

**De La Rue plc**  
**24 May 2016**

**Solid performance and good early strategic progress**

De La Rue plc (LSE: DLAR) (De La Rue, the “Group” or the “Company”) announces its full year results for the twelve months ended 26 March 2016 (the period or full year).

**KEY FINANCIALS**

The table below shows the performance before and after the disposal of the Cash Processing Solutions (CPS) business which was sold on 22 May 2016.

|                                 | Continuing Operations* |               |             | Pre Disposal* |               |             |
|---------------------------------|------------------------|---------------|-------------|---------------|---------------|-------------|
|                                 | 2015/16<br>£m          | 2014/15<br>£m | Change<br>% | 2015/16<br>£m | 2014/15<br>£m | Change<br>% |
| Revenue                         | <b>454.5</b>           | 422.8         | 7%          | <b>488.2</b>  | 472.1         | 3%          |
| Underlying operating profit**   | <b>70.4</b>            | 69.1          | 2%          | <b>62.5</b>   | 69.5          | (10%)       |
| Underlying operating margin**   | <b>15.5%</b>           | 16.3%         | (80bpts)    | <b>12.8%</b>  | 14.7%         | (190bpts)   |
| Underlying profit before tax**  | <b>58.5</b>            | 57.5          | 2%          | <b>50.4</b>   | 57.7          | (13%)       |
| Reported profit before tax      | <b>54.9</b>            | 40.6          | 35%         | <b>20.8</b>   | 38.9          | (47%)       |
| Underlying earnings per share** | <b>48.1p</b>           | 46.1p         | 4%          | <b>41.0p</b>  | 47.9p         | (14%)       |
| Reported earnings per share     | <b>46.8p</b>           | 31.8p         | 47%         | <b>16.2p</b>  | 34.0p         | (52%)       |
| Total dividend per share        | <b>25.0p</b>           | 25.0p         | 0%          | <b>25.0p</b>  | 25.0p         | 0%          |

\* “Continuing Operations” is the Group excluding CPS, “Pre Disposal” is the Group including CPS.

\*\* On continuing operations basis, underlying numbers are before a net exceptional charge of £3.6m (restated 2014/15: £16.9m). Underlying EPS is calculated before the exceptional charge noted above and exceptional tax credits of £2.3m (restated 2014/15: £2.4m). On pre disposal basis, underlying numbers are before a net exceptional charge of £29.6m (2014/15: £18.8m). Underlying EPS is calculated before the exceptional charge noted above and exceptional tax credits of £4.5m (2014/15: £4.7m).

**FINANCIAL HIGHLIGHTS**

- Full year results in line with trading update on 13 April 2016
- Year on year revenue up 7% and underlying operating profit up 2%<sup>1</sup>
- Positive operating cash flow resulting in net debt reduction of £4.9m to £106.1m. Net debt/EBITDA at 1.25x
- Underlying earnings per share up 4% to 48.1p<sup>1</sup>
- Final dividend maintained at 16.7p. Full year dividend unchanged at 25.0p.
- Group 12 month order book up 62% year-on-year at £365m<sup>1</sup>, providing good visibility for the year ahead

**OPERATIONAL HIGHLIGHTS**

- Banknotes volume up 9% to 7.1bn and Banknote Paper up 6% to 10,000 tonnes, benefiting from overspill contracts
- Currency revenue up 11% and underlying operating profit up 9%

1. Continuing operations only

2. Excluding the site managed on behalf of Bank of England

3. Including the site managed on behalf of Bank of England

- Successfully outsourced production of >500m banknotes
- Product Authentication and Traceability underlying operating profit up 19% due to reduced costs
- Identity Solutions revenue and underlying operating profit lower as a result of expected contractual reduction
- Reorganisation from divisional to functional structure completed
- 10% net average headcount reduction to 3,566 from operational improvements

## STRATEGIC HIGHLIGHTS

- Cash Processing Solutions business 'root and branch' review concluded with business sold
- Encouraging progress in Polymer with a significant new three-year contract and doubling the number of customers to 14 note issuing authorities
- Doubled number of patent filings. Launched next generation security thread Active™ and two end-to-end software solutions – DLR Identify™ and DLR Certify™
- Manufacturing footprint review completed: reducing capacity by 25% and consolidating banknote print production to four sites<sup>3</sup> to achieve >£13m savings p.a. from 2018/19

Martin Sutherland, Chief Executive Officer, commented:

"In the last year we have made good progress against our five year strategic plan to transform De La Rue into a technology-led security product and service provider. We have reorganised the business structure, increased investment in product development and new technologies, and successfully completed a manufacturing footprint review.

"Our Currency product lines have performed very well during the year. I am particularly pleased with our progress in Polymer which is a large and growing market. We have doubled our customer base in Polymer over the last year, including securing our first volume customer, and as the only vertically integrated polymer substrate manufacturer, we are well placed to continue to capture this growth opportunity.

