De La Rue plc
Annual Report 2011

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.

As the world's largest integrated commercial security printer and papermaker, De La Rue is a trusted partner of governments, central banks, issuing authorities and commercial organisations around the world.

The Group is involved in the design and production of over 150 national currencies and a wide range of security documents including passports, driving licences, authentication labels and tax stamps. In addition, the Group manufactures sophisticated, high speed cash sorting equipment.

De La Rue also offers a range of specialist services and software solutions including government identity schemes, product authentication systems and cash management processing solutions.

De La Rue employs approximately 4,000 people worldwide and is listed on the London Stock Exchange. For further information visit De La Rue's website at www.delarue.com

Results summary

Revenue
2011: £463.9m
2010: £561.1m

Operating profit
Operating profit before exceptional items
2011: £40.4m
2010: £109.2m

Profit
Profit before tax and exceptional items
2011: £33.3m
2010: £104.1m

Cash
Operating cash flow
2011: £14.7m*
2010: £116.1m

*Operating cash flow before one off special pension contribution

Earnings per share (EPS)
Headline EPS (before exceptional items)
2011: 24.0p
2010: 76.2p

Dividend
Total dividend for the year
2011: 42.3p
2010: 42.3p

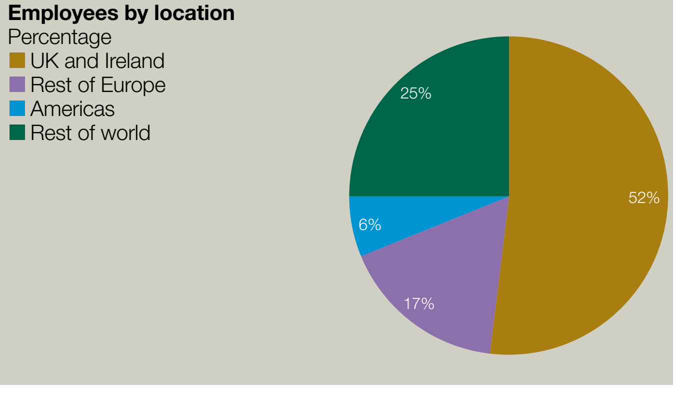
De La Rue at a glance

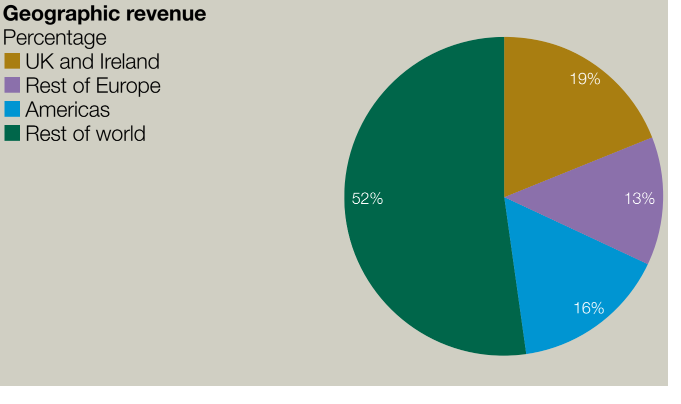
We have manufactured banknote paper for nearly 300 years and printed banknotes for 150 years.

Our DLR 7000 large sorter processes, sorts and authenticates at a speed of up to 33 banknotes per second.

De La Rue has partnered with Microsoft since 1996 to protect consumers from software piracy.

We are involved in the issue of 27 million secure identity documents each year.





Currency

De La Rue Currency provides market leading printed banknotes, banknote paper 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 17 for more information.

Security Products

De La Rue Security Products consists of specialist businesses whose solutions are critical to authenticating products and documents as well as protecting 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 Currency and Identity Systems.

See page 18 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 19 for more information.

1 Detail of intaglio (raised) print from a States of Jersey £50
2 Stacker wheel from DLR 7000 cash sorter
3 Paper for Dutch passport
4 Data page from the new UK passport

Chairman's statement

Nicholas Brookes
Non-executive Chairman

Operating profit of £40.4m
(before exceptional items)

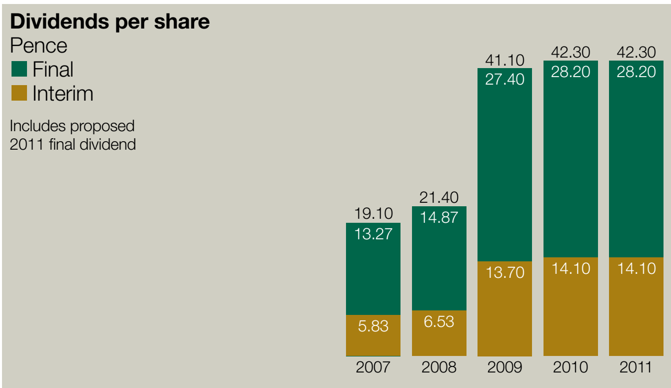
Dividend maintained
A total of 42.3p for the year

Net debt remains low at £31.2m

UK Passport contract
Successful launch in October 2010

Camelot investment
Gain of £55.1m on sale

Improvement Plan
Formulated and underway



Group results

The 2010/11 financial year has undoubtedly been a difficult one for De La Rue, our employees, customers and shareholders. We have dealt with a number of challenges including paper production issues, lower than expected banknote print volumes, changes in senior management and a takeover approach.

With the appointment of Tim Cobbold as Chief Executive in January 2011 and a number of other changes in senior management, we now have in place the team that will lead our recovery. An Improvement Plan, which is set out in the Chief Executive's review, has been formulated by this team and is already being implemented. The objective is to maintain our strong market position, improve margins and cash flow and to deliver a recovery in operating performance whilst ensuring the business is well positioned to maintain sustainable growth.

Paper production issues

In July 2010 the Board commissioned an investigation by external lawyers into issues that had been brought to its attention internally. The investigation, which was completed in October 2010, found nothing of substance to support the matters raised other than in respect of some paper production issues where it was found that a small number of the many detailed specification parameters of some paper had fallen marginally short of specification. It was also established that certain paper specification test certificates had been deliberately falsified. The Board reported the findings of the investigation to the appropriate authorities, who are considering the matter, and is implementing a number of measures arising from the findings of the investigation.

Whilst the Board was satisfied that neither the physical security nor the security features in the paper were compromised, production and shipment of the affected banknote paper was immediately, and remains, suspended.

Discussions remain ongoing with the principal customer concerned and the authorities, and therefore there remains uncertainty as to the ultimate outcome of these issues, including their financial impact.

Supply of all other banknote paper and all the other activities of the Group, including banknote printing, were and remain unaffected. Every effort was made to keep customers well informed and the Board values their continuing support.

Dividends

The Board is recommending a final dividend of 28.2p per share (2009/10: 28.2p per share), subject to shareholders' approval. This will be paid on 4 August 2011 to shareholders on the register on 8 July 2011. Together with the interim dividend paid in January 2011, this will give a total dividend for the year of 42.3p (2009/10: 42.3p per share).

The Board's decision to maintain the dividend reflects its confidence in both the strong fundamentals of the business, including a robust cash flow and a strong balance sheet, and in its ability to recover from the setbacks of 2010/11.

Disposal of shareholding

In July 2010 the Group completed the sale of its 20 per cent investment in Camelot, the UK national lottery operator, for a cash consideration of £77.6m. The Group's investment in Camelot proved very successful but was no longer considered core to De La Rue's ongoing strategic development. Following the disposal, £35m of the proceeds were utilised to make a special contribution to reduce the Group's pension fund deficit.

Board changes

During the year there have been a number of changes to the Board which are more fully described in the corporate governance statement on page 37.

James Hussey resigned from the Board as Chief Executive on 12 August 2010. On the same date I was appointed Executive Chairman and Colin Child, Group Finance Director, took on the additional role of Chief Operating Officer, roles we held until 1 January 2011 when Tim Cobbold was appointed Chief Executive. Tim brings a wealth of experience, including managing international businesses at the most senior level for more than 20 years. His experience is proving invaluable as the Group pursues its Improvement Plan and adopts a more modern and efficient approach which will not only help develop the De La Rue brand but ensure that we continue to meet the expectations of our international customer base.

In a challenging year I should like to thank the Non-executive Directors, the senior management team and our employees, throughout the Group, for their support and determination to resolve the issues we faced. They have all shown an exceptional commitment to De La Rue.

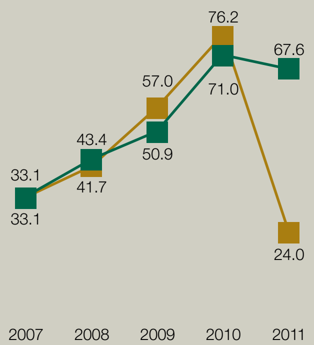
Outlook

De La Rue's strengthened senior management team and its loyal, experienced and skilled employees will build on the Group's fundamental strengths to put the business back on track to deliver the value shareholders expect.

Current trading is in line with the Board's expectations with an encouraging order book profile and a good pipeline of opportunities.

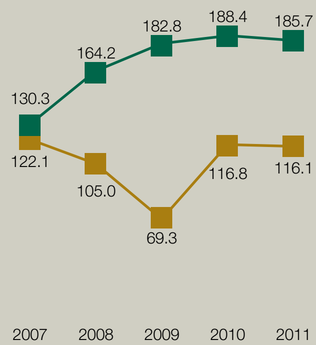
The Improvement Plan has a target to achieve an operating profit in excess of £100m within three years by both restoring revenue growth and delivering significant cost reduction. The Board is confident that this plan can be delivered.

Earnings per share
Pence
■ Basic earnings per share
■ Headline earnings per share



Total shareholder return
£
■ De La Rue plc
■ FTSE 250 index excluding investment trusts

The graph shows the value, on 26 March 2011, of £100 invested in De La Rue plc on 25 March 2006 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends.



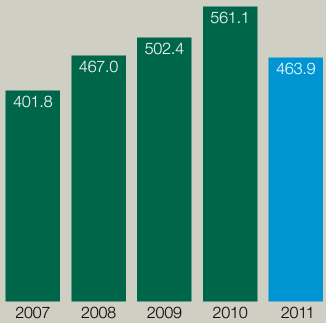
Source: Thomson Financial

Chief Executive's review

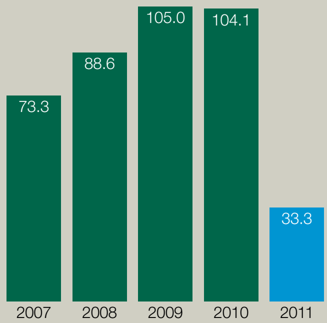
Tim Cobbold
Chief Executive

I am confident that, with the fundamental strengths of the Group and a clear Improvement Plan, we will deliver the value that shareholders rightly expect.

Revenue
£m



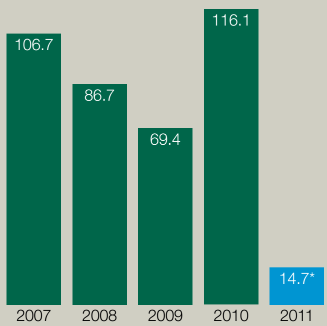
Profit before tax and exceptional items
£m



Operating profit before exceptional items
£m

Operating cash flow
£m

*adjusted for one off special pension contributions



Introduction

Clearly this has been a challenging year for De La Rue, as outlined in the Chairman's statement, but my first few months as Chief Executive have confirmed my original assessment of the potential to build on the fundamental strengths of the business. My initial focus has been to develop and begin to execute a detailed Improvement Plan that will generate the value that shareholders rightly look to the Board to deliver. This will bring De La Rue back on track and also create a firm base from which the Group will be able to deliver further growth.

Results summary

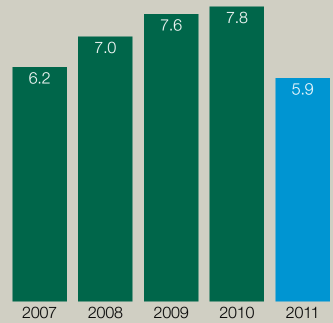
Revenue fell by 17 per cent to £463.9m (2009/10: £561.1m) predominantly as a result of the lower paper and print volumes sold in the year representing £122m of the movement. IDS's revenue increased by £31m following the completion of the implementation phase of the UK Passport contract. Security Products' revenue was down £12m mainly due to the flow through impact of lower internal component sales from the Holographics operation into the Currency business. During the year, favourable foreign exchange movements contributed £10m to revenue (2009/10: £27m).

There was an operating exceptional charge of £15.6m in the year (2009/10: £7.5m). This comprised costs of £29.0m arising from the paper production quality issues in addition to corporate costs of £2.6m relating to the takeover approach received at the end of 2010. These costs were partially offset by a one-off curtailment gain of £16.0m arising from the closure of the defined benefit pension scheme to further accruals from 2013. In addition, a non operating exceptional profit of £55.1m has been recognised following the sale, for £77.6m, of the Group's investment in Camelot, the UK national lottery operator.

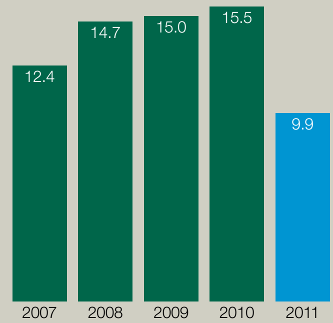
Profit before tax and exceptional items decreased by 68 per cent to £33.3m (2009/10: £104.1m) due to the trading issues noted above and in addition, there was no income in the year from associates (2009/10: £6.3m), following the sale of the Group's investment in Camelot. This was partly offset by lower external interest of £3.8m (2009/10: £5.1m) and pension interest charges of £3.3m (2009/10: £6.3m). Headline earnings per share decreased by 69 per cent to 24.0p (2009/10: 76.2p) while the basic earnings per share was 67.6p compared with 71.0p in 2009/10, representing a decrease of 5 per cent.

After paying a one off special pension contribution of £35.0m, the cash outflow from operations in the year was £20.3m (2009/10: inflow of £116.1m). Excluding this contribution cash generated from operations in the year was £14.7m. The reduction reflects the lower level of trading in the period and the paper production issues. The Group ended the year with net debt of £31.2m (2009/10: £11.0m). Interest cover remained good at 21.0 times (2009/10: 21.2 times).

Banknote print volumes
Billion notes



Banknote paper output volume
'000 tonnes



Currency year end order book
£m

Chief Executive's review continued

De La Rue's fundamental strengths
Notwithstanding the issues of the past year De La Rue is a business with enduring fundamental strengths. It is these strengths which provide the foundation for our Improvement Plan.

Brand and reputation
The Group has manufactured banknote paper for nearly 300 years, printed banknotes for 150 years and together with other security products, supplies over 150 countries. In so doing it has established a leading brand which is recognised globally.

Long standing customer relationships
De La Rue has over many years established long standing relationships with central bank governors, their staff and state printing works across the globe. The market is defined by deep and long term customer relationships – the case studies on pages 10 and 11 demonstrate the effectiveness of De La Rue in developing partnerships with its customers over the long term. These relationships provide unique access to a market which consequently has high barriers to entry and which demands proven capability. These long term relationships are supported by experienced and long serving employees, who remain a significant strength of the business.

Market leading position
De La Rue has a market leading position as the largest integrated commercial provider of printed banknotes and a major supplier of banknote paper. As a vertically integrated business the Group is able to provide customers with a complete suite of security features: as an integral part of the paper substrate, as part of the printed features or both as part of a security solution. The Group has also successfully leveraged this capability into its non Currency business.

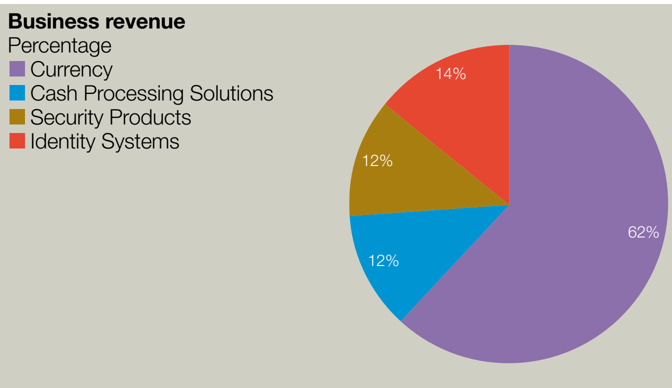
Technology and design
Over many years the Group has built a significant design capability and a valuable technology portfolio which is highly regarded by its customers. The Group has industry recognised creative flair and expertise in the design of banknotes and security documents. This design capability, aligned with a strong and developing portfolio of technology, provides a formidable competitive differentiator. The high value security features we produce appear in more banknote issues in the available market than those made by our peers.

