

Annual Review

Year Ending March 2009



**wherever
money
moves**



Global Phenomenon
Millions of users



Global Phenomenon
Billions of users

We **expertly** manage
the World's most **popular**
payment instrument... **Cash**



The first full trading period of seven months as Talaris, has seen our new business established worldwide and consolidating its position. Despite significant change over that time, the management team, our partners and employees have delivered a robust set of financial results in a difficult world economic climate.

Across the 30 offices and more than 100 countries where we operate, some 2,100 employees and our valued Business Partners have risen to the challenge to establish our new identity and solutions at the forefront of expert cash management, worldwide.

When the management led buy-out took effect on 1st September 2008 we faced considerable challenges and opportunities. These included the complex De La Rue separation processes, administrative and manufacturing re-organisation and the need to maintain our own forward momentum. I am pleased to confirm we have now fully transitioned to our new structure and culture, successfully separating from De La Rue with all major infrastructure changes complete.

Talaris has achieved a year on year revenue increase of 12.2% and profit growth at the EBITDA level of 34.3%, whilst maintaining a strong cash-flow position and delivering improvement in both inventory and service levels. These achievements have been made possible with the continued support of our investment partner, The Carlyle Group and our management team's commitment to detailed scrutiny of our monthly performance as we shape Talaris into an agile, flexible and highly responsive enterprise.

Maintaining the impetus we now move into a new phase, involving further detailed control of our costs and expenditure whilst delivering increased momentum to our sales and service activities. The global financial environment remains unpredictable, resulting in continued margin pressure in competitive conditions. However, we know we are in the right market, with the right propositions, at exactly the right time. Talaris has been firmly established globally and we look forward to serving our customers and working with our partners across the world in the coming 12 months.

A handwritten signature in black ink that reads "Tracey Graham".

Tracey Graham, CEO, Talaris
30 June 2009

Talaris Vertera™ Teller Cash Recycler



Today there is more
cash in circulation than
at any other time in **history**

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TODAY, CASH REALLY IS KING

Today, cash is still the worlds' most popular and reliable payment instrument. Despite technological developments in payment systems, consumers and businesses have demonstrated a preference for cash, resulting in an estimated 5 billion users worldwide. Cash is in demand by businesses and consumers alike and its various forms are accepted in every country across the world.

Globally, cash volumes continue to grow with more notes and coins in circulation today than at any time in history. In Europe alone the value of euro cash in circulation has more than trebled in the past seven years whilst some 79% of European retail payments (307 billion transactions) were cash based*. With its sustained popularity comes the need to ensure that cash is handled efficiently and securely as it plays its valuable role in the worlds' economies.

The expert management of cash is at the centre of the technology and services delivered by Talaris, providing specialist cash processing and handling solutions for banks, retailers and related sectors. It is Talaris technology that continues

to reduce operating cost and provide security, whilst authenticating billions of banknotes and coins. Talaris solutions are the strategic enabler optimising staff and customer engagement whilst increasing face to face selling opportunities.

Talaris delivers cash handling expertise both directly and through business partners, providing innovative solutions, consulting professionals and an extensive service and support infrastructure. With the position of cash firmly established, Talaris continues to enhance its specialist advantage in managing this important commodity by investing in research and development of related technologies and processes.

“The expert management of cash is at the centre of the technology and services delivered by Talaris.”

*Source: Banking Automation Bulletin, May 2009

Talaris EV86-Series Currency Counters



The **Talaris** brand is
synonymous with **expert**
cash **management** worldwide

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TALARIS ESTABLISHED ACROSS THE WORLD

Over the past seven months Talaris personnel have joined with over 130 Business Partners to establish the new Talaris as the global specialist in cash handling technology and service. Following the management led buy-out, Talaris capability has been demonstrated and communicated to customers, partners, investors and employees, across more than 100 countries, to make the brand synonymous with expert cash management worldwide.

Talaris expertise has been acknowledged with awards for technology and performance from industry events in both Asia and North America confirming again the Group's commitment to leadership and innovation. The successful brand delivery has resulted in sales growth alongside deeper strategic penetration into new geographies such as South America and the Middle East. Simultaneously extended plans to develop the business presence in Russia and associated regions are in progress whilst the OEM ('Original Equipment Manufacturer') business extends its reach across China with new volume agreements.

The Group continues to build on its strengths maintaining focus around the four key competencies of Talaris, namely – unique expertise in **authentication** technology which is delivered globally through strong and well established **distribution** channels. In turn these are underpinned by the proven excellence within the **service** business allied with the Group's ability to build strong **relationships** with customers, partners and suppliers.

“The Group continues to build on its four key competencies – authentication, distribution, service and relationships.”