"CPS continued to underperform in the second half of the year. Following a 'root and branch' review, we decided to exit the business and have now completed the sale.

"Looking ahead, whilst there is more to do, I am pleased with the progress we have made in the year and I am confident that the right foundations are now in place to develop a more balanced business portfolio and increase profitability. Our 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 that we can mitigate the impact and our expectations for the current year are unchanged."

## Enquiries:

|                      |                            |                            |
|----------------------|----------------------------|----------------------------|
| <b>De La Rue plc</b> |                            | <b>+44 (0)1256 605000</b>  |
| Martin Sutherland    | Chief Executive Officer    |                            |
| Jitesh Sodha         | Chief Financial Officer    |                            |
| Lili Huang           | Head of Investor Relations |                            |
|                      |                            |                            |
| <b>Brunswick</b>     |                            | <b>+44 (0)207 404 5959</b> |
| Jon Coles            |                            |                            |
| Oliver Hughes        |                            |                            |

A presentation to analysts will take place at 9:00 am BST on 24 May 2016 at the Lincoln Centre, 18 Lincoln's Inn Fields, WC2A 3ED. This will also be accessible via a conference call and an audio webcast. Dial-ins for the conference call are +44 (0) 20 3059 8125, passcode: De La Rue. An archive of the conference call is also available for a week from midday 24 May 2016, which is accessible via +44 (0) 121 260 4861, passcode: 3214 492#. For the live video webcast, please register at [www.delarue.com](http://www.delarue.com) where a replay will also be available subsequently.

1. Continuing operations only  
2. Excluding the site managed on behalf of Bank of England  
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## About De La Rue

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

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

De La Rue is the world's largest commercial passport manufacturer in an environment of increasing global concern over security at national boundaries and border control. De La Rue also produces a wide range of other security products, including tax stamps for governments who are seeking to combat illicit trade and collect excise duties. Other products include authentication labels, assuring purchasers of product validity, and government identity documents.

De La Rue also provides a range of specialist services and software solutions including government identity schemes and product authentication systems.

De La Rue is listed on the London Stock Exchange (LSE:DLAR). For further information visit [www.delarue.com](http://www.delarue.com)

## Cautionary note regarding forward-looking statements

These results include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond De La Rue's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods.

Other than in accordance with its legal or regulatory obligations, De La Rue does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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## PRELIMINARY STATEMENT

De La Rue's full year results were in line with the upgraded expectations announced in the trading update on 13 April 2016. With a backdrop of challenging market conditions and significant internal changes, the Group has made good progress in the first year of the five year strategic plan which aims to focus the business into growth markets while driving operational efficiency. The Group has strengthened the 12 month order book to £365m<sup>1</sup> (2015: £226m) as at the end of the period.

Revenue in Currency product lines, encompassing Banknotes, Banknote Paper, Polymer and Security Features, grew 11% whilst underlying operating profit was up 9%. These increases were primarily driven by higher banknote volumes, partly from overspill orders, and from greater operational efficiencies. As previously announced, a material security features contract which contributed annual revenue of c£30m came to an end during the year.

There was encouraging progress in Polymer with the winning of a significant three year contract and the doubling of the number of customers to 14 issuing authorities. The Currency product lines' closing order book was up 85% year on year.

Identity Solutions has performed as expected with lower revenue and margin due to a contractual reduction in contribution from a large contract. With the launch of our first identity software solution DLR Identify™, we have strengthened our digital and service offerings which will help us to capture a larger share of the passport value chain. Revenue in Product Authentication & Traceability (PA&T) was flat year on year with higher margins due to cost savings from the Dulles site closure.

Cash Processing Solutions (CPS) continued to underperform in the second half. Following the 'root and branch' review of CPS, we have sold the business.

## FINANCIAL RESULTS

On a pre disposal basis, group revenue grew 3% to £488.2m (2014/15: £472.1m). Underlying operating profit fell by 10% to £62.5m (2014/15: £69.5m), mainly due to a loss of £7.9m in CPS (2014/15: profit £0.4m). Underlying profit before tax was 13% lower at £50.4m (2014/15: £57.7m) and underlying earnings per share decreased to 41.0p (2014/15: 47.9p).

On a continuing operations basis, group revenue was up 7% to £454.5m (2014/15: £422.8m). Underlying operating profit increased by 2% to £70.4m (2014/15: £69.1m). Underlying profit before tax was £58.5m (2014/15: £57.5m) and underlying earnings per share were up 4% to 48.1p (2014/15: 46.1p).

On a pre disposal basis, net exceptional charges before tax in the period were £29.6m (2014/15: £18.8m) of which £26.0m related to the CPS discontinued activities (more fully described in notes 3 and 4). As a result, profit before tax was 47% lower at £20.8m (2014/15: £38.9m). On a continuing operations basis, profit before tax was up 35% to £54.9m (2014/15: £40.6m).

## DIVIDEND

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.

