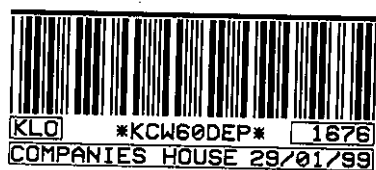


**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**  
**(Company Number: 355881)**

**Directors' Report And Financial Statements**

**31 March 1998**



# De La Rue Holdings Limited (Formerly Thomas De La Rue International Limited)

## Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 March 1998.

## Principal Activities

The Company is a holding company with interests in the United Kingdom and overseas in currency and security printing, cash systems, card systems, and other ancillary activities. On 8 September 1997 the Company changed its name to De La Rue Holdings Limited.

## Results And Dividend

Loss on ordinary activities after taxation amounted to £11,968,000 (1997: £17,187,000 profit). A dividend of £45,000,000 was paid during the period (1997: £ nil). The retained loss for the year of £56,968,000 (1997: £17,187,000 profit) has been transferred from 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.

## Directors

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

S A Field

R G Laing

## Directors' Interests

At 31 March 1998 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 R G Laing in the ordinary shares of the ultimate parent undertaking are as shown in that company's financial statements. The holdings of the other Director are as follows:

	Own & Family Interest		Executive Share Option Scheme				Savings Related Share Option Scheme			
	Ordinary Shares		1 April 1997	31 March 1998			1 April 1997	31 March 1998		
	1 April 1997	31 March 1998								
			Granted	Exercised			Granted	Exercised		
S A Field	3,727	3,759	25,900	25,400	-	51,300	3,654	-	-	3,654

## **De La Rue Holdings Limited** **(Formerly Thomas De La Rue International Limited)**

### **Directors' Report** (Continued)

During the year Ms Field was granted a further 25,400 options under the De La Rue plc Executive Share Option Scheme, at an exercise price of 365.67p. These mature in July 2000 and expire in July 2007.

No options lapsed during the year and none were exercised.

At 31 March 1998, options under the Savings Related Share Option Scheme are exercisable at various dates up to August 2002 at 472p. Those under the Executive Share Option Scheme are exercisable at various dates up to July 2007 at prices ranging between 365.67p and 934p.

The middle market price of the ordinary shares on 31 March 1998 was 284p and the price range during the year was 280p to 561p.

### **Insurance**

The Company carries Directors' and Officers' Liability insurance as permitted by the Companies Act 1985.

### **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:

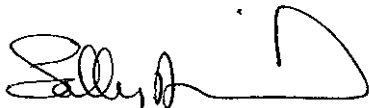
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Directors' Report** (Continued)

By Order of the Board



S A Field  
**Secretary**

28/1/1999

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

## Auditors' Report To The Members Of De La Rue Holdings Limited

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention as modified by the revaluation of the Company's fixed asset investments and the accounting policies set out on pages 7 and 8.

### Respective responsibilities of Directors and Auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

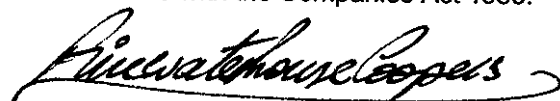
### Basis of opinion

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 as at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors  
London

28 January 1999

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Profit And Loss Account**  
**For The Year Ended 31 March 1998**

	<i>Note</i>	<b>1998 £'000</b>	<b>1997 £'000</b>
Administrative expenses		(3,779)	48
Currency translation differences on inter-company foreign currency borrowings/deposits		(2,091)	(3,874)
<b>Operating Loss</b>		<b>(5,870)</b>	<b>(3,826)</b>
Loss on disposal of fixed asset investment	3	-	(2,242)
Income from shares in group undertakings		45,346	21,304
Income from shares in associated undertakings		169	62
Interest receivable	4	3,397	2,960
Revaluation of investments in subsidiaries		(55,010)	-
<b>(Loss)/Profit On Ordinary Activities before Taxation</b>		<b>(11,968)</b>	<b>18,258</b>
Tax on profit on ordinary activities	5	-	(1,071)
<b>(Loss)/Profit On Ordinary Activities After Taxation</b>		<b>(11,968)</b>	<b>17,187</b>
Equity dividends proposed		(45,000)	-
<b>(Loss)/Profit for the financial year transferred (from)/to Reserves</b>	13	<b>(56,968)</b>	<b>17,187</b>

**Statement Of Total Recognised Gains And Losses**

	<b>1998 £'000</b>	<b>1997 £'000</b>
(Loss)/profit for the financial year	(56,968)	17,187
Retranslation of investments in subsidiary undertakings	(16,244)	(38,000)
Retranslation of hedging loans	8,986	17,554
<b>Total recognised gains and losses relating to the year</b>	<b>(64,226)</b>	<b>(3,259)</b>

The notes on pages 7 to 13 form part of these financial statements.

