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DeLaRue

ANNUAL REPORT 2010

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Directors' Report

De La Rue plc is incorporated as a public limited company and is registered in England and Wales under the UK Companies Act 1985 with registered number 3834125 and has its registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS

The Directors present their Annual Report for the year ended 27 March 2010 which includes the Business Review, Corporate Governance Report and audited Financial Statements for the year. Pages 01 to 53 inclusive of this Annual Report comprise a Directors' Report which has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions of such law

The Business Review contains certain forward-looking statements which are subject to assumptions, risks and uncertainties, actual future results may differ materially from those expressed in or implied by such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond De La Rue's ability to control or estimate precisely

Throughout this Annual Report, 'Group' is used as a collective term to describe De La Rue plc and its subsidiary companies. 'Company' is a reference to De La Rue plc

All financials are for the continuing Group (excluding the disposed Cash Systems business but including Cash Processing Solutions) unless otherwise stated

The Group key performance indicators

The Group uses a range of key performance indicators (KPIs), along with other management tools, to monitor performance over time against the financial objectives and strategy set out in the Business Review. The principal KPIs with their page references are listed below

Financial KPIs

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Operational KPIs

Pages 14 and 15

Health, Safety and Environment KPIs

Pages 33 and 34

RESULTS HEADLINES

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 passports, authentication labels and fiscal stamps. De La Rue is a leading provider of cash sorting equipment and software solutions to central banks, helping them to reduce the cost of handling cash. De La Rue also pioneers new technologies in government identity solutions for national identification, driving licence and passport issuing schemes.

REVENUE

£561.1m

2009 £502.4m

MARGINS

Operating profit before exceptional items

19.5%

2009 19.2%

PROFIT

Profit before tax and exceptional items

£104.1m

2009 £105.0m

CASH

Operating cash flow

£116.1m

2009 £69.4m

DIVIDEND

Total dividend for the year

42.3p

2009 41.1p

DE LA RUE AT A GLANCE

MARKET CAPITALISATION

£929.5m

As at 27 March 2010

EPS

Headline EPS before exceptional items

76.2p

2009 570p

Total revenue split by business unit

1 Currency £411.2m			4
2 Cash Processing Solutions £56.9m		3	
3 Security Products £74.9m			
4 Identity Systems £32.0m	2		1

Geographic analysis of Group revenue

1 UK and Ireland 13%			1
2 Rest of Europe 9%			
3 Americas 17%			2
4 Rest of world 61%			

EMPLOYEES WORLDWIDE

c4,000

Across 24 countries

Geographic employee split

1 UK and Ireland 52%			
2 Rest of Europe 19%			
3 Americas 7%		4	
4 Rest of world 22%			

KEY DE LA RUE SITES

Currency

Cash Processing Solutions (CPS)

Security Products

Identity Systems (IDS)

Currency

De La Rue Currency provides market leading banknote paper, printed banknotes and an unparalleled portfolio of banknote security features. Working in partnership with its customers to provide effective currency solutions, the business can also advise on critical issues of currency strategy such as design, demand forecasting, denominational structure and protection against counterfeiting.

See page 16 for more information

Cash Processing Solutions (CPS)

De La Rue Cash Processing Solutions is integral to the Currency offering with shared central bank customers. The business provides bulk cash handling organisations – central banks, commercial banks and cash-in-transit companies – with a range of sophisticated high speed cash sorting and authentication systems as well as software solutions, consultancy, service and support to enhance the productivity, performance and security of cash processing operations.

See page 18 for more information

Security Products

De La Rue Security Products consists of specialist businesses whose solutions are critical to authenticating products, documents and revenues for governments, global corporations and financial institutions around the world. It produces authentication labels, brand licensing products, government documents, cheques and postage stamps as well as vital components for our Currency and Identity Systems business units.

See page 20 for more information

Identity Systems (IDS)

De La Rue Identity Systems is a world expert in the delivery and management of secure government identity programmes, systems and solutions. A reliable and trusted partner of governments worldwide, IDS has implemented over 100 projects in 65 countries focusing on the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes.

See page 22 for more information

A FOCUSED BUSINESS

De La Rue is a focused business, leveraging our core competencies and synergies in order to achieve long term sustainable growth, supported by an engaged workforce

CORE COMPETENCIES

Maximising our synergies

Brand and relationship

- 200 year history
- Using our global brand and reputation
- Fostering and developing long term customer relationships

Innovation and technology

- Maximising solutions from intellectual property
- Leveraging materials science expertise
- Developing software capabilities
- Partnering with small and highly innovative high-tech companies

Efficiency and productivity

- Building on our productivity programme
- Sharing facilities and expertise
- Developing best practice teams
- Building a manufacturing culture based on quality and performance

LONG TERM SUSTAINABLE GROWTH

All parts of the business contributing

	Current growth drivers	Synergies	Future growth opportunities
Currency	Evolving central bank policy	Engine of the De La Rue brand	State print works privatisation
Cash Processing Solutions	Customer productivity in cash handling	Core to Currency offering	Outsourcing of cash processing by central banks
Security Products	Threat of counterfeiting	Capitalising on Group intellectual property and internal sales	Replicate brand licensing model
Identity Systems	Growth of e-identity	Leveraging reputation and relationships	Large national schemes such as UK passport

ENGAGED WORKFORCE

A culture that makes sense for our employees

85%

of our employees understand our values
honesty, teamwork and dedication

90%

of our employees understand De La Rue's
business objectives

93%

of our employees appreciate how their job contributes
to De La Rue's strategic agenda

Source: De La Rue 'Your Say' staff survey 2009

A SUSTAINABLE BUSINESS

De La Rue is a sustainable business thanks to its long term customer relationships, ongoing investment in capability and continued cash generation

CUSTOMER RELATIONSHIP

National Bank of Kazakhstan long term partnership case study

Infrastructure development

Collaboration to build state print works

Paper Supply
Banknotes in circulation since 1993, following Kazakhstan's independence

Securing banknotes

Design
Design of banknotes since 1993, following Kazakhstan's independence

1st Optiks™ Thread
Wide embedded security thread with aperture

Automation of cash cycle

Central Bank sorters

Securing borders

Holograms
Holograms for visas

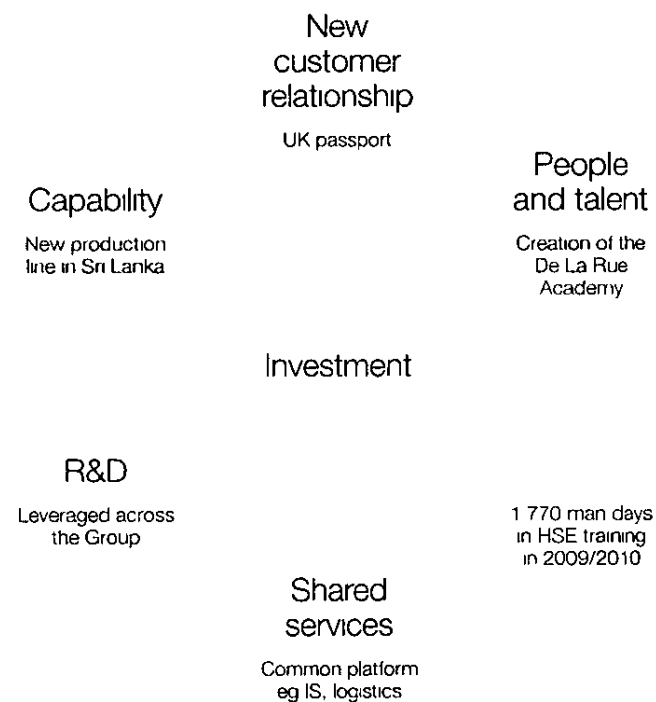
Joint R&D projects

Calypso
Experimental banknote project

Banknote Security
Joint development

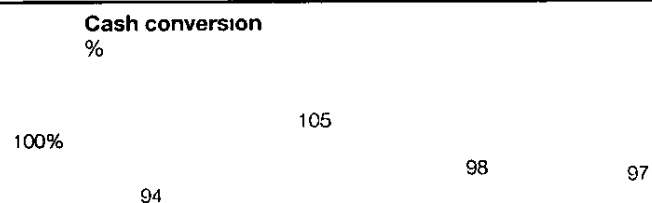
CONTINUOUS INVESTMENT

Developing our capabilities



CASH GENERATION

Low risk business model



For Group excluding CPS for consistency of comparators

Cash conversion equals operating cash flow excluding exceptional items, special pension contributions and the movement in advance payments, less capital expenditure, divided by operating profit

0% 2007 2008 2009 2010

A WINNING BUSINESS

De La Rue is a winning business, delivering sustained growth in revenue and profit, increased productivity and ongoing shareholder value

SUSTAINED GROWTH

Revenue £m	Operating profit before exceptional items £m
561.1	109.2
502.4	96.5
467.0	
401.8	79.2
358.5	61.3
	46.9
2006	2006
2007	2007
2008	2008
2009	2009
2010	2010

INCREASED PRODUCTIVITY

A continuous improvement culture

Paper
manufacture

Increased productivity
per employee 2005 to 2010

+29%

Print
operations

Increased productivity
per employee 2005 to 2010

+20%

SHAREHOLDER VALUE

Delivering value for our shareholders five year record

Cash returned
£810m

Ordinary
dividends

£166m

Cash Systems
cash return

£460m

Special
dividends

£143m

£41m

Share
buy backs

2006 to 2010

CHAIRMAN'S STATEMENT

Nicholas Brookes
Non-executive Chairman

These results demonstrate De La Rue's resilience in the uncertain economic environment. We will continue to focus on our core strengths whilst driving long term growth, profitability and cash generation.

Dividends per share					
Pence					
■ Final				42 30	28 20
■ Interim				21 40	14 10
Includes proposed 2010 final dividend					
				21 40	
	17 00	19 10	14 87		
	11 80	13 27			
				13 70	14 10
	5 20	5 83	6 53		
	2006	2007	2008	2009	2010

Headlines

- Group operating profit margin* remains strong at 19.5 per cent, underpinned by productivity, mix and foreign exchange benefits
- Strong operating cash flow of £116m
- Final dividend increase to 28 2p, making a total of 42 3p for the year, an increase of 3 per cent
- Secured £400m UK passport contract for delivery over 10 years
- Sale of Camelot investment, subject to National Lottery Commission approval
- Share buy back announced

*Operating profit is reported for continuing operations and before exceptional items of £75m in 2009/2010

Group results

The Group had an excellent year, with Currency delivering an outstanding performance due to strong demand and a high quality mix of work. These results underline the Board's rationale for creating a more focused Group and demonstrate De La Rue's resilience in the uncertain economic environment. We will continue to focus on our core strengths whilst driving long term growth, profitability and cash generation.

Dividend

Final dividend

The Board is recommending a final dividend of 28 2p per share (2008/2009 27 4p per share), subject to shareholders' approval. This will be paid on 5 August 2010 to shareholders on the register on 9 July 2010. Together with the interim dividend paid in January 2010, this will give a total dividend for the year of 42 3p (2008/2009 41 1p per share).

Overall, this equates to an uplift of 3 per cent in the level of ordinary dividend and reflects the previously announced policy.

Changes to the Board

As previously announced, the year has seen a number of changes to the Board.

Simon Webb will step down from the Board as Group Finance Director on 31 May 2010. Philip Nolan and Keith Hodgkinson stepped down as non-executive Directors in July 2009 and December 2009 respectively. The Board wishes to thank all three Directors for their contribution to De La Rue.

The Board is pleased to welcome three new Directors. Colin Child will join the Board on 1 June 2010 as Group Finance Director, bringing a wealth of financial and management experience with large international companies.

Sir Julian Horn-Smith joined as non-executive Director on 1 September 2009 with an impressive track record at senior level in major global companies including Vodafone. Victoria Jarman joined as non-executive Director on 22 April 2010. She has worked closely with the boards of major FTSE companies and businesses advising them on a variety of strategic options.

Outlook

As indicated in March, the Board believes that 2010/2011 banknote volumes should remain at similar levels to 2009/2010 but with a greater than normal weighting towards the second half. Pension charges will be £3m higher than the prior year.

The strong margin mix in Currency will not be repeated in the current financial year. It is expected that this will be offset by productivity gains, by cost reduction, especially in Cash Processing Solutions, and by improved trading in other parts of the business.

Earnings per share					76.2
Pence					
Basic earnings per share					
Headline earnings per share					57.0
before exceptional items					71.0
					43.4
					50.9
					33.1
					41.7
					23.6
					33.1
					22.6
2006	2007	2008	2009	2010	

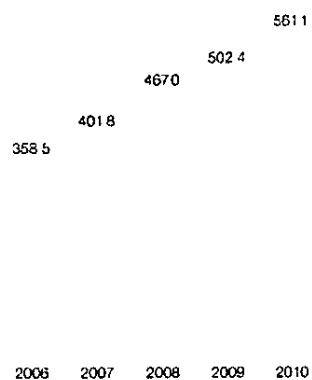
Total shareholder return					287.9	276.1
£						
De La Rue plc					240.6	
FTSE 250 excluding investment trusts index					190.9	
This graph shows the value at 27 March 2010 of £100 invested in De La Rue plc on 26 March 2005 compared with the value of £100 invested in the FTSE 250 excluding investment trusts index, assuming in both cases the reinvestment of dividends. The other points plotted are the values at intervening financial year ends.					146.5	174.1
					142.5	149.7
						98.8
						166.6
Source: Thomson Financial					2008	2007
					2008	2009
					2010	

CHIEF EXECUTIVE'S REVIEW

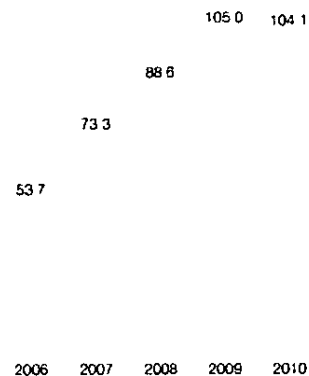
James Hussey
Chief Executive

The strategy remains simple – delivering certainty for our customers with secure and innovative solutions

Revenue
£m



**Profit before tax and
exceptional items**
£m



Overview

It is clear that the strategy of refocusing the Group on its core strengths has delivered a strong financial performance with growth in both revenues and margins as well as a reduction in debt despite strong capital investment in the business. Overall our operations have proved remarkably resilient to the prevailing economic conditions as we continue to focus on meeting the needs of a shared set of customers in the high value areas of currency, security printing, authentication and identity.

Over the past twelve months De La Rue has secured key contracts and profitable growth in challenging economic conditions. It continues to implement a strongly integrated strategy, leveraging its customer relationships and investments in technology and assets to drive continuous improvement in performance and sustainable long term growth. Increased productivity remains a key focus for managing short term market variability.

Group results

De La Rue reports an excellent performance for the year ended 27 March 2010. Revenues grew by 12 per cent to £561.1m (2008/2009 £502.4m) and operating profit before exceptional items rose by 13 per cent to £109.2m (2008/2009 £96.5m). Operating profit margins (before exceptional items) were 19.5 per cent (2008/2009 19.2 per cent), reflecting benefits from productivity improvements, customer mix and foreign exchange. Overall for the Group, movement in the value of sterling against the euro and US dollar contributed £27m to revenue and £7m to operating profit (2008/2009 £25m and £6m respectively).

Profit before tax and exceptional items decreased by 1 per cent to £104.1m (2008/2009 £105.0m) due to the increased interest charges arising from the return of capital in 2008 and lower income from associates. Headline earnings per share increased by 34 per cent to 76.2p (2008/2009 57.0p) mainly reflecting the benefits of the previous share consolidation. Basic earnings per share from continuing operations were 71.0p compared with 50.9p in 2008/2009, representing an increase of 39 per cent.

Operating cash flow was £116.1m (2008/2009 £69.4m). Management of working capital remains a strength of the Group as demonstrated by the improved working capital ratios. Advance payments of £44.0m (2008/2009 £39.6m) benefited from some large receipts immediately prior to the year end. The Group ended the year with net debt of £11.0m (2008/2009 £33.1m).

Associates

Profit from associates after tax was £6.3m (2008/2009 £8.9m) representing the contribution from Camelot, the UK lottery operator. This reduction was anticipated following the grant of the third lottery licence with effect from 1 February 2009.

As previously announced, De La Rue is to dispose of its shareholding in Camelot for approximately £77.8m to the Ontario Teachers' Pension Plan, subject to the approval of the National Lottery Commission. The proceeds, which are expected to be tax-free, will be used to reduce the pension fund deficit by £35m as well as returning surplus cash to shareholders via a share buy back.

The investment in Camelot is shown as an asset held for sale in the balance sheet as at 27 March 2010. As a result there will be no further income from this associate shown in the 2010/2011 income statement.

Group strategy

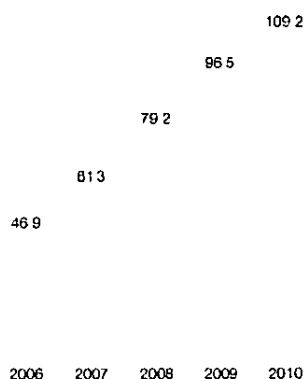
The strategy remains simple: delivering certainty for our customers with secure and innovative solutions. This strategy relates to our three stakeholder communities as outlined below.

Customers De La Rue's products and services are needed in a world threatened by sophisticated counterfeiting and global terrorism. The strategy for an integrated De La Rue flows from our core strengths of reputation, customer relationships and innovation. Leveraging these across the individual businesses, while continuing both to drive productivity and to invest in capability, enables the Group to maximise the opportunities presented by our markets.

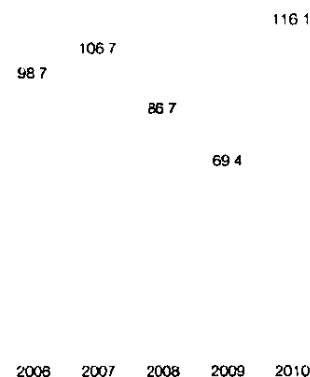
Employees achieving and maintaining our market leadership position requires that all De La Rue operations work together to enhance our offering to customers by harnessing our shared culture and capabilities. In order to focus our efforts, shared work streams have been set up across the business units under the banner of 'One De La Rue' in the following six areas:

- Our Customers: shared customer contacts and relationships resulting in additional sales
- Our People: training and performance management including establishment of the De La Rue Academy
- Our Innovation: key research and development activities remain core to our strategy

Operating profit before exceptional items £m



Operating cash flow £m



CHIEF EXECUTIVE'S REVIEW

continued

- Our Performance – manufacturing best practice rolling out across the Group
- Our Communications – clear, consistent messages to both internal and external audiences
- Our Contribution – employee suggestions to improve productivity continue to produce spectacular results

More information on some of these initiatives can be found in the Corporate Responsibility section of this report (pages 31 to 35)

Shareholders – for our investors, I have previously outlined our six steps to value

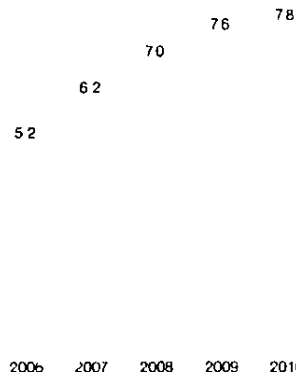
- Focus on currency, security, identity and authentication systems
- Drive for cost management
- Maintain strong cash conversion
- Continue to invest in capability and innovation
- Actively manage the balance sheet
- Return surplus cash to shareholders

We are committed to continuing this strategy for our shareholders. Please see pages 4 to 9 of this report for illustrations of how our business remains focused, sustainable and winning

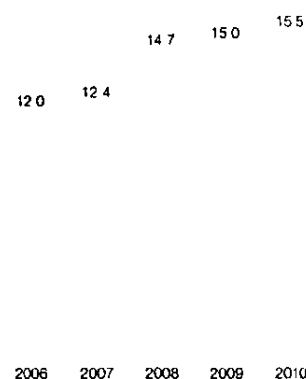
People

Our people remain core to our success and I would like to take this opportunity to thank all our employees for the dedication and hard work which have resulted in such a good set of figures this year. Our evolution into an integrated Group around the 'One De La Rue' philosophy is bearing fruit as we share resources, expertise and technologies. Employee satisfaction levels have improved as witnessed by the staff survey 'Your Say' undertaken during the year. This produced some very encouraging results with 79 per cent of respondents agreeing that they would prefer to work at De La Rue rather than another company. The survey results indicate that we have successfully communicated the Group's values of honesty, dedication and teamwork as well as our business objectives (see the Corporate Responsibility section for more information page 33). We have loyal and long serving employees in whom the Board takes great pride.

Banknote print volumes
Billion



Banknote paper output volume
'000 tonnes



How our businesses have performed in 2009/2010

Currency

Currency produced an outstanding performance in 2009/2010 due to a combination of strong demand for its products and a high quality mix. Its manufacturing units operated at very high levels of capacity utilisation throughout the year. Further investment has been made during the year to enhance the capability of the print factory in Sri Lanka.

Banknote volumes increased by 2 per cent year on year. The operating profit margins continued to benefit from volume increases, high specification work and productivity improvements, assisted by the further weakness of sterling exchange rates against the euro and the US dollar.

Banknote paper production again reflected strong capacity utilisation as output rose by 4 per cent driven by ongoing increases in productivity from capital investment in earlier years and a systematic approach to process improvement.

The Currency order book continues to provide good visibility for 2010/2011 and supports the expectation of consistent year on year volumes.

We illustrate here four performance measures for Currency.

Banknote print volumes and paper output volumes – these two measures have shown consistent year on year growth which clearly demonstrates the ongoing demand for both paper and printed banknotes as well as our ability to capitalise on the market opportunities.

Overspill – this is the print work that is usually produced by state printing works but which, for whatever reason, has come into the private sector. Our capacity utilisation will vary depending on how much overspill is available, the timing and our requirement for this kind of work. In 2009/2010 the level of overspill was around 23 per cent (2008/2009 – 11 per cent) as we chose to take more of this sort of work.

Currency order book – this indicates a rolling two-year average number of weeks' work we have outstanding in our Currency order book. This has dropped slightly from last year's level of 46 to 42 weeks as a result of the reversion to more consistent order levels and reflects the lumpy nature of the order receipt.

Cash Processing Solutions

CPS continued to experience difficult trading as purchases of sorters were deferred, nevertheless the business was cash generative for the year (before exceptional items). Management has made good progress in its actions to focus the business more effectively on its key customer segments, especially central banks, and to rationalise the product and manufacturing base in order to lower the breakeven point. This restructuring is on track and has resulted in exceptional costs of £4.8m, as announced last September, with a payback expected within two years.

Security Products

The Security Products business delivered a strong performance, achieving increases in government revenues, brand licensing and high margin internal components sales against a backdrop of a difficult economic environment in its markets.

Operating profit growth was driven by continued productivity improvements, cost control and foreign exchange movements.

The business is well positioned in the niche markets in which it operates, providing proven, effective and robust solutions to meet a variety of customer needs. In addition it continues to benefit from increased collaboration with other Group entities via internal component sales and sharing of Group technology.

Identity Systems

IDS' results reflect its continued development of offerings in eID and ePassports as well as ongoing sales of non-chipped solutions. The new ePassport factory in Malta reached full operational status in the year positioning the business well for further expansion into eSystems as well as existing machine readable documents.

The award of the UK passport contract in June 2009 clearly demonstrates IDS' ability to leverage De La Rue's customer understanding, reputation and technology offerings in high growth identity markets.

Preparation for the implementation of the UK passport contract is on schedule for sales to commence in the second half of 2010/2011. At the present time, the precise volume requirement for passport deliveries in 2010/2011 is subject to final confirmation by the customer.

For more information on each business unit, see the Operational Review pages 16 to 23.

Conclusion and looking forward

Overall the business has performed strongly during the year. This robust performance demonstrates the quality of our core offerings in currency, security printing, authentication and identity and of our positions in those markets.

Looking to the future, our Currency business will continue to see long term growth (albeit offset by short term fluctuations depending on the immediate mix of customers in the order book) as demand continues to be driven by central bank policy which remains largely unrelated to economic conditions. The rationalisation actions that we have taken in CPS to address the market conditions will continue to come through in 2010/2011. I am confident that Security Products will continue to perform well. In IDS, clearly the focus will remain on meeting our obligations for the UK passport contract whilst continuing to service other customers around the world.

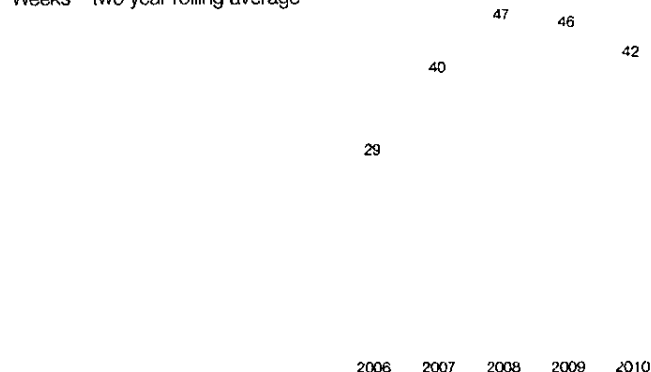
Productivity and cost control remain key for senior management and in the longer term we continue to invest in the technologies and capabilities to enhance the Group's ability to deliver sustainable growth in value for all its stakeholders.

Overspill proportion of total banknotes



Currency order book

Weeks – two year rolling average



OPERATIONAL REVIEW

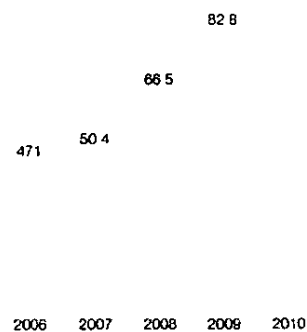
CURRENCY

De La Rue Currency provides market leading banknote paper, printed banknotes and an unparalleled portfolio of banknote security features. Working in partnership with its customers to provide effective currency solutions, the business can also advise on critical issues of currency strategy such as design, demand forecasting, denominational structure and protection against counterfeiting.

Revenue £m



Operating profit before exceptional items £m



Strategy

Currency's strategic objective is to develop further its global market leading position as a commercial provider of banknotes, banknote paper, security features and associated services. There are three key elements behind the strategy:

- **Close customer relationships** – by developing and maintaining the closest possible partnerships with its customers, the business understands their requirements and can tailor the products and services that it provides to meet their particular needs. This understanding of customer needs also drives the innovation process.
- **An efficient and high quality manufacturing base** – as the largest commercial manufacturer of banknotes and banknote paper in the world, Currency has natural economies of scale, which are enhanced by comprehensive programmes of continuous improvement to reduce costs while increasing quality.
- **Innovation** – in both its products and its processes, the delivery of novel security features helps combat the threat of counterfeiting, while the efficiency of the cash circulation cycle is key to Currency's market leadership.

Drivers of performance in 2009/2010

During the year, Currency delivered growth in sales of 18 per cent and in operating profit of 15 per cent. Please see page 15 of the Chief Executive's Review for commentary on the specific performance.

This was an outstanding year for the Currency business with high capacity utilisation across all of its manufacturing units. There was a good quality mix of work and the strong margins achieved were due to some high specification work and productivity improvements as well as foreign exchange.

The business did not see any reduction in demand despite the uncertain global economic environment. The main driver of banknote demand is central bank policy and this remains unchanged from previous years and is forecast to continue in the future (see following section).

Drivers and market trends for the future

In terms of the issuance of new notes into circulation, demand is driven by central bank policy decisions, of which those that affect note lives are the most significant. The policy factors – which include launches of new designs, changes in cash recycling policy and developments in cash handling automation – are the most important and consequently the global economic situation has not had a significant impact on the Currency business.

As cash handling becomes increasingly mechanised and counterfeiting ever more sophisticated, so the requirement for central banks to ensure an adequate supply of secure, high quality banknotes underpins long term demand for Currency's products and services.

Cash remains the world's predominant payment system, as measured by the number of transactions undertaken, as a result of the particular characteristics that it has in comparison with other payment systems. These characteristics include its universal acceptability and the speed and lack of any requirement for complex infrastructure at the point of transaction. Although interest in new, alternative payment systems continues, there is little evidence currently that such systems will fundamentally change the dynamics between cash and non-cash payment methods.

Risks

The Currency business operates within a defined market and the business is exposed to the short term ordering cycles of central banks. Significant year on year changes in volume or customer mix could affect profitability. The loss of key customers, either in banknotes or banknote paper, could have a major effect on the Group's results and prospects which the business mitigates by achieving diversity in its customer base.

Although the overall level of banknote counterfeiting around the world remains low, analysis of counterfeit notes indicates that criminals are attempting increasingly to simulate some of the security features introduced over the last ten to fifteen years. Currency undertakes extensive analysis of counterfeits to assess this trend and has a continuing programme of innovation, in many cases involving novel materials and processes, to develop new features to remain ahead of the counterfeiter.

In 2009 the Clydesdale Bank launched a new family of banknotes, its first for over two decades. De La Rue was proud to work with the bank, Scotland's largest issuer of currency, over two years to produce this superb series. The notes display Scotland's five Unesco World Heritage Sites alongside celebrated national figures such as the poet Robert Burns and the doctor and suffragette Elsie Inglis. The designs were the first to include De La Rue's innovative Depth™ Image hologram. In May 2010 the series was awarded the prestigious Best New Banknote award by the International Association for Currency Affairs.

continued

De La Rue Cash Processing Solutions (CPS) is integral to the De La Rue Currency offering with shared central bank customers. The business provides bulk cash handling organisations with a range of sophisticated high speed cash sorting and authentication systems as well as software solutions, consultancy, service and support to enhance the productivity, performance and security of cash processing operations.