The Board also recommends the introduction of an alternative scrip dividend scheme. The proposed scheme will give shareholders the option to receive new fully paid Ordinary Shares in the Company in place of their cash dividend payments. The Board intends that the necessary resolution to introduce the scrip dividend scheme will be put to shareholders at the AGM on the 21 July 2016. Further details will be provided with the AGM documentation when it is sent to shareholders. If the scheme is approved by shareholders, the last date for receipt of Scrip elections will be 13 July 2016.

## STRATEGIC PROGRESS

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.

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During the year, we reorganised the business from a divisional to a functional structure. We strengthened the 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. In addition, we streamlined and reshaped 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 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. We are pleased with the progress we have made in the first year and are 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.

### **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, 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 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<sup>3</sup>. This will reduce our banknote print production capacity from eight billion to six billion<sup>2</sup> 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.

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 following an auction process. We believe that the business will benefit from standalone ownership.

### **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.

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### 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 for 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 who 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.

### Identity Solutions

In collaboration with Her Majesty's Passport Office 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 laminate capability 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. The second module of the DLR Identify™, which enables electronic registration of births, is expected to launch in July 2016.

### 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.

## OPERATING REVIEWS

### Currency

|                                     | 2015/16 | 2014/15 | Change   |
|-------------------------------------|---------|---------|----------|
| Banknote print volume (bn notes)    | 7.1     | 6.5     | 9%       |
| Banknote paper volume ('000 tonnes) | 10.0    | 9.4     | 6%       |
|                                     | £m      | £m      |          |
| Revenue                             | 353.3   | 317.9   | 11%      |
| Operating profit*                   | 55.1    | 50.5    | 9%       |
| Operating margin*                   | 15.6%   | 15.9%   | (30bpts) |

\*Segmental operating profit and operating margin are stated before exceptional items

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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 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.

#### Identity Solutions (previously Identity Systems)

|                   | 2015/16 | 2014/15 | Change    |
|-------------------|---------|---------|-----------|
|                   | £m      | £m      |           |
| Revenue           | 65.8    | 69.0    | (5%)      |
| Operating profit* | 6.4     | 11.1    | (42%)     |
| Operating margin* | 9.7%    | 16.1%   | (640bpts) |

\*Segmental operating profit and operating margin are stated before exceptional items

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 ePassports 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 sold and successfully installed the software with its first customer.

#### Product Authentication & Traceability (PA&T, formerly Security Products)

|                   | 2015/16 | 2014/15 | Change  |
|-------------------|---------|---------|---------|
|                   | £m      | £m      |         |
| Revenue           | 39.5    | 39.6    | 0%      |
| Operating profit* | 8.9     | 7.5     | 19%     |
| Operating margin* | 22.5%   | 18.9%   | 360bpts |

\*Segmental operating profit and operating margin are stated before exceptional items

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.

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

### Cash Processing Solutions (CPS)

|                   | 2015/16 | 2014/15 | Change |
|-------------------|---------|---------|--------|
|                   | £m      | £m      |        |
| Revenue           | 33.9    | 50.7    | (33%)  |
| Operating profit* | (7.9)   | 0.4     |        |

\*Segmental operating profit is stated before exceptional items

Sales volumes in Cash Processing Solutions (CPS) was affected by increased competition and adverse foreign 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 decided to exit the cash processing market. The sale of the CPS business was completed on 22 May 2016.

### FINANCE CHARGE

On a continuing operations basis, 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 IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets was £7.1m (2014/15: £7.0m).

### 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<sup>2</sup> 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 3 for details. These related to the Cash Processing Solutions 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 software intangibles of £1.6m, goodwill of £4.0m and inventories of £17.8m.

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

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## CASH FLOW AND BORROWING

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 increased payments in advance received from customers.

The Group utilises a £250m 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 IAS 19.

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

On a continuing operations basis, 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.

## 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 £180m. The Group had agreed with the scheme Trustees and 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 IAS 19 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 offset 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 discount rate resulting in a £49m decrease in liabilities or vice versa and hence the deficit would reduce should interest and discount rates increase in the future.

The charge to operating profit in respect of the UK defined benefit pension scheme for 2015/16 was £1.2m (2014/15: £1.1m). In addition, under IAS 19 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).

## EVENTS SINCE THE BALANCE SHEET DATE

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

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

On 22 May 2016 the sale of the Cash Processing Solutions business was completed. The sale is expected to result in a profit on disposal in the range of £nil to £3m, which will be recognised in the half year ending 24 September 2016. This estimated profit includes the loss on disposal of certain current assets and liabilities held for sale (refer to note 3), and the recycling through the income statement of accumulated foreign exchange translation gains 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. This contingent element of the consideration has not been factored into the estimated loss on disposal.

## **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 an Executive Director after the 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 the 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.

## **OUTLOOK**

The Group's 12 month closing order book of £365m<sup>1</sup> 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.

