

THOMAS DE LA RUE LIMITED
(Registered Number: 720284)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 1996



THOMAS DE LA RUE LIMITED

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES

The Company carried on a worldwide business in security printing, minting and manufacture of equipment for handling, sorting and processing documents of value.

RESULTS AND DIVIDEND

Profit on ordinary activities after taxation amounts to £36,415,000 (1995: £24,196,000). The Directors recommend the payment of a £30,000,000 dividend (1995 £Nil).

An amount of £6,415,000 was transferred to distributable reserves (1995: £24,196,000).

REVIEW OF BUSINESS

In Security Paper and Print, the combined research and development capability resulting from our decision to integrate the Portals security paper activities has broadened our product range and has enabled us to design and sell documents which achieve an optimum balance between security features in both paper and print.

Portals had a good year of trading supported by a number of substantial long standing contracts as well as improved efficiencies. The year saw effective progress in several major capital projects notably the commissioning and completion of PM3, the world's most advanced paper machine dedicated to manufacturing banknote paper.

In a year of steady trading, banknote sales fell back to normal levels from the high results achieved last year. Volumes remained high and we finished the year with a strong order book, sustaining the Company's prominence in banknote production worldwide. Further capital investment was made with the installation of new presses at the Company's banknote plant at Gateshead, which performed well during the year achieving improvements in productivity.

The Company successfully completed a programme of restructuring and investment in the Security Print UK operations where an extension to the factory in Peterborough together with investments in new printing and cheque personalisation machinery has enabled us to consolidate operations and considerably expand cheque printing. This additional capacity was vital for accommodating rapid growth in new business over the year.

The two printing works projects in Kazakhstan and Ukraine, which were established in previous years have progressed satisfactorily. The success of these projects has opened up further opportunities for the Company.

Transaction Systems Division has advanced toward its goal of achieving market prominence in the emerging fields of electronic payment and identification systems. The past twelve months have seen an encouraging number of new initiatives and product developments within these markets. Electronic payment systems are a major target for the Company, creating opportunities for our operations in card design and manufacturers, payment terminal production and system solutions.

De La Rue Card Technology's facility at Tewkesbury was expanded to handle greater volumes of both conventional cards and smartcards - we expect considerable growth in the sale of these products over the next few years.

THOMAS DE LA RUE LIMITED

DIRECTORS' REPORT (CONTINUED)

De La Rue Fortronic is at the forefront of developments in terminal technology, working with customers to ensure greater security and wider functionality. We are well placed to make the most of opportunities in a rapidly evolving marketplace.

De La Rue Holographics extended its profit record by achieving further growth during the year. One of the Company's most notable achievements was its certification as a supplier of the "Dove" hologram for VISA payment cards.

De La Rue Identity Systems made considerable progress towards its goal of becoming the leading supplier of identification systems in the travel document, national identity and election systems markets. Several proprietary issuing and verification systems have been developed which will lead to substantial orders in this growing market.

There was growth in turnover in Cash Systems Division this year and a reorganisation programme promises improvements in efficiency. Renewed focus on research and development should ensure accelerated introduction of new cash handling products to the market.

FUTURE DEVELOPMENTS

After a period of exceptional growth in our banknote business, we do not expect further significant advances in sales volumes in the immediate future. The current order books for both banknotes and security paper are however strong.

In the short term the degree of our success will be influenced by performance in the highly competitive conditions in banknotes. We are confident that we are well placed given the outstanding product that we can now offer from the combination of Thomas De La Rue and Portals. We are strongly positioned for the future.

Under its new management, Cash Systems Division is expected to resume growth in profits, although the difficult trading conditions experienced in 1996 will continue into the first half of the current year.

Transaction Systems Division will continue to invest in its product manufacturing and services systems integration facilities in anticipation of significant growth in the electronic payment and identification system markets in the medium and long term.