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Balance Sheet At 31 March 1998**

	<i>Note</i>	1998 £'000	1997 £'000
<b>Fixed Assets</b>			
Investments	6	250,029	318,590
<b>Current Assets</b>			
Debtors - due within one year	9	7,852	728
Debtors - due after one year	9	38,064	33,466
		45,916	34,194
Creditors - Amounts due within one year	10	(3,137)	(108)
<b>Net Current Assets</b>		<b>42,779</b>	<b>34,086</b>
<b>Total Assets Less Current Liabilities</b>		<b>292,808</b>	<b>352,676</b>
Creditors - Amounts due after one year	11	(122,695)	(118,337)
<b>Net Assets</b>		<b>170,113</b>	<b>234,339</b>
<b>Capital And Reserves</b>			
Called up share capital	12	2,500	2,500
Share premium account	13	1,500	1,500
Other reserves	13	18,544	18,544
Revaluation reserve	13	152,742	207,752
Foreign exchange reserve	13	(20,402)	(13,144)
Profit and loss account	13	15,229	17,187
<b>Equity Shareholders' Funds</b>		<b>170,113</b>	<b>234,339</b>

Approved By The Board On

*Sally Field* 1999  
28/1/99

SA Field  
Director

The notes on pages 7 to 13 form part of these financial statements.

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**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.

**(b) Consolidation of subsidiaries**

Subsidiaries prepare financial statements for the year ending 31 March each year except in the case of one subsidiary which prepares financial statements for the year ending 31 January. 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.

**(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 which are taken to reserves.

**(e) Taxation**

Provision for UK corporation tax on profits of the Company arising after 1 April 1994, is made in the financial statements of the ultimate parent company, De La Rue plc.

The ultimate parent company also makes provision under the liability method for deferred taxation relating to the Company arising from all timing differences which are not expected to continue for the foreseeable future.



**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**1 Accounting Policies (Continued)**

**(f) 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 movements due to foreign exchange are transferred to the foreign exchange reserve and those due to changes in the currency value of the investment are taken to the revaluation reserve.

**2 Directors' Emoluments & Auditors' Remuneration**

No Director received any emoluments in their capacity as a Director of the Company (1997: £nil).

There are no persons employed by the Company (1997: Nil).

The auditors' remuneration was borne by another group undertaking.

**3 Exceptional Items**

	1998 £'000	1997 £'000
<u>Loss on disposal of fixed asset investments</u>	-	(2,242)

**4 Interest Receivable**

	1998 £'000	1997 £'000
<u>Interest receivable from group undertakings</u>	3,397	2,960

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**5 Tax On Profit On Ordinary Activities**

	1998 £'000	1997 £'000
Overseas tax	-	1,071

Overseas taxation arises from the payment of dividends by subsidiaries. There was no taxation attributable to the exceptional item shown in note 3.

Subsequent to the adoption of an agreement between the Company and the ultimate parent undertaking, the latter will meet all UK corporation tax liabilities relating to the profits of the Company, so long as it remains a member of the group.

**6 Investments**

Cost/Valuation	Investments in subsidiaries £'000	Investments in associated companies £'000	Total £'000
At 1 April 1997	315,739	2,851	318,590
Disposals	(50)	-	(50)
Acquisitions	2,739	-	2,739
Revaluation	(55,010)	-	(55,010)
Effect of foreign exchange movements	(16,240)	-	(16,240)
At 31 March 1998	247,178	2,851	250,029

The directors revalued the fixed asset investments of the company as at 31 March 1998 on an earnings basis and the results of this valuation have been incorporated in the financial statements so as to reduce the aggregate carrying value of investments in subsidiaries by £55,010,000.

Details of the Company's subsidiaries and associated undertakings are shown in notes 7 and 8 respectively.

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**7 Subsidiary Undertakings**

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

<b>Name of Subsidiary</b>	<b>Country of Registration or Incorporation</b>	<b>Class of shares</b>	<b>Proportion of nominal value of issued shares held by the Company</b>
Thomas De La Rue and Company (Ireland) Limited	Eire	Ordinary	100%
De La Rue Systems BV	Holland	Ordinary	100%
De La Rue Inc.	United States of America	Common stock	80%

**8 Associated Undertakings**

The company has the following investments in associated undertakings which operate in security printing and other ancillary activities.