-ends-

**Martin Sutherland**  
**Chief Executive Officer**  
**24 May 2016**

**Jitesh Sodha**  
**Chief Financial Officer**

1. Continuing operations only  
 2. Excluding the site managed on behalf of Bank of England  
 3. Including the site managed on behalf of Bank of England

## GROUP INCOME STATEMENT

For the period ended 26 March 2016

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

\*2015 figures have been restated for the impact of discontinued operations – see note 3

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

| <b>Profit for the year attributable to the Company's equity holders</b> | Notes | 2016<br>£m     | 2015<br>£m |
|-------------------------------------------------------------------------|-------|----------------|------------|
| <b>Earnings per share</b>                                               |       |                |            |
| <b>Basic</b>                                                            | 6     |                |            |
| Basic EPS continuing operations                                         |       | <b>46.8p</b>   | 31.8p      |
| Basic EPS discontinued operations                                       |       | <b>(30.6p)</b> | 2.2p       |
| Total Basic Earnings per share                                          |       | <b>16.2p</b>   | 34.0p      |
| <b>Diluted</b>                                                          | 6     |                |            |
| Diluted EPS continuing operations                                       |       | <b>46.2p</b>   | 31.3p      |
| Diluted EPS discontinued operations                                     |       | <b>(30.2p)</b> | 2.1p       |
| Total Diluted Earnings per share                                        |       | <b>16.0p</b>   | 33.4p      |
| <b>Earnings per share - underlying</b>                                  |       |                |            |
| <b>Basic</b>                                                            | 6     |                |            |
| Basic EPS continuing operations                                         |       | <b>48.1p</b>   | 46.1p      |
| Basic EPS discontinued operations                                       |       | <b>(7.1p)</b>  | 1.8p       |
| Total Basic Earnings per share                                          |       | <b>41.0p</b>   | 47.9p      |
| <b>Diluted</b>                                                          | 6     |                |            |
| Diluted EPS continuing operations                                       |       | <b>47.5p</b>   | 45.5p      |
| Diluted EPS discontinued operations                                     |       | <b>(7.0p)</b>  | 1.8p       |
| Total Diluted Earnings per share                                        |       | <b>40.5p</b>   | 47.2p      |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

## GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 26 March 2016

|                                                                            | 2016<br>£m  | 2015<br>£m    |
|----------------------------------------------------------------------------|-------------|---------------|
| <b>Profit for the year</b>                                                 | <b>17.6</b> | <b>35.1</b>   |
| <b>Other comprehensive income</b>                                          |             |               |
| <b>Items that are not reclassified subsequently to profit or loss:</b>     |             |               |
| Remeasurement losses on retirement benefit obligations                     | 5.4         | (79.1)        |
| Tax related to remeasurement of net defined benefit liability              | (5.4)       | 16.0          |
| <b>Items that may be reclassified subsequently to profit or loss:</b>      |             |               |
| 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            | (1.8)       | (0.1)         |
| <b>Other comprehensive income for the year, net of tax</b>                 | <b>6.9</b>  | <b>(74.0)</b> |
| <b>Total comprehensive income for the year</b>                             | <b>24.5</b> | <b>(38.9)</b> |
| Comprehensive income for the year attributable to:                         |             |               |
| Equity shareholders of the Company                                         | 23.3        | (39.7)        |
| Non-controlling interests                                                  | 1.2         | 0.8           |
|                                                                            | <b>24.5</b> | <b>(38.9)</b> |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

## GROUP BALANCE SHEET

At 26 March 2016

|                                                                 | 2016<br>£m | 2015<br>£m |
|-----------------------------------------------------------------|------------|------------|
| <b>Assets</b>                                                   |            |            |
| <b>Non-current assets</b>                                       |            |            |
| Property, plant and equipment                                   | 167.0      | 179.3      |
| Intangible assets                                               | 13.4       | 16.6       |
| Investments in associates and joint ventures                    | 0.1        | 0.1        |
| Deferred tax assets                                             | 41.6       | 47.7       |
| Derivative financial assets                                     | 1.9        | 0.3        |
|                                                                 | 224.0      | 244.0      |
| <b>Current assets</b>                                           |            |            |
| Inventories                                                     | 67.1       | 71.2       |
| Trade and other receivables                                     | 93.5       | 105.4      |
| Current tax assets                                              | 1.3        | 2.2        |
| Derivative financial assets                                     | 15.0       | 7.8        |
| Cash and cash equivalents                                       | 40.5       | 30.8       |
| Assets classified as held for sale                              | 11.2       | -          |
|                                                                 | 228.6      | 217.4      |
| <b>Total assets</b>                                             | 452.6      | 461.4      |
| <b>Liabilities</b>                                              |            |            |
| <b>Current liabilities</b>                                      |            |            |
| Borrowings                                                      | (146.6)    | (141.8)    |
| Trade and other payables                                        | (171.5)    | (159.1)    |
| Current tax liabilities                                         | (17.6)     | (19.6)     |
| Derivative financial liabilities                                | (12.0)     | (12.0)     |
| Provisions for liabilities and charges                          | (9.0)      | (26.6)     |
| Liabilities classified as held for sale                         | (10.5)     | -          |
|                                                                 | (367.2)    | (359.1)    |
| <b>Non-current liabilities</b>                                  |            |            |
| Retirement benefit obligations                                  | (219.9)    | (236.7)    |
| Deferred tax liabilities                                        | (1.6)      | (1.1)      |
| Derivative financial liabilities                                | (1.2)      | (1.0)      |
| Provisions for liabilities and charges                          | (6.9)      | (3.5)      |
| Other non-current liabilities                                   | (1.4)      | (6.9)      |
|                                                                 | (231.0)    | (249.2)    |
| <b>Total liabilities</b>                                        | (598.2)    | (608.3)    |
| <b>Net liabilities</b>                                          | (145.6)    | (146.9)    |
| <b>Equity</b>                                                   |            |            |
| Share capital                                                   | 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 reserves                                                  | (83.8)     | (83.8)     |
| Retained earnings                                               | (146.6)    | (139.4)    |
| <b>Total equity attributable to shareholders of the Company</b> | (152.2)    | (152.6)    |
| <b>Non-controlling interests</b>                                | 6.6        | 5.7        |
| <b>Total equity</b>                                             | (145.6)    | (146.9)    |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

## GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 26 March 2016

|                                                                               | Attributable to equity shareholders |                             |                                  |                     |                                         |                     |                         | Non-controlling interests | Total equity |
|-------------------------------------------------------------------------------|-------------------------------------|-----------------------------|----------------------------------|---------------------|-----------------------------------------|---------------------|-------------------------|---------------------------|--------------|
|                                                                               | Share capital<br>£m                 | Share premium account<br>£m | Capital redemption reserve<br>£m | Hedge reserve<br>£m | Cumulative translation adjustment<br>£m | Other reserve<br>£m | Retained earnings<br>£m | £m                        | £m           |
| <b>Balance at 29 March 2014</b>                                               | 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)       |
| <b>Transactions with owners of the Company recognised directly in equity:</b> |                                     |                             |                                  |                     |                                         |                     |                         |                           |              |
| 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)       |
| <b>Balance at 28 March 2015</b>                                               | 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         |
| <b>Transactions with owners of the Company recognised directly in equity:</b> |                                     |                             |                                  |                     |                                         |                     |                         |                           |              |
| 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)       |
| <b>Balance at 26 March 2016</b>                                               | 46.6                                | 35.7                        | 5.9                              | 2.3                 | (12.3)                                  | (83.8)              | (146.6)                 | 6.6                       | (145.6)      |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

## GROUP CASH FLOW STATEMENT

For the period ended 26 March 2016

|                                                                                  | Notes | 2016<br>£m | 2015<br>£m |
|----------------------------------------------------------------------------------|-------|------------|------------|
| <b>Cash flows from operating activities</b>                                      |       |            |            |
| 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, equipment and software intangibles |       | (7.6)      | 2.2        |
| Asset impairment                                                                 |       | 10.8       | 3.8        |
| Other non-cash movements                                                         |       | 0.9        | 0.5        |
| <b>Cash generated from operating activities</b>                                  |       | 58.9       | 63.6       |
| Tax paid                                                                         |       | (4.7)      | (9.3)      |
| <b>Net cash flows from operating activities</b>                                  |       | 54.2       | 54.3       |
| <b>Cash flows from investing activities</b>                                      |       |            |            |
| 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        |
| <b>Net cash flows from investing activities</b>                                  |       | (18.1)     | (33.7)     |
| <b>Net cash flows before financing activities</b>                                |       | 36.1       | 20.6       |
| <b>Cash flows from financing activities</b>                                      |       |            |            |
| 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)      |
| <b>Net cash flows from financing activities</b>                                  |       | (25.8)     | (48.0)     |
| <b>Net increase/(decrease) in cash and cash equivalents in the year</b>          |       | 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        |
| <b>Cash and cash equivalents at the end of the year</b>                          |       | 37.9       | 28.9       |
| <b>Cash and cash equivalents consist of:</b>                                     |       |            |            |
| Cash at bank and in hand                                                         | 8     | 40.5       | 28.6       |
| Short term bank deposits                                                         | 8     | –          | 2.2        |
| Bank overdrafts                                                                  | 8     | (2.6)      | (1.9)      |
|                                                                                  | 8     | 37.9       | 28.9       |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England



## 1 Basis of preparation and accounting policies

The preliminary announcement for the period ended 26 March 2016 has been prepared consistently with International Accounting Standards and International Financial Reporting Standards (collectively “IFRS”) as adopted by the European Union (EU) at 26 March 2016. Details of the accounting policies applied are those set out in De La Rue plc’s annual report 2015. For 2015/16 there is an additional accounting policy included in the Group Financial Statements covering Classification of assets held for resale which addresses the discontinued operations of the CPS business.

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

A number of other new and amended IFRS were issued during the year, which do not become effective until after 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.