Talaris NMD 100 Media Dispenser



Talaris are recognised as the **cash** management specialists **worldwide**

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Cash Problem



Problem Sorted

TALARIS – A MARKET LEADER GLOBALLY

Talaris is uniquely positioned as the global business operating exclusively in the field of cash management and optimisation. For banks, retailers and businesses the Group leads with dedicated consultancy, technology and services wherever money moves. Today, Talaris deals with many of the world’s largest banks and financial institutions, authenticating notes and coins, holding cash securely, improving operational efficiencies and reducing operating cost.

As a result of working solely in this specialist market Talaris has established high benchmarks, building on a portfolio of innovation and technology. The cash handling solutions range includes more than 40 highly reputable products which are in turn supported by a market leading service offering, incorporating complete installation project management, maintenance services, dedicated customer service centres and technical training.

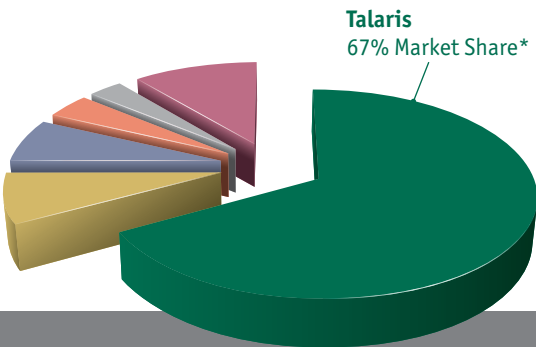
Through specialisation and innovation, Talaris has accumulated a portfolio of over 250 technology and process

patents granted across 26 countries. In turn these technologies are delivered to market through the strength of both the direct and indirect Talaris sales channels.

These unique capabilities have enabled Talaris to establish leading market positions across the bulk of its portfolio and become the world leader in the supply of Teller Assist Units. Recent industry research demonstrated that Talaris has by far the highest market share across some 25 key countries surveyed, with 67% of the installed base*.

Globally the majority of the installed base of teller automation units is spread across 25 key countries. In these countries the current level of around 735,000 bank branches is forecast to grow as it has since 2004, with the deployment of teller automation systems correspondingly set to increase from around 145,000 to around 240,000 by 2013. As banks deploy new formats and seek to optimise efficiencies, service and security Talaris will continue to be the partner of choice.*

“Recent independent research demonstrated that Talaris has by far the highest market share with 67% of the installed base*.”



*Source: Global Teller Assist Units 2009 report from Retail Banking Research Limited

Talaris has achieved a
robust financial performance
in a **challenging** climate



CHIEF FINANCIAL OFFICER'S REPORT

At a time of great turbulence in global financial markets specifically and the world economy more generally, Talaris has achieved a robust financial performance for the period ending March 2009. Talaris Holdings Limited acquired the business and assets of the majority of the Cash Systems Division of De La Rue plc on 1st September 2008. In the Group structure the ultimate holding company above Talaris Holdings Limited is Talaris Topco Limited and the majority shareholder in this company is CEP III Participations S.à r.l. SICAR, an investment vehicle for The Carlyle Group.

A March reporting date has been retained for the Talaris Group. The first reporting period for the Group is for seven months to 31st March 2009 and the Annual Report and Accounts ensures that Talaris is compliant with statutory reporting requirements for this initial short period. This Annual Review can be read independently, or as a companion document to the ARA. The annual numbers below are presented on a proforma, unaudited basis.

Performance

The figures below relate to the seven months since Talaris Group began trading, the 52 week period to 29 March 2008 and the 52 week and 3 day period to 31st March 2009. All figures are quoted at average exchange rates for Profit & Loss items and closing rates for Balance Sheet items.

£m	7 months 2009	12 months 2009 (unaudited)	12 months 2008 (unaudited)	Annual % change
Turnover	200.8	321.5	286.6	12.2%
Gross Profit	87.5	138.5	123.8	11.9%
SG & A	52.8	85.5	84.2	1.5%
Operating Profit	34.7	53.0	39.6	33.8%
EBITDA	38.2	58.0	43.2	34.3%
Cash	51.7	51.7	-	-
Net Debt	243.4	243.4	-	-

Talaris Mach 3 Coin Processor



CHIEF FINANCIAL OFFICER'S REPORT

Of the total turnover for the year of £321.5m, some 39% was generated from the Group's service business comprising of maintenance contracts, break/fix revenues and sales of parts. Cash generation has been excellent in the first seven months of Talaris' existence, with tight control of working capital and minimal levels of capital expenditure, reducing net debt to £243.4m. EBITDA performance overall stands at 18.0% for the year (15.1% 2008).