Year	Percentage
2006	40.1
2007	47.3
2008	58.4
2009	66.0
2010	56.9

Year	Change in thousands
2006	-4.1
2007	0.0
2008	0.4
2009	-0.4
2010	-3.5

Strategy

CPS' strategic objective is to deliver stable and sustainable business growth by leveraging De La Rue's strength in developing customer relationships, bringing innovative solutions to our customers and by delivering excellence in execution

This will be delivered by

- Leveraging De La Rue's market position and strategic customer relationships and focusing on our key market segments of central banks, commercial banks and cash-in-transit companies
- Continued investment in research and development programmes that deliver innovative solutions to our customers and benefit their cash processing operations
- Designing customer-focused excellence into our processes to ensure that we meet and exceed customer expectations

CPS is proud of its long term relationship with central banks, commercial banks and other bulk cash handlers. We seek to build sustainable partnerships with our customers and deliver innovative solutions that can take advantage of future market opportunities

Drivers of performance in 2009/2010

During the year, CPS saw a fall in sales of 14 per cent and a reduction in operating profit of £3.9m. Please see page 15 of the Chief Executive's Review for commentary on the specific performance

Trading conditions remained difficult during the year and reductions in customer discretionary spend resulted in order deferrals. However, we are pleased that our service revenues have held up in the year, testimony to our continued customer focus

Management has made good progress in its actions to refocus the business on its key customer segments as well as to rationalise the product and manufacturing base. Overall the CPS business has been able to deliver a positive operating cash flow before exceptionals for the year

Notwithstanding the difficult market conditions, CPS has achieved a major milestone in installing the new DLR 7000 high speed note sorter into all key market segments of central banks, commercial banks and cash-in-transit companies (see case study below). Innovation continues to be core to the strategy – for example this year has seen the successful introduction of the new Cobra shredder solution to a number of central bank customers worldwide

Drivers and market trends for the future

The growing use of automation in the cash cycle continues to drive change in the cash processing industry. The growth in the number of ATMs has made cash available 24 hours a day, driving ever higher volumes of banknotes, even in developed economies where credit cards might have been expected to reduce the demand for cash. Moreover, the economic downturn has driven increased cash usage as the public turn to cash as a means to control personal expenditure

Central banks have increased their focus on security and performance and a number have introduced performance standards for the authentication and fitness sorting of banknotes in the commercial sector. This has helped central banks to achieve their objectives of ensuring the integrity of banknotes and ensuring the efficient supply of cash, wherever and whenever it is needed. It has also led to increased demand for advanced banknote processing solutions from the commercial sector as they look to improve operational efficiency within these regulatory frameworks

The demands on the products and services we provide are increasing, as customers challenge us to deliver higher levels of security, performance and productivity. Central and commercial banks are seeing a requirement to deliver increasing levels of process control and visibility, allowing organisations to replicate global best practice in their operations. Solutions such as ECMTM Business Intelligence (CPS cash management software) are designed to deliver critical business data to decision makers in real time and have allowed users to realise significant operational savings. We anticipate that demand for such solutions will continue to grow as organisations demand greater process control and become more cost focused and data driven

The cash processing industry is a vital part of the economy and we anticipate that it will remain so whilst demand for banknotes continues to grow. The trend for some central banks to outsource the recycling of fit banknotes to the commercial sector will continue to drive the demand for advanced solutions, whilst the current economic challenges will continue to drive the search for productivity gains across the industry

Risks

Whilst the underlying business drivers remain strong, the CPS business is exposed to long ordering processes of central and commercial banks, frequently for customers in the developing world. Significant year on year changes in volume or customer mix could affect profitability, which the business mitigates by achieving a diversity of its customer base. One of the strengths of the CPS business is that a significant part of the business is annual service and maintenance of the installed base. These are very stable, long term contracts to maintain mission critical machine operation

CPS' total solution package typically represents a major investment by its customers. Therefore, the profitability of the CPS business in any given period can fluctuate significantly, depending upon the customer demand and the specific solutions delivered in that period

The DLR 7000 high speed banknote sorter is now processing banknotes on a daily basis for central banks, commercial banks and cash-in-transit companies worldwide, including leading Irish bank AIB and Paris-based CIT Temis. AIB Currency Services says 'the DLR 7000 has provided AIB with a modern, effective and efficient solution which enables us to run a world class operation serving our customers and servicing our branches and ATM network'. Temis, a local leader in its sector, automated its two cash centres using the DLR 7000. Gilles Goudron, Managing Director, said 'We are now running over 1 million notes per day and the system has already delivered significant savings to our operation'

OPERATIONAL REVIEW

continued

SECURITY PRODUCTS

De La Rue Security Products consists of specialist businesses whose solutions are critical to authenticating products, documents and revenues for governments, global corporations and financial institutions around the world. It produces authentication labels, brand licensing products, government documents, cheques and postage stamps as well as vital components for our Currency and IDS business units

Revenue
£m

	676	723	748	697	749
2006	2007	2008	2009	2010	

Operating profit
before exceptional items
£m

					148
			110		
		84			
	66				
12					
2006	2007	2008	2009	2010	

Strategy

Security Products' strategy is to build market share in three segments with long term growth prospects: government revenues, brand authentication and components supplied to internal customers.

The businesses that make up Security Products are amongst the leaders in their respective markets and are renowned for delivering innovative solutions. This is a result of investment in new technology, leveraging the Group's intellectual property and research and development activities.

Security Products' solutions are critical to authenticating revenue streams, documents, products and people, and are continually upgraded to maintain effectiveness. Increasingly the business delivers a complete solution, including secure tokens, data management, supply chain services and on-line authentication capability.

Productivity gains continue to be delivered through continuous process improvement, sharing fixed costs and rigorous cost control, helping to maintain the trend in increasing profit and better margins.

Drivers of performance in 2009/2010

During the year, Security Products delivered growth in sales of 7 per cent and growth in operating profit of 35 per cent. See page 15 of the Chief Executive's Review for commentary on the specific performance.

Performance was in line with expectations, showing an improvement over 2008/2009 in terms of orders, sales and operating profit, reflecting growth in each of the target segments. This focused approach combined with high contract renewal rates and increased efficiency gives Security Products a stable platform for growth.

This year Security Products secured new multi-year contracts in all of its target sectors: government revenue contracts in Africa and the Middle East, brand authentication business with organisations in UK, Europe, Asia and North America and internal component orders from both Currency and IDS, including the first use of the Depth™ Image holographic feature on a family of banknotes by Clydesdale Bank (see customer case study on page 17).

Security Products has shown considerable resilience to weak economic conditions. Orders from commercial customers were relatively slow in the first half, continuing the trend from the end of 2008/2009, but there is now some evidence that growth is returning.

The challenge for Security Products is to deliver continually value to our customers by combining the latest security with world class, cost effective service to create superior solutions.

Drivers and market trends for the future

Security Products is focused on three distinct markets, each with attractive characteristics:

- **Government revenues** Security Products is already one of the leading suppliers of tax stamps on tobacco and alcohol products. This market has long term growth prospects with over 100 countries without schemes in place. As governments seek to raise and protect revenues, we expect new schemes to be introduced and existing schemes upgraded.
- **Brand authentication** Security Products' combination of world class design, manufacturing excellence and unbeatable security has led to long term relationships with many of the world's leading brands to protect their revenue streams and global reputation. Security Products works with brand owners such as FIFA, football's governing body, who successfully license their brand and benefit from technology that reveals counterfeit, royalty under-reporting and grey market diversion issues (see case study on FIFA below). We expect brand owners to continue to place increasing emphasis on protecting their revenue streams and brand integrity as the global economy recovers.
- **Internal components** Security Products is a key supplier of security features and components to the Currency and IDS business units of De La Rue. Security Products will benefit from the long term growth in each of these businesses.

Security Products has achieved notable productivity gains in the last few years. There is potential for further improvement and we are putting additional investment into realising these benefits, including a significant training initiative 'Leading Performance'.

Risks

Security Products' customers are principally governments, major commercial organisations and financial institutions constantly threatened by counterfeiting and illicit trade issues. Solutions need to be continually upgraded to meet these threats.

Sales cycles can be lengthy, but once contracts are secured the business benefits from significant stability and good forward visibility. Managing the customer relationship over time becomes critical.

Government spending continues to be under scrutiny and the implementation of tax stamp schemes must demonstrate the ability to increase revenue collections. Without this evidence schemes may be delayed.

Our commercial customers are more vulnerable to weak economic conditions but there is some evidence that growth is returning.

Digital authentication remains the long term objective for many progressive customers and Security Products has developed solutions that provide functionality today and a roadmap towards future upgrades.

Having successfully delivered a high quality, reliable service to more than 170 licensed customers at over 400 manufacturing sites for the 2006 FIFA World Cup™, De La Rue Holographics was delighted to be asked to replicate the model for the 2010 FIFA World Cup™. Our holograms, designed specifically for the 2010 event with enhanced security features, are being used on all official 2010 FIFA World Cup™ branded licensed merchandise, enhancing FIFA's iconic brand, protecting its revenues and making it easier and faster for football fans to identify genuine FIFA licensed products.

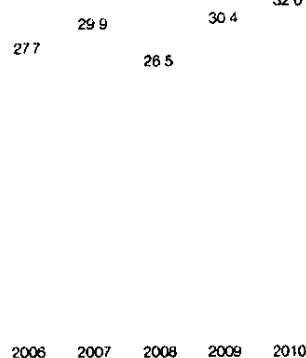
OPERATIONAL REVIEW

continued

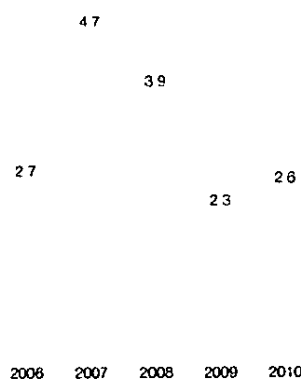
IDENTITY SYSTEMS

De La Rue Identity Systems (IDS) is a world expert in the delivery and management of secure government identity programmes, systems and solutions. A reliable and trusted partner of governments worldwide, IDS has implemented over 100 projects in 65 countries focusing on the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes

Revenue
£m



Operating profit
before exceptional items
£m



Strategy

IDS' goal is to deliver growth by developing its customer base in existing regions and continue to extend its capabilities and offerings in response to the evolving needs of the identity market

The business delivers this goal in three ways

- Continued development of sales channels – deepening its relationships with existing customers while leveraging Group networks and external partnerships to find new opportunities
- Innovation and breadth of proposition – targeting research investment and using existing Group technologies to develop new and differentiated security features for identity documents, alongside the ongoing development of software systems and electronic identity (eID) solutions
- Delivery of customer-focused operational excellence – driving cost advantages and superior customer satisfaction through continuous improvement in quality and manufacturing efficiency

Drivers of performance in 2009/2010

During the year, IDS delivered growth in sales of 5 per cent and growth in operating profit of 13 per cent. Please see page 15 of the Chief Executive's Review for commentary on the specific performance

The identity market is continuing to grow. Despite evidence that the global economic crisis has in some cases slowed down the roll-out and development of identity programmes, underlying trends and drivers remain consistent as the pressures to improve cross-border security and demands for public sector identity programmes continue. Further driving performance, the business continues to manage its supply chain effectively, both controlling costs and mitigating the risks. As a manufacturer this has meant a focus on continuous improvement in quality and efficiency and as a reseller and integrator of issuance solutions, robust procurement strategies and delivery methodology

In the current year IDS was successful in winning the contract to design, manufacture and supply the UK passport. This is a 10-year contract valued at around £400m. The implementation programme has now commenced and is set to deliver substantial growth in the coming year. Other successes during the year include the award for East Africa's first eID solution in Rwanda (see case study below), delivery of a national ID card and system in Guyana and an update to the existing Bahrain passport including the first ever instance of Cornerstone™ in a travel document (Cornerstone™ is a paper feature originally developed for banknotes that ensures greater durability). In addition to further developing its eID capability during 2009/2010, IDS also delivered EAC (Enhanced Access Control) capability allowing it to provide the latest secure ePassport solutions comprising enhanced security protocols for the safe storage and accessing of fingerprint data on the chip

IDS' new purpose built ePassport factory in Malta, which opened last year, has now reached full operational status. Investment in this plant will continue in order to ensure the latest technological advancements are installed

Drivers and market trends for the future

Technology will continue to drive growth. More countries will move to higher value eSystems, with an increase in associated needs for more sophisticated data security management

IDS will continue to see its markets transition to ePassports and eID from non-chipped solutions at a steady pace. This provides a natural opportunity for growth as new eID solutions increase the scope of a country's requirements, adding the need for more complex secure data capture and data management. With a large customer base yet to move to eSystems, IDS is well-positioned to grow organically. At the same time this transition provides challenges as it is a natural re-tender point. IDS is focused on ensuring it is well positioned where it is incumbent and able to satisfy these changing customer needs

The new contract for the UK passport marks a significant opportunity. Operational efficiencies and enhancements will flow from increased scale, while in parallel the business continues to deliver significant new services alongside its existing operations

Risks

Due to the expanding nature of the service proposition around ePassports and eID systems, IDS is seeing continued competition from players who do not come from a security print heritage. It is also seeing increasingly sophisticated sales processes often involving partnership and contact with a wider range of stakeholders. Typically contract values may increase but also the sales process grows in length and complexity

As an integrator of services from other companies, IDS must ensure it manages risks in its supply chain. Finding the right partners and putting in place strategies to ensure it manages the risk of supplier failure are key to success

IDS is a contract-based business focusing on government customers. As such its revenues can be lumpy in nature. Government contracts can be prone to cancellation or delay at short notice and the business aims to ensure it has a sufficiently strong pipeline and range of ongoing contracts to ensure it maintains steady growth

Reaffirming its strong ties with the Government of Rwanda, IDS has been awarded the contract to design and implement East Africa's first national eID project. De La Rue has been working in Rwanda for over ten years and already delivers its passport, current ID card, driving licence and supporting systems. The new smart eID card device is at the leading edge of technology and innovation and will deliver a document that offers multi-application functionality, allowing citizens easier access to services while also providing improved levels of security

RISK AND RISK MANAGEMENT

De La Rue's reputation is based on security, integrity and trust. This section summarises the types of risks which are either specific to De La Rue or which could have a material adverse effect on the Group, together with the controls which have been put in place to manage those risks. The risks outlined in this section represent the principal major uncertainties and trends which may have an impact on De La Rue's ability to implement effectively its future strategy. It is not an exhaustive list as some risks may be as yet unknown and other risks, currently regarded as immaterial, could turn out to be material.

RISK MANAGEMENT AND GOVERNANCE STRUCTURE

Risk owners and managers

- Responsible for operational management and oversight of risk within individual businesses or functional areas
- Allocation of appropriate levels of resource for individual risk controls

Risk Committee

- Approves risk management framework
- Reviews business and Group risk registers
- Composition includes Chief Executive, Group Finance Director, Company Secretary, business unit managing directors and Group Director of Business Continuity
- Considers actions to improve management of risk
- Considers new or emerging risks

Audit Committee

- Considers adequacy of internal controls and risk management framework
- Receives and reviews reports on risk management from Risk Committee
- Receives and reviews reports from internal and external audit on status of internal controls

Board

- Responsible for governance structure
- Approves high level risk appetite
- Receives reports from Audit and Risk Committees on risk and internal controls

The Combined Code on Corporate Governance requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets and at least annually to conduct a review of the effectiveness of the Group's system of internal controls. During the year, the Board carried out its annual review which covered all material controls, including financial, operational and compliance controls and risk management systems. Additionally, the Board received information about the Group's operations throughout the year enabling it regularly to evaluate the nature and extent of the risks to which the Group is exposed. The Board is therefore able to confirm that an effective system of internal control has been in place throughout 2009/2010.

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. It relies on the Audit and Risk Committees to assist in this process. Over the course of the last year, a comprehensive review of risk management and reporting structures has been undertaken and changes to the risk assessment procedures have been introduced to improve the management of risks at the business unit and functional levels and to strengthen the role of the Risk Committee. Details of the Audit and Risk Committees are set out in the Corporate Governance Statement on pages 45 and 46.

Management is responsible for implementing the controls which 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 control. The controls by their nature are designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. The processes used by the Board and, on its behalf, by the Audit and Risk Committees have been in place throughout the year, and include reviewing:

- Monthly finance, operational and development reports
- Internal and external audit plans
- Significant issues identified by internal and external audits
- Significant Group risks and risk mitigation actions reported by the Risk Committee including updates to the Group's risk register
- Annual compliance statements in the form of self-audit questionnaires
- Reports on other matters such as security, health, safety and environmental issues and fire risks

Internal financial control

The financial control framework includes the following key features:

- An annual strategic planning process
- An annual budget
- A system of monthly reporting by each business unit which involves comparison of actual results with the original budget and the updating of a full year forecast
- Monthly reporting of performance to the Board
- Audited annual Financial Statements
- Interim Financial Statements reviewed by the auditors

The main controls which address the financial implications of the major business risks are centred on strict approval procedures. These are reviewed annually, approved by the Board and apply to all subsidiaries. They 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 on the Group

Capital management

The Board's policy is to maintain a strong capital base and modest levels of net debt in order to maintain investor, creditor and market confidence and to sustain future development of the business. Further details on capital management can be found in note 15 to the accounts on page 75.

Treasury, foreign exchange and borrowing facilities

The Group Treasury department 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 and do not seek to take active risk positions. It is Group Treasury's role to ensure that the Group has sufficient available borrowing facilities to meet its needs in the foreseeable future.

Details of specific operational risks can be found in the Operational Review on pages 16 to 23. Details of financial risk management can be found in note 15 to the accounts on page 74.

RISK AND RISK MANAGEMENT

continued

Each business unit and every Group function has developed and maintains a risk register, capturing significant risks to which the relevant business unit is exposed or which have been identified as a risk to the Group by the relevant function. These risks are reviewed by the Risk Committee, which identifies those risks which could have a material adverse impact in the context of the Group as a whole, and which are then reported to the Board. The principal risks identified by the Risk Committee and reported to the Board in 2009/2010 are set out below but do not appear in any particular order of potential materiality or probability of occurrence.

Risk	Mitigation
Loss of key site There are a number of key manufacturing sites across the business. The total loss of any one of these key sites could have a major financial impact, particularly where the site forms a source of supply for the business.	The Group aims to achieve the highest standards of health, safety and environmental management. Risk engineering to minimise risks, particularly from fire hazards and the use of flammable solvents, is a key focus to ensure that site risks are clearly prioritised and resourced and actions taken, wherever possible, to terminate or minimise these risks. The development, updating and testing of business continuity plans is also an essential component in maintaining assurance for the continuity of supply.
Contract issues Customer contracts contain a range of obligations and conditions. If liabilities were to be triggered, significant penalties could be incurred. Quality failures could also trigger liability claims that may require re-manufacturing.	Commercial and contract risks are managed through a variety of means. Contracts are reviewed by the internal legal team and material exposures, together with identified means of mitigating them, are submitted to the Board (sometimes through its General Business Committee) for approval. Supplier performance is also kept under regular review with rigorous testing and quality control applied to products.
Product security There is the potential for reputational damage in the event of the loss of materials from a manufacturing site as a result of negligence or theft. Loss of product whilst in transit, particularly during transshipment, through the failure of freight companies or through the loss of an aircraft or vessel as a result of an accident or natural disaster is also possible.	Security is a key focus across De La Rue. Robust physical and audit security procedures at production sites reduce the risk of an inadvertent loss or theft during manufacturing. Movements of security materials between De La Rue sites and for onward delivery to customers are conducted applying stringent operational procedures using carefully selected carriers and suitably screened personnel. All movements are risk managed and monitored globally on a 24/7 basis. Procedures are kept under continuous review and any incident or non-compliance is fully investigated.
Pension funding The Group operates a defined benefit pension scheme in the UK. Presently there is a deficit between the projected liability on the scheme and the assets held by the scheme. The size of the deficit may be materially impacted by a number of factors including inflation, investment returns, changes in interest rates and life expectancy. An increase in the deficit may require the Group to increase the cash contributions to the scheme which would reduce the Group's available cash for other purposes.	The performance of the pension scheme is reviewed regularly by Group management in conjunction with the scheme's Trustee. External actuarial and investment advice is taken on a regular basis to ensure that the scheme is managed in the best interests of both the Group and the scheme's members. Following consultation with the members, Trustee and advisers, agreement has been reached to close the defined benefit plan to all members with effect from April 2013, with a replacement defined contribution scheme being brought into operation.
Environmental breach Our main banknote paper manufacturing site is at Overton mill which is located in an environmentally sensitive area. Any significant breach of operations, such as unauthorised discharges, could result in immediate suspension of operations at the site.	Environmental awareness is afforded high priority at all De La Rue manufacturing sites and particularly at Overton. To ensure continued compliance with regulations, constant monitoring of all key operating parameters is in place with regular testing of discharge water against performance criteria agreed by the Environment Agency. Controls and specialist personnel are in place on a continuous basis throughout the year with regular training and awareness programmes in place for all employees.

Risk	Mitigation
Foreign exchange The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euro. Any material exposure to foreign exchange risk could have a major effect on the Group's profits.	The Group aims to hedge between 60 and 100 per cent of foreign exchange exposure risk arising from future commercial transactions and recognised assets and liabilities. An annual review of hedging policy is presented to the Board.
Health and safety failure All De La Rue's activities are subject to extensive internal Health, Safety and Environmental (HSE) procedures, processes and controls. Nevertheless, there is a risk that failure of process could in the worst case lead to a serious injury or fatality.	The Group has detailed corporate health and safety standards which are internally audited and supplemented by certification to the OHSAS18001 standard in all major facilities, requiring independent external audit verification. The Health, Safety and Environment Committee has Operating Board representatives from each business unit and reviews HSE performance regularly. Each facility has clear HSE action plans which are prioritised, monitored and subject to review by local senior management to ensure that health and safety standards are maintained. HSE performance is reported to the Board each month.
Breach of competition regulations Breach of competition regulations could result in significant financial penalties as well as reputational damage.	Regular training takes place for all sales and other personnel who may have contact with competitors, for example at industry forums or during formal tender processes.
Information security The confidentiality, integrity and availability of information systems could be affected by factors that include human error, ineffective design or operation of key controls or through malfunction or deliberate attack. Outages and interruptions could affect our ability to conduct day to day operations and any compromise of the confidentiality of information could impact our reputation with current and potential customers.	De La Rue keeps all aspects of its security arrangements under regular review. There are a number of controls in place to manage this risk including network segregation, access restrictions, system monitoring, security reviews and vulnerability assessments of infrastructure and applications. Business continuity plans are in place to help recover from significant outages or interruptions.
Non-compliance/illegal behaviour by third parties acting outside the law or De La Rue policies In some countries De La Rue relies on the services of third parties to represent its interests. There is a risk that third parties such as suppliers or agents could operate in a manner contrary to the Group's strict policies on ethical business conduct or the law, exposing us to potential financial and reputational damage.	During the year, the Group implemented the recommendations of Lord Woolf arising out of the investigation into allegations of corrupt payments by BAE Systems, insofar as they relate to the use of agents. A rigorous assessment of all processes involving third party appointments is conducted and audited independently of the sales team. In addition, a number of further control measures have been introduced such as dedicated training for sales personnel, senior managers and agents on the Code of Conduct, anti-bribery and corruption issues. Controls on the use of cash and advance payments are in place and external advisers are engaged to undertake due diligence on sensitive agents identified as a result of a full risk assessment. Greater visibility has also been given to the Whistleblowing policy to encourage employees to report any suspicious conduct.

FINANCIAL REVIEW

Simon Webb
Group Finance Director

In this section of the Business Review we analyse the strong performance and financial position of the Group at 27 March 2010

Key financials (Continuing Group – excluding the disposed business of Cash Systems but including CPS)

	2009/2010	2008/2009	Change
Revenue	£561.1m	£502.4m	11.7%
Profit before tax	£96.6m	£96.1m	0.5%
Profit before tax and exceptional items ⁽¹⁾	£104.1m	£105.0m	(0.9%)
Operating profit before exceptional items ⁽¹⁾	£109.2m	£96.5m	13.2%
Basic earnings per share	71.0p	50.9p	39.5%
Headline earnings per share ⁽²⁾	76.2p	57.0p	33.7%
Operating cash flow	£116.1m	£69.4m	67.3%
Net debt at end of year ⁽²⁾	£11.0m	£33.1m	66.8%
Dividends per share ⁽³⁾	42.3p	41.1p	2.9%

⁽¹⁾ before exceptional costs of £7.5m (2008/2009: £8.9m)

⁽²⁾ cash and cash equivalents of £41.6m (2008/2009: £58.5m) less current and non-current borrowings of £52.6m (2008/2009: £91.6m)

⁽³⁾ includes proposed final dividend

Financial results

Revenues grew by 12 per cent to £561.1m (2008/2009 £502.4m) and operating profit before exceptional items rose by 13 per cent to £109.2m (2008/2009 £96.5m). Operating profit margins (before exceptional items) were 19.5 per cent (2008/2009 19.2 per cent), reflecting productivity improvements, customer mix and foreign exchange. Overall for the Group, movement in the value of sterling against the euro and US dollar contributed £27m to revenue and £7m to operating profit (2008/2009 £26m and £6m respectively).

Profit before tax and exceptional items decreased by 1 per cent to £104.1m (2008/2009 £105.0m) due to the increased interest charges arising from the return of capital in 2008 and lower income from associates. Headline earnings per share increased by 34 per cent to 76.2p (2008/2009 57.0p) mainly reflecting the benefits of the previous share consolidation. Basic earnings per share from continuing operations were 71.0p compared with 50.9p in 2008/2009, representing an increase of 39 per cent.

Exceptional items

Exceptional charges of £7.5m in the period reflect the resolution of a legacy overseas indirect tax issue and the reorganisation of CPS, the latter expected to have a payback within two years. Reorganisation costs principally covered redundancy charges and rationalisation of products and site capabilities. These charges gave rise to a related tax credit of £1.0m. In addition £1.4m of tax credit arose when the tax treatment of some prior year exceptional items was determined.

During 2008/2009, De La Rue announced its intention to reduce central costs by approximately 50 per cent following the disposal of Cash Systems. This programme was completed ahead of schedule. Central reorganisation costs relating to this programme principally covered redundancy, separation costs and site rationalisation charges.

The Group completed the sale of its Cash Systems activities on 1 September 2008. Profit from discontinued operations (after tax) was £296.5m, which included £12.6m (after tax) from the trading of the discontinued activities for the five months to 1 September 2008.

Interest charge

The Group's net interest charge was £5.1m (2008/2009 income £1.4m), which reflects the debt taken on in connection with the return of capital in 2008. In addition the IAS 19 related finance item, arising from the difference between the interest on liabilities and the expected return on assets rose to £6.3m (2008/2009 £1.8m) as a result of lower expected returns on the reduced market valuation of pension assets at the 2008/2009 year end.

Taxation

The tax charge for the year was £26.2m (2008/2009 £28.5m). The effective tax rate pre exceptional items, was 27.5 per cent, broadly in line with the previous year's rate. The effective tax rate excluding associate income (shown post-tax) would have been 29 per cent. A credit of £2.4m arises on the exceptional charges noted above.

Cash flow and borrowings

Operating cash flow was £116.1m (2008/2009 £69.4m) with a strong cash conversion of 99 per cent (2008/2009 98 per cent). Management of working capital remains a strength of the Group as demonstrated by the improvement in stock days to 40 (2008/2009 58) and debtor days to 34 (2008/2009 39). Advance payments of £44.0m (2008/2009 £39.6m) benefited from some large receipts immediately prior to the year end.

Capital expenditure of £33.1m (2008/2009 £29.3m) was higher than depreciation, reflecting the investment programme directed at enhancing the future capability of the business, including the preparation for delivery of the UK passport contract.

The Group ended the year with net debt of £11.0m (2008/2009 £33.1m).

During the year, the Group negotiated a new borrowing facility running to September 2013. Key financial covenants on this facility are unchanged and require that the interest cover be greater than four times, and the net debt to EBITDA ratio be less than three times.

Pension deficit and funding

The Group's last formal (triennial) funding valuation of its UK defined benefit pension scheme took place on 5 April 2009 and identified the scheme had a deficit of £204m (5 April 2006 £56m deficit). The deficit increased despite special contributions of £51m over the three years prior to April 2009, primarily as a result of a fall in asset values following the financial crisis and continued improvements in life expectancy.

In April 2006, the Group agreed with the Trustee to make additional special contributions of £12m per annum until 2012 or until the deficit was cleared, if sooner. Following the completion of the latest triennial valuation and in addition to the one-off contribution resulting from the Camelot sale (£35m), agreement has been reached with the Trustee to increase the annual funding plan to £15m per annum (commencing in 2010/2011 and running for approximately 11 years) with a 4 per cent annual increment.

During 2009/2010, special funding payments of £17m were made to the Group pension fund, comprising the scheduled contribution of £12m and an early payment of part of the 2010/2011 contribution for reasons of tax efficiency.

Pension scheme changes

The final salary section was closed to new entrants from July 2004, with new employees joining the De La Rue Retirement Plan which is a combination of a 1/100ths accrual final salary section and a defined contribution arrangement. From June 2007 the normal retirement age was increased from 62 to 65, with retirements before the normal retirement age resulting in a 5 per cent per annum actuarial reduction in pension accrued after June 2007.

Analysis of the Group's assets and related cash/debt by currency

	2010 Group Assets £m	2010 Cash/(debt) £m	2010 Net Assets ¹ £m	2009 Net Assets ¹ £m
£ sterling	(41.9)	(3.0)	(44.9)	(47.2)
US dollar	34.1	(17.1)	17.0	14.9
euro	23.9	1.2	25.1	41.1
All other	1.2	7.9	9.1	8.9
	17.3	(11.0)	6.3	17.7

¹Excluding minority interest

Principal exchange rates used in translating the Group's results

	2009/2010 Average	2010 Year end	2008/2009 Average	2009 Year end
£				
US dollar	1.58	1.49	1.73	1.43
euro	1.13	1.11	1.21	1.08

FINANCIAL REVIEW

continued

After a consultation process with members the following agreed changes to the pension scheme will be implemented

- A new defined contribution scheme, open to all UK employees, to be created from the summer of 2010
- The Final Salary and Retirement Plan defined benefit schemes to be closed to future accrual for all employees with effect from 1 April 2013

Closing the defined benefit scheme will result in a one off exceptional benefit in the income statement for 2010/2011 of c£16m and a reduction in the deficit of c£20m

IAS 19 accounting

It is the responsibility of the Trustee to set the method and assumptions for calculating the scheme liabilities under scheme Funding Valuation. The assumptions used to calculate the IAS 19 valuation used in the consolidated accounts are set by the Group in compliance with the guidance given in IAS 19 and advice from its actuary. The discount rate used for calculating IAS 19 liabilities is the yield prevailing on AA rated corporate bonds. Those used for ongoing funding valuation are based on actuarial advice taking into account the actual investment profile of assets between bonds and equities over the longer term. This is the principal difference between the two sets of assumptions.