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the period ended 28 March 2015, apart from an additional accounting policy included in the Group Financial Statements covering Classification of assets held for resale which addresses the discontinued operations of the CPS business.

The financial information set out above does not constitute the Group’s statutory accounts for the periods ended 26 March 2016 or 28 March 2015. The financial information for the period ended 26 March 2016 is derived from the statutory accounts for the period ended 26 March 2016 which will be delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 26 March 2016; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These consolidated financial statements have been prepared on the going concern basis and using the historical cost convention, modified for certain items carried at fair value, as stated in the Group’s accounting policies.

## 2 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 features
- 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 (CPS) 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 3).

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

| 2016                                                 | Currency | Identity Solutions | Product Authentication and Traceability | Unallocated | Total of Continuing operations | Discontinued operations | Total   |
|------------------------------------------------------|----------|--------------------|-----------------------------------------|-------------|--------------------------------|-------------------------|---------|
|                                                      | £m       | £m                 | £m                                      | £m          | £m                             | £m                      | £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, 3)            | (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     |

  

| 2015                                                 | Currency | Identity Solutions | Product Authentication and Traceability | Unallocated | Total of Continuing operations | Discontinued operations | Total   |
|------------------------------------------------------|----------|--------------------|-----------------------------------------|-------------|--------------------------------|-------------------------|---------|
|                                                      | £m       | £m                 | £m                                      | £m          | £m                             | £m                      | £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/(loss)                   | 50.5     | 11.1               | 7.5                                     | —           | 69.1                           | 0.4                     | 69.5    |
| Exceptional items – operating (note 4, 3)            | (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/(loss) 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    |
| Amortisation of intangible assets                    | 1.3      | 0.4                | —                                       | —           | 1.7                            | 0.1                     | 1.8     |
| Impairment of intangible assets                      | —        | —                  | 3.8                                     | —           | 3.8                            | —                       | 3.8     |

### 3. Discontinued operations

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 plans 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.

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

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 with the disposal group.

### Results of the discontinued operation including the disposal group held for sale

|                                                   | 2016<br>£m    | 2015<br>£m   |
|---------------------------------------------------|---------------|--------------|
| <b>Revenue</b>                                    | <b>33.7</b>   | <b>49.3</b>  |
| Operating expenses – ordinary                     | (41.6)        | (48.9)       |
| Operating expenses – exceptional                  | (26.0)        | (1.9)        |
| Total operating expenses                          | (67.6)        | (50.8)       |
| <b>Operating loss</b>                             | <b>(33.9)</b> | <b>(1.5)</b> |
| Comprising:                                       |               |              |
| Underlying operating (loss)/profit                | (7.9)         | 0.4          |
| Exceptional items                                 | (26.0)        | (1.9)        |
| <b>Loss before interest and taxation</b>          | <b>(33.9)</b> | <b>(1.5)</b> |
| Interest income                                   | –             | 0.1          |
| Interest expense                                  | (0.2)         | (0.3)        |
| Net finance expense                               | (0.2)         | (0.2)        |
| <b>Loss before taxation</b>                       | <b>(34.1)</b> | <b>(1.7)</b> |
| Comprising:                                       |               |              |
| Underlying (loss)/profit before tax               | (8.1)         | 0.2          |
| Exceptional items                                 | (26.0)        | (1.9)        |
| Taxation                                          | 3.1           | 3.9          |
| <b>(Loss)/profit from discontinued operations</b> | <b>(31.0)</b> | <b>2.2</b>   |
| Comprising:                                       |               |              |
| Underlying (loss)/profit for the year             | (7.2)         | 1.8          |
| (Loss)/profit for the year on exceptional items   | (23.8)        | 0.4          |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

## Assets/liabilities held for sale/disposal group

|                                                                            | Notes | 2016<br>£m | 2015<br>£m |
|----------------------------------------------------------------------------|-------|------------|------------|
| <b>Assets classified as held for sale</b>                                  |       |            |            |
| Derivative financial assets                                                |       | 0.2        | —          |
| Trade and other receivables                                                |       | 11.0       | —          |
|                                                                            |       | 11.2       | —          |
| <b>Liabilities classified as held for sale</b>                             |       |            |            |
| Trade and other payables                                                   |       | (10.0)     | —          |
| Derivative financial liabilities                                           |       | (0.3)      | —          |
| Provisions for liabilities and charges                                     |       | (0.2)      | —          |
|                                                                            |       | (10.5)     | —          |
| <b>Exceptional items on discontinued operations</b>                        |       |            |            |
| Site closures and restructuring                                            |       | (2.6)      | (1.9)      |
| Assessment 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 has been applied to software intangibles of £1.6m, goodwill of £4.0m and inventories of £17.8m.

The cash cost 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. If a sale of the disposal group had been completed as at 26 March 2016 the amount that would have been recycled through the income statement is c£3.5m gain.

Subsequent to the year end the disposal of the CPS business has been completed, refer to note 10.