Foreign currency has a major impact on the reported results of the Group as much of the underlying earnings are generated in EUR/USD, reflecting the markets in which it operates. The Group trades in a number of other currencies, including the SEK with a factory located in Sweden. The rates used to convert the data in the table above are as follows:

Currency/GBP	7 months Average	2009 Average	2009 Closing	2008 Average
USD	1.58	1.73	1.43	2.01
EUR	1.17	1.21	1.08	1.42
SEK	12.15	12.06	11.85	13.18

If the impact of foreign exchange and the additional days of trading in 2009 versus 2008 are removed then turnover shows a decrease of 1.1% and EBITDA shows an increase of 15.7% year-on-year. This demonstrates the success of the cost management programmes instituted within the Group where further benefits from both existing and new initiatives across the Talaris cost base are expected in the financial year to March 2010.

Funding

The initial funding for the Group at completion was denominated in sterling as follows:

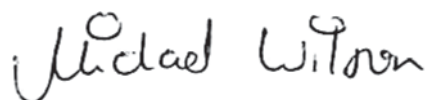
Sources	£m	%
Senior Term Debt	186.0	49.2
Mezzanine	60.0	15.7
Preference Shares	128.9	34.0
Ordinary Shares	4.0	1.1
Total Sources	378.9	100.0
Undrawn RCF	26.0	
Total Committed Facilities	404.9	

CHIEF FINANCIAL OFFICER'S REPORT

The term debt was redenominated into USD and EUR on 4th September 2008 to reflect the broad mix of the Group's underlying trading currencies. Converted at year end rates, the Senior debt stands at £230.3m and the Mezzanine debt at £72.9m. The term debt is repayable on a range of terms up to 9 years from the date of completion. All loans have bullet repayments other than term loan 'A' which amortises over the life of the facility with the final repayment due in June 2015. Repayments of 4% of the principal of Term Loan 'A' fall due during the year ending 31st March 2010. The excellent cash generation of the business means that the RCF remained undrawn at 31st March 2009, other than £400,000 allocated to the issuance of bonds/guarantees.

Outlook

At this time, the general economic outlook remains uncertain and whilst equity markets have rallied in recent months other indicators such as GDP, inflation and unemployment remain depressed. Against this background, the order book that Talaris carries into the new financial year is encouraging. Service order coverage runs well into the second half of 2009/10 and product order visibility well into the second quarter at the start of the financial year.



Mike Wilson, CFO, Talaris
30 June 2009

“The future economic outlook remains uncertain, however, the order book that Talaris carries into the new financial year is encouraging.”



MANAGEMENT OVERVIEW

In the past 12 months we have witnessed an evolving trading environment globally, with the impact of the economic climate affecting some of the traditional Talaris customer base. However despite this, the period has seen the leadership team consolidate the Group's position and deliver a strong platform on which to grow.

Talaris has continued to maintain an appropriate geographic and customer revenue spread ensuring that the business is not unduly dependent upon any one continent, country or customer group. This is further enhanced by the Group's portfolio of enabling solutions supported by the extensive service network – both of which are key factors contributing to the strength of the business. As a result, Talaris is well positioned to continue to outperform the market and deliver outstanding results.

The management team are committed to continuing to invest in the Group's greatest asset – its employees, where there is a vast pool of talent from which to continue to draw. Through a range of initiatives staff are encouraged to go through a process of continuous development and to provide management with direct feedback through activities such as the globally recognised 'Great Place to Work Programme'.

Together the management team and employees have contributed to the establishment of Talaris – globally marking out the business footprint and putting in place the processes and disciplines that now form the framework of the new Group. Talaris is growing as a flexible, agile and responsive business with the capability to swiftly respond to market and customer demands and out-perform its competitors.

“Talaris is well positioned to continue to outperform the market and deliver outstanding results.”

From left to right (top): Wilbert Bieleman, Adrian Trise

From left to right (bottom): Tracey Graham, Vincent Nakache, Chris Reagan, Mike Wilson, Mal McHutchison, Paul Adams







The Talaris Commitment

Talaris are World Experts in cash management. Across the globe 2,100 personnel, with over 130 business partners deliver technology and solutions that provide security, productivity and innovation to our customers.

The Company is committed to the highest ethical standards and compliance with legislation and to be a fair employer wherever we operate. As a responsible organisation we maintain a disciplined approach to our corporate governance and operate to the optimum professional standards in all aspects of our business.

Talaris will always seek to provide a safe and productive work environment where all employees can grow and be challenged. Wherever we operate our objective is to contribute actively to the community and the local environment. An intrinsic part of our business philosophy across our product and service offerings is to be consistently environmentally responsible and to continue to improve our performance across all environmental issues wherever possible.



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