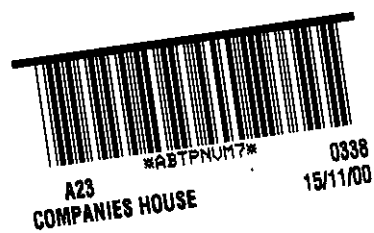


De La Rue plc
[Company Number 3834125]

Directors' Report and Accounts

for year ending 1 April 2000



De La Rue Annual Report 2000

CASH SYSTEMS • CURRENCY • SECURITY PRODUCTS • GLOBAL SERVICES



Solutions for a world on the move

De La Rue operates in areas where our brand values of security, integrity and trust can be leveraged to the benefit of our customers and where we have, or are able to develop, leading positions.

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We aim to make life easier for our customers and more difficult for the fraudster. Whether we are working with the world's governments or central banks, retail banks or retailers, they trust in De La Rue technology to deliver practical solutions for today's ever changing and fast moving world.

Financial Highlights

		2000	1999
Turnover	– Continuing operations	£518.9m	£526.2m
	– Discontinued operations	£98.2m	£211.7m
		£617.1m	£737.9m
Operating profit	– Continuing operations	£55.2m	£37.3m
	– Discontinued operations	£5.1m	(£0.9m)
		£60.3m	£36.4m
Profit before tax and exceptional items		£75.0m	£57.1m
Headline earnings per share*		26.5p	18.8p
Dividend per share		12.0p	12.0p
Net funds/(debt)		£2.1m	(£126.3m)



- Operating profits* from continuing operations up £17.9m at £55.2m
- Profits before taxation and exceptional items up 31.3 per cent at £75.0m
- Headline earnings per share* of 26.5p, up 41 per cent on comparable period
- Increase of £50.5m in net cash flow from operating activities
- £103.7m returned to shareholders on 7 February 2000 after disposal of Card activities for £200m on 1 October 1999
- Net debt last year end of £126.3m turned into net cash of £2.1m
- Benefits of the business reorganisation coming through as planned

*(before reorganisation and arbitration costs)

This is De La Rue

Solutions for a world on the move. The powerful impulses of economic change and the new global economy are refashioning our industries and the way we live our lives. Technology is transforming the workplace, globalisation alters the structures in which we work.

Looking around this ever changing world you might be surprised to hear that De La Rue is the driving force behind many of the world's transactions and security solutions. Did you know that we are the world's number one commercial producer of banknotes and banknote paper to over 150 countries worldwide, or the world's leading provider of branch cash automation to retail banks, or that we make the key components of one in five of the world's ATM mechanisms? We have been working with our customers since 1813 to invent increasingly sophisticated solutions in an ever more diverse range of applications and situations.

The challenge for De La Rue is to make life easier for our customers and more difficult for the counterfeiter. Whether we are working with the world's governments or central banks, retail banks or retailers, our customers trust in De La Rue technology to deliver practical solutions for today's ever changing world.

Renowned for our leading-edge solutions, our expertise is used to protect some of the world's brands in the retail, pharmaceutical and software industries and to provide identity and travel documents and issuing systems. Moreover, our unique knowledge of cash and cash management solutions means that we are pioneering developments in detection technology and secure cash processing, ensuring the availability of cash when and where people need it. This process never stands still and De La Rue is at the forefront of changes in cash and cash handling technology. Innovation underpins all that we offer.

We have seen a steady trend for organisations to outsource certain non-core strategic processes. With secure processes and global reach, gained particularly from working with the world's banks and governments, our customers are turning to us to manage these processes securely. For example, we are already working with the Central Bank of Brazil, managing their entire regional banknote sorting activities on their behalf, across ten cash centres.

Just as the world never stands still, neither does our business and we are always applying our core principles of security, integrity and trust to enter new and exciting markets, and to provide secure solutions for a world on the move.



Key milestones

JUNE 1999

Announced formation of new division focused on customer solutions and outsourcing key processes

AUGUST 1999

Appointed Paul Hollingworth as finance director and an executive director of De La Rue

OCTOBER 1999

Sold Card activities to FC Oberthur Fiduciaire and returned £103.7m capital to shareholders in February 2000

This is De La Rue; divisional overview

Cash Systems

PROFILE	PRODUCTS AND SERVICES
<p>Cash Systems provides coin and note handling equipment, services and solutions to banks, retailers, transport and leisure companies enabling them to reduce the cost of handling cash and improve the efficiency of their business.</p>	<p>Branch Cash Solutions (BCS) Provides dispensers (TCDs) and recyclers (TCRs) primarily for the secure and efficient handling of cash in bank branches. Original Equipment Manufacture (OEM) mechanisms and technologies is the leading independent supplier of cash dispensing mechanisms to the ATM industry.</p> <p>Cash Processing (CP) Provides cash handling solutions, including banknote sorters and software systems, to help central banks, commercial banks and cash in transit companies worldwide process cash efficiently and improve customer service.</p> <p>Desktop Products (DTP) Offering low cost, simple-to-use cash counters, often sold through local dealers, DTP targets the banking, retail, gaming, leisure and cash in transit markets.</p> <p>Customer Services The customer services business supports each of the three business streams and ensures we provide a consistent level of service and support both to users and to our distribution partners.</p>

Security Paper and Print

PROFILE	PRODUCTS AND SERVICES
<p>Currency De La Rue is the world's leading commercial producer of banknotes.</p>	<p>Anti-counterfeiting solutions to around 150 countries worldwide including: Banknotes Banknote paper Anti-counterfeit consultancy Currency management Coin marketing</p>
<p>Security Products Security Products provides secure printed products, services and solutions to businesses and governments around the world.</p>	<p>Provides a 'one stop shop' service to retailers, governments and financial institutions. Products include stamps, vouchers, passports, cheques and travellers cheques, as well as security paper, security threads and tear tapes.</p>

Global Services

PROFILE	PRODUCTS AND SERVICES
<p>This newly created division provides total solutions to customers in areas that capitalise on De La Rue's reputation for security, integrity and trust. It has three main areas of focus based on five existing De La Rue businesses. Financial results for the new division will be reported from 2 April 2000.</p>	<p>De La Rue businesses transferring to Global Services on launch:</p> <p>Identity Systems Provides secure, integrated, tailored identity solutions for national identification and registration programmes, driver's licence and passport issuing schemes.</p> <p>Holographics Provides security holograms to financial institutions and governments as well as brand owners in a wide range of industries.</p> <p>Brand Protection Provides bespoke solutions to protect a wide range of products and industries from the threat of counterfeit, tamper and illegal trading.</p> <p>Transaction Services Facilitates cash payment for goods and services supplied remotely via networks of payment terminals placed in convenient locations.</p> <p>Royal Mint Services A 50-50 joint venture with the Royal Mint for the sale of coinage around the world.</p>

Key milestones CASH SYSTEMS JANUARY 2000	APRIL 2000	CURRENCY APRIL 1999
Sold non-core German subsidiaries plan object and Alarm Systems	Acquired international cash handling activities of Ascom Banking Automation strengthening product range and geographical reach	Announced joint venture with Banco de Portugal to print euro currency

GLOBAL REACH

Headquarters:
Basingstoke (UK)

Key Manufacturing Hubs:
Flen (Sweden)
Portsmouth (UK)
Watertown (USA)

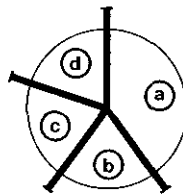
Regional Sales & Service Centres:
Chicago (USA)
Frankfurt (Germany)
Hong Kong (China)
Madrid (Spain)
Milan (Italy)
Paris (France)
Sao Paulo (Brazil)

Cash Systems is:

- The world's number one provider in branch cash automation
- The leading single supplier of recycling machines outside Japan
- Through its OEM business, supplier of one in five of the world's ATM mechanisms
- The leading integrator of multi-vendor cash handling equipment
- The number one supplier of specialist cash-related support and service
- Has the industry's widest network of specialist independent distributors, agents, service-providers and partners

Sales breakdown by business streams

- (a) Branch Cash Solutions (BCS) 40%
- (b) OEM 20%
- (c) Desktop Products 20%
- (d) Cash Processing 20%



GLOBAL REACH

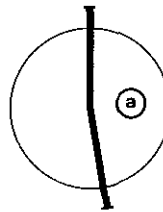
Headquarters:
Overton (UK)

Key Manufacturing Locations:
Overton (UK), Gateshead (UK), Kenya, Malta, Singapore, Sri Lanka

De La Rue's banknote market share

- (a) De La Rue 45%-50%

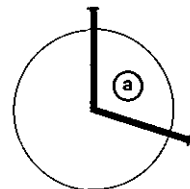
Around half of the available world market in banknote printing.
[About 10% of the total currency market is available to commercial manufacturers. The rest is produced by State Printing Works attached to central banks, usually in very large countries and in most European countries.]



Portals banknote paper market share

- (a) Portals 30%

Almost half of the banknote paper market is available to the commercial paper sector.

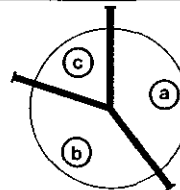


Headquarters:
Basingstoke (UK)

Key Manufacturing Locations:
High Wycombe, Dunstable, Peterborough, Lisburn (Northern Ireland), Bathford, Horwich, Dulles (USA), Bray (Eire), Kenya

Security Products

- (a) Commercial 40%
- (b) Financial 40%
- (c) Government 20%



The business is segmented into three primary business streams; Financial, eg travellers cheques, cheques; Government, eg passports, visas; Commercial, eg vouchers, prepaid stamps. They enjoy leading positions in many of their markets.

GLOBAL REACH

Headquarters:
Basingstoke (UK)

Other locations:
Kuala Lumpur (Malaysia)
New York State (USA)
Kenya
Dunfermline (Scotland)
Northwich (UK)

MARKET POSITION

Our focus will be in three main areas of activity; digital and identity services; brand protection services and related services to core customers.

Digital and Identity Services

Founded on the existing businesses of Transaction Services and Identity Systems, Global Services will also develop a new business in Digital Protection through its acquisition of InterClear in April 2000, which will provide secure solutions to those companies wishing to do business over the internet.

Brand Protection Services

Designs and manages brand protection solutions for the world's brands by leveraging cross-divisional security and anti-counterfeit knowledge to provide solutions. The solution will include continual assessment of risk, as well as the selection, development and implementation of technologies and processes to minimise counterfeit losses.

Related Services to Core Customers

Providing consultancy services, initially focusing on central banks and working closely with the Currency division, this business is all about the broader thrust of managing our relationships with central banks and offering them related services and solutions in areas of De La Rue expertise.

SECURITY PRODUCTS FEBRUARY 2000

Appointed Jon Marx as new managing director of non-banknote security printing business

GLOBAL SERVICES NOVEMBER 1999

Appointed Christopher Chadwick as managing director of new division

APRIL 2000

Completed acquisition of InterClear, signalling De La Rue's entry into providing digital security services to customers



Group results

I am pleased to report that our full year results for the year ended 1 April 2000 show a dramatic improvement on the previous period and, importantly, reflect the benefits of the reorganisation of our Banknote and Cash Systems businesses. The reorganisation of our banknote business resulted in printing capacity being reduced, costs cut and our sales and marketing strategy revitalised, all of which has resulted in better margins. The reorganisation of the Cash Systems division saw a lowering of the cost base, including a rationalisation of sites, and a focus on those products and geographical areas which are most profitable.

Operating profit from continuing activities (before reorganisation and arbitration costs) was up £17.9m on the comparable period at £55.2m. The successful reorganisation of our banknote business and turnaround in the operating performance of Cash Systems are the main drivers behind this increase in profitability. Profit before tax and exceptional items was £75.0m, a £17.9m improvement on last year's results. As a result, headline earnings per share (before reorganisation and arbitration costs) were up 41 per cent at 26.5 pence.

Business development

This year has seen a significant reshaping of the Group, including the disposal of our Card activities for £200m (of which £103.7m was returned to shareholders), and the launch of a new division based around customer solutions. The new division, called Global Services, was formally launched on 2 April 2000.

We are now moving into the next phase of the Group's development. The success of the reorganisation and the strength of our financial position provide the base for concentrating on growth opportunities both organically and through acquisition. This transition will take time but we are already making progress: we have recently won several significant contracts within our Global Services division and in April of this year completed two acquisitions with Cash Systems purchasing the cash handling activities of Ascom Autelca AG and Global Services purchasing InterClear, a small digital security business.

Dividend

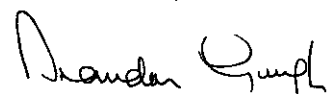
Subject to shareholders' approval the Board is recommending an unchanged final dividend of 8.0 pence per share, which will be paid on 14 August 2000 to shareholders on the register on 14 July 2000. This will give a total dividend for the year of 12.0 pence, the same as last year.


Board changes

Lord Wright and Brian Birkenhead will retire from the Board at the conclusion of our AGM and I would like to thank them for their valued contribution and support over the years. We welcomed Paul Hollingworth to the Board on 1 August 1999 as Finance Director. Paul had previously been Finance Director of English China Clays plc and VP Finance of Textron Turfcare and Finance Director of Ransomes plc. In April 2000 we also announced the appointment of two new non-executive directors, Michael Jeffries, Chief Executive of WS Atkins plc, and Keith Hodgkinson, Chief Executive of Chloride Group plc. Both bring to the Board a well rounded mix of business and management experience and we look forward to their contributions.

Outlook

At De La Rue we believe that we are well placed to provide a broad range of secure transaction solutions and services to our customers. I am confident that with our strong balance sheet, strengthened management team and revitalised operations, De La Rue is well placed to continue its forward momentum.


Brandon Gough Chairman





Progress made

This year has been one of substantial change and we have taken significant steps in re-positioning De La Rue to concentrate on future growth opportunities.

The main achievements have been:

- Creation of a more focused organisation following the Card activities disposal.
- Recovery in Currency margins.
- Return to profitability with more to come next year from Cash Systems.
- Excellent cash generation with an inflow on working capital for the first time since 1994.
- Business is now more customer facing with increased emphasis on service and solutions.
- Overhaul of the top management team which has seen 75 per cent of the top 60 management positions changed.
- Strong balance sheet which provides us with an excellent platform to exploit future growth opportunities.
- Re-orientation of the Group towards sustainable sales growth, particularly in Cash Systems and the new Global Services division.

Group results

1999/2000 was a year in which we delivered on the commitments made in last year's annual report. The reorganisation of our Currency business is complete and this was a major contributor to the 17.9 per cent improvement in profits from the Security Paper and Print division. Cash Systems' second half result of £4.0m profit shows it is now firmly on track to deliver the substantial reorganisation benefits expected in 2000/2001. Although associates' results disappointed (£12.0m down) it is pleasing that our main trading activities more than made up for this decline and headline earnings per share (before exceptionals) were up 41 per cent at 26.5 pence.

Associates

The share of operating profits from Camelot declined £3.2m to £10.8m. The fall in profits was expected as Camelot approaches the end of the current licence period and marketing expenditure is increased. The Post Office has joined the Camelot consortium which has re-tendered for the 2001/2008 lottery licence, the results of which are expected during June 2000. The actual licence to run the current lottery ends on 30 September 2001. The new lottery bid, if successful, will reduce the shareholders' return from each 100 pence collected from around 1.0 pence to just under 0.5 pence. The impact on overall profitability will of course depend on actual lottery ticket sales levels should Camelot be successful in retaining the lottery licence.

Operating profits from other associates, principally De La Rue Giori (Giori), were down £8.8m at £3.9m. As mentioned at the interims, trading in the second half for Giori was poor as a result of a downturn in world demand following major investments over recent years from many of the major state printing works. The start of the new year continues to be difficult and Giori is now making investments to put the business on a sounder strategic footing, but this will depress profits this year. We continue to work closely with Giori management and the other shareholder to improve the performance and prospects of the business.



We will continue to defend ourselves vigorously against the claim brought by the other shareholder in Giori against De La Rue and have raised an exceptional provision of £2.0m to cover legal fees likely to be incurred in rebutting the claim (for more details see page 23 of the Directors' Report).

InterClear acquisition and e-business strategy

Security, and the ability to authenticate identity and verify that transactions have been securely routed across the internet, will be one of the major growth areas in e-commerce. At De La Rue we believe that our core brand values of security, integrity and trust and our experience of working with governments, central banks and major financial institutions put us in a strong position to exploit this opportunity. The acquisition of InterClear by Global Services is a small but significant step towards realising our strategy in this area. One of the first steps we will be taking is for InterClear to secure De La Rue's internal communications network using their Public Key Infrastructure (PKI) methodology. This will also serve as an excellent reference site for InterClear in marketing to potential customers.

We are developing our e-business strategy and approach. We have identified many opportunities in both the cost and revenue enhancement areas, both internally and externally, which are well suited to e-commerce and we are now prioritising these opportunities. The objectives are to reduce transaction costs, improve productivity and provide enhanced levels of customer service and sales. Two initial internal areas of focus are in e-enabling our Group technology and purchasing resource.

Cross-divisional links

Whilst the Group is structured along divisional lines there are many business links between our various operations which are not properly reflected by our reporting structure. These links can be seen in the case studies which are presented within this annual report on pages 11, 13, 15 and 17. One of the keys to future success for De La Rue will be to ensure we maximise cross-divisional selling opportunities and resources. We have appointed a key accounts director who reports directly to me and we will also be working over the coming year to ensure that the Group structure reflects a more co-ordinated approach. This will properly recognise the way in which we should be doing business with our customers and will fully utilise our resources.

Management

Strengthening the management team is a key personal objective because without the right talent we will not deliver on our challenging goals.

The Chairman's report refers to the appointment of Paul Hollingworth as Finance Director. In addition we have also strengthened our senior management team with the appointment of Christopher Chadwick, who was previously Managing Director of Guardian Direct, one of the UK's largest direct insurers, to head up our new Global Services division and Jon Marx, previously main board director responsible for Low and Bonar's Packaging division, to head up our Security Print operations.

Since I joined, over 75 per cent of the top 60 management positions in the Group have been replaced, many of them through internal promotions. We now have in place a structured management development programme with the emphasis on deliverable business benefits.



