

**De La Rue Holdings plc**

**(Company Number: 58025)**

**Directors' Report and Financial Statements**

**31 March 2001**



# De La Rue Holdings plc

## Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 March 2001.

### Principal activities

The Company is a holding company with interests in the United Kingdom and overseas in currency and security printing, provision of branch cash automation and solutions to retail banks, manufacture of banking equipment, and other ancillary activities. It also provides management services to all its subsidiaries.

### Results and dividend

Profit on ordinary activities after taxation amounted to £81,246,000 (2000: £32,155,000). Interim dividends amounting to £37,000,000 were proposed during the period (2000: £32,041,000). The directors decided not to declare a final dividend. The retained profit for the year of £44,246,000 was transferred to reserves (2000: £114,000 profit transferred to reserves).

### Review of business

The Company derives its income mainly through dividends from its subsidiaries and associated companies.

### Future developments

The Company will continue to operate in accordance with its principal activities.

### Payments to suppliers

The Company agrees terms and conditions of business with its suppliers. The policy is that suppliers be paid in accordance with these terms.

# De La Rue Holdings plc

## Directors' Report (Continued)

### Directors

The names of the Directors holding office during the year were as follows:

I F R Much  
C L Fluker  
P R Hollingworth

### Directors' interests

At 31 March 2001 no Directors or members of their families, as defined by the Companies Act 1985, held any beneficial interests in shares of any member of the Group other than the ultimate parent undertaking, De La Rue plc. The holdings of Mr P R Hollingworth and Mr I F R Much in the ordinary shares of the ultimate parent undertaking are shown in that company's accounts. The holdings of Ms C L Fluker are as follows:

	2 April 2000	31 March 2001
Ordinary Shares	7,152	7,152
Share Price Improvement Plan	99,400	136,000
Executive Share Options	46,900	46,900
Savings Related Share Options	5,580	6,967

Ms Fluker was granted a further 36,600 options under the Share Price Improvement Plan on 4 July 2000. Ms Fluker was also granted 1,387 options under the Share Save Scheme on 22 December 2000. No other options were granted during the year and none were exercised or lapsed.

At 31 March 2001 Ms Fluker's options under the Savings Related Share Option Scheme are exercisable from March to September 2004 at prices ranging between 150 pence and 351.9 pence. Those under the Executive Share Option Scheme are exercisable at various dates up to July 2007 at prices ranging between 365.67p and 934p and those under the Share Price Improvement Plan are exercisable from November 2002 to July 2004 at prices ranging between 215.3 pence and 340.9 pence.

The market price of the ordinary shares on 31 March 2001 was 405.5 pence and the price range during the year was 230.25 pence to 449.5 pence.

# De La Rue Holdings plc

## Directors' Report (Continued)

### Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board on 29 October 2001.

J F Hermans  
**Secretary**

Registered Office:  
De La Rue House  
Jays Close  
Viables  
Basingstoke  
Hants  
RG22 4BS

## **Auditors' Report to the Members of De La Rue Holdings plc**

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of directors and auditors**

The Directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

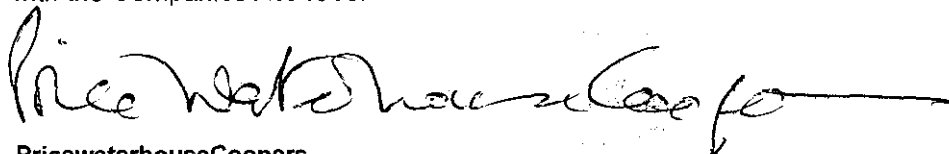
### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
London

29 October 2001

# De La Rue Holdings plc

## Profit and Loss Account For the Year Ended 31 March 2001

	Note	2001 £'000	2000 £'000
Turnover	3	-	7,609
Operating profit	4	10,635	20,981
Income from shares in group undertakings		69,546	-
Income from shares in associated undertakings		20,320	4,400
Income from share in partnership		-	8,056
Profit on the part disposal of the shareholding in CISL		50	-
Scheme of arrangement cost		-	(1,100)
<b>Profit on ordinary activities before interest and taxation</b>		<b>100,551</b>	<b>32,337</b>
Interest receivable and similar income	5	2,363	6,024
Interest payable and similar charges	6	(12,321)	(10,990)
<b>Profit on ordinary activities before taxation</b>	7	<b>90,593</b>	<b>27,371</b>
Tax on profit on ordinary activities	8	(9,347)	4,784
<b>Profit on ordinary activities after taxation</b>		<b>81,246</b>	<b>32,155</b>
Dividends paid (including non-equity)	9	(37,000)	(32,041)
<b>Profit for the financial year transferred to reserves</b>		<b>44,246</b>	<b>114</b>

