**–**	**2.8**	3.2	–	3.2

The Diversified Growth Fund is a diversified asset portfolio which includes investments in equities, emerging market bonds, property, high yield credit and structured finance and smaller holdings in other asset classes. The Liability Driven Investment (LDI) fund consists of fixed interest bond holdings (approximately 59 per cent), index linked bond holdings (approximately 33 per cent) and cash (approximately 8 per cent). Interest rate swaps and floating rate notes are employed to complement the role of the LDI fund for liability risk management.

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

23 Retirement benefit obligations continued

Principal actuarial assumptions:

	2016 UK %	2016 Overseas %	2015 UK %	2015 Overseas %
Future pension increases – past service	**3.60**	**–**	3.60	–
Discount rate	**3.50**	**–**	3.20	–
RPI inflation rate	**3.10**	**–**	3.10	–

The financial assumptions adopted as at 26 March 2016 reflect the duration of the scheme liabilities which has been estimated to be 19 years.

At 26 March 2016 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2013 and a long term rate of 1.25 per cent per annum. This assumption has been updated from that used in 2014/15 based on the expected assumption to be used at the 5 April 2015 funding valuation but removing a margin for prudence. The resulting life expectancies within retirement are as follows:

		2016	2015
Aged 65 retiring immediately (current pensioner)	Male	**23.0**	22.2
	Female	**24.4**	24.6
Aged 50 retiring in 17 years (future pensioner)	Male	**24.1**	21.6
	Female	**26.9**	24.0

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

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

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

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

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

Any increase in the retirement benefit obligation could lead to additional funding obligations in future years.

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

Assumption change	Approximate impact on liability
0.25% decrease in discount rate	Increase in liability of c£49m
0.25% increase in RPI inflation rate	Increase in liability of c£32m
Increasing life expectancy by one year	Increase in liability of c£32m

The largest defined benefit pension scheme operated by the Group is in the UK. A full actuarial valuation of the scheme is currently being carried out by a qualified actuary as at 5 April 2015.

Changes in the fair value of UK scheme assets:

	2016 £m	2015 £m
At 28 March 2015 / 29 March 2014	**891.6**	773.9
Interest income on scheme assets	**28.1**	34.4
Scheme administration expenses	**(1.2)**	(1.1)
Return on scheme assets less interest income	**(37.1)**	98.7
Employer contributions and other income	**19.2**	18.9
Benefits paid (including transfers)	**(38.7)**	(33.2)
At 26 March 2016 / 28 March 2015	**861.9**	891.6

23 Retirement benefit obligations continued

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

	2016 £m	2015 £m
At 28 March 2015 / 29 March 2014	**(1,125.7)**	(939.5)
Interest cost on liabilities	**(35.2)**	(41.4)
Effect of changes in financial assumptions	**58.7**	(178.5)
Effect of changes in demographic assumptions	**(12.3)**	–
Effect of experience items on liabilities	**(3.7)**	0.5
Benefits paid (including transfers)	**38.7**	33.2
At 26 March 2016 / 28 March 2015	**(1,079.5)**	(1,125.7)

During 2015/16, the Group made special funding payments of £19.1m (including scheme administration fees). The Group had agreed with the scheme Trustees and the Pensions Regulator deficit funding payments to the scheme of £18.9m in 2016/17, rising by 4 per cent per annum. Pending finalisation of the 2015 valuation, the special funding arrangements agreed in 2012 which aim to eliminate the deficit by 2022 remain unchanged.

(b) Defined contribution pension plans

The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the year was £9.4m (2014/15: £10.0m).

24 Employee information

	2016 number	2015 number
Average number of employees		
United Kingdom and Ireland	**2,018**	2,089
Rest of Europe	**630**	734
The Americas	**125**	174
Rest of world	**793**	953
	3,566	3,950
Average number of employees		
Currency	**2,626**	2,739
Identity Solutions	**327**	402
Product Authentication and Traceability	**162**	277
Cash Processing Solutions	**451**	532
	3,566	3,950

	2016 £m	2015 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**125.6**	131.5
Social security costs	**11.7**	11.9
Share incentive schemes	**2.5**	(0.5)
Sharesave schemes	**0.1**	(0.1)
Pension costs	**9.4**	10.3
	149.3	153.1

25 Capital commitments

	2016 £m	2015 £m
The following commitments existed at the balance sheet date:		
– Contracted but not provided for in the accounts	**10.3**	4.4

26 Contingent liabilities

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

The Company has received notification from the relevant UK law enforcement authorities that they have closed their investigation related to certain paper mis-certification issues in 2010. No action has been taken against the Company.