Unless disclosed otherwise all of these associates have a 31 March year end.

<b>Name of Associated undertaking</b>	<b>Country of Registration or Incorporation</b>	<b>Class of Shares</b>	<b>Interest of De La Rue Holdings Limited</b>
Nigerian Security Printing and Minting Company Limited (Year end: 31 December)	Nigeria	Ordinary	25%
Royal Mint Services Limited	United Kingdom	Ordinary	50%
Daq Electronics Inc	United States	Ordinary	33.33%

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**8 Associated Undertakings (Continued)**

Through its 100% holding in De La Rue Systems BV the company holds more than 10% of the equity share capital of the following companies:

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Class of Shares</b>	<b>Interest of De La Rue Holdings Limited</b>
Churchfelle (BVI) Limited	British Virgin Islands	Ordinary	50%
De La Rue Giori AG	Switzerland	Ordinary	50%
Koenig & Bauer AG	Germany	Ordinary	12.5%
Fidink	Switzerland	Ordinary	33.33%

**9 Debtors**

**Amounts due within one year**

	<b>1998 £'000</b>	<b>1997 £'000</b>
Amounts owed by group undertakings	<b>7,825</b>	700
Other debtors	<b>27</b>	28
	<b>7,852</b>	728

**Amounts due after one year**

Amounts owed by group undertakings	<b>38,064</b>	33,466
------------------------------------	---------------	--------

**10 Creditors - Amounts due within one year**

	<b>1998 £'000</b>	<b>1997 £'000</b>
Other creditors	<b>208</b>	108
Provision for liabilities and charges	<b>2,929</b>	-
	<b>3,137</b>	108

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**11 Creditors - Amounts due after one year**

	1998 £'000	1997 £'000
Amounts owed to group undertakings	122,695	118,337

**12 Called up Share Capital**

	1998 and 1997 £
<b>Authorised:</b>	
Ordinary shares of £1 each	2,500,000
<b>Allotted, issued and fully paid:</b>	
Ordinary shares of £1 each	2,500,000

**13 Reserves**

	Share premium account £'000	Other reserves £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 1997	1,500	18,544	207,752	(13,144)	17,187	231,839
Retained loss for the year	-	-	-	-	(56,968)	(56,968)
Transfer	-	-	(55,010)	-	55,010	-
Exchange rate movements on investments in subsidiaries	-	-	-	(16,244)	-	(16,244)
Exchange rate movements in respect of hedging loans	-	-	-	8,986	-	8,986
<b>At 31 March 1998</b>	<b>1,500</b>	<b>18,544</b>	<b>152,742</b>	<b>(20,402)</b>	<b>15,229</b>	<b>167,613</b>

In presenting the figures for the Company's investments in subsidiary and associated undertakings the Directors have adopted the alternative accounting rules under the terms of Schedule 4 Part II Section C to the Companies Act 1985.

As provided in S275 of the Companies Act 1985, the directors have undertaken a review of the carrying value of investments in subsidiary and associated undertakings as at 31 March 1998, the results of which have been reflected within these financial statements so as to reduce the carrying value by £55,010,000.

**De La Rue Holdings Limited**  
**(Formerly Thomas De La Rue International Limited)**

**Notes To The Financial Statements - 31 March 1998**

**13 Reserves (Continued)**

Under S275 of the Companies Act 1985 any diminution in value of investments in subsidiary and associated undertakings, included in the revaluation reserve, does not fail to be treated as a realised loss and therefore is not regarded as reducing distributable reserves. A transfer from the revaluation reserve to the profit and loss account reserve equal to the reduction in the valuation of investment has therefore been made. The directors are satisfied that the aggregate value of the investments in subsidiaries and associates is not less than the aggregate amount stated in these accounts.

**14 Reconciliation Of Movements In Shareholders' Funds**

	1998 £'000	1997 £'000
(Loss)/profit for the financial year	(11,968)	17,187
Dividends	(45,000)	-
	(56,968)	17,187
Other gains and losses relating to the year (net)	(7,258)	(20,446)
Net deduction from shareholders' funds	(64,226)	(3,259)
Opening shareholders' funds	234,339	237,598
Closing shareholders' funds	170,113	234,339

**15 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 plc group or investees of the De La Rue plc group.

**16 Immediate and Ultimate Parent Undertaking**

The immediate and ultimate parent undertaking of the company is De La Rue plc which is registered in England. 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.