DIRECTORS

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

R E Allen
S A Field
J White
M J Pugh
J F Burbidge-King
R H Heathcote
D L Hosie
L G Cullen (Retired 28.2.96)
P M Youngs
R G Laing (Appointed 29.2.96)

THOMAS DE LA RUE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

At 31 March 1996 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, J White and M J Pugh in shares of the ultimate parent undertaking are as shown in that company's financial statements. The holdings of the other Directors were as follows:

	Own & Family Interest Ordinary Shares		Executive Share Option Scheme		Savings Related Share Option Scheme	
	31 March 1996	1 April 1995	31 March 1996	1 April 1995	31 March 1996	1 April 1995
Miss S A Field	2,602	2,561	11,400	-	2,715	7,142
J F Burbidge-King	-	-	17,800	36,089	-	-
R E Allen	540	513	22,800	20,000	4,581	4,581
R H Heathcote	1,490	-	1,300	600	4,341	6,822
D L Hosie	14,035	8,500	2,800	6,809	2,089	7,623
P M Youngs	5,535	7,000	14,500	6,800	3,901	7,623

Options under the Savings Related Share Option Scheme are exercisable at various dates up to 2001 at prices ranging between 203.23p and 637p. Those under the Executive Share Option Scheme are exercisable at various dates up to 2005 at prices ranging between 275p and 934p.

FIXED ASSETS

The details of fixed assets and capital expenditure are contained in Notes 8, 9 and 21 to the financial statements.

RESEARCH AND DEVELOPMENT

During the year there was a total of £10,796,000 spent on research, development and design (1995 £9,567,000).

PERSONNEL

The average number of people employed by the Company was 3,819 (1995 2,618) and the aggregate remuneration paid or payable to them for the year was £80,697,000 (1995 £59,664,000).

EMPLOYMENT OF DISABLED PERSONS

The Company's policy and practice is to maintain a working environment which gives due regard to the needs of disabled persons. Full and fair consideration is given to applications for employment from the disabled who have appropriate skills, experience and qualifications.

Employees who have become disabled are, so far as possible, encouraged to continue with their existing work or provided with such training as will enable them to take up alternative work within the Company; and making allowance for the fact that the nature of certain disabilities may be such as to restrict the range of jobs available, there are equal opportunities for disabled persons in terms of career development and promotion.

THOMAS DE LA RUE LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEE INVOLVEMENT

The Company has for many years provided employees with relevant information on performance and prospects.

Active management support is given to employee consultation throughout the business.

CHARITABLE DONATIONS

Charitable and educational contributions totalled £26,000 (1995 £6,000).

INSURANCE

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

ACQUISITIONS

On the 1st April 1995, the Company acquired the net assets of the following De La Rue companies at their book value.

	Book Value £000's
Portals Limited	14,122
Portals (Bathford) Limited	490
De La Rue Identity Systems Ltd	8,619
MB Clarke Limited	2,424

The Company continues to hold its investment in the share capital of MB Clarke Limited following the acquisition of this subsidiary's net assets.

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.

THOMAS DE LA RUE LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and as permitted by S386 of the Companies Act 1985, shall remain as auditors of the Company until the Company shall otherwise determine in a General Meeting.

By Order of the Board



S A FIELD
Secretary

29 January 1997

Registered Office:
6 Agar Street
London
WC2N 4DE

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF THOMAS DE LA RUE LIMITED

We have audited the financial statements on pages 7 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of certain properties, and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 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 affairs of the Company as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
London

31 January 1997

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Hull, Leeds, Leicester, London, Manchester, Middlesbrough, Newcastle, Nottingham, St. Albans, Southampton and Windsor.

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

THOMAS DE LA RUE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1996**

	<u>1996</u> £'000	<u>1995</u> £'000
TURNOVER (Note 2)		
Continuing operations	317,652	371,265
Acquisitions	90,937	26,464
	<u>408,589</u>	<u>397,729</u>
OPERATING PROFIT		
Continuing operations	13,360	24,422
Acquisitions	25,545	1,422
	<u>38,905</u>	<u>25,844</u>
Interest receivable and similar income (Note 4)	1,471	1,386
Interest payable and similar charges (Note 5)	(3,812)	(2,986)
	<u>36,564</u>	<u>24,244</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 6)		
Tax on profit on ordinary activities (Note 7)	(149)	(48)
	<u>36,415</u>	<u>24,196</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		
Ordinary Dividends Paid	(30,000)	-
Profit for the financial year transferred to reserves	<u>6,415</u>	<u>24,196</u>

A statement of movement on reserves is provided in Note 16.

The notes on pages 10 to 21 form part of these financial statements.