## 4. Exceptional items

|                                       | 2016<br>£m | Restated 2015<br>£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                 |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

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 notes a year<sup>2</sup>.

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 (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 a 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 Taxation

|                                                                                                      | 2016<br>£m | Restated 2015<br>£m |
|------------------------------------------------------------------------------------------------------|------------|---------------------|
| <b>Consolidated income statement</b>                                                                 |            |                     |
| 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 3)                                    | (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)               |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

Tax on discontinuing operations attributable to:

|                       |              |       |
|-----------------------|--------------|-------|
| – Ordinary activities | <b>(0.9)</b> | (1.6) |
| – Exceptional items   | <b>(2.2)</b> | (2.3) |

#### Consolidated statement of comprehensive income:

|                                                                 |            |        |
|-----------------------------------------------------------------|------------|--------|
| – On remeasurement of net defined benefit liability             | <b>5.4</b> | (16.0) |
| – On cash flow hedges                                           | <b>1.4</b> | (0.1)  |
| – On foreign exchange on quasi-equity balances                  | <b>0.4</b> | 0.2    |
| Income tax charge/(credit) reported within comprehensive income | <b>7.2</b> | (15.9) |

#### Consolidated statement of changes in equity:

|                                          |            |     |
|------------------------------------------|------------|-----|
| – On share options                       | <b>0.3</b> | 0.5 |
| Income tax charge reported within equity | <b>0.3</b> | 0.5 |

The tax on the Group's consolidated profit before tax for continuing operations differs from the UK tax rate of 20 per cent as follows:

|                                                                        | 2016                                 |                            |              | Restated 2015                        |                            |             |
|------------------------------------------------------------------------|--------------------------------------|----------------------------|--------------|--------------------------------------|----------------------------|-------------|
|                                                                        | Before<br>exceptional<br>items<br>£m | Exceptional<br>items<br>£m | Total<br>£m  | Before<br>exceptional<br>items<br>£m | Exceptional<br>items<br>£m | Total<br>£m |
| Profit before tax                                                      | <b>58.5</b>                          | <b>(3.6)</b>               | <b>54.9</b>  | 57.5                                 | (16.9)                     | 40.6        |
| Tax calculated at UK tax rate of 20 per cent<br>(2014/15: 21 per cent) | <b>11.7</b>                          | <b>(0.7)</b>               | <b>11.0</b>  | 12.1                                 | (3.5)                      | 8.6         |
| Effects of overseas taxation                                           | <b>(1.1)</b>                         | -                          | <b>(1.1)</b> | (1.4)                                | -                          | (1.4)       |
| (Credits)/charges not allowable for tax purposes                       | <b>(1.5)</b>                         | <b>0.8</b>                 | <b>(0.7)</b> | 1.1                                  | 0.9                        | 2.0         |
| Increase in unutilised tax losses                                      | -                                    | <b>(1.9)</b>               | <b>(1.9)</b> | -                                    | 0.4                        | 0.4         |
| Adjustments in respect of prior years                                  | <b>(0.1)</b>                         | <b>(0.5)</b>               | <b>(0.6)</b> | (1.5)                                | (0.2)                      | (1.7)       |
| Change in UK tax rate                                                  | <b>(0.4)</b>                         | -                          | <b>(0.4)</b> | (0.2)                                | -                          | (0.2)       |
| Tax charge/(credit)                                                    | <b>8.6</b>                           | <b>(2.3)</b>               | <b>6.3</b>   | 10.1                                 | (2.4)                      | 7.7         |

The underlying effective tax rate excluding exceptional items was 14.7 per cent (restated 2014/15: 17.6 per cent).

## 6 Earnings per share

|                                      | 2016<br>Continuing<br>operations<br>pence<br>per<br>share | 2016<br>Discontinued<br>operations<br>pence<br>per<br>share | 2016<br>Total<br>pence<br>per<br>share | Restated<br>2015<br>Continuing<br>operations<br>pence<br>per<br>share | Restated<br>2015<br>Discontinued<br>operations<br>pence<br>per<br>share | Restated<br>2015<br>Total<br>pence<br>per<br>share |
|--------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------|
| <b>Earnings per share</b>            |                                                           |                                                             |                                        |                                                                       |                                                                         |                                                    |
| Basic earnings per share             | <b>46.8</b>                                               | <b>(30.6)</b>                                               | <b>16.2</b>                            | 31.8                                                                  | 2.2                                                                     | 34.0                                               |
| Diluted earnings per share           | <b>46.2</b>                                               | <b>(30.2)</b>                                               | <b>16.0</b>                            | 31.3                                                                  | 2.1                                                                     | 33.4                                               |
| <b>Underlying earnings per share</b> |                                                           |                                                             |                                        |                                                                       |                                                                         |                                                    |
| Basic earnings per share             | <b>48.1</b>                                               | <b>(7.1)</b>                                                | <b>41.0</b>                            | 46.1                                                                  | 1.8                                                                     | 47.9                                               |
| Diluted earnings per share           | <b>47.5</b>                                               | <b>(7.0)</b>                                                | <b>40.5</b>                            | 45.5                                                                  | 1.8                                                                     | 47.3                                               |

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.