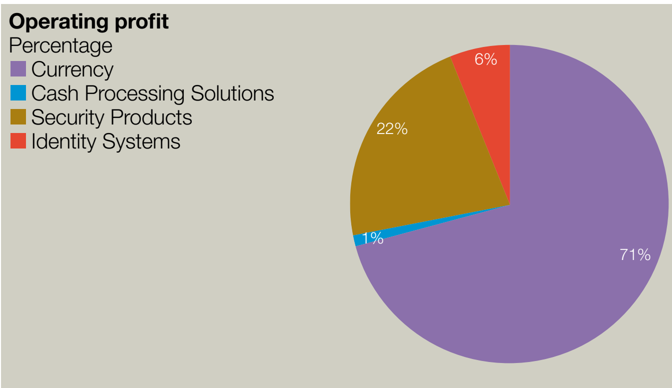
Robust market growth drivers
Despite the growth in alternatives such as plastic cards and electronic payments, the number of banknotes in circulation globally is expected to grow by between 2 and 4 per cent annually in the long term though subject to some shorter term variability.

There is an increasing need for enhanced security – be it identity security, security against counterfeiting and fraud or brand authentication. Customers are seeking increasingly sophisticated technology solutions which De La Rue is well placed to provide to combat constantly evolving threats.

Over 70 per cent of the Group's revenues typically come from emerging and developing countries, which positions the Group well for growth.

High margin and cash generative business model
De La Rue's business model is high margin and cash generative which allows for sustained investment in the business and attractive returns for shareholders.





Improvement Plan
An Improvement Plan has been formulated which has at its core the objective of leveraging the capabilities of the Group more effectively than it has done in the past and providing focus to our activities. This is a pragmatic plan and recognises that the business has fundamental strengths upon which De La Rue can build but that the Group must become more efficient and effective.

The target is to return the business to an operating profit in excess of £100m within a three year timeframe by restoring the growth in revenue to historic rates of around 4 per cent, although greater growth is expected in the current year. In addition c£30m of cost reductions are planned, accruing broadly evenly over the three years. It is estimated that the Improvement Plan will incur exceptional charges in the region of £25m and related capital expenditure of approximately £20m, with the majority of the cash cost expected to arise in the first two years.

The Improvement Plan has four defining principles:

- Customer focus
  The Group will adopt a One De La Rue approach to strengthen sales capability and reach. Regional and country sales plans are being developed and executed
- Innovation
  De La Rue will accelerate product innovation and deploy new technologies to provide market leading security solutions and features. The Group will explore new partnerships to generate, within its market, new business streams to improve its competitive position and market access
- Professionalism
  Standardised processes and common systems, including IT, will be adopted in order to improve and develop the level of professionalism in the business
- Operational excellence
  De La Rue will reduce its cost base, improve quality and productivity, increase its market competitiveness and grow capacity through improved asset utilisation. Specific initiatives, which have already been started, include:
  - Operational process improvement – reducing waste and improving quality
  - Effective procurement
  - Optimisation of Group facilities

Reshaped organisation
The organisation will be reshaped in order to strengthen further the senior management team and allow De La Rue's capabilities to be used more effectively. This structure will ensure management focus on each element of the Improvement Plan as follows:

- A new Group wide supply chain function will target quality improvement and waste reduction. External recruitment to lead this area is well advanced
- The senior management of the three smaller 'Solutions' businesses, CPS, Security Products and IDS will be consolidated into a single business unit. This business will be led by Kevin Freeguard, previously responsible for CPS and Security Products, and will maximise the use of common capabilities, whilst retaining appropriate market insight
- The senior management of the Currency business will concentrate on serving the customer to deliver revenue growth whilst maximising the synergies between its sales resource and that of the Solutions business. The Holographics operation, previously a part of Security Products, will become part of the Currency business, upon which it depends. The Currency business will continue to be led by Keith Brown
- A new business development function will lead and accelerate the innovation within the Group and will be responsible for all (non IT) related product development, R&D and for exploring new business relationships and partnerships. This will be led by Constance Baroudel, previously Group Director of Strategic Marketing
- To drive the change effectively through the organisation James Thorburn, previously Managing Director of IDS, will lead a business transformation team

People
De La Rue is fortunate to have experienced and loyal employees and I would like to take this opportunity to thank them all for their dedication and hard work.

On behalf of the Board I should also like to thank Nicholas Brookes for taking on the role of Executive Chairman in the five months prior to my joining the Group and for guiding De La Rue through the challenging issues it faced last year.

Conclusion
Whilst recognising the challenges ahead, I am confident that, given the strong fundamentals of De La Rue's business, the commitment of its employees and a clear Improvement Plan, we will deliver the value that our shareholders expect.

I am determined that De La Rue will become a more efficient, customer focused, innovative business which will be well placed to grow sustainably in the future.

Despite the difficulties this year, our business is fundamentally strong.
On the following pages I want to highlight some of the core strengths that form the foundation of an exciting future for De La Rue…

Strong fundamentals

Long lasting customer relationships

De La Rue is privileged to enjoy some very enduring customer relationships, many of which have developed into strategic partnerships. These strong relationships promote loyalty as customer needs are consistently understood and met during the course of the association.

A range of Mauritian banknotes, from the earliest to the most recent

Bank of Mauritius – 150 year partnership

The first banknote order placed with De La Rue was from the Government of Mauritius in 1860. Some 150 years later, the Bank of Mauritius is still a customer and De La Rue uses its deep experience and understanding of currency gained through serving central banks around the world to develop a tailored currency strategy with the Bank. By investing time in understanding customers' specific market issues, De La Rue has been able to respond to their technical and cultural requirements to deliver a currency they can count on.

Bank of England banknote paper
De La Rue has been supplying banknote paper to the Bank of England since 1725 – a relationship of over 285 years. Joint developments with the Bank have included the introduction of security threads into banknotes in the 1940s and windowed security thread in the early 1980s. The Bank has always been an important customer and the partnership was extended in 2003 when De La Rue began printing sterling as well as providing the paper (see front cover image).

Watermark on Bank of England £20 note

Strong fundamentals
continued

Specialised design skills

It is not enough just for De La Rue's products to be beautifully designed – they also need to be highly secure, durable and capable of mass manufacture. The design expertise of De La Rue's banknote artists has been recognised by the International Bank Note Society as well as the International Association of Currency Affairs with the presentation of no less than eight design awards in recent years. Either by working closely with experienced designers from customer institutions or by using internal design teams, De La Rue produces stunning results.

Hong Kong – HSBC $1,000

The new HSBC $500 and $1000 notes issued in 2010 are the result of very close collaboration between De La Rue and the Bank's note designer. A total of 1,500 hours of work was involved for each denomination, including origination and proofing. Design ideas from the Bank were converted into functioning banknotes, incorporating security and manufacturing requirements whilst equally respecting creative freedom. De La Rue is well positioned to achieve this for every customer because of its unrivalled design experience and expertise.

Each detail of the intaglio (raised) print on a banknote starts with an illustration (left image) then progresses through to engraving (middle image) and proofing before appearing fully printed on the finished banknote (right image). Detail from HSBC $1,000 banknote

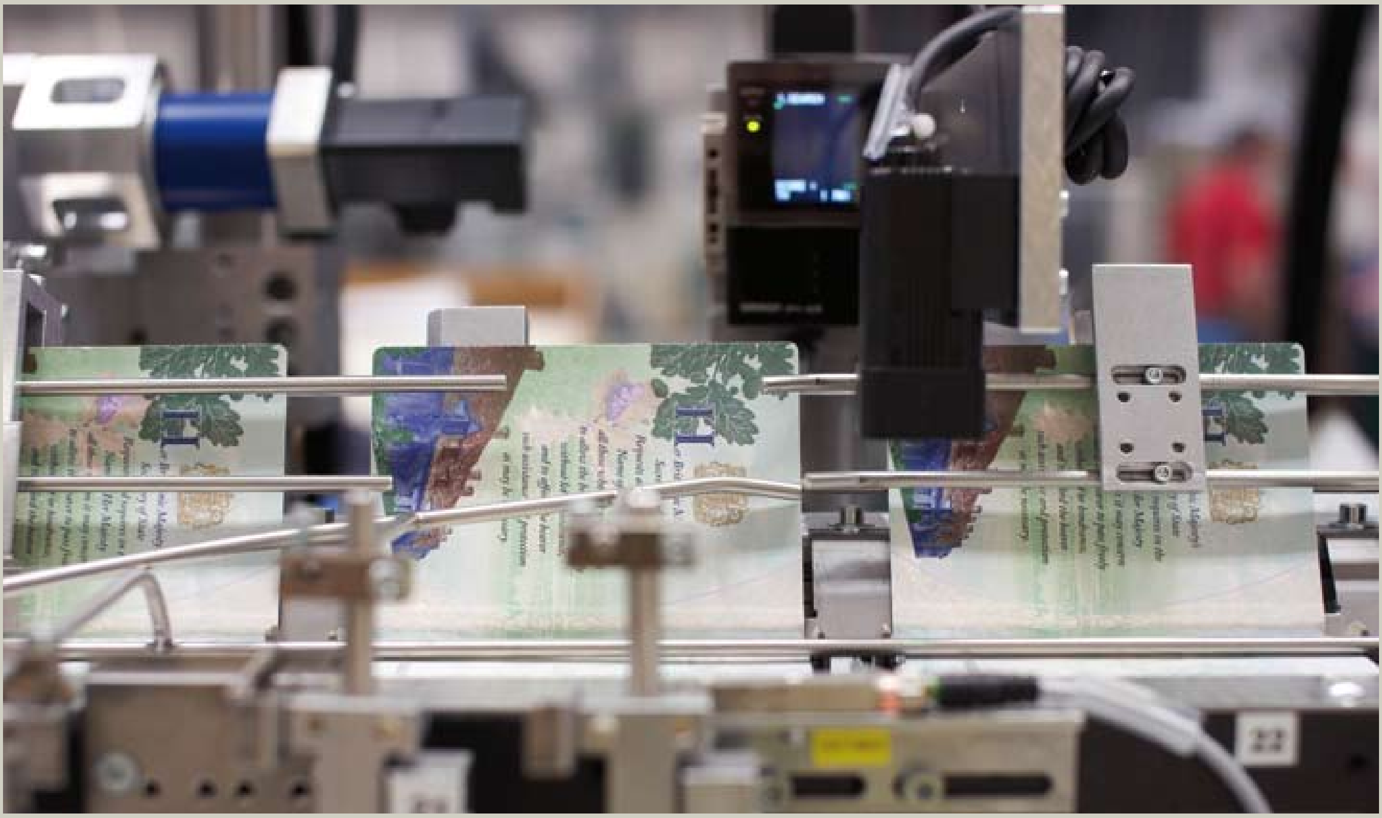
Images of the King Tutankhamen hologram

King Tutankhamen hologram
This new hologram from De La Rue Holographics was produced using complex techniques, creating a simple but very striking visual effect that is both highly attractive and secure. The image of King Tutankhamen was created from a model rather than digital artwork, resulting in a more lifelike, three dimensional image. Photographing the model from multiple angles allowed the holographers to create the visual effect of movement as the head appears to turn when the hologram is tilted. In addition to the time taken to research and manufacture, it took in excess of 100 hours of dedicated work just to create the master hologram for this high quality image.

Strong fundamentals
continued

Technology expertise

De La Rue has a proven track record of technological innovations from inventing the envelope folding machine in 1846, to pioneering security thread in banknotes in the 1940s, to today's complex and sophisticated solutions. The aim is to create smart solutions that meet customer requirements, working to provide the technological answers to their needs.



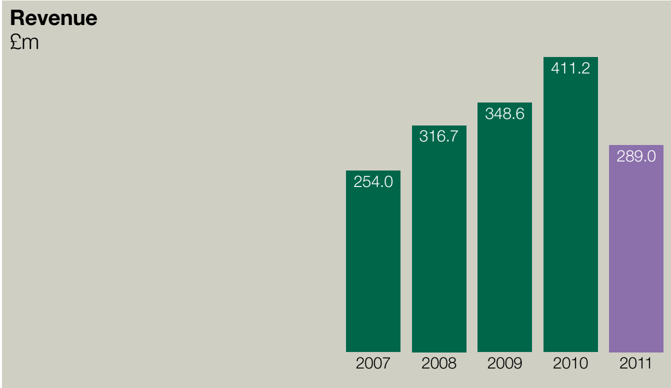
The new UK Passport, issued following a complex and highly secure production process

UK Passport
Understood to be one of the most secure identity documents in the world, De La Rue delivers a first world solution for the design, manufacture and personalisation of the new UK ePassport. Providing the highest levels of quality, accuracy, security and innovation for the customer, De La Rue has perfected a sophisticated layering of paper, print and finishing security techniques designed to combat specifically identified threats and ensure document integrity. At the same time the system's networks and IT infrastructures have all been designed to exacting government standards to ensure data integrity throughout the entire manufacturing and personalisation process.

Implementation of Enterprise Cash Management (ECM™) software by Absa
Absa (The Amalgamated Banks of South Africa Ltd) was seeking to increase the cash processing capacity at its branches but at the same time reduce the processing costs. It chose to replace its manual process with an electronic solution offering higher levels of efficiency and control. Absa selected De La Rue's ECM™ software to enhance the productivity, performance and security of its cash handling operations. The result, integrating ECM™ software, has been an overall 90 per cent increase in throughput and greatly improved levels of service for Absa's customers.

Screenshot of ECM™ software

Operational review



Currency

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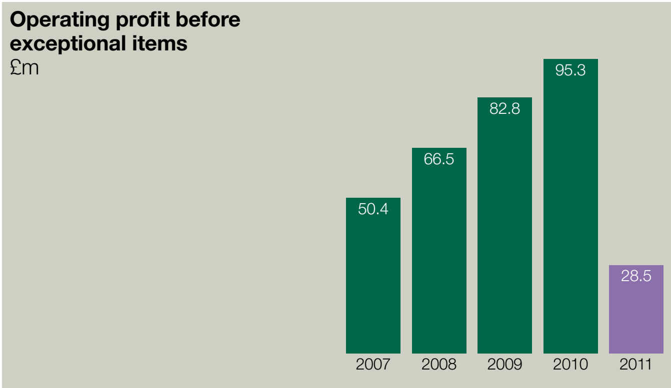


Performance in 2010/11

The paper production issues described in the Chairman's statement and a separate and unrelated sharp decline in banknote print volumes contributed to a significantly lower revenue and profit than in the prior period.

Banknote print volumes at 5.9bn notes (2009/10: 7.8bn) were 24 per cent below the high level of the prior year due to a number of factors including the timing of orders, changes by customers to existing order volumes and tenders that were expected but not issued or not won. This reduction reflects the potential for short term order variability caused by the timing of a small number of key orders.

Paper volumes of 9,900 tonnes (2009/10: 15,500 tonnes) were down 36 per cent primarily as a result of the suspension of certain supplies following the paper production issues.

Revenue fell by 30 per cent to £289.0m (2009/10: £411.2m) reflecting the reduction in trading volumes. Operating profit at £28.5m (2009/10: £95.3m) was down 70 per cent, the result of the lower volumes and adverse product mix compared with the prior year. Consequently operating margins were 9.9 per cent (2009/10: 23.2 per cent) down 13 percentage points after offsetting productivity benefits and a favourable foreign exchange impact (due to the continued weakness of sterling against the euro and the US dollar).

The year end order book, excluding currently suspended orders, was £155m (2009/10: £166m), with a greater weighting towards the first half than in the previous year (see graph on page 7). In addition enquiries are at a higher level than at this time last year and there is a good pipeline of opportunities.

The significant increase in worldwide cotton prices during the final quarter of the financial year had a limited impact. However, if prices remain at the current level, the impact in the 2011/12 financial year will be more significant.

Market

The issuance of new notes into circulation is driven by central bank policy decision making. These policies address counterfeiting, new designs, note cleanliness, fitness standards, cash recycling requirements and developments in cash handling solutions. Each issuing authority also has to consider the local climatic environment in which the notes circulate and the prevailing economic conditions.

Security continues to be one of the prime factors affecting the market as the sophistication of counterfeiting increases. De La Rue's leading portfolio of security features, which includes high value security threads and holograms, positions the business well to meet customer needs in counteracting this threat.