## Statement of Total Recognised Gains and Losses

	2001 £'000	2000 £'000
Profit for the financial year	44,246	114
Currency translation differences on foreign currency net investments	1,554	(897)
<b>Total recognised gains and losses relating to the year</b>	<b>45,800</b>	<b>(783)</b>

The notes on pages 8 to 18 form part of these financial statements.

# De La Rue Holdings plc

## Balance Sheet at 31 March 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	21,328	22,054
Investments	11	668,962	422,234
		<b>690,290</b>	<b>444,288</b>
<b>Current assets</b>			
Debtors - due within one year	14	20,890	4,945
Debtors - due after one year	14	451,411	459,059
Cash at bank and in hand		12,827	35,939
		<b>485,128</b>	<b>499,943</b>
<b>Creditors – amounts falling due within one year</b>			
Short term borrowings	15	(113,919)	(111,928)
Other creditors	15	(55,181)	(27,686)
		<b>316,028</b>	<b>360,329</b>
<b>Net current assets</b>		<b>316,028</b>	<b>360,329</b>
<b>Total assets less current liabilities</b>		<b>1,006,318</b>	<b>804,617</b>
<b>Creditors – amounts due after one year</b>			
Long term borrowings	16	-	(3,328)
Other creditors	16	(653,969)	(491,873)
		<b>(9,639)</b>	<b>(12,547)</b>
<b>Provisions for liabilities and charges</b>	17	<b>(9,639)</b>	<b>(12,547)</b>
<b>Net assets</b>		<b>342,710</b>	<b>296,869</b>
<b>Capital and reserves</b>			
Called up share capital	18	56,407	56,386
Share premium account	19	11,958	11,958
Other reserves	19	149,670	149,670
Revaluation reserve	19	66	66
Profit and loss account	19	124,609	78,809

### Shareholders' funds

	20	342,710	296,869
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Approved by the Board of Directors on 29 October 2001.

P R Hollingworth  
Director

The notes on pages 8 to 18 form part of these financial statements.

# **De La Rue Holdings plc**

## **Notes to the Financial Statements - 31 March 2001**

### **1 Accounting policies**

The principal accounting policies adopted by the Company are as follows:

#### **(a) Accounting convention**

The financial statements have been prepared under the historical cost convention, as amended for the valuation of the Company's fixed asset investments, and in accordance with applicable accounting standards. The consolidated accounts have been prepared as at 31 March 2001. The comparatives for the 2000 financial year are for the year ended 1 April 2000, being the nearest Saturday to 31 March.

#### **(b) Consolidation of subsidiaries**

Subsidiaries prepare financial statements for the year ending the nearest Saturday to 31 March each year. Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary of another body corporate incorporated in the United Kingdom.

#### **(c) Associated undertakings**

An associated undertaking is one in which the company has a long-term investment and is in a position to exercise significant influence over the company in which the investment is made. Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary of another body corporate incorporated in the United Kingdom.

#### **(d) Foreign currencies**

Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate year end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included in operating profit except for exchange gains and losses associated with hedging loans that are taken to reserves.

#### **(e) Tangible fixed assets and depreciation**

Fixed assets are stated at cost or at valuation, less depreciation. No depreciation is provided on freehold land. Freehold and long leasehold buildings are depreciated at a rate of two per cent per annum. Other leasehold interests are depreciated over the unexpired period of the lease. A long leasehold is defined as one in which the remaining term of the lease is more than 50 years. The directors have not adopted a policy of revaluing tangible fixed assets as permitted by FRS 15.