27 Related party transactions

During the year the Group traded on an arms length basis with the associated company Fidink S.A. (33.3 per cent owned). The Group's trading activities with this company included £24.2m (2014/15: £24.4m) for the purchase of security ink and other consumables. At the balance sheet date there were creditor balances of £3.2m (2014/15: £5.7m) with Fidink S.A.

Intra-Group transactions between the parent and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

Key management compensation

	2016 £'000	2015 £'000
Salaries and other short term employee benefits	**3,356.6**	3,222.7
Termination benefits	**237.7**	158.0
Retirement benefits:		
– Defined contribution	**230.4**	168.1
Share based payments	**827.0**	(163.4)
	4,651.7	3,385.4

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

28 Events since the balance sheet date

Since the year end the following material events have occurred:

Non-adjusting event

On 22 May 2016 the sale of the Cash Processing Solutions business was completed. The net result will be recognised in the half year ending 24 September 2016. This includes the loss on disposal of current assets and liabilities held for sale (refer to note 2), the recycling through the income statement of accumulated foreign exchange translation movements recorded in reserves and the estimated costs of disposal.

In addition to the cash payment upon completion and deferred cash payments there is also a contingent element of consideration which is dependent upon the disposed business meeting certain future targets.

29 Subsidiaries and associated companies as at 26 March 2016

A full list of subsidiary and associated undertakings is below.

Country of incorporation and operation		Activities	De La Rue interest %
Europe			
United Kingdom	DLR (No.1) Limited	Holding company	100
	DLR (No.2) Limited*	Holding company	100
	De La Rue Holdings Limited	Holding and general commercial activities	100
	De La Rue International Limited	Trading	100
	De La Rue Overseas Limited	Holding company	100
	De La Rue Finance Limited	Internal financing	100
	De La Rue Investments Limited	Holding company	100
	Portals Group Limited	Holding company	100
	Bradbury Wilkinson Holdings Limited (in liquidation)	(in liquidation)	100
	Cash Processing Solutions Limited†	Trading	100
	De La Rue Consulting Services Limited	Trading	100
	De La Rue Healthcare Trustee Limited	Dormant	100
	De La Rue Pension Trustee Limited	Dormant	100
	De La Rue Scandinavia Limited	Holding company	100
	Harrison & Sons Limited	Non-trading	100
	Portals Holdings Limited	Dormant	100
	Portals Property Limited	Trading	100
Channel Islands	The Burnhill Insurance Company Limited	Insurance	100
	De La Rue (Guernsey) Limited	Non-trading	100
France	De La Rue Cash Processing Solutions (France) SAS†	Trading	100
Ireland	De La Rue Cash Processing Solutions Limited†	Trading	100
	Thomas De La Rue and Company (Ireland) Limited	Dormant	100
Malta	De La Rue Currency and Security Print Limited	Trading	100
	De La Rue Services Limited	Trading	100
The Netherlands	De La Rue BV	Trading	100
Poland	Harrison & Sons Sp. Zo. o	Dormant	100
Russia	De La Rue CIS†	Trading	100
Spain	De La Rue Cash Processing Solutions (Spain) SLU†	Trading	100
Sweden	De La Rue (Sverige) AB	Non-trading	100
Switzerland	Thomas De La Rue A.G.	Holding company	100
North America			
USA	De La Rue North America Holdings Inc.	Holding company	100
	De La Rue North America Inc.†	Trading	100
Canada	De La Rue Canada Inc†	Trading	100
South America			
Mexico	De La Rue Mexico, S.A. de C.V.†	Trading	100
	De La Rue Cash Processing Solutions Mexico Limited S.A. de C.V.†	Trading	100
Brazil	De La Rue Cash Systems Industrias Limitada	Trading	100
	De La Rue Cash Systems Limitada	Trading	100
Saint Lucia	De La Rue Caribbean Limited	Trading	100
Africa			
Kenya	De La Rue Currency and Security Print Limited	Trading	100
	De La Rue Kenya EPZ Limited	Dormant	100
Angola	De La Rue Angola Limitada	Trading	100
Nigeria	De La Rue Commercial Services Limited	Trading	100
Senegal	De La Rue West Africa SARL	Trading	100
South Africa	De La Rue Global Services (Pty) Limited	Trading	100
	De La Rue South Africa (Proprietary) Limited†	Trading	100
	De La Rue Systems (Proprietary) Limited†	Dormant	100