The durability of banknotes directly affects the life of a note in circulation and hence the cost to a central bank. De La Rue has invested in a range of features to improve durability including, for example, Cornerstone™, a reinforced paper feature that has been adopted by 60 issuing authorities worldwide across a total of 188 denominations. To enhance the range of durable options available to customers, Flexycoin™, a polymer substrate for banknotes that provides a durable option at the coin note boundary, was launched during the year.

Despite the increase in the number of electronic transactions, the underlying requirement for cash continues to grow steadily, reflecting its universal acceptance and continued attraction as a store of value.

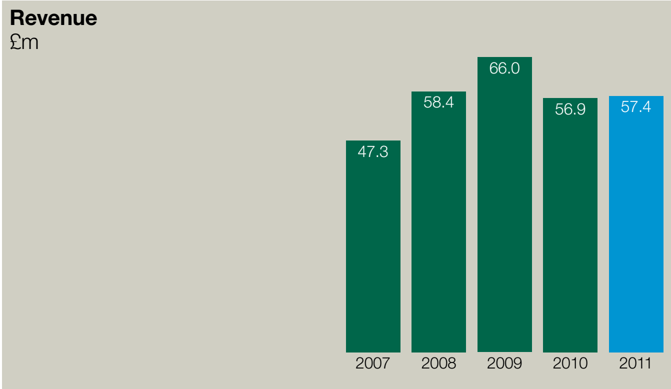
Although the patterns vary considerably from country to country, the growth trend for the world market for banknotes is expected to be between 3 and 4 per cent annually. Consequently it is expected that the market available to commercial providers of banknotes and their components will grow at a similar trend rate.

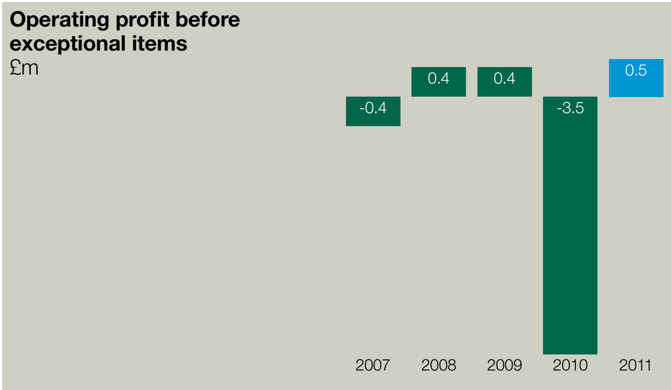
The currency market does exhibit short term variations in order patterns according to the individual decisions taken by the central banks of countries which themselves differ greatly in the volume of their requirements at any point in their issuance cycle. This has the potential to create material volume variation year on year for commercial providers.

The global capacity for banknote paper will increase over the next few years in both commercial and state sectors and this is expected to produce short term over capacity. De La Rue's presence as an integrated provider with a focus on the supply of printed banknotes should help mitigate this exposure.

Cash Processing Solutions

De La Rue Cash Processing Solutions (CPS) is integral to the 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.





Performance in 2010/11

CPS has made steady progress during the year, returning to profit, despite continued challenging trading conditions and some delays in customer decision making. This progress is expected to continue in the new financial year.

Although revenue remained broadly unchanged, the business reported an operating profit of £0.5m (2009/10: loss £3.5m). This reflected the positive impact of both the restructuring in 2009/10 which delivered a significant reduction in the cost base and the rationalisation of the product range.

Sales of the large DLR 7000 banknote sorters progressed well across all market sectors and geographies leading to an improved product order book at the end of the financial year. Service revenues were maintained and remain an important source of income from the installed base.

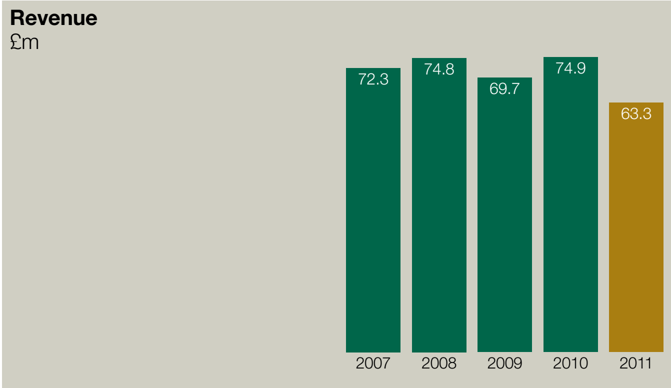
Market

The underlying demand for cash continues to grow and it is this that underpins the growth opportunity in CPS's market. The drive for efficiency and cost reduction continues to generate demand for automated cash processing equipment, particularly in commercial markets.

As customers become more cost focused and data driven, so the increased requirement for enhanced process control and operating visibility drives the demand for cash management software solutions. The trend for central banks to outsource the recycling of banknotes to the commercial sector also increases demand for advanced solutions.

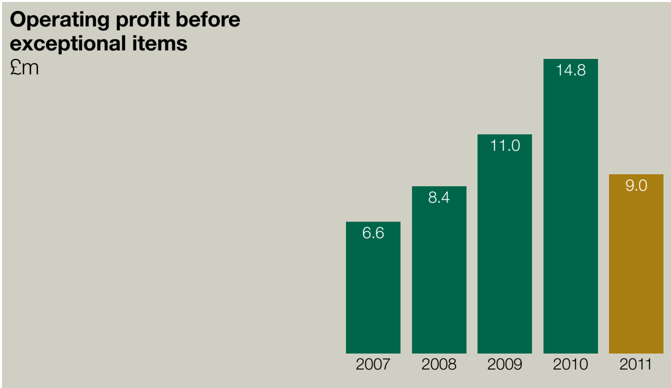
CPS's large installed machine base is supported by a global service network which generates stable, long term revenue by providing regular service and maintenance to customers.

Operational review continued



Security Products

De La Rue Security Products consists of specialist businesses whose solutions are critical to authenticating products and documents as well as protecting 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 Currency and IDS.



Performance in 2010/11

Security Products had a difficult year reporting reduced revenue of £63.3m (2009/10: £74.9m) and operating profit of £9.0m (2009/10: £14.8m). Performance was adversely impacted by the reduction in banknote print and paper volumes in the Currency business which it supplies, compounded by an adverse product mix within the Holographics business. Together these issues resulted, despite the execution of a cost reduction plan to mitigate the impact, in a 6 percentage point reduction in the operating profit margin.

Sales cycles in the market can be lengthy but during the year the Division achieved some important contract wins, including the first advanced tax stamp solution which includes newly developed track and trace software. In addition, enhanced operational standards were successfully implemented for Microsoft, one of the business' major customers.

Market

Both external market segments in this business – government revenue protection and brand authentication - are driven fundamentally by the threat of illicit trade and counterfeiting. Security Products is well placed to meet customer needs in counteracting these threats.

Governments are increasingly seeking to maximise tax revenues by protecting yields from revenue raising schemes on high tax products such as alcohol and tobacco. There is a move to greater international standardisation such as the recently introduced Framework Convention on Tobacco Control, necessitating additional revenue protection measures.

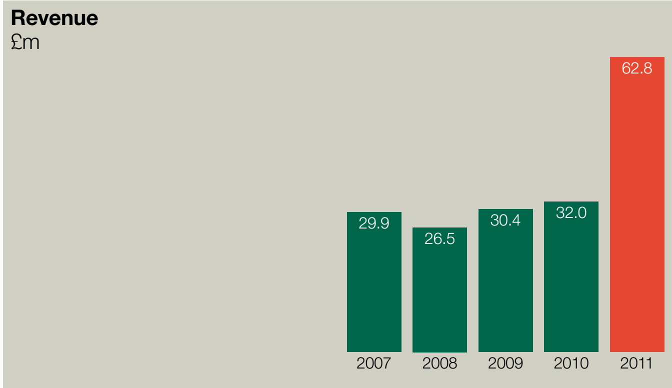
On a global basis there is a growing trend for businesses to protect their revenues and brand equity on high value genuine consumer goods through the use of sophisticated authentication solutions. A similar trend is developing within the pharmaceutical industry in some parts of the world.

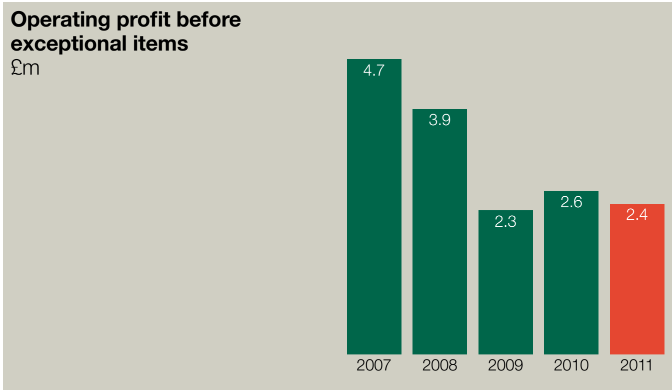
Augmenting physical protection with digital authentication is an emerging trend presenting opportunities for which De La Rue has developed solutions.

In addition to external sales, products and technology developed in this business are also sold into the Currency and IDS divisions, reflecting the market drivers in those businesses.

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.





Performance in 2010/11

IDS reported increased revenue of £62.8m (2009/10: £32.0m). This increase is largely a result of the completion of the implementation phase of the UK Passport contract. Operating profit of £2.4m (2009/10: £2.6m) is after a £0.6m write down on an asset made obsolete following investment for the UK Passport. Excluding this write down, underlying profit would have been up 15 per cent.

During the year IDS successfully commenced production and issuance of the new UK Passport. This is one of the largest and most prestigious identity systems in the world with volumes of up to six million books on an annualised basis, worth c£400m over 10 years.

The international part of the business performed satisfactorily, winning new contracts and implementing projects across the full product range, including an increasing number of electronic identity solutions.

Market

The transition to electronic identity solutions is the most significant trend in the market place and strategic roadmaps towards these solutions are being developed with key customers.

The government identity market is fragmenting as customers become more focused on complete and integrated solutions rather than just document issuance. As a result, a greater range of technologies is being demanded by customers. The sector is as a consequence attracting a wider range of providers to meet these needs. De La Rue is well placed to take a leading role in this area as both a technology and solution provider as well as a specialist systems integrator.

The underlying growth prospects for this market reflect the increasing demand for both travel documents and personal identification solutions. The technological infrastructure of each country implementing such systems determines the degree of sophistication of the solution developed.

IDS is a contract based business focusing on government customers. The nature of this business is such that revenues can be variable in nature and subject to cancellation or delay. Maintaining as broad a portfolio of business as possible and a strong pipeline of opportunities mitigates this risk.

Risk and risk management

De La Rue's reputation is based on security, integrity and trust. 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. 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. It is not an exhaustive list as some risks may be as yet unknown and other risks, currently regarded as immaterial, could become 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 control

Risk Committee

- Proposes risk management framework
- Reviews business and Group risk registers
- Members include the Chief Executive, Group Finance Director, General Counsel and 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 updates on risk management from the Chairman of the Risk Committee
- Receives reports from internal and external audit on status of internal controls
- Details of Audit Committee members can be found on page 41

Board

- Responsible for governance structure
- Defines high level risk appetite and risk management framework
- 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.

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. This is the first full year since significant changes to the risk assessment procedures were implemented to improve the management of risks at the business unit and functional levels. A further review has been undertaken since year end by external risk advisers to assist the Board in determining whether, in the light of events during the year, further strengthening is necessary in the area of risk management and activities overseen by the Risk Committee. It is anticipated that, as a result of this review, further changes will be made to the Group's risk management framework and processes and these will be reported in the 2011/12 Annual Report. Some measures already undertaken are set out on page 37. Details of the Audit and Risk Committees are set out in the Corporate Governance Statement on pages 40 and 41.

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 reports
- 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, 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 division 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 likely to have 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 14 to the accounts on page 72.

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 financial risk management can be found in note 14 to the accounts on page 71.

Risk and risk management continued

Each division 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 on a regular basis 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 2010/11 are set out below. These are not presented in any particular order of potential materiality or probability of occurrence.

Risk	Mitigation
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 the Group to potential financial and reputational damage.	The Group has a process for the appointment and remuneration of third party partners which operates independently of the sales function. This process was reviewed during the year in anticipation of the implementation of the UK Bribery Act (the 'Act') and the changes will be reviewed by external advisers to provide further assurance. The process includes a risk assessment of overseas agents and external advisers are engaged to undertake due diligence as appropriate. The process covers, inter alia, the appointment, reappointment and remuneration of agents. Further control measures have been introduced such as dedicated training for sales personnel, senior managers and agents on the Code of Conduct and anti bribery and corruption issues with a particular focus on achieving compliance with the Act. Whistleblowing procedures have also been improved to encourage employees to report any suspicious conduct.
Illegal behaviour or serious misconduct by employees There are already many controls across the business to ensure that standards of behaviour by employees are maintained at an appropriate level. However, as has been demonstrated during the year, it is possible that employees acting either individually or in collusion with others could act in contravention of the Group's stringent requirements. This could result in major reputational and financial damage to the business.	The business Code of Conduct is kept under regular review and is enforced robustly, including dealing with non compliances through disciplinary processes where necessary. The code has been fundamentally reviewed during the year and was relaunched in May 2011 as the Code of Business Principles. All employees will receive a briefing on the code from a senior manager. As part of the new code, the Group's whistleblowing policies and procedures will also be relaunched. Strict recruitment procedures are maintained including mandatory vetting processes and probationary periods for all employees.
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 single 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 eliminate 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 operations.
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 providing regular independent external audit verification. The Health, Safety and Environment Committee reviews HSE performance regularly. The Committee is chaired by the General Counsel and Company Secretary and is constituted of representatives from the Executive Committee, including the Chief Executive and managing directors of each division, as well as functional heads. Each manufacturing 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 monthly.

Risk	Mitigation
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 while in transit, particularly during transhipment, 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 always fully investigated.
Environmental breach De La Rue's main banknote paper manufacturing site is at Overton mill which is located in an environmentally sensitive area. Any significant environmental breach, 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.
Adverse movements in 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.
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 (IS) 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 the Group's ability to conduct day to day operations and any compromise of the confidentiality of information could impact its reputation with current and potential customers.	De La Rue keeps all aspects of its IS 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. Disaster recovery plans are in place to help recover from significant outages or interruptions and a major business impact assessment has recently been undertaken to improve the effectiveness of business continuity arrangements.
Geo political instability Political unrest has the potential to delay procurement decisions for sensitive products such as banknotes and passports. Unexpected changes in key government positions may result in the unilateral cancellation of contracts under local jurisdiction. Breakdown of law and order can also disrupt freight schedules and increase shipping and delivery risks.	Close and regular contact is maintained with all key stakeholders so that any changes in customer requirements can be identified early. Financial risk exposure is mitigated through the use of secured payment mechanisms such as letters of credit or through close management of costs prior to receipt of payments.
Failure to manage change As detailed in the Chief Executive's review on pages 6 to 9 the Group will be undertaking a major programme of change in 2011/12. Failure to manage this process could result in disruptions to the business or dilution of the intended benefits.	A dedicated and fully resourced change team will be established under the full time guidance of a member of the Executive Committee.

Financial review

Colin Child
Group Finance Director

In this section of the Business review we analyse the performance for the 2010/11 year and financial position of the Group at 26 March 2011.

Key financials

	2011	2010	Change
Revenue	**£463.9m**	£561.1m	(17.3%)
Operating profit before exceptional items[1]	**£40.4m**	£109.2m	(63.0%)
Profit before tax and exceptional items[1]	**£33.3m**	£104.1m	(68.0%)
Profit before tax	**£72.8m**	£96.6m	(24.6%)
Basic earnings per share	**67.6p**	71.0p	(4.8%)
Headline earnings per share[1]	**24.0p**	76.2p	(68.5%)
Operating cash flow[2]	**£14.7m**	£116.1m	
Net debt at end of year	**£31.2m**	£11.0m	
Dividends per share[3]	**42.3p**	42.3p	

[1] before exceptional income of £39.5m (2009/10: exceptional cost £7.5m)

[2] before one off special pension contribution of £35.0m (2009/10: nil)

[3] includes proposed final dividend

Financial results

Revenue fell by 17 per cent to £463.9m (2009/10: £561.1m) predominantly as a result of the lower paper and print volumes sold in the year representing £122m of the movement. IDS revenue increased by £31m following the completion of the implementation phase of the UK Passport contract. Security Products revenue was down £12m mainly due to the flow through impact of lower internal component sales from the Holographics operation into the Currency business. During the year, favourable foreign exchange movements contributed £10m to revenue (2009/10: £27m).