The Company's policy is to write off the cost or valuation of all other plant and equipment evenly over their estimated remaining useful life at rates which vary between 8 per cent and 50 per cent per annum. The principal annual rates of depreciation used are 10 per cent on plant and machinery, 10 per cent on fixtures and fittings and 33 1/3 per cent on tooling and computer equipment. No depreciation is provided for assets in the course of construction.



# **De La Rue Holdings plc**

## **Notes to the Financial Statements - 31 March 2001**

### **1 Accounting policies (Continued)**

#### **(f) Leasing**

Operating lease rentals are charged to the profit and loss account as incurred.

#### **(g) Taxation**

The charge for taxation is based on the profit for the year. Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that such differences are expected to reverse in the foreseeable future.

Where advance corporation tax cannot be offset with reasonable certainty against current, future or deferred UK taxation liabilities, taking into account expected results and dividends, it is written off in the profit and loss account.

#### **(h) Investments**

Investments are stated at cost or valuation in the balance sheet, less provision for any permanent diminution in the value of the investment. Revaluation gains and losses associated with hedging loans are taken to reserves.

#### **(i) Pensions**

The costs of the Company's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. The pension costs are assessed in accordance with the advice of qualified actuaries. Actuarial surpluses and deficits are spread forward over the average remaining service lives of employees. The Company's post retirement benefit schemes are accounted for in a similar manner to the pension schemes, as described above.

The costs of the Company's defined contribution schemes are charged to the profit and loss account as the contributions are made.

### **2 Directors' emoluments & auditors' remuneration**

Directors' emoluments are disclosed in the Group accounts of the ultimate parent, De La Rue plc, except for Ms C L Fluker who received no emoluments in her capacity as a director of the Company.

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**3 Turnover**

Turnover by geographical market is analysed below:

	2001 £'000	2000 £'000
United Kingdom	-	1,749
Rest of Europe	-	767
Rest of World	-	5,093
	-	7,609

The Company's business is based in the UK and the net assets of the Company are located in the UK.

The Company has taken advantage of the exemption for segmental reporting contained in SSAP 25 as segmental information is given in the consolidated financial statements of the ultimate parent undertaking, De La Rue plc.

**4 Operating profit/(costs)**

	2001 £'000	2000 £'000
Turnover (note 3)	-	7,609
Cost of sales	-	(3,408)
Distribution costs	-	(143)
Administrative expenses	(6,715)	(12,805)
Management fee income	17,350	30,748
Reorganisation and arbitration costs	-	(1,020)
	10,635	20,981

**5 Interest receivable and similar income**

	2001 £'000	2000 £'000
Interest receivable from group undertakings	1,268	1,172
External interest receivable	1,095	4,852
	2,363	6,094

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**6 Interest payable and similar charges**

	2001 £'000	2000 £'000
Interest payable on bank loans and other borrowings repayable within 5 years	5,884	9,568
Interest payable to group undertakings	6,437	1,422
	<b>12,321</b>	<b>10,990</b>

**7 Profit on ordinary activities before taxation**

	2001 £'000	2000 £'000
Profit/ loss on ordinary activities before taxation is stated after the following amounts have been charged:		
Staff costs		
- Wages and salaries	3,972	6,392
- Social security costs	647	626
- Other pension costs	656	536
Depreciation of tangible fixed assets		
- purchased	838	1,087
Auditors' remuneration		
- audit fees	152	166
- non-audit related fees	40	482
Operating leases		
- hire of plant and machinery	-	8
- other	129	183
Research and development	-	292
Profit on sale of fixed assets	-	(106)

**8 Taxation on profit on ordinary activities**

	2001 £'000	2000 £'000
UK corporation tax at 30% (2000:31%)	28,312	8,700
Double taxation relief	(7,312)	(2,000)
ACT write back	(5,309)	(2,700)
	<b>15,691</b>	<b>4,000</b>
Adjustment in respect of prior years:-		
ACT write back	(1,117)	(6,834)
Other	(5,227)	(1,950)
	<b>(6,344)</b>	<b>(8,784)</b>
<b>Taxation on ordinary activities</b>	<b>9,347</b>	<b>(4,784)</b>