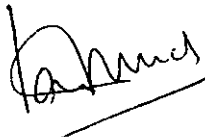
Strategic direction

The Group's strategic direction can be summarised as:

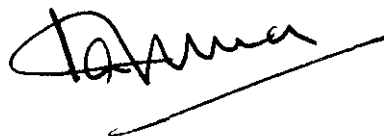
- Maintain and nurture our high margin Security Paper and Print operations whilst recognising that top line growth will be limited.
- Increased emphasis within Cash Systems on generating sales growth.
- Invest in new business opportunities within our Global Services division which have the potential to achieve substantial sales and earnings growth for that division.
- Use the strong balance sheet, where appropriate, to make acquisitions to complement organic growth.
- Strengthen our cross-divisional links to serve our customer base better and utilise our resources, through developing a more cohesive operational structure.
- Continue to develop our e-business strategy to improve efficiency and better meet the needs of our customers.
- Continue to invest in the development, training and strengthening of the De La Rue management team to deliver on the above.

Outlook

Our strong financial position, experienced management team and revitalised operations provide a solid platform for taking the business forward. The reorganisation of the Cash Systems division will continue to deliver benefits into the 2000/2001 financial year and we remain confident of achieving our target of exiting the current financial year with operating margins at a running rate in excess of 10 per cent (excluding acquisitions). Within Currency the benefits of the large overspill order received in 1998/1999 will run down during the current year, but prospects for the non-banknote Security Print operations are positive. We will invest up to £5m to expand our new Global Services division particularly in the areas of transaction services and digital security. Contribution from associates is expected to be down as a result of weak trading within De La Rue Giori. However, the 2000/2001 financial year will benefit from the lower number of shares in issue following the capital restructuring and the expected improvement in Cash Systems' results. Overall, therefore, De La Rue is well placed to continue its progress.



Ian Much Chief Executive



Cash Systems

During the year we have taken fundamental action to recover a dire trading position within Cash Systems. The profit of £4.0m recorded in the second half was a significant change from the past history of losses and we expect to see this trend continue in the current financial year. The division has been restructured into three operational business streams, announced last year, which has resulted in a lower cost base whilst ensuring focus on those products and geographical areas which are most profitable. The recent acquisition of the cash handling activities of Ascom Autelca AG, completed in April, represents a significant step in the rebuilding of Cash Systems as we move the emphasis away from the recent restructuring exercises towards generating sales growth in the future.

De La Rue sees the continued use of cash, and the potential for more efficient processing, as ongoing opportunities. During the year, Cash Systems has sought, where appropriate, to supplement existing product ranges with outsourced products and technology partnerships. This strategy has been adopted as we seek to offer our customers market leading end-to-end solutions in line with their cash handling requirements. It is clear that De La Rue cannot always offer the market leading solution in all of its operations and where this is the case we will seek alternative supply.

Looking forward, we intend to pursue this approach particularly as we consider the rejuvenation and in-filling of our existing product ranges following reorganisation. The emphasis will be to offer customers a total service giving them flexibility, choice and value in working with them to reduce their cash handling costs.

Reorganisation update

The reorganisation plan is proceeding well and is largely complete. During the year we announced the disposal of two non-core German businesses, plan object and Alarm Systems and a number of site closures where we have refocused or redeployed resources. As anticipated, the restructuring exercise has cost £45m with £19m booked in 2000. The main benefits of the reorganisation will come through in the current financial year and we believe we are on track to exit next year with operating margins at a running rate in excess of 10 per cent, excluding acquisitions.

During the last year we have seen the launch of several new products across all three business streams, and wide customer acceptance of our new Original Equipment Manufacture (OEM) platform for ATM machines. It is pleasing to report that new product sales, as a percentage of total product sales, were 20 per cent compared with 14 per cent for last year.

Business stream performance

Branch Cash Solutions

In February 2000, we announced the appointment of Germain Roesch as managing director. Germain has considerable industry experience gained from running Cash Systems operations in Europe. For Branch Cash Solutions, a move to open-plan branch layouts and increased productivity of branch staff are the main drivers for automating cash dispensing and depositing transactions as traditional bank branches are remodelled and relocated.

During the year, we have concentrated our efforts on the rejuvenation of the product range. In September 1999 we announced a technology partnership with Sallen Electronica, a leading Spanish supplier of recycling equipment. The first product is a small compact on-line teller cash recycler (TCR), the 8000c, which accepts and dispenses cash from the same secure unit. Earlier in the year we also introduced our Java™ based CashJet™ software, which allows customers to optimise the use of ATM and Teller Cash Dispensers (TCD) as the basis for an in-branch integrated cash handling solution.

In February 2000, we announced the purchase of the international cash handling activities of Ascom Autelca AG. The Ascom cash handling operation manufactures a range of note recycling and coin self-service equipment including the market leading Twin Safe TCR. For the 12 months ended 31 December 1999, it had an estimated turnover of CHF 70m (£26.4m) and recorded an operating loss of CHF 5m (£1.9m) before interest. With the launch of the flagship Twin Safe Two model, we expect the business to break even in 2000/2001 and thereafter to be capable of generating 10 per cent plus operating margins. The acquisition enhances the existing product range, service networks and geographical spread, particularly in Europe.

OEM

We are also pleased to report strong growth in our OEM business which makes dispensing mechanisms for ATM machines. The business, which accounts for over 20 per cent of divisional sales, has concentrated on consolidating the product range to a single, modern platform with the launch of

Cash Systems			
	2000 £m	1999 £m	Change £m
Sales (continuing operations)	257.3	268.2	(10.9)
Operating profit/(loss) (continuing operations before reorganisation costs)	4.4	(5.8)	10.2
Reorganisation costs	(19.2)	(25.9)	

PROJECT:

National Bank of Kazakhstan

COLLABORATION:

- Cash Systems
- Currency

OBJECTIVE:

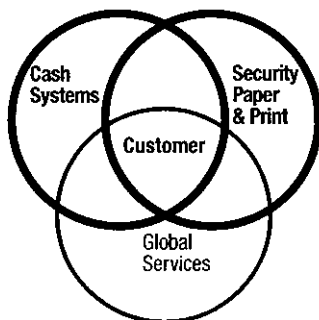
Design and implement a banknote sorting process allowing a flexible and efficient system of sorting and processing cash

As a developing economy, Kazakhstan, the largest Republic in Central Asia, was experiencing dramatic changes in the development of payment systems including the growth of ATM networks and retail bank branches in its economy. When the National Bank of Kazakhstan wanted advice on the best strategy for sorting and processing ever increasing volumes of cash around the economy it asked De La Rue for advice on a long term solution.

The National Bank was finding itself under increasing pressure when it came to the fast and efficient processing of banknotes. The bank wanted to adopt more rigorous standards of functioning, ensuring that all currency in circulation was new and free of poor condition notes. In addition, efficient processing of banknotes means no shortages of cash of any denomination. The bank was looking to serve a growing commercial banking sector with an increasing number of ATMs.

In May 1994, the government of Kazakhstan opened a banknote printing plant built and equipped by De La Rue. Since that time De La Rue Currency and the National Bank have worked together on numerous banknote design and consulting contracts. In 1998, when the National Bank asked De La Rue to assist it with a cash handling solution, experts from De La Rue's Cash Systems division were brought in to work with the National Bank to understand the demand for cash in the economy, both now and in the future.

Drawing on its experience of handling cash around the world and evaluating and comparing the experiences of other countries, De La Rue assisted the National Bank to implement a decentralised sorting process, which involved the installation of large De La Rue sorters in the main regional offices around the country and easily transportable desktop sorters in the sub-centres. This has allowed it a much more flexible and efficient system of sorting and processing cash, particularly as the economy continues to grow in the longer term.



Cash Systems continued

several new variants and strengthening relationships with partners, who increasingly use De La Rue to provide them with new market entry and support services.

Cash Processing

Cash Processing has made progress in the year with the modernisation of the product range and its integration with a range of software tools for the forecasting and optimisation of cash. In February, we were pleased to announce the appointment of Jonathan Ward, who was previously director of sales in the Currency business, as managing director of the Cash Processing business stream. In July we launched the 6000 Series banknote sorter which is designed to assist customers with improving the efficiency of their cash centre operations. In addition, we launched the updated 3700e aimed at smaller central banks, commercial banks and cash in transit sectors.

In the coming year we intend to focus activities on increasing sales growth in our software business. Prognis™, our cash requirements forecasting software, achieved new high profile installations in Europe and a strong sales pipeline going forward. In addition, the Depros™ cash processing productivity tool achieved three new installations in the USA this year, a major roll out with a European transport company and significant installations with three major retailers.

Another key success has been the performance of an outsourcing contract with the Central Bank of Brazil. This is the first contract of its type for a central bank, De La Rue is responsible for all note circulation, fitness sorting, destruction and counterfeit detection at 10 regional sorting centres around Brazil. We are already working with other banks in both the commercial and state sectors to examine further opportunities in this area.

Desktop Products

The Desktop Products business has concentrated on reducing its cost base, enhancing the quality and breadth of the product range, and developing and managing the third party supplier

and distribution network. We have also implemented a number of cost reduction programmes designed to reduce overheads and product cost, as well as to enable better management of stocks and debtors.

For our range of note counters, we have introduced a new entry level product for the USA and seen a good first year from the 1250 spindle verifier, which allows high speed counting of note bundles. The introduction of the euro currency also represents a significant opportunity and we have developed a full range of euro ready counters. Our coin product range has also been enhanced by a number of product revisions throughout the Mach® range of high speed coin processors and sorters.

Customer Services

During the year we have placed considerable emphasis on the service element of our product offering, through focusing on this as a separate profit centre, which has also benefited the business. The customer services operation supports each of the three business streams and ensures that we provide a consistent level of service and support, both to end users and to our distribution partners. The business now accounts for over 20 per cent of divisional sales. One of the key projects going forward is the use of technology to improve efficiency and capability with, for example, analytical planning tools being used to plan resources and meet customer demand.

Year 2000

Following significant effort to test, appraise and report the Year 2000 conformance of our equipment, we are pleased to say that to date there has been almost nil impact on our customers' operations. This has prepared us for the work required to ensure a smooth transition for those customers who require euro compliant products.

Security Paper and Print

Banknotes

The reorganisation of our Currency business, announced in April 1998, was largely completed by the first half of the year and the benefits have shown through in increased profitability. The focus on achieving a better quality mix of business has seen an increase in average banknote prices which has further improved profitability in the second half.

Our strategy is to apply our technical knowledge and expertise in focusing on the higher added value part of the market which produces better returns. Our customers are increasingly facing emerging threats from counterfeiting due to the pace of technological change and the greater accessibility to sophisticated tools, such as colour copiers, scanners and printers. In response, we have invested in developing the latest banknote technology such as wide threads, holographic devices and iridescent features to provide solutions for our customers. Concern from customers about new counterfeiting

threats continues to create opportunities for the introduction of new features.

Our excellent progress in this area reflects this trend in the marketplace. Intaglio Gold, our world leading metallic intaglio ink, developed as a public recognition feature, sold particularly well with 10 orders so far. We also produced a complete new series of high technology notes for the Board of Commissioners of Currency, Singapore, which incorporated a number of our latest features most notably Starwide® and Cleartext® which are holographic machine readable security threads. These are the most sophisticated threads yet produced.

The volume of banknote sales continues to be broadly in line with the level envisaged at the time of the re-organisation two years ago, reflecting our continuing strategy of focusing on the value added part of the market. This policy, combined with a relatively buoyant market, has meant that average prices continued to rise.

PROJECT:

Northern Ireland Issuing
Authorities

COLLABORATION:

- Currency
- Global Services
(Holographics)

OBJECTIVE:

Design and manufacture of
graded families of notes
applying latest anti-counterfeit
features

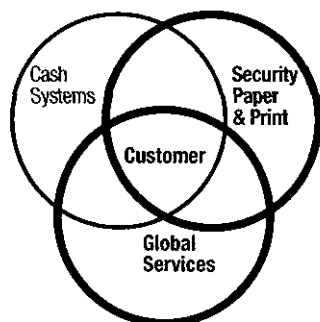
The recent advances and widespread availability of low cost but sophisticated colour copying, printing and scanning technology is of concern to all issuers of banknotes. It has led, in many cases, to an increasing need for new approaches to security features to combat counterfeiting. In Northern Ireland for example, all four issuing authorities have always taken a proactive approach to banknote security. They have all recently completed security upgrades to their banknotes resulting in integrated, graded families of notes which make extensive use of security foils and holograms.

In order to produce banknotes which minimise the risk of counterfeiting, De La Rue's banknote printing operations work closely with other areas of the Group to deliver integrated solutions which make counterfeiting difficult. De La Rue Holographics, for example, has undertaken pioneering work in the development of holograms for banknotes. This has grown into the production of over 1 billion banknotes with holograms last year. Banknotes from all over the world now include holographic foils and threads and the appeal of holographic features is clear: an extremely high level of security combined with easy public recognition, a value clearly recognised by the Northern Irish Banks.

De La Rue Currency has been working with the Ulster Bank to upgrade its banknotes over several years, and the process is now complete. The bank has an overprinted hologram on its £50 note and an overprinted foil on the £20. Similarly the most recent Bank of Ireland £20 issue includes a gold foil feature.

For the First Trust Bank the upgrade process began by enhancing the security of the lower denominations with plain foils. For the highest denominations, holograms with the additional security of an intaglio overprint, were selected. A similar approach was taken for the Northern Bank's recently completed new family of notes with graded security throughout the denominations. The highest value notes, £50 and £100, feature holograms whilst the £10 and £20 have foils.

The objective is always the same – to apply the latest technology and expertise to deliver the optimum solution for the customer incorporating a blend of materials science, security printing and substrate technology.



Operational Review

Valora, the joint venture with the Bank of Portugal for the production of euro banknotes, as announced last year, has developed well during the year and is now in production, ready for the issue of the new banknotes.

Papermaking

At Portals, which produces cotton-based banknote paper, overall volumes fell by around 19 per cent compared with last year as we pursued a value not volume-driven strategy. Prices achieved were better than expected which largely offset the impact on profits. It was encouraging to note that average selling prices rose during the year, as a result of greater use of added-value features such as wide threads.

Customers increasingly require more durable paper and we have developed responses in line with their needs. However, customers also value watermarks and threads as security features. We have led the development of more durable mould made papers such as Platinum[®], a high durability substrate which allows the inclusion of security features such as mould made watermarks and embedded security threads. During the year one major state printing works has now adopted a Platinum[®]-type substrate for a low denomination note having previously converted to polymer.

During the year we invested approximately £3m in the next generation of automated finishing and inspection equipment. Sales of supplies in support of the State Printing Works were £2.2m.

Security Products

The non-banknote security printing business continued to make good progress. In February 2000, we announced the appointment of Jon Marx as managing director of the business. Jon has considerable operational experience running large international manufacturing operations most recently as a main board director of Low & Bonar. Jon replaces Roy Allen who has decided to retire on 6 April 2001 after 37 years with the Company. Roy has made a tremendous contribution to De La Rue in the many roles he has undertaken over this long period.

The UK printing operations (in High Wycombe, Dunstable and Peterborough) had a good year and increased profits. The performance at Dunstable was particularly strong and we received the Queen's Award for Enterprise in April 2000. The US printing business based in Dulles (which mainly manufactures travellers cheques) also reported an improved performance.

Production volumes for our Bathford wood pulp-based security paper business were at capacity for a second year running. De La Rue Tapes, which produces security threads for banknotes and other security documents, had another satisfactory year and has now initiated a £4m investment in a new high security facility to increase capacity as a result of demand.

Despite many of our businesses operating in apparently mature markets we still see a large number of opportunities for sales growth particularly as we shift the emphasis to security solutions. To exploit these opportunities we have recently centralised the sales and marketing functions of the business to more closely align our product development and sales effort with the needs of the marketplace.

The businesses which are transferring to the new Global Services division have also performed well. De La Rue Holographics continued to make good progress and we were particularly pleased to achieve euro security accreditation status following an inspection of our facilities by the European Central Bank. This will enable us to have direct involvement in the production of holograms for the euro banknotes. Our Brand Protection business continues to develop well, with new anti-counterfeit solutions for leading brands in the luxury goods, drinks, sportswear and consumer goods sectors.

Security Paper and Print

	2000 £m	1999 £m	Change £m
Sales (continuing operations)	263.3	263.5	(0.2)
Operating profits (continuing operations before reorganisation costs)	50.8	43.1	7.7

A COMPLETE PASSPORT SOLUTION FOR MEXICO

PROJECT:

Mexico's Secretaria de Relaciones Exteriores

COLLABORATION:

- Security Products
- Global Services (Identity Systems)

OBJECTIVE:

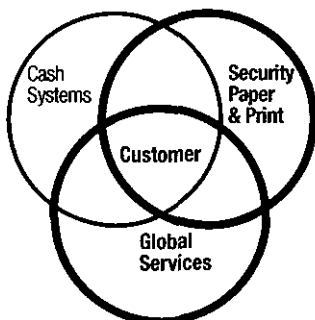
Deliver an end-to-end passport solution incorporating anti-counterfeit features and an efficient issuing system

Identification alteration is probably one of the fastest growing areas of fraud today. As world leaders in secure government identity solutions, De La Rue strives to make life safer and easier for people all over the world, particularly as international travel becomes more commonplace. De La Rue's Security Products and Identity Systems businesses regularly combine forces to deliver end-to-end passport solutions incorporating the latest in security printing technology and a state-of-the-art automated production system.

For example, working with Mexico's Secretaria de Relaciones Exteriores, De La Rue designed an innovative automated passport production system that makes over-the-counter passport issuing a reality.

Each passport incorporates many advanced security features, both hidden and visible, designed to make the passports easily recognisable to their holders and officials, whilst making them very difficult to forge. The solution included a background design depicting Mexico's Aztec calendar and a digital image of the holder that can either be captured from a photograph presented at the time of application, or captured from an automated camera.

The new Automated Passport Production System has secured Mexico's position as one of the most technically advanced passport issuers in the world. The system is designed to produce around two million digital passports a year from 46 individual sites, providing an over-the-counter service which is fast, efficient and secure. De La Rue delivered a flexible, integrated document authorisation, management and issuing solution which effectively counters fraud and has completely transformed the efficiency of Mexico's passport issuing service.