The valuation of the UK pension scheme under IAS 19 principles indicates a scheme deficit pre-tax at 27 March 2010 of £124.8m (March 2009 £67.5m). This significant increase in deficit during the period has mainly arisen due to the reduction, from 6.8 per cent to 5.8 per cent, in the bond discount rate used to value the scheme liabilities. This is partly offset by the increased asset values from the market low point in March 2009 and the Group's ongoing regular contributions. The charge to operating profits in respect of the UK pension scheme for 2009/2010 was £4.5m (2008/2009 £5.8m). In addition, under IAS 19 there was a finance charge of £6.3m arising from the difference between the expected return on assets and the interest on liabilities (2008/2009 £1.8m).

Capital expenditure relative to depreciation

£m	2008	2009	2010
Depreciation		29.3	33.1
Capital expenditure	22.1	21.3	23.0
	19.2		

Group working capital – advance payments

£m	2006	2007	2008	2009	2010
		70.1	62.9	44.0	
	33.6		39.6		

Underlying effective tax rate before exceptional items

%	2006	2007	2008	2009	2010
	29.4	29.9	27.9	28.0	27.5

Group working capital – trade working capital

£m	2006	2007	2008	2009	2010
Trade working capital comprises inventory plus trade receivables less trade payables and advance payments			51.2		57.3
	33.8		27.7		
		11.2			

CORPORATE RESPONSIBILITY

De La Rue is committed to ensuring that its business is managed in a responsible and sustainable way by incorporating sound Corporate Responsibility (CR) policies and practices as part of its business strategy and day to day business activities. De La Rue is a member of the FTSE4Good Index.

The CR section of the website www.delarue.com contains more information about CR in De La Rue. The case studies in this section illustrate a number of CR initiatives from around the Group.

The theme of the tenth Interlock Health, Safety and Environmental (HSE) Conference held in November 2009 was 'Back to Basics – Driving Good Practice'. Topics included travel and personal safety, slips, trips and falls, fire safety and machinery safety. Eighty delegates from sites around the world attended, including all members of the Operating Board. Delegates voted for the best health and safety initiatives, with awards being presented by the Chief Executive. The winner was De La Rue Security Threads for excellent work on reducing manual handling risks. Our employees are instrumental in driving the ongoing improvement of HSE processes – all those attending were invited to make one personal commitment to improving health and safety at their site. These pledges were recorded centrally and are being followed up personally by the Chief Executive.

CORPORATE RESPONSIBILITY

continued

Accountability and management processes

The Board receives monthly reports on CR issues and is ultimately responsible for assessing the impact of these on De La Rue's business and for setting appropriate policies for the Group. The Chief Executive is the Board member with designated responsibility for CR, supported by

- The Operating Board, which is responsible for the day to day management of CR and receives monthly reports
- The Risk Committee, which discusses CR at its meetings in the context of monitoring the effectiveness of internal control systems
- The Health, Safety and Environment Committee, whose responsibilities include making recommendations on HSE strategy and identifying areas for improvement
- The Charity and Community Affairs Committee, established during the year, which will make recommendations to the Board and monitor and report on charitable giving and community activities

Workplace

Code of Conduct

The Code of Conduct defines De La Rue's core values and principles for doing business and deals with

- Share dealing procedures
- Competition law
- Legal compliance
- Ethical dealings with governments, customers, suppliers and third parties
- Protecting the Group's assets
- Avoiding conflicts of interest
- Health and safety and the environment

It is supplemented by more detailed policies and procedures and relevant training. All employees receive a copy of, and are required to comply with, the Code of Conduct

Whistleblowing

The Group's Whistleblowing policy and procedures enable employees who have concerns about the application of the Code of Conduct or business practices within the Group to raise them internally or anonymously through an independently run telephone helpline. The Board and Audit Committee receive details about any issue raised and how it has been followed up. Each year the Audit Committee reviews the policy and procedures

Third Party Partners

The Group Third Party Partner Team was established during the year to provide a central, neutral hub for ensuring that partners such as distributors, sales agents and consultants comply with the Group's policies and expectations in relation to ethical business conduct. The team reports directly to the General Counsel and Company Secretary. Further information is given in the Corporate Governance Statement on page 45

Health and Safety

De La Rue recognises its responsibility to safeguard the health and safety of all stakeholders affected by our operations and is committed to keeping its employees safe and secure when they are at work and travelling for work. This is achieved through clearly defined responsibilities, good communications and training, hazard spotting, risk assessments and by implementing appropriate controls at all of our facilities

None of our operations has been prosecuted for infringing any health and safety laws or regulations during 2009/2010

The Board receives confirmation that the business units comply with Group policy and applicable laws through external and internal audits, reports and measurement against action plans and benchmarking processes. These reports are used to develop effective improvement programmes. Thirteen of our fifteen operational sites have achieved OHSAS18001 2007 certification for their health and safety management system

We also work with our main suppliers and main contractors to ensure their health and safety processes are robust. This year in Sri Lanka we have conducted safety training for over 1,000 contractors working on the large extension of our facility. This has resulted in a zero reportable injury rate on this project

The health and safety KPIs opposite show continued improvements in reportable injury rate, days lost and total lost time accident figures

Our health and safety objectives for 2009/2010 were to implement updated road risk management and travel risk management programmes, both of which were achieved. During the year over 300 UK employees who may drive for work have taken part in an online individual driver risk assessment process and have completed follow up training where required. Travel risk assessments are now completed as appropriate for international travel. Other significant activities during 2009/2010 included manual handling and fire safety training. We have also reviewed all areas that store and handle chemicals and flammable solvents and have upgraded these where necessary

The best examples of ideas which have supported the Our Contribution initiative are showcased at the Spotlight event which is designed to reward those who have helped us achieve success. Spotlight awards play an integral role in celebrating the efforts of our people in devising ways in which we can do things better. Following on from events held in Spain, Switzerland and France in previous years, the 2009 awards were held in Malta. The winning projects were an initiative by CPS site engineers, a machinery improvement project at Overton mill, and the more efficient use of materials in Sri Lanka. The projects delivered environmental savings and increased customer satisfaction as well as process and quality improvements

Total days lost

	599	592			
			530		
	424				
				209	
2006	2007	2008	2009	2010	

**Total lost time accidents
Including 3 days+**

	70	73			
			59		
			48		
				32	
2006	2007	2008	2009	2010	

**Annualised reportable
injury rate per 100,000
employees**

UK manufacturing average

	800	849			
			715		
				526	
				378	
2006	2007	2008	2009	2010	

Our health and safety objectives for 2010/2011 are

- For all employees to have some level of health and safety training and all operational line managers and supervisors to have a certified level of health and safety training
- To review and update all fire procedures at our facilities and monitor test evacuations
- For one smaller printing facility to achieve OHSAS18001 2007

Employees

The Group employs approximately 4,000 staff in 24 countries

The benefits and synergies of greater collaboration and process sharing across the businesses continue to be harnessed via the 'One De La Rue' programme. As mentioned in the Chief Executive's Review, cross-business teams are focusing on initiatives in six key areas: Our Customers, Our People, Our Innovation, Our Performance, Our Communication and Our Contribution.

The results from our 2009 'Your Say' staff survey demonstrate the progress made in engaging our employees. Across the Group the results suggest that many managers are getting the fundamentals right. The vast majority of people (more than 80 per cent) agree that they

- Know what is expected of them at work
- Have the equipment they need to do their job
- Feel safe
- Understand why innovation is important
- Understand how they contribute to their site and De La Rue

It is encouraging to see that 79 per cent of people agree they would rather work for De La Rue than any other company and 77 per cent say they would recommend working at De La Rue to a friend. This survey shows an improving trend over the 2005 and 2007 surveys. For example, we see much higher proportions of staff stating they know what is expected of them and receive appropriate praise than we did in 2005 and 2007.

We recognise that engaging all employees is critical to our performance and so engagement is becoming a key aim for our managers. Each has been given a report on how their team scored in the latest survey, guidance on creating engagement and an objective to improve it. Over the first few months of 2010 each manager has spent time with their team discussing what can be done. During the rest of the year we will take actions to improve engagement.

The De La Rue Academy was set up during the year to co-ordinate and deliver core cross-business unit training including leadership and management, project and process management and a range of business skills. The Academy provides personal development and promotes shared knowledge and better understanding between the businesses. The Academy is set up to meet business needs and is closely aligned to Group talent reviews (a process designed to identify and review new and existing talent within the Group so that succession planning is managed in a structured way), personal development reviews and culture change programmes.

De La Rue Security Papers carried out a project replacing many of their fan and pump motors with variable speed inverter drives. The most important benefit is better process control and in turn lower energy demand. The use of inverter controlled pumps means that only sufficient energy to produce the flows required for the process at that time is consumed and the production of over capacity and the resulting waste of energy is avoided. A reduction to 90 per cent of the original speed reduces the power required to approximately 73 per cent of the original, a 27 per cent energy saving. With the reduction in energy requirement comes an associated reduction in costs and CO₂ production.

CORPORATE RESPONSIBILITY

continued

Additionally, the Academy provides improved savings through centralising spend and coordinating training programme delivery across De La Rue

The effectiveness of communication processes at Group and local site level are regularly reviewed to encourage employee engagement and broaden business understanding. To complement the employee magazine and the Chief Executive's electronic articles on key business issues, new initiatives this year included the relaunch of the intranet and regular conference calls hosted by the Chief Executive, in which all employees have the opportunity to participate and ask questions directly on matters of current importance

Our Contribution, De La Rue's productivity programme, continues to be well supported by our employees. The best initiatives were recognised at the fourth Spotlight event which was held in Malta in September 2009 (see case study on page 32)

De La Rue is committed to the fair and equitable treatment of all its employees in recruitment, training, promotion and in terms and conditions of employment irrespective of gender, sexual orientation, religious beliefs, age, colour, ethnic or racial origin, nationality, disability or trade union membership. If an employee becomes disabled when in the Group's employment, full support is given through the provision of special training, equipment or other resources to facilitate continued employment wherever possible. All managers are required to ensure that employees understand their responsibility for the active implementation of the Group's policies. Details of De La Rue's Human Rights, Equal Opportunities, Anti-Harassment and Stress Management policies are available on the Group's website

The Group's web based HR management system is now a well established tool for streamlining core HR management processes and enhancing the HR management reporting capability

To the extent permitted by relevant local laws, the Group monitors data on staff diversity to help it review policies and improve best practice

Environment

De La Rue aims to operate in a manner that protects the environment and prevents pollution, as well as considering the environmental effects of any new projects, when changing business activities and business processes and when developing new products. We operate a formal environmental management system, and our objective is for all manufacturing sites to be certificated to ISO 14001:2004. Thirteen of our fifteen operational sites have received this certification to date

None of our operations has been prosecuted for infringing any environmental laws or regulations during 2009/2010

We continue to measure our greenhouse gas emissions, shown in the graph below, following the Greenhouse Gas Protocol, the most widely used international accounting tool for government and businesses. This data includes the combustion of fuels, ie natural gas, fuel oils and purchased grid electricity, and owned transport energy consumption. Over 50 per cent of our carbon footprint

Greenhouse gas emissions

'000 tonnes as CO₂

	2006	2007	2008	2009	2010
Transport emissions	117	96	123	107	79
Energy and production emissions	842	862	921	940	971

Water used per gross tonne of banknote paper

m³

	2006	2007	2008	2009	2010
	310.0	300.0	281.0	283.0	287.0

Note: Total water used (abstraction plus recycled) per production tonne of banknote paper produced at Overton for 2009/2010. Production tonne definition here means production tonnes at standard weight including spoil less any paper trials

Recycled and recovered solid waste as a % of solid waste

	2006	2007	2008	2009	2010
	70.0	71.0	69.0	72.0	73.0

relates to the gas and electricity used at Overton mill. The graph shows an increase in greenhouse gas emissions which is related to increasing volumes, new processes and product complexity. Our main sites have energy reduction committees and we have implemented energy reduction initiatives such as swapping in energy efficient motors and installing energy efficient lighting systems during upgrades. Overton mill has a combined heat and power plant producing electricity and steam requirements from a natural gas turbine.

Water used per gross tonne of banknote paper produced is partly dependent on the volume, mix and complexity of the paper produced. We have increased our use of recycled water this year up to 9 per cent of all water used at the Overton mill.

Recycled and recovered solid waste as a percentage of all solid waste is dependent on the waste markets and we look for any opportunities for recycling and recovery. One challenge for our business is the advance of the anti-counterfeiting features in our products which by their nature are complex to produce and can affect waste volumes and energy use.

Our objective for 2009/2010 was to continue with our carbon measurement and aim to reduce our impact. At the Gateshead plant, an energy management system is utilised to control the use of energy consumption from high to low periods of activity across production environments. All significant new building work carried out across the site during the year maximises use of energy saving materials to reduce energy needs. Transport usage is targeted to minimise journey length and frequency. As part of the UK Confederation of Paper Industries, Overton mill operates in accordance with an agreed energy policy, setting and implementing internal energy targets and measures. These targets relate to both the efficient operation of the combined heat and power plant and general energy efficiency through the mill. When electricity generation is in excess of demand, electricity is sold to the UK National Grid.

Over the last few years we have implemented environmental initiatives on a local level, such as the installation of variable speed inverter drives at De La Rue Security Papers (see case study on page 33), as well as achieving improvements in key areas across the Group. In the last 5 years the volume of solid waste going to landfill sites has reduced by 9 per cent and the percentage of waste recycled and recovered has increased by c4 per cent. There has also been a downward trend in solid waste generated per tonne of production, despite the increased product portfolio and product complexity. During 2010/2011 we will register for the UK Carbon Reduction Commitment energy efficiency scheme and the IDS business is seeking to achieve ISO14001:2004.

Community and Charitable Donations

Around the Group our facilities and factories are widely engaged with local communities, for example the Shoebox Appeal in Kenya (see case study below), sponsorship of a local child safety scheme in the UK and the maintenance and decoration of a children's home in Malta.

De La Rue is proud to support a variety of charitable causes on a local and international level. In 2009/2010 Group donations for charitable purposes amounted to £96,000 (2008/2009 £166,000), excluding donations made by the De La Rue Charitable Trust detailed below. During the year employees also participated in a wide range of internal fundraising activities for local charities in the UK and abroad, including the Haiti Disaster Appeal following the earthquake in January 2010.

The Group operates a Give As You Earn scheme in the UK which enables employees to make regular donations to charity from their pre-tax monthly salary. Donations are matched by De La Rue.

During the year a Charity and Community Affairs Committee was established, chaired by the General Counsel and Company Secretary, whose remit includes making Group policy recommendations to the Board on charitable giving and activities and monitoring and reporting to the Board at least annually.

The De La Rue Charitable Trust aims to direct funds to appropriate causes in countries where De La Rue operates, emphasising educational projects promoting relevant skills, international understanding or relieving suffering. The Trust also matches funds raised by employees for charitable causes. During 2009/2010, the Trust distributed £45,000 (2008/2009 £61,000).

Marketplace

Customers

The customer survey programme, Net Promoter®, is a valuable customer feedback tool for all four business units. The survey is conducted annually and data collected and analysed externally. Results are reported to the Operating Board.

Suppliers

De La Rue continues to apply a consistent set of procurement policies and processes to deliver accountability, sustainable value for money and continuous improvement while enabling the Group to fulfil its legal and financial obligations and effectively manage risk. In particular, we expect our suppliers to share our CR values and commitment to ISO standards for HSE performance.

Overton mill sources cotton waste for use in banknote papermaking from a few key international suppliers and we continue to audit to ensure our suppliers comply with our terms and conditions relating to the United Nations Convention on Rights of the Child and child labour.

De La Rue Security Print at Dunstable has been accredited with the 'FSC Chain of Custody' status by the Forest Stewardship Council.

In autumn 2009 a UK-wide appeal was launched inviting employees to fill shoeboxes with Christmas gifts for 350 children at the Good Samaritan Children's Home in Nairobi, an orphanage sponsored by De La Rue Kenya. The children's names, ages and hobbies were published on the Group's intranet and employees chose a child to send their gift box to. The response from our employees was overwhelming, with all 350 boxes being pledged within a few days. The shipping of the boxes to Nairobi in time for Christmas was coordinated by staff at Bathford mill and gifts were distributed by colleagues at De La Rue Kenya.

DIRECTORS AND SECRETARY

Nicholas Brookes
Non-executive Chairman

James Hussey
Chief Executive

Colin Child
Group Finance Director
(from 1 June 2010)

Simon Webb
Group Finance Director
(until 31 May 2010)

Warren East
Non-executive

Sir Jeremy Greenstock
Non-executive

Sir Julian Horn-Smith
Non-executive

Victoria Jarman
Non-executive

Gill Rider
Non-executive

Edward Peppiatt
General Counsel and
Company Secretary

Nicholas Brookes FCA (62)Non-executive Chairman ^{†‡}

was appointed to the Board in March 1997 and became Chairman of the Company on 22 July 2004. He is also Chairman of the Nomination Committee of the Board. He was, until 30 June 2004, Chief Executive of Spirent plc. He is a director of Corporacion Financiera Alba SA, Axel Johnson Inc and The Institute of Directors. He was previously Vice President of Texas Instruments Inc and President of the Materials and Controls Group.

James Hussey (48)Chief Executive ^{§†}

was appointed as Chief Executive and executive Director on 1 January 2009. He has more than 25 years' experience within De La Rue and was Managing Director of the Security Paper and Print Division for the previous four years. He is a director of Camelot Group plc.

Colin Child (52)

Group Finance Director (from 1 June 2010)

is a chartered accountant and has a broad range of financial and commercial expertise. He was previously Group Finance Director at DTZ Holdings plc, a major global commercial property advisory company, and prior to that he held roles as Group Finance Director at Stanley Leisure plc, Fitness First Plc and National Express Group Plc.

Warren East (48)Non-executive ^{††}

was appointed to the Board on 9 January 2007. He became Chairman of the Audit Committee on 1 April 2009. He is Chief Executive of ARM Holdings plc, a post he has held since October 2001, having joined in 1994. He previously worked for Texas Instruments Inc in a variety of roles in the semiconductor and telecom products divisions. He is a non-executive director of Reciva Ltd, a Cambridge start up company manufacturing internet radios.

Sir Jeremy Greenstock GCMG (66)Non-executive ^{††}

was appointed to the Board on 1 March 2005. From 1998 to 2003 he served as Britain's UN Ambassador in New York and Permanent Representative on the UN Security Council. From 2003 to 2004 he served as HM Government's UK Special Representative for Iraq. He is director of the Ditchley Foundation, a Special Adviser to BP plc and a Trustee of the International Rescue Committee (UK). He is the senior independent non-executive Director.

Sir Julian Horn-Smith (61)Non-executive ^{††‡}

was appointed to the Board on 1 September 2009. He was part of the founding team at Vodafone and is one of the foremost figures in the global mobile telecommunications industry. His career at Vodafone started in 1984 and culminated in the position of Deputy CEO in 2005. Prior to that, he worked for major international businesses including Mars GH and Philips. He is a Senior Advisor to UBS Investment Bank and holds a number of directorships including Lloyds Banking Group (non-executive director) and Digicel Group in the Caribbean. He was previously a non-executive director of Smiths Group plc from 2000 to 2006 and Sage Group plc from 2006 to 2008.

Victoria Jarman (37)Non-executive ^{††}

was appointed to the Board on 22 April 2010. She started her career in 1995 with KPMG, before moving to Lazard Corporate Finance in 1998. She went on to be appointed Chief Operating Officer of Lazard's London and Middle East operations, where she remained until 2009. She was also a board member of Lazard & Co Limited and a member of the European Management Committee. She has worked closely with the boards of major FTSE companies and businesses advising them on a variety of strategic options. She is a qualified chartered accountant.

Gill Rider (55)Non-executive ^{††‡}

was appointed to the Board on 22 June 2006 and since 26 July 2007 has been the Chairman of the Remuneration Committee. She started her career with Accenture in 1979 in various consulting roles before being appointed as a partner in 1990. She held a variety of management roles in Accenture before being appointed global Chief Leadership Officer in 2002, reporting to the Accenture CEO, to lead the people aspects of the transition from a partnership to a public company listed on the New York Stock Exchange. She is Director General, Cabinet Office and at the end of the year she will take up the presidency of the Chartered Institute of Personnel and Development.

Edward Peppiatt (43)General Counsel and Company Secretary [§]

was appointed as General Counsel of De La Rue plc on 1 March 2009 and as Company Secretary with effect from 1 April 2009. He was previously General Counsel and Corporate Secretary of Christian Salvesen PLC.

Simon Webb (46)

was appointed Group Finance Director on 1 April 2009 and he will leave the Board on 31 May 2010.

[†]Member of the Audit Committee of the Board

^{††}Member of the Nomination Committee of the Board

^{†††}Member of the Remuneration Committee of the Board

[§]Member of the Risk Committee of the Board

Ages stated are those on 27 March 2010

SHAREHOLDERS AND SHARE CAPITAL

As at 27 March 2010 the Company's authorised share capital was £66m comprising 111,673,300 deferred shares of 1p each and 144,641,840 ordinary shares of 44¹⁵⁹/₁₇₅p each. On 27 March 2010 there were 98,882,856 ordinary shares and 111,673,300 deferred shares in issue.

Details of shares issued during the year are provided in note 21a to the Financial Statements on page 82.

Results and Dividends

Profit before taxation and exceptionals was £104.1m (2008/2009 £105.0m for continuing businesses). The profit attributable to shareholders for the year was £69.9m (2008/2009 £363.0m). The Directors are recommending a final ordinary dividend for the year of 28.2p per share. Subject to the approval of shareholders at the Annual General Meeting (AGM), the final dividend will be paid on 5 August 2010 to ordinary shareholders on the register on 9 July 2010. An interim dividend of 14.1p per ordinary share was paid on 13 January 2010 making a total for the year of 42.3p per share (2008/2009 41.1p per share).

Pre-emption rights and authority to allot

The Companies Act 2006 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 2009. Authorities to renew for one year the power of Directors to allot shares pursuant to Section 551 of the Companies Act 2006 will be sought from the shareholders at the AGM. The Company was granted authority by its shareholders at the 2009 AGM to purchase a maximum of 9.99 per cent of its own ordinary shares either for cancellation or to be held in treasury (or a combination of both). No purchases have been made pursuant to this authority and a resolution will be put to shareholders to renew the authority for a further period of one year.

Takeover directive

Pursuant to Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive, the Company is required to disclose additional information including:

Rights and restrictions on shares and transfers of shares

Certain restrictions, which are customary for a listed company, apply to the rights and transfers of shares in the Company. The rights and obligations attaching to the Company's ordinary and deferred shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association (the Articles), copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. The key points are summarised below.

Ordinary shares

Notices of meetings must be given to every shareholder and to any person entitled to a share unless the Articles or the rights of the shares say he is not entitled to receive them from the Company. The Board can decide that only people who are entered on the register at the close of business on a particular day are entitled to receive the notice. On a show of hands each holder of shares present in person and entitled to vote has one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote has one vote for every share held.

Dividends and distributions on liquidation to shareholders

Holders of ordinary shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to an extraordinary resolution of the Company the liquidator may divide amongst members the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

Transfers of shares

The Company's existing Articles place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its rights to suspend their voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising rights by the Financial Services Authority's Listing Rules, the City Code on Takeovers and Mergers or any other regulations.

The deferred shares carry limited economic rights and no voting rights. They are not transferable except in accordance with the Articles.

Dealings subject to the Model Code of the Listing Rules

Pursuant to the Listing Rules of the Financial Services Authority, Directors and other Persons Discharging Managerial Responsibilities and certain employees require the approval of the Company to deal in the ordinary shares of the Company.

Exercise of rights of shares in employee share schemes

The Trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on shares held in the employee trust. No shares are currently held in trust.

Substantial shareholdings

As at 24 May 2010 the following companies had notified an interest in the issued ordinary share capital of the Company in accordance with the Financial Services Authority's Disclosure and Transparency Rules.

Persons Notifying	Total Number of Shares	Total Number of Voting Rights	Percentage of Voting Rights
Capital Research and Management Company	17,383,233	17,383,233	18.04%
Ruane, Cunniff & Goldfarb Inc	6,430,399	6,430,399	6.50%
Massachusetts Mutual Life Insurance Company	6,023,496	6,023,496	6.09%
BlackRock Investment Management (UK) Limited	4,638,337	4,638,337	4.69%
Legal & General Group Plc	3,404,426	3,404,426	3.44%

Relationship with shareholders

The Company places a high priority on communications with and accountability to shareholders. A fully audited Annual Report and Accounts is made available to shareholders either in hard copy by post or via the Group's website. The interim statement is also posted on the Group's website as are presentations to institutional investors. Announcements are also regularly made by the Company through a Regulatory Information Service to the London Stock Exchange. The Chairman and the senior independent non-executive Director are available to meet key shareholders to discuss strategy, governance and other matters.

All shareholders are entitled to attend the AGM and receive a Notice of Meeting which is posted at least 20 working days before the AGM. Shareholders can also vote and appoint proxies electronically. At this year's AGM voting on resolutions will be conducted on a poll. Results of the poll will be made available to shareholders on the Group's website. The Chairman also provides a trading update. The Chairmen of the Board Committees are also present. Shareholders may question the Board on these and other matters relating to the Group's business. Shareholders also have an opportunity to meet Directors 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 views of shareholders and analysts' and brokers' reports are reported to the Board and from time to time a survey of institutional shareholders' views is carried out by the Company's broker.

Annual General Meeting

The AGM will be held at 10.30 a.m. on Thursday 22 July 2010 at De La Rue House, Jays Close, Viables, Basingstoke, RG22 4BS. The Notice of Annual General Meeting, including a letter from the Chairman, accompanies this Annual Report. In addition to resolutions already described are proposals to establish new performance share plans for senior executives and to adopt new Articles that fully comply with the provisions of the Companies Act 2006.

OTHER STATUTORY INFORMATION

Payments to suppliers

The Company and Group's policy is that suppliers be paid on the basis of monthly summary invoicing plus 60 days subject to local laws or other exceptions. The average number of days' credit provided by suppliers to the Group has been calculated at 35 days (2008/2009: 67 days). The Company does not have any trade payables.

Change of control

A number of agreements take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as bank loan agreements and employee share plans. None of these is deemed to be significant as a whole except for the following:

The £175m credit facility dated 11 March 2010 between the Company and four of its key relationship banks contains a provision such that in the event of a change of control, any lender may, if it so requires, notify the agent that it wishes to cancel this commitment whereupon the commitment of that lender will be cancelled and all its outstanding loans, together with accrued interest, will become immediately due and payable.

A change of control will be deemed to have occurred if any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) at any time is/are or become interested in more than 50 per cent of the issued ordinary share capital of the Company.

Political donations

There were no political donations made during the year. The Group's policy is not to make any. The Company will propose to shareholders at this year's Annual General Meeting (AGM) that the precautionary authority granted at the 2009 AGM, pursuant to the Companies Act 2006, be renewed and details are included in the Chairman's Letter and Notice of Meeting.

Essential contracts or other arrangements

De La Rue confirms there are no persons with whom the Group has contractual or other arrangements which De La Rue considers are essential to its business.

Annual Report and the Financial Statements

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 16 to 23 of the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in pages 28 to 30 of the Business Review. The accounting policies used in the preparation of the financial results are described in pages 60 to 65.

As described on page 29 of the Annual Report, the Group meets its funding requirements through a main corporate borrowing facility of £175m (which runs until September 2013) and cash generated from operations. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate with its currently available facilities.

The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business. As a consequence the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future, despite the current global uncertain economic environment. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- For the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- For the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement in respect of the Disclosure and Transparency Rules

We confirm to the best of our knowledge

- The Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS), give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- The Parent Company Financial Statements in this report, which have been prepared in accordance with UK accounting standards (UK Generally Accepted Accounting Practice) and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

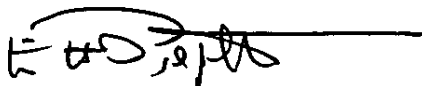
Provision of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

A resolution to reappoint KPMG Audit Plc as auditors to the Company will be proposed at the Annual General Meeting

By order of the Board



Edward Peppiatt
Company Secretary
24 May 2010

CORPORATE GOVERNANCE STATEMENT

The Board is collectively accountable to the Company's shareholders for good corporate governance and all Directors are responsible for complying with their legal and fiduciary obligations

The Board is committed to complying with the highest standards of corporate governance, which is the system of internal principles, controls and processes it approves and by which the De La Rue Group is run in order to achieve its objectives while complying with the required standards of accountability and probity

The Group's corporate governance procedures, which are approved by the Board, define the matters reserved to the Board, the terms of reference of various Committees of the Board and the functions delegated to these Committees as well as defining the jobs of the Chairman, Chief Executive, Group Finance Director and non-executive Directors. The Company reviews and amends its corporate governance policies to reflect changes to the Combined Code, legislation or good practice. Revisions were made in September and November 2009.

The Board also approves the Code of Conduct which defines the Group's business principles and which was updated in September 2007. This is discussed further in this section of the Annual Report and in the Corporate Responsibility Report on page 32. These documents are set out on the Group's website www.delarue.com

In accordance with the Turnbull Guidance on internal control, the Board confirms that there is an ongoing process for identifying, evaluating and managing the key risks including financial, operational and compliance controls and risk management systems. This process has been in place throughout the year and up to the date of approval by the Board of the Annual Report and Accounts. The Board's governance policies include a process for the Board to review regularly the effectiveness of the system of internal control and risk management systems, and the Board concluded its latest review in April 2010. Details are set out in this Statement. This does not extend to associated companies or joint ventures such as Camelot Group plc where the Group does not have management control.