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**9 Dividends**

	2001 £'000	2000 £'000
Preference share dividend	-	15
Ordinary shares		
Interim proposed (first)	7,000	9,026
Interim proposed (second)	30,000	23,000
	<b>37,000</b>	<b>32,041</b>
	Pence	Pence
Net dividend per ordinary share		
Interim proposed (first)	3.1	4.0
Interim proposed (second)	13.3	10.2

**10 Tangible fixed assets**

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 2 April 2000	24,583	-	2,428	27,011
Additions	-	-	174	174
Disposals	-	-	(160)	(160)
<b>At 31 March 2001</b>	<b>24,583</b>	<b>-</b>	<b>2,442</b>	<b>27,025</b>
<b>Accumulated depreciation</b>				
At 2 April 2000	3,837	-	1,120	4,957
Provision for the year	485	-	353	838
Disposals	-	-	(98)	(98)
<b>At 31 March 2001</b>	<b>4,322</b>	<b>-</b>	<b>1,375</b>	<b>5,697</b>
<b>Net book value</b>				
At 2 April 2000	20,746	-	1,308	22,054
<b>At 31 March 2001</b>	<b>20,261</b>	<b>-</b>	<b>1,067</b>	<b>21,328</b>

	2001 £'000	2000 £'000
<b>Land and buildings comprise</b>		
<b>Net book value</b>		
Freehold	3,645	3,645
Long leasehold	16,616	17,101
	<b>20,261</b>	<b>20,746</b>

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**10 Tangible assets (continued)**

There is no material difference between the historical cost and the revalued amount of assets held. As stated in the accounting policies, it is not the Group policy to revalue assets, and as such, the transitional provisions of FRS 15 are being applied. There have been no subsequent valuations since 1988/9.

Included within the cost or valuation of land and buildings is an amount of £2.4m of capitalised interest (2000: £2.4m).

**11 Investments**

	Investments in subsidiaries £'000	Investments in associated Companies £'000	Other Investments £'000	Total £'000
<b>Cost/Valuation</b>				
At 2 April 2000	410,482	11,664	88	422,234
Additions	239,562	225	-	239,787
Disposals	-	(333)	-	(333)
Effect of foreign exchange movements	7,274	-	-	7,274
<b>At 31 March 2001</b>	<b>657,318</b>	<b>11,556</b>	<b>88</b>	<b>668,962</b>

**12 Subsidiary undertakings**

The following information deals only with those subsidiaries that, in the opinion of the Directors, principally affected the profit or the amount of assets of the De La Rue Holdings group.

Name of Subsidiary	Country of Registration or Incorporation	Class of shares	Proportion of nominal value of issued shares held by the Company
De La Rue Overseas Limited	England	Ordinary	100%
De La Rue International Limited	England	Ordinary	100%
De La Rue Investments Limited	England	Ordinary	100%
Bradbury Wilkinson Holdings Limited	England	Ordinary	100%
De La Rue Systems Imports Pty Ltd	Australia	Ordinary	100%
De La Rue Systems Limited	Hong Kong	Ordinary	100%
De La Rue Systems Asia Pacific Ltd	Hong Kong	Ordinary	100%
De La Rue Systems Asia Pacific Pte Ltd	Singapore	Ordinary	100%

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**13 Associated undertakings**

The company has the following investments in associated undertakings.

All of these associates have a 31 March year-end.

Name of Associated undertaking	Country of registration or incorporation	Class of shares	Interest of De La Rue Holdings Limited
Camelot Group plc	United Kingdom	Ordinary	20.0%
Camelot International Services Limited	United Kingdom	Ordinary	20.0%

**14 Debtors**

	2001 £'000	2000 £'000
<b>Amounts due within one year</b>		
Amounts owed by group undertakings	19,217	259
Advance corporation tax recoverable	-	254
Other debtors	1,673	4,432
	<b>20,890</b>	<b>4,945</b>
<b>Amounts due after one year</b>		
Amounts owed by group undertakings	<b>451,411</b>	<b>459,059</b>

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**15 Creditors - amounts due within one year**

	2001 £'000	2000 £'000
Loan notes	-	2,639
Bank Loans	1,150	287
Overdrafts	112,769	109,002
<b>Short term borrowings</b>	<b>113,919</b>	<b>111,928</b>
Trade creditors	631	1,351
Amounts due to group undertakings	32,036	1,422
Taxation	12,922	9,514
Other short term creditors	7,015	4,167
Accruals and deferred income	2,577	2,215
Interim dividend	-	9,017
<b>Other creditors</b>	<b>55,181</b>	<b>27,686</b>

The loan notes were issued to shareholders of Portals Group plc as part of the acquisition consideration. All loan notes have now been redeemed. There are no significant borrowings which are secured against the assets of the Group.