THOMAS DE LA RUE LIMITED

BALANCE SHEET AT 31 MARCH 1996

	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS		
Tangible assets (Note 8)	79,959	24,729
Intangible assets	376	-
Investments (Note 9)	419	485
	<u>80,754</u>	<u>25,214</u>
CURRENT ASSETS		
Stocks (Note 10)	46,897	26,392
Debtors - due within one year (Note 11)	99,314	94,856
Debtors - due after one year (Note 11)	196,926	236,555
Cash at bank and in hand	40,884	15,518
	<u>384,021</u>	<u>373,321</u>
CREDITORS - Amounts falling due within one year (Note 12)	<u>(157,553)</u>	<u>(136,778)</u>
NET CURRENT ASSETS	<u>226,468</u>	<u>236,543</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>307,222</u>	<u>261,757</u>
CREDITORS - Amounts falling due after more than one year (Note 13)	<u>(175,108)</u>	<u>(129,410)</u>
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)	<u>(15,249)</u>	<u>(10,152)</u>
NET ASSETS	<u><u>116,865</u></u>	<u><u>122,195</u></u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	2,000	13,462
Other reserves (Note 16)	-	2,044
Profit and loss account (Note 16)	114,865	106,689
SHAREHOLDERS' FUNDS (including non equity interests) (Note 17)	<u><u>116,865</u></u>	<u><u>122,195</u></u>

APPROVED BY THE BOARD ON

1997

Michael Pugh

M.J. PUGH

Director

The notes on pages 10 to 21 form part of these financial statements.

THOMAS DE LA RUE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1996

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Profit for the financial year	6,415	24,196
Currency translation differences on foreign currency net investments	(283)	2,059
Total recognised gains and losses for the year	<u>6,132</u>	<u>26,255</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Reported profit on ordinary activities before taxation	36,564	24,244
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	42
Historical cost profit on ordinary activities before taxation	<u>36,564</u>	<u>24,286</u>
Historical cost profit for the year retained after taxation	<u>36,415</u>	<u>24,238</u>

The notes on pages 10 to 21 form part of these financial statements.

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

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 modified by the revaluation of certain properties, and in accordance with applicable accounting standards.

(b) Foreign currencies

Assets and liabilities denominated in a foreign currency are translated into sterling at the appropriate year end rates of exchange. The profits and losses of overseas branches have been translated into sterling at average rates for the year.

Differences arising from the restatement of the opening balance sheet of overseas branches at closing rates are dealt with through reserves.

(c) Turnover

Turnover represents sales of manufactured products and services to external customers, and includes goods packed and awaiting shipment.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation of fixed assets is calculated on a straight line basis at rates sufficient to write down the assets over their expected useful lives.

The principal annual rates of depreciation are as follows:

Leasehold properties with less than 50 years unexpired	Written off over life of lease
Plant and equipment	Ranging from 8% to 33 1/3%

(e) Leases

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

Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over their useful lives. The corresponding liabilities are recorded as a creditor and the interest elements of the finance lease rentals are charged to the profit and loss account.

(f) Research and development

Research and development expenditure is written off against profits as and when incurred.

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(g) Taxation

Provision for UK corporation tax on profits of the Company arising after 1 April 1995 is made in the financial statements of the ultimate parent company.

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.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value and after deduction of relevant advance payments. Cost represents materials, direct labour and an appropriate proportion of factory overhead expenses.

(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 the employees.

The cost of the Company's defined contribution pension schemes are charged to the profit and loss account as the contributions are incurred.

2 TURNOVER

Turnover by geographical market is analysed below:

	<u>1996</u> £'000	<u>1995</u> £'000
United Kingdom	105,502	75,738
Rest of Europe	65,068	54,546
Rest of World	<u>238,019</u>	<u>267,445</u>
	<u>408,589</u>	<u>397,729</u>

The Company's business is based in the UK. The majority of sales are sourced from the UK and represent activity in one business class. The majority of net assets of the Company are located in the UK.

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

3 OPERATING COSTS

	<u>1996</u> £'000	<u>1995</u> £'000
Cost of sales		
Continuing operations	234,832	299,306
Acquisitions	<u>57,934</u>	<u>17,188</u>
	<u>292,766</u>	<u>316,494</u>
Distribution costs		
Continuing operations	2,074	1,917
Acquisitions	<u>138</u>	<u>-</u>
	<u>2,212</u>	<u>1,917</u>
Administrative expenses		
Continuing operations	61,003	45,620
Acquisitions	<u>7,187</u>	<u>7,854</u>
	<u>68,190</u>	<u>53,474</u>