Compliance with Section 1 of the Combined Code on Corporate Governance

In the year to 27 March 2010 the Company has complied throughout with the provisions and applied the principles of the Combined Code issued by the Financial Reporting Council in June 2008 (the Code) except arguably for a brief period following the retirement of Keith Hodgkinson on 31 December 2009 in respect of the composition of the Audit Committee (provision C 3.1). The Audit Committee Chairman is the chief executive of a listed company and the Board on the recommendation of the Nomination Committee recently recruited a non-executive Director, Victoria Jarman, with financial expertise who is a member of the Audit Committee. Keith Hodgkinson, who retired from the Board during the year, ceased to be viewed as independent having served nine years on the Board from the date of his first election.

Board of Directors

Composition of the Board

Following the departure of Philip Nolan (23 July 2009) and Keith Hodgkinson (31 December 2009) and the appointment of Sir Julian Horn-Smith (1 September 2009) and Victoria Jarman (22 April 2010) the Board comprises five independent non-executive Directors, the non-executive Chairman and two executive Directors. The Board has concluded that its composition throughout the year was and remains appropriately balanced.

There is a clear division between the management of the Board and the executive Directors' responsibility for managing the Group's business. However, no individual or small group can dominate decision taking. The roles of the Chairman and Chief Executive are separated and clearly defined. The Chairman is primarily responsible for the working and leadership of the Board. The Chief Executive is responsible for running the business and implementing Board strategy and policy.

The Directors' biographies appear on page 37 and the Board's policy is that the Chairman and executive Directors should accept appointments to the boards of other companies only with the prior approval of the Board and that non-executive Directors must seek the agreement of the Chairman and confirmation by the Board before accepting additional commitments that may affect the time they devote to their role.

Board changes

During the year there were several changes of Directors and roles. Gill Rider temporarily stood down from the Board from 26 February 2009 until 30 June 2009 whilst the award of the contract for the UK passport was being considered by the Identity and Passport Service. Philip Nolan resigned as a Director at the conclusion of the 2009 Annual General Meeting (AGM) and Keith Hodgkinson resigned as a Director on 31 December 2009. Sir Julian Horn-Smith was appointed non-executive Director on 1 September 2009. Sir Jeremy Greenstock became senior independent non-executive Director on 1 January 2010. Victoria Jarman was appointed non-executive Director on 22 April 2010.

Simon Webb became Group Finance Director and an executive Director of the Board on 1 April 2009. The Company announced on 30 April 2010 the appointment of Colin Child as Group Finance Director and as an executive Director of the Company with effect from 1 June 2010. Simon Webb will leave the Board on 31 May 2010.

The non-executive Directors hold letters of appointment which will be displayed at the AGM, together with the executive Directors' service contracts and Directors' indemnification agreements.

Sir Julian Horn-Smith and Victoria Jarman who were appointed Directors since the last AGM, and Colin Child, who will be appointed on 1 June 2010, will, being eligible, offer themselves for election at the AGM. The Board adopted the policy during the year that each Director be required to submit himself for annual re-election and accordingly all other Directors will retire and offer themselves for re-election.

The existing commitments of Directors appear on page 37 and the Board is satisfied that these commitments do not conflict with their ability to carry out effectively their duties as Directors of the Company.

Subject to the provisions of relevant statutes, the Company's Memorandum and Articles of Association and any directions given by special resolution, the Directors may exercise all the powers of the Company.

Edward Peppiatt replaced Louise Fluker as Company Secretary on 1 April 2009.

Succession planning

The Board reviews its composition at least annually, assessing the skills profile, type and number of non-executive Directors required to enable the Board to perform effectively. It also reviews the Group's internal talent review process in planning executive Director and senior management succession.

Objectives of the Board

The Board has confirmed its objectives during 2009/2010 as follows:

- Delivering value to shareholders and other stakeholders
- Maintaining the Group's reputation for integrity as the foundation of its relationship with stakeholders
- Building long term success through quality and sound management

Role and operation of the Board

The Board has a programme of fixed meetings during the year and it also met on an ad hoc basis as required. The Board's core procedures are:

- Set out in the terms of reference for the Board, its Committees and Directors
- The control of risk through agreed evaluation and control procedures reviewed and revised annually
- Monitoring the composition of the Board through the Nomination Committee

The Board has also reserved certain matters to itself to reinforce its control of the Group. Full details are set out on the Group's website www.delarue.com. These include:

- Determining the responsibilities of Directors, in particular those of the Chairman and Chief Executive
- Approving internal control processes
- Approving the final and interim Financial Statements and (in conjunction with the Audit Committee) the recommendation of dividends
- Approving appointments to, and removals from, the Board and the terms of reference and membership of Board Committees
- Approving the Group's strategy and annual budget
- Authorisation of authority levels, financial and treasury policies and any acquisition or disposal

The Board delegates authority to run the business to the Chief Executive. The Chief Executive manages the Group's day to day activities and presents to the Board the strategic options for growth in shareholder value and, in conjunction with the Operating Board comprising business unit managing directors and other senior executives, sets the operating plans and budgets required to deliver the agreed strategy. The role and responsibilities of the Chairman, Chief Executive, Group Finance Director, senior independent non-executive Director and other Directors are also clearly defined. Full details are set out on the Group's website www.delarue.com. The executive Directors and the Operating Board operate within clearly defined limits of authority delegated by the Board.

The Board provides leadership of the Group within a framework of prudent and effective internal controls, including financial, operational and compliance controls and risk management systems. These are required to identify and manage the risks and their potential effect whilst ensuring that material changes are reported to the Board in a timely fashion. The Board reviews the effectiveness of those controls and systems and is assisted by the Audit and Risk Committees.

The controls by their nature are designed to manage, rather than eliminate, risk and can only provide reasonable but not absolute assurance against material misstatement or loss. Details of the processes and controls are set out below. The Board reviews matters reserved to itself and the performance of management in achieving agreed goals and objectives at its meetings. The Board timetable ensures that the Board receives regular reports and presentations from the executive Directors, operational managing directors and key functions. Directors receive agendas and Board papers generally five days before each Board meeting, minutes are circulated as soon as possible thereafter. The Board reviews progress on implementing actions arising from the Board and its Committee meetings each month.

There is also a defined procedure for dealing with urgent matters between Board meetings.

Any Director can request additional information from management at any time. All Directors have direct access to the advice and services of the General Counsel and Company Secretary who is responsible for ensuring that Board procedures are followed. The Board decides the appointment and removal of the Company Secretary.

Board evaluation and effectiveness review

The Board and each of the Nomination, Remuneration and Audit Committees carried out an evaluation of their performance during the year. The Risk Committee was evaluated by the Board. The process involved completion of questionnaires which focused on process, structure, behaviours and key issues, such as strategy and succession, against delivery of the Board's objectives and addressing any issues identified during the previous review or which became relevant during the year.

The Chairman and each Committee Chairman had discussions with each Director or Committee member based on the responses and each Director's own views regarding effectiveness of the Board or Committee as a whole and the individual Director's performance. The senior independent non-executive Director was responsible for appraising the Chairman's performance in discussions with the non-executive Directors in the absence of the Chairman. The Chairman and the non-executive Directors also met in the absence of the executive Directors. The results were discussed by the Board and individual Committees and the final report highlighting any areas for improvement agreed by the Board in May 2010.

Conflicts of interests

Directors have a duty to avoid a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Group unless that conflict has been authorised by the Board. Such conflict may arise by reason of a situation or a specific transaction proposed. The Board has established a process to review at least annually and if thought appropriate authorise any conflict of interest and has carried out such review and authorised all Directors' situational conflicts. Any transactional conflicts are reviewed as they arise.

Indemnity

To the extent permitted by the Companies Act 2006 and the UKLA Listing Rules the Company indemnifies certain officers so that the Company may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine but any advance must be refunded if the Director or officer is subsequently convicted.

The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly.

CORPORATE GOVERNANCE STATEMENT continued

Details of attendance at Board and Committee meetings
The number of full scheduled Board meetings and Committee meetings attended by each Director during the year was as follows

Directors Attendance 2009/2010	Audit Committee	Board	Nomination Committee	Remuneration Committee
Number of meetings held	4	14	6	7
Mr N K Brookes	—	14	6	7
Mr D W A East	4	11	4	—
Sir Jeremy Greenstock	—	12	6	7
Mr K H Hodgkinson (resigned 31 December 2009)	4	9	4	4
Mr J A Hussey	—	14	6	—
Dr P M G Nolan (resigned 23 July 2009)	2	4	2	2
Ms G Rider† (temporarily stood down 26 February 2009 and rejoined the Board 1 July 2009)	2	9	2	5
Sir Julian Horn-Smith* (appointed 1 September 2009)	—	7	1	3
Mr S Webb (appointed 1 April 2009)	—	14	—	—

†Appointed to the Nomination Committee 24 September 2009

*Appointed to Audit, Remuneration and Nomination Committees on 24 September 2009

Role of non-executive Directors

The non-executive Directors, all of whom are considered by the Board to be independent as at 27 March 2010, have an appropriate range of business, financial and international experience which is relevant to the Company's activities. None of the non-executive Directors holds a material shareholding in the Company. Nicholas Brookes ceased to be independent after his appointment on 22 July 2004 as Chairman under the Code but the Board considers that his contribution and objectivity in Board and Committee discussions were fully consistent with those of an independent Director.

Keith Hodgkinson, who retired from the Board on 31 December 2009, ceased to be viewed as independent during the year and was succeeded by Sir Jeremy Greenstock as the senior independent non-executive Director on 1 January 2010. Shareholders may contact the senior independent non-executive Director if they feel their concerns are not being addressed through normal channels.

Non-executive Directors confirm on appointment and any re-appointment that they are able to allocate sufficient time to enable them to discharge their duties properly. Directors who have been unable to attend Board or Committee meetings have made known their views on pertinent matters before the meeting.

Induction and training

All new Directors receive an induction on joining the Company, for which the Chairman is responsible. This covers such matters as the strategy, operation and activities of the Group (including key financial data, and business, social and environmental risks to the Group's activities), corporate governance matters such as the role of the Board and individual Committees, and the Company's corporate governance procedures as outlined in this report. They are advised on the duties and obligations of Directors of a listed company. Site visits and meetings with senior management are also arranged. Any newly appointed Director, who has not previously been a Director of a listed company, is invited to attend external training covering such duties and responsibilities. Directors are briefed, where appropriate, by the Company's internal and external advisers, on changes to legislation, regulation or market practice, as well as receiving briefings from individual businesses throughout the year. The Board received specific briefing on the key issues of the Companies Act 2006 and on its implementation during the year. The Directors, especially Committee Chairmen, have the opportunity of attending appropriate training sessions.

The Board visits an operational site at least annually (Westhoughton, Bolton in 2009). Directors are also encouraged to visit other sites and staff. The General Counsel and Company Secretary, in conjunction with the Chairman, ensures that there is proper communication between the Board and its Committees and senior management and that non-executive Directors receive appropriate information. The Chairman reviews and the General Counsel and Company Secretary facilitates induction and other professional development as required.

Directors may take independent professional advice at the Company's expense, although no such advice was sought during the year.

Appointments

Following a decision during the year by the Board, all Directors are required to submit themselves for annual re-election. New Directors are subject to election by shareholders at the first opportunity after their appointment. Non-executive Directors are appointed for an initial period of two years with the expectation of three two year terms subject to satisfactory performance.

The Board may invite a non-executive Director to serve a further term after six years following a detailed review at the end of this period, subject to re-election.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for election and re-election at this year's AGM to be fully satisfactory and is of the opinion that they have demonstrated continued commitment to the role. The Board strongly supports their election and re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

Corporate responsibility

Information on the Group's initiatives and commitment to corporate responsibility can be found in the Corporate Responsibility Report on pages 31 to 35.

Business Ethics

De La Rue's reputation is based on security, integrity and trust. De La Rue has clear core values and principles which govern how the Group does business and which everyone within De La Rue must follow. The way De La Rue delivers this policy is reflected in the way the Group competes for business and delivers its services, focused on quality, value for money and the reliability and reputation of its employees.

All employees are required to follow the Code of Conduct approved by the Board when performing their duties as employees or where they are representing De La Rue. In addition all agents, sales consultants and distributors must also follow this Code of Conduct when they are representing De La Rue.

More detailed policies and procedures supplement the Code of Conduct. The main principles of the Code of Conduct are:

- Compliance with the law where either employees are employed or where they carry out business on behalf of De La Rue
- Compliance with competition/anti-trust law
- Compliance with export licensing or trade embargoes
- Business dealings with customers, suppliers and third parties must be conducted honestly and with integrity
- Avoiding conflicts of interests in any business dealings

The policies and procedures related to the appointment and management of sales agents and consultants were strengthened during the year in light of Lord Woolf's recommendations on the appointment and management of agents. The Group Third Party Partner Team was established and management processes and tools for the appointment of Third Party Partners (TPPs) were upgraded to eliminate any potential inconsistencies in the area. The Team also provides improved focus on training and communication to key relevant personnel on fundamental principles regulating TPPs and coordinates external due diligence where particular risks are identified. Advice was also sought from a number of external parties such as the Institute of Business Ethics and professional due diligence suppliers with regard to best practice in this area.

The Company announced on 18 November 2009 that it had received notification from the Serious Fraud Office that it had concluded its investigation into the Company which was initiated in 2007 and that no action will be taken against any company in the Group or against any current or former employee.

Committees of the Board

The Board has established Audit, Remuneration, Nomination, General Business and Risk Committees with appointed chairmen and fixed terms of reference which are reviewed annually. The terms of reference and duties of the Audit, Nomination, Remuneration and Risk Committees appear on the Group's website and are also available on request. The Board is satisfied that the Committees discharged their responsibilities satisfactorily. Membership of these Committees is given in the Directors' biographies on page 37. Further details of Committees and key activities performed during the year are given below.

Nomination Committee

The Committee consists of five independent non-executive Directors at the date of this report together with the Chairman and the Chief Executive.

The Committee meets at least once a year and otherwise as necessary and makes recommendations to the Board with regard to any vacancies for executive or non-executive Directors or changes that are considered necessary. The Committee has the power to employ the services of such advisers as it deems necessary in order to carry out its responsibilities. The Committee also reviews the time commitment required of non-executive Directors at least once a year. The Board, as a whole, approves the appointment and removal of Directors and retains appropriate executive search consultants, having prepared a job specification for the particular role to be filled. The principal activity of the Committee during 2009/2010 was succession planning and the recruitment of new Directors.

Remuneration Committee

Gill Rider was appointed to the Remuneration Committee in July 2006 and she has been the Committee Chairman since 26 July 2007. She temporarily stood down from the Board on 26 February 2009. Philip Nolan acted as Chairman of the Committee until Gill Rider's return on 1 July 2009. Details of the Committee and of the remuneration policy can be found in the Remuneration Report on pages 47 to 53.

General Business Committee

The Committee meets when necessary to deal with routine matters arising between scheduled Board meetings. Only independent non-executive Directors may decide matters relating to the administration or the implementation of the Company's share schemes (other than for the purpose of allotting shares on exercise).

Risk Committee

The Board reviewed the terms of reference and the composition of the Risk Committee during the year. Core responsibilities of the Risk Committee are to:

- Assist the Board by assessing and reporting on the effectiveness of the Company's internal control systems for managing risks
- Assist the Board in fulfilling its responsibilities by providing a framework for managing risks throughout the Group
- Provide an appropriate level of reporting on the status of risk management within the Group
- Promote awareness of internal control issues and risk management
- Provide an appropriate level of reporting to the Board which retains the overall responsibility, on the status of internal risk management

The Committee, chaired by the General Counsel and Company Secretary, meets and reports to the Board at least twice a year. Other members of the Committee include the Chief Executive, Group Finance Director, business unit managing directors and the Group Director of Business Continuity. Any Director is entitled to attend any meeting.

The Committee is assisted by Group-wide committees which deal with specific areas of risk such as the Health, Safety and Environment Committee and the Security Committee.

Details of risk management and particular risks within the Group are set out on pages 24 to 27.

CORPORATE GOVERNANCE STATEMENT continued

Audit Committee of the Board

Warren East succeeded Keith Hodgkinson as Chairman of the Audit Committee on 1 April 2009. All members of the Audit Committee are independent non-executive Directors other than Keith Hodgkinson, who retired from the Board on 31 December 2009 and who ceased to be viewed as independent having served on the Board for more than nine years from the date of his first election. Warren East is the chief executive of a listed company. The external auditors, Chairman, Chief Executive, Group Finance Director, General Counsel and Company Secretary, Group Financial Controller and the internal auditors Ernst & Young LLP attend each meeting at the invitation of the Committee Chairman. Ernst & Young LLP and KPMG Audit Plc each meet the Committee without executive Directors or employees of the Company being present.

The Committee provides an independent overview of the effectiveness of the internal financial control systems and financial reporting processes. Its principal responsibilities include:

- The appointment of the external auditor and the agreement of terms of engagement at the start of each audit
- Approving and reviewing progress on audit plans across the businesses
- Reviewing the integrity of the interim and full year financial statements
- Reviewing and monitoring the external auditor's independence and objectivity
- Reviewing reports on the effectiveness of the Group's Whistleblowing policy, details of which are set out on pages 27 and 32

During the year, the Audit Committee reviewed the effectiveness of the internal audit function and of the external audit and KPMG Audit Plc's role in performing it.

Internal audit

The Board through the Audit Committee monitors the internal financial control systems through reports received from the internal audit function during the year. The Audit Committee decided to outsource the internal audit function entirely to Ernst & Young LLP for 2009/2010. The internal audit function is now more aligned to the risks that De La Rue faces with outputs providing assurance over selected key risks that could impact the ability of the Group to achieve its business goals and objectives. Internal audit acts as a service to businesses by assisting with the ongoing improvement of controls and procedures. There is a system of internal control reviews which includes a self-assessment programme covering both financial and IT controls and actions agreed are followed up by management to ensure that satisfactory control is maintained. The internal audit plan is set and reviewed by the Audit Committee, together with reports from the external auditors (KPMG Audit Plc) on internal control matters noted as part of their audit work.

The Group has continued to raise the profile of good internal financial controls. The fraud risk profiling programme, involving multi-disciplined teams, considers areas of potential risks and confirms controls needed for key financial processes to mitigate such risks.

Independence of auditors

The Audit Committee places great emphasis on the objectivity of the Group's auditor, KPMG Audit Plc, in reporting to shareholders.

The KPMG audit Partner is present at Audit Committee meetings to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually. This activity also forms part of KPMG's own system of quality control. The Audit Committee has discussions with the auditor, without management being present, on the adequacy of controls and on judgmental areas and receives and reviews the auditors' highlights reports and management letters which are one of the main outputs from the external audit.

The scope and key focus of the forthcoming year's audit is discussed with, and approved by, the Audit Committee.

The Audit Committee has a detailed policy specifying which services the external auditor is allowed to perform on behalf of the Group and the relevant procedures to be followed by the Group.

Briefly, the procedures cover:

- Selecting the statutory auditor and approving the audit fee
- Being satisfied that there are no relationships between the auditor and the Group (other than in the ordinary course of business)
- Commissioning non-audit work
- Circumstances in which it is appropriate for incumbent auditors to provide non-audit work

De La Rue has procedures for procuring audit and consulting services from external sources as follows:

- Audit-related services, covering regulatory and statutory reporting
- Non-audit related services, covering the nature and extent of non-audit services whilst seeking to maintain the balance between objectivity and value for money

The allocation of non-audit work is considered in accordance with the Group's policy on the engagement of external auditors and the commissioning of non-audit services. The policy sets out a pre-approved framework of services, where the auditors can apply their existing in-depth business knowledge and skill to bring both quality and efficiency benefits to the Group. The external auditors are prohibited from performing certain non-audit related services including remuneration consultancy and advice and the design, development or implementation of financial information or internal control systems. However, a total prohibition on use of incumbent external auditors might lead to loss of business knowledge that could adversely affect audit quality.

Whilst it may be cost effective for incumbent external auditors to provide services, as a general principle all services must be subject to competitive tender. The Group Finance Director determines how this applies.

Incumbent auditors may, but only with the prior approval of the Chairman of the Audit Committee, provide some non-audit related services, where the selection criteria include detailed proposals, timescales, local resource and cost. During 2009/2010 the amount of non-audit fees paid to KPMG Audit Plc was £0.2m and was principally related to work performed in connection with tax assurance services.

The external auditors have safeguards in place to avoid their objectivity and independence being compromised. They report to the Audit Committee on how they comply with professional and regulatory requirements and best practice designed to ensure their independence. Key members of the KPMG Audit Plc audit team rotate and the firm ensures, where appropriate, that confidentiality is maintained between different parts of the firm providing services to De La Rue.

By order of the Board



Edward Peppiatt
Company Secretary
24 May 2010

REMUNERATION REPORT

The Remuneration Committee presents its Report which has been adopted by the Board and which shareholders will be asked to approve at the forthcoming Annual General Meeting

The Report covers the following

- Committee membership and responsibilities
- Policy on Directors' and senior executives' remuneration
- Details of each Director's remuneration and awards under share or share option schemes
- Graphs comparing the performance of the Company against the FTSE 250, its comparator group
- Details of the fees of non-executive Directors (for which the Board rather than the Remuneration Committee is responsible)

Constitution of the Remuneration Committee

The Remuneration Committee consists entirely of non-executive Directors all of whom are considered to be independent (as defined under the Combined Code), except Keith Hodgkinson who retired on 31 December 2009 and who ceased to be independent in July 2009 having served on the Board for more than nine years and the Chairman of the Company, who was independent at the time of his appointment as Chairman on 22 July 2004. During the year under review, Philip Nolan acted as Chairman of the Remuneration Committee until Gill Rider rejoined the Committee as Chairman on 1 July 2009 (having temporarily stood down from the Board on 26 February 2009). The Remuneration Committee comprises Nicholas Brookes, Sir Jeremy Greenstock, Keith Hodgkinson (until 31 December 2009) and Sir Julian Horn-Smith (from 24 September 2009). Their biographical details appear on page 37. The Committee meets as required: seven meetings were held during the year, and attendance details are set out on page 44. Its remit is to determine the Group's policy for executive remuneration, to determine the remuneration packages of the Chairman, executive Directors and certain other senior executives who report to the Chief Executive, including pension rights and compensation payments and to oversee the implementation and operation of share incentive schemes. Details of how the Committee has carried out these responsibilities are described in this report. Terms of Reference for the Committee are set out in full on De La Rue's website.

Advisers

The Committee is authorised to and does use independent consultants. During 2009/2010 Towers Watson advised on benchmarking against comparator companies, executive salaries, share plan design and review of senior management bonus schemes and pensions. Hewitt New Bridge Street advised on whether performance targets in share option schemes were achieved.

The Chief Executive and the Group Director of Human Resources are normally invited by the Remuneration Committee to attend meetings of the Committee. The General Counsel and Company Secretary, who is also Secretary to the Committee, advised on governance issues.

No-one is present when his or her own remuneration or contractual terms are discussed. The Chief Executive is consulted on the remuneration of executives directly reporting to him and other senior executives and will seek to ensure a consistent process across the Group.

General policy

The Group's remuneration policy aims to align the interests of the executive Directors and other senior executives with those of shareholders. The Committee believes that variable performance related pay and incentives should account for a significant proportion of the overall remuneration package of executive Directors so that the remuneration of executive Directors is aligned with the Group's performance. Performance related elements of remuneration therefore form a significant proportion of total remuneration packages.

In setting the Group's remuneration policy, the Remuneration Committee believes that the Group should provide

- Competitive rewards, which will attract and retain high calibre employees with the skills and commitment to drive performance and which reflect individual responsibilities and experience
- Incentive arrangements which are fair, competitive, simple to understand and transparent. They should also be subject to challenging performance targets reflecting the Group's objectives to motivate executives to focus on both annual and longer term performance.

Performance targets set for the incentive schemes are designed to provide maximum awards for exceptional performance. The Remuneration Committee intends that executive Directors' basic salaries should, over time, be positioned at or around the median level in the marketplace with the incentive arrangements (provided performance targets are met) set in order that overall remuneration is at the median level in the marketplace. When assessing the marketplace, the Remuneration Committee refers to survey data supplied by Towers Watson, focusing on companies of similar size and complexity in the FTSE 250.

The Committee adopted a policy in 2002 that certain key executives (being executive Directors and other members of the Operating Board) should be encouraged to hold and retain a personal shareholding in the Company equivalent to one times salary over a period of five years.

New performance share plan and changes to Annual Incentive Award

During the year the Remuneration Committee carried out a review of the Group's remuneration arrangements for executive Directors and senior management in conjunction with its advisers, Towers Watson. These arrangements are subject to approval by shareholders at the Annual General Meeting (AGM) and a description of the key terms of the proposed new plans may be found in the Notice of AGM.

The Group intends to introduce a new long term incentive plan, the De La Rue Performance Share Plan (PSP). The PSP will replace the current 2005 Deferred Bonus and Matching Share Plan for awards from 2010 onwards and no further awards will be made under that plan.

The purpose of the PSP is to provide executives and selected senior managers with a long term incentive award that promotes long term value creation for shareholders and reinforces the alignment of participant and shareholder interests.

The terms of the current annual incentive awards will also be amended such that a proportion of the annual incentive award may be paid in shares or restricted stock units with a mandatory holding period of three years, and which will be subject to forfeiture (clawback) in the event of resignation, dismissal for misconduct or a restatement of financial results. In order to achieve this, a new Annual Bonus Plan (ABP) will be introduced and will apply to annual incentive awards in respect of the 2009/2010 and subsequent financial years.

The Remuneration Committee currently considers that the maximum awards under the ABP should be set at 100 per cent of salary in cash and 35 per cent of salary in shares for the Chief Executive and up to 80 per cent of salary in cash and 35 per cent of salary in shares for other executive Directors.

Principal shareholders were consulted on the key features of the proposed plans.

REMUNERATION REPORT continued

Components for executive Directors and senior executives

Executive Directors' remuneration is provided in the form of a combination of basic salary, annual bonus (cash) and an award of shares, currently under the De La Rue Deferred Bonus and Matching Share Plan

Salaries for executive Directors and senior executives

The Remuneration Committee, taking into account performance, experience and responsibilities, determines the basic salary for each executive Director. Salaries are reviewed annually by the Remuneration Committee having regard to employees' pay and conditions elsewhere in the Group.

The Remuneration Committee regularly benchmarks key roles against similar positions in comparable companies and obtains detailed information from external and internal sources about current market practices. Key roles include executive Directors and members of the Operating Board.

At the most recent benchmarking review, James Hussey's level of annual salary was positioned below the median of composite comparator data for chief executives, comprising Towers Watson's proprietary remuneration survey data and a bespoke group of predominantly FTSE 250 companies. Simon Webb's level of annual basic salary was also positioned below the median of composite comparator data for finance directors on the same basis.

Benefits

All executive Directors and senior employees are eligible for a range of taxable benefits which include provision of car allowance, pension, membership of a private medical scheme and life assurance and reimbursement of the annual subscription to an appropriate professional body. In addition, the Chief Executive is provided with permanent health insurance.

Annual Incentive Award

The annual bonus, which is paid as a percentage of basic salary, is based on achieving targets for the year set by the Remuneration Committee. The maximum bonus opportunity as a percentage of salary is 100 per cent for the Chief Executive, James Hussey, and 70 per cent for the Group Finance Director, Simon Webb. The Committee considers each year what are appropriate performance measures to align the reward strategy with the business strategy.

Typical measures for executive Directors and senior executives will include operating profit (before exceptionals), operating cash flow and the achievement of key business imperatives. For the executive Directors, the Annual Incentive Award measures for 2009/2010 were set against Group Operating Profit and Group Cash Flow targets for the full year. These measures were chosen as they represent the key business drivers that reflect the underlying financial performance of the Group. There are appropriate divisional measures for managing directors and senior executives of business units. The incentive plan is structured so that there is no payment unless a minimum performance threshold has been achieved and the maximum payout will only be made if stretching and challenging targets are met. The 2009/2010 Annual Incentive Award achieved payouts for executive Directors and some senior management of between entry and target.

Once the design of the relevant annual incentive scheme has been approved by the Committee it is then introduced throughout the Group with appropriate measures for individual business units and eligible employees. Measures may include increase in revenues, productivity improvements, working capital management, order growth, cash flow and relevant profit targets. The Committee has used a combination of these measures for the past nine years, including the annual incentive award for 2009/2010.

The Remuneration Committee has discretion to consider other factors, such as ethical behaviours, corporate responsibility, environment and health and safety matters as it sees fit when determining the final outcome of the annual incentive award.

Targets set for 2010/2011 follow a similar plan design as for 2009/2010 with appropriately challenging performance targets.

Details of the emoluments of the executive Directors during the year are in the table on page 50.

Executive Directors' service contracts

James Hussey and Simon Webb have rolling service contracts dated 25 November 2008 and 26 January 2009 respectively allowing 12 months' notice period from either party and provision for compensation on termination by the Company not exceeding 12 months' basic salary, excluding benefits in kind.

The Company announced on 30 April 2010 that Simon Webb will leave the Board on 31 May 2010 and details of the termination arrangements are set out on page 50.

In determining compensation for early termination of a service contract, the Remuneration Committee carefully considers the specific circumstances, the Company's commitments under the individual's contract and the individual's obligation to mitigate loss.

Directors' share interests (audited information)

The interests in ordinary shares of 44^{1/2}/₁₇₅p of Directors holding office at the end of the financial year are set out below.

	28 March 2009	27 March 2010
Nicholas Brookes	7,780	7,780
Warren East	2,093	2,093
James Hussey	13,298	36,345
Gill Rider	454	454
Simon Webb	–	2,410

Sir Jeremy Greenstock, Sir Julian Horn-Smith and Victoria Jarman (appointed 22 April 2010) have no interest in the Company's ordinary shares. There have been no changes in Directors' interests in ordinary shares since 27 March 2010. All interests of the Directors and their families are beneficial.

Pension

All executive Directors and senior executives in the UK may join the HM Revenue and Customs registered De La Rue Pension Scheme (the Scheme). Executives who are members of the closed senior section of the Scheme are required to pay a contribution of 8 per cent of pensionable salary into the Scheme and are provided with a pension of up to 71.66 per cent of final pensionable salary on retirement. The actual level of pension depends upon the number of years' service with the Group. Executives who are members of the retirement plan section of the Scheme are required to pay a contribution of 3.5 per cent of pensionable salary to the Scheme. Pension accrues at a maximum rate of 1 per cent of pensionable salary for each year of service. In addition members of this section may pay up to an extra 3 per cent of pensionable salary into a defined contribution plan and receive equal matching contributions from the Company.