29 Subsidiaries and associated companies as at 26 March 2016 continued

Country of incorporation and operation		Activities	De La Rue interest %
Australia and Oceania			
Australia	De La Rue Cash Processing Solutions (Australia) Pty Limited†	Trading	100
Far East and Asia			
China	De La Rue Trading (Shenzhen) Co Limited†	Trading	100
	De La Rue Security Products (Suzhou) Co. Ltd	Trading	100
Hong Kong	De La Rue Systems Limited†	Trading	100
	Thomas De La Rue (Hong Kong) Limited	Dormant	100
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited	Trading	60
India	De La Rue Cash Processing Solutions India Private Limited†	Trading	100
	De La Rue India Private Limited	Trading	100
Malaysia	CSI Asia SDN BHD†	Trading	100
	De La Rue (Malaysia) Sdn Bhd†	Trading	100
Philippines	De La Rue Cash Processing Solutions (Philippines), Inc.†	Trading	100
Singapore	De La Rue Currency and Security Print Pte Ltd	Non-trading	100
	De La Rue Systems Asia Pacific Pte Ltd†	Dormant	100
Thailand	De La Rue (Thailand) Limited†	Trading	100
United Arab Emirates	De La Rue Cash Processing Solutions FZCO†	Trading	100
Associates			
Switzerland	Fidink S.A.	Trading	33

*Held directly by De La Rue plc

†Included in the sale of the Cash Processing Solutions business completed on 22 May 2016 (see note 28)

The subsidiary undertaking formed/acquired after the year end is listed below.

This was not included in the Group consolidation at 26 March 2016.

Country of incorporation and operation		Activities	De La Rue interest %
Canada	De La Rue Canada One Limited	Non-trading	100

30 Non controlling interest

The Group's only subsidiary with a material non-controlling interest is De La Rue Lanka Currency and Security Print (Private) Limited, whose country of incorporation and operation is Sri Lanka. The accumulated non-controlling interest of the subsidiary at the end of the reporting period is shown on the Group balance sheet. The following table summarises key information relating to this subsidiary, before intra-group eliminations:

	2016 £m	2015 £m
Non-current assets	**15.1**	16.8
Current assets	**21.6**	8.8
Non-current liabilities	**(1.9)**	(1.5)
Current liabilities	**(18.1)**	(9.5)
Net assets (100%)	**16.7**	14.6
Revenue	**35.1**	32.3
Profit for the year	**3.0**	2.0
Non-controlling interest percentage	**40%**	40%
Profit allocated to non-controlling interest	**1.2**	0.8
Dividends paid to non-controlling interest	**0.3**	0.2
Cash flows from operating activities	**15.0**	6.0
Cash flows from investment activities	**(0.4)**	(0.4)
Cash flows from financing activities	**–**	–
Net increase in cash and cash equivalents	**14.6**	5.6

Company balance sheet at 26 March 2016

	Notes	2016 £m	2015 £m
Fixed assets			
Investments in subsidiaries	4a	**152.4**	152.4
		152.4	152.4
Current assets			
Debtors receivable within one year	5a	**27.8**	79.4
Cash at bank and in hand		**1.1**	1.0
		28.9	80.4
Creditors: amounts falling due within one year			
Borrowings	6a	**(0.2)**	(29.0)
Other creditors	7a	**(6.7)**	(4.2)
		(6.9)	(33.2)
Net current assets		**22.0**	47.2
Total assets less current liabilities		**174.4**	199.6
Net assets		**174.4**	199.6
Capital and reserves			
Share capital	8a	**46.6**	46.5
Share premium account		**35.7**	35.5
Capital redemption reserve		**5.9**	5.9
Retained earnings		**86.2**	111.7
Total shareholders' funds		**174.4**	199.6

Approved by the Board on 24 May 2016

Philip Rogerson
Chairman

Jitesh Sodha
Chief Financial Officer

Company statement of changes in equity for the period ended 26 March 2016

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 29 March 2014	46.3	35.3	5.9	148.0	235.5
Share capital issued	0.2	0.2	–	–	0.4
Profit for the financial year	–	–	–	1.0	1.0
Dividends paid	–	–	–	(36.8)	(36.8)
Employee share scheme:					
– value of services provided	–	–	–	(0.5)	(0.5)
Balance at 28 March 2015	46.5	35.5	5.9	111.7	199.6
Share capital issued	0.1	0.2	–	–	0.3
Loss for the financial year	–	–	–	(2.6)	(2.6)
Dividends paid	–	–	–	(25.3)	(25.3)
Employee share scheme:					
– value of services provided	–	–	–	2.4	2.4
Balance at 26 March 2016	**46.6**	**35.7**	**5.9**	**86.2**	**174.4**

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

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

Accounting policies – Company

Basis of preparation
The financial statements of De La Rue plc (the Company) have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemption has been taken in these financial statements: Separate financial instruments – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at transition date, 30 March 2014.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period
- Cash Flow Statement and related notes
- Key Management Personnel compensation

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1
- The Company proposes to continue to adopt FRS 102 with the above disclosure exemptions in its next financial statements

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition, accounting estimates or discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on pages 87 to 88.