Global Services

The new division began trading on 2 April 2000 under the name Global Services. The division is based at our corporate headquarters in Basingstoke and its focus is in three main areas of activity: related services to core customers, brand protection services and digital and identity services. As previously announced, five existing De La Rue businesses formed the nucleus of Global Services at its launch. These are Identity Systems, Holographics, Brand Protection, Transaction Services and Royal Mint Services and the operations transferred for financial reporting purposes from 2 April. The division will have a combined workforce of approximately 240 people based in Basingstoke and Dunfermline (UK), New York State (USA), Malaysia and Angola.

Management appointment

In October 1999, Christopher Chadwick joined the Company as managing director of the division. Christopher was previously managing director of Guardian Direct, one of the UK's largest direct insurers and has considerable experience gained both from working in the financial services industry and in running service orientated organisations.

Business rationale

Global Services was set up following the audit of our skills throughout the Group, conducted at the start of 1999, and after discussions with a wide selection of customers. De La Rue provides a variety of skills to its customers which include the design, manufacture and assembly of products, personalisation, maintenance, consultancy and software. Despite this breadth, the internal focus has often been towards selling physical product. The clear feedback has been that, whilst customers value the product offerings, they also seek total secure solutions and they believe De La Rue can provide these.

Throughout the year we have also achieved a number of successes and this underlines the business rationale of the division.

- In January, Identity Systems announced a complete passport solution for the Mexican government to provide a flexible, integrated document authorisation, management and issuing system.
- Recently One2One, Vodafone and Orange have selected De La Rue Transaction Services PayZone™ solution as one of a small number of partners to provide a nationwide service for the electronic top-up of prepay mobile phones.

- Brand Protection secured a contract with a leading apparel manufacturer to provide an anti-counterfeit solution.
- Holographics has achieved security accreditation status from the European Central Bank enabling it to be involved in production of the new euro currency which is being introduced in some member states on 1 January 2002.

Digital security services

In March 2000 we announced the acquisition of InterClear which represented a small but significant step in the development of our digital security business. Secure transmission of information using the internet is fast becoming a prerequisite for an increasing number of e-business applications including business to business exchanges, secure e-mail and enterprise security.

Digital security is a natural extension of De La Rue's existing operations in the physical world to the digital world, with our unique experience in secure transactions gained particularly from working with the world's banks and governments. The focus of digital security centres on physical security, process security, secure distribution and importantly the management of identity information – all core competencies at De La Rue.

Looking forward, greater strategic focus will be given to the areas of government applications, banking and, in the longer term, digital brand protection. The business will also be focused on the higher end niches, with customers in similar segments to De La Rue's existing customer base. There will be costs associated with development (estimated at £2.5m in the first year) and it is anticipated that it will take at least two years before the main benefits of the acquisition show through in increased profits for the division.

Prospects

For the year ended 1 April 2000, the results of those businesses transferring to Global Services are reported under the Security Paper and Print division. However, in order to assist understanding we have provided some key financial data below for the businesses that formed the nucleus of Global Services from 2 April 2000.

Turnover for the division for the year ended 1 April 2000, on a proforma basis, was £50.5m up £4.0m or 8.6 per cent on the previous year. Operating profits for the year ended 1 April 2000 were £5.1m. For the new financial year we will be making net revenue investments totalling £5.0m to develop the InterClear digital security offering, expand the transaction services network, develop our Identity Systems business and build up our divisional infrastructure.

This investment is vital if we are to grow the business profitably in the future.

PROJECT:

Leading global brand owner

COLLABORATION:

- Global Services (Brand Protection)
- Security Products
- Currency

OBJECTIVE:

Deliver an integrated global brand protection solution for a leading brand owner in the apparel market

De La Rue Brand Protection has won business with brand owners in such sectors as consumer goods, luxury goods, wines and spirits and apparel. Our approach to brand protection is distinctive: we first establish what the problems are, then offer and implement viable solutions utilising the resources necessary from around the Group.

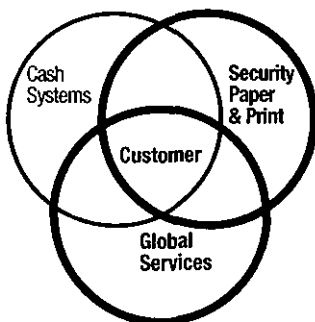
The apparel market is characterised by a high incidence of counterfeiting and parallel trading and one brand owner recently asked De La Rue to assist it to develop a global authentication system that clearly identified fakes of their branded goods. A risk analysis programme confirmed the need for authentication, facilitated a precise specification of technology and clarified a strategy of implementation.

Of prime importance to the customer was for De La Rue to work directly with their current supply chain to ensure minimum disruption and cost to their operations. The brand owner requested a consultative service, as their operations were not geared to secure manufacturing and distribution. De La Rue delivered essential expertise, such as physical material auditing and control services.

The supply base was at strategic worldwide locations; therefore the global reach of De La Rue was crucial to the success of the brand protection programme. The team was also able to offer technical and quality assurance expertise to ensure the solution would not be compromised.

The solution was developed as a cross divisional collaboration utilising the skills and expertise of Brand Protection, Security Products and Currency businesses. It comprised a unique taggant in the clothing using a combination of the latest materials science and security printing technology, which enables the brand owner to authenticate all products in the distribution chain. This was only the first phase of the customer's brand protection programme, which will extend to other products and over time will be upgraded to keep two steps ahead of the counterfeiter.

To achieve a successful brand protection strategy it is essential to have a close relationship with the brand owner, which is based on trust and confidentiality.





Financial results

De La Rue has experienced an excellent turnaround in financial performance during 1999/2000. Profits before tax and exceptional items have increased 31 per cent to £75.0m; headline earnings per share are up by 41 per cent; net debt has been reduced by £128.4m and turned into a net cash position of £2.1m; and shareholders' funds increased by £29.5m to £160.1m. Our strong balance sheet now provides us with a solid platform to pursue growth opportunities.

Reorganisation costs

The table below shows reorganisation costs incurred in 1999/2000 compared to the estimate in last year's annual accounts.

	Forecast £m	Actual £m
Cash Systems	20.0	19.2
Currency	5.0	4.4
	25.0	23.6
Cash flow	28.0	20.4

As can be seen from the above, reorganisation costs have come in £1.4m under the forecast given last year. In addition, the cash element is lower as severance costs were lower than anticipated with an increase in non-cash items because of higher inventory and other asset write-offs.

The acquisition of the Ascom cash handling operations will result in integration costs of £2.5m being incurred in 2000/2001.

Cash flow

	2000 £m	1999 £m
Cash inflow from operating activities	68.0	17.5
Dividends received from associated companies	20.6	21.3
Returns on investment and servicing of finance	(5.0)	(10.5)
Taxation	3.7	(11.1)
Capital expenditure, net of disposals	(15.8)	(26.5)
Purchase of own shares	(6.2)	-
Acquisitions and disposals	185.9	19.5
Equity dividends paid	(27.0)	(10.1)
Cash inflow before use of liquid resources and financing	224.2	0.1
Scheme of arrangement	(104.4)	-
	119.8	0.1

Cash flow from operating activities increased by £50.5m over 1999, an impressive performance when one considers that

cash flows for the previous year benefited from a one-off increase in prepayments from customers of £10m. Management focus on overdue debtors and slow moving stock lines were significant factors behind improved cashflow. There is still more that can be achieved in improving working capital efficiency and this will continue to be a key area of focus for the current financial year.

The change in dividend payment dates last year meant that only the final dividend for 1998 was paid in 1999 whereas 2000 included both the 1999 interim and final dividends.

Capital expenditure at £25.3m was more or less equal to depreciation but is likely to run above depreciation in 2000/2001 as two major capital projects are brought on stream: the conversion of a papermaking machine at Overton to wide thread capability and the relocation of our Horwich Tapes factory to a new site.

The net inflow on tax of £3.7m was the result of the recovery of ACT previously written off and the refund of tax with respect to utilisation of tax losses. The Group's return to profitability will see a more normal pattern of tax payments in 2000/2001 although there will be some relief from utilisation of surplus ACT.

Treasury operations

Group Treasury provides a central service to Group companies and conducts its operations in accordance with clearly defined guidelines and policies, which have been reviewed and approved by the Board. Treasury transactions are only undertaken as a consequence of underlying commercial transactions or exposures.

The Group aims to hedge a significant part of its balance sheet translation exposure where it has overseas operations and enters into forward contracts to hedge transaction exposures arising as a result of commercial activities. The Treasury department controls all of these contracts.

Interest rates

The net interest charge reduced from £6.0m to £nil as a result of lower average borrowings. Borrowings are down because of improved cash flow from operations and disposal proceeds from our Card activities.

The small net funds position means that the Group's interest charge is relatively unaffected by changes in interest rates. During the year all significant borrowings remained at floating rates of interest linked to LIBOR. Borrowings under major committed facilities are drawn at rates of no more than 0.2 per



cent above LIBOR. Since the end of the year, we have entered into a two year interest rate swap to fix the rate on €30m of debt at just below five per cent including borrowing margin.

Exchange

Forward exchange contracts are used to cover transactional exposures with the emphasis on cash flow, but overseas earnings are not hedged.

The disposal of our Card activities has seen a substantial reduction in the level of overseas assets and the related net debt.

	2000	2000	2000	1999
	Gross Assets	Cash/(Debt)	Net Assets	Net Assets
UK	80.3	34.8	115.1	83.9
USA	22.1	(8.0)	14.1	12.4
Eurozone	27.6	(24.7)	2.9	(0.8)
Rest of World	28.0	-	28.0	35.1
Total	158.0	2.1	160.1	130.6

Principal exchange rates:

	2000	2000	1999	1999
	Average	Year End	Average	Year End
US\$	1.61	1.60	1.66	1.61
Euro	1.57	1.67	1.48	1.49
SFr	2.51	2.65	2.39	2.39

Sterling's strength continues to put us at a disadvantage against much of our competition particularly for export work. During the year we were net sellers of around US\$91m (main foreign currency we transact in). At 1 April 2000 the Group had sold forward US\$44m at an average rate of \$1.59 (1999 US\$65m, at \$1.62/£1). The net impact of average exchange rates on translation of foreign earnings has been to depress profits before tax by £1.7m for the year ended 1 April 2000.

Borrowing facilities

As at 1 April 2000 the Group had committed facilities of £216m of which £18m expire within the next 12 months and the balance expire on various dates up to 31 January 2005 and have an average remaining life of just under three years. Drawings under these facilities at 1 April totalled £74.6m. In addition the Group has uncommitted facilities of £50m.

Taxation

Excluding exceptional items, the underlying tax rate was 23 per cent which is the same as last year's effective rate. The reason for the low effective tax is the utilisation of surplus ACT previously written off and availability of assessable losses and other timing differences. The utilisation of these tax balances will help to keep the Group's effective tax rate low and, in the absence of unforeseen events, the tax rate on profits before exceptionals will be a similar level to 1999/2000.

Accounting standards

There is no significant impact on the Annual Report and Accounts this year arising from new financial reporting standards.

Paul Hollingworth Finance Director

Directors and Secretary

01. Brandon Gough, Non-executive Chairman *†‡ 62, was appointed to the Board in February 1994 and became chairman of the Company with effect from 23 July 1997. He is also chairman of the Nomination Committee of the Board. He is currently chairman of Montanaro UK Smaller Companies Investment Trust plc, a non-executive director of National Power PLC and Singer & Friedlander Group plc, and in the Public Sector, chairman of the Review Body on Doctors' and Dentists' Remuneration. He was chairman of Coopers & Lybrand from 1983 until April 1994, chairman of Kelda Group plc until 31 March 2000 and a non-executive director of George Wimpey PLC until 31 December 1999.

02. Ian Much, Chief Executive † 55, joined the Group as chief executive on 1 September 1998. He was formerly with T&N plc for 10 years, 18 months of which he spent as chief executive. He was appointed to the Board of Manchester United PLC as a non-executive director on 1 January 2000 and was a non-executive director of Admiral plc until its acquisition by CMG plc in May 2000.

03. Paul Hollingworth, Group Finance Director Ø 39, joined the De La Rue Board as group finance director on 1 August 1999. He is chairman of the Risk Committee of the Board. Prior to his appointment he was a director of English China Clays plc where he became finance director in March 1999 before its takeover by Imetal. From 1994 to 1997 he was finance director of Ransomes plc and then VP Finance of Textron Turf Care and Speciality Products following Textron's takeover of Ransomes plc. He was previously group financial controller at Unigate PLC.

04. Louise Fluker, General Counsel and Company Secretary Ø 46, joined De La Rue in 1984 from the UK Civil Aviation Authority. She was appointed general counsel and company secretary in April 1999 and is also responsible for non financial risk management.

05. Keith Hodgkinson FCMA, Non-executive # 56, was appointed to the Board on 19 April 2000. He is chief executive of Chloride Group plc, a post he has held since March 1992. His previous career was with GEC plc (now Marconi plc) where he held a number of senior appointments.

06. Brian Birkenhead, Non-executive *†‡ 57, was appointed to the Board in February 1994 and is chairman of the Audit Committee of the Board. He was group finance director of National Power PLC and has in the past held senior financial positions with British American Tobacco, Johnson Matthey plc and The Royal Dutch Shell Group. He is a director of ITnet plc and is a trustee of the BT Pension Scheme. He was chairman of The Hundred Group of Finance Directors and has been a member of the Financial Reporting Council. He will retire from the Board at the annual general meeting on 19 July 2000.

07. Nicholas Brookes, Non-executive *†‡ 52, was appointed to the Board in March 1997. He is chairman of the Remuneration Committee of the Board. He is chief executive of Spirent plc (formerly Bowthorpe plc) and a director of Corporacion Financiera ALBA SA. He was vice president of Texas Instruments Incorporated and president of the Materials and Controls Group.

08. Lord Wright of Richmond GCMG, Non-executive †‡ 68, was appointed to the Board in September 1991. Formerly Permanent Under-Secretary of State at the Foreign and Commonwealth Office and Head of the Diplomatic Service, he is currently a non-executive director of BP Amoco plc. He was also chairman of the Royal Institute of International Affairs until November 1999. He is the Company's senior independent non-executive director. He will retire from the Board at the annual general meeting on 19 July 2000.

09. Michael Jeffries, Non-executive # 55, was appointed to the Board on 19 April 2000. He is chief executive of WS Atkins plc, a post he has held since 1995. He has held various senior management positions since joining that company in 1975 and has wide ranging business experience, running service operations across Europe, the Middle East, Asia Pacific and Africa.

*Member of the Audit Committee of the Board

†Member of the Nomination Committee of the Board

‡Member of the Remuneration Committee of the Board

ØMember of the Risk Committee of the Board

#Member of the Audit and Remuneration Committees of the Board with effect from 17 May 2000

Ages stated are those on 1 April 2000

Directors' Report

The directors present their annual report together with the audited financial statements of the Group and the Company for the year ended 1 April 2000.

Scheme of arrangement

On 23 November 1999 De La Rue announced its intention to return £103.7m, equivalent to 46 pence per share, to shareholders by a Scheme of Arrangement and to create a new parent company New De La Rue. The Scheme was approved by holders of ordinary shares at both a Court Meeting and an Extraordinary General Meeting on 10 January 2000 and was sanctioned by the Court on 31 January 2000.

On 1 February 2000, the effective date of the Scheme, New De La Rue immediately changed its name to De La Rue plc in order to maintain continuity and protect goodwill and the company previously known as De La Rue plc immediately changed its name to De La Rue Holdings plc. Under the Scheme, shareholders in De La Rue Holdings plc received, for every 20 ordinary shares, 17 new De La Rue plc ordinary shares and 920 pence in cash.

Principal activities and business review

De La Rue is the world's largest commercial security printer and papermaker, involved in the production of over 150 national currencies and a wide range of security documents such as stamps and vouchers as well as brand protection. The Company is also a leading provider of cash handling equipment and solutions to banks and retailers as well as a range of identity systems to governments worldwide. De La Rue also acts as a strategic partner and adviser to customers offering them total solutions in areas of activity that capitalise on De La Rue's reputation for security, integrity and trust.

Results and dividends

The Group's profit before taxation including its share of the profits of associated companies amounts to £106.4m. Shareholders' profit for the year was £87.7m after deducting taxation and minority interests.

The directors are recommending a final ordinary dividend for the year of 8.0 pence. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 14 August 2000 to ordinary shareholders on the register on 14 July 2000.

An interim dividend of 4.0 pence per ordinary share was paid on 6 April 2000 making a total of 12.0 pence per share (1999 12.0 pence per share) for the year.

Future developments

Intended future developments in the Group's business are discussed in the Chief Executive's review on pages 7 to 9.

Post balance sheet events

The acquisition of the digital certification business of InterClear was completed on 13 April 2000. De La Rue also completed the purchase of the international cash handling activities of Ascom Autelca AG, the Swiss telecommunications and service group, on 14 April 2000.

Keith Hodgkinson and Michael Jeffries were appointed as non-executive directors to the Board on 19 April 2000. The Company also announced on 19 April 2000 that both Lord Wright and Brian Birkenhead will retire from the Board at the annual general meeting on 19 July 2000.

Share capital

As part of the Scheme of Arrangement on 1 February 2000 new De La Rue plc issued 191,646,873 ordinary shares to holders of old De La Rue ordinary shares.

Full details of the movements in the authorised and issued share capital during the year are provided in note 19 to the financial statements on page 49.

The Companies Act 1985 requires that any shares issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings unless authorised to the contrary by a resolution of the shareholders. Resolutions giving such authority were passed in 1999. Authorities to renew for one year the power of directors to allot shares pursuant to sections 89 and 95 of the Companies Act 1985 will be sought from the shareholders at the annual general meeting. Further details are contained in the Chairman's letter to shareholders dated 13 June 2000.

Share option schemes

The Company operates a savings-related share option scheme for all employees, executive and phantom share option schemes for executives, and a share price improvement plan for senior key managers, details of which can be found on pages 26 and 27. The Scheme of Arrangement in February 2000 gave option holders the right to roll over options over shares in De La Rue Holdings plc into replacement options over shares in De La Rue plc. Holders of savings-related and executive share options also had the right to exercise their options at the time of the Scheme's implementation.