The current normal retirement age is 65 although pension accrued on service before 1 June 2007 may be drawn in full from age 60. Pension accrued after 1 June 2007 is subject to a variable accrual rate which is adjusted annually to reflect changes to life expectancy. The Scheme also provides a lump sum death in service benefit and pensions for dependants of members on their death. Executive Directors and senior executives who reach the Lifetime Allowance will be offered the option of leaving the Scheme at that point and receiving a cash allowance in lieu of pension provision, or remaining in the Scheme and incurring a personal tax charge, known as the Lifetime Allowance Charge, on any excess benefits. The Committee has decided that the Group will not compensate any executive Director or employee for any additional tax which may be payable as a result of a member reaching the Lifetime Allowance.

During the year the Group has consulted with its employees on the way it provides pension benefits. As a result of the consultation process the following changes are planned:

- The current final salary sections will be closed to future accrual from 1 April 2013 and pensionable pay will be frozen from 31 March 2011
- The mortality adjustment applied to pension accrued after 1 June 2007 will be removed in respect of employees who remain in service after 31 March 2013
- A new defined contribution pension scheme will be put in place during 2010 for new employees. Current employees who leave the final salary sections in 2013 and those who wish to leave the final salary sections before then may also join this scheme. The scheme offers employees a choice of contribution between 3 per cent and 6 per cent of pensionable pay with a double matching employer contribution

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

James Hussey is eligible for a pension of up to 71.66 per cent of his notional pensionable salary at age 65. He is required to make a contribution to the senior section of the Scheme of 8 per cent of his notional pensionable salary. He is covered for a lump sum on death in service of four times his basic salary, with a widow's pension of 60 per cent of his prospective pension in the event of death in service. His pension under the defined benefit Scheme as at 27 March 2010 was £97,809 per annum. His notional pensionable salary for 2009/2010 was £231,525. James Hussey receives a cash allowance of 20 per cent on the difference between his basic salary and his notional pensionable salary. Notional salary increases annually in line with the retail price index.

Stephen King (resigned 31 March 2009) was eligible for a target pension from all sources of 71.66 per cent of basic salary at the age of 65. His target pension was provided through a combination of a closed FURBS, membership of the senior section of the Scheme and pensions from previous employments.

He made a contribution of 8 per cent of basic salary to his pension arrangement and was covered for a lump sum on death in service based on four times basic salary, with a widow's pension of 60 per cent of target pension in the event of death in service. He ceased to be a Director on 31 March 2009 and left service on 30 June 2009. His pension under the defined benefit Scheme as at 31 March 2009 was £45,900 per annum. As part of his termination arrangements, the Group made an additional payment to the Scheme of £71,680 to augment his benefits. His deferred pension entitlement at 30 June 2009 was £58,600 per annum.

Simon Webb is entitled to a pension from the retirement plan section of the Scheme. The accrual rate from 1 April 2010 allowing for adjustments for mortality is $\frac{1}{100}$ for each year of pensionable service. He is required to make a contribution of 3.5 per cent of his basic salary towards his defined benefit pension and has elected to pay additional top up contributions of 3 per cent to the defined contribution section. In the event of death in service he is covered for a lump sum of four times his basic salary and a widow's pension of 25 per cent of basic salary. His pension under the defined benefit Scheme as at 27 March 2010 was £2,583 per annum. The Group also makes a payment of 10 per cent of basic salary to a self invested pension plan for the executive. For the first nine months of the year this contribution was paid as a cash allowance to the executive.

Directors' pension entitlements (audited information)

The table below sets out the pension benefits to which each executive Director is entitled. It shows:

- The accrued pension entitlement at the end of the year, including pension accrued before appointment as a Director, if applicable, payable from normal retirement age
- The additional pension accrued during the year, payable at normal retirement age
- The transfer value amounts as at 28 March 2009 and 27 March 2010 and the increase in transfer value between the two periods net of Directors' contributions. The transfer values have been calculated in accordance with Actuarial Guidance Note GN11

Pensions accruing to executive Directors during the full or part year are set out below:

Directors' pension entitlements (£'000)

	Pension accumulated at 27 March 2010	Increase pension during year	Increase pension during year (net of initiation)	Transfer value of the increase in pension (excluding Directors' contributions)	Transfer value of accumulated pension at 28 March 2009	Transfer value of accumulated pension at 27 March 2010	Change in transfer value (excluding Directors' contributions)	Contributions to a Defined Contribution Scheme
Stephen King (to date of resignation of 31 March 2009)	46	—	—	—	514	621	107	—
James Hussey	98	8	8	71	1,028	1,295	248	—
Simon Webb (appointed Group Finance Director and executive Director on 1 April 2009)	3	2	2	14	3	25	14	12

REMUNERATION REPORT continued

Directors' emoluments (audited information)

	2010 Salary and fees £'000	2010 Benefits £'000	2010 Bonus £'000	2010 Total to 27 March 2010 (or date of resignation if sooner) £'000	2009 Total £'000
Executive Directors					
James Hussey	325	44	82	451	221
Stephen King (resigned 31 March 2009)	2	—	4	6	991
Simon Webb (appointed 1 April 2009)	225	36	40	301	66
	552	80	126	758	1,278
Non-executive Chairman					
Nicholas Brookes	163	—	—	163	163
Non-executive Directors					
Warren East	47	—	—	47	40
Sir Jeremy Greenstock	40	—	—	40	40
Keith Hodgkinson (resigned 31 December 2009)	35	—	—	35	47
Sir Julian Horn-Smith (appointed 1 September 2009)	23	—	—	23	—
Philip Nolan (resigned 23 July 2009)	18	1*	—	19	42
Gill Rider (temporarily stood down from the Board on 26 February 2009 until 1 July 2009)	35	—	—	35	43
Aggregate emoluments	913	81	126	1,120	1,653

*Relates to reimbursement of travelling expenses from Ireland to attend Board meetings

Simon Webb's termination arrangements

Agreement was reached with Simon Webb that on termination of his employment on 25 June 2010 he will receive £321,000 as payment in lieu of notice and compensation for loss of office and/or employment. The Company will bear certain expenses of £12,000. In accordance with the rules of the Deferred Bonus and Matching Share Plan, Simon Webb will also receive allocations of shares in respect of awards made in 2009 not exceeding a value of £140,000.

Payments made to former Directors of the Company

Lord Wright, who retired as a Director on 19 July 2000, continues to provide up to 20 days' consultancy each year pursuant to an agreement with the Company dated 20 July 2000 which has been extended to 19 July 2010. He is paid a fee of £20,000 per annum.

Directors' Share Options (audited information) – Sharesave Scheme

The number of options over De La Rue plc shares held by executive Directors under the Sharesave Scheme during the period is detailed below.

	Date of Grant	28 March 2009	Exercised during year	Granted during year	Lapsed during year	Number of Options 27 March 2010 (or date of resignation if sooner)	Exercise price (pence)	Market price at exercise date (pence)	Performance targets (see below)	Date from which exercisable	Expiry date	Average fair value per share (pence)*
Stephen King (to date of resignation of 31 March 2009)	Dec '07	1,287	—	—	—	1,287 ⁽¹⁾	745.74	— ⁽¹⁾	— ⁽²⁾	— ⁽³⁾	— ⁽³⁾	288.0
Sharesave options												

Notes

(1) Stephen King exercised 582 options (pro rated) on 13 August 2009. The closing mid-market price on this date was 848p.

(2) No performance conditions are attached to the options under the Sharesave Scheme as it is open to all UK employees.

(3) Exercisable for a period of six months from date of termination of 30 June 2009.

(4) Estimated value of award at time of grant (see also note 21b to the Financial Statements).

James Hussey and Simon Webb do not hold any options under the Sharesave Scheme.

The closing mid-market price of De La Rue plc shares at 27 March 2010 was 940p and the highest and lowest mid-market prices during the year were

	Ordinary shares of 44 ¹ / ₁₆ p to 27 March 2010
High	1,006.0
Low	813.5

Deferred Bonus and Matching Share Plan (audited information)

Allocation of shares held by executive Directors is as follows

	Date of allocation	Total allocation as at 28 March 2009 (or date of appointment if later)	Allocation during year	Allocation vesting during year	Lapsed during year	Total allocation as at 27 March 2010 (or date of resignation if sooner)	10 Day average mid market share price preceding date of allocation (pence)	Market price at date of vesting (pence)	Vesting date	Average fair value per share ^(a) (pence)
James Hussey										
Deferred Allocation	Jun '06	12,505	–	12,505 ⁽¹⁾	–	–	531.80	877.80	Jun '09	540
	Jun '07	9,691	–	–	–	9,691	758.40	–	Jun '10	792
	Jun '08	8,494	–	–	–	8,494	908.50*	–	Jun '11	889
	Jun '09	–	13,249	–	–	13,249	858.55	–	Jun '12	880
Maximum Matching Allocation⁽⁴⁾										
	Jun '06	25,010	–	25,010	–	–	531.80	877.80	Jun '09	380
	Jun '07	19,380	–	–	–	19,380	758.40	–	Jun '10	552
	Jun '08	16,988	–	–	–	16,988	908.50*	–	Jun '11	639
	Jun '09	–	26,498	–	–	26,498	858.55	–	Jun '12	665
		92,068	39,747	37,515⁽²⁾	–	94,300				
Simon Webb (appointed 1 April 2009)										
Deferred Allocation	Jun '09	–	9,172	–	–	9,172	858.55	–	Jun '12	880
Maximum Matching Allocation ⁽⁴⁾	Jun '09	–	13,758	–	–	13,758	858.55	–	Jun '12	665
		–	22,930	–	–	22,930				
Stephen King (resigned 31 March 2009)										
Deferred Allocation	Jun '06	17,770	–	–	–	17,770⁽³⁾	531.80	877.80	Jun '09	540
	Jun '07	14,075	–	–	–	14,075⁽⁴⁾	758.40	902.21	Jun '09	792
	Jun '08	12,336	–	–	–	12,336⁽⁵⁾	908.50*	902.21	Jun '09	889
Maximum Matching Allocation⁽⁴⁾										
	Jun '06	35,540	–	–	–	35,540⁽⁶⁾	531.80	877.80	Jun '09	380
	Jun '07	28,150	–	–	–	28,150⁽⁶⁾	758.40	902.21	Jun '09	552
	Jun '08	24,671	–	–	–	24,671⁽⁷⁾	908.50*	902.21	Jun '09	639
		132,542	–	–	–	132,542				

Notes

Middle market value of an ordinary share on the dealing day immediately preceding date of allocation

(a) Details of the performance condition attached to Matching Shares are set out on page 52. The performance condition for the 2006 awards under the Plan was met in full and the shares vested on 22 June 2009

(b) Estimated value of award at time of grant (see also note 21b to the Financial Statements)

Dividend Shares

An additional award of shares will be released on the vesting date in respect of all Deferred Shares released equal in value to the amount of dividends which would have been payable on the Deferred Shares over the performance period. As at 27 March 2010 and based on the prevailing share price on that date dividend shares accrued were as follows:

James Hussey 2,622 ordinary shares

Simon Webb 404 ordinary shares

James Hussey

(1) A total of 1,617 dividend shares were released to James Hussey on Deferred Allocations vesting on 22 June 2009

(2) James Hussey retained the shares acquired on vesting of the June 2006 award under the Plan after selling sufficient number of shares to meet his PAYE and NI liability

Stephen King

(3) Deferred Allocation for the year 2006 was released in full on 22 June 2009. 2,297 dividend shares relating to this allocation were also released

(4) Deferred Allocation for the year 2007 was released in full on 30 June 2009. 1,465 dividend shares relating to this allocation were also released

(5) Deferred Allocation for the year 2008 was released in full on 30 June 2009. 386 dividend shares relating to this allocation were also released

(6) Matching Allocations for the years 2006 and 2007 were also released in full on 22 June 2009 and 30 June 2009 respectively without pro-rating for time served subject to measurement of the EPS condition to 31 March 2008 and the TSR condition to 1 September 2008 which were both met

(7) Matching Allocation for the year 2008 was released pro-rated (8,314) to 30 June 2009 subject to the measurement of the EPS condition to 31 March 2008 and the TSR condition to 1 September 2008 which were met in full

REMUNERATION REPORT continued

Current schemes

Sharesave Scheme

All UK employees may join the Company's HM Revenue and Customs 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 and £250 per month over a period of three or five years. A grant was made in December 2009 at a price of 819.55p which was at a 15 per cent discount and 40 per cent of eligible employees participated.

US Employee Share Purchase Plan

The US Employee Share Purchase Plan (USESPP), established under Section 423 of the US Internal Revenue Code, provides a competitive incentive for US employees to invest up to 10 per cent of basic salary each year in the Company's shares, subject to the statutory limit (currently US\$25,000 worth of shares). No performance conditions are attached to options under the USESPP. The Eighth Offering under the Plan began on 1 January 2010 and 38 per cent of eligible employees participated. The purchase price is 85 per cent of the lower of the market value of a De La Rue share either at the beginning (988p) or end of the Offering Period on 31 December 2010.

Deferred Bonus and Matching Share Plan

The Company established the Deferred Bonus and Matching Share Plan (the Plan) in July 2005 which, following a review in 2007, was extended until 2010.

Awards of deferred allocations of shares (Deferred Shares) to executive Directors and selected senior executives are made based on the achievement of annual performance targets to be satisfied before the awards are made.

The maximum potential value of the Deferred Shares based on the market value of a share at the date of allocation is 50 per cent of salary. For 2009/2010 financial year the value of awards to executive Directors was 35 per cent of salary. The number of Deferred Shares will be matched by additional free shares (Matching Shares) which will be released on the third anniversary of the allocation of the Deferred Shares provided pre-determined performance targets are satisfied and the participant is still employed within the Group.

There are two performance targets, each one of which applies to allocations of up to 50 per cent of the Matching Shares. Fifty per cent is based on the achievement of an annual rate of increase in earnings per share (EPS) of a De La Rue share over the annual rate of increase in the retail price index of a minimum of 3 per cent per annum. If the minimum target is not achieved no matching share allocation subject to the EPS test will be awarded. If EPS increases by 5 per cent or more above the annual rate of increase in the retail price index, the eligible participant will receive 100 per cent of Matching Shares subject to the EPS test, with intermediate straight line vesting.

The remaining 50 per cent of the Matching Share element is based on De La Rue's total shareholder return (TSR) relative to the TSR of the companies comprising the FTSE Mid 250 (excluding investment trusts) over the relevant period. The proportion of any matching allocation subject to this test will be 50 per cent for median performance, and 100 per cent for upper quartile performance, with intermediate straight line vesting.

For executive Directors and certain selected senior executives, up to two Matching Shares will be allocated for each Deferred Share. No shares will be released for performance below that which qualifies for the minimum number of Matching Shares.

An additional award of shares will be released on the vesting date in respect of all Deferred Shares released equal in value to the amount of dividends which would have been payable on the Deferred Shares over the performance period. The Remuneration Committee regularly reviews the operation of the Plan and its specific terms, including performance measures. At the time the Plan was introduced in 2005 the EPS and TSR performance measures were adopted following consultation with shareholders as being the most transparent and appropriate. Before making any award the Remuneration Committee considers the appropriateness of the performance targets for matching awards, recognising in particular that the average earnings per share growth target of retail price index plus 3 to 5 per cent is the minimum. Subject to approval by shareholders at the forthcoming AGM, the Plan will be replaced with the PSP and ABP as detailed on page 47 of this report.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) was introduced in 2006 to retain key individuals who are not eligible for the Deferred Bonus and Matching Share Plan. The LTIP is a cash based plan under which participating employees may, subject to the performance measure being met, receive up to 20 per cent of their annual salary as a cash payment at the end of three years after an allocation is made.

The performance measure is EPS based and on a straight line basis. The test is achievement of an annual rate of increase in earnings per share which is at least 3 per cent over the annual rate of increase in the retail price index. At the minimum achievement a cash payment equivalent to 15 per cent of annual salary is payable whilst an earnings per share increase of 5 per cent or more above the annual rate of increase in the retail price index means 20 per cent of annual salary is payable with intermediate straight line vesting in between.

Superseded schemes

Executive Share Option Plan

The Executive Share Option Plan, which expired on 17 July 2006 for the purpose of grants of options, provided for the grant of options at a price equal to the average market value of a De La Rue plc ordinary share over the three dealing days immediately preceding the date of grant, with a performance condition based on the achievement of an earnings per share growth target. This is a legacy plan with five participants holding 28,362 subsisting options, none of whom are executive Directors or senior executives.

The Plan was replaced by the Long Term Incentive Plan.

Dilution limits

The Executive Share Option Plan and Deferred Bonus and Matching Share Plan incorporate the current (December 2009) Association of British Insurers Guidelines on headroom which provide that over a 10 year period in relation to the Company's issued share capital (including any reissue of treasury shares)

- No more than 10 per cent can be issued to satisfy options granted under both executive share option schemes and any other employee share scheme of the Company.
- No more than 5 per cent can be allocated to satisfy executive (discretionary) share option schemes or share awards.

The Remuneration Committee monitors regularly the effect of potential vesting of share options or share awards to ensure that the Company remains within these dilution limits. Options for which a market purchase of shares has been made are excluded from the headroom calculations.

As at 24 May 2010 the current headroom in relation to all outstanding share options or deferred share awards is shown below

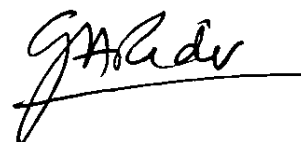
Scheme limits headroom

Shares (million)		
Headroom	2.61	
SAYE subsisting		
Executive Schemes subsisting	4.08	
	175	
	3.19	3.19
	5% in 10 years	10% in 10 years

Remuneration for non-executive Directors

The Board determines the fees paid to non-executive Directors taking into account market norms, comparator companies and the duties required of non-executive Directors. Towers Watson advised the Board during 2009/2010. Details of fees to the Chairman and other non-executive Directors are set out on page 50. The fees remain unchanged for the year 2010/2011 other than the fee to the Chairman which increased to £165,000 from £162,500 having not been reviewed prior to that since 2007. The Chairmen of the Audit and Remuneration Committees each receive an additional fee of £7,000 per annum for their work. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's bonus or share option schemes.

By order of the Board



Gill Rider

Chairman of the Remuneration Committee
24 May 2010

Shareholder return

The performance chart below illustrates total shareholder return

Total shareholder return						
£				267.9	276.1	
De La Rue plc			240.6			
FTSE 250 excluding investment trusts index			190.9			
This graph shows the value on 27 March 2010, of £100 invested in De La Rue plc on 26 March 2005 compared with the value of £100 invested in the FTSE 250 excluding investment trusts index, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends.			146.5	174.1		
	100.0	142.5		149.7		166.6
	100.0				98.8	
Source: Thomson Financial	2005	2006	2007	2008	2009	2010

Non-executive Directors

Non-executive Directors do not have service contracts and have letters of appointment specifying fixed terms of office. Terms of appointment are initially for two years with the expectation of three two year terms. The Board may invite non-executive Directors to serve a further term after a six year term following a detailed review. The non-executive Directors' current terms of appointment are detailed below.

Non-executive Director	Current expiry of appointment	Date of first appointment
Warren East	8 January 2011	9 January 2007
Sir Julian Horn-Smith	31 August 2011	1 September 2009
Sir Jeremy Greenstock	29 February 2012	1 March 2005
Victoria Jarman	21 April 2012	22 April 2010
Gill Rider	21 June 2012	22 June 2006

Nicholas Brookes was initially appointed as a non-executive Director on 19 March 1997 and as Chairman of the Company on 22 July 2004.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DE LA RUE PLC

We have audited the Financial Statements of De La Rue plc for the 52 week period ended 27 March 2010 set out on pages 55 to 94. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 27 March 2010 and of the Group's and the Parent Company's profit for the year then ended,
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the Parent Company Financial Statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements,
- the information given in the Corporate Governance Statement set out on pages 42 to 46 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
 - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
 - the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
 - certain disclosures of Directors' remuneration specified by law are not made, or
 - we have not received all the information and explanations we require for our audit, or
 - a Corporate Governance Statement has not been prepared by the Company.
- Under the Listing Rules we are required to review:
 - the Directors' statement, set out on page 40, in relation to going concern, and
 - the part of the Corporate Governance Statement on pages 42 to 46 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

A J Sykes

Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

24 May 2010

GROUP INCOME STATEMENT

For the year ended 27 March 2010

	Notes	2010 £m	2009 £m
Continuing operations			
Revenue	1	561.1	502.4
Operating expenses	2	(451.9)	(405.9)
Operating profit before exceptional items		109.2	96.5
Exceptional items – operating	3	(7.5)	(8.9)
Operating profit		101.7	87.6
Share of profits of associated companies after taxation		6.3	8.9
Profit before interest and taxation		108.0	96.5
Interest income	4	0.3	7.8
Interest expense	4	(5.4)	(6.4)
Retirement benefit obligation finance income	25	26.4	33.3
Retirement benefit obligation finance cost	25	(32.7)	(35.1)
Net finance cost		(11.4)	(0.4)
Profit before taxation		96.6	96.1
Taxation	5	(26.2)	(28.5)
Profit for the year from continuing operations		70.4	67.6
Discontinued operations			
Profit for the year from discontinued operations	6	–	296.5
Profit for the year		70.4	364.1
Profit attributable to equity shareholders of the Company		69.9	363.0
Profit attributable to minority interests		0.5	1.1
		70.4	364.1

Earnings per share attributable to the Company's equity holders

From continuing operations			
Basic	7	71.0p	50.9p
Diluted	7	70.5p	50.4p
From discontinued operations			
Basic	7	–	226.8p
Diluted	7	–	224.6p
On profit for the year			
Basic	7	71.0p	277.7p
Diluted	7	70.5p	275.0p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 27 March 2010

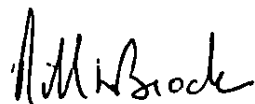
	Notes	2010 £m	2009 £m
Profit for the financial year		70.4	364.1
Other comprehensive income			
Foreign currency translation differences for foreign operations		0.1	3.6
Actuarial losses on retirement benefit obligations		(72.3)	(75.0)
Effective portion of changes in fair value of cash flow hedges, net of amounts recycled to the income statement		6.6	(13.0)
Income tax relating to components of other comprehensive income	5	21.4	24.7
Foreign exchange recycled to the income statement on disposal of subsidiary undertakings		–	(13.3)
Other comprehensive income for the year, net of tax		(44.2)	(73.0)
Comprehensive income for the year		26.2	291.1
Comprehensive income for the year attributable to			
Equity shareholders of the Company		25.7	290.0
Minority interests		0.5	1.1
		26.2	291.1

GROUP BALANCE SHEET

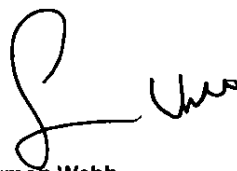
At 27 March 2010

	Notes	2010 £m	2009 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	165.6	148.3
Intangible assets	10	19.3	18.3
Investments in associates and joint ventures	11	0.1	21.1
Deferred tax assets	17	36.5	29.3
Derivative financial instruments	15	0.8	11.6
		222.3	228.6
Current assets			
Inventories	13	61.0	65.3
Trade and other receivables	14	76.5	82.5
Current tax assets		3.9	0.4
Derivative financial instruments	15	20.4	23.3
Cash and cash equivalents	16	41.6	58.5
Non-current assets held for sale	12	20.5	—
		223.9	230.0
Total assets		446.2	458.6
LIABILITIES			
Current liabilities			
Borrowings	19	(51.7)	(40.1)
Trade and other payables	18	(164.2)	(158.5)
Current tax liabilities		(34.5)	(40.4)
Derivative financial instruments	15	(24.7)	(27.7)
Provisions for other liabilities and charges	20	(26.1)	(32.5)
		(301.2)	(299.2)
Non-current liabilities			
Borrowings	19	(0.9)	(51.5)
Retirement benefit obligations	25	(127.1)	(69.7)
Deferred tax liabilities	17	(0.3)	—
Derivative financial instruments	15	(2.1)	(14.3)
Other non-current liabilities	18	(5.1)	(3.3)
		(135.5)	(138.8)
Total liabilities		(436.7)	(438.0)
Net assets		9.5	20.6
EQUITY			
Share capital	21a	45.5	45.0
Share premium account		28.4	26.5
Capital redemption reserve		5.9	5.9
Hedge reserve		(3.9)	(8.6)
Cumulative translation adjustment		3.8	3.7
Other reserves		(83.8)	(83.8)
Retained earnings		10.4	29.0
Total equity attributable to shareholders of the Company		6.3	17.7
Minority interests		3.2	2.9
Total equity		9.5	20.6

Approved by the Board on 24 May 2010



Nicholas Brookes
Chairman



Simon Webb
Group Finance Director

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 27 March 2010

	Attributable to equity shareholders							Minority interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 30 March 2008	44.6	22.5	5.5	0.7	13.4	(83.8)	210.3	2.3	215.5
Comprehensive income for the year	–	–	–	(9.3)	(9.7)	–	309.0	1.1	291.1
Share capital issued	0.8	4.0	–	–	–	–	–	–	4.8
Purchase of shares for cancellation	(0.4)	–	0.4	–	–	–	(119.3)	–	(119.3)
Allocation of treasury shares	–	–	–	–	–	–	2.2	–	2.2
Employee share scheme – value of services provided	–	–	–	–	–	–	2.8	–	2.8
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.7	–	0.7
Dividends paid	–	–	–	–	–	–	(376.7)	(0.5)	(377.2)
Balance at 29 March 2009	45.0	26.5	5.9	(8.6)	3.7	(83.8)	29.0	2.9	20.6
Comprehensive income for the year	–	–	–	4.7	0.1	–	20.9	0.5	26.2
Share capital issued	0.5	1.9	–	–	–	–	–	–	2.4
Employee share scheme – value of services provided	–	–	–	–	–	–	1.5	–	1.5
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	–	–	–	(40.9)	(0.2)	(41.1)
Balance at 27 March 2010	45.5	28.4	5.9	(3.9)	3.8	(83.8)	10.4	3.2	9.5

Nature and purpose of other reserves

(a) Share premium account

This reserve arises from the issuance of shares for consideration in excess of their nominal value

(b) Capital redemption reserve

The reserve represents the nominal value of shares redeemed by the Company

(c) Hedge reserve

The reserve records the portion of any gain or loss on hedging instruments that are determined to be effective cash flow hedges. When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. If a forecast transaction is no longer expected to occur, the gain or loss on the related hedging instrument previously recognised in equity is transferred to the income statement.

(d) Cumulative translation adjustment

This reserve records cumulative exchange differences arising from the translation of the financial statements of foreign entities since transition to IFRSs. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. This reserve also records the effect of hedging net investments in foreign operations.

(e) Other reserve

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 other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated Financial Statements.

GROUP CASH FLOW STATEMENT

For the year ended 27 March 2010

	Notes	2010 €m	2009 €m
Cash flows from operating activities			
Profit before tax		96.6	96.1
Adjustments for			
Finance income and expense		11.4	0.4
Depreciation and amortisation		23.0	21.3
Decrease/(increase) in inventory		4.3	(0.1)
Decrease/(increase) in trade and other receivables		16.6	(30.4)
(Decrease)/increase in trade and other payables		(9.9)	17.5
(Decrease)/increase in reorganisation provisions		(5.0)	4.4
Special pension fund contributions		(17.0)	(27.0)
Loss/(profit) on disposal of property, plant and equipment		0.9	(0.1)
Share of income from associates after tax		(6.3)	(8.9)
Other non-cash movements		1.5	(3.8)
Cash generated from continuing operations		116.1	69.4
Cash generated from discontinued operations	22	–	(2.2)
Tax paid – continuing operations		(21.0)	(20.5)
Tax paid – discontinued operations	22	–	(10.0)
Net cash flows from operating activities		95.1	36.7
Cash flows from investing activities			
Disposal of subsidiary undertakings	22	(1.0)	333.7
Purchases of property, plant and equipment (PPE) & software intangibles – continuing operations		(33.1)	(29.3)
Purchases of property, plant and equipment (PPE) & software intangibles – discontinued operations	22	–	(0.7)
Development assets capitalised – continuing operations		(2.3)	(3.3)
Development assets capitalised – discontinued operations	22	–	(1.1)
Proceeds from sale of PPE		0.5	0.5
Loans made to associates		(0.6)	–
Dividends received from associates		6.8	10.3
Net cash flows from investing activities		(29.7)	310.1
Net cash inflow before financing activities		65.4	346.8
Cash flows from financing activities			
Proceeds from issue of share capital		2.4	7.0
Return of capital		–	(119.3)
(Repayment of)/proceeds from borrowings		(32.9)	77.6
Finance lease principal payments		(3.1)	(3.9)
Interest received		0.4	7.6
Interest paid		(3.7)	(4.1)
Dividends paid to shareholders		(40.4)	(376.7)
Dividends paid to minority interests		(0.2)	(0.5)
Net cash flows from financing activities		(77.5)	(412.3)
Net decrease in cash and cash equivalents in the year		(12.1)	(65.5)
Cash and cash equivalents at the beginning of the year		50.1	116.7
Exchange rate effects		(0.2)	(1.1)
Cash and cash equivalents at the end of the year		37.8	50.1
Cash and cash equivalents consist of			
Cash at bank and in hand	.6	35.1	43.4
Short term bank deposits	.6	6.5	15.1
Bank overdrafts		(3.8)	(8.4)
	22	37.8	50.1

ACCOUNTING POLICIES – GROUP

De La Rue plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on page 96 of this Annual Report. The consolidated Financial Statements of the Company for the year ended 27 March 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The Parent Company Financial Statements present information about the Company as a separate entity and not about its Group. The principal activities of the Group are described in note 1. The principal accounting policies adopted in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

European Union (EU) law (IAS Regulation EC 1606/2002) requires that the consolidated Financial Statements, for the year ended 27 March 2010, be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (Adopted IFRSs). These consolidated Financial Statements have been approved by the Directors and prepared in accordance with Adopted IFRS including interpretations issued by the International Accounting Standards Board (IASB).