Operating profit before exceptional items decreased by 63 per cent to £40.4m (2009/10: £109.2m) due to the volume shortfalls noted above as well as a less favourable product mix. These reductions were partly mitigated by an improved trading performance of £4m in CPS, following the reorganisation of the business, and a favourable impact of foreign exchange of £6m (2009/10: £7m). Operating profit margins (before exceptional items) were 8.7 per cent (2009/10: 19.5 per cent).

Profit before tax and exceptional items decreased by 68 per cent to £33.3m (2009/10: £104.1m) due to the trading issues noted above and in addition, there was no income in the year from associates (2009/10: £6.3m), following the sale of the Group's investment in Camelot, the UK national lottery operator. This was partly offset by lower external interest of £3.8m (2009/10: £5.1m) and pension interest charges of £3.3m (2009/10: £6.3m). Headline earnings per share decreased by 69 per cent to 24.0p (2009/10: 76.2p) while the basic earnings per share was 67.6p compared with 71.0p in 2009/10, representing a decrease of 5 per cent.

Exceptional items

The results for the year include the following items:

- An exceptional operating gain of £16.0m arising as a result of the previously announced closure, to future accrual, of the Group's defined benefit pension schemes
- Exceptional operating charges of £29.0m relating to the paper production quality issues referred to in the Chairman's statement. These include the write off of inventories and trade receivables together with other costs relating to the investigation and rectification of these matters. Provision has not been made for the potential costs of resolutions or for potential fines from regulatory authorities (as more fully described in note 27: Contingent liabilities). The nature and extent of these resolutions will be the subject of ongoing discussions, the outcome of which cannot be estimated reliably at present
- Corporate costs of £2.6m incurred in relation to the engagement of legal and professional advisers following a takeover approach for the Group
- A non operating gain of £55.1m on the sale of the Group's investment in Camelot. The sale was completed on 8 July 2010

These charges and gains gave rise to a related tax credit of £3.6m (2009/10: £2.4m).

Interest charge

The Group's net interest charge was £3.8m (2009/10: £5.1m), which reflects the lower level of debt, primarily in the first half of the year, following the cash receipt of £77.6m for the Group's investment in Camelot. In addition, the IAS 19 (accounting for defined benefit pension plans) related finance item, arising from the difference between the interest on liabilities and the expected return on assets decreased to £3.3m (2009/10: £6.3m). The decrease is a result of higher than expected returns on the increased market valuation of pension assets at the 2009/10 year end and the additional scheme assets following a special contribution of £35.0m after the Camelot divestment noted above.

Taxation

The net tax charge for the year was £5.4m (2009/10: £26.2m). The effective tax rate, pre exceptional items, was 27 per cent, broadly in line with the previous year's rate.

Cash flow and borrowings

Cash outflow from operations was £20.3m (2009/10: inflow of £116.1m) after a one off special pension contribution of £35.0m (2009/10: nil). Increased inventory reflected the ramp up of the UK Passport contract as well as higher closing banknote stock volumes while increased debtors reflected the timing of sales around the 2010/11 year end. Advance payments of £54.6m (2009/10: £44.0m) benefited from some large receipts immediately prior to the year end.

Capital expenditure of £30.7m (2009/10: £33.1m) was higher than depreciation, reflecting the phasing of investment expenditure between years predominantly within the IDS and Currency operations.

The Group ended the year with net debt of £31.2m (2009/10: £11.0m) largely reflecting the reduced trading noted above. The gross cash receipt of £77.6m for the Group's investment in Camelot was offset by special pension contributions totalling £42.5m, and dividend payments of £42.1m.

The Group utilises a £175m revolving credit facility which expires in 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.

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

	2011 Group Assets £m	2011 Cash/(debt) £m	2011 Net Assets† £m	2010 Net Assets £m
Sterling	**(43.0)**	**(12.8)**	**(55.8)**	(44.9)
US dollar	**25.7**	**(21.1)**	**4.6**	17.0
Euro	**55.9**	**(0.8)**	**55.1**	25.1
All other	**5.9**	**3.5**	**9.4**	9.1
	44.5	**(31.2)**	**13.3**	6.3

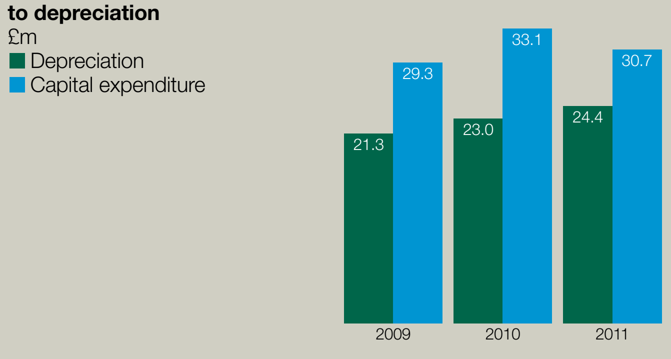
†Excluding non controlling interest.

Principal exchange rates used in translating the Group's results

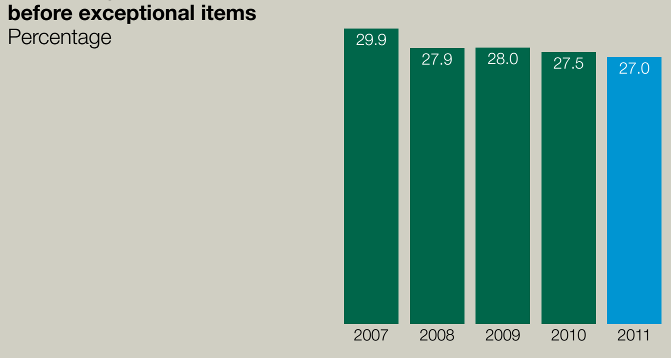
	2010/11 Average	2011 Year end	2009/10 Average	2010 Year end
Sterling				
US dollar	**1.55**	**1.61**	1.58	1.49
Euro	**1.17**	**1.14**	1.13	1.11

Financial review
continued

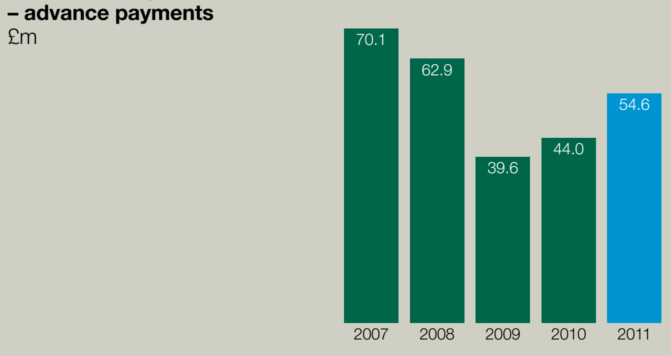
Capital expenditure relative to depreciation
£m



Underlying effective tax rate before exceptional items
Percentage

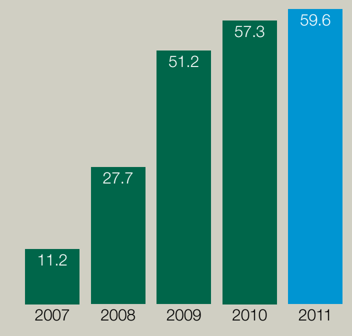


Group working capital – advance payments
£m



Group working capital – trade working capital
£m

Trade working capital comprises inventory plus trade receivables less trade payables and advance payments



Pension deficit and funding
The Group's latest formal (triennial) funding valuation of the 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).

During 2010/11, special funding payments of £42.5m were made to the Group's pension fund, comprising the scheduled contribution of £7.5m and a one off special contribution of £35m following the sale of the Group's investment in Camelot. Part of the scheduled contribution for 2010/11 was paid in the prior year.

IAS 19 – Employee Benefits
It is the responsibility of the Trustee to set the method and the assumptions for calculating the pension scheme liabilities under the scheme funding valuation. The assumptions used to calculate the IAS 19 valuation 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 (triennial) funding valuations 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 26 March 2011 of £100.5m (March 2010: £124.8m). This significant decrease in deficit during the year was due to the Group's special (£35m) and ongoing special contributions (£7.5m) along with the growth in the underlying stock market. This has been partly offset by the reduction, from 5.8 per cent to 5.6 per cent, in the bond discount rate used to value the scheme liabilities. The charge to operating profits in respect of the UK pension scheme for 2010/11 was £7.6m (2009/10: £4.5m). In addition, under IAS 19 there was a finance charge of £3.3m arising from the difference between the expected return on assets and the interest on liabilities (2009/10: £6.3m).

The IAS 19 calculation is sensitive to small changes in the base assumptions used in the valuation. An indication of the sensitivity is as follows:

	Change in assumption	Change in liability
Discount rate	+0.1% -0.1%	-£12m +£12m
Inflation rate	+0.1% -0.1%	+£9m -£9m

Corporate responsibility

De La Rue remains committed to ensuring that its business is managed in a responsible and sustainable way and is a member of the FTSE4Good Index.

Sound corporate responsibility (CR) policies and practices are incorporated in the day to day activities of the business and examples of this from around the Group are described in this section.

Further information about CR policies and initiatives in De La Rue is available on the Group's website.

In 2010 employee volunteers carried out repairs, decorating and gardening work at a children's home

Focus on Malta
The De La Rue Malta Philanthropic Committee was established in 1988 to offer financial, social and moral support to the community. Activities such as a cinema day for a local children's home have now become annual events. Each Easter employees give up their time and De La Rue provides materials to help maintain a chosen charitable institution (see picture above).

In January 2011 De La Rue Malta was awarded the Malta Environment Planning Authority Environmental Permit for manufacturing companies. Commitments under the permit include minimising solvent use and emissions, maximising efficient use of resources, reducing waste, promoting recycling and submitting yearly environmental reports.

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 Executive Committee, 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 health, safety and environmental strategy and identifying areas for improvement

Workplace

Code of Business Principles

During the year the Code of Conduct was reviewed and was relaunched in May 2011 as the Code of Business Principles. By the end of June 2011 it is envisaged that every employee will have attended a senior management presentation on the new code, received a copy of it and acknowledged that it has been read and understood. The code outlines De La Rue's core commitments, what they mean and how they should be implemented at all levels within the organisation. It is supplemented by more detailed policies and covers the following areas:

- Bribery and corruption
- Conflicts of interest
- Gifts and hospitality
- Health, safety and the environment
- Employment principles
- Records and reports
- Protecting personal information
- Insider trading and confidential information
- Competition and anti trust laws

Whistleblowing

The Group's whistleblowing procedures enable employees who have concerns about the application of the Code of Business Principles or business practices within the Group to raise them internally or anonymously through an independently run telephone helpline, the De La Rue Codeline. 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 continues to develop and refine the processes and procedures for the appointment and reappointment of distributors, sales agents and consultants. All applications for appointment, reappointment and renewal of third party partners are managed by this central team which reports directly to the General Counsel and Company Secretary. Due diligence undertaken on partners will be extended during the next financial year. An online training module dedicated to issues surrounding working with third party partners was launched during the year for mandatory completion by employees involved in this activity.

Health and safety

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

None of De La Rue's operations has been prosecuted for infringing any health and safety laws or regulations during 2010/11.

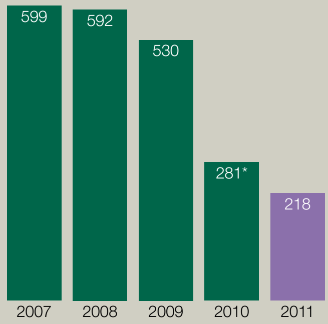
The Executive Committee and the Board receive confirmation that the divisions comply with Group policy and applicable laws through external and internal audits, reports and measurement against action plans and benchmarking processes. These reports are used to develop effective improvement programmes.

Fifteen of the sixteen manufacturing units have achieved OHSAS18001:2007 certification for their health and safety management system, which is externally audited.

De La Rue works with its main suppliers and main contractors to ensure their health and safety processes are robust. This year in Sri Lanka and Kenya over 30 managers and supervisors have been trained using the four day Managing Safely IOSH certified training course to ensure that they are competent to manage health and safety to a high standard in their local teams.

The health and safety KPIs are shown opposite. The slight rise in the reportable injury rate reflects better reporting in the Cash Processing Solutions international businesses and flat year on year performance at Overton mill. Total days lost due to accidental injuries has reduced by 20 per cent. The frequency of lost time accidents has also reduced.

Total days lost



*restated to include long term absence following injury sustained during 2009/10

Total lost time accidents
Including 3+ days

Annualised reportable injury rate per 100,000 employees
UK manufacturing average

Health and safety objectives for 2010/11 were:

- For all employees to have some level of health and safety training and all supervisory employees to attend certified health and safety training. During 2010/11 De La Rue provided over 2,500 health, safety and environment training man days and all employees received an Interlock health and safety booklet
- To review and update all fire procedures at facilities and monitor test evacuations. This was achieved
- For one smaller print facility to achieve OHSAS18001:2007, which was achieved

Health and safety objectives for 2011/12 are:

- To hold an Interlock health, safety and environment conference in November 2011
- To introduce an internal cross site audit programme
- To maintain a reportable injury rate of 440 or lower

Employees

The Group employs approximately 4,000 staff in 26 countries.

Training and development

During the year the De La Rue Academy provided a single focal point for a range of core training across De La Rue to meet specific business needs. Almost 300 people attended an Academy course this year, in addition to other internal training across the sites globally. Attendees were drawn from different sites, functions and divisions, increasing internal networking and strengthening relationships. Key areas of focus were:

- Leadership and management
- Project management and problem solving
- Negotiation
- Presentation skills
- Time management
- Performance management through ‘honest conversations’

As part of De La Rue’s human resources strategy, the Academy is directly linked with other initiatives including performance and development review (PDR) rollout and talent reviews. All those who have been identified for Academy training have been selected through either their PDR, a formal talent review, or to meet a specific business need. The divisional and Group talent reviews, held twice yearly, have led to a more transparent and meritocratic process of selection of people to attend senior leadership or executive courses. All other forms of personal development are highlighted through the PDR process and discussed with line managers, providing greater awareness and engagement between line management and employees.

During the year 300 employees across a number of UK sites enlisted on a range of National Vocational Qualification (NVQ) training courses which were fully funded by the UK Government. The NVQs included Business Improvement Techniques, Customer Services, Business Administration and Leadership and Management. The Currency Gateshead site is worthy of special mention for the success it has achieved in putting the whole site through the Business Improvement Technique (Level 2) as part of its continuous improvement programme.

A safe place to work
At year end Bathford mill had achieved 1,240 days without a reportable incident. The Confederation of Paper Industries (the leading organisation working on behalf of the UK paper related industry) showed the mill as joint leader in their 2010 safety league table. Sites at Nairobi, Bolton and Midrand also celebrated over 1,000 days with no reportable accidents.

Corporate responsibility continued

The 'Leading Performance' programme designed to enhance leadership capability through effective (honest) conversations has now trained over 280 managers across the Currency and Security Products divisions. This has enabled all those managers to conduct more effective PDR reviews, to have a valuable tool to address operational performance issues and to build on the continuous improvement culture.

Building on the existing success of the Six Sigma methodology (a workplace organisation and housekeeping methodology) already implemented across a number of sites, a pilot online Six Sigma course is currently underway.

Communication
De La Rue communicates regularly with its UK and European works councils. The UK National Employee Forum and European Employee Forum are both composed of elected employees, management representatives and employee nominated full time trade union officers.

In 2010 there were two full meetings with the UK Employee Forum. An annual European Employee Forum was also held. Steering group meetings for both forums are held throughout the year and can be called for any special requirements.

Both forums receive formal updates on strategic business performance from senior managers and Executive Committee members. Open discussion and questions are encouraged. This year the UK Employee Forum was consulted on the UK salary adjustment policy and the improved security vetting systems. Regular information on the consultation process regarding the transfer of employees following IDS winning the UK Passport contract was also shared with members of the UK Forum.

A joint UK and European Employee Forum is being held for the first time in 2011 to provide an opportunity for information sharing.

The effectiveness of communication processes at Group and local site level are regularly reviewed to encourage employee engagement and broaden business understanding. In addition to the employee magazine and the intranet, the Chief Executive hosts regular conference calls in which all employees have the opportunity to participate and ask questions directly.