Directors' Report

Substantial shareholdings

As at 22 May 2000 the following persons on the share register had notified the Company of the following interests of 3 per cent or more in its issued ordinary share capital:

Person notifying	Number of ordinary shares held	Percentage of shares held
Schroder Investment Management Ltd	34,946,717	18.21%
FMR Corp.	18,845,459	9.82%
Phillips & Drew Fund Management Ltd	12,497,675	6.51%
Northern Trust Company	8,877,335	4.63%
Britannic Assurance plc	6,488,590	3.38%

Directors' responsibilities

The Companies Act 1985 requires the directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Group and Company and of the profit or loss for that period. The directors are responsible for ensuring that in preparing the Group and Company financial statements applicable accounting standards have been followed, that appropriate accounting policies are consistently applied, are supported by reasonable and prudent judgements and estimates and are prepared on the going concern basis unless they consider it inappropriate to do so. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Group and Company, and for preventing and detecting fraud and other material irregularities.

The directors consider that in preparing the financial statements on pages 32 to 59 the Group and Company have consistently applied appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Going concern

The directors have a reasonable expectation that the Group and the Company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Directors

The names of the directors at 1 April 2000 are given on page 20. A table giving details of their interests as at 1 April 2000 is shown on page 30. Until 24 November 1999, the sole director of the Company was Peregrine Secretarial Services Limited. No remuneration was paid in respect of this directorship.

On 24 November 1999 Brandon Gough, Nicholas Brookes, Brian Birkenhead, Lord Wright, Ian Much and Paul Hollingworth were appointed directors of the Company. Brandon Gough was appointed Chairman. All were directors of De La Rue Holdings plc prior to the Scheme of Arrangement. The Company re-registered as New De La Rue plc on 30 November 1999. On 19 April 2000 Keith Hodgkinson and Michael Jeffries were appointed directors.

In accordance with the Company's Articles of Association, Brandon Gough, Ian Much, Paul Hollingworth, Nicholas Brookes, Keith Hodgkinson and Michael Jeffries will retire and offer themselves for election at the annual general meeting. Lord Wright and Brian Birkenhead will also retire but will not stand for re-election. Lord Wright will provide consultancy services pursuant to an agreement with the Company from 20 July 2000 until 19 July 2002 on an anticipated basis of not more than 20 days during each year.

The non-executive directors hold letters of appointment which will be displayed at the annual general meeting, together with the executive directors' service contracts. Mr Much's initial two-year fixed term contract became a 12 month rolling contract in September 1999 when he completed 12 months in office. Mr Hollingworth has a 12 month rolling contract.

Other directors of De La Rue prior to the Scheme of Arrangement include Michael Pugh who retired on 6 April 1999 and Julian Sheffield who retired on 21 July 1999. Richard Laing and Kevin Loosemore resigned from the Board on 31 August 1999 and on 31 October 1999 respectively. Michael Pugh's consultancy agreement which ran from 7 April 1999 to 1 April 2000 has been renewed for a further year, terminable earlier if agreed by the parties, on the basis of four working days per month.

Employees

The Group aims worldwide to employ people of high quality, to encourage creativity and initiative, to recognise individual and team contributions and to give all employees the chance to develop their potential.

The Company offers equal opportunities in recruitment.

training and promotion and in terms and conditions of employment, without discrimination on grounds of sex, age, colour, ethnic or racial origin, nationality or disability. Management must ensure that all employees understand their responsibility for the active implementation of this policy.

The Company sustains strategic management development initiatives to enhance the commercial awareness of its managers and to improve both customer and shareholder value.

Litigation

De La Rue is a 50 per cent shareholder in its associate company, De La Rue Giori SA. Dynavest Holding SA, the other shareholder, and M. Roberto Giori, the chairman of De La Rue Giori SA, are proceeding with arbitration against De La Rue. The claims on behalf of the joint venture concern differences of opinion about the correct interpretation of certain provisions of a shareholders' agreement, in particular relating to the sharing of technology. The claims on behalf of De La Rue Giori, to the extent that they have been quantified, are for approximately £125m but they have neither been fully particularised nor pleaded.

De La Rue does not believe that there is substance to any of the claims, which it will vigorously defend, nor that they will have a significant effect on the financial position of the De La Rue Group.

On 31 January 2000 De La Rue gave notice terminating the shareholders' agreements with M. Roberto Giori and Dynavest Holding SA. The termination is contested by them.

Payments to suppliers

Given the international nature of the Group's operations the Group does not operate a standard code in respect of payments to suppliers. Operating companies must agree terms and conditions of business with their suppliers including payment terms taking account of any applicable legal requirements. The Group's policy is for suppliers to be paid in accordance with these terms. Creditor days for the Group have been calculated at 37 days (1999 43 days).

Year 2000

Preparation and implementation of a plan to minimise risks to the business arising from Year 2000 was the responsibility of individual business units. The work was co-ordinated and monitored by a Task Force. Both 31 December 1999 and 29 February 2000 passed without any significant disruption to any of De La Rue's business operations. We remain alert to the possibility of any delayed effects of the millennium date change.

Charitable and political donations

Donations for charitable purposes amounting to £110,000 (1999 £70,029) were made during the year. There were no political donations. During the same period Camelot Group plc, in which the Company has a 26.67 per cent shareholding, paid £1m (with a further £1m accrued and payable in May 2000) to the Camelot Foundation, which is used for charitable purposes.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors of the Company will be put to members at the forthcoming annual general meeting.

Annual general meeting

The annual general meeting will be held at 12 noon on Wednesday 19 July 2000 at Winchester Guildhall, The Broadway, Winchester, Hampshire SO23 9LJ. The notice of the annual general meeting, including a letter from the Chairman, accompanies this annual report.

Corporate governance

The Board's policy is to comply with the prevailing standards of corporate governance. Until June 1998 the Company complied with the Code of Best Practice issued by the Committee on The Financial Aspects of Corporate Governance. The Company reviewed and amended its corporate governance policies after the publication in June 1998 of the Principles of Good Governance and the Code of Best Practice (the 'Combined Code'). The Company has adopted the transitional approach to the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange dated 27 September 1999. The Company will review and amend its corporate governance policies to reflect subsequent modifications of the Combined Code.

The Board and all directors recognise that they are accountable to shareholders, responsible for complying with their legal and fiduciary obligations and committed to the highest standards of corporate governance. This statement explains how the relevant Principles and the provisions of the Combined Code are applied by the Company. This does not extend to associated companies, such as De La Rue Giori and Camelot Group, where we do not have management control.

The Company's auditors, PricewaterhouseCoopers, have reviewed whether the statement reflects compliance with the seven provisions of the Combined Code as required by the Financial Services Authority.

Directors' Report

The Combined Code

Part A: Directors

Board of directors

The main functions of the Board are to lead and control the Company ensuring a clear division between the management of the Board and the executive directors' responsibility for managing the Company's business.

The Board comprises the non-executive Chairman, the Chief Executive, the Finance Director and five non-executive directors (since the appointment of Keith Hodgkinson and Michael Jeffries) ensuring a balance exists so that no individual or small group can dominate decision taking. The directors' biographies appear on page 20.

The non-executive directors have an appropriate range of business, financial and global experience for the Company's activities. Lord Wright, as the longest serving non-executive director, is the Company's senior independent non-executive director.

All directors are required to submit themselves for re-election at least every three years.

The Board generally meets 10 times a year; during 1999/2000 there were 15 meetings. The Board requires regular reports from management on key issues for which there is a prescribed timetable. In addition, the Board has reserved certain matters to itself to reinforce its control of the Company. Compliance with statutory and regulatory requirements, the approval of interim and final results, any matter which would have a material effect on the Company's financial position, liabilities, future strategy or reputation must be referred to the Board. Other matters are delegated to Board Committees, details of which are provided below.

Directors receive agendas and Board papers at least five days before each Board meeting; minutes are circulated as soon as possible thereafter. There is also a defined procedure for dealing with urgent matters between Board meetings.

All directors can request additional information at any time. They are also entitled to independent professional advice, at the Company's expense, under an agreed procedure. No such advice was sought during the year. All directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. The Board decides the appointment and removal of the Company Secretary.

Committees of the Board

The Board delegates to the Chief Executive powers for the day-to-day management of the Company and to assist him in fulfilling his responsibilities he has established Executive and Management Committees. The Board has established Audit, Remuneration, Nomination, General Business and Risk Committees with appointed Chairmen and fixed terms of reference which are reviewed annually. Membership of these Committees is given in the directors' biographies on page 20. Further details are given below.

Audit Committee

The Committee meets at least three times a year and receives regular reports from external auditors, reviews the interim and financial statements and monitors the internal and external auditing process before submission to the Board. In addition, the Chief Executive, Finance Director, Financial Controller and representatives of the auditors, PricewaterhouseCoopers, also attend. For part of the proceedings PricewaterhouseCoopers attend alone with members of the Committee.

Remuneration Committee

The Committee meets at least four times a year and membership is restricted to independent non-executive directors. The Chief Executive and the Group Remuneration and Employment Policy Manager are requested to attend the meetings of the Committee on an ad hoc basis. The Committee is authorised to engage such external consultants as it considers necessary in furtherance of its duties.

Details of the remuneration policy can be found below in Part B of this Report.

Nomination Committee

The Committee meets when necessary and makes recommendations to the Board to fill vacancies for executive and non-executive directors. The Committee reviews the composition of the Board and Committees at least once a year. The Board, as a whole, approves the appointment and removal of directors. The Committee has the power to employ the services of such advisers as it deems necessary in order to carry out its responsibilities.

General Business Committee

The Committee meets when necessary to deal with routine matters arising between scheduled Board meetings. There must be a majority of non-executive directors on matters relating to the administration or the implementation of the Company's share schemes.

Risk Committee

The Committee chaired by the Finance Director will meet at least four times a year. Other members include the General Counsel and Company Secretary, Group Risk Manager, Group Head of Internal Audit, Group Head of Security, Director of Manufacturing, Currency and Director of Finance, Cash Systems. The core responsibilities are to:

- assist the Board by providing a framework for managing risk through the Company; and
- provide an appropriate level of reporting of the status of risk management within the Company and the Board.

The Risk Committee is also responsible for promoting awareness of risk management.

Part B: Directors' remuneration

The Remuneration Committee is required to determine Company policy for executive remuneration for approval by the Board. In particular the Committee:

- approves all elements of the Company's executive directors' and senior executives' remuneration, including overall policy, benefits, pensions, incentive measures and targets;
- approves all contracts with executive directors and any compensation arrangements arising from the early termination of these contracts;
- approves all grants of shares and options under the Company's share schemes, any changes to existing schemes and the introduction of any new schemes.

Remuneration for non-executive directors

The Board determines the fees paid to the Chairman and other non-executive directors taking into account market norms, comparisons with companies of equivalent size and the duties required of non-executive directors. Details of fees to the Chairman and other non-executive directors are set out on page 29. Non-executive directors have letters of appointment specifying fixed terms of office. They do not have service contracts, are not eligible for pension scheme membership and do not participate in any of the Group's bonus or share option schemes, except in the case of Julian Sheffield who receives a Company pension. The Chairmen of the Audit and Remuneration Committees have not received an additional fee for this responsibility but will in future receive an additional £5,000.

Remuneration policy for executive directors and senior executives

The Group aims to attract, retain and motivate executive directors and senior executives of the right quality.

Performance-related elements of remuneration form a significant proportion of total remuneration packages.

The Committee regularly obtains detailed information from external and internal sources about current practices in a selected comparator group of companies. It uses external remuneration consultants to ensure that total remuneration packages are fair and competitive and reflect the responsibilities, experience and market value of each director or senior executive.

Executive directors and senior executives are eligible to receive an annual incentive award which is paid as a percentage of basic salary. For executive directors it is based upon the achievements of targets for the year which are approved by the Committee. For the financial year 1999/2000 the maximum incentive award was 80 per cent of basic salary which could only be achieved if the financial performance met stretching targets which were considerably more challenging in terms of percentage improvement than those which would have generated a maximum incentive award in previous years.

Salaries for executive directors and senior executives

Details of each individual executive director's remuneration are set out on page 29.

The basic salary reflects the responsibilities, market value and sustained performance level of executive directors and senior executives. The Committee aims to ensure that the basic salary is at the median market level for jobs with similar responsibilities in the selected comparator group. Individuals who sustain a superior level of performance will have a higher market value which is taken into account. Basic salaries are normally reviewed annually by the Committee.

Benefits

Executive directors are eligible for a range of taxable benefits which include the provision of a company car and payment of operating expenses, including fuel; membership of private medical and permanent health insurance schemes, life assurance and reimbursement of the annual subscription to an appropriate professional body. Details of their emoluments during the year can be found on page 29.

Directors' Report

Pension

All executive directors and senior executives in the UK may join the senior section of the De La Rue Pension Scheme. The Scheme has an employee contribution rate of 5 per cent of basic capped salary for all salary levels. Members are provided with a pension of up to two-thirds of pensionable salary on retirement. The actual level of pension depends upon the number of years' service with the Group. The normal retirement age is 62 (except for Mr Ian Much whose normal retirement age is 60) although accrued pensions may be drawn in full from age 60. The Scheme also provides a lump sum death in service benefit and pensions for dependants of members on their death. Executive directors and certain senior executives for whom a personal pension arrangement is more appropriate as an alternative to joining the Company scheme receive a company contribution subject to Inland Revenue rules which may in addition include payment into a Funded Unapproved Retirement Benefit Scheme ("FURBS").

Details of each executive director's pension arrangements are as follows:

Ian Much is eligible for a target pension of 20 per cent of basic salary payable from age 60. This is provided through a combination of a FURBS and membership of the senior section of the De La Rue Pension Scheme. He is required to make a contribution of five per cent of basic capped salary to his pension arrangement and is covered for a lump sum on death in service based on four times basic salary, with a widow's pension of 40 per cent of basic salary in the event of death in service. The Company's external actuary assesses the Company's contributions to the scheme.

Paul Hollingworth is eligible for a target pension from all sources of two-thirds of basic salary at the age of 62. Part of this benefit arises from previous employment. His target pension is provided through a combination of a FURBS and membership of the senior section of the De La Rue Pension Scheme. He is required to make a contribution of five per cent of basic capped salary to his pension arrangement and is covered for a lump sum on death in service based on four times basic salary, with a widow's pension of 40 per cent of basic salary in the event of death in service. The Company's actuary assesses the Company's contributions to the scheme.

Richard Laing was eligible for a target pension from all sources of two-thirds of basic salary at the age of 62. Part of this benefit arose from previous employment. The maximum

contributions permitted by the Inland Revenue were paid to a personal pension scheme and the balance paid into a FURBS. He resigned from the Board of De La Rue Holdings plc on 31 August 1999 after which the Company has ceased to make any contributions.

Kevin Loosemore was eligible for a target pension from all sources of 45.6 per cent of basic salary payable from age 55 and an overall target pension from all sources of two-thirds of basic salary at age 62, part of which arose from previous employment. A combination of a FURBS and membership of the senior section of the De La Rue Pension Scheme provided the target pension. He was required to make a contribution of five per cent basic capped salary to his pension arrangement. He resigned from the Board of De La Rue Holdings plc on 31 October 1999 after which the Company has ceased to make any contributions.

Michael Pugh was a member of the senior section of the De La Rue Pension Scheme. He retired on 6 April 1999.

Share Schemes

Sharesave scheme

All UK employees of the Company may join its Inland Revenue approved SAYE Scheme. Options are granted over De La Rue plc shares, at the prevailing market price at the time of grant (with a discretionary discount to the market price), to employees who agree to save between £5-£250 per month over a period of three or five years. A grant was made in March 2000 at a discounted price of 221.10 pence.

Executive Scheme

The Company runs an Inland Revenue approved Executive Share Option Scheme. It also established an unapproved section to enable the grant of options to an individual where the cumulative value of the employee's subsisting options at the date of a grant exceeds £30,000. Options granted under the scheme since July 1996 can only be exercised if performance targets are met. A Phantom Share Option Scheme is operated under similar rules to provide an equivalent incentive to some overseas employees.

The Company's policy is to grant share options under the Company's existing share option schemes in phases. Occasionally the Remuneration Committee needs to approve the granting of options in large blocks in order to attract a director or senior executive to join the Company.

Share Price Improvement Plan

The Company established the Share Price Improvement Plan in July 1999. The objective of the Plan is to achieve improvement in the Company's value by aligning shareholders' interests with those of senior key employees. The performance targets are challenging and measure the Company's progress over a number of specified periods. In respect of the first grant under the Plan, unless the share price achieves a minimum target price of 322.95 pence no options become exercisable. In addition, options may only be exercised if the Company's percentage increase in share price has equalled or exceeded the percentage increase in the FTSE 250 index (excluding investment companies) over the same performance period. If the share price performance permits exercise of options, optionholders must retain a proportion of shares for a minimum period.

Part C: Relationship with shareholders

The Company places a high priority on communications with shareholders. A general interim statement and a fully audited annual report and accounts are sent to shareholders.

All shareholders are entitled to attend the annual general meeting and receive a Notice of Meeting which is posted at least 20 working days before the annual general meeting.

At the annual general meeting the Chairman announces details of proxy voting after each item of business. He also provides a trading update. Shareholders may question the Chairman on these and other matters relating to the Group's business. Directors also have an opportunity to meet shareholders informally after the meeting.

The share register is actively monitored. During the year meetings take place with individual institutional shareholders and analysts and presentations are made at the time of major events. The largest institutional investors were consulted about the introduction of the Share Price Improvement Plan and on the implications of the Scheme of Arrangement on the Company's share option schemes.

Part D: Accountability and audit

Internal control

Following the publication of 'Internal Control: Guidance for Directors on the Combined Code' (known as the 'Turnbull Report'), the Board reviewed the Company's system of internal control and the nature and extent of the risks facing the Company.

The Company has therefore adopted the transitional approach to the internal control aspects of the Combined Code

as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999. Accordingly the directors have established the procedures necessary to implement the requirements of the Combined Code relating to internal control as referred to in the Turnbull Report. These include setting up a Risk Committee of the Board (details of which are set out on page 25) and adopting a Business Code of Conduct which is being made available to all employees. In addition the key elements of risk with the businesses are rated according to exposure and will then be benchmarked through a combination of self audit and surveys by external specialists. Benchmarking is in place for fire, health and safety and security risks and will be extended to other non financial risks during 2000. Insurance premiums are allocated according to the scores. Benchmarking thus enables closer monitoring of non financial risk as well as an incentive to improve risk management.