The accounts have been prepared as at 26 March 2016, being the last Saturday in March. The comparatives for the 2014/15 financial period are for the period ended 28 March 2015.

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

Measurement convention
The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and financial instruments classified at fair value through the profit or loss.

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

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

Dividends
Under FRS 102, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Investments in subsidiaries
These are separate financial statements of the company. Investments in subsidiaries are carried at deemed cost.

Employee benefits
Defined benefit plans
The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme and is closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer but the Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Company, De La Rue International Limited, which pays all contributions to the scheme and hence these are not shown in the Company accounts. Full details of the scheme and its deficit (measured on an IAS 19R basis) can be found in note 23 to the consolidated financial statements.

Share-based payment transactions
Full details of the share based payments Schemes operated by the Group are found in note 20 to the consolidated financial statements.

Taxation
The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

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

1a Employee costs and numbers

Employee costs are borne by De La Rue Holdings Limited. For details of Directors' remuneration, refer to disclosures in the directors' remuneration report on pages 53 to 73.

	2016 Number	2015 Number
Average employee numbers	**5**	3

2a Auditor's remuneration

Auditor's remuneration is borne by De La Rue Holdings Limited. For details of auditor's remuneration, see note 3 to the consolidated financial statements.

3a Equity dividends

For details of equity dividends, see note 8 to the consolidated financial statements.

4a Investments

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

	2016 £m	2015 £m
Investments comprise:		
Investments in subsidiaries	**152.4**	152.4

	2016 £m	2015 £m
Cost		
At 26 March 2016 and 28 March 2015	**152.4**	152.4

For details of investments in Group companies, refer to the list of subsidiary and associated undertakings on pages 119 to 120.

5a Debtors

Other receivables are measured at amortised cost, which approximates to fair value. Trade and other receivables are discounted when the time value of money is considered material.

	2016 £m	2015 £m
Amounts due within one year		
Amounts owed by Group undertakings	**27.8**	79.4

6a Borrowings

	2016 £m	2015 £m
Short term borrowings		
Bank loans and overdrafts	**0.2**	29.0

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

	2016 £m	2015 £m
US dollar	**–**	28.9
Euro	**–**	–
Sterling	**0.2**	0.1
Other currencies	**–**	–
	0.2	29.0

7a Other creditors

	2016 £m	2015 £m
Amounts falling due within one year		
Amounts due to Group undertakings	**5.4**	4.0
Accruals and deferred income	**1.3**	0.2
Other creditors	**6.7**	4.2

8a Share capital

For details of share capital, see note 19 to the consolidated financial statements.

9a Share based payments

The Company operates various equity and cash settled option schemes although the majority of plans are settled by the issue of shares. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 102 has been applied to share settled share options granted after 7 November 2002.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

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

For details of share based payments, see note 20 to the consolidated financial statements and the directors' remuneration report on pages 53 to 73.

10a Related party transactions

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

For details of key management compensation, see note 27 to the consolidated financial statements.