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

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

| <b>Earnings</b>                                   | <b>2016<br/>Continuing<br/>operations<br/>£m</b> | <b>2016<br/>Discontinued<br/>operations<br/>£m</b> | <b>2016<br/>Total<br/>£m</b> | <b>Restated<br/>2015<br/>Continuing<br/>operations<br/>£m</b> | <b>Restated<br/>2015<br/>Discontinued<br/>operations<br/>£m</b> | <b>Restated<br/>2015<br/>Total<br/>£m</b> |
|---------------------------------------------------|--------------------------------------------------|----------------------------------------------------|------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------|
| Earnings for basic and diluted earnings per share | <b>47.4</b>                                      | <b>(31.0)</b>                                      | <b>16.4</b>                  | 32.1                                                          | 2.2                                                             | 34.3                                      |
| Exceptional items                                 | <b>3.6</b>                                       | <b>26.0</b>                                        | <b>29.6</b>                  | 16.9                                                          | 1.9                                                             | 18.8                                      |
| Less: Tax on exceptional items                    | <b>(2.3)</b>                                     | <b>(2.2)</b>                                       | <b>(4.5)</b>                 | (2.4)                                                         | (2.3)                                                           | (4.7)                                     |
| Earnings for underlying earnings per share        | <b>48.7</b>                                      | <b>(7.2)</b>                                       | <b>41.5</b>                  | 46.6                                                          | 1.8                                                             | 48.4                                      |

| <b>Weighted average number of ordinary shares</b> | <b>2016<br/>Number<br/>m</b> | <b>2015<br/>Number<br/>m</b> |
|---------------------------------------------------|------------------------------|------------------------------|
| For basic earnings per share                      | <b>101.3</b>                 | 101.0                        |
| Dilutive effect of share options                  | <b>1.3</b>                   | 1.5                          |
| For diluted earnings per share                    | <b>102.6</b>                 | 102.5                        |

## 7 Equity dividends

|                                                                                        | <b>2016<br/>£m</b> | <b>2015<br/>£m</b> |
|----------------------------------------------------------------------------------------|--------------------|--------------------|
| 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       | <b>16.9</b>        | —                  |
| Interim dividend for the period ended 26 September 2015 of 8.3p paid on 6 January 2016 | <b>8.4</b>         | —                  |
|                                                                                        | <b>25.3</b>        | 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. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

## 8 Analysis of net debt

|                                 | <b>2016<br/>£m</b> | <b>2015<br/>£m</b> |
|---------------------------------|--------------------|--------------------|
| Cash at bank and in hand        | <b>40.5</b>        | 28.6               |
| Short term bank deposits        | —                  | 2.2                |
| Bank overdrafts                 | <b>(2.6)</b>       | (1.9)              |
| Total cash and cash equivalents | <b>37.9</b>        | 28.9               |
| Borrowings due within one year  | <b>(144.0)</b>     | (139.9)            |
| <b>Net debt</b>                 | <b>(106.1)</b>     | (111.0)            |

## 9 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.

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England

## 10 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 sale is expected to result in a profit on disposal in the range of £nil to £3m, which will be recognised in the half year ending 24 September 2016. This estimated profit includes the loss on disposal of certain current assets and certain liabilities held for sale (refer to note 3), and the recycling through the income statement of accumulated foreign exchange translation gains 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. This contingent element of the consideration has not been factored into the estimated profit on disposal.

## 11 Dates

The consolidated accounts have been prepared as at 26 March 2016, being the last Saturday in March. The comparatives for the 2014/15 financial year are for the period ended 28 March 2015.

## 12 Statutory accounts

Statutory accounts for the period ended 26 March 2016 will be made available to shareholders for subsequent approval at the Annual General Meeting and copies will be available from the Company Secretary at De La Rue plc, De La Rue House, Jays Close, Viables, Hampshire, RG22 4BS.

## 13 Foreign exchange

Principal exchange rates used in translating the Group's results:

|           | 2015/16 |          | 2014/15 |          |
|-----------|---------|----------|---------|----------|
|           | Average | Year End | Average | Year End |
| US dollar | 1.50    | 1.41     | 1.61    | 1.49     |
| Euro      | 1.36    | 1.27     | 1.28    | 1.37     |

## 14 De La Rue financial calendar 2016/17

|                                             |               |
|---------------------------------------------|---------------|
| Ex-dividend date for 2015/16 final dividend | 23 June 2016  |
| Record date for final dividend              | 24 June 2016  |
| Annual General Meeting                      | 21 July 2016  |
| Payment of 2015/16 final dividend           | 3 August 2016 |

1. Continuing operations only
2. Excluding the site managed on behalf of Bank of England
3. Including the site managed on behalf of Bank of England