The procedures for internal control and internal financial control are set out in manuals distributed to all business units which are required to follow them and are also made available on the Company's intranet. Divisional managing directors to whom general managers of each business report are responsible for establishing and maintaining these procedures. A summary of the key procedures is provided to senior managers.

In addition the Board received during the year other reports on such matters as security, health and safety, environmental issues, fire risks and Year 2000.

Audit Committee and auditors

The Board has established an Audit Committee details of which are set out on page 24.

Internal financial control

The directors acknowledge their responsibility for the Group's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed with procedures intended to provide effective internal financial control. The controls by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key features of these procedures are outlined below.

The Group treasury department acts as a service centre to manage the Group's cash and borrowings, including interest rate and currency exposures, operating within clearly defined

Directors' Report

guidelines approved by the Board. Financial instruments used by the department are also subject to Board approval.

The financial control framework includes the following key features:

- an annual strategic planning process;
- an annual budget;
- a system of monthly reporting by each operating subsidiary, which involves comparison of actual results with the original budget;
- monthly reporting of performance to the Board.

The main control procedures which address the financial implications of the major business risks are centred on strict approval procedures, which apply to all subsidiaries. These include:

- executive directors' approval of all major non-routine revenue expenditure;
- Board approval of all major capital expenditure;
- Board approval of all acquisitions and disposals;
- a system of authorisation limits which cascades throughout the Group;
- Board consideration of any matter having a material effect.

The directors also monitor the internal financial control systems using reports received from management during the year. These include a system of internal control reviews which was reviewed and further strengthened during the year by the introduction of a self-assessment programme covering both financial and IT controls, and by introducing central co-ordination of an internal audit programme. These are set and reviewed by the Audit Committee, together with reports from the external auditors on internal control matters noted as part of their audit work.

The directors confirm that they have reviewed the effectiveness of the system of internal financial controls in operation throughout the financial year.

Environmental statement

De La Rue formed a new environment steering group in October 1999 following a review by external environmental consultants of De La Rue's environmental exposure. De La Rue requires its businesses to be operated to comply with

applicable laws and regulations and in accordance with industry standards. Businesses are evaluated and benchmarked according to performance. All employees have a responsibility to ensure these requirements are met. In addition, De La Rue is implementing a new environmental management system (EMS) tailored to De La Rue with clear measurable goals. The EMS will be rolled out over a 24 month period, expected to commence July 2000. The EMS will enable De La Rue to monitor and measure its approach to the environment. De La Rue will report on its progress in achieving its environmental goals as outlined in De La Rue's environmental policy and EMS.

Statement of compliance with the Code of Best Practice

As stated on page 23, the Company complied with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance until June 1998. Since then the Company has complied with the Provisions of the Code of Best Practice set out in Section 1 of the Combined Code except for the following matters:

- **Code provision A.1.6:** During the year no new director has joined the Board who has not previously been a member of a board of a company which is fully quoted on the London Stock Exchange. While the Company has no formal external training programme, all new directors are provided with a full induction programme into the activities of the business and are provided with a comprehensive information pack on joining the Company.
- **Code provision A.3.2:** One former non-executive director, Mr Julian Sheffield, receives a pension as a result of his former employment with Portals Group plc which the Company acquired in 1995, and consequently was not wholly independent. Mr Sheffield retired at the annual general meeting in 1999. The new independent non-executive directors who have been appointed to the Board are wholly independent.
- **Code provision B.1.7:** For part of the year, two former executive directors (Richard Laing and Kevin Loosemore) and Ian Much had two-year service contracts. Both existing executive directors have one year service contracts. As reported last year, service contracts of new executive directors will be restricted to a twelve month notice period subject to special provisions relating to specific circumstances.

Directors' emoluments	2000 £'000	1999 £'000
Non-executive Chairman Brandon Gough	100	177
Non-executive directors		
Brian Birkenhead	22	21
Nicholas Brookes	22	21
Lord Wright	22	21
Julian Sheffield (resigned 21 July 1999)	7	21
	173	261

	Salary 2000 £'000	Salary increase %	Benefits 2000 £'000	Bonus 2000 £'000	Total 2000 £'000	Total 1999 £'000
Executive directors						
Ian Much (highest paid director)(a)	340	3.03	269	238	847	264
Paul Hollingworth (appointed 1 August 1999)	133	-	12	93	238	-
Richard Laing (resigned 31 August 1999)(b)	74	6.06	8	65	147	180
Kevin Loosemore (resigned 31 October 1999)(b)	105	5.88	12	560	677	250
Michael Pugh (resigned 6 April 1999)	2	-	-	-	2	223
Jeremy Marshall (resigned 18 April 1998)	-	-	-	-	-	16
Haydn Abbott (resigned 2 October 1998)	-	-	-	-	-	101
	654		301	956	1,911	1,034
Non-executive directors' fees					173	261
Termination payments (see notes (c) and (d) below)					630	918
					2,714	2,213

- (a) Included in the benefits figure for Ian Much are benefits of £229,196.34 received in connection with his relocation.
- (b) Mr Laing's bonus was in recognition of his contribution to the Company, and Mr Loosemore's bonus related to his role in the sale of the card activities of Card Systems division.
- (c) Mr Laing received a redundancy payment of £309,741 on termination of his contract of employment. The Board exercised its discretion to allow Mr Laing to retain executive share options totalling 101,400 at a weighted average exercise price of 523 pence, exercisable at various periods until 3 January 2002.
- (d) Mr Loosemore received a redundancy payment of £320,000 on termination of his contract of employment. The Board exercised its discretion to allow Mr Loosemore to retain executive share options totalling 187,200 at a weighted average exercise price of 363 pence, exercisable until 3 January 2002.

All appointments and resignations were in respect of De La Rue Holdings plc prior to the Scheme of Arrangement.

Directors' pension entitlements	Defined benefit scheme (£'000)						Money purchase scheme (£'000)	
	Age at 1 April 2000	Years of pensionable service	Accrued benefit at 1 April 1999	Increase during year (excluding inflation)	Accrued benefit at 1 April 2000	Transfer value of increase of accrued benefit during year	Contributions in 2000	Contributions in 1999
Ian Much	55	2	1	1	2	20	140	79
Paul Hollingworth (appointed 1 August 1999)	39	1	-	2	2	11	31	-
Richard Laing (resigned 31 August 1999)	46	8	-	-	-	-	22	56
Kevin Loosemore (resigned 31 October 1999)	41	2	9	3	12	23	17	27
Michael Pugh (resigned 6 April 1999)	62	31	110	-	110	-	-	-
			120	6	126	54	210	162

Directors' Report

Directors' interests in ordinary shares	Number of shares in De La Rue plc at 1 April 2000	Number of shares in De La Rue plc (now De La Rue Holdings plc) at 1 April 1999 or date of appointment (prior to Scheme of Arrangement)
Brandon Gough	8,714	10,253
Ian Much	38,250	45,000
Brian Birkenhead	4,438	5,222
Nicholas Brookes	13,950	7,000
Paul Hollingworth	8,500	-
Lord Wright	1,861	2,190

Under the Scheme of Arrangement, directors received, for every 20 ordinary shares held in De La Rue Holdings plc (formerly De La Rue plc), 17 new De La Rue plc ordinary shares and 920 pence in cash.

Paul Hollingworth purchased 10,000 shares in De La Rue Holdings plc (formerly De La Rue plc) on 24 November 1999. Nicholas Brookes purchased 8,000 shares in De La Rue plc on 29 February 2000. The directors' interests in shares include those of their immediate families and all are held beneficially.

The market price of De La Rue Holdings plc (formerly De La Rue plc) ordinary shares at 1 April 1999 was 226 pence. The market price of De La Rue plc ordinary shares at 1 February 2000 was 290.5 pence and the price range during the period 1 February to 1 April 2000 was 230 pence to 315 pence.

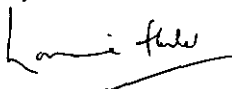
Directors' share options	Date of Grant	1 April 1999	Number of Options			1 April 2000	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
			Exercised during year	Granted during year	Lapsed during year					
Ian Much										
Executive	Sep '98	301,600	-	-	-	301,600	218.333	-	Sep '01	Sep '08
Share Options	Nov '99	-	-	204,002	-	204,002	333.330	-	Nov '02	Nov '09
Share Price Improvement Plan	Nov '99	-	-	315,800	-	315,800	215.300	-	Nov '02	Nov '03
		301,600	-	519,802	-	821,402				
Paul Hollingworth (appointed 1 August 1999) Executive										
Share Options	Nov '99	-	-	120,001	-	120,001	333.330	-	Nov '02	Nov '09
			-	120,001	-	120,001				

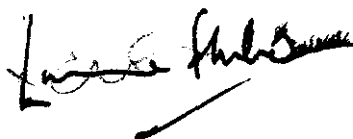
Directors agreed to exchange existing options over shares in De La Rue Holdings plc for an identical number of replacement options over shares in De La Rue plc under the terms of the Scheme of Arrangement.

Interest in Shares under Trust

Executive Directors are deemed to have an interest as potential discretionary beneficiaries under the De La Rue Employee Share Ownership Trust. As such, they were each treated as at 1 April 2000 as being interested in the 2,100,000 ordinary shares held by the trustee of that Trust. The shares held in Trust will be used to satisfy existing options under the De La Rue Share Price Improvement Plan and the De La Rue Executive Share Option Scheme.

By order of the Board





Louise Fluker Company Secretary

22 May 2000

Auditors' report to the members of De La Rue plc

We have audited the financial statements on pages 32 to 59, 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 36 and 37.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 22, 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, the Listing Rules of the Financial Services Authority 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 or the Listing Rules 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.

We review whether the statement on page 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

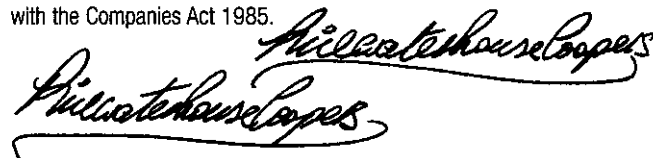
Basis of audit opinion

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 affairs of the Company and the Group at 1 April 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London
22 May 2000

PRICEWATERHOUSECOOPERS 



Group Profit and Loss Account

Notes	2000 Before exceptionals £m	2000 Exceptional items £m	2000 Total £m	1999 Before exceptionals £m	1999 Exceptional items £m	1999 Total £m
Turnover						
	518.9		518.9	526.2		526.2
	98.2		98.2	211.7		211.7
1	617.1		617.1	737.9		737.9
Operating profit						
	55.2	(23.6)	55.2	37.3	(48.5)	37.3
		(2.0)	(2.0)		-	(48.5)
	55.2	(25.6)	29.6	37.3	(48.5)	(11.2)
	5.1		5.1	(0.9)		(0.9)
1, 2, 3	60.3	(25.6)	34.7	36.4	(48.5)	(12.1)
1	14.7		14.7	26.7		26.7
4		-	-		(2.1)	(2.1)
4		56.1	56.1		(22.6)	(22.6)
4		-	-		6.4	6.4
4		2.0	2.0		-	-
4		-	-		2.3	2.3
4		(1.1)	(1.1)		-	-
		57.0	57.0		(16.0)	(16.0)
Profit/(loss) on ordinary activities before interest						
	75.0	31.4	106.4	63.1	(64.5)	(1.4)
5	(3.0)		(3.0)	(8.8)		(8.8)
	3.0		3.0	2.8		2.8
	-		-	(6.0)		(6.0)
Profit/(loss) on ordinary activities before taxation						
	75.0	31.4	106.4	57.1	(64.5)	(7.4)
6	(17.1)	(0.6)	(17.7)	(13.4)	7.7	(5.7)
Profit/(loss) on ordinary activities after taxation						
	57.9	30.8	88.7	43.7	(56.8)	(13.1)
	(1.0)		(1.0)	(0.9)		(0.9)
Profit/(loss) for the financial year						
8	56.9	30.8	87.7	42.8	(56.8)	(14.0)
	(24.3)		(24.3)	(27.0)		(27.0)
18	32.6	30.8	63.4	15.8	(56.8)	(41.0)
7	25.9p	14.0p	39.9p	19.0p	(25.2p)	(6.2p)
7	25.7p	13.9p	39.6p	19.0p	(25.2p)	(6.2p)
7	26.5p	(10.7p)	15.8p	18.8p	(18.7p)	0.1p
8	12.0p		12.0p	12.0p		12.0p

A reconciliation between earnings per share, as calculated according to Financial Reporting Standard No. 14 'Earnings per Share' (FRS 14) issued by the Accounting Standards Board, and headline earnings per share, as calculated according to the definition of headline earnings in Statement of Investment Practice No. 1 'The Definition of Headline Earnings' issued by the Institute of Investment Management and Research, is shown in note 7 of the Notes to the Group Profit and Loss Account.



Balance Sheets

Notes	2000 Group £m	1999 Group (Restated) £m	2000 Company £m	1999 Company £m	
Fixed assets					
9	Intangible assets	3.2	5.0	-	-
10	Tangible assets	167.4	211.9	-	-
11	Investments: Associates	61.0	72.7	-	-
11	Other investments	4.2	14.0	151.6	-
11	Own shares	6.2	-	6.2	-
		242.0	303.6	157.8	-
Current assets					
12	Stocks	72.8	98.4	-	-
13	Debtors	107.9	176.3	-	-
	Cash at bank and in hand	85.7	49.0	94.3	-
		266.4	323.7	94.3	-
Creditors: amounts falling due within one year					
14	Short term borrowings	(25.5)	(99.6)	(91.9)	-
14	Other creditors	(199.4)	(251.2)	(15.7)	-
	Net current assets/(liabilities)	41.5	(27.1)	(13.3)	-
	Total assets less current liabilities	283.5	276.5	144.5	-
Creditors: amounts falling due after more than one year					
15	Long term borrowings	(58.1)	(75.7)	(52.6)	-
15	Other creditors	(2.2)	(5.9)	(36.1)	-
16	Provisions for liabilities and charges	(60.1)	(61.3)	-	-
		163.1	133.6	55.8	-
Capital and reserves					
18	Called up share capital	48.0	56.8	48.0	-
18	Share premium	0.4	-	0.4	-
18	Revaluation reserve	1.8	1.8	-	-
18	Other reserve	(83.8)	11.6	-	-
18	Profit and loss account	193.7	60.4	7.4	-
	Shareholders' funds (1999: including non-equity interests)	160.1	130.6	55.8	-
	Equity minority interests	3.0	3.0	-	-
		163.1	133.6	55.8	-

Approved by the Board on 22 May 2000

Brandon Gough Chairman

Paul Hollingworth Finance Director



Group Cash Flow Statement

Notes		2000 £m	1999 £m
20a	Cash inflow from operating activities	68.0	17.5
	Dividends received from associated companies	20.6	21.3
20b	Returns on investments and servicing of finance	(5.0)	(10.5)
	Taxation	3.7	(11.1)
20c	Capital expenditure and financial investment	(22.0)	(26.5)
20d	Acquisitions and disposals	185.9	19.5
	Equity dividends paid	(27.0)	(10.1)
	Cash inflow before use of liquid resources and financing	224.2	0.1
20e	Management of liquid resources	(55.6)	(0.1)
20f	Financing	(161.4)	(10.2)
	Increase/(decrease) in cash in the period	7.2	(10.2)
20g	Reconciliation of net cash flow to movement in net debt		
	Increase/(decrease) in cash in the period	7.2	(10.2)
	Cash outflow from increase in liquid resources	55.6	0.1
	Cash outflow from decrease in debt	56.9	10.2
	Change in net debt resulting from cash flows	119.7	0.1
	Loans and finance leases disposed/(acquired) with subsidiary	3.7	(0.5)
	Fixed assets acquired under finance leases	-	(1.4)
	Translation difference	5.0	(3.2)
	Movement in net debt in the period	128.4	(5.0)
	Net debt at start of period	(126.3)	(121.3)
	Net funds/(debt) at end of period	2.1	(126.3)



Group Statement of Total Recognised Gains and Losses

	2000 £m	1999 £m
Profit/(loss) for the financial year: Group	75.2	(36.5)
Associates	12.5	22.5
	87.7	(14.0)
Currency translation differences on foreign currency net investments	(2.8)	(0.4)
Total recognised gains/(losses) for the year	84.9	(14.4)

There is no material difference between the reported profit shown in the consolidated profit and loss account and the profit for the relevant periods restated on an historical cost basis.

Reconciliation of Movements in Shareholders' Funds

	2000 £m	1999 £m
Profit/(loss) for the financial year	87.7	(14.0)
Dividends	(24.3)	(27.0)
	63.4	(41.0)
Share capital issued	0.4	-
Currency translation differences on foreign currency net investments	(2.8)	(0.4)
Goodwill: Card activities disposal	71.9	(0.2)
Others	0.8	8.8
Scheme of arrangement	(103.7)	-
Preference shares repaid	(0.5)	-
Net increase/(reduction) in shareholders' funds	29.5	(32.8)
Opening shareholders' funds	130.6	163.4
Closing shareholders' funds	160.1	130.6

In 1999 there was £0.5m of non-equity share capital included within shareholders' funds.



Accounting Policies

Basis of preparation

As set out below, the Scheme of Arrangement has been accounted for using merger accounting principles in order to show a true and fair view. The Company was incorporated on 31 August 1999 as *Precis (1809) Limited*. On 25 November 1999 it changed its name to *New De La Rue Limited* and was reregistered as *New De La Rue plc* on 30 November 1999. Prior to 1 February 2000, it did not trade, pay any dividends or make any other distributions and had a nominal amount of paid up share capital. On 1 February 2000, it acquired *De La Rue plc* by way of a Scheme of Arrangement under section 425 of the Companies Act 1985 for a consideration of 191,646,873 ordinary shares of 25 pence each, and cash totalling £103.7m. *De La Rue plc* immediately changed its name to *De La Rue Holdings plc* and *New De La Rue plc* became *De La Rue plc*.

The acquisition has been accounted for as a merger, the true and fair override being applied such that the fair value acquisition accounting requirements of the Companies Act 1985 have not been adopted as, in the opinion of the directors, this would not give a true and fair view as the Scheme of Arrangement, in substance, represents a change in identity of holding company rather than an acquisition of a business. Share capital and reserves comparatives in the consolidated balance sheet have been restated to reflect the nominal value of shares in issue of the Company immediately prior to the reorganisation.