Equality and diversity
De La Rue is committed to the fair and equitable treatment of 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. 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.

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

A job evaluation exercise has been introduced across the whole Group to ensure fairness and transparency within the business.

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. The environmental policy is communicated across the Group and a formal environmental management system is in operation, the objective being for all manufacturing sites to be certified to ISO 14001:2004. Fourteen of the sixteen manufacturing units have received this certification to date.

None of De La Rue's operations has been prosecuted for infringing any environmental laws or regulations during 2010/11.

Greenhouse gas emissions
'000 tonnes as CO_2

Water used per gross tonne of banknote paper
m^3

Note: Total water used (abstraction plus recycled) per production tonne of banknote paper produced at Overton for 2010/11. Production tonne definition here means production tonnes at standard weight including spoil less any paper trials.

Recycled and recovered solid waste as a percentage of solid waste

The Group continues to measure greenhouse gas emissions, shown in the graph opposite, 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, employee passenger transport and owned transport energy consumption. Following a review, five years of passenger transport emissions have been restated in line with the new 2010 UK Defra conversion factors and using averages calculated from latest spend and distance figures. De La Rue believes these figures are more representative going forward. Over 50 per cent of De La Rue's carbon footprint relates to gas and electricity used at Overton mill. The combined heat and power plant operating at this site, which uses heat recovery to generate steam for the paper machines, has been rated 'good quality' under the Government's combined heat and power quality assurance scheme. Several sites have energy reduction committees and energy reduction initiatives, such as swapping in energy efficient motors and installing energy efficient lighting systems during upgrades, have been implemented.

Water used per gross tonne of banknote paper produced is partly dependent on the volume, mix and complexity of the paper produced. Due to the production issues experienced during the year and associated changes in production processes, there has been an increase in water used per gross tonne of banknote paper. The rate of recycled water use at Overton mill has been maintained at c10 per cent of all water used. At the Sri Lanka facility, a new effluent treatment plant has been installed which is now recycling 90 per cent of the water used while meeting new and tighter local discharge requirements.

Recycled and recovered solid waste as a percentage of all solid waste is dependent on the waste markets. De La Rue looks for any opportunities for recycling and recovery and various composting trials are ongoing in the UK. One continuing challenge for the business is the advance of anti counterfeiting features in products which by their nature are complex to produce and can affect waste volumes. There was an increase in waste at Overton mill during the year due to the paper production issues.

Four UK sites are operating under Climate Change Agreement energy policies setting reduction targets, although these could be subject to change by the Government. De La Rue in the UK has registered under the Carbon Reduction Commitment Energy Efficiency Scheme and continues to aim to reduce energy consumption.

Examples of environmental achievements on a local and Group wide level over the last few years include:

- Reducing natural gas usage at Dulles, USA by 25 per cent by implementing heat saving initiatives
- Extending the scope of ISO14001:2004 certification at two sites this year to cover the IDS business
- The phasing out of ozone depleting substances at the Malta facility, now in its final stages
- De La Rue Sri Lanka won the merit award under the total waste management category at the Geo Responsibility Award ceremony for the achievement of performance and commitment towards managing the environment in a responsible manner

Environmental objectives for 2011/12 are:

- To develop an updated environmental strategy with new targets
- To maintain the ISO14001:2004 certification programme
- A target of reducing waste to landfill by 3 per cent each year over the next three years
- A target 3 per cent energy reduction related to output over the next three years

Community and charitable donations

Around the Group, De La Rue's facilities and factories are widely engaged with local communities. Just two examples are the production of calendars to be sold for the benefit of children suffering from cancer in Dulles, USA and granting the use of land for a metal detecting rally to raise money for youth projects in Overton, UK.

De La Rue is proud to support a variety of charitable causes on a local and international level. In 2010/11 Group donations for charitable purposes amounted to £58,000 (2009/10: £96,000), excluding donations made by the De La Rue Charitable Trust detailed below. During the year employees also organised fundraising activities to benefit various charities, including the provision of 100 emergency ration packs for Sri Lankan flood victims, fundraising for various local hospices in the UK and gaining sponsorship for taking part in the Three Peaks Challenge in the summer of 2010 in aid of the Haiti earthquake appeal.

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.

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 2010/11, the Trust distributed £46,000 (2009/10: £45,000).

Marketplace

Customers

As part of its commitment to continually improving the products and services provided to customers, IDS conducted a short survey. The questionnaire covered 180 customers and achieved a 48 per cent response rate (an 11 per cent increase in responses compared to a similar activity carried out the previous year). Feedback and comments were thoroughly reviewed, with team briefings taking place across all business functions. Appropriate action plans have since been agreed ensuring focus is maintained and that the customer is regularly updated on progress made.

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, De La Rue expects its suppliers to share the Group's 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 continues to review these suppliers to ensure they comply with De La Rue's 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.

Directors and Secretary

Nicholas Brookes
Non-executive Chairman

Tim Cobbold
Chief Executive

Colin Child
Group Finance Director

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 (63)
Non-executive Chairman † ‡
was appointed to the Board in March 1997 and became Chairman of the Company on 22 July 2004. He took on the role of Executive Chairman from 12 August 2010 to 31 December 2010 while the Company was without a Chief Executive. He is Chairman of the Nomination Committee of the Board and a member of the Remuneration Committee. 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.

Tim Cobbold (48)
Chief Executive ∅ †
was appointed to the Board as Chief Executive and Executive Director on 1 January 2011. He joined the Company from Emerson Electric Co following its acquisition of Chloride Group PLC, an international provider of secure power solutions, where he was initially chief operating officer and then, from 2008, chief executive officer. Prior to this, he was with Smiths Group plc where he held a wide variety of senior roles including a number of managing director positions. He is a chartered accountant and is a non-executive director of Drax Group plc.

Colin Child (53)
Group Finance Director ∅
was appointed to the Board on 1 June 2010. He 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 (49)
Non-executive # †
was appointed to the Board on 9 January 2007. He has been Chairman of the Audit Committee since 1 April 2009. He is chief executive officer 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.

Sir Jeremy Greenstock GCMG (67)
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 Chairman of Gatehouse Advisory Partners Limited, a director of Lambert Energy Advisory Limited, Chairman of the UN Association – UK and a Trustee of the International Rescue Committee (UK). He is the Senior Independent Director.

Sir Julian Horn-Smith (62)
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 chief executive officer in 2006. 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 non-executive directorships including Lloyds Banking Group and Digicel Group in the Caribbean and Bumi plc (previously known as Vallar). He was previously a non-executive director of Smiths Group plc from 2000 to 2006 and Sage Group plc from 2006 to 2007.

Victoria Jarman (38)
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 chartered accountant.

Gill Rider (56)
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 chief executive officer, to lead the people aspects of the transition from a partnership to a public company listed on the New York Stock Exchange. She was Director General, Cabinet Office until 7 May 2011 and at the end of the last year she took up the presidency of the Chartered Institute of Personnel and Development.

Edward Peppiatt (44)
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 and is Chairman of the Risk Committee. He was previously General Counsel and Corporate Secretary of Christian Salvesen PLC.

#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 26 March 2011.

Shareholders and share capital

New Articles of Association (the Articles) were adopted by the Company on 22 July 2010 with the effect of removing the concept of authorised share capital in line with the Companies Act 2006. As at 26 March 2011, there were 99,202,592 ordinary shares and 111,673,300 deferred shares in issue. The ordinary shares are listed on the London Stock Exchange.

Details of shares issued during the year are provided in note 20 to the Financial Statements on page 79.

Preemption 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 2010. 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 shareholders at the Annual General Meeting (AGM). The Company was granted authority by its shareholders at the 2010 AGM to purchase a maximum of 10 per cent of its own ordinary shares either for cancellation or to be held in treasury (or a combination of these). 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 as set out below.

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, 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 they are not entitled to receive them from the Company. The Board can decide that only people who are entered on the register of members 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 winding up 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 a special resolution of the Company the liquidator may divide among members in specie the whole or any part of the assets of the Company and may, for such purpose, value any assets and may determine how such division shall be carried out.

Transfers of shares
The Company's Articles place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them except: (i) in very limited circumstances (such as a transfer to more than four persons), (ii) 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 (iii) 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 2011, 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	Date notified	Total number of shares	% of issued ordinary share capital at date of notification
Prudential plc Group of companies	6 May 2011	13,030,235	13.13
Mondrian Investment Partners Limited	26 January 2011	5,740,542	5.80
Franklin Templeton Institutional LLC	3 November 2010	5,033,170	5.08
BlackRock Inc	28 March 2011	4,960,646*	5.01
Legal & General Group Plc	24 May 2010	3,404,426	3.44
Massachusetts Mutual Life Insurance Company	22 February 2011	3,010,670	3.03

*including 663,384 in the form of contracts for differences

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 and the Interim Statement is posted on the Group's website. Announcements are also regularly made by the Company through a Regulatory Information Service to the London Stock Exchange. The Chairman and the Senior Independent Director are available to meet key shareholders to discuss strategy, governance and other matters.

All holders of ordinary shares are entitled to attend the AGM and receive a Notice of Meeting which is posted at least 20 working days before the AGM. They are also entitled to speak at general meetings of the Company, to appoint one or more proxies or, if they are corporations, corporate representatives, and to exercise voting rights. Shareholders may 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 will provide 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 on Thursday 21 July 2011 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Other statutory information

Introduction
De La Rue plc is incorporated as a public limited company and is registered in England and Wales under the 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 26 March 2011, which includes the Business review, Corporate governance report and audited Financial Statements for the year. Pages 1 to 50 inclusive of this Annual Report comprise a Directors' Report which has been drawn up and presented in accordance with English law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions of such law. This Directors' Report also represents the management report for the purpose of compliance with DTR 4.1.8R of the UK Listing Authority disclosure rules.

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 in 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. The forward looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

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 39 days (2009/10: 38 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 such as employee share plans as well as bank loan and certain commercial agreements. None of these is deemed to be significant as a whole except for the following:

The £175.0m 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 its 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
The Group's policy is not to make any political donations and none were made during the year. The Company will propose to shareholders at this year's AGM that the precautionary authority granted at the 2010 AGM, pursuant to the Companies Act 2006, be renewed and details are included in the Chairman's Letter and Notice of AGM.

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.

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 International Financial Reporting Standards (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 judgements 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.

Other statutory information continued

Directors' responsibility statement in respect of the Disclosure and Transparency Rules
The Directors confirm to the best of their knowledge:

- The Group Financial Statements, prepared in accordance with IFRSs as adopted by the EU, 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 management report represented by the Directors' Report includes a fair review of the development and performance of the business and the position of the Group 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 AGM.

By order of the Board

Edward Peppiatt
Company Secretary
24 May 2011

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 on Corporate Governance published in June 2008 (the Combined Code), legislation or good practice. In June 2010, the Financial Reporting Council introduced changes to the Combined Code, which will now be known as The UK Corporate Governance Code, to help company boards become more effective and more accountable to their shareholders. The Board has carefully considered the changes made to the Combined Code and intends to comply fully.

The Board approved the Code of Business Principles which strengthened, reinvigorated and replaced the existing Code of Conduct during the year and defines the Group's business principles. This is discussed further in this section of the Annual Report and in the Corporate responsibility report on page 28. The document can be found on the Group's website.

The Company has complied with the provisions of the Combined Code relating to internal control, which require the Board to review the effectiveness of internal controls and to have in place an ongoing process for identifying, evaluating and managing the key risks including financial, operational and compliance controls as well as risk management systems. As part of the Board's process for reviewing the effectiveness of the system of internal control, it delegates certain matters to the Audit Committee including:

- The review of external and internal audit plans
- Consideration of internal and external audit reports on the system of internal control
- Any material control weaknesses and discussions with management on the actions taken on problem areas identified by Board and Audit Committee members, in internal audit reports or in external audit management letters

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 concluded its latest review in April 2011, having particular regard to the events of the year and the forthcoming implementation of the UK Bribery Act. Amongst the changes made as a result of the review, the Company has taken the following actions:

- A number of new management appointments
- Reinforcement of the Company's absolute focus on quality, including upgrades in processes and the introduction of independent monitoring of paper testing
- A review of the process of appointment and reappointment of and arrangements with overseas agents which will result in the processes being enhanced to cater for the new requirements of the UK Bribery Act
- A formal review of the Group's risk assessment and risk management procedures

This does not extend to associated companies or joint ventures where the Group does not have management control.

Compliance with Section 1 of the Combined Code on Corporate Governance

In the year to 26 March 2011, the Company was subject to the Combined Code. The Board confirms that the Company has complied throughout with the provisions and applied the principles of the Combined Code save in respect of the separation of the roles of Chairman and Chief Executive for a brief period when Nicholas Brookes took on the role of Executive Chairman from 12 August 2010 to 31 December 2010 while the Company was without a Chief Executive, pending a new appointment.

Board of Directors

Composition of the Board

Following the appointment of 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, except for a brief period between 12 August 2010 to 31 December 2010 when the Chairman took on the role of Executive Chairman until a new Chief Executive was appointed. 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 33 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

Victoria Jarman joined the Board as a Non-executive Director on 22 April 2010.

Simon Webb left the Board on 31 May 2010 and James Hussey stepped down as Chief Executive on 12 August 2010.

Colin Child was appointed Group Finance Director and an Executive Director with effect from 1 June 2010. Colin Child took on the additional role of Chief Operating Officer for the period from 12 August 2010 to 31 December 2010.

Tim Cobbold was appointed an Executive Director and Chief Executive on 1 January 2011.

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

Tim Cobbold was appointed a Director since the last AGM and, being eligible, will offer himself for election at the AGM.

The Board has a policy that each Director be required to submit themself for annual reelection and accordingly all other Directors will retire and offer themselves for reelection.

The existing commitments of Directors appear on page 33 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 Articles and any directions given by special resolution, the Directors may exercise all the powers of the Company.

Corporate governance statement continued

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 agreed a number of specific areas for focus in the coming year as a result of the 2010 review as follows:

- Delivering value to shareholders and other stakeholders
- Strategic growth options and competitive landscape
- Succession planning
- Risk 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. 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
- Approving, 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. In conjunction with the Executive Committee, comprising the divisional managing directors and other senior executives, the Chief Executive 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 Director and other Directors are also clearly defined. Full details are set out on the Group's website. The Executive Directors and the Executive Committee 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 after the meeting. 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 completed an evaluation of their performance in May 2011. 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 has 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 Director is 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 meet in the absence of the Executive Directors. The results are discussed by the Board and individual Committees and the final report highlighting any areas for improvement agreed by the Board.

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. 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. Directors are asked to review and confirm reported conflicts of interests as part of the year end process.

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.

Details of attendance at Board and Committee meetings

The number of Board meetings and Committee meetings attended by each Director during the year was as follows:

Directors' attendance 2010/11	Audit Committee	Board	Nomination Committee	Remuneration Committee
Number of meetings held	4	33	6	10
Nicholas Brookes	–	33	6	10
Colin Child (appointed 1 June 2010)	–	31/31*	–	–
Tim Cobbold† (appointed 1 January 2011)	–	6/6*	1/1*	–
Warren East	4	25	5	–
Sir Jeremy Greenstock	–	27	5	9
Sir Julian Horn-Smith	3	26	5	8
James Hussey (resigned 12 August 2010)	–	9/9*	1/1*	–
Victoria Jarman (appointed 22 April 2010)	4	33	6	–
Gill Rider	3	30	6	10
Simon Webb (resigned 31 May 2010)	–	2/2*	–	–

† Appointed to the Nomination and Risk Committees 1 January 2011

* Number of meetings held during the year while a serving Director

Role of Non-executive Directors

The Non-executive Directors, all of whom are considered by the Board to be independent as at 26 March 2011, 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. Under the Combined Code, Nicholas Brookes ceased to be independent after his appointment on 22 July 2004 as Chairman but the Board considers that his contribution and objectivity in Board and Committee discussions were fully consistent with those of an independent Director.

Sir Jeremy Greenstock was appointed the Senior Independent Director on 1 January 2010. Shareholders may contact the Senior Independent Director if they feel their concerns are not being addressed through normal channels.

Non-executive Directors confirm on appointment and any reappointment 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 UK Bribery Act 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 (Overton in 2010). Directors are also encouraged to visit other sites and meet with 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 by the Board in 2010, all Directors are required to submit themselves for annual reelection. 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 reelection.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for election and reelection 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 reelection 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 27 to 31.