**16 Creditors - amounts due after one year**

	2001 £'000	2000 £'000
Bank Loans due:		
Between one and two years	-	3,328
Between two and five years	-	-
<b>Long term borrowings</b>	<b>-</b>	<b>3,328</b>
Amounts owed to group undertakings	652,999	490,793
Other long term creditors	970	1,080
<b>Other creditors</b>	<b>653,969</b>	<b>491,873</b>

**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**17 Provisions for liabilities and charges**

	<b>Pensions &amp; similar Obligations £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 2 April 2000	1,600	10,947	12,547
Provided in year	71	-	71
Utilised in year	(476)	(2,503)	(2,979)
<b>At 31 March 2001</b>	<b>1,195</b>	<b>8,444</b>	<b>9,639</b>

Other provisions include £2.7m (2000 £3.1m) to cover the costs of Delarunarians (those employees and ex-employees who have achieved 37 years service and qualify for free medical cover plus a monthly allowance).

During the year, £0.9m of provisions transferred from the partnership were utilised leaving a balance of £4.1m carried forward within other provisions.

There are no other material provisions within other provisions for liabilities and charges.

**18 Called up share capital**

	<b>2001 £'000</b>	<b>2000 £'000</b>
<b>Authorised:</b>		
274,000,000 (2000: 274,000,000) ordinary shares of 25p each	68,500	68,500
<b>Allotted, issued and fully paid:</b>		
225,628,982 (2000: 225,466,910) Ordinary shares of 25p each	56,407	56,366

**19 Reserves**

	<b>Share Premium Account £'000</b>	<b>Other reserves £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 2 April 2000	11,958	149,670	66	78,809	240,503
Retained profit for the year	-	-	-	44,246	44,246
Share capital issued	-	-	-	-	-
Currency translation	-	-	-	1,554	1,554
<b>At 31 March 2001</b>	<b>11,958</b>	<b>149,670</b>	<b>66</b>	<b>124,609</b>	<b>286,303</b>



**De La Rue Holdings plc**  
**Notes to the Financial Statements - 31 March 2001**

**20 Reconciliation of movements in shareholders' funds**

	2001 £'000	2000 £'000
Profit for the financial year transferred to reserves	44,246	114
Other recognised gains and losses relating to the year (net)	1,554	(897)
Redemption of preference shares	-	(500)
Share capital issued	41	353
Net increase/ reduction in shareholders' funds	45,841	(930)
Opening shareholders' funds	296,869	297,799
Closing shareholders' funds	342,710	296,869

**21 Particulars of employees**

	2001 Number	2000 Number
The average number of persons employed by the Company during the year was:		
United Kingdom	68	140
Rest of the World	-	1
	68	141

**23 Pension costs**

The Company is a participating employer in one of the De La Rue group pension schemes. The principal schemes are of the defined benefit type with assets held in separate trustee administered funds. Total pension costs were £656,000 (2000: £536,000). An accrual of £1,195,000 (2000: £1,600,000) represents the difference between the contributions to the schemes and the amount charged in the financial statements. Details of the latest actuarial valuations and the assumptions underlying them are contained in the financial statements of De La Rue plc.

**24 Cash flow statement and related party disclosures**

The Company is a wholly owned subsidiary of De La Rue plc and is included in the consolidated financial statements of De La Rue plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the De La Rue Group or investees of the De La Rue Group.

## **De La Rue Holdings plc**

### **Notes to the Financial Statements - 31 March 2001**

#### **25 Immediate and ultimate parent undertaking**

The immediate and ultimate parent undertaking of the Company is De La Rue plc which is registered in England and Wales. The De La Rue plc group is the only group of which the Company is a member and for which group accounts are prepared. Copies of the group accounts are available from the Secretary of De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hants, RG22 4BS.