Differences between this amount and the previously reported capital and reserves, represent the merger difference, and have been reflected in other reserves. The directors consider that it is not practicable to quantify the effect of this departure from the Companies Act 1985 requirements. Prior period earnings per share figures have not been adjusted as the number of new shares was set to facilitate comparability of earnings per share.

The consolidated accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable UK accounting standards. During the year, the requirements of FRS 15 'Tangible Fixed Assets' and FRS 16 'Current Tax' were implemented. Neither of these had any material effect on the Company or the Group results.

The consolidated accounts have been prepared as at 1 April 2000, being the nearest Saturday to 31 March. The comparatives for the 1999 financial year are for the year ended 31 March 1999.

Basis of consolidation

The results of all of the subsidiaries of the Company have been fully consolidated. All of these subsidiaries and the material associated companies prepare their annual financial statements to 31 March except for certain associated companies whose year end is 31 December. The results of businesses acquired are included from the effective date of acquisition and the results of businesses sold are included up to the date of disposal.

Associated companies

An associated company is one in which the Group has a long term investment and is in a position to exercise significant influence over the company in which the investment is made.

The Group's share of the profits less losses of associated companies is included in the consolidated profit and loss account. Its interest in their net assets is included as an investment in the consolidated balance sheet at the Group's share of the net assets at acquisition plus the Group's share of retained profits.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the quoted rates of exchange at the year end. The profits and losses of overseas subsidiaries and associated companies are translated into sterling at average rates for the year.

Differences arising from the restatement of the opening balance sheets of overseas subsidiaries and associates at closing rates, together with the year end adjustment to closing rates of profit and loss accounts translated at average rates, are taken to reserves.

Differences arising on foreign currency borrowings are taken to reserves to the extent that they are offset by the exchange differences arising from the restatement of the opening balance sheets of overseas subsidiaries and associates.

When currencies are sold or bought in relation to a trading transaction, the transaction is accounted for at the contracted rate of exchange.

All other exchange differences are included in the profit and loss account.

Turnover

Group turnover represents sales of manufactured products and services to external customers.

Goodwill amortisation

Upon the acquisition of a business, fair values that reflect the conditions at the date of acquisition are attributed to the identifiable net assets acquired. Where the consideration paid for a business exceeds such net assets, the difference is treated as goodwill and is



capitalised and amortised over an appropriate period not exceeding 20 years. For acquisitions prior to 1 April 1998 all goodwill is eliminated in the Group balance sheet against reserves. On disposal of a business, the profit or loss on disposal is determined after including the attributable amount of purchased goodwill to the extent that this has not been amortised through the profit and loss account.

Other intangible assets

Development costs and distribution rights are amortised over their useful economic lives as determined by the life of the products to which they relate.

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 Group'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 eight 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 $\frac{1}{3}$ per cent on tooling and computer equipment. No depreciation is provided for assets in the course of construction.

The directors have not adopted a policy of revaluing tangible fixed assets as permitted by FRS 15.

Leasing

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 estimated remaining 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.

Research and development

Product research and development expenditure is written off in the year in which it is incurred.

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.

Stocks

Stocks and work in progress are valued at the lower of cost, including relevant production overheads, and net realisable value.

Pensions

The costs of the Group'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 Group's post-retirement benefit schemes are accounted for in a similar manner to the pension schemes, as described above.

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

Cash Flow Statement

The Group cash flow statement and notes thereto are prepared in accordance with Financial Reporting Standard 1. Liquid resources comprise short term bank deposits, except those available on demand.

Share option schemes

Own shares held to satisfy potential obligations under the various share option schemes are carried at cost as part of fixed asset investments. Any differences between the cost of the shares and the anticipated proceeds are written off to the profit and loss account over the period to which the underlying options relate in accordance with UITF 17.



Notes to the Accounts

1 SEGMENTAL ANALYSIS	2000	2000	2000	1999	1999	1999
	Turnover	Profit	Net	Turnover	Profit	Net
		before tax	assets		before tax	assets
	£m	£m	£m	£m	£m	£m
Class of business						
Continuing operations						
Cash Systems	257.3	4.4	47.3	268.2	(5.8)	73.0
Security Paper and Print	263.3	50.8	103.3	263.5	43.1	100.7
Less inter-segment sales	(1.7)			(5.5)		
	518.9	55.2	150.6	526.2	37.3	173.7
Reorganisation and arbitration costs						
Cash Systems		(19.2)			(25.9)	
Security Paper and Print		(4.4)			(18.7)	
Head Office		-			(3.9)	
Arbitration and legal costs		(2.0)			-	
		(25.6)			(48.5)	
Discontinued operations (note 22)						
Cash Systems	13.5	-	(2.6)	58.9	-	(4.8)
Card activities	84.7	5.1	(7.0)	152.8	(0.9)	53.1
	98.2	5.1	(9.6)	211.7	(0.9)	48.3
	617.1	34.7	141.0	737.9	(12.1)	222.0
Associated companies (analysed below)		14.7	61.0		26.7	72.7
Non-operating items (note 4)		57.0			(16.0)	
Net Interest including associates		-			(6.0)	
Profit before taxation		106.4			(7.4)	
Unallocated net liabilities			(41.0)			(34.8)
Capital employed			161.0			259.9
Net funds/(debt)			2.1			(126.3)
Net assets			163.1			133.6
Geographical area by operation						
United Kingdom and Ireland	357.9	16.5	59.5	383.8	(34.9)	67.2
Rest of Europe	214.8	13.3	37.6	255.3	13.3	76.7
The Americas	116.9	1.1	19.5	190.5	5.7	47.0
Rest of world	59.5	3.8	24.4	51.7	3.8	31.1
Less inter-area sales	(132.0)			(143.4)		
	617.1	34.7	141.0	737.9	(12.1)	222.0

The profit before tax in 2000 is shown after reorganisation and arbitration costs of £25.6m (1999 £48.5m) comprising UK and Ireland £15.7m (1999 £39.2m), Rest of Europe £8.3m (1999 £3.8m), Americas £1.5m (1999 £5.3m), Rest of World £0.1m (1999 £0.2m).



For the year ended 1 April 2000

1 SEGMENTAL ANALYSIS (continued)	2000	2000	2000	1999	1999	1999
	Turnover	Profit	Net	Turnover	Profit	Net
	£m	before tax	assets	£m	before tax	assets
		£m	£m		£m	£m
Geographical area by destination						
United Kingdom and Ireland	85.8			102.9		
Rest of Europe	213.7			255.0		
The Americas	163.2			230.6		
Rest of world	154.4			149.4		
	617.1			737.9		
Associated companies are analysed as follows:						
Security Paper and Print		3.9	19.1		12.7	35.0
UK lottery		10.8	41.9		14.0	37.7
		14.7	61.0		26.7	72.7
Geographical area by operation						
United Kingdom and Ireland		10.8	42.0		14.0	38.1
Rest of Europe		3.9	18.1		12.7	31.1
The Americas		-	0.6		-	1.5
Rest of world		-	0.3		-	2.0
		14.7	61.0		26.7	72.7

The Group's cash and borrowings are managed centrally and therefore interest is not attributable to individual classes of business or geographical segments.

Unallocated net liabilities, which consist of assets and liabilities relating to non-divisional operations, are controlled centrally and cannot be allocated meaningfully to individual classes of business or geographical segments.

2 OPERATING COSTS	2000	1999
	£m	£m
Cost of sales		
Continuing operations	360.5	375.5
Reorganisation costs	21.0	25.0
Discontinued operations	76.5	172.5
	458.0	573.0
Distribution costs		
Continuing operations	17.7	19.1
Discontinued operations	2.0	4.2
	19.7	23.3
Administration and other expenses		
Continuing operations	85.5	94.3
Reorganisation and arbitration costs ^a	4.6	23.5
Discontinued operations	14.6	35.9
	104.7	153.7
	582.4	750.0

^aincludes £2.0m (1999 Nil) to cover legal and arbitration costs likely to be incurred in rebutting the claim brought in arbitration proceedings by the other shareholder in De La Rue Giori S.A.



Notes to the Accounts

3 OPERATING PROFIT	2000	1999
	£m	£m
Operating profit is stated after charging/(crediting) the following:		
Employee costs (note 24)	190.2	260.0
Depreciation of tangible fixed assets		
– purchased	24.4	30.6
– leased	0.4	0.7
Amortisation of goodwill	0.2	0.2
Operating leases		
– hire of plant and machinery	1.2	3.6
– other	5.0	8.1
Auditors' remuneration		
– audit fees (Company £0.2m)	0.7	0.8
– UK non-audit related fees	0.6	0.6
– overseas non-audit related fees	0.2	0.3
Research and development	21.0	29.8
Release of acquisition provisions	-	(1.7)
Reorganisation and arbitration costs	25.6	48.5
Net profit on disposal of fixed assets/assets held for resale	(0.2)	(1.8)

Cash expended in respect of 2000 reorganisation and arbitration costs amounted to £12.0m. £3.8m of costs were for asset write downs. £9.8m was carried forward within provisions and accruals.

4 NON-OPERATING ITEMS	2000	1999
	£m	£m
Loss on the disposal of continuing operations	-	(2.1)
Profit/(loss) on the disposal of discontinued operations	56.1	(22.6)
Utilisation of provision for loss on disposal of discontinued operations	-	6.4
Profit on sale of investments	2.0	-
Profit on the part disposal of the shareholding in Camelot	-	2.3
Scheme of arrangement costs	(1.1)	-
	57.0	(16.0)

The profit on disposal of discontinued operations of £56.1m in 2000 arose from the following:

The disposal of the Card activities business which generated a profit of £57.4m after writing off goodwill of £71.9m previously eliminated against reserves; the disposal of plan object, which designed and manufactured bank branch furniture, generating a loss of £1.3m.

The profit on the sale of investments in 2000 of £2.0m comprised a profit of £1.1m on the sale of preference shares in Cromptons, a tea bag paper manufacturing company, and a profit of £0.9m on the sale of shares in Ingenico, a terminals manufacturer.

The costs of the scheme of arrangement are primarily advisors' fees.

The loss on disposal of continuing operations in 1999 of £2.1m arose from the disposal of Lerchundi, the Group's security printing operations in Spain, and is stated after writing off goodwill of £0.6m previously eliminated against reserves.

The loss on disposal of discontinued operations of £22.6m in 1999 arose from the following:

The disposal of the terminals business which generated a loss of £16.3m after writing off goodwill of £8.2m previously eliminated against reserves.

A net loss on disposal of £4.7m on the sale of the physical security businesses in the USA and Germany before utilising the £6.4m provision established in the previous year in respect of Germany.

A net loss of £1.6m in respect of businesses disposed of in prior years.



For the year ended 1 April 2000

5 NET INTEREST PAYABLE	2000	1999
	£m	£m
Interest payable on bank loans and overdrafts, and on other loans repayable within five years	(7.5)	(11.8)
Interest element of finance lease charges	(0.2)	(0.4)
Interest receivable	4.7	3.4
	(3.0)	(8.8)

6 TAXATION	2000	1999
	£m	£m
Tax on profit on ordinary activities		
United Kingdom		
Corporation tax at 30% (1999 31%)	8.7	3.7
Double taxation relief	(2.0)	(7.9)
ACT write back	(2.7)	(2.2)
	4.0	(6.4)
Overseas		
Taxation payable	8.0	3.0
Deferred taxation	0.9	1.8
	8.9	4.8
Adjustments in respect of prior years	(0.4)	0.3
Tax on share of profits of associated companies	5.2	7.0
Total taxation charge	17.7	5.7

The taxation on the net exceptional credit of £31.4m was £0.6m comprising tax credits relating to reorganisation costs of £2.1m (1999 £6.2m) and a charge of £2.7m relating to the profit on the Card activities disposal. The reason for the low tax charge was that most of the £57.4m profit on the Card activities disposal was sheltered under capital gains regimes where the high base cost of the original acquisitions served to reduce the tax payable.



Notes to the Accounts

7 EARNINGS PER SHARE	2000	1999
Basic	39.9p	(6.2p)
Fully diluted	39.6p	(6.2p)

Earnings per share are based on the profit for the year attributable to ordinary shareholders of £87.7m (1999 £14.0m loss) as shown in the Group profit and loss account. The weighted average number of ordinary shares used in the calculations is 220,023,945 (1999 225,296,072) for basic earnings per share and 221,762,065 (1999 225,588,028) for diluted earnings per share after adjusting for dilutive share options.

	pence per share	pence per share
Reconciliation of earnings per share		
As calculated under FRS 14	39.9	(6.2)
Loss on the disposal of continuing operations	-	0.9
(Profit)/loss on the disposal of discontinued operations	(24.3)	6.5
Profit on the disposal of fixed assets and assets held for resale	(0.1)	(0.8)
Profit on sale of investments	(0.9)	-
Profit on part disposal of the shareholding in Camelot	-	(1.0)
Scheme of arrangement costs	0.5	-
Amortisation of goodwill	0.7	0.7
Headline earnings per share as defined by the IIMR	15.8	0.1
Reorganisation and arbitration costs	10.7	18.7
Headline earnings per share before reorganisation and arbitration costs	26.5	18.8

The Institute of Investment Management and Research (IIMR) has published Statement of Investment Practice No. 1 entitled "The Definition of Headline Earnings". The headline earnings per share shown above have been calculated according to the definition set out in the IIMR's statement. The reconciling items between earnings per share as calculated according to FRS 14 and as calculated according to the definition of the IIMR's headline earnings include the underlying tax effects.

The directors are of the opinion that the publication of the IIMR's headline earnings figure is useful to readers of interim statements and annual accounts.

8 DIVIDENDS	2000	1999
	£m	£m
Ordinary shares		
Interim	9.0	9.0
Final proposed	15.3	18.0
	24.3	27.0
Net dividend per ordinary share	pence	pence
Interim	4.0	4.0
Final proposed	8.0	8.0
	12.0	12.0

A dividend of £14,750 (1999 £12,250) was paid on the preference shares, which were subsequently repaid on 7 February 2000.



9 INTANGIBLE ASSETS					
Group	Goodwill £m	Development Costs £m	Distribution Rights £m	Total £m	
Cost or valuation					
At 1 April 1999	3.7	1.6	-	5.3	
Additions	0.9	0.7	2.2	3.8	
Disposals	(3.7)	(2.2)	-	(5.9)	
At 1 April 2000	0.9	0.1	2.2	3.2	
Amortisation					
At 1 April 1999	0.2	0.1	-	0.3	
Provision for the year	-	0.2	-	0.2	
Disposals	(0.2)	(0.3)	-	(0.5)	
At 1 April 2000	-	-	-	-	
Net book value					
At 31 March 1999	3.5	1.5	-	5.0	
At 1 April 2000	0.9	0.1	2.2	3.2	

10 TANGIBLE ASSETS						
Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of con- struction £m	Total £m	
Cost or valuation						
At 1 April 1999	93.1	206.5	57.1	9.8	366.5	
Exchange adjustments	(1.4)	(1.5)	(1.4)	(0.1)	(4.4)	
Additions and transfers	1.5	20.5	7.9	(5.2)	24.7	
Disposals	(20.0)	(41.3)	(13.3)	-	(74.6)	
At 1 April 2000	73.2	184.2	50.3	4.5	312.2	
Representing						
Valuation in 1988/89	3.7	-	-	-	3.7	
Cost	69.5	184.2	50.3	4.5	308.5	
	73.2	184.2	50.3	4.5	312.2	
Accumulated depreciation						
At 1 April 1999	18.3	104.1	32.2	-	154.6	
Exchange adjustments	(0.4)	(0.9)	(0.9)	-	(2.2)	
Provision for the year	1.7	14.4	8.7	-	24.8	
Disposals	(4.9)	(21.5)	(6.0)	-	(32.4)	
At 1 April 2000	14.7	96.1	34.0	-	144.8	
Net book value						
At 31 March 1999	74.8	102.4	24.9	9.8	211.9	
At 1 April 2000	58.5	88.1	16.3	4.5	167.4	

Included in the above are leased assets as follows:

Plant and machinery	cost	£4.6m (1999 £5.2m)
	net book value	£0.7m (1999 £1.3m)
Fixtures and fittings	cost	£0.2m (1999 £1.6m)
	net book value	£Nil (1999 £1.4m)

Included in the cost or valuation of land and buildings is an amount of £2.4m of capitalised interest (1999 £2.4m). As stated in the Accounting Policies, it is not the Group policy to revalue fixed assets and, as such, the transitional provisions of FRS 15 are being applied. There have been no subsequent valuations since 1988/89.



Notes to the Accounts

10 TANGIBLE ASSETS (continued)	2000 Group £m	1999 Group £m
Land and buildings comprise		
Net book value		
Freehold	38.8	49.0
Long leasehold	16.9	20.4
Short leasehold	2.8	5.4
	58.5	74.8
Historical cost of land and buildings		
Cost	71.1	90.6
Accumulated depreciation	(14.4)	(17.6)
	56.7	73.0

11 INVESTMENTS	2000 Group £m	1999 Group £m	2000 Company £m	1999 Company £m
Investments comprise				
Investment in associated companies	61.0	72.7	-	-
Cost of shares in Group companies	-	-	151.6	-
Other investments	4.2	14.0	-	-
Purchase of own shares	6.2	-	6.2	-
	71.4	86.7	157.8	-

Other investments principally comprise securities quoted on overseas stock exchanges at cost.

The Company holds through a subsidiary, 12.5 per cent of the ordinary share capital of Koenig & Bauer AG, an engineering company incorporated in Germany and quoted on the Frankfurt Stock Exchange. £0.3m of dividend income has been included in operating profit (1999 £0.2m). The market value of quoted investments was £10.8m.

During the course of the year, the Group disposed of its 6.6 per cent holding in the ordinary share capital of Ingenico, a transaction terminals manufacturer and distributor incorporated in France and quoted on the Paris Stock Exchange, for £9.3m, generating a profit on disposal of £0.9m. £0.1m of dividend income has been included in operating profit (1999 Nil).

2.1 million own shares were purchased at an average price of 293p to satisfy potential obligations under the various share option schemes for executive directors and senior employees. Any difference between the cost of the shares and the anticipated proceeds will be written off to the profit and loss account over the period to which the underlying options relate in accordance with UITF 17. The market value of own shares at 1 April 2000 was £5.6m.

The investment in associated companies is shown net of a provision of £4.0m (1999 £4.5m) against the carrying value of the investment in De La Rue Giori S.A.