Corporate governance statement continued

Business ethics

De La Rue delivers high profile products to customers across the world, offering them security, confidence and efficiency. It is essential that the Group maintains the trust and confidence of its customers, and everyone it deals with, both inside and outside De La Rue, by demonstrating complete integrity in the way the Group and its business partners behave.

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 these will be reflected in the way the Group competes for business and delivers its services.

All employees are required to follow the Code of Business Principles approved by the Board when performing their duties as employees or where they are representing De La Rue. In addition, all business partners worldwide must follow this Code of Business Principles when they are representing De La Rue.

More detailed policies and procedures supplement the Code of Business Principles. The main principles are that employees and where relevant business partners must:

- Not accept, offer or encourage bribes
- Comply with health and safety requirements and protection for the environment
- Comply with employment and data protection law
- Comply with competition/anti trust law
- Conduct business dealings with customers, suppliers and third parties honestly
- Avoid conflicts of interests in any business dealings
- Comply with the Company's Share Dealing Code

The policies and procedures related to the appointment and reappointment of and management of distributors, sales agents and consultants were strengthened during the year to further improve the management of bribery and corruption risks. The Group Third Party Partner team continues to develop and refine the processes and procedures for the appointment of distributors, sales agents and consultants. All applications for appointment and reappointment of Third Party Partners (TPPs) are managed by this central team which reports directly to the General Counsel and Company Secretary.

Due diligence undertaken on TPPs will be extended during 2011/12. An online training module dedicated to issues surrounding working with TPPs was launched during the year for mandatory completion by relevant employees involved in this activity.

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 33. Further details of Committees and key activities performed during the year are given in this Annual Report.

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 2010/11 was succession planning and the recruitment of a new Group Finance Director and Chief Executive.

Remuneration Committee

Gill Rider was appointed to the Remuneration Committee in July 2006 and she has been the Committee Chairman since 26 July 2007. Details of the Committee and of the remuneration policy can be found in the Remuneration report on pages 42 to 50.

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 terms of reference and the composition of the Risk Committee were amended in 2009. Core responsibilities of the Risk Committee are to:

- Assist the Board by assessing and reporting on the effectiveness of the Company's internal control and risk management systems
- Assist the Board in fulfilling its responsibilities by reviewing the 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, heads of the principal functions, all divisional managing directors and the Group Director of Business Continuity. Any Director is entitled to attend any meeting. At the year end, following review by the Audit Committee of internal financial controls and of the processes covering these controls, the Board evaluates the results of the risk management procedures conducted by senior management.

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 20 to 23.

Audit Committee of the Board
Warren East is Chairman of the Audit Committee having been appointed on 1 April 2009. He is the chief executive of a listed company with strong financial experience. In addition, Victoria Jarman had relevant financial experience with Lazard Corporate Finance and before that KPMG. All members of the Audit Committee are independent Non-executive Directors. The external auditors, Chairman, Chief Executive, Group Finance Director, General Counsel and Company Secretary 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 Audit 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 procedures and arrangements, details of which are set out on pages 22 and 28

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 control systems through reports received from the internal audit function during the year. The internal audit function is outsourced to Ernst & Young LLP. For 2010/11, the focus of internal audit continued to ensure that efforts were better aligned to the risks that De La Rue faces whilst maintaining an emphasis on reviewing the adequacy and effectiveness of general finance and IT controls across the Group on a cyclical basis. 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.

Auditors
The Audit Committee assesses annually the qualification, expertise and resources and independence of the external auditors and the effectiveness of the audit process. The Audit Committee's assessment is performed by an audit satisfaction questionnaire completed by the Chairman, relevant senior management and Audit Committee members.

KPMG Audit Plc have been the Company's auditors since 11 October 2006. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. During the year, the Audit Committee considered the tenure, performance and audit fees of the external auditor, and the level of non audit work undertaken, and recommended to the Board that a resolution for the reappointment of KPMG Audit Plc for a further year as the Company's auditor be proposed to shareholders at the AGM in July 2010. The resolution was passed and KPMG Audit Plc was reappointed for a further year.

The Audit Committee places great emphasis on the objectivity of the Group's auditors, 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. This activity also forms part of KPMG's own system of quality control. The Audit Committee has discussions with the auditors, without management being present, on the adequacy of controls and on judgemental 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.

Independence of auditors
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 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.

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 2010/11 the amount of non audit fees paid to KPMG Audit Plc was £0.3m.

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.

A copy of the Corporate governance statement will be made available on the Group's website.

By order of the Board

Edward Peppiatt
Company Secretary
24 May 2011

Remuneration report

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 26 March 2011, for which the Company will be seeking approval from shareholders at the AGM on 21 July 2011.

This report:

- Explains the policy under which the Executive Directors, the Chairman and the Non-executive Directors are remunerated
- Gives details of the remuneration, fees and share interests of the Directors, including share awards
- Informs you of some important decisions made in respect of the remuneration of Tim Cobbold, the new Chief Executive, and Colin Child, the Group Finance Director
- Provides a graph comparing the performance of the Company against the FTSE 250, its comparator group

The 2010 Performance Share Plan and Annual Bonus Plan were approved by shareholders at the July 2010 AGM. The intention continues to be that both plans will be used to make annual, performance linked awards to executives. Further information on the plans is on pages 47 and 48.

De La Rue has undergone a great deal of change this year. James Hussey stepped down as Chief Executive and De La Rue was subject to a number of well publicised internal and external challenges, including entering into an offer period as a result of a takeover approach and undertaking an investigation into the paper production issues.

It was in this challenging environment that the Company began the search for a new Chief Executive and for the five months prior to Tim Cobbold's appointment, Colin Child ran the Company as Chief Operating Officer as well as managing his usual responsibilities. These exceptional circumstances have required the Remuneration Committee to make some decisions to structure remuneration packages in a way that it believes is both appropriate and necessary taking all the circumstances into account.

We believe that the difficult decisions we have made during this year are in the best interests of our shareholders and we ask our shareholders to support us in these exceptional circumstances.

The Remuneration Committee will be reviewing the policy and the principles outlined in this report to ensure that its executive remuneration framework serves the best interests of shareholders.

Gill Rider
Chairman of the Remuneration Committee

Introduction to the Remuneration report
The Remuneration report provides the information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and describes how the Company applied the principles of the Combined Code and it also explains the reasons where it did not do so.

Constitution of the Remuneration Committee
The Remuneration Committee consists entirely of Non-executive Directors all of whom are considered to be independent (as defined by the Combined Code), except the Chairman of the Company, who was independent until his appointment as Chairman on 22 July 2004. The Remuneration Committee comprises: Gill Rider (Chairman), Nicholas Brookes, Sir Jeremy Greenstock and Sir Julian Horn-Smith. Their biographical details appear on page 33. The Committee meets as required: 10 meetings were held during the year and attendance details are set out on page 39. 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 set out in this report. Terms of reference for the Committee are set out in full on the Group's website.

Advisers
The Committee is authorised to use independent consultants. During 2010/11 Towers Watson was appointed by the Remuneration Committee to advise on executive remuneration. Towers Watson has also provided ad hoc pensions advice. Hewitt New Bridge Street advised on whether the performance targets which determine the vesting of share options 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 and no one is involved in the decision making on their own remuneration. The Chief Executive is consulted on the remuneration of executives directly reporting to him and other senior executives and seeks 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 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 executive 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

When assessing salaries in the market place, the Remuneration Committee makes prudent use of the survey data supplied by Towers Watson, focusing on companies of similar size and complexity in the FTSE 250. Performance targets set for the incentive schemes are designed to provide maximum awards for exceptional performance.

The Committee adopted a policy in 2002 that certain key executives (being Executive Directors and other members of the Executive Committee) should be encouraged to hold and retain a personal shareholding in the Company equivalent to one times salary over a period of five years. The Directors' share interests table is on page 44.

The new Performance Share Plan (PSP), the Annual Bonus Plan (ABP) and special awards

A new long term incentive plan, the PSP was approved by shareholders in 2010 and replaced the 2005 Deferred Bonus and Matching Share Plan for awards from 2010 onwards. 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 interest between the participants and shareholders.

Shareholders also approved in 2010 the new ABP under which a proportion of the annual bonus earned may be paid in deferred shares or restricted stock units with a mandatory holding period of three years. No awards have been made under the ABP to Executive Directors during the year.

As part of his recruitment arrangements, Tim Cobbold received an award of shares under the PSP to the value of 100 per cent of salary. The performance criteria are as previously approved by shareholders. In addition, Tim Cobbold also received an award of shares on appointment with a face value on award of 100 per cent of salary, the terms of which are described later in this report. This was an integral part of his recruitment arrangements and necessary to secure his appointment which was being negotiated at a time of great uncertainty.

Colin Child also received an award under the new PSP with a face value on award of 100 per cent of salary. In addition, a special award of deferred shares was made to him. This award was designed to encourage him to remain with the Company during this difficult period. The Remuneration Committee is mindful that shareholders advise against 'retention' awards on the basis that they are often unsuccessful but the Committee's judgement was that, if Colin Child was not retained, no cost would be incurred by shareholder but, if his services are retained, then shareholders will benefit.

The Remuneration Committee believes that these awards were important in order to recruit and retain two exceptional Executive Directors and maintain the Group's position against competitors for senior talent.

Further details about the recruitment and retention share awards, PSP and ABP are set out on pages 47 to 48.

Special arrangements under the Performance Share Plan for 2011/12

The Remuneration Committee agreed some important changes to the PSP. For 2011/12 – on an exceptional basis – share based awards will be made under the PSP with a maximum face value on grant of 150 per cent of salary for both Tim Cobbold and Colin Child. At the same time, the proportion of shares that vest at threshold will be reduced from 50 per cent of the award to zero at threshold. To ensure absolute focus on delivering the Improvement Plan, the Remuneration Committee has decided that operating profit should be the sole performance measure that determines the vesting of awards made in 2011/12.

For 2011/12, threshold performance will be operating profit of £85m at the end of the three year performance period. This is expected to equate to approximately 30 per cent compound annual EPS growth. Vesting will start at zero for threshold performance. Target performance will be linked to the Improvement Plan target (£100m of operating profit) and for Executive Directors shares to the value of 100 per cent of salary on grant will vest at target. The shares will only vest in full for operating profit performance of £115m which is expected to be the equivalent of a compound annual growth in EPS in excess of 45 per cent. The Remuneration Committee believes this is extremely challenging.

Components for Executive Directors

Executive Directors' remuneration is provided in the form of a combination of basic salary, annual bonus (cash) and award of shares, currently under the ABP and PSP.

The 2011/12 remuneration policy will be set to maintain the Group's position against competitors for senior talent, allowing the Group to recruit and retain a high calibre management team with appropriately challenging performance targets that will deliver shareholder value.

The incentive schemes are designed to enhance the alignment between Executive Directors and shareholders with due consideration to business requirements and shareholder interests.

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 ABP.

Details of the emoluments of the Executive Directors during the year are in the table on page 46.

Salaries for Executive Directors

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

The Remuneration Committee 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 Executive Committee. The Remuneration Committee is, however, sensitive to the fact that the market data can be inflationary and uses the data carefully.

Tim Cobbold joined the Company on 1 January 2011 with a salary of £450,000. His salary will be reviewed in 2012. The salary reflects both the calibre of the new Chief Executive and the recruitment 'premium' necessary to attract him. Colin Child was appointed with effect from 1 June 2010 and currently receives a salary of £315,000. The Remuneration Committee believes that these levels of salary were necessary given the circumstances which called for appropriate remuneration packages.

Benefits

All Executive Directors and senior employees are eligible for a range of taxable benefits which include provision of a car allowance, cash payments in lieu of 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 and Group Finance Director are provided with permanent health insurance.

Remuneration report continued

Annual Bonus Plan
The annual bonus, which is paid in a combination of cash and share based elements, is calculated as a percentage of salary and is based on achieving targets for the year set by the Remuneration Committee. The maximum bonus opportunity as a percentage of salary is 135 per cent for the Chief Executive, Tim Cobbold (which comprises a cash element of 100 per cent of salary and a deferred share element with a maximum of 35 per cent of salary) and 115 per cent for the Group Finance Director, Colin Child (80 per cent cash and a maximum 35 per cent in share bonus). The cash portion of the award is paid immediately subject always to the achievement of the performance criteria and the payment of the share based portion of the award is made at the end of three years if the individual remains in employment. The Committee considers each year the appropriate performance measures to align the reward strategy with the business plan.

The specific measures for 2010/11 were set against Group operating profit and Group cash flow targets for the full year. These measures are key business drivers for De La Rue that reflect the underlying financial performance of the Group. The annual bonus 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. No payouts were made in respect of 2010/11 as the minimum performance thresholds were not reached. In 2011/12, the ABP will have a single performance criterion of earnings per share.

Executive Directors' service agreements
Tim Cobbold and Colin Child have rolling service agreements respectively allowing 12 months' notice period from the Company and six months' notice from the executives. Both contain provision, at the Company's sole discretion, for payment in lieu of notice by the Company not exceeding 12 months' basic salary, excluding bonus but including benefits.

Tim Cobbold's service agreement dated 12 December 2010 has a provision which allows him, in the event of certain corporate actions, to give the Company not less than one month's notice and, subject to such notice, the Company will make a payment in lieu of notice of one year's salary (excluding bonus) and the cost of providing contractual benefits for a period of 12 months. This provision was negotiated as part of Tim Cobbold's recruitment arrangements and was deemed to be necessary to secure his agreement to join the Company.

Colin Child's service agreement dated 20 May 2010 has a provision, which expires on 10 November 2011, which entitles him in the event of a change of control to give the Company not less than one month's notice. In these circumstances the Company will make a payment in lieu of notice equivalent to his annual base salary (excluding bonus) less any salary or contractual benefits paid during the notice period. The provision was agreed as part of the recruitment arrangements for Colin Child effective from May 2010.

Simon Webb left the Board on 31 May 2010 and James Hussey resigned from the Board on 12 August 2010. James Hussey received no compensation for loss of office.

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.

External directorships of Executive Directors
The Board considers whether it is appropriate for an Executive Director to serve as a non-executive director of another company. Tim Cobbold was entitled to a fee of £12,262 (1 January 2011 to 26 March 2011) in respect of his non-executive directorship of Drax Group plc, which he was permitted to retain.

Directors' share interests (audited information)
The interests in ordinary shares of $44^{152}/_{175}$p of Directors holding office at the end of the financial year are set out below.

	27 March 2010 Total number of shares	**26 March 2011 Total number of shares**
Nicholas Brookes	7,780	**37,408**
Tim Cobbold (appointed 1 January 2011)	–	**14,813**
Colin Child (appointed 1 June 2010)	–	**14,813**
Warren East	2,093	**4,314**
Sir Jeremy Greenstock	–	**1,492**
Sir Julian Horn-Smith	–	**1,500**
Victoria Jarman (appointed 22 April 2010)	–	**1,481**
Gill Rider	454	**454**

There have been no changes in Directors' interests in ordinary shares since 26 March 2011. 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 & Customs registered De La Rue Defined Contribution Pension Plan (the Plan). Executives who are members of the closed defined benefit sections of the De La Rue Pension Scheme (the Scheme) may, instead of joining the Plan, remain in that Scheme until it closes to future accrual in 2013.

The current normal retirement age is 65 although pension accrued on service before 1 June 2007 may be drawn in full from age 60. Defined benefit pension accrued after 1 June 2007 is subject to a variable accrual rate which is adjusted annually to reflect changes to life expectancy. As part of the Scheme closure agreement, the variable accrual rate will be removed and will revert to the underlying unadjusted rate for those employees who remain in service after 1 April 2013.

The arrangements provide a lump sum death in service benefit and additional benefits 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. Executive Directors and senior executives who are entitled to pension contributions in excess of the Annual Allowance will be offered the option of receiving the balance of their entitlement above the Annual Allowance as a cash allowance in lieu of pension provision. 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 or exceeding the Annual Allowance.

Details of each Executive Director's pension arrangements are detailed below.

James Hussey (resigned 12 August 2010) was entitled to a pension from the senior section of the Scheme. His accrual rate was approximately 1/60th of his notional pensionable salary for each year of pensionable service. He was required to make a contribution of 8 per cent of his notional pensionable salary towards the cost. He was covered for a lump sum on death in service of four times his basic salary and a widow's pension of 60 per cent of his prospective pension. He left service on 12 August 2010. His pension under the defined benefit Scheme as at 12 August 2010 was £98,943 per annum. His notional pensionable salary for 2010/11 was £231,525. James Hussey received a cash allowance of 20 per cent on the difference between his basic salary and his notional pensionable salary. He received no other payments.