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1996</u> £'000	<u>1995</u> £'000
Interest receivable from group undertakings	1,263	1,011
External interest receivable	<u>208</u>	<u>375</u>
	<u>1,471</u>	<u>1,386</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1996</u> £'000	<u>1995</u> £'000
Interest payable on bank loans and other borrowings repayable within 5 years	1,660	103
Interest payable to group undertakings	6	-
Premium on preference shares redeemable within 5 years	2,049	2,793
Finance lease interest in respect of plant and machinery	<u>97</u>	<u>90</u>
	<u>3,812</u>	<u>2,986</u>

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1996</u> £'000	<u>1995</u> £'000
	Profit on ordinary activities before taxation is stated after the following amounts have been charged:		
	Staff costs		
	- Wages and salaries	80,697	59,664
	- Social security costs	6,355	5,029
	- Other pension costs	5,332	3,545
	Depreciation of tangible fixed assets		
	- purchased	8,212	3,594
	- leased	261	318
	Auditors' remuneration		
	- audit fees	172	117
	- non audit related fees	78	19
	Hire of plant and machinery	1,017	1,390
	Research and development	10,796	9,567
	Directors' emoluments (Note 19)	1,012	1,155
	Profit on sale of fixed assets	486	25
	Loss on redemption of preference shares	4,472	-
		<hr/>	<hr/>
7	TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>1996</u> £'000	<u>1995</u> £'000
	Taxation on the profit for the year:		
	Overseas taxation	<u>149</u>	<u>48</u>
		<u>149</u>	<u>48</u>
		<hr/>	<hr/>

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

There is a deferred tax liability reflected in the financial statements of the ultimate parent company following the arrangements mentioned in Accounting Policy Note 1(g).

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

8 TANGIBLE ASSETS

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Total £'000
Cost or valuation							
At 1 April 1995	-	4,263	1,576	48,918	8,989	3,508	67,254
Additions	2,529	14	784	28,560	2,765	(5,175)	29,477
Acquisitions	-	-	-	32,700	312	8,596	41,608
Disposals and net transfers	(2,149)	(3,250)	-	(3,987)	(28)	(1,655)	(11,069)
At 31 March 1996	<u>380</u>	<u>1,027</u>	<u>2,360</u>	<u>106,191</u>	<u>12,038</u>	<u>5,274</u>	<u>127,270</u>
Accumulated depreciation							
At 1 April 1995	-	715	688	35,321	5,801	-	42,525
Acquisitions	-	-	-	-	-	-	-
Provision for the year	21	115	163	7,080	1,015	-	8,394
Disposals and net transfers	(7)	(455)	-	(3,071)	(75)	-	(3,608)
At 31 March 1996	<u>14</u>	<u>375</u>	<u>851</u>	<u>39,330</u>	<u>6,741</u>	<u>-</u>	<u>47,311</u>
Net Book Value							
At 31 March 1996	<u>366</u>	<u>652</u>	<u>1,509</u>	<u>66,861</u>	<u>5,297</u>	<u>5,274</u>	<u>79,959</u>
At 31 March 1995	<u>-</u>	<u>3,548</u>	<u>888</u>	<u>13,597</u>	<u>3,188</u>	<u>3,508</u>	<u>24,729</u>

At 1 April 1995, certain long leasehold land and buildings were included at 1988 open market valuation. However, those land and buildings were disposed of during the year, as reflected above.

Historical costs of long leasehold land and buildings are as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Historical cost of long leasehold land and buildings	1,027	2,178
Accumulated depreciation	<u>(375)</u>	<u>(386)</u>
	<u>652</u>	<u>1,792</u>

The net book value of plant and machinery held under finance leases at 31 March 1996 was £679,000. (1995: £1,142,000). Depreciation charged during the year amounted to £261,000 (1995: £318,000).

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

9 INVESTMENTS

	Shares in group undertakings £'000	Other investments other than loans £'000	Total £'000
At cost on 1 April 1995	351	134	485
Disposals	-	(66)	(66)
At cost on 31 March 1996	<u>351</u>	<u>68</u>	<u>419</u>

10 STOCKS

	<u>1996</u> £'000	<u>1995</u> £'000
Raw materials	14,994	7,581
Work-in-progress	23,439	12,389
Finished goods and spares	<u>8,464</u>	<u>6,422</u>
	<u>46,897</u>	<u>26,392</u>

11 DEBTORS

Amounts due within one year:

	<u>1996</u> £'000	<u>1995</u> £'000
Trade debtors	61,246	45,892
Amounts owed by group undertakings	12,467	5,694
Amounts owed by undertakings in which the Company has a participating interest	1,053	-
Other debtors	23,242	41,959
Prepayments and accrued income	<u>1,306</u>	<u>1,311</u>
	<u>99,314</u>	<u>94,856</u>

Amounts due after one year:

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed by group undertakings	196,918	236,534
Other debtors	<u>8</u>	<u>21</u>
	<u>196,926</u>	<u>236,555</u>

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

12 CREDITORS -

Amounts falling due within one year

	<u>1996</u> £'000	<u>1995</u> £'000
Bank loans and overdrafts	28,015	6,048
Payments received on account	16,820	12,086
Trade creditors	26,794	20,315
Amounts owed to group undertakings	14,075	15,065
Amounts owed to undertakings in which the company has a participating interest	15,804	24,629
Other creditors	16,052	12,504
Taxation and social security	3,135	2,102
Accruals and deferred income	36,539	43,769
Obligations under finance leases (Note 22)	<u>319</u>	<u>260</u>
	157,553	136,778
	<u><u> </u></u>	<u><u> </u></u>

13 CREDITORS - Amounts falling due after more than one year

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed to group undertakings	172,232	127,601
Other creditors	2,102	721
Obligations under finance leases (Note 22)	<u>774</u>	<u>1,088</u>
	175,108	129,410
	<u><u> </u></u>	<u><u> </u></u>

14 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Pensions & similar obligations</u> £'000	<u>Other</u> £'000	<u>Total</u> £'000
At 1 April 1995	9,363	789	10,152
Provided in year	1,468	1,635	3,103
Transferred/utilised in year	<u>2,473</u>	<u>(479)</u>	<u>1,994</u>
At 31 March 1996	13,304	1,945	15,249
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised:		
2,000 ordinary shares of £1 each	2,000	2,000
29,000 redeemable preference shares of Sfr 1,000 each (non-equity)	—	11,462
Allotted, called up and fully paid	2,000	13,462
	<u>2,000</u>	<u>13,462</u>

On 31 March 1996, 29,000 SF1,000 preference shares were redeemed at a premium of SF537.93 each.

16 RESERVES

	<u>Revaluation reserve</u> £'000	<u>Profit and loss account</u> £'000
At 1 April 1995	2,044	106,689
Sale of Fixed Assets	(2,044)	2,044
Currency translation	-	(283)
Profit for the financial year	—	6,415
At 31 March 1996	<u>—</u>	<u>114,865</u>

Shareholders' Funds are attributable to equity and non-equity share capital as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Equity interest	116,865	110,733
Non Equity interest	—	11,462
Total shareholders' funds	<u>116,865</u>	<u>122,195</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £'000	<u>1995</u> £'000
Profit for the financial year	6,415	24,196
Other recognised gains and losses relating to the year (net)	(283)	2,059
Redemption of preference shares	<u>(11,462)</u>	—
Net addition to/(reduction in) shareholders' funds	(5,330)	26,255
Opening shareholders' funds	<u>122,195</u>	<u>95,940</u>
Closing shareholders' funds	<u>116,865</u>	<u>122,195</u>

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

18 PARTICULARS OF EMPLOYEES

	<u>1996</u> Number	<u>1995</u> Number
The average number of persons employed by the Company during the year was:		
United Kingdom	3,784	2,586
Rest of the World	<u>35</u>	<u>32</u>
	<u>3,819</u>	<u>2,618</u>

19 DIRECTORS' EMOLUMENTS

	<u>1996</u> £'000	<u>1995</u> £'000
Directors' emoluments	1,012	1,155

Aggregate emoluments, excluding pension fund contributions, of the highest paid Director amounted to £159,661 (1995: £201,200).

The number of Directors, including the highest paid Director, who received fees and emoluments (excluding pension contributions) in the following ranges were:

	<u>1996</u>	<u>1995</u>
£Nil - £5,000	3	2
£65,001 - £70,000	1	-
£75,001 - £80,000	1	1
£80,001 - £85,000	2	-
£85,001 - £90,000	1	-
£95,001 - £100,000	-	3
£105,001 - £110,000	-	1
£140,001 - £145,000	1	-
£155,001 - £160,000	1	-
£170,001 - £175,000	-	1
£200,001 - £205,000	-	1

20 CONTINGENT LIABILITIES

There were contingent liabilities at the balance sheet date in respect of:

	<u>1996</u> £'000	<u>1995</u> £'000
Guarantees to banks and others:		
On behalf of other group undertakings	33,823	11,966
On behalf of Thomas De La Rue Limited	<u>32,480</u>	<u>22,457</u>
	<u>66,303</u>	<u>34,423</u>

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

21 CAPITAL COMMITMENTS

	<u>1996</u>	<u>1995</u>
	£'000	£'000
The following capital commitments existed at the balance sheet date:		
Contracted but not provided for in the financial statements	3,851	4,011
Authorised but not contracted	<u>5,960</u>	<u>1,615</u>
	9,811	5,626
	<u> </u>	<u> </u>

22 LEASES

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Anticipated annual payments under operating leases are:		
Land and buildings		
Leases expiring:		
Within one year	54	32
Between one and five years	52	1,035
After five years	<u>2,168</u>	<u>1,087</u>
	2,274	2,154
	<u> </u>	<u> </u>
Others		
Leases expiring:		
Within one year	402	345
Between one and two years	860	1,032
Between two and five years	597	-
After five years	<u>1</u>	<u>-</u>
	1,860	1,377
	<u> </u>	<u> </u>
Anticipated obligations under finance leases are:		
Leases expiring:		
Within one year	319	260
Between one and two years	330	1,088
Between two and five years	<u>444</u>	<u>-</u>
	1,093	1,348
	<u> </u>	<u> </u>

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

23

ACQUISITIONS

On 1 April 1995, Thomas De La Rue Limited acquired the net assets of Portals Limited, Portals (Bathford) Limited, De La Rue Identity Systems Limited ("IDS") and MB Clarke Limited.

The fair values attributed to those assets on the date of acquisition did not differ from their book carrying values.

As described in Note 1 (g), deferred tax balances are recognised in the financial statements of the ultimate parent company. Consequently, the deferred tax liability purchased from MB Clarke Limited was transferred to the ultimate parent company upon acquisition.

The net assets acquired were as follows:

	Portals Limited £'000	Portals (Bathford) Limited £'000	IDS £'000	MB Clarke £'000	Total £'000
Tangible fixed assets	35,310	4,698	70	1,530	41,608
Investments	30	-	-	-	30
Stock	8,754	1,522	61	714	11,051
Trade debtors	7,091	1,719	612	2,324	11,746
Other debtors	1,362	74	21	44	1,501
Cash in hand and at bank	1,147	40	697	137	2,021
Long term assets	785	-	12,792	-	13,577
Creditors falling due within one year	(13,478)	(2,534)	(5,482)	(1,380)	(22,874)
Creditors falling due in more than one year	(19,953)	(4,300)	-	-	(24,253)
Provision for liabilities and charges	(1,598)	4	(152)	(29)	(1,775)
Deferred tax	(5,328)	(733)	-	(916)	(6,977)
Consideration satisfied by intercompany debt	<u>14,122</u>	<u>490</u>	<u>8,619</u>	<u>2,424</u>	<u>25,655</u>

Each of the acquired companies has a financial year commencing on 1 April. Consequently there were no profits or losses, or other recognised gains or losses of any acquired entities for the period from the beginning of their financial year to the effective date of acquisition.

The profit/(loss) after tax for the year ended 31 March 1995 in respect of the above acquired companies was as follows:

	£'000
Portals Limited	1,127
Portals (Bathford) Limited	(322)
De La Rue IDS Limited	3,489
MB Clarke Limited	1,684

THOMAS DE LA RUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996 (CONTINUED)

24 PENSION COSTS

The Company is a member of 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 £5,330,000 (1995 £3,545,000). An accrual of £10,879,000 (1995 £9,363,000) 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.

25 ULTIMATE PARENT UNDERTAKING AND CASH FLOW STATEMENT

The ultimate parent undertaking is De La Rue plc which is registered in England and Wales. This is the only group of which the Company is a member and for which group financial statements are prepared. Copies of the group financial statements are available from the Secretary, De La Rue plc, 6 Agar Street, London WC2N 4DE.

A statement on cash flow has been omitted as the Company has taken advantage of the dispensation available to companies for which a cash flow statement is disclosed in the consolidated financial statements of the ultimate parent undertaking.

26 SEGMENTAL REPORTING

Segmental information is given in the consolidated financial statements of the ultimate parent undertaking.

27 GROUP FINANCIAL STATEMENTS

Group financial statements have not been submitted as the Company is a wholly owned subsidiary of De La Rue plc.