11 INVESTMENTS (continued)	Cost of Shares £m	Share of Retained Profit £m	Goodwill £m	Loans £m	Total £m
Associates					
At 1 April 1999	16.4	52.5	3.6	0.2	72.7
Exchange adjustments	(0.2)	(2.0)	-	-	(2.2)
Additions	1.3	-	-	-	1.3
Other	(2.5) ^a	-	-	(0.2)	(2.7)
Share of associated companies' profit after taxation	-	13.9	(1.4)	-	12.5
Less share of associated companies' dividends	-	(20.6)	-	-	(20.6)
At 1 April 2000	15.0	43.8	2.2	-	61.0

^aTransferred from Provisions for Liabilities and Charges (note 16).

	Total associates 2000 £m	Camelot Group 2000 £m	Total associates 1999 £m	Camelot Group 1999 £m
Group's share of the net assets of aggregate associates and Camelot Group plc				
Turnover	1,580.6	1,511.8	1,481.1	1,388.7
Profit before tax	17.7	13.3	29.5	18.7
Taxation	(5.2)	(4.7)	(7.0)	(5.8)
Profit after tax	12.5	8.6	22.5	12.9
Fixed assets	22.7	10.0	21.5	14.6
Current assets	165.5	117.6	194.2	105.9
Liabilities due within one year	(109.6)	(87.0)	(123.8)	(83.3)
Liabilities due after one year or more	(12.1)	(1.7)	(14.0)	(3.5)
Net Assets	66.5	38.9	77.9	33.7

The above figures are not proportionately consolidated within the Group's accounts.

12 STOCKS	2000 Group £m	1999 Group £m
Raw materials	20.3	31.6
Work in progress	21.8	28.2
Finished goods	30.7	38.6
	72.8	98.4

The replacement cost of stocks is not materially different from original cost.



Notes to the Accounts

13 DEBTORS	2000	1999	2000	1999
	Group	Group	Company	Company
	£m	£m	£m	£m
Amounts due within one year				
Trade debtors	88.7	142.7	-	-
Amounts owed by associated companies	-	0.1	-	-
Advance corporation tax recoverable	0.3	2.5	-	-
Other debtors	10.4	18.5	-	-
Prepayments and accrued income	6.5	10.1	-	-
	105.9	173.9	-	-
Amounts due after more than one year				
Other debtors	1.2	2.2	-	-
Prepayments and accrued income	0.8	0.2	-	-
	2.0	2.4	-	-
	107.9	176.3	-	-

14 CREDITORS	2000	1999	2000	1999
	Group	Group	Company	Company
	£m	£m	£m	£m
Amounts falling due within one year				
Loan notes	2.6	3.2	-	-
Bank loans	19.6	66.9	15.0	-
Obligations under finance leases	0.4	1.0	-	-
	22.6	71.1	15.0	-
Overdrafts	2.9	28.5	76.9	-
Short term borrowings	25.5	99.6	91.9	-
Payments received on account	15.4	25.1	-	-
Trade creditors	34.3	51.4	-	-
Amounts owed to associated companies	0.2	1.3	-	-
Taxation	39.8	24.9	-	-
Social security and other taxation	7.2	12.1	-	-
Other short term creditors	21.3	27.9	0.4	-
Accruals and deferred income	56.9	81.5	-	-
Proposed dividends	24.3	27.0	15.3	-
Other creditors	199.4	251.2	15.7	-

The loan notes were issued to shareholders of Portals Group plc as part of the acquisition consideration. They are capable of being redeemed at the noteholders' option in September or March of each year, until the year 2000 when they are redeemed automatically. There are no significant borrowings which are secured against assets of the Group.



15 CREDITORS	2000 Group £m	1999 Group £m	2000 Company £m	1999 Company £m
Amounts falling due after more than one year				
Bank loans repayable otherwise than by instalments				
Between one and two years	36.8	4.3	52.6	-
Between two and five years	20.0	65.3	-	-
Other loans repayable otherwise than by instalments				
Between one and two years	-	0.3	-	-
Obligations under finance leases				
Between one and five years	1.3	2.9	-	-
After five years	-	2.9	-	-
Long term borrowings	58.1	75.7	52.6	-
Amounts owed to Group companies	-	-	36.1	-
Taxation	0.2	0.6	-	-
Other long term creditors	1.9	5.0	-	-
Accruals and deferred income	0.1	0.3	-	-
Other creditors	2.2	5.9	36.1	-

As at 1 April 2000, the total of undrawn committed borrowing facilities comprised £141.4m, of which £36.1m matures in one to two years and the balance of £105.3m between two and five years. There are no significant borrowings which are secured against assets of the Group.

16 PROVISIONS FOR LIABILITIES AND CHARGES	Pensions and similar obligations £m	Deferred taxation £m	Other £m	Total £m
Group				
At 1 April 1999	26.2	3.0	32.1	61.3
Exchange adjustments	(0.2)	-	(0.2)	(0.4)
Provided in year	6.6	0.9	25.6	33.1
Utilised in year	(6.8)	(0.6)	(18.3)	(25.7)
Released in year	-	-	(2.1)	(2.1)
Transferred to Investments (note 11)	-	-	(2.5)	(2.5)
Disposed in year	(1.8)	-	(1.8)	(3.6)
At 1 April 2000	24.0	3.3	32.8	60.1

The reorganisation within Security Paper and Print utilised £1.3m of the provision brought forward from 1998/99, leaving a total of £0.3m carried forward within other provisions. Further reorganisation provisions were established during the current year of which £2.4m remains within other provisions at 1 April 2000.

The reorganisation within Cash Systems utilised £1.1m of the provision made in 1998/99, leaving a total of £1.8m carried forward within other provisions. Further reorganisation provisions were established during the current year of which £3.2m remain within other provisions.

A total of £0.8m is carried forward in other provisions in respect of the relocation of Head Office from London to Basingstoke.

Acquisition and disposal provisions totalling £12.1m (none of which are individually material) are carried forward within other provisions.

A provision of £3.1m has been retained 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).

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



Notes to the Accounts

17 DEFERRED TAXATION	2000	1999
	Group	Group
	£m	£m
Provided		
Timing differences between capital allowances and depreciation	2.4	2.3
Miscellaneous timing differences	0.9	0.7
At 1 April 2000	3.3	3.0

Where there is no intention at the balance sheet date to distribute the profits of overseas subsidiary and associated companies, no deferred tax is provided for liabilities which might arise on distributions by those companies.

As at 31 March 1999 and 1 April 2000, there were no unprovided deferred tax liabilities.

18 SHARE CAPITAL AND RESERVES	Share capital	Share premium account	Revaluation reserve	Other reserve	Profit and loss account	Total
	£m	£m	£m	£m	£m	£m
Group						
At 1 April 1999	56.8	11.6	1.8	-	60.4	130.6
Merger adjustments to reflect Scheme of Arrangement at 1 April 1999	-	(11.6)	-	11.6	-	-
As at 1 April 1999 (restated)	56.8	-	1.8	11.6	60.4	130.6
Share capital issued	-	0.4	-	-	-	0.4
Currency translation	-	-	-	-	(2.8)	(2.8)
Profit for the financial year	-	-	-	-	63.4	63.4
Goodwill	-	-	-	-	72.7	72.7
Scheme of arrangement	(8.3)	-	-	(95.4)	-	(103.7)
Preference shares repaid	(0.5)	-	-	-	-	(0.5)
At 1 April 2000	48.0	0.4	1.8	(83.8)	193.7	160.1
Company						
At 1 April 1999	-	-	-	-	-	-
Share capital issued	48.0	0.4	-	-	-	48.4
Profit for the financial year before dividends	-	-	-	-	22.7	22.7
Dividends proposed	-	-	-	-	(15.3)	(15.3)
At 1 April 2000	48.0	0.4	-	-	7.4	55.8

Reserves are wholly attributable to equity shareholders.

As permitted by Section 230 of the Companies Act 1985, De La Rue plc has not presented its own profit and loss account.

The amount of the Group profit for the financial year dealt with in the accounts of the Company was a profit of £22.7m.

As at 1 April 2000, £744.2m of goodwill has been eliminated against reserves in respect of acquisitions made prior to 31 March 1998.



19 SHARE CAPITAL	2000 £m
Authorised	
265,625,900 ordinary shares of 25p each	66.4
Allotted, called up and fully paid	
191,806,461 ordinary shares of 25p each	48.0

	2000 '000
Allotments during the year	
Ordinary shares in issue at 1 April 1999	-
Issued during the year in relation to Scheme of Arrangement	191,647
Issued under savings related share option scheme	36
Issued under executive share option scheme	123
Ordinary shares in issue at 1 April 2000	191,806

Capital and reserves

The Company was incorporated on 31 August 1999 as Precis (1809) Limited and was reregistered as a public limited company on 30 November 1999. On 29 November 1999, the authorised share capital of the Company was increased from £100 comprising 8 ordinary shares of 25p each and 98 redeemable preference shares of £1 each ("Founder Shares") to £50,000 by the creation of 49,900 Founder Shares and on 1 December 1999 was further increased to £66,406,475 by the creation of 265,425,900 ordinary shares of 25p.

On 1 February 2000 the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc, following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc shareholders received 17 ordinary shares plus 920p in cash. The profit and loss account reserve of £83.8m arose as a result of this transaction.

On 30 March 2000 the 49,998 Founder Shares were redeemed and converted into 199,992 authorised but unissued ordinary shares of 25p each.

De La Rue plc also had 500,000 cumulative preference stock units of £1 each in issue. At the same time as the Scheme of Arrangement these were repaid and cancelled by means of a reduction in De La Rue plc's capital.

Contingent rights to the allotment of shares	2000 '000
Savings related share option scheme	
Options over ordinary shares outstanding at 1 April 1999	-
Replacement options granted in relation to Scheme of Arrangement	2,833
Existing options in De La Rue Holdings plc eligible for exercise/rollover into De La Rue plc	398
New options granted during the year	999
Options exercised during the year	(65)
Options lapsed during the year	(162)
Savings related share options outstanding at 1 April 2000	4,003

At 1 April 2000 there was a total of 2,683 participants holding options under the savings related share option scheme which are exercisable at various dates up to 31 August 2005 at prices ranging between 150p and 774p.



Notes to the Accounts

19 SHARE CAPITAL (continued)	2000 '000
Executive share option scheme	
Options over ordinary shares outstanding at 1 April 1999	-
Replacement options granted in relation to Scheme of Arrangement	5,516
Existing options in De La Rue Holdings plc eligible for exercise/rollover into De La Rue plc	691
New options granted during the year	755
Options exercised during the year	(123)
Options lapsed during the year	(59)
Executive share options outstanding at 1 April 2000	6,780

At 1 April 2000 there was a total of 333 participants holding options under the executive share option scheme which are exercisable at various dates up to 28 March 2010 at prices ranging between 187.84p and 1005.00p

Share Price Improvement Plan	2000 '000
Options over ordinary shares outstanding at 1 April 1999	-
Replacement options granted in relation to Scheme of Arrangement	2,751
Options lapsed during the year	(200)
Share Price Improvement Plan options outstanding at 1 April 2000	2,551

At 1 April 2000 there were 31 senior key employees holding options under the Share Price Improvement Plan which are exercisable at various dates up to 26 November 2003 at a price of 215.3p.

Market Share Purchase of own Shares**(a) De La Rue Employee Share Ownership Trust**

The De La Rue Employee Share Ownership Trust was established to administer shares granted under the De La Rue Executive Share Option Scheme (ESOS) and De La Rue Share Price Improvement Plan (SPIP) to executive directors and senior employees. The Royal Bank of Scotland Trust Company (Guernsey) has been appointed Trustee. In March 2000 the Group made an interest free loan of £6.2m to the Trust for the market purchase of ordinary shares in the Company. A total of 2.1 million shares were purchased in the market in February and March 2000 and will be held by the Trustee until due for release to participants in the Schemes. The Trustee has agreed to waive dividends on these shares. The difference between the cost of the shares and the exercise price of the options will be charged to the profit and loss account over the performance period. At 1 April 2000 no shares have been transferred to option holders under the SPIP or ESOS. The circumstances under which the shares are released in relation to the SPIP are set out in the Remuneration Report of the Board.

(b) De La Rue Qualifying Employee Share Ownership Trust (the "QUEST")

The QUEST was established on 30 March 2000 to acquire ordinary shares in De La Rue plc for the benefit of employees and directors of the Company and its subsidiaries. The QUEST operates in conjunction with the De La Rue Sharesave Scheme. Up to 1 April 2000 no contributions had been made to the QUEST to subscribe to or purchase ordinary shares in the Company.



20 NOTES TO GROUP CASH FLOW STATEMENT		2000	1999
		£m	£m
a Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit/(loss)		34.7	(12.1)
Depreciation and amortisation		25.0	31.6
Decrease/(increase) in stocks		7.9	(3.6)
Decrease/(increase) in debtors		13.8	(26.7)
(Decrease)/increase in creditors		(11.3)	22.6
(Decrease)/increase in reorganisation provisions		(1.9)	5.3
Other items		(0.2)	0.4
Net cash inflow from operating activities		68.0	17.5
b Returns on investments and servicing of finance			
Interest received		4.0	3.4
Interest paid		(7.5)	(12.2)
Interest element of finance lease payments		(0.2)	(0.4)
Dividends paid to minority shareholders		(1.3)	(1.3)
Net cash outflow from returns on investments and servicing of finance		(5.0)	(10.5)
c Capital expenditure and financial investment			
Purchase of intangible fixed assets		(2.9)	-
Purchase of tangible fixed assets		(25.3)	(35.0)
Sale of tangible fixed assets		3.2	3.4
Purchase of investments		(1.4)	(1.3)
Sale of investments		10.6	6.4
Purchase of own shares		(6.2)	-
Net cash outflow for capital expenditure and financial investment		(22.0)	(26.5)
d Acquisitions and disposals			
Purchase of subsidiary undertakings		-	(7.1)
Net cash acquired with subsidiary undertakings		-	0.9
Sale of subsidiary undertakings (note 22)		183.9	23.2
Net overdrafts/(cash) sold with subsidiary undertakings		0.8	(1.5)
Sale of assets held for disposal		1.2	4.0
Net cash inflow from acquisitions and disposals		185.9	19.5
e Management of liquid resources			
Net increase in short term deposits		(55.6)	(0.1)
f Financing			
Debt due within one year:			
Decrease in short term borrowings		(0.2)	(0.2)
Loans repaid		(47.5)	(8.4)
Debt due beyond one year:			
Loans raised		53.1	5.6
Loans repaid		(60.7)	(5.1)
Capital element of finance lease rental repayments		(1.6)	(2.1)
Scheme of arrangement		(103.3)	-
Preference shares repaid		(0.5)	-
Scheme of arrangement costs		(1.1)	-
Share capital issued		0.4	-
Net cash outflow from financing		(161.4)	(10.2)

The £183.9m proceeds from the sale of subsidiary undertakings is net of a payment of £7.5m to Ingenico in relation to the disposal in 1998/99 of the Group's terminals business.



Notes to the Accounts

20 NOTES TO GROUP CASH FLOW STATEMENT (continued)					
g Analysis of net (debt)/cash	At 1 April 1999 £m	Cash flow £m	Other movements £m	Exchange movement £m	At 1 April 2000 £m
Cash at bank and in hand	49.0	38.7	-	(2.0)	85.7
Less liquid resources	(8.6)	(55.6)	-	0.4	(63.8)
Overdrafts	(28.5)	24.1	-	1.5	(2.9)
Cash - Group cash flow statement	11.9	7.2	-	(0.1)	19.0
Liquid resources	8.6	55.6	-	(0.4)	63.8
Debt due within one year, excluding bank overdrafts	(71.1)	48.0	-	0.5	(22.6)
Debt due after one year	(75.7)	8.9	3.7	5.0	(58.1)
	(146.8)	56.9	3.7	5.5	(80.7)
Net (debt)/funds	(126.3)	119.7	3.7	5.0	2.1

Liquid resources comprise short term deposits with banks which mature within three months.

The other movements of £3.7m relate to finance leases disposed of with the sale of the Card activities.

Analysis of net debt	2000 £m	1999 £m
Cash	21.9	40.4
Liquid resources	63.8	8.6
Overdrafts	(2.9)	(28.5)
Other debt due within one year	(22.6)	(71.1)
Other debt due after one year	(58.1)	(75.7)
Net funds/(debt) at end of period	2.1	(126.3)

21 GROUP OPERATING LEASES	2000 Land and buildings £m	1999 Land and buildings £m	2000 Other £m	1999 Other £m
Annual commitments under non-cancellable leases expiring				
Within one year	0.6	1.0	0.5	0.9
Between one and two years	1.0	1.2	0.8	1.2
Between two and five years	0.7	1.9	1.5	2.0
Over five years	2.2	3.0	-	-
Payments to be made during next year	4.5	7.1	2.8	4.1

**22 ACQUISITIONS AND DISPOSALS****Acquisition**

On 20 March 2000 the Group entered into an agreement to purchase the net assets of InterClear Service Limited for a consideration, including expenses, of £0.9m and took effective control of the business on that date.

The business has been integrated into the continuing operations of the Group, and had no material effect on Group sales and operating profit in the period since acquisition.

The provisional fair values attributed to the business are as follows:

	£m
Net assets acquired	–
Consideration	
Accrued payment	0.9
Fair value of net assets acquired (as above)	–
Goodwill	0.9

The purchase has been accounted for using the acquisition method and the resulting goodwill has been capitalised and is being amortised over three years.

Disposals

During the year the Group disposed of its Card activities and German bank branch furniture business (plan object).

The net assets disposed, profit/(loss) on disposal and consideration are summarised as follows:

	Card activities £m	plan object £m	Total £m
Tangible fixed assets	37.8	0.4	38.2
Intangible fixed assets	5.4	–	5.4
Investments	0.1	–	0.1
Stock	14.8	0.9	15.7
Trade debtors	41.2	1.3	42.5
Trade creditors	(23.5)	(1.5)	(25.0)
Other current assets and liabilities	(8.3)	(0.6)	(8.9)
Cash	(0.8)	–	(0.8)
Capital expenditure creditors	(1.2)	–	(1.2)
Lease creditors	(3.7)	–	(3.7)
Provisions for liabilities and charges	(3.2)	(0.4)	(3.6)
Net assets disposed	58.6	0.1	58.7
Profit/(loss) on disposal	57.4	(1.3)	56.1
	116.0	(1.2)	114.8
Comprising:			
Net cash	192.5 ^a	(1.1)	191.4
Goodwill	(71.9)	–	(71.9)
Accrued costs	(4.6)	(0.1)	(4.7)
	116.0	(1.2)	114.8

Operating cashflows in respect of businesses disposed in the year were not material.