Simon Webb (resigned 31 May 2010) was entitled to a pension from the retirement plan section of the Scheme. The accrual rate from 1 April 2011 allowing for adjustments for mortality was 1⁄102.85 for each year of pensionable service. He was required to make a contribution of 3.5 per cent of his basic salary towards his defined benefit pension and elected to pay additional top up contributions of 3 per cent to the defined contribution section which were matched by the Group. In the event of death in service he was covered for a lump sum of four times his basic salary and a widow's pension of 25 per cent of basic salary. He ceased to be a Director on 31 May 2010 and left service on 30 June 2010. His defined benefit pension as at 31 May 2010 was £2,946 per annum. Under the rules of the Scheme he is required to take a refund of his own contributions, less tax, or transfer the value of his pension to an alternative registered pension scheme on leaving service. The Group also made a payment to a self invested pension plan for him of 10 per cent of his basic salary.

Colin Child was appointed on 1 June 2010. He is covered for a lump sum on death in service of four times his salary. The Group makes a contribution to his self invested personal pension plan of 25 per cent of his basic salary.

Tim Cobbold is eligible for a pension contribution of 30 per cent of his basic salary. He received a cash payment of £33,750 in lieu of a pension contribution from January 2011 to March 2011 and this is included in the benefits column shown in the Directors' emoluments table on page 46. He joined the Plan from April 2011. Contributions up to the Annual Allowance will be made into the Plan; contributions in excess of the Annual Allowance will be paid to him as a cash allowance. He is covered for a lump sum on death in service of four times his basic salary; in addition, in the event of death in service the accrued value of the contributions made to the Plan will be used to provide further benefits for his dependants.

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 27 March 2010 and 26 March 2011 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

Directors' pension entitlements (£'000)

	Pension accumulated at 26 March 2011	Increase in pension during year	Increase in pension during year (net of inflation)	Transfer value of the increase in pension (excluding Directors' contributions)	Transfer value of accumulated pension at 27 March 2010	**Transfer value of accumulated pension at 26 March 2011**	Change in transfer value (excluding Directors' contributions)	Contributions to a Defined Contribution Scheme
Tim Cobbold (appointed 1 January 2011)	**–**	–	–	–	–	**–**	–	–
Colin Child (appointed 1 June 2010)	**–**	–	–	–	–	**–**	–	66
James Hussey (to date of resignation of 12 August 2010)	**99**	1	1	6	1,295	**1,390**	88	–
Simon Webb (to date of resignation of 31 May 2010)	**3**	0.4	0.4	2	25	**29**	2	5

Remuneration report continued

Directors' emoluments (audited information)

	2011 Salary and fees £'000	2011 Benefits £'000	2011 Compensation for loss of office £'000	Total to 26 March 2011 (or date of resignation if sooner) £'000	2010 Total £'000
Executive Directors					
Tim Cobbold (appointed 1 January 2011)	**113**	**40**	**–**	**153**	–
Colin Child (appointed 1 June 2010)	**246**	**16**	**–**	**262**	–
James Hussey (resigned 12 August 2010)	**133**	**19**	**–**	**152**	451
Simon Webb (resigned 31 May 2010)*	**39**	**3**	**333**	**375**	301
	531	**78**	**333**	**942**	752
Non-executive Chairman					
Nicholas Brookes#	**165**	**–**	**–**	**165**	163
Non-executive Directors					
Warren East	**47**	**–**	**–**	**47**	47
Sir Jeremy Greenstock	**40**	**–**	**–**	**40**	40
Sir Julian Horn-Smith	**40**	**–**	**–**	**40**	23
Victoria Jarman (appointed 22 April 2010)	**38**	**–**	**–**	**38**	–
Gill Rider	**47**	**–**	**–**	**47**	35
Aggregate emoluments	**908**	**78**	**333**	**1,319**	1,060

*Simon Webb was entitled, under his service contract, to compensation for early termination. Further detail on the early payment was contained in the Annual Report 2010

#Nicholas Brookes took on the role of Executive Chairman from 12 August 2010 to 31 December 2010

Payments made to former Directors of the Company

Lord Wright, who retired as a Director on 19 July 2000, provides up to 20 days' consultancy each year pursuant to an agreement with the Company dated 20 July 2000 and which expired on 19 July 2010. He was paid a fee of £5,000 in 2010/11.

Directors' share options (audited information)

The awards over De La Rue plc shares held by Executive Directors under the PSP, Recruitment Share Award and Retention Share Award during the period are detailed below:

	Date of award	27 March 2010 (or date of appointment if later)	Exercised during year	Awarded during year	Lapsed during year	**Awards held at 26 March 2011**	Mid market share price preceding date of award (pence)	Market price at exercise date (pence)	Performance targets (see below)	Date from which exercisable	Expiry date	Average fair value per share[a] (pence)
Tim Cobbold (appointed 1 January 2011)												
Recruitment Share Award	Jan 11	–	–	65,549	–	**65,549**	686.50	–	–[b]	Jan 14	Jan 21	687
Performance Share Plan	Jan 11	–	–	65,549	–	**65,549**	686.50	–	–[c]	Jan 14	Jan 21	597
Colin Child (appointed 1 June 2010)												
Retention Share Award	Jan 11	–	–	45,884	–	**45,884**	686.50	–	–[b]	Jan 14	Jan 21	687
Performance Share Plan	Jan 11	–	–	45,884	–	**45,884**	686.50	–	–[c]	Jan 14	Jan 21	597

Notes

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

(b) No performance conditions are attached to the awards under the Recruitment Share Award and the Retention Share Award

(c) Details of the performance conditions attached to the PSP are set out on page 48

The closing mid market price of De La Rue plc shares at 26 March 2011 was 794.5p and the highest and lowest mid market prices during the year were 984.0p and 549.5p respectively.

Deferred Bonus and Matching Share Plan (audited information)

Allocation of shares held by former Executive Directors is as follows:

	Date of allocation	Total allocation as at 27 March 2010 (or date of appointment if later)	Allocation during year	Allocation vesting during year	Lapsed during year	**Total allocation as at 26 March 2011 (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 (resigned 12 August 2010)										
Deferred Allocation	Jun 07	9,691	–	9,691	–	**–**	758.40	942.56	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[b]	Jun 07	19,380	–	19,380	–	**–**	758.40	942.56	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
		94,300		29,071[1]	65,229					
Simon Webb (resigned 31 May 2010)										
Deferred Allocation	Jun 09	9,172	–	9,172	–	**–**	858.55	673.50	Jun 12	880
Maximum Matching Allocation[b]	Jun 09	13,758	–	2,416	11,342	**–**	858.55	673.50	Jun 12	665
		22,930		11,588[2]	11,342					

Notes

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

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

(b) Details of the performance conditions attached to Matching Shares are set out on page 49. The performance conditions for the 2007 awards under the Plan were met in full and the shares vested on 6 June 2010

Dividend Shares

An additional award of shares was 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. Dividend shares released were as follows:

James Hussey: 1,405 ordinary shares

Simon Webb: 401 ordinary shares

(1) James Hussey retained the shares acquired on vesting of the June 2007 award under the Plan after selling sufficient number of shares to meet his PAYE and NI liability

(2) The total value of Simon Webb's award of shares at vesting was £80,746

Current schemes

Sharesave Scheme

All UK employees may join the Company's HM Revenue & 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 2010 at a price of 444.14p which was at a 20 per cent discount and 58 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 Ninth Offering under the Plan began on 1 January 2011 and 28 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 (819.50 pence) or end of the offering period on 31 December 2011.

New Share Plans

The Company established the ABP and the PSP in July 2010. The plans are designed to provide rewards that align the interests of executives with those of shareholders and which are in line with both the Group's short term and long term performance goals.

Annual Bonus Plan

Awards under the ABP are made to Executive Directors and selected senior executives on achievement of the annual bonus targets set at the beginning of the financial year, and comprise both a cash element and a share element.

The maximum market value of all shares over which any individual may be granted a share award in any financial year under the ABP shall not exceed an amount equal to 35 per cent of salary.

Share based awards under the ABP may only vest after three years from the date of grant while the award holder remains an employee within the Group. Awards may vest early where employment ceases in specified good leaver circumstances and awards in these circumstances will vest in full.

Additional awards may be made equivalent in value to the amount of dividends that would have been received since the award date in respect of the number of shares that the participant acquires under the ABP.

No awards were made to Executive Directors during 2010/11.

Performance Share Plan
The PSP was approved by shareholders in 2010. Awards are made annually to Executive Directors and selected senior executives generally following the announcement of results.

The maximum market value of all shares over which any individual may be granted awards in any financial year under the PSP shall not exceed an amount equal to one times his or her salary at time of award other than in exceptional circumstances. It is currently intended that all share awards for UK participants will be made as nil cost options (which may be exercised by the participant following the third anniversary of the award date up to a date no later than the tenth anniversary of the award date) although awards may take the form of either a conditional allocation or forfeitable shares.

As noted on page 43 both Tim Cobbold and Colin Child received awards under the PSP in 2010/11 to the value of 100 per cent of salary.

For the financial year 2010/11, awards under the PSP are subject to two performance measures in accordance with the existing policy. The award date marks the start of the three year performance period. Over the performance period, 60 per cent of the award is subject to achievement of an annual rate of increase in earnings per share (EPS) in the Retail Price Index (RPI) of a minimum of 3 per cent per annum. Where EPS exceeds inflation by 3 per cent compound per annum, 50 per cent of the award will vest, rising on a straight line basis to full vesting at 5 per cent compound per annum. If the minimum target is not achieved, the proportion of awards subject to the EPS test will not vest. EPS will be measured from the Company's half year announcement in November 2010, when the last accounts prior to the award were published.

The remaining 40 per cent of the award is based on the Company's total shareholder return (TSR) relative to the TSR of the companies in the FTSE 250 index excluding investment trusts over the three year performance period, with 50 per cent of this portion of each award vesting if the Company's TSR is at least at the median in the comparator group, rising on a straight line basis to full vesting for upper quartile performance.

There will be no retesting of either of the performance targets.

Under normal circumstances, awards may only vest after three years and if the relevant post grant performance targets have been met. Awards may be allowed to vest early where employment ceases in specified good leaver circumstances and in these circumstances performance conditions and apportionment for the time that the award has been held shall be applied.

If there is a change of control of the Company by way of a general offer, or if there is a general offer following a change of control or there is a voluntary winding up, awards will vest early. Under the ABP, awards vesting early will vest in full. Under the PSP, unless the Remuneration Committee determines otherwise, apportionment for the time that the award has been held shall be applied, subject to the extent to which the performance targets have been fulfiled.

Dividend shares may also be awarded on similar terms to the ABP.

At the time the PSP was introduced and following consultation with major shareholders on the principal features of the PSP, the Remuneration Committee placed a reduced emphasis on relative TSR because management had little influence over TSR performance.The greater emphasis on EPS performance was considered to be fair and appropriately challenging with a range intended to require stretching performance for all awards to vest, aligning shareholder and management interests.

The Remuneration Committee has decided that PSP awards made in 2011/12 should be subject to a single performance measure as described on page 43 of this report.

Special arrangements

Recruitment Share Award and Retention Share Award
Tim Cobbold (as part of his appointment) and Colin Child received a recruitment and retention award of shares respectively. The date of these awards was 31 January 2011.

Features common to both awards are as follows:

- The value of the awards on grant was 100 per cent of salary
- Shares will normally vest three years after the award date and in Colin Child's case provided he remains with the Company
- There are no performance criteria attached to vesting
- The shares will vest in the event of a change of control
- The awards are not pensionable

Specific to Recruitment Share Award: The award will vest after a termination of service, provided that the termination was not for cause (ie misconduct or in any of the circumstances allowing for summary dismissal under Tim Cobbold's service agreement). Vesting after termination would take place on the third anniversary of grant, although the Remuneration Committee has the power to accelerate.

Specific to Retention Share Award: In the event that Colin Child ceases employment under the good leaver provision, the Remuneration Committee will consider pro rating awards for time from the award date to cessation of employment.

The Remuneration Committee is of the view that the special share awards were fully justified for the recruitment of Tim Cobbold as Chief Executive and the retention of Colin Child as Group Finance Director given the internal and external challenges facing the Group and that shareholders will benefit from these exceptional arrangements. The terms of the special share awards together with awards under the PSP will enhance the alignment between the Executive Directors and shareholders and these decisions were taken with due consideration to business requirements and shareholder interests.

The terms of both awards will be available for inspection from 14 June 2011 at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London, EC2A 2HS and at the place of the AGM from 10:15 on the day of the AGM until the conclusion of the AGM.

The Board may choose to satisfy an award with either new or existing shares. Accordingly, no firm commitment has been entered into to issue shares, nor has any decision to do so yet been made. The choice need not be made until the time at which an award is exercised, but the authority to allot any such new shares on a non pre emptive basis would be that conferred by shareholders on 22 July 2010.

Long Term Incentive Plan
The Long Term Incentive Plan (LTIP) was introduced in 2006 to retain key individuals who were 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. Executive Directors do not participate in this plan.

The performance measure is EPS. 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 RPI. 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 RPI will result in 20 per cent of annual salary being payable.

Superseded schemes

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 although no awards were made in 2010.

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

The maximum potential value of the Deferred Shares based on the market value of a share at the date of allocation was 50 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 predetermined 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 EPS of a De La Rue share over the annual rate of increase in RPI 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 RPI, 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 TSR relative to the TSR of the companies comprising the FTSE 250 index 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.

Up to two Matching Shares may be allocated for each Deferred Share. No Matching 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. 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 RPI plus 3 to 5 per cent is the minimum. The Plan was replaced with the PSP and ABP as detailed on pages 47 to 48 of this report.

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, none of whom are Executive Directors or senior executives, holding 10,562 subsisting options.

The Plan was replaced by the LTIP.

Dilution limits

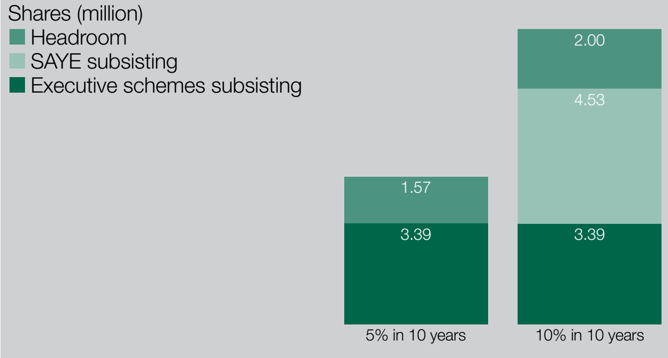
The ABP, PSP, Executive Share Option Plan and Deferred Bonus and Matching Share Plan incorporate the current (December 2009) Association of British Insurers Guidelines on headroom which provide that over a 10 year period in relation to the Company's issued share capital (including any reissue of treasury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

- No more than 10 per cent should 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 26 March 2011, the headroom in relation to all outstanding share options or deferred share awards was as shown below:

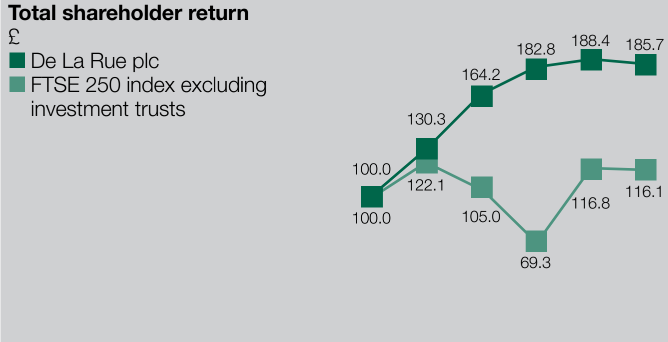
Scheme limits headroom



Shareholder return

The graph below shows the value, on 26 March 2011, of £100 invested in De La Rue plc on 25 March 2006 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. The FTSE 250 has been chosen as the index as De La Rue is a constituent.

Total shareholder return



Source: Thomson Financial

Remuneration report continued

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 2013	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.