Five year record

Income statement

	2012[1,2] £m	2013[2] £m	2014[2] £m	Restated 2015 £m	**2016 £m**
Revenue	528.3	483.7	513.3	422.8	**454.5**
Operating profit					
– Underlying operating profit	63.1	61.5	89.3	69.1	**70.4**
– Exceptional items – operating	(24.8)	(7.6)	(17.5)	(16.9)	**(3.6)**
Total	38.3	53.9	71.8	52.2	**66.8**
Share of profits of associated companies	–	–	–	–	**–**
Exceptional items – non-operating	–	–	–	–	**–**
Profit before interest	38.3	53.9	71.8	52.2	**66.8**
Net interest expense	(4.1)	(3.6)	(4.7)	(4.6)	**(4.8)**
Retirement benefit obligation net finance expense	(1.3)	(6.6)	(7.3)	(7.0)	**(7.1)**
Profit before taxation	32.9	43.7	59.8	40.6	**54.9**
Taxation	(0.7)	(5.5)	(11.9)	(7.7)	**(6.3)**
Profit after taxation from continuing operations	32.2	38.2	47.9	32.9	**48.6**
Profit/(loss) from discontinued operations	–	–	–	2.2	**(31.0)**
Equity non-controlling interests	(0.6)	(1.0)	(0.6)	(0.8)	**(1.2)**
Profit for the year	31.6	37.2	47.3	34.3	**16.4**
Dividends	(42.0)	(42.1)	(42.2)	(36.8)	**(25.3)**
Retained profit/(loss) for the period	(10.4)	(4.9)	5.1	(2.5)	**(8.9)**
Earnings per ordinary share continuing operations	31.8p	37.4p	47.3p	31.8p	**46.8p**
Earnings per ordinary share discontinued operations	–	–	–	2.2.p	**(30.6p)**
Diluted earnings per share continuing operations	31.5p	36.9p	47.0p	31.3p	**46.2p**
Diluted earnings per share discontinued operations	–	–	–	2.1p	**(30.2p)**
Underlying earnings per ordinary share continuing operations	43.5p	38.5p	60.7p	46.1p	**48.1p**
Underlying earnings per ordinary share discontinued operations	–	–	–	(0.8p)	**(7.1p)**
Dividends per ordinary share[3]	42.3p	42.3p	42.3p	25.0p	**25.0p**
Underlying profit before taxation	57.7	51.3	77.3	57.5	**58.5**

Balance sheet

	£m	£m	£m	£m	**£m**
Non-current assets	225.6	251.3	240.4	244.0	**226.5**
Net current liabilities	(90.9)	(58.6)	(40.8)	(30.7)	**(35.0)**
Net debt	(24.8)	(76.7)	(89.9)	(111.0)	**(106.1)**
Other liabilities	(155.5)	(182.6)	(180.1)	(249.2)	**(231.0)**
Equity non-controlling interests	(3.9)	(4.7)	(5.1)	(5.7)	**(6.6)**
Total equity attributable to shareholders of the Company	(49.5)	(71.3)	(75.5)	(152.6)	**(152.2)**

Notes

(1) Not restated to reflect the amendments to IAS 19R Employment benefits.

(2) Not restated in respect of discontinued operations.

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

Shareholders' information

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De La Rue House
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Basingstoke
Hampshire
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Telephone: +44 (0)1256 605000
Fax: +44 (0)1256 605336

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

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

Telephone: +44 (0)370 703 6375
Fax: +44 (0)370 703 6101

Annual general meeting
The AGM will be held at 10:30am on Thursday 21 July 2016 at The Hampshire Court Hotel, Centre Drive, Great Binfields Road, Chineham, Basingstoke, RG24 8FY. Each shareholder is entitled to attend and vote at the AGM, the arrangements for which are described in a separate notice to shareholders. The notice of AGM can also be found in the investors section on the Group's website.

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

Electronic voting
All shareholders can submit proxies for the AGM electronically by logging onto Computershare's website at www.investorcentre.co.uk/eproxy

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

Shareholder helpline telephone:
+44 (0)370 703 6375

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

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

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

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

Capital gains tax
March 1982 valuation
The price per share on 31 March 1982 was 617.5p.

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

Share dealing facilities
Computershare Investor Services PLC
Computershare, the Company's registrar, provides a simple way to sell or purchase De La Rue plc shares.

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

Telephone share dealing
Commission is charged at 1 per cent plus £35, with no set up or annual management fees. The telephone share dealing service is available from 08:00 to 16:30 Monday to Friday, excluding bank holidays, on telephone number: +44 (0)370 703 0084

Stocktrade
An execution only telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling De La Rue plc shares. Basic commission is 1 per cent, with a minimum charge of £25.00 with no maximum. For further information, please call +44 (0)131 240 0414 and quote reference 'De La Rue dial and deal service'. Please note that these services are not available in the US.

Financial calendar

Ex-dividend date for 2015/16 final dividend	23 June 2016
Record date for final dividend	24 June 2016
Payment of 2015/16 final dividend	3 August 2016

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

Analysis of shareholders at 26 March 2016

	Shareholders		Shares	
By range of holdings	Number	%	Number	%
0 – 1,000	4,712	75.66	1,602,818	1.58
1,001 – 5,000	1,146	18.40	2,283,627	2.25
5,001 – 10,000	116	1.86	833,061	0.82
10,001 – 100,000	145	2.33	5,032,459	4.97
100,001 – 500,000	79	1.27	18,396,206	18.15
500,001 and above	30	0.48	73,210,644	72.23
Total	**6,228**	**100.00**	**101,358,815**	**100.00**

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