The Company has elected to prepare its Parent Company Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

The following standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board, are applicable to the Group for the first time in the current year and have been adopted by the Group with no impact on the Group's accounting policies or on its results or net assets included within these consolidated Financial Statements.

- IAS 1 (Presentation of Financial Statements) amendments require a number of changes to the presentation of financial statements. These include a requirement to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (ie comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). As a result, the Group has elected to present a consolidated income statement, a consolidated statement of comprehensive income and a consolidated statement of changes in equity.
- IFRS 7 (Financial Instruments: Disclosures) amendments expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected, on a voluntary basis, to provide comparative information for these expanded disclosures in the current year in order to aid comparability between periods.
- IFRS 8 (Operating Segments) requires segment disclosures based on the components that the Chief Operating Decision Maker (ie the Board) monitors in making decisions about operating matters. Such components are identified on the basis of internal reports that the Board reviews regularly in allocating resources to segments and in assessing performance. This results in a segmental analysis which is similar to that presented previously under IAS 14 (Segmental Reporting) as the Group had previously given additional voluntary disclosures of segmental information. However, the comparatives have been restated for the effects of the different disclosure requirements of current and deferred tax assets and liabilities.
- IAS 23 (Borrowing Costs) amendments have removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard requires such borrowing costs to be capitalised as part of the cost of the asset. This does not change the Group's current accounting policy on borrowing costs.

Basis of preparation

The consolidated Financial Statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The accounts have been prepared as at 27 March 2010, being the last Saturday in March. The comparatives for the 2009 financial year are for the year ended 28 March 2009.

As described on page 40 of the Directors' Report, the consolidated Financial Statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) up to 27 March 2010. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The results of subsidiaries acquired or disposed of during the year are included in the consolidated Financial Statements from the date that control commences or until the date that control ceases. The majority of the subsidiaries prepare their financial statements up to 27 March except for certain subsidiaries whose year end is 31 December. In the case of the subsidiaries whose financial statements are made up to 31 December 2009, results for the period to 27 March 2010 have been consolidated.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to the income statement in the period of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Significant accounting policies and judgements applied

Foreign currency

Foreign currency transactions

These Financial Statements are presented in sterling, which is the functional and presentational currency of the Company. The functional currency of Group entities is principally determined by the primary economic environment in which the respective entity operates.

Transactions in foreign currencies entered into by Group entities are translated into the functional currencies of those entities at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary items measured in terms of historical cost are translated at the rate of exchange at the date of the transaction. Exchange differences on non-monetary items are recognised in line with whether the gain or loss on the non-monetary item itself is recognised in the income statement or in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (refer to the accounting policy on derivative financial instruments below for details of the Group's accounting policies in respect of such derivative financial instruments).

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at average exchange rates (which approximate to actual rates). Exchange differences arising on retranslation are recognised in the Group's translation reserve, which is a component of equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Exchange differences in respect of foreign operations that arose before 27 March 2004, the date of transition to Adopted IFRSs, are presented as part of retained earnings, as permitted by IFRS 1.

Net investment in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised in the translation reserve to the extent the hedge is effective. To the extent that the hedge is ineffective such differences are recognised as finance income or costs in the income statement. Cumulative gains or losses in equity arising since the date of transition to Adopted IFRSs are taken to the income statement on disposal of the foreign operation.

Financial instruments

The Group's operating activities expose it to financial risks of changes in foreign currency exchange rates and interest rates. The Group uses a range of derivative instruments, including forward contracts and swaps to hedge its risk to changes in foreign exchange rates and interest rates. Derivative financial instruments are only used for hedging purposes. The use of financial derivatives is governed by the Group's risk management policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The gain or loss on subsequent fair value measurement is recognised in the income statement unless the derivative qualifies for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item also affects the income statement. However, if the hedged item results in the recognition of a non-financial asset or liability, the amounts accumulated in equity on the hedging instrument are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Fair value hedges

For an effective hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in net income. Gains or losses from re-measuring the derivative, or for non-derivatives, the foreign currency component of its carrying value, are recognised in net income.

Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Any unrealised gains or losses on such separated derivatives are reported in the income statement.

Hedge of net investment in foreign operations

Gains or losses on instruments used to hedge net investment in foreign operations that are effective hedges are recognised in equity. Ineffective hedges or portions thereon are recognised in the income statement.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised immediately in the consolidated income statement.

Gains and losses on derivative financial instruments related to operating activities are included in operating profit when recognised in the consolidated income statement.

Revenue recognition

Group revenue predominantly represents sales to external customers of manufactured products which fall within the Group's ordinary trading activities. This excludes VAT and other sales taxes.

Revenue is recognised in the income statement to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group and the amount can be reliably measured. In practice this means that revenue is recognised when goods are supplied to external customers in accordance with the terms of sale.

When goods are supplied, this is when the significant risks and rewards of ownership are transferred to the buyer.

Revenues and costs on project based contracts are recognised by reference to the stage of completion, based on the work performed to date and the overall contract profitability. The assessment of the stage of completion is dependent on the nature of the contract, and is assessed by reference to reviews of work performed, achievement of contractual milestones and costs incurred.

Revenue on service-based contracts is recognised as services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any impairment losses. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

ACCOUNTING POLICIES – GROUP continued

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the business acquired at the date of acquisition

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition the goodwill is allocated to cash generating units for the purpose of impairment testing and is tested annually for impairment and when there are indications of impairment. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business. Goodwill arising on the acquisition of subsidiaries is presented in goodwill and goodwill arising on the acquisition of associates is presented in investments in associates. Internally generated goodwill is not recognised as an asset.

Goodwill arising on acquisitions before 27 March 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Development costs

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the income statement as incurred. Capitalised development costs are amortised on a straight line basis over their estimated useful economic lives once the product or enhancement is available for use. Product research costs are written off as incurred.

Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost less accumulated amortisation and impairment losses. Software intangibles are amortised on a straight line basis over the shorter of their useful economic life or their licence period at rates which vary from between three and five years.

Distribution rights are capitalised at cost less accumulated amortisation and impairment losses and are amortised over their useful economic lives as determined by the life of the products to which they relate.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, less accumulated depreciation and any accumulated provision for impairment in value. Assets in the course of construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date.

No depreciation is provided on freehold land. Freehold and long leasehold buildings are depreciated over their estimated useful economic lives of 50 years. Other leasehold interests are depreciated over the lesser of the unexpired period of the lease and 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 and on fixtures and fittings. No depreciation is provided for assets in the course of construction.

Depreciation methods, residual values and useful lives are reviewed at least at each financial year end, taking into account commercial and technical obsolescence as well as normal wear and tear, provision being made where the carrying value exceeds the recoverable amount.

On revaluation, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity, all other decreases are charged to the income statement.

Borrowing costs

Borrowing costs are capitalised if an asset under construction is significant and the construction period is longer than one year. The capitalisation rate is based on the short term borrowing rate over the period of construction.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed for all Cash Generating Units (CGUs) to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For all other intangible assets, an impairment test is performed whenever an indicator of impairment exists.

An impairment loss is recognised immediately in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use and in the case of goodwill is not subsequently reversed. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For other intangible assets, at each balance sheet date an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Associated companies

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity.

The Group's share of the results, assets and liabilities of associated companies are included in these Financial Statements using the equity method of accounting, except when classified as held for sale. The results are presented after interest, tax and minority interest. Investments in associates are carried in the balance sheet at cost as adjusted by the post acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of the individual investment. Losses of the associate in excess of the Group's interest in that associate are not recognised unless the Group has a legal or constructive obligation to fund those losses.

Any excess of the cost of acquisition over the fair values of the identifiable net assets at the date of acquisition of the associate is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to the income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

The majority of the material associated companies prepare their financial information to 27 March except for certain associated companies whose year end is 31 December. In the case of the associated companies whose Financial Statements are made up to 31 December, results for the period to 27 March have been included in the consolidated income statement.

Leasing

A lease is defined as an agreement whereby the lessor conveys to the lessee the right to use a specific asset for an agreed period of time in return for a payment or a series of payments.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as property, plant and equipment at an amount equal to the fair value of the leased asset or, if lower, the present value of minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives. Lease payments are apportioned between repayment of capital and interest. The capital element of future lease payments is included in the balance sheet as a liability. Interest is charged to the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Where a leasehold property is vacant, or sublet under terms such that the rental income is less than the head-lease rental cost, provision is made for the best estimate of unavoidable lease payments during the vacancy or on the anticipated future shortfall of sub-lease income compared with the head-lease expense.

Taxation

The tax expense included in the income statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, including adjustments in respect of prior periods, using tax rates enacted or substantially enacted by the balance sheet date.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, not deductible for tax purposes, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are only offset to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities, they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise an asset and settle a liability simultaneously.

Inventories

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises directly attributable purchase and conversion costs, including direct labour and an allocation of production overheads based on normal operating capacity that have been incurred in bringing those inventories to their present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash held by the Group and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

ACCOUNTING POLICIES – GROUP continued

Loans

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employment benefits

Pensions

The Group operates a number of retirement benefit schemes. The major schemes are defined benefit pension funds with assets held separately from the Group. The cost of providing benefits under each scheme is determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in operating costs in the group income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight line basis over the vesting period. The expected return on assets of funded defined benefit pension schemes and the imputed interest on pension scheme liabilities are disclosed as retirement benefit obligation finance income and retirement benefit obligation finance expense respectively in the income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of comprehensive income in full in the period in which they arise.

The liability recognised in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of the scheme assets, as determined by actuarial valuations carried out at the balance sheet date.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

Share based payments

The Group operates various equity settled and cash settled option schemes. For equity settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the consolidated income statement, together with a corresponding increase in shareholders' equity, on a straight line basis over the vesting period, based on the numbers of shares that are actually expected to vest, taking into account non market vesting conditions (including service conditions). Vesting conditions, other than market based conditions, are not taken into account when estimating the fair value.

For cash settled share options, the services received from employees are measured at the fair value of the liability for options outstanding and recognised in the consolidated income statement on a straight line basis over the vesting period. The fair value of the liability is re-measured at each reporting date and at the date of settlement with changes in fair value recognised in the consolidated income statement. IFRS 2 'Share-based payment' has been applied to equity settled share options granted after 7 November 2002 not yet vested at 1 January 2005 and to outstanding cash settled share options as at 1 January 2005.

Share option schemes

The De La Rue Employee Share Ownership Trust is a separately administered trust. Liabilities of the trust are guaranteed by the Company and the assets of the trust mainly comprise shares in the Company.

The own shares held by the trust are shown as a reduction in Shareholders' funds. The shares will be held at historical rates until such time as they are disposed of. Any profit or loss on the disposal of own shares is treated as a movement in reserves rather than as a profit and loss item.

Provisions

Provisions are recognised when the Group has a present obligation in respect of a past event, it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date and are discounted where the time value of money is considered material.

Exceptional items

Items which are both material by size and/or by nature and non-recurring are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items charged to operating profit helps to provide an indication of the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include gains or losses on the disposal of businesses (other than those within the scope of IFRS 5), restructuring of businesses and asset impairments.

Dividends

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the Financial Statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised in the period that they are paid.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. No depreciation is charged on assets classified as held for sale. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

New accounting standards and interpretations

The following Adopted IFRSs were available for early adoption but have not been applied by the Group in these Financial Statements

- IFRIC 12 (Service Concession Arrangements) is effective for the first time in 2010/2011. This interpretation sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. Adopting IFRIC 12 is not expected to have a material impact on the Group.
- An amended IFRS 3 (Business Combinations), an amended IAS 27 (Consolidated and Separate Financial Statements), an amended IAS 28 (Investments in Associates) and IAS 31 (Interests in Joint Ventures) are effective for business combinations undertaken by the Group after 28 March 2010. The revised IFRS 3 will make many changes to how future business combinations will be accounted for, including accounting for acquisition costs, contingent consideration, step acquisitions, partial disposals of an investment in a subsidiary and partial disposals of associates and joint ventures. As the revised standard is to be applied prospectively it is not possible to quantify its likely impact.

No impact is expected from any other standards that are available for early adoption but that have not been early adopted.

The following standards and interpretations have been issued by the IASB, but have not been adopted by the European Commission (and published in the EU Official Journal) for their application to become mandatory

- IFRS 9 (Financial Instruments), effective for annual accounting periods beginning on or after 1 January 2013. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. This approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

Key sources of estimation uncertainty

In applying the above accounting policies, management has made appropriate estimates which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

(a) Property, plant and equipment

Assets are carried at historical cost less depreciation calculated to write down the cost of such assets to their residual values over their estimated useful lives. Management determines estimated useful lives and the related depreciation charges at acquisition, based upon historical experience with similar assets and anticipation of future events such as technological change which might impact upon asset lives. Subsequently, asset lives and residual values are reviewed annually for appropriateness. Changes in asset lives or residual values would alter the depreciation charge in the income statement.

(b) Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives are impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates of future cash flows, discounted at suitable rates.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. Calculation of the current tax position involves estimation and judgement in respect of certain items whose tax treatment is uncertain and which will be resolved at some future date. Management makes judgements as to the likely impact and outcome of uncertain or disputed tax treatments. Deferred tax generally recognises the future reversal of all temporary timing differences, but management exercises judgement in respect of deferred tax assets as to their likely recoverability against future taxable profits. As this judgement involves assessment of the future trading prospects of individual statutory entities, the actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and the income statement in the period in which such determination is made.

(d) Provisions for other liabilities and charges

The Group measures provisions at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date, discounted where the time value of money is considered material. These estimates take account of available information, historical experience and the likelihood of different possible outcomes. Both the amount and the maturity of these liabilities could be different from those estimated.

(e) Pension obligations

Pension costs within the income statement and the pension obligations as stated in the balance sheet are both dependent upon a number of assumptions chosen by management.

The assumptions used in determining the net cost/(income) for pensions include the expected long term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long term historical returns, asset allocation and future estimates of long term investment returns. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations include estimates of expected longevity for current and future pensioners and estimates of future rates of inflation.

NOTES TO THE ACCOUNTS

1 Segmental analysis

The Group's international operations are managed and reported internally on a divisional basis that reflects the different characteristics of each business. These divisions have been disclosed as reportable segments because they are the components that the Board monitors regularly in making decisions about operating matters such as allocating resources to businesses and assessing performance. Each division has its own managing director who reports directly to the Chief Executive. The principal financial information reviewed by the Board, which is the Group's chief operating decision maker, is revenue and operating profit before exceptional items, measured on an IFRS basis. The Group's segments are:

- Currency – provides banknote paper, printed banknotes and banknote security features
- Cash Processing Solutions – primarily focused on the production of large sorters for central banks, complementing the Currency business
- Security Products – produces security documents, including authentication labels, travellers' cheques and fiscal stamps
- Identity Systems – involved in the production of passports, including ePassports, together with other secure identity products

2010	Currency £m	Cash Processing Solutions £m	Security Products £m	Identity Systems £m	Exceptional items/ Discontinued operations £m	Total £m
Total revenue	411.2	56.9	74.9	32.0	–	575.0
Less: Inter-segment revenue	(1.1)	–	(12.8)	–	–	(13.9)
Revenue	410.1	56.9	62.1	32.0	–	561.1
Operating profit/(loss) before exceptional items	95.3	(3.5)	14.8	2.6	–	109.2
Exceptional items – operating (note 3)	–	(7.5)	–	–	–	(7.5)
Operating profit/(loss)	95.3	(11.0)	14.8	2.6	–	101.7
Share of profits of associated companies after taxation						6.3
Net interest expense						(5.1)
Retirement benefit obligations net finance expense						(6.3)
Profit before taxation						96.6
Segment assets	194.4	39.5	24.9	30.2	–	289.0
Unallocated assets						157.2
Total assets						446.2
Segment liabilities	(120.3)	(20.9)	(13.4)	(14.6)	–	(169.2)
Unallocated liabilities						(267.5)
Total liabilities						(436.7)
Capital expenditure on property, plant and equipment	31.5	1.7	0.9	7.2	–	41.3
Capital expenditure on intangible assets	3.2	–	0.2	0.7	–	4.1
Depreciation of property, plant and equipment	14.4	2.7	2.3	0.8	–	20.2
Amortisation of intangible assets	1.5	1.0	0.1	0.2	–	2.8

2009	Currency £m	Cash Processing Solutions £m	Security Products £m	Identity Systems £m	Exceptional items/ Discontinued operations £m	Total £m
Total revenue	348.6	66.0	69.7	30.4	–	514.7
Less: Inter-segment revenue	(0.9)	–	(11.4)	–	–	(12.3)
Revenue	347.7	66.0	58.3	30.4	–	502.4
Operating profit before exceptional items	82.8	0.4	11.0	2.3	–	96.5
Exceptional items – operating (note 3)	–	–	–	–	(8.9)	(8.9)
Operating profit/(loss)	82.8	0.4	11.0	2.3	(8.9)	87.6
Share of profits of associated companies after taxation						8.9
Net interest income						1.4
Retirement benefit obligations net finance expense						(1.8)
Profit before taxation						96.1
Segment assets	186.2	48.0	26.5	14.9	–	275.6
Unallocated assets						183.0
Total assets						458.6
Segment liabilities	(100.7)	(20.0)	(14.3)	(15.5)	–	(150.5)
Unallocated liabilities						(287.5)
Total liabilities						(438.0)
Capital expenditure on property, plant and equipment	22.0	3.8	2.0	0.4	0.7	28.9
Capital expenditure on intangible assets	1.2	2.6	0.1	–	1.1	5.0
Depreciation of property, plant and equipment	14.9	1.4	2.6	0.7	1.3	20.9
Amortisation of intangible assets	1.1	0.4	0.1	0.1	1.1	2.8

1 Segmental analysis continued

Unallocated assets principally comprise centrally managed property, plant and equipment, associates and other investments, deferred tax assets, current tax assets, derivative financial instrument assets and cash and cash equivalents which are used as part of the Group's financing offset arrangements. Unallocated liabilities comprise borrowings, derivative financial instrument liabilities, current and non-current tax liabilities, deferred tax liabilities, retirement benefit obligations, and centrally held accruals and provisions.

Geographic analysis of revenue by origin

	2010 £m	2009 £m
UK	466.0	405.7
Other countries	95.1	96.7
	561.1	502.4

Geographic analysis of non-current assets

	2010 £m	2009 £m
UK	104.9	117.7
Malta	37.6	41.6
Sri Lanka	18.9	1.3
Other countries	23.6	27.1
	185.0	187.7

Deferred tax assets and derivative financial instruments are excluded from the analysis shown above.

Major customers

The Group has a major customer from which it derived revenues of £78.0m (2009: £46.7m) in the Currency segment.

2 Operating profit

	2010 £m	2009 £m
Operating profit is arrived at after charging/(crediting)		
Cost of inventories recognised as an expense	125.5	90.4
Net impairment of inventories	3.5	2.3
Depreciation of property, plant and equipment		
– purchased	18.4	17.7
– leased	1.8	3.2
Amortisation of other intangibles	2.8	2.8
Impairment of trade receivables	–	0.4
Operating leases		
– hire of plant and equipment	1.9	2.0
– hire of property	3.6	3.9
Auditor's remuneration		
– Fees payable to the Company's auditors for the audit of the Company's consolidated Financial Statements	0.2	0.2
– Fees payable to the Company's auditors and its associates for other services		
– audit of the Company's subsidiaries pursuant to legislation	0.5	0.5
– tax services	0.2	0.1
– services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Group	–	1.0
Research and non-capitalised development expense	9.9	10.3
Loss/(profit) on disposal of property, plant and equipment	0.9	(0.1)
Reorganisation costs (Exceptional items – see note 3)	4.8	8.9
Foreign exchange (gains)/losses	(8.4)	5.3

Auditor's remuneration relates to fees paid to the Company's current auditors KPMG Audit Plc. Other assurance services include corporate finance work performed in connection with the disposal of the Cash Systems business in 2008/2009.

3 Exceptional items

	2010 £m	2009 £m
Reorganisation of CPS	(4.8)	–
Legacy overseas indirect tax	(2.7)	–
Reorganisation of central operations	–	(8.9)
Exceptional items	(7.5)	(8.9)
Exceptional items – tax	2.4	0.9

Exceptional charges of £7.5m in the period reflect the resolution of a legacy overseas indirect tax issue and the reorganisation of CPS, which is expected to have a payback within two years. Reorganisation costs principally comprise redundancy charges and rationalisation of products and site capabilities.

During 2008, De La Rue announced its intention to reduce central costs by approximately 50 per cent following the disposal of Cash Systems. This programme was completed ahead of schedule. Central reorganisation costs relating to this programme principally covered redundancy, separation costs and site rationalisation charges.

The exceptional charges in the year gave rise to a related tax credit of £1.0m. In addition £1.4m of tax credit arose when the tax treatment of some prior year exceptional items was determined. In 2008/2009 exceptional tax credits were £0.9m, with a credit of £1.9m in relation to the central reorganisation being partly offset by a £1.0m charge in respect of the phasing out of Industrial Buildings Allowances.

NOTES TO THE ACCOUNTS continued

4 Interest income and expense

	2010 £m	2009 £m
Recognised in the income statement		
Interest income		
Cash and cash equivalents	0.3	7.8
Interest expense		
Bank overdrafts	(0.5)	(1.3)
Bank loans	(2.9)	(2.9)
Finance leases	(0.1)	(0.3)
Other including amortisation of finance arrangement fees	(1.9)	(1.9)
Total interest expense calculated using the effective interest method	(5.4)	(6.4)
Retirement benefit obligation net finance expense (note 25)	(6.3)	(1.8)

All finance income and expense arises in respect of assets and liabilities not at fair value through income statement

The charge to the income statement in respect of the ineffective portion of derivative financial instruments was £0.3m (2009: nil) and is included within interest expense under the 'Bank loans' heading

5 Taxation

	2010 £m	2009 £m
Consolidated income statement		
Current tax		
UK Corporation tax		
– Current tax	14.8	11.6
– Double tax relief	–	(0.5)
– Adjustment in respect of prior years	(4.3)	0.2
	10.5	11.3
Overseas tax charges		
– Current year	5.2	6.3
– Adjustment in respect of prior years	(0.7)	0.2
	4.5	6.5
Total current income tax expense	15.0	17.8
Deferred tax		
UK		
– Origination and reversal of temporary differences	10.8	10.5
Overseas		
– Origination and reversal of temporary differences	0.4	0.2
Total deferred tax expense	11.2	10.7
Income tax expense reported in the consolidated income statement in respect of continuing operations	26.2	28.5
Income tax expense in respect of discontinued operations (note 6)	–	5.0
Total income tax expense in the consolidated income statement	26.2	33.5
Consolidated statement of comprehensive income		
– On pension actuarial adjustments	(20.3)	(21.0)
– On cash flow hedges	1.9	(3.7)
– On foreign exchange on quasi-equity balances	(3.0)	–
Income tax income reported within comprehensive income	(21.4)	(24.7)
Consolidated statement of changes in equity		
– On share options	0.1	(0.7)
Income tax expense/(income) reported within equity	0.1	(0.7)

5 Taxation continued

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 28 per cent as follows

	2010			2009		
	Before exceptionals £m	Exceptional items £m	Total £m	Before exceptionals £m	Exceptional items £m	Total £m
Profit before tax	104.1	(7.5)	96.6	105.0	(8.9)	96.1
Tax calculated at UK tax rate at 28 per cent	29.1	(2.1)	27.0	29.4	(2.5)	26.9
Effects of overseas taxation	(1.9)	–	(1.9)	(1.5)	–	(1.5)
Expenses not deductible for tax purposes	2.4	1.1	3.5	3.6	0.6	4.2
Adjustment for tax on profits of associate	(1.8)	–	(1.8)	(2.5)	–	(2.5)
Adjustments in respect of prior years	0.8	(1.4)	(0.6)	0.4	–	0.4
Industrial Buildings Allowances	–	–	–	–	1.0	1.0
Tax charge	28.6	(2.4)	26.2	29.4	(0.9)	28.5

The underlying effective tax rate excluding one-off items was 27.5 per cent (2009: 28.0 per cent). In 2009, a charge of £1.0m related to the impact on deferred tax balances of the phasing out of Industrial Buildings Allowances, included in the Finance Act 2008.

6 Discontinued operations

The Group completed the disposal of the Cash Systems business (excluding Cash Processing Solutions) on 1 September 2008.

Results of discontinued operations

	2010 £m	2009 £m
Revenue	–	121.6
Operating expenses	–	(104.0)
Operating profit	–	17.6
Taxation on operating profits from discontinued operations	–	(5.0)
Gain on disposal of discontinued operations before tax	–	316.8
Taxation on gain on disposal of discontinued operations	–	(32.9)
	–	283.9
Profit for the year from discontinued operations	–	296.5

Gain on disposal of discontinued operations

	2010 £m	2009 £m
Amounts paid by purchaser	–	367.3
Amounts payable by purchaser	–	1.9
Disposal costs paid	–	(11.2)
Disposal costs accrued	–	(5.4)
Taxation on gain on disposal	–	(32.9)
Reserves recycled on disposal	–	13.3
Net assets and liabilities disposed (see note 24)	–	(49.1)
Gain on disposal	–	283.9

NOTES TO THE ACCOUNTS continued

7 Earnings per share

	2010 pence per share	2009 pence per share
Total operations		
Basic earnings per share	71.0	277.7
Diluted earnings per share	70.5	275.0
Continuing operations		
Basic earnings per share	71.0	50.9
Diluted earnings per share	70.5	50.4
Discontinued operations		
Basic earnings per share	–	226.8
Diluted earnings per share	–	224.6
Headline		
Basic earnings per share	76.2	57.0
Diluted earnings per share	75.7	56.4

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of all dilutive potential ordinary shares.

During 2008/2009 the Company returned cash of £460m to shareholders and at the same time carried out a consolidation of its share capital. These transactions were conditional on each other. They were specifically designed to achieve the same overall effect on the Company's capital structure as a buy back of shares in a way in which all shareholders could participate. Accordingly, earnings per share is presented on the basis that in substance a share buy back occurred.

The Directors are of the opinion that the publication of the headline earnings is useful to readers of annual accounts as they give an indication of underlying business performance.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

Earnings

	2010 £m	2009 £m
Earnings for basic and diluted earnings per share	69.9	363.0
Deduct: Profit for the year from discontinued operations	–	(296.5)
Earnings for basic and diluted earnings per share from continuing operations	69.9	66.5
Add: Exceptional items	7.5	8.9
Less: Tax on exceptional items	(2.4)	(1.9)
Add: Tax effect of phasing out of Industrial Buildings Allowances	–	1.0
Earnings for headline earnings per share	75.0	74.5

Weighted average number of ordinary shares

	2010 Number m	2009 Number m
For basic earnings per share	98.4	130.7
Dilutive effect of share options	0.7	1.3
For diluted earnings per share	99.1	132.0

8 Equity dividends

	2010 £m	2009 £m
Final dividend for the year ended 28 March 2009 of 27.4p paid on 31 July 2009	27.0	–
Interim dividend for the period ended 26 September 2009 of 14.1p paid on 13 January 2010	13.9	–
Final dividend for the year ended 29 March 2008 of 14.87p paid on 1 August 2008	–	22.3
B share dividend of 305.0p paid on 28 November 2008	–	340.6
Interim dividend for the period ended 27 September 2008 of 13.7p paid on 14 January 2009	–	13.8
	40.9	376.7

A final dividend per equity share of 28.2 pence has been proposed for the year ended 27 March 2010, payable on 5 August 2010. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated Financial Statements.

9 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Cost or valuation					
At 30 March 2008	58.1	256.6	44.1	13.6	372.4
Exchange differences	1.6	13.3	1.0	0.1	16.0
Additions	–	10.7	1.1	17.1	28.9
Disposal of business	(6.1)	(5.0)	(31.3)	(1.7)	(44.1)
Transfers from assets in the course of construction	–	13.2	1.4	(14.6)	–
Disposals	–	(6.8)	(0.3)	–	(7.1)
At 29 March 2009	53.6	282.0	16.0	14.5	366.1
Exchange differences	(0.1)	0.3	0.1	(0.5)	(0.2)
Additions	–	17.9	0.6	22.8	41.3
Transfers from assets in the course of construction	–	13.2	1.7	(14.9)	–
Disposals	–	(6.9)	(0.6)	(1.9)	(9.4)
At 27 March 2010	53.5	306.5	17.8	20.0	397.8
Accumulated depreciation					
At 30 March 2008	21.2	171.9	36.1	–	229.2
Exchange differences	0.6	6.7	0.8	–	8.1
Depreciation charge for the year	1.3	17.3	2.3	–	20.9
Disposal of business	(3.1)	(3.2)	(27.3)	–	(33.6)
Disposals	–	(6.5)	(0.3)	–	(6.8)
At 29 March 2009	20.0	186.2	11.6	–	217.8
Exchange differences	–	0.3	0.1	–	0.4
Depreciation charge for the year	1.2	17.4	1.6	–	20.2
Disposals	–	(5.8)	(0.4)	–	(6.2)
At 27 March 2010	21.2	198.1	12.9	–	232.2
Net book value at 27 March 2010	32.3	108.4	4.9	20.0	165.6
Net book value at 29 March 2009	33.6	95.8	4.4	14.5	148.3
Net book value at 30 March 2008	36.9	84.7	8.0	13.6	143.2

Included within plant and machinery are assets held under finance leases with net book value of £0.2m (2009: £2.1m). Additions include £0.1m (2009: £0.1m) for plant and machinery held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

Land and buildings includes £4.3m (2009: £4.3m) of land that is not subject to depreciation.

Property, plant and equipment do not include any capitalised interest.