^a£200.0m original proceeds net of a £2.4m repayment to the purchaser upon finalisation of completion accounts and £5.1m expenses associated with the disposal.



Notes to the Accounts

23 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates pension plans throughout the world covering the majority of employees. These plans are devised in accordance with local conditions and practices in the country concerned. The assets of the Group's plans are generally held in separately administered trusts or are insured.

A provision of £24.0m (1999 £26.2m) is included in provisions for liabilities and charges, to cover the excess of the accumulated pension costs (£22.5m) and other post-retirement benefits (£1.5m) over the amounts funded.

The total pension cost for the Group was £7.4m (1999 £9.4m), of which £6.4m relates to plans in the United Kingdom and the United States of America which cover 80 per cent of employees within schemes. Included within the total pension cost is £0.7m for defined contribution arrangements in the USA. The principal reason for the reduction in pension costs compared with 1999 is the disposal of the Card activities.

With effect from 6 April 1997, the six pension schemes operated by the Group in the United Kingdom were merged into one De La Rue Pension Scheme and a number of benefit improvements made. The scheme will be valued formally every three years, the next valuation being as at April 2000. The results of this valuation will be available later in the year and reflected in the 2001 Annual Report.

Information on the defined benefit scheme operated in the UK is as follows:

Last valuation date	6 April 1997
Main assumptions	
Investment return p.a.	9.0%
Dividend growth p.a.	4.5%
Salary increases p.a.	6.5%
Pension increases p.a.	4.75%
Market valuation of investments at last valuation date	£344.0m
Level of funding, being the actuarial value of assets expressed as a percentage of the accrued service liabilities	111%
Regular pension cost	£7.8m
Variation from regular cost	£(3.7)m
Net pension cost for 2000	£4.1m

The contributions to the UK plan are assessed in accordance with advice from Aon Consulting, independent consulting actuaries, using the Defined Accrued Benefits Method. This method aims for a stable and regular pension cost for current and expected future employees over their anticipated period of employment. The surplus of assets over liabilities is spread over the average expected remaining service lives of current employees, assessed as thirteen years, using the level percentage of salary method.

No other post-retirement benefits were utilised in the year (1999 £0.1m utilised). These benefits relate mainly to healthcare and life assurance for beneficiaries in the United States. The benefits are covered by an unfunded defined benefit scheme and a provision is carried in the balance sheet for the accumulated liabilities. These were assessed in accordance with independent actuarial advice as at 31 March 1997 using the projected unit credit method. The assumed discount rate was 7.25 per cent p.a. and annual healthcare costs were assumed to increase by 7.0 per cent p.a.

It was agreed on the basis of actuarial advice that the assumptions above remain appropriate for the purposes of calculating the annual pension cost in light of the abolition of tax credits on UK dividends payable to UK pension schemes. The assumptions will be reviewed as part of the valuation due as at April 2000.



24 EMPLOYEES	2000	1999
Average number of employees		
United Kingdom and Ireland	3,505	4,148
Rest of Europe	1,752	2,462
The Americas	1,366	2,424
Rest of world	747	719
	7,370	9,753
	2000	1999
	£m	£m
Employee costs (including directors' emoluments)		
Wages and salaries	169.0	227.4
Social security costs	13.8	23.2
Pension costs	7.4	9.4
	190.2	260.0

Full details of directors' emoluments, pension entitlements, options and interest in shares are set out in the Directors' Report on pages 29 and 30.

25 CAPITAL COMMITMENTS	2000	1999
	Group	Group
	£m	£m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	12.0	8.6
Authorised but not contracted	4.0	5.0
	16.0	13.6

26 CONTINGENT LIABILITIES

There are contingent liabilities, arising in the ordinary course of business, in respect of litigation and guarantees in various countries, for which the directors believe adequate provisions have been made in the accounts. Pursuant to the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland, the Company has guaranteed the liabilities of certain of its Irish subsidiaries and as a result such subsidiaries have been exempted from the provisions of Section 7 Companies (Amendment) Act 1986 of the Republic of Ireland. De La Rue Holdings plc has guaranteed its share of certain borrowings of its associated company CISL Limited. As at 1 April 2000, the amount guaranteed was £1.1m.

Arbitration proceedings have been brought against De La Rue by Dynavest Holding SA and M. Roberto Giori. Details are set out in the Directors' Report on page 23.

27 RELATED PARTY TRANSACTIONS

During the year the Group traded with the following associated companies: Camelot (26.7 per cent), De La Rue Giori (50 per cent), Fidink (33.3 per cent), Arbok Zao (50 per cent), Portals Sihl (50 per cent), Valora-Servicos de Apoio a Emissao Monetaria SA (25 per cent), Mongolian National Security Printing Company (50 per cent), Nigerian Security Printing and Minting Company (25 per cent).

The Group's trading activities with these companies include £1.4m for the purchase of printing equipment and other assets; £5.4m for the purchase of ink and other consumables; £0.2m for the purchase of security paper; £4.9m for the sale of banknote sorting equipment; £0.6m for the sale of printing machine spares and consumables; and £0.9m for the sale of security paper.



Notes to the Accounts

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The narrative disclosures required by FRS 13, Derivatives and Financial Instruments, are set out below in the Accounting Policies and Treasury operations; Interest rates and Exchange paragraphs of the Financial Review on pages 18 and 19. Numerical disclosures are set out below. The use of financial instruments to manage interest rate and currency risk is subject to Board approval and will not create additional financial exposures over and above those arising from our normal activity.

Short term debtors and creditors have been omitted from these disclosures as permitted by FRS 13.

Currency analysis of net assets

While continuing to focus on the management of cash flow, the Group will, where practicable, seek to limit translation exposures to major currencies by hedging between 75 per cent and 100 per cent of underlying net assets. As a result of the implementation of this policy there are no significant currency net asset exposures.

Interest rate risk profile of financial liabilities

The Group's financial liabilities comprise short term borrowings of £25.5m (note 14); long term borrowings of £58.1m (note 15); other long term creditors of £1.9m (note 15) and provisions for other liabilities and charges of £32.8m (note 16).

Financial Liabilities	2000			1999		
	Total £m	Floating £m	Interest Free £m	Total £m	Floating £m	Interest Free £m
Currency						
Sterling	57.2	25.7	31.5	85.8	55.2	30.6
US Dollar	18.9	18.3	0.6	38.7	37.4	1.3
Eurozone	36.5	35.8	0.7	71.0	66.7	4.3
Other	5.7	3.8	1.9	16.9	16.0	0.9
Total	118.3	83.6	34.7	212.4	175.3	37.1

Floating rate financial liabilities bear interest rates based on relevant national LIBOR equivalents.

Borrowings under major committed facilities are drawn at rates no more than 0.2 per cent above LIBOR.

An analysis of the Group's financial liabilities maturity profile is set out below:

Financial Liabilities	2000 £m	1999 £m
Within 1 year	40.9	114.9
1 – 2 years	46.6	16.2
2 – 5 years	29.7	76.9
more than 5 years	1.1	4.4
Total	118.3	212.4

**28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)****Interest rate risk profile of financial assets**

The Group's financial assets comprise cash and deposits, together with other investments as per note 11. Other investments at 1 April 2000 of £4.2m primarily comprise the holding of 12.5 per cent in the ordinary share capital of Koenig & Bauer AG which has a cost of £3.6m and market value of £10.8m. The comparative figures for 1999 included the investment in Ingenico which was sold during the year.

Composition of the Group's cash and deposits is set out below:

Cash and Deposits	2000 £m	1999 £m
Sterling	47.8	14.2
US Dollar	10.5	9.9
Eurozone	10.9	18.4
Other	16.5	6.5
Total	85.7	49.0

All cash and deposits are of a floating rate nature and earn interest based on the relevant national LIBID equivalents and are recoverable within one year.

Fair value of financial assets and liabilities

Market values have been used to determine the fair values of the Group's financial assets.

There is no significant difference between book value and fair value of the Group's financial assets and liabilities.

There were no significant derivatives outstanding at year end. Since the year end the Group has entered into a two year interest rate swap to fix the rate on €30m of debt at just below five per cent including borrowing margin.

Hedging future transactions

Whenever a Group company transacts in non-local currency it is policy to take protection in the foreign exchange market using forward contracts unless it is impracticable or uneconomic to do so. Transactions undertaken will be accounted for at these contract rates.

Principal subsidiaries, branches and associated companies

As at 1 April 2000

The companies and branches listed on these two pages include those which principally affect the profits and assets of the Group. A full list of subsidiary undertakings will be filed with the Company's Annual Return.

Country of incorporation and operation	Activities	De La Rue interest in ordinary shares %
EUROPE		
United Kingdom		
De La Rue Holdings plc	Holding and general commercial activities	100+
De La Rue International Limited	Security paper and printing, sale and maintenance of cash handling products and services, Identity systems, Brand protection, Holographics and Transaction Services	100
De La Rue Overseas Limited	Holding company	100
De La Rue Investments Limited	Holding company	100
Portals Group plc	Holding company	100
Portals Property Limited	Development and selling of real estate	100
Royal Mint Services Limited	Marketing	50*
Camelot Group plc	Lottery operator	26.67*
Channel Islands		
The Burnhill Insurance Company Limited	Insurance	100
Ireland		
De La Rue Smurfit Limited	Security printing	50
De La Rue Cash Systems Limited	Distribution and marketing	100
Italy		
De La Rue Cash Systems s.r.l.	Distribution and marketing	100
France		
De La Rue France Holdings SAS	Holding company	100
De La Rue Cash Systems SA	Distribution and marketing	100
Germany		
IMW Immobilien AG	Property company	95.67
De La Rue Cash Systems GmbH	Marketing/maintenance and sales of cash systems products/banking automation	100
De La Rue Systems GmbH	Holding company Exporter of Cash Systems products	100
Malta		
De La Rue Currency and Security Print Limited	Security printing	100
The Netherlands		
De La Rue BV	Holding company and distribution and marketing	100
Portugal		
De La Rue Cash Systems	Distribution and marketing (branch)	100
Valora-Servicos de Apoio a Emissao Monetaria SA	Currency printing	25*
Spain		
De La Rue Systems S.A.	Systems and marketing	100
Sweden		
De La Rue Cash Systems AB	Manufacturer of cash handling equipment	100
De La Rue Svetsprodukter AB	Manufacturer of cash handling equipment	100

Switzerland		
Thomas De La Rue A.G.	Holding company	100
De La Rue Giori S.A.	Security printing machinery	50*
Fidink S.A.	Security ink marketing	33.33*
NORTH AMERICA		
United States of America		
De La Rue Inc	Holding company	100
De La Rue Security Print Inc	Security printing	100
De La Rue Cash Systems Inc	Identification systems, banking automation and cash handling products	100
SOUTH AMERICA		
Brazil		
De La Rue Cash Systems	Distribution and marketing	100
Mexico		
De La Rue Mexico SA de CV	Identity Systems	100
British Virgin Islands		
Churchfelle (B.V.I.) Ltd	Holding company	50*
AFRICA		
Kenya		
De La Rue Currency and Security Print Limited	Security printing	100
Nigeria		
The Nigerian Security Printing and Minting Company Limited	Security printing	25*
South Africa		
De La Rue Systems (Proprietary) Limited	Distribution and marketing	100
FAR EAST		
Australia		
De La Rue Cash Systems Pty Limited	Distribution and marketing	100
Hong Kong		
De La Rue Systems Asia Pacific Limited	Distribution and marketing	100
Malaysia		
De La Rue (Malaysia) Sdn Bhd	Identification systems	100
Singapore		
De La Rue Currency and Security Print Pte Ltd	Security printing	100
Sri Lanka		
De La Rue Lanka Currency and Security Print (Private) Limited	Security printing	60
+ Shares held by De La Rue plc		
* Associated company		



Five Year Record

Profit and loss account	1996	1997	1998	1999	2000
	£m	£m	£m	£m	£m
Turnover					
Continuing operations	561.1	546.2	537.6	526.2	518.9
Discontinued operations ^b	202.7	222.0	252.6	211.7	98.2
Total	763.8	768.2	790.2	737.9	617.1
Operating profit					
Continuing operations	119.5	91.8	64.0	37.3	55.2
Reorganisation and arbitration costs	(18.3)	(14.8)	(13.3)	(48.5)	(25.6)
Discontinued operations ^b	2.5	(1.3)	(3.6)	(0.9)	5.1
Total	103.7	75.7	47.1	(12.1)	34.7
Share of profits of associated companies	29.3	33.1	37.3	26.7	14.7
Profit/(loss) on the sale of continuing operations	20.2	(2.0)	-	(2.1)	-
Profit/(loss) on the disposal of discontinued operations	-	2.5	(6.4)	(16.2)	56.1
Profit on sale of investments	-	-	-	-	2.0
Scheme of arrangement costs	-	-	-	-	(1.1)
Provision for losses on the disposal of properties in continuing operations	(2.6)	-	-	-	-
Profit on part disposal of shareholding in Camelot	-	-	-	2.3	-
Profit/(loss) on ordinary activities before interest	150.6	109.3	78.0	(1.4)	106.4
Net Interest: Group	(2.7)	(3.4)	(7.3)	(8.8)	(3.0)
Associates	-	-	2.9	2.8	3.0
Profit/(loss) on ordinary activities before taxation	147.9	105.9	73.6	(7.4)	106.4
Taxation on profit on ordinary activities	(33.9)	(26.2)	(18.2)	(5.7)	(17.7)
Profit/(loss) on ordinary activities after taxation	114.0	79.7	55.4	(13.1)	88.7
Equity minority interests	(1.3)	(1.2)	(1.1)	(0.9)	1.0
Profit/(loss) for the financial year	112.7	78.5	54.3	(14.0)	87.7
Dividends	(53.2)	(54.0)	(27.0)	(27.0)	(24.3)
Transferred to/(from) reserves	59.5	24.5	27.3	(41.0)	63.4
Earnings per ordinary share	50.5p	35.0p	24.1p	(6.2p)	39.9p
Diluted earnings per share (per FRS 14)	^a	^a	24.0p	(6.2p)	39.6p
Headline earnings per ordinary share	42.5p	34.8p	26.5p	(0.1p)	15.8p
Dividends per ordinary share	23.8p	24.0p	12.0p	12.0p	12.0p
Balance Sheet	£m	£m	£m	£m	£m
Fixed assets	305.1	298.7	309.6	303.6	242.0
Net current assets	14.3	16.3	38.4	(27.1)	41.5
Other liabilities	(130.6)	(136.1)	(180.5)	(142.9)	(120.4)
Equity minority interests	(4.9)	(4.6)	(4.1)	(3.0)	(3.0)
Shareholders' funds	183.9	174.3	163.4	130.6	160.1

Notes

^aThe comparatives for 1998 and 1999 have been adjusted to reflect the requirements of FRS 12. Years prior to 1998 have not been restated.

^bDiscontinued operations refer to all businesses discontinued between 1996 and 2000. Thus continuing operations refer to those businesses continuing as at 1 April 2000.

Shareholders' Information

Registered Office

De La Rue House
Jays Close, Viables, Basingstoke
Hampshire, RG22 4BS
Telephone: +44 (0) 1256 329122
Fax: +44 (0) 1256 605336
Registered Number 3834125
Company Secretary: Miss C L Fluker

Registrar

Computershare Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: +44 (0) 870 702 0000
Fax: +44 (0) 870 703 6101

Change of Registrar

Computershare Services PLC acquired the business of De La Rue's registrar, Exchange Registrars Limited, on 31 March 2000. As a result, Computershare Services PLC has become the Company's registrar.

Your shareholding in De La Rue plc is unaffected by the change of registrar. Please note the new address above for correspondence with the registrar.

Shareholder enquiries

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare Services PLC.

Internet

Visit our home page at www.delarue.com

Consolidation of share certificates

If your total registered ordinary shareholding is represented by several individual share certificates, you may wish to have these replaced by one consolidated certificate. There is no charge for this service. You should send your share certificates to the Company's registrar together with a letter of instruction.

Annual general meeting

The annual general meeting will be held at 12 noon on Wednesday 19 July 2000 at Winchester Guildhall, The Broadway, Winchester, Hampshire, SO23 9LJ. Each ordinary shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in a separate notice to shareholders.

Dividend payments

On ordinary shares	Final	14 August 2000
	Interim	April 2001

Results announcements

Final Results	May
Interim Results	November

Analysis of ordinary shareholders at 1 April 2000

	Shareholders		Shares	
	Number	%	Number	%
By range of holdings				
1 - 1,000	8,173	66	3,487,088	1.82
1,001 - 2,000	2,019	16	2,891,559	1.51
2,001 - 4,000	1,060	8	2,930,697	1.53
4,001 - 20,000	755	6	5,743,991	2.99
20,001 - 200,000	348	3	24,299,581	12.67
200,001 and above	123	1	152,453,545	79.48
	12,478	100	191,806,461	100

Share dealing facility

The Company's Stockbroker, Cazenove & Co, provides a simple, low cost dealing facility in De La Rue plc ordinary shares. Further information and forms can be obtained from Cazenove & Co, 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 020 7606 1768.

Capital gains tax

March 1982 valuation

Shareholders should be aware that the price per ordinary share on 31 March 1982 was 617.5p.

Return of capital by Scheme of Arrangement

Receipt by a shareholder of cash under the Scheme of more than £3,000 or 5 per cent of the value of the ordinary shares at the time of disposal will constitute a part disposal of his ordinary shares.

It may be helpful to note that for purposes of the capital gains tax calculation the market value of the part retained is 289.875p per new De La Rue plc share. This valuation is at 1 February 2000 which is the effective date of the part disposal.

Shareholders are advised to refer to their brokers/financial advisers for detailed advice on individual CGT calculations.

Every attempt has been made to ensure this report is as environmentally friendly as possible. The paper used is made from a base pulp extracted from the timber of sustainably managed forests and is Elemental Chlorine Free, fully recyclable, acid free and fully bio-degradable.



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