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. Details of fees to the Chairman and other Non-executive Directors are set out on page 46. The fees for Non-executive Directors were last increased in 2008 and the Board agreed that the fees should remain unchanged for the time being. The Chairman's fee, at his request, was not adjusted to reflect his additional role and workload as Executive Chairman pending appointment of the new Chief Executive and remains unchanged for 2011/12. 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 2011

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 26 March 2011 set out on pages 52 to 92. 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 auditor's 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 35, 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, and express an opinion on, 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/private.cfm

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 26 March 2011 and of the Group's profit for the 52 week period 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; and
- The information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- The information given in the Corporate governance statement set out on pages 37 to 41 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 57, in relation to going concern
- The part of the Corporate governance statement on pages 37 to 41 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration

A J Sykes
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

24 May 2011

Group Income Statement

For the year ended 26 March 2011

	Notes	2011 £m	2010 £m
Revenue	1	**463.9**	561.1
Operating expenses – ordinary	2	**(423.5)**	(451.9)
Operating expenses – exceptional	3	**(15.6)**	(7.5)
Total operating expenses		**(439.1)**	(459.4)
Operating profit		**24.8**	101.7
Comprising:			
Operating profit before exceptional items		**40.4**	109.2
Exceptional items	3	**(15.6)**	(7.5)
Profit on sale of associated undertaking	3	**55.1**	–
Share of profits of associated companies after taxation		**–**	6.3
Profit before interest and taxation		**79.9**	108.0
Interest income	4	**0.9**	0.3
Interest expense	4	**(4.7)**	(5.4)
Retirement benefit obligation finance income	24	**35.7**	26.4
Retirement benefit obligation finance expense	24	**(39.0)**	(32.7)
Net finance expense		**(7.1)**	(11.4)
Profit before taxation		**72.8**	96.6
Comprising:			
Profit before tax and exceptional items		**33.3**	104.1
Exceptional items	3	**39.5**	(7.5)
Taxation	5	**(5.4)**	(26.2)
Comprising:			
Tax on profit before tax and exceptional items	5	**(9.0)**	(28.6)
Tax on exceptional items	5	**3.6**	2.4
Profit for the year		**67.4**	70.4
Comprising:			
Profit for the year before exceptional items		**24.3**	75.5
Profit/(loss) for the year on exceptional items	3	**43.1**	(5.1)
Profit attributable to equity shareholders of the Company		**66.9**	69.9
Profit attributable to non controlling interests		**0.5**	0.5
		67.4	70.4

Earnings per share attributable to the Company's equity holders			
On profit for the year			
Basic	6	**67.6p**	71.0p
Diluted	6	**67.2p**	70.5p

Group Statement of Comprehensive Income

For the year ended 26 March 2011

	Notes	2011 £m	2010 £m
Profit for the financial year		**67.4**	70.4
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(1.3)**	0.1
Actuarial losses on retirement benefit obligations	24	**(31.0)**	(72.3)
Effective portion of change in fair value of cash flow hedges, net of amount recycled to the Income Statement	14	**6.8**	6.6
Income tax relating to components of other comprehensive income	5	**5.3**	21.4
Other comprehensive income for the year, net of tax		**(20.2)**	(44.2)
Comprehensive income for the year		**47.2**	26.2
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		**46.7**	25.7
Non controlling interests		**0.5**	0.5
		47.2	26.2

Group Balance Sheet

At 26 March 2011

	Notes	2011 £m	2010 £m
Assets			
Non current assets			
Property, plant and equipment	8	**162.0**	165.6
Intangible assets	9	**23.3**	19.3
Investments in associates and joint ventures	10	**0.1**	0.1
Deferred tax assets	16	**27.8**	36.5
Derivative financial instruments	14	**0.3**	0.8
		213.5	222.3
Current assets			
Inventories	12	**67.5**	61.0
Trade and other receivables	13	**89.7**	76.5
Current tax assets		**6.7**	3.9
Derivative financial instruments	14	**15.5**	20.4
Cash and cash equivalents	15	**32.6**	41.6
Non current assets held for sale	11	**–**	20.5
		212.0	223.9
Total assets		**425.5**	446.2
Liabilities			
Current liabilities			
Borrowings	18	**(63.8)**	(51.7)
Trade and other payables	17	**(164.4)**	(164.2)
Current tax liabilities		**(33.1)**	(34.5)
Derivative financial instruments	14	**(13.5)**	(24.7)
Provisions for other liabilities and charges	19	**(27.0)**	(26.1)
		(301.8)	(301.2)
Non current liabilities			
Borrowings	18	**–**	(0.9)
Retirement benefit obligations	24	**(102.9)**	(127.1)
Deferred tax liabilities	16	**(1.0)**	(0.3)
Derivative financial instruments	14	**(0.6)**	(2.1)
Other non current liabilities	17	**(2.4)**	(5.1)
		(106.9)	(135.5)
Total liabilities		**(408.7)**	(436.7)
Net assets		**16.8**	9.5
Equity			
Share capital	20	**45.6**	45.5
Share premium account		**29.1**	28.4
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**1.0**	(3.9)
Cumulative translation adjustment		**2.5**	3.8
Other reserves		**(83.8)**	(83.8)
Retained earnings		**13.0**	10.4
Total equity attributable to shareholders of the Company		**13.3**	6.3
Non controlling interests		**3.5**	3.2
Total equity		**16.8**	9.5

Approved by the Board on 24 May 2011

Nicholas Brookes
Chairman

Colin Child
Group Finance Director

Group Statement of Changes in Equity

For the year ended 26 March 2011

	Attributable to equity shareholders							Non controlling 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 28 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
Comprehensive income for the year	–	–	–	4.9	(1.3)	–	43.1	0.5	47.2
Share capital issued	0.1	0.7	–	–	–	–	–	–	0.8
Employee share scheme: – value of services provided	–	–	–	–	–	–	1.9	–	1.9
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	(41.9)	(0.2)	(42.1)
Balance at 26 March 2011	**45.6**	**29.1**	**5.9**	**1.0**	**2.5**	**(83.8)**	**13.0**	**3.5**	**16.8**

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

This reserve represents the nominal value of shares redeemed by the Company.

(c) Hedge reserve

This 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. An analysis of the movements in the hedge reserve is shown in note 14.

(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 (now De La Rue Holdings 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 26 March 2011

	Notes	**2011 £m**	2010 £m
Cash flows from operating activities			
Profit before tax		**72.8**	96.6
Adjustments for:			
Finance income and expense		**7.1**	11.4
Depreciation and amortisation		**24.4**	23.0
(Increase)/decrease in inventory		**(7.9)**	4.3
(Increase)/decrease in trade and other receivables		**(11.6)**	16.6
Decrease in trade and other payables		**(9.9)**	(9.9)
Decrease in reorganisation provisions		**(1.4)**	(5.0)
Special pension fund contributions		**(42.5)**	(17.0)
Loss on disposal of property, plant and equipment		**1.4**	0.9
Share of income from associates after tax		**–**	(6.3)
Non operating exceptional items		**(55.1)**	–
Other non cash movements		**2.4**	1.5
Cash generated from operating activities		**(20.3)**	116.1
Tax received/(paid)		**4.8**	(21.0)
Net cash flows from operating activities		**(15.5)**	95.1
Cash flows from investing activities			
Disposal of subsidiary undertakings	22	**–**	(1.0)
Net proceeds from sale of investment in associate		**75.4**	–
Purchases of property, plant, equipment and software intangibles		**(30.7)**	(33.1)
Development assets capitalised		**(4.3)**	(2.3)
Proceeds from sale of property, plant and equipment		**0.3**	0.5
Loans made to associates		**–**	(0.6)
Dividends received from associates		**–**	6.8
Net cash flows from investing activities		**40.7**	(29.7)
Net cash inflow before financing activities		**25.2**	65.4
Cash flows from financing activities			
Proceeds from issue of share capital		**0.8**	2.4
Proceeds from /(repayments of) borrowings		**6.0**	(32.9)
Finance lease principal payments		**(0.2)**	(3.1)
Interest received		**0.9**	0.4
Interest paid		**(4.5)**	(3.7)
Dividends paid to shareholders		**(41.9)**	(40.4)
Dividends paid to non controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**(39.1)**	(77.5)
Net decrease in cash and cash equivalents in the year		**(13.9)**	(12.1)
Cash and cash equivalents at the beginning of the year		**37.8**	50.1
Exchange rate effects		**(0.5)**	(0.2)
Cash and cash equivalents at the end of the year		**23.4**	37.8
Cash and cash equivalents consist of:			
Cash at bank and in hand	15	**31.9**	35.1
Short term bank deposits	15	**0.7**	6.5
Bank overdrafts		**(9.2)**	(3.8)
	22	**23.4**	37.8

Accounting policies

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 94 of this Annual Report. The consolidated Financial Statements of the Company for the year ended 26 March 2011 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 26 March 2011, 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 IASB, are applicable to the Group for the first time in the current year and have been adopted by the Group in these consolidated Financial Statements with no impact on the Group's accounting policies or on its results or net assets included within these consolidated Financial Statements:

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards, which is effective for accounting periods beginning on or after 1 July 2009, simplifies the structure of IFRS 1 without making any technical changes
- Amendments to IFRS 2, Group Cash Settled Share based Payments Transactions, which is effective for accounting periods beginning on or after 1 January 2010, provides a clear basis to determine the classification of share based payment awards in both consolidated and separate Financial Statements
- IFRS 3 (Revised), Business Combinations, which is effective for accounting periods beginning on or after 1 July 2009, harmonises business combination accounting with US GAAP. The standard continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re measured at fair value through profit or loss; goodwill and non controlling interests may be calculated on a gross or net basis; and all transaction costs, which under previous practice were treated as part of the cost of a business combination, are to be expensed
- IAS 27, Consolidated and Separate Financial Statements, which is effective for accounting periods beginning on or after 1 July 2009, requires the effects of all transactions with non controlling interests where there is no change in control to be recorded in equity. Such transactions will no longer result in goodwill or gains and losses
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement, for Eligible Hedged Items, which is effective for accounting periods beginning on or after 1 July 2009, clarifies how to apply the principles that determine whether a hedged risk or portion of cash flows is eligible for designation
- Amendment to IAS 32, Financial Instruments: Presentation, which is effective for accounting periods beginning on or after 1 February 2010, addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, which is effective for accounting periods beginning on or after 1 July 2009, clarifies which currency exposures qualify for hedge accounting; which entity within a group can hold the hedging instrument; and how to determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when an investment in a foreign operation is disposed of

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 26 March 2011, being the last Saturday in March. The comparatives for the 2010 financial year are for the year ended 27 March 2010.

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 19 of the Business Review. The accounting policies used in the preparation of the financial position are described in pages 58 to 62. In addition, pages 71 to 75 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 24 to 26 of the Business Review.

As described on page 25, the Group meets its funding requirements through cash generated from operations and a revolving credit facility which expires in September 2013. The Group's forecasts and projections, which cover a period of more than twelve months, taking into account reasonably possible changes in normal trading performance, show that the Group should be able to operate within 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 and not withstanding the uncertainty as to the outcome of the paper production issues noted on page 5, 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. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) up to 26 March 2011. 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 26 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 2010, results for the period to 26 March 2011 and the Balance Sheet as at 26 March 2011 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.

Accounting policies continued

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.

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of consideration transferred in 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 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 rate of depreciation used is 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.

Borrowing costs
Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset.

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.

Accounting policies continued

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 non controlling 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.

Associated companies prepare their financial information as at 31 December. Results for the period to 26 March and the Balance Sheet as at 26 March have been included in the consolidated statements.

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 substantively 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

Inventories 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.

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 non 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 remeasured at each reporting date and at the date of settlement with changes in fair value recognised in the consolidated Income Statement.

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 an Income Statement 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.

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 revised and amended standards and interpretations have been issued but are not yet effective and therefore have not been adopted by the Group in these consolidated Financial Statements:

- IFRS 9, Financial Instruments, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2013, is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39
- IAS 24 (Revised), Related Party Disclosures, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2011, removes the requirement for government related entities to disclose details of transactions with the government and other government related entities and clarifies and simplifies the definition of a related party
- Amendment to IFRIC 14, Prepayments of a minimum funding requirement, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2011, applies to companies that are required to make minimum funding contributions to a defined benefit pension plan
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2010, clarifies the accounting treatment for equity instruments that are used to extinguish financial liabilities
- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2010
- Amendments to IFRS 7, Financial Instruments: Disclosures, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2011
- Amendments to IAS 12, Deferred tax: Recovery of Underlying Assets, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2012

None of these revised and amended standards and interpretations is expected to have a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

On 12 May 2011 the IASB issued its new suite of consolidation and related standards, including IFRS 10 Consolidated Financial Statements, IAS 27 (2011) Separate Financial Statements, IFRS 11 Joint Arrangements, and IAS 28 (2011) Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities. It also issued IFRS 13, Fair Value Measurement.

The Group is currently assessing these new requirements in order to determine the likely impact on the Financial Statements.

Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty
The Group's accounting policies are set out above. Management is required to exercise significant judgement in the application of these policies. Areas which management believe require the most critical accounting judgements or which involve estimation are as follows:

Critical accounting judgements in applying the Group's accounting policies
Cash flow hedge accounting
The Group enters into forward contracts to hedge the risk of movements in foreign exchange and interest rates. These contracts fall within the definition of derivative financial instruments and accordingly have to be recorded at fair value. Accounting for these contracts as cash flow hedges allows, to the extent the hedges are effective, the change in values of the derivatives to be recognised in other comprehensive income and accumulated in equity. In order to achieve cash flow hedge accounting it is necessary for the Group to determine, on an on going basis, whether a forecast transaction being hedged is highly probable and whether the hedge is effective.

Exceptional items
The Directors consider items of income and expenditure which are both material by size and/or by nature and non recurring should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses (other than those within the scope of IFRS 5), curtailments on defined benefit pension arrangements, restructuring of businesses and asset impairments. All exceptional items are included on the appropriate Income Statement category to which they relate.

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. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates. It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which 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 on the Income Statement in the period in which such determination is made.

Key sources of estimation uncertainty
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.

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.

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. These include the expected long term rate of return on the relevant plan assets, the rate used to discount future liabilities, the expected longevity for current and future pensioners and estimates of future rates of inflation.

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 discount rate 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.

Notes to the accounts

1 Segmental analysis
The Group's 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 printed banknotes, banknote paper 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 and tax stamps
- Identity Systems – involved in the production of passports, including ePassports, together with other secure identity products

2011	**Currency £m**	**Cash Processing Solutions £m**	**Security Products £m**	**Identity Systems £m**	**Exceptional items £m**	**Total £m**
Total revenue	**289.0**	**57.4**	**63.3**	**62.8**	**–**	**472.5**
Less: Inter segment revenue	**(0.6)**	**–**	**(8.0)**	**–**	**–**	**(8.6)**
Revenue	**288.4**	**57.4**	**55.3**	**62.8**	**–**	**463.9**
Operating profit before exceptional items	**28.5**	**0.5**	**9.0**	**2.4**	**–**	**40.4**
Exceptional items – operating (note 3)	**(29.0)**	**–**	**–**	**–**	**13.4**	**(15.6)**
Operating profit/(loss)	**(0.5)**	**0.5**	**9.0**	**2.4**	**13.4**	**24.8**
Profit on sale of associated undertaking						**55.1**
Net interest expense						**(3.8)**
Retirement benefit obligations net finance expense						**(3.3)**
Profit before taxation						**72.8**
Segment assets	**197.1**	**35.3**	**23.9**	**53.7**	**–**	**310.0**
Unallocated assets						**115.5**
Total assets						**425.5**
Segment liabilities	**(106.2)**	**(22.6)**	**(10.8)**	**(28.2)**	**–**	**(167.8)**
Unallocated liabilities						**(240.9)**
Total liabilities						**(408.7)**
Capital expenditure on property, plant and equipment	**6.1**	**0.8**	**1.7**	**14.6**	**–**	**23.2**
Capital expenditure on intangible assets	**2.3**	**2.7**	**–**	**2.0**	**–**	**7.0**
Depreciation of property, plant and equipment	**15.8**	**2.1**	**2.4**	**2.9**	**–**	**23.2**
Amortisation of intangible assets	**0.4**	**0.6**	**–**	**0.2**	**–**	**1.2**

Inter segmental transactions are carried out on an arms length basis and eliminated upon consolidation.

2010	Currency £m	Cash Processing Solutions £m	Security Products £m	Identity Systems £m	Exceptional items £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

Notes to the accounts continued

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

	2011 £m	2010 £m
UK	**369.7**	466.0
Other countries	**94.2**	95.1
	463.9	561.1

Geographic analysis of non current assets