NOTES TO THE ACCOUNTS continued

10 Intangible assets

	Goodwill £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 30 March 2008	28.0	21.5	10.7	2.9	63.1
Exchange differences	3.8	0.3	0.1	(0.2)	4.0
Additions	–	4.4	0.6	–	5.0
Disposal of business	(23.5)	(15.8)	(5.6)	(2.3)	(47.2)
At 29 March 2009	8.3	10.4	5.8	0.4	24.9
Exchange differences	0.2	(0.2)	–	–	–
Additions	–	2.3	1.8	–	4.1
At 27 March 2010	8.5	12.5	7.6	0.4	29.0
Accumulated amortisation					
At 30 March 2008	13.3	7.1	6.6	2.9	29.9
Exchange differences	2.3	–	0.3	(0.2)	2.4
Amortisation for the year	–	1.6	1.2	–	2.8
Disposal of business	(15.3)	(7.5)	(3.4)	(2.3)	(28.5)
At 29 March 2009	0.3	1.2	4.7	0.4	6.6
Exchange differences	0.1	–	–	–	0.1
Amortisation for the year	–	1.5	1.3	–	2.8
Impairment	0.2	–	–	–	0.2
At 27 March 2010	0.6	2.7	6.0	0.4	9.7
Carrying value at 27 March 2010	7.9	9.8	1.6	–	19.3
Carrying value at 29 March 2009	8.0	9.2	1.1	–	18.3
Carrying value at 30 March 2008	14.7	14.4	4.1	–	33.2

*Goodwill amortisation relates to impairments made in the current and previous years

The impairment in the year arose from the proposed closure of a small CPS business and was charged to exceptional items within the income statement

Goodwill is allocated to the Group's Cash Generating Units (CGUs) identified according to business segment and country of operation

A segment level summary of the goodwill allocation is presented below

	2010 £m	2009 £m
Currency	4.3	4.3
Cash Processing Solutions	3.6	3.7
	7.9	8.0

The majority of the goodwill relates to the acquisition of CSI Inc in 2001 which was allocated to Currency and Cash Processing Solutions on the basis that the acquired business generated synergies for both CGUs. The estimates of recoverable amount are based on value-in-use calculations. In each case, the value-in-use calculations are based on cash flow projections covering a five year period based on the 2010/2011 budget plus a terminal year. The key assumptions underlying these projections are summarised below:

(a) Currency: The volume and price of orders secured, particularly in respect of banknotes and banknote papers, are based on a combination of the current order book and past experience, taking into account:

- (i) expectations in respect of economic growth and central banks' banknote circulation policies
- (ii) the Company's knowledge of its customer base, gained through its long standing relationships with them

Material input prices and foreign exchange rates are also factors but are not considered significant in the context of the headroom available in the calculations.

(b) Cash Processing Solutions: Unit sales of large sorters and the extent of maintenance income generated from these sales are based on a combination of orders on hand and past experience.

The pre-tax discount rate used for both Currency and Cash Processing Solutions was 13.4 per cent (2009: 13.6 per cent). The discount rates applied take into account the Group's weighted average cost of capital (WACC) and the relative risks associated with the CGUs' operations. The post-tax discount rate used is unchanged compared to the prior period, reflecting the fact that the Group's WACC has not changed and the risks associated with the CGUs in question have not materially changed. Cash flows beyond the period covered by the projections have been held constant.

Sensitivity analysis has been performed and management do not consider there to be any reasonably possible change in assumptions that could result in the assets' recoverable amounts falling below their book values.

11 Investments

	Associated Companies		
	Equity shares £m	Redeemable shares £m	Total £m
At 30 March 2008	12.5	10.0	22.5
Share of post tax profits	8.9	–	8.9
Dividends paid	(10.3)	–	(10.3)
At 29 March 2009	11.1	10.0	21.1
Share of post tax profits	6.3	–	6.3
Dividends paid	(6.8)	–	(6.8)
Reclassification as non-current assets held for sale	(10.5)	(10.0)	(20.5)
At 27 March 2010	0.1	–	0.1

At 27 March 2010 and 28 March 2009, the principal associate of the Group was Camelot Group plc, in which the Group has a 20 per cent holding. The Group holds 10,000,000 redeemable shares of £1 each in Camelot Group plc. The redeemable shares do not carry any voting rights, but rank equally with ordinary shares for dividend and return of capital purposes.

On 25 March 2010, the Group announced the proposed sale of its investment in Camelot Group plc, subject to National Lottery Commission approval, and the investment has therefore been reclassified as a non-current asset held for sale.

The Group's share of the results, assets and liabilities for associates are as follows:

	2010 Camelot Group £m	2009 Camelot Group £m
Share of the associate's results		
Revenue	1,090.4	1,029.9
Profit after tax	6.3	8.9
Share of the associate's net assets		
Non-current assets	–	33.1
Current assets	–	61.2
Share of total assets	–	94.3
Non-current liabilities	–	(1.7)
Current liabilities	–	(69.7)
Share of total liabilities	–	(71.4)
Share of net assets	–	22.9

12 Non-current assets held for sale

On 25 March 2010, the Group announced the proposed sale of its investment in Camelot Group plc, subject to National Lottery Commission approval, to Ontario Teachers' Pension Plan for a consideration of approximately £77.8m.

13 Inventories

	2010 £m	2009 £m
Raw materials	19.5	21.4
Work in progress	23.0	23.4
Finished goods	18.5	20.5
	61.0	65.3

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

Provisions of £5.2m recognised in operating expenses were made against inventories in 2010 (2009: £5.0m). The Group also reversed provisions of £1.7m (2009: £2.2m), being part of an inventory write down that was not subsequently required.

14 Trade and other receivables

	2010 £m	2009 £m
Trade receivables	71.1	70.3
Provision for impairment	(3.9)	(4.1)
Net trade receivables	67.2	66.2
Amounts due from associated companies and joint ventures	0.6	–
Other receivables	4.8	11.7
Prepayments	3.9	4.6
	76.5	82.5

The carrying value of trade and other receivables approximate to their fair value.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

NOTES TO THE ACCOUNTS continued

15 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
 - Currency risk
 - Interest rate risk

The Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital are set out below

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by Group Treasury under policies approved by the Board of Directors.

Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Group Treasury provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Audit function. The Internal Audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk. The Group has one major customer where revenue attributable to sales transactions is significant. Where appropriate, letters of credit are used to mitigate the credit risk from customers.

The Group has established a credit policy that ensures that wholesale sales of products are made to customers with an appropriate credit history. The Group has a policy to procure advance payments during order negotiation which further reduces credit risk. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group's risk management policy aims to hedge firm commitments and between 60 per cent and 100 per cent of forecast exposures in each major currency for the subsequent 12 months to the extent that forecast transactions are highly probable.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies and through foreign currency swaps.

15 Financial instruments continued

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where the Group has forecast average levels of debt above £50m on a continuing basis floating to fixed interest rate swaps will be used to fix the interest rate on a minimum of 50 per cent of the Group's debt for a period of at least 12 months.

Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Group finances its operations through a mixture of equity funding and debt financing. The Board of Directors monitors earnings per share, which the Group defines as the earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year. The Board also monitors the level of dividends to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Fair value measurement basis	Total fair value 2010 £m	Carrying amount 2010 £m	Total fair value 2009 £m	Carrying amount 2009 £m
Financial assets					
Trade and other receivables (excluding prepayments)		72.6	72.6	77.9	77.9
Cash and cash equivalents		41.6	41.6	58.5	58.5
Derivative financial instruments					
– Forward exchange contracts designated as cash flow hedges	Level 2	3.6	3.6	6.5	6.5
– Forward exchange contracts not designated as cash flow hedges	Level 2	3.0	3.0	3.0	3.0
– Embedded derivatives	Level 2	14.6	14.6	25.4	25.4
Total financial assets		135.4	135.4	171.3	171.3
Financial liabilities					
Unsecured bank loans and overdrafts		(52.4)	(52.4)	(88.3)	(88.3)
Finance lease liabilities		(0.2)	(0.2)	(3.6)	(3.3)
Trade and other payables (excluding accruals)		(58.4)	(58.4)	(61.4)	(61.4)
Derivative financial instruments					
– Forward exchange contracts designated as cash flow hedges	Level 2	(3.3)	(3.3)	(18.4)	(18.4)
– Forward exchange contracts not designated as cash flow hedges	Level 2	(14.5)	(14.5)	(19.5)	(19.5)
– Embedded derivatives	Level 2	(8.4)	(8.4)	(4.0)	(4.0)
– Interest rate swaps	Level 2	(0.6)	(0.6)	(0.1)	(0.1)
Total financial liabilities		(137.8)	(137.8)	(195.3)	(195.0)

The ineffective portion of fair value hedges that was recognised in the income statement amounted to a loss of £0.3m (2008/2009: nil).

The ineffective portion of cash flow hedges that was recognised in the income statement was nil (2008/2009: nil).

Fair value measurement basis for derivative financial instruments

The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, whilst level 3 valuations are not based on observable market data and are subject to management estimates.

Determination of fair values of derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Interest rate swaps

Interest rate swaps are measured by reference to third party bank confirmations and discounted cash flows using the yield curves in effect at the balance sheet date.

Embedded derivatives

The fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts and using quoted forwards foreign exchange rates at the balance sheet date. The movement in fair value of embedded derivatives is shown within revenue or operating expenses as appropriate, depending on the nature of the transaction.

Determination of fair values of non-derivative financial assets and liabilities

Trade and other receivables and payables

Due to their short maturities, the fair values of trade payables, trade receivables and accruals have been stated at their book values.

Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The interest rates used to discount estimated cash flows, where applicable, are based on sterling LIBOR. At 27 March 2010 the discount rate used was 1.0 per cent (2009: 1.90 per cent).

NOTES TO THE ACCOUNTS continued

15 Financial instruments continued

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

	Notes	Carrying amount	
		2010 £m	2009 £m
Trade and other receivables (excluding prepayments)	14	72.6	77.9
Cash and cash equivalents	16	41.6	58.5
Forward exchange contracts used for hedging		6.6	9.5
Embedded derivatives		14.6	25.4
		135.4	171.3

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was

	Carrying amount	
	2010 £m	2009 £m
UK and Ireland	8.8	15.2
Rest of Europe	6.2	10.2
The Americas	12.6	9.9
Rest of world	45.0	42.6
	72.6	77.9

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was

	Carrying amount	
	2010 £m	2009 £m
Banks and financial institutions	32.2	38.6
Government institutions	22.8	15.0
Distributors	4.1	3.6
Retail customers	1.3	–
End user customers	4.1	6.8
Other debtors	8.1	13.9
	72.6	77.9

Impairment losses

The ageing of trade and other receivables at the reporting date was

	Gross 2010 £m	Impairment 2010 £m	Gross 2009 £m	Impairment 2009 £m
Not past due	58.0	(0.2)	62.6	(0.1)
Past due 0-30 days	9.8	–	6.2	(0.1)
Past due 31-120 days	4.6	(0.8)	6.6	(1.0)
Past due more than 120 days	4.1	(2.9)	6.6	(2.9)
	76.5	(3.9)	82.0	(4.1)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2010 £m	2009 £m
Balance at beginning of year	(4.1)	(4.8)
Impairment losses recognised	(0.7)	(1.2)
Impairment losses utilised	0.9	0.5
Disposal of business	–	1.4
Balance at end of year	(3.9)	(4.1)

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the financial asset directly.

At 27 March 2010 the Group does not have any collective impairments on its trade receivables (2009: nil).

Based on past experience, the Group believes that no further impairment is required for financial assets that are neither past due nor impaired.

15 Financial instruments continued

Liquidity risk

The following are the contractual undiscounted cash flow maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
27 March 2010						
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	52.4	–	–	52.4	–	52.4
Finance lease liabilities	0.2	0.1	–	0.3	(0.1)	0.2
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging						
– Gross amount payable from currency derivatives	173.8	53.1	2.1	229.0	(211.2)	17.8
Interest rate swaps	1.1	0.2	–	1.3	(0.7)	0.6
	227.5	53.4	2.1	283.0	(212.0)	71.0

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
28 March 2009						
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	37.8	–	50.5	88.3	–	88.3
Finance lease liabilities	2.5	1.1	–	3.6	(0.3)	3.3
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging						
– Gross amount payable from currency derivatives	168.3	88.8	–	257.1	(219.2)	37.9
Interest rate swaps	0.3	0.3	–	0.6	(0.5)	0.1
	208.9	90.2	50.5	349.6	(220.0)	129.6

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months

Forward foreign exchange contracts

The net principal amounts of the outstanding forward foreign exchange contracts at 27 March 2010 are US dollar 60.0m, euro 133.9m, Kuwaiti dinar 0.5m and Swiss franc (11.9m)

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are US dollar 1.1m and euro 44.8m. These forward contracts are designated as cash flow hedges or fair value hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 27 March 2010 will be released to the income statement at various dates between one month and 36 months from the balance sheet date.

Cash management swaps

The Group uses currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 27 March 2010 was nil (2009: £0.2m). Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps at 27 March 2010 are US dollar 5.7m, euro (20.9m), Canadian dollar 3.6m, Singapore dollar (1.0m), Swiss franc 0.3m, South African rand (6.9m), Japanese yen (5.9m) and Australian dollar (0.8m).

Embedded derivatives

Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The net fair value of embedded derivatives at 27 March 2010 was £6.2m (2009: £21.4m).

Balance sheet swaps

The Group uses currency swaps to manage the translational exposure of monetary assets and liabilities denominated in foreign currencies. The fair value of balance sheet swaps as at 27 March 2010 was nil (2009: nil). Gains and losses on balance sheet swaps are included in the consolidated income statement.

The principal amounts outstanding under balance sheet swaps at 27 March 2010 are US dollar (38.7m), euro 32.1m, Canadian dollar (5.2m), Swiss franc 5.7m and South African rand (22.0m).

NOTES TO THE ACCOUNTS continued

15 Financial instruments continued

Market risk Currency risk

Exposure to currency risk

Net Investment hedging

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries

Translation of monetary assets and liabilities

Where individual Group companies have monetary assets and liabilities in foreign currencies the net exposure, where material, is hedged in order to minimise translational gains and losses in the income statement

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
US dollar	1 58	1 73	1 49	1 43
euro	1 13	1 21	1 11	1 08

Sensitivity analysis

A 10 per cent strengthening of £ sterling against the following currencies at 27 March 2010 and 28 March 2009 would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	2010 £m	2009 £m
US dollar	(1.7)	(2.6)
euro	0.8	1.4

A 10 per cent weakening of £ sterling against the above currencies at 27 March 2010 and 28 March 2009 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Transactional exposure

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group's risk management policy aims to hedge firm commitments and between 60 per cent and 100 per cent of forecast exposures in each major currency for the subsequent 12 months to the extent that forecast transactions are highly probable.

Market risk Interest rate risk

Interest rate profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was

	Carrying amount	
	2010 £m	2009 £m
Variable rate instruments		
Financial assets	41.6	58.5
Financial liabilities	(52.6)	(91.6)
	(11.0)	(33.1)

As at 27 March 2010 the Group does not hold any fixed rate instruments.

The Group has reduced its exposure to cash flow interest rate risk through interest rate swaps with notional principal amounts of £50m, which have the effect of fixing the interest cost on £50m of borrowings under the Group's committed bank facility until May 2011 at an average rate of 3.49 per cent (inclusive of borrowing margin).

Where the Group has forecast average levels of net debt above £50m on a continuing basis, Group policy is to maintain a minimum of 50 per cent of the Group's average net debt fixed for a period of at least 12 months. As at 27 March 2010 £25m of the interest rate swaps were treated as ineffective because of reduced levels of sterling debt. The cumulative fair value of these swaps has been shown in the income statement.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and Loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
27 March 2010	0.3	(0.3)	0.3	(0.3)
28 March 2009	1.3	(1.3)	1.3	(1.3)

16 Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	35.1	43.4
Short term bank deposits	6.5	15.1
	41.6	58.5

The effective interest rate on short term bank deposits was 1.0 per cent (2009: 1.2 per cent) and the deposits had an average maturity period of 42 days.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2010 £m	2009 £m
Cash and cash equivalents	41.6	58.5
Bank overdrafts repayable on demand	(3.8)	(8.4)
Balance per Group cash flow statement	37.8	50.1

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

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

17 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2010 £m	2009 £m
Deferred tax assets	36.5	29.3
Deferred tax liabilities	(0.3)	–
	36.2	29.3

The gross movement on the deferred income tax account is as follows:

	2010 £m	2009 £m
Beginning of the year	29.3	25.3
Exchange differences	(0.2)	1.5
Income statement charge	(11.2)	(15.9)
Tax credited to equity	18.3	25.0
Disposal of business	–	(6.6)
End of the year	36.2	29.3

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property plant and equipment* £m	Fair value gains £m	Development costs £m	Other £m	Total £m
Liabilities					
At 30 March 2008	8.0	0.4	4.6	1.9	14.9
Recognised in the income statement	(0.4)	–	(2.6)	(0.5)	(3.5)
Disposal of business	(0.2)	–	(1.2)	–	(1.4)
At 29 March 2009	7.4	0.4	0.8	1.4	10.0
Recognised in the income statement	0.9	–	0.5	(0.8)	0.6
At 27 March 2010	8.3	0.4	1.3	0.6	10.6
	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
Assets					
At 30 March 2008	(5.8)	(7.0)	(4.5)	(22.9)	(40.2)
Recognised in the income statement	3.1	8.5	4.5	3.3	19.4
Recognised in equity	(0.2)	(21.0)	–	(3.8)	(25.0)
Disposal of business	–	0.1	–	7.9	8.0
Exchange differences	–	–	–	(1.5)	(1.5)
At 29 March 2009	(2.9)	(19.4)	–	(17.0)	(39.3)
Recognised in the income statement	1.4	4.2	(0.3)	5.3	10.6
Recognised in equity	0.1	(20.3)	–	1.9	(18.3)
Exchange differences	–	–	–	0.2	0.2
At 27 March 2010	(1.4)	(35.5)	(0.3)	(9.6)	(46.8)

NOTES TO THE ACCOUNTS continued

17 Deferred taxation continued

Other deferred assets and liabilities predominantly relate to tax associated with provisions (£4.1m), and overseas tax credits (£3.9m)

Deferred income tax assets are recognised for tax losses available to carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable

The Group did not recognise deferred income tax assets of £2.5m (2009: £2.2m) in respect of losses amounting to £9.8m (2009: £8.6m) that can be carried forward against future taxable income

Unremitted earnings totalled £558.9m at 27 March 2010 (2009: £527.1m). Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries where the timing of the reversal can be controlled and it was considered unlikely that dividends would be paid from those subsidiaries

UK capital losses of £337m are carried forward at 27 March 2010 (2009: £372m). No deferred tax asset has been recognised in respect of these losses

18 Trade and other payables

	2010 £m	2009 £m
Current liabilities		
Payments received on account	42.9	38.4
Trade payables	26.9	40.7
Amounts owed to associated companies	1.1	1.6
Social security and other taxation	2.0	–
Deferred income	3.7	4.3
Accrued expenses	63.2	56.5
Other payables	24.4	17.0
	164.2	158.5
Non-current liabilities		
Payments received on account	1.1	1.2
Other payables	4.0	2.1
	5.1	3.3

The Directors consider the carrying amounts of trade and other payables to approximate to their fair values

Payments received on account relate to monies received from customers under contract prior to commencement of production of goods or delivery of services

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 15

19 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 15.

	Currency	Nominal interest rate	Year of maturity	Face value 2010 £m	Carrying amount 2010 £m	Face value 2009 £m	Carrying amount 2009 £m
Current liabilities							
Unsecured bank loans and overdrafts	EUR	0%	2010	0.2	0.2	–	–
Unsecured bank loans and overdrafts	LKR	13.00%	2010	0.1	0.1	4.9	4.9
Unsecured bank loans and overdrafts	GBP	2.30%	2010	25.0	25.0	5.0	5.0
Unsecured bank loans and overdrafts	USD	2.00%	2010	22.9	22.9	24.4	24.4
Unsecured bank loans and overdrafts	BRL	14.10%	2010	3.4	3.4	3.5	3.5
Finance leases	GBP	1.00%	2010	0.1	0.1	2.3	2.3
				51.7	51.7	40.1	40.1
Non-current liabilities							
Unsecured bank loans repayable by instalments	EUR	0%	2011	0.8	0.8	1.3	1.3
Unsecured bank loans repayable otherwise than by instalments	GBP	–	2011	–	–	49.2	49.2
Finance leases	GBP	1.00%	2011	0.1	0.1	1.0	1.0
				0.9	0.9	51.5	51.5
Total interest bearing liabilities				52.6	52.6	91.6	91.6

In 2010, bank loans and overdrafts of £107.9m were pooled for interest purposes against cash and cash equivalents.

The Group has the following undrawn borrowing facilities:

	2010 £m	2009 £m
Floating rate		
– Expiring within one year	–	13.9
– Expiring beyond one year	125.2	93.9
	125.2	107.8

As at 27 March 2010, the total of undrawn committed borrowing facilities maturing in more than two years was £125.2m (2009: £93.9m).

In March 2010 the existing committed borrowing facilities were re-financed and replaced by a committed Revolving Credit Facility of £175m with a maturity of September 2013.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2010 £m	Interest 2010 £m	Present value of minimum lease payments 2010 £m	Future minimum lease payments 2009 £m	Interest 2009 £m	Present value of minimum lease payments 2009 £m
Less than one year	0.2	(0.1)	0.1	2.5	(0.2)	2.3
Between one and five years	0.1	–	0.1	1.1	(0.1)	1.0
	0.3	(0.1)	0.2	3.6	(0.3)	3.3

NOTES TO THE ACCOUNTS continued

20 Provisions for liabilities and charges

	Restructuring £m	Business disposals £m	Warranty £m	Other £m	Total £m
At 29 March 2009	12.5	1.1	11.7	7.2	32.5
Exchange differences	–	–	–	0.2	0.2
Charge for the year	4.8	–	11.4	0.6	16.8
Utilised in year	(11.5)	–	(3.5)	(1.6)	(16.6)
Released in year	–	–	(5.7)	(1.1)	(6.8)
At 27 March 2010	5.8	1.1	13.9	5.3	26.1

Restructuring provisions relate to exceptional amounts set aside for various reorganisations, principally within CPS. Most of the utilisation of these provisions is likely within the next year.

Business disposal provisions represent amounts provided for warranties and indemnities in respect of businesses sold by the Group. The majority of these provisions are expected to be utilised within one year.

Warranty provisions relate to present obligations for defective products and include known claims as well as anticipated claims that had not been reported at the balance sheet date. The provisions are management judgements based on information currently available, past history and experience of the products sold, however it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain, but is generally expected to fall within the year.

Other provisions comprise a number of liabilities with varying expected utilisation rates. There are no individually material provisions within this total.

21a Share capital

	2010 £m	2009 £m
Authorised		
144,641,840 ordinary shares of 44 ¹⁵² / ₁₇₅ p each (2009 144,641,840 ordinary shares of 44 ¹⁵² / ₁₇₅ p each)	64.9	64.9
111,673,300 deferred shares of 1p each (2009 111,673,300 deferred shares of 1p each)	1.1	1.1
Authorised, called up and fully paid		
98,882,856 ordinary shares of 44 ¹⁵² / ₁₇₅ p each (2009 97,786,854 ordinary shares of 44 ¹⁵² / ₁₇₅ p each)	44.4	43.9
111,673,300 deferred shares of 1p each (2009 111,673,300 deferred shares of 1p each)	1.1	1.1
	45.5	45.0

	2010		2009	
	Ordinary shares '000	Deferred shares '000	Ordinary shares '000	B shares/ Deferred shares '000
Allotments during the year				
Shares in issue at 29 March 2009/30 March 2008	97,787	111,673	149,843	–
Sub-division of shares	–	–	–	150,774
Shares bought back for cancellation	–	–	–	(39,101)
Issued under executive share option plans	49	–	546	–
Issued under savings related share option scheme	415	–	724	–
Issued under US employee share purchase plan	16	–	23	–
Issued under deferred bonus and matching share plan	616	–	775	–
Shares consolidated*	–	–	(54,124)	–
Shares in issue at 27 March 2010/28 March 2009	98,883	111,673	97,787	111,673

*Following shareholders' approval of a return of cash at the Extraordinary General Meeting of the Company on 14 November 2008, each existing ordinary share held by shareholders on the Company's Register of Members at the close of business on 14 November 2008 was sub-divided into one undesignated share and one B share. The undesignated shares were immediately consolidated on the basis of 25 new ordinary shares for every 39 undesignated shares. On 28 November 2008, shareholders opting for the single B share dividend alternative received a special dividend of 305 pence per B share. J. P. Morgan Cazenove acting as principal purchased 39,101,452 B shares in respect of which valid acceptances of the purchase offer had been received for 305 pence each. The Company acquired the 39,101,452 B shares for an aggregate consideration of approximately £119.3m, and these B shares were cancelled on 28 November 2008. The remaining B shares were converted into deferred shares of 1 penny each nominal value. As a consequence of the return of cash and share consolidation, the Company's authorised share capital was reduced from £66.4m to £66.0m, representing 111,673,300 deferred shares of 1 penny each and 144,641,840 ordinary shares of 44¹⁵²/₁₇₅ pence each. The issued ordinary share capital was reduced from 150,774,752 to 96,650,482.

The deferred shares carry no voting rights and are unlisted.

21b Share based payments

At 27 March 2010, De La Rue plc have a number of share based payment plans, which are described below. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, 'Share Based Payments', which means that IFRS 2 has been applied to all grants of employee share based payments granted after 7 November 2002 that had not vested at 1 January 2005 and cash settled awards outstanding at 1 January 2005.

The compensation cost and related liability that have been recognised for De La Rue's share based compensation plans are set out in the table below.

	Expense recognised for the year		Liability at end of year	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred bonus and matching plan	0.9	2.5	–	–
Savings related share option plan	0.6	0.6	–	–
US employee share plan	0.1	0.1	–	–
	1.6	3.2	–	–

The fair value of share options is estimated at the date of grant using a lattice based option valuation model. The significant assumptions used in the valuation model are disclosed below.

Arrangement	Executive share option plan	Deferred bonus and matching plan	Savings related share option plan	US employee share plan
Dates of current year grants	n/a	5 June 2009	24 Dec 2009	n/a
Number of options granted	n/a	199,382	348,207	n/a
Exercise price	n/a	n/a	819.55p	n/a
Contractual life (years)	n/a	3	3 or 5	n/a
Settlement	Shares	Shares	Shares	Shares
Vesting period (years)	n/a	3	3 or 5	n/a
Dividend yield	n/a	4.5%	3.5%	n/a
Fair value per option at grant date	n/a	£8.80 for deferred allocation £6.65 for matching allocation	£3.17 for 3 year plan £3.49 for 5 year plan	n/a

An expected volatility rate of 25 per cent has been used for grants in the period. This rate is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The rate applied during the year was in the region of 2.3 per cent depending on exact grant date.

Reconciliations of option movements over the year to 27 March 2010 for each class of options are shown below.

Executive Share Option Plan

The Executive Share Option Plan was open to eligible senior executives around the Group. Options were granted at a price equal to the average market price of a share over the three dealing days immediately preceding the date of grant with a performance condition based on the achievement of an earnings per share growth target. The performance condition relates to the achievement over three years of three per cent per annum earnings per share growth over the rate of increase in the retail price index. If this condition is not met at the end of the performance period the options will lapse. For grants of options before April 2004 retesting of the performance target will be allowed twice, on the fourth and fifth anniversaries of the grant date. A pre vesting forfeiture rate of 5 per cent per annum has been assumed.

	2010		2009	
	Number of options '000	Weighted average exercise price pence per share	Number of options '000	Weighted average exercise price pence per share
Options outstanding at start of year	40	373.59	1,072	362.84
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	(30)	368.59	(1,032)	362.42
Expired	–	–	–	–
Outstanding at end of year	10	388.05	40	373.59
Exercisable at year end	10	388.05	40	373.59

The range of exercise prices for the share options outstanding at the end of the year is 340.50p - 407.42p (2009: 340.50p - 407.42p).

The remaining contractual life of the outstanding share options is up to 5 July 2015 (2009: up to 5 July 2015).

NOTES TO THE ACCOUNTS continued

21b Share based payments continued

Executive Share Option Scheme

The Company operated an Executive Share Option Scheme with a HM Revenue and Customs approved section and unapproved section which expired on 31 December 2004. Options granted under the Scheme since July 1996 can only be exercised if performance targets are met. The performance condition that has been applied to the 1997 grant and to all subsequent grants of options up to and including 2001 is that options can only be exercised if the total return of a share over a consecutive three-year period exceeds the total return of the median ranked company in the FTSE Mid-250 Index over the same period. Options granted in 1996 are normally exercisable only if the total return of a share over a rolling three-year period exceeds the average total return of the FTSE All Share Index. A pre vesting forfeiture rate of 5 per cent per annum has been assumed.

	2010		2009	
	Number of options '000	Weighted average exercise price pence per share	Number of options '000	Weighted average exercise price pence per share
Options outstanding at start of year	37	505.56	120	514.79
Exercised	(19)	522.30	(83)	518.92
Expired	-	-	-	-
Outstanding at end of year	18	487.88	37	505.56
Exercisable at year end	18	487.88	37	505.56

The range of exercise prices for the share options outstanding at the end of the year was 482.33p - 522.30p (2009 482.33p - 522.30p)

The remaining contractual life of the outstanding share options was up to 3 December 2011

Deferred Bonus and Matching Plan

The Plan is open to eligible senior executives around the Group. The Plan is a combination of three elements: deferred allocation, dividend allocation and matching allocation. The matching allocation is linked to the deferred allocation and is subject to the following performance condition: up to 50 per cent of the award is released subject to an earnings per share test and up to 50 per cent is released based on the performance of the total shareholder return test (TSR) against the companies in the FTSE Mid-250 excluding investment trusts. The performance conditions are described in more detail on page 52. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2010 Number of options '000	2009 Number of options '000
Options outstanding at start of year	887	1,447
Granted - deferred shares	82	107
Granted - matching shares	117	170
Forfeited	(72)	(102)
Exercised	(592)	(735)
Expired	-	-
Outstanding at end of year	422	887
Exercisable at year end	-	-

The deferred and matching shares have been allocated based on a share price of 880.0p (2009 908.5p)

Savings Related Share Option Scheme

The Scheme is open to all UK employees. Options are granted at the prevailing market price at the time of the grant (with a discretionary discount to the market price), to employees who agree to save between £5 and £250 per month over a period of three or five years.

There are no performance conditions attaching to the options. After the three or five year term has expired, employees normally have six months in which to decide whether or not to exercise their options. A pre vesting forfeiture rate of 5 per cent has been assumed.

	2010		2009	
	Number of options '000	Weighted average exercise price pence per share	Number of options '000	Weighted average exercise price pence per share
Options outstanding at start of year	1,225	565.31	1,778	439.63
Granted	348	819.55	300	712.90
Forfeited	(42)	691.21	(119)	570.50
Exercised	(415)	443.54	(723)	311.81
Expired	(9)	475.50	(11)	387.65
Outstanding at end of year	1,107	686.87	1,225	565.31
Exercisable at year end	12	470.74	36	352.46

The range of exercise prices for the share options outstanding at the end of the year is 303.31p - 819.55p (2009 258.90p - 745.74p)

The weighted average remaining contractual life of the outstanding share options is 1 September 2012 (2009 1 September 2011)

21b Share based payments continued**US Employee Share Option Plan**

De La Rue operates a US Employee Share Purchase Plan for US employees. Under the plan, employees have an option to purchase De La Rue plc shares at the end of each 12 month savings period at a price which is the lower of the market value of the De La Rue plc share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2009/2010 16,110 shares (2008/2009 22,152 shares) were allotted pursuant to the plan. It is estimated that 25,541 shares will be required to satisfy the Company's 2010/2011 obligations in respect of employees' savings under the plan as at 27 March 2010.

Market share purchase of shares by Trustee**De La Rue Employee Share Ownership Trust**

The De La Rue Employee Share Ownership Trust was established to administer shares granted under the various De La Rue Executive Share Option Schemes (ESOS) and the De La Rue Executive Share Option Plan (ESOP) (or any other share option plan established by the Company) to executive Directors and senior employees. Bachmann Trust Company Limited is the Trustee. The Trustee held no shares at 27 March 2010.

22 Notes to Group cash flow statement

	2010 £m	2009 £m
Net cash flows attributable to discontinued operations		
Cash utilised by discontinued operations	–	(2.2)
Tax paid	–	(10.0)
Net cash used in operating activities	–	(12.2)
Net cash used in investing activities	–	(1.8)
Net cash used in discontinued operations	–	(14.0)

	2010 £m	2009 £m
Disposal of subsidiary undertakings		
Consideration received, satisfied in cash	1.9	367.3
Net cash disposed of	–	(22.4)
Disposal costs paid	(2.9)	(11.2)
Disposal of subsidiary undertakings (net of cash disposed)	(1.0)	333.7

	2010 £m	2009 £m
Analysis of net debt		
Cash at bank and in hand	35.1	43.4
Short term bank deposits	6.5	15.1
Bank overdrafts	(3.8)	(8.4)
Total cash and cash equivalents	37.8	50.1
Borrowings due within one year	(47.9)	(31.7)
Borrowings due after one year	(0.9)	(51.5)
Net debt	(11.0)	(33.1)

23 Group operating leases

	2010 Property £m	2010 Plant and equipment £m	2009 Property £m	2009 Plant and equipment £m
Total commitments due				
Within one year	3.4	0.2	3.6	0.2
Between one and five years	9.6	0.1	5.0	0.2
Over five years	34.2	0.1	28.3	–
	47.2	0.4	36.9	0.4

NOTES TO THE ACCOUNTS continued

24 Disposals

On 1 September 2008 the Group disposed of the Cash Systems business (excluding Cash Processing Solutions)

The effect of these disposals on the financial position of the Group is summarised as follows

	2010 £m	2009 £m
Assets and liabilities disposed of		
Property, plant and equipment	–	10.5
Intangible assets	–	18.7
Inventories	–	42.0
Trade and other receivables	–	39.2
Cash and cash equivalents	–	22.4
Trade and other payables	–	(17.6)
Advance payments	–	(12.0)
Other current assets and liabilities	–	(22.0)
Retirement benefit obligations	–	(2.9)
Provisions for liabilities and charges	–	(5.9)
Deferred income	–	(23.3)
Net assets and liabilities	–	49.1

25 Retirement benefit obligations

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.

(i) Defined benefit pension plans

	UK defined benefit pension £m	Overseas defined benefit pension £m	Gross defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 30 March 2008	(20.7)	(4.6)	(25.3)	7.0	(18.3)
Exchange differences	–	(0.4)	(0.4)	–	(0.4)
Current service cost included in operating profit	(5.8)	(0.2)	(6.0)	1.6	(4.4)
Curtailments	0.8	–	0.8	(0.2)	0.6
Net finance cost	(1.8)	–	(1.8)	–	(1.8)
Actuarial gains and losses arising over the year	(75.1)	0.1	(75.0)	21.0	(54.0)
Cash contributions and benefits paid	35.5	–	35.5	(9.9)	25.6
Disposal of businesses	–	2.9	2.9	(0.2)	2.7
Transfers	(0.4)	–	(0.4)	0.1	(0.3)
At 29 March 2009	(67.5)	(2.2)	(69.7)	19.4	(50.3)
Exchange differences	–	0.1	0.1	–	0.1
Current service cost included in operating profit	(4.5)	(0.2)	(4.7)	1.3	(3.4)
Net finance cost	(6.2)	(0.1)	(6.3)	1.7	(4.6)
Actuarial gains and losses arising over the year	(72.4)	0.1	(72.3)	20.3	(52.0)
Cash contributions and benefits paid	25.9	–	25.9	(7.3)	18.6
Transfers	(0.1)	–	(0.1)	0.1	–
At 27 March 2010	(124.8)	(2.3)	(127.1)	35.5	(91.6)

Amounts recognised in the consolidated balance sheet

	2010 UK £m	2010 Overseas £m	2010 Total £m	2009 UK £m	2009 Overseas £m	2009 Total £m
Fair value of plan assets	569.2	0.3	569.5	427.3	0.8	428.1
Present value of funded obligations	(687.3)	(0.4)	(687.7)	(489.3)	(0.8)	(490.1)
Funded defined benefit pension plans	(118.1)	(0.1)	(118.2)	(62.0)	–	(62.0)
Present value of unfunded obligations	(6.7)	(2.2)	(8.9)	(5.5)	(2.2)	(7.7)
Net liability	(124.8)	(2.3)	(127.1)	(67.5)	(2.2)	(69.7)

25 Retirement benefit obligations continued

Amounts recognised in the consolidated income statement

	2010 UK £m	2010 Overseas £m	2010 Total £m	2009 UK £m	2009 Overseas £m	2009 Total £m
Included in employee benefits expense						
– Current service cost	(4.5)	(0.2)	(4.7)	(5.8)	(0.2)	(6.0)
Included in profit from discontinued operations						
– Curtailments	–	–	–	0.8	–	0.8
Included in net finance cost						
– Expected return on plan assets	26.4	–	26.4	33.2	0.1	33.3
– Interest cost	(32.6)	(0.1)	(32.7)	(35.0)	(0.1)	(35.1)
Net finance cost	(6.2)	(0.1)	(6.3)	(1.8)	–	(1.8)
Total recognised in the consolidated income statement	(10.7)	(0.3)	(11.0)	(6.8)	(0.2)	(7.0)
Actual return on plan assets	143.8	–	143.8	(90.5)	0.1	(90.4)

Amounts recognised in the statement of comprehensive income

	2010 UK £m	2010 Overseas £m	2010 Total £m	2009 UK £m	2009 Overseas £m	2009 Total £m
Actuarial gains/(losses) on plan assets	117.4	–	117.4	(123.7)	–	(123.7)
Actuarial (losses)/gains on defined benefit pension obligations	(189.8)	0.1	(189.7)	48.6	0.1	48.7
Amounts recognised in the statement of comprehensive income	(72.4)	0.1	(72.3)	(75.1)	0.1	(75.0)

Major categories of plan assets as a percentage of total plan assets

	2010 UK %	2010 Overseas %	2010 Total %	2009 UK %	2009 Overseas %	2009 Total %
Equities	58.9	–	58.9	54.4	–	54.3
Bonds	19.4	–	19.4	15.0	–	15.0
Gilts	19.0	–	19.0	28.8	–	28.7
Other	2.7	100.0	2.7	1.8	100.0	2.0

Other UK assets comprise cash. Categories of plan assets for overseas plans have not been disclosed as these plans are not considered sufficiently material to warrant such disclosure.

Principal actuarial assumptions

	2010 UK %	2010 Overseas %	2009 UK %	2009 Overseas %
Future salary increases	4.10	3.00	3.50	3.00
Future pension increases – past service	3.70	0.43	3.30	1.35
Future pension increases – future service	3.50	–	2.90	–
Discount rate	5.80	5.80	6.80	5.80
Inflation rate	3.50	2.00	2.90	2.00
Expected return on plan assets				
Equities	8.25	–	8.30	–
Bonds	5.80	–	6.80	–
Gilts	4.60	–	4.00	–
Other	–	2.80	–	5.80

The expected rate of return on plan assets has been determined following advice from the plans' independent actuary and is based on the expected return on each asset class together with consideration of the long term asset strategy.

The mortality assumptions used to assess the defined benefit obligation for the UK plan are based on tables issued by the Continuous Mortality Investigation Bureau. At 27 March 2010 and 28 March 2009 mortality assumptions are based on the PxA92 birth year tables multiplied by a rating of 125 per cent and allowance for medium cohort mortality improvements in future, with a 0.5 per cent mortality improvement underpin. The resulting life expectancy for a 65 year old pensioner is 20.5 years (2009: 20.2 years).

NOTES TO THE ACCOUNTS continued

25 Retirement benefit obligations continued

History of experience gains and losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets	569.5	428.1	523.2	537.6	525.1
Present value of defined benefit pension obligations	(696.6)	(497.8)	(548.5)	(645.7)	(644.7)
Net liability	(127.1)	(69.7)	(25.3)	(108.1)	(119.6)
Cumulative actuarial gains and losses recognised in the statement of comprehensive income	(90.1)	(17.8)	57.2	(16.3)	(19.8)
Experience (losses)/gains arising on defined benefit pension obligations					
Amount (£m)	(38.3)	(0.1)	0.3	16.2	–
Percentage of present value of defined benefit pension obligations	5.5%	–	-0.1%	-2.5%	–
Experience gains/(losses) arising on plan assets					
Amount (£m)	117.4	(123.7)	(43.6)	(9.6)	55.3
Percentage of plan assets	20.6%	-28.9%	-8.3%	-1.8%	10.5%

The largest defined benefit pension plan operated by the Group is in the UK. A full actuarial valuation of the plan was carried out by a qualified actuary as at 5 April 2009 and updated to 27 March 2010. The plan is valued formally every three years, the next valuation being as at April 2012.

Changes in the fair value of UK plan assets

	2010 £m	2009 £m
At 29 March 2009/30 March 2008	427.3	507.4
Expected return on plan assets	26.4	33.2
Actuarial gains/(losses)	117.4	(123.7)
Employer contributions	25.4	34.9
Plan participant contributions	3.1	3.3
Claims from insurance policy	0.5	0.6
Benefits paid	(28.0)	(25.3)
Plan administration and investment management expenses	(2.4)	(2.2)
Life assurance premiums	(0.4)	(0.5)
Transfers	(0.1)	(0.4)
At 27 March 2010/28 March 2009	569.2	427.3

Changes in the fair value of UK defined benefit pension obligations

	2010 £m	2009 £m
At 29 March 2009/30 March 2008	(494.8)	(528.1)
Current service cost	(4.5)	(5.8)
Curtailments	–	0.8
Interest cost	(32.6)	(35.0)
Actuarial (losses)/gains	(189.8)	48.6
Plan participant contributions	(3.1)	(3.3)
Benefits paid	28.0	25.3
Plan administration and investment management expenses	2.4	2.2
Life assurance premiums	0.4	0.5
At 27 March 2010/28 March 2009	(694.0)	(494.8)

Movements in the fair value of plan assets and defined benefit pension obligations for overseas plans have not been disclosed as these plans are not considered sufficiently material to warrant such disclosure.

The Group expects to contribute around £18m to its UK pension fund in 2010/2011.

(ii) Defined contribution pension plans

The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the year was £1.4m (2009: £1.3m).

26 Employees

	2010 number	2009 number
Average number of employees		
United Kingdom and Ireland	2,021	1,992
Rest of Europe	688	593
The Americas	302	309
Rest of World	935	1,065
	3,946	3,959
Average number of employees		
Currency	2,440	2,327
Cash Processing Solutions	739	820
Security Print	606	688
Identity Systems	161	124
	3,946	3,959

	2010 £m	2009 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	133.9	134.8
Social security costs	7.8	6.1
Share incentive schemes	1.0	2.6
Sharesave schemes	0.6	0.6
Pension costs	6.1	7.3
	149.4	151.4

27 Capital commitments

	2010 £m	2009 £m
The following commitments existed at the balance sheet date		
Contracted but not provided for in the accounts	22.1	2.5

28 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 17 Companies (Amendment) Act 1986 of the Republic of Ireland.

29 Related party transactions

During the year the Group traded on an arms-length basis with the associated company Fidink (33.3 per cent owned). The Group's trading activities with this company included £12.7m (2009: £9.2m) for the purchase of ink and other consumables. At the balance sheet date there were creditor balances of £1.1m (2009: £1.6m) with Fidink.

Intra-group transactions between the parent and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation. Such transactions were contracted on an arms-length basis.

Key management compensation

	2010 £'000	2009 £'000
Salaries and other short term employee benefits	2,661.4	5,457.4
Termination benefits	1,578.9	114.2
Retirement benefits		
– Defined contribution	31.2	11.2
– Defined benefit	422.8	410.1
Share-based payments	801.0	2,209.0
	5,495.3	8,201.9

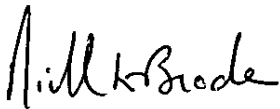
Key management comprises members of the Board (including fees of non-executive Directors) and the Operating Board. Key management compensation includes compensation for loss of office, ex-gratia payments, redundancy payments, enhanced retirement benefits and any related benefits-in-kind connected with a person leaving office or employment.

COMPANY BALANCE SHEET

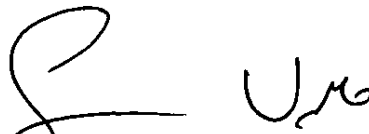
At 27 March 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investments in subsidiaries	4a	152.4	152.4
		152.4	152.4
Current assets			
Debtors receivable within one year	5a	100.2	168.8
Cash at bank and in hand		2.2	–
		102.4	168.8
Creditors amounts falling due within one year			
Borrowings	6a	(26.4)	(62.3)
Other creditors	7a	(8.8)	(5.8)
		(35.2)	(68.1)
Net current assets		67.2	100.7
Total assets less current liabilities		219.6	253.1
Creditors amounts falling due after more than one year	8a	(100.0)	(100.0)
Net assets		119.6	153.1
Capital and reserves			
Called up share capital	9a	45.5	45.0
Share premium account	10a	28.4	26.5
Capital redemption reserve	10a	5.9	5.9
Retained earnings	10a	39.8	75.7
Total shareholders' funds		119.6	153.1

Approved by the Board on 24 May 2010



Nicholas Brookes
Chairman



Simon Webb
Group Finance Director

ACCOUNTING POLICIES – COMPANY

Basis of preparation

The Financial Statements of De La Rue plc (the Company) have been prepared under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company has taken advantage of the exemption in Financial Reporting Standard (FRS) 29 (IFRS 7) 'Financial Instruments: Disclosures' not to prepare a financial instrument note as the information is available in the published consolidated Financial Statements of the Group.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 'Cash Flow Statements'.

The accounts have been prepared as at 27 March 2010, being the last Saturday in March. The comparatives for the 2009 financial year are for the year ended 28 March 2009.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company Financial Statements.

Foreign currencies

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

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account.

Other receivables

Other receivables are measured at amortised cost less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material.

Investments

Investments are stated at cost or valuation in the balance sheet, less provision for any permanent diminution in the value of the investment.

Retirement benefits

The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme that is funded partly by contributions from members and partly by contributions from the Company and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with FRS 17, De La Rue plc accounts for its contributions as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover the Company and a number of its subsidiaries and those assets and liabilities cannot be split between each subsidiary on a consistent and reasonable basis. Full details of the scheme and its deficit (measured on an IAS 19 basis) can be found in note 25 to the consolidated Financial Statements.

Share based payment

The Company operates various equity settled and cash settled option schemes although the majority of plans are settled by the issue of shares. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 20 has been applied to share settled share options granted after 7 November 2002.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 20 share based payments. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

Share based payments recharged to subsidiaries are recorded via the intercompany loan account.

Dividends

Under FRS 21, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

NOTES TO THE ACCOUNTS – COMPANY

1a Employee costs and numbers

Employee costs are borne by De La Rue Holdings plc. For details of Director's remuneration, refer to disclosures in the Directors' Report on pages 47 to 53

	2010 Number	2009 Number
Average employee numbers	2	2

2a Auditor's remuneration

Auditor's remuneration is borne by De La Rue Holdings plc. For details of auditor's remuneration, see Note 2 to the consolidated Financial Statements

3a Equity dividends

For details of equity dividends, see Note 8 to the consolidated Financial Statements

4a Investments

	2010 £m	2009 £m
Investments comprise		
Investments in subsidiaries	152.4	152.4

	£m	£m
Cost		
At 29 March 2009 and 30 March 2008	152.4	152.4
Additions	–	–
At 27 March 2010 and 28 March 2009	152.4	152.4

For details of investments in Group companies, refer to Principal subsidiaries, branches and associated companies on page 94

5a Debtors

	2010 £m	2009 £m
Amounts due within one year		
Amounts owed by Group undertakings	100.2	168.8

6a Borrowings

	2010 £m	2009 £m
Short term borrowings		
Bank loans and overdrafts	26.4	62.3

The carrying amounts of short and long term borrowings approximate to their fair value

The carrying amounts of the Company's borrowings are denominated in the following currencies

	2010 £m	2009 £m
US dollar	22.8	34.4
euro	0.2	24.3
£ sterling	–	0.8
Other currencies	3.4	2.8
	26.4	62.3

7a Other creditors

	2010 £m	2009 £m
Amounts falling due within one year		
Amounts due to Group undertakings	5.3	2.0
Accruals and deferred income	3.5	3.8
Other creditors	8.8	5.8

8a Creditors Amounts due after more than one year

	2010 £m	2009 £m
Amounts due to Group undertakings	100.0	100.0

9a Share capital

For details of share capital, see note 21a to the consolidated Financial Statements

10a Other reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 30 March 2008	44.6	22.5	5.5	113.4	186.0
Share capital issued	0.8	4.0	–	–	4.8
Allocation of shares for cancellation	–	–	–	2.2	2.2
Profit for the financial year	–	–	–	453.3	453.3
Return of capital	(0.4)	–	0.4	(119.3)	(119.3)
Dividends paid	–	–	–	(376.7)	(376.7)
Employee share scheme – value of services provided	–	–	–	2.8	2.8
At 29 March 2009	45.0	26.5	5.9	75.7	153.1
Share capital issued	0.5	1.9	–	–	2.4
Profit for the financial year	–	–	–	3.5	3.5
Dividends paid	–	–	–	(40.9)	(40.9)
Employee share scheme – value of services provided	–	–	–	1.5	1.5
At 27 March 2010	45.5	28.4	5.9	39.8	119.6

11a Share based payments

For details of share based payments, see note 21b to the consolidated Financial Statements and the Remuneration Report on page 47

12a Related party transactions

The Company has no transactions with or amounts due to or from subsidiary undertakings that are not 100 per cent owned either directly by the Company or by its subsidiaries

For details of key management remuneration, see note 29 to the consolidated Financial Statements

PRINCIPAL SUBSIDIARIES, BRANCHES AND ASSOCIATED COMPANIES

As at 27 March 2010

The companies and branches listed below 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	DLR (No. 1) Limited	Holding company 100
	DLR (No. 2) Limited	Holding company 100 [†]
	De La Rue Holdings plc	Holding and general commercial activities 100
	De La Rue International Limited	Security paper and printing, sale and maintenance of CPS products and services, identity systems, brand protection and holographics 100
	De La Rue Overseas Limited	Holding company 100
	De La Rue Investments Limited	Holding company 100
	Portals Group Limited	Holding company 100
	Portals Property Limited	Property holding company 100
	Camelot Group plc	Lottery operator 20*
Channel Islands	The Burnhill Insurance Company Limited	Insurance 100
	De La Rue (Guernsey) Limited	General commercial company 100
France	De La Rue Cash Processing Solutions (France) S A S	Distribution, service and marketing 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 of CPS products 100
Russia	De La Rue CIS	Manufacturing, distribution, service and marketing 100
Spain	De La Rue Cash Processing Solutions (Spain) SLU	Distribution, service and marketing 100
Switzerland	Thomas De La Rue A G	Holding company 100
	Fidink S A	Security ink marketing 33.33*
North America		
United States of America	De La Rue North America Holdings Inc	Holding company 100
	De La Rue North America Inc	Security printing 100
Canada	De La Rue Canada Inc	Distribution and marketing of CPS and identity systems 100
South America		
Brazil	De La Rue Cash Systems Limitada	Distribution, service and marketing 100
Mexico	De La Rue Mexico, S A de C V	Distribution, marketing and identity systems 100
Africa		
Kenya	De La Rue Currency and Security Print Limited	Security printing 100
South Africa	De La Rue South Africa (Proprietary) Limited	Distribution, service and marketing 100
	De La Rue Global Services (S A) (Proprietary) Limited	Security printing 100
Far East		
Australia	De La Rue Cash Processing Solutions (Australia) Pty Limited	Distribution, service and marketing 100
China	De La Rue Banking Technology (Shenzhen) Corporation Limited	Distribution, service and marketing 100
	De La Rue (Suzhou) Trading Company Limited	Distribution, service and marketing 100
Hong Kong	De La Rue Systems Limited	Distribution, service and marketing 100
Malaysia	De La Rue (Malaysia) Sdn Bhd	Distribution, service and marketing 100
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited	Security printing 60
Thailand	De La Rue (Thailand) Limited	Distribution, service and marketing 100

Associated company

*Held directly by De La Rue plc

FIVE YEAR RECORD

Profit and Loss Account

	Notes	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Revenue						
– Continuing operations		358.5	401.8	467.0	502.4	561.1
– Discontinued operations	(a)	252.3	285.7	286.6	121.6	–
Total		610.8	687.5	753.6	624.0	561.1
Operating profit						
– Continuing operations		46.9	61.3	79.2	96.5	109.2
– Exceptional items – operating		1.7	–	–	(8.9)	(7.5)
Total		48.6	61.3	79.2	87.6	101.7
Share of profits of associated companies		6.8	6.6	7.1	8.9	6.3
Exceptional items – non-operating		–	–	2.6	–	–
Profit on continuing operations before interest		55.4	67.9	88.9	96.5	108.0
Net interest income/(expense)		1.8	3.6	2.0	1.4	(5.1)
Retirement benefit obligation net finance (expense)/income		(1.8)	1.8	0.3	(1.8)	(6.3)
Profit on continuing operations before taxation		55.4	73.3	91.2	96.1	96.6
Taxation		(16.5)	(21.9)	(24.7)	(28.5)	(26.2)
Profit on continuing operations after taxation		38.9	51.4	66.5	67.6	70.4
Discontinued operations		12.9	20.4	21.9	296.5	–
Equity minority interests		(0.9)	(1.6)	(0.3)	(1.1)	(0.5)
Profit for the financial year		50.9	70.2	88.1	363.0	69.9
Dividends		(95.8)	(28.3)	(105.4)	(376.7)	(40.9)
Retained profit/(loss) for the period		(44.9)	41.9	(17.3)	(13.7)	29.0
Earnings per ordinary share from continuing operations		23.6p	33.1p	43.4p	50.9p	71.0p
Diluted earnings per share from continuing operations		23.0p	32.4p	42.7p	50.4p	70.5p
Headline earnings per ordinary share (before exceptionals)		22.6p	33.1p	41.7p	57.0p	76.2p
Dividends per ordinary share	(b)	17.0p	19.1p	21.4p	41.1p	42.3p
Profit on continuing operations before taxation and exceptional items		53.7	73.3	88.6	105.0	104.1

Balance Sheet

	£m	£m	£m	£m	£m
Non-current assets	235.5	235.1	226.0	228.6	222.3
Net current assets	(69.4)	(96.0)	(87.3)	(87.6)	(67.2)
Net cash/(debt)	91.6	137.3	106.7	(33.1)	(11.0)
Other liabilities	(121.4)	(111.5)	(29.9)	(87.3)	(134.6)
Equity minority interests	(3.8)	(5.0)	(2.3)	(2.9)	(3.2)
Equity shareholders' funds	132.5	159.9	213.2	17.7	6.3

Notes

(a) Discontinued operations include all businesses discontinued between 2006 and 2010. Thus continuing operations are those businesses continuing as at 27 March 2010.

(b) Includes proposed final dividend which, in accordance with IFRS accounting requirements, has not been accrued.

SHAREHOLDERS' INFORMATION

Registered office

De La Rue House
Jays Close, Viables, Basingstoke
Hampshire RG22 4BS UK
Telephone +44 (0)1256 605000
Fax +44 (0)1256 605336
Registered Number 3834125
Company Secretary Mr E H D Peppiatt

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

Telephone +44 (0)870 703 6375
Fax +44 (0)870 703 6101

Shareholder enquiries

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare Investor Services PLC. Details of your shareholding and how to make amendments to your details can be viewed online at www.investorcentre.co.uk. Shareholder Helpline Telephone +44 (0)870 703 6375

Electronic communications

You can register online at www.investorcentre.co.uk/ecomms to stop receiving statutory communications through the post. If you choose this option you will receive an email notification each time we publish new shareholder documents on our website and be able to download and read them at your own convenience. You will need to have your Shareholder Reference number ('SRN') available when you first log in. This 11 character number (which starts with the letter C or G) can be found on share certificates and dividend tax vouchers. Shareholders who subscribe for electronic communications can revert to postal communications or request a paper copy of any shareholder document at any time in the future.

Internet

Visit www.delarue.com to access previous annual reports, dividend history and share price information.

Consolidation of share certificates

If your total registered shareholding is represented by several individual share certificates, you may wish to have these replaced by one consolidated certificate. De La Rue will meet the cost 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 10.30 a.m. on Thursday, 22 July 2010 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS. Each shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in a separate notice to shareholders.

Financial calendar

Preliminary Results Announcement	25 May 2010
Ex Dividend Date for 2009/2010 Final Dividend	7 July 2010
Record Date for Final Dividend	9 July 2010
Payment of 2009/2010 Final Dividend	5 August 2010
Interim Results Announcement*	23 November 2010
Ex Dividend Date for 2010/2011 Interim Dividend*	8 December 2010
Record Date for 2010/2011 Interim Dividend*	10 December 2010
Payment of 2010/2011 Interim Dividend*	6 January 2011

Expected

Analysis of shareholders at 27 March 2010

By range of holdings	Shareholders		Shares	
	Number	%	Number	%
1-1,000	5,675	76.26	1,909,373	1.93
1,001-2,000	859	11.54	1,190,986	1.20
2,001-4,000	387	5.20	1,057,018	1.07
4,001-20,000	251	3.37	2,111,962	2.14
20,001-200,000	202	2.72	13,833,768	13.99
200,001 and above	68	0.91	78,779,749	79.67
Total	7,442	100.00	98,882,856	100.00

Share dealing facilities

J P Morgan Cazenove Limited
The Company's Stockbroker, J P Morgan Cazenove Limited, provides a simple, low cost postal dealing facility in De La Rue plc shares. Commission is charged at 1 per cent up to £5,000 and 0.5 per cent thereafter, with a minimum charge of £20. Further information and forms can be obtained from J P Morgan Cazenove Limited, 20 Moorgate, London, EC2R 6DA UK. Telephone +44 (0)20 7155 5155. A copy of the low cost dealing form is also available at www.delarue.com.

Computershare Investor Services PLC

Computershare, the Company's Registrar, provides a simple way to sell or purchase De La Rue plc shares.

Internet share dealing

Available 24 hours a day/seven days a week with real time pricing in market hours. Commission is charged at 0.5 per cent subject to a minimum charge of £15, with no set up or annual management fees. Further information can be obtained by logging on to www.computershare.com/dealing/uk.

Telephone share dealing

Commission is charged at 1 per cent subject to a minimum charge of £25 with no set up or annual management fees. The telephone share dealing service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays on telephone number +44 (0)870 703 0084.

Stocktrade

An execution-only telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling De La Rue plc shares. Basic commission is 0.5 per cent with a minimum charge of £15 up to £10,000 and then 0.2 per cent thereafter with no maximum. For further information please call +44 (0)845 601 0995 and quote reference Low Co103.

Capital gains tax

March 1982 Valuation

The price per share on 31 March 1982 was 617.5p.

November 2008 return of cash

A shareholder's original base cost in the existing ordinary shares will be apportioned between the new ordinary shares and the B shares by reference to their respective market values on the day on which they were first listed which were equal to 816.75p and 302.375p, respectively. On the reorganisation, for each 39 existing ordinary shares held by a shareholder he or she received 25 new ordinary shares and 39 B shares. Based on these values the tax base cost in the existing ordinary shares is apportioned 63.3899 per cent to the new ordinary shares received and 36.6101 per cent to the B shares received.

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

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Hermans, John (Basingstoke)

From: Woodall, Sarah (Basingstoke)
Sent: 10 June 2010 13 30
To: Hermans, John (Basingstoke), Lloyd Williams, Clare (Basingstoke)
Subject: FW AR2010 final pdf files
Attachments: dlr ar10 final pdf, ATT00001 htm, De La Rue plc Annual Report 2010 pdf, ATT00002 htm

Clare/John

See attached pd of annual report for website and companies house

John - black and white version looks a bit odd with all the graphs stripped out as well as the photos – what do you think?

Sarah

From: Andrew Jackson [mailto:a.jackson@langsford.co.uk]
Sent: 10 June 2010 13 20
To: Woodall, Sarah (Basingstoke)
Subject: AR2010 final pdf files

Sarah

Please find the two attached pdf files as follows

- > Colour pdf for posting to your website
- > B&W pdf for submission to Companies House

Hope everything looks OK

Best wishes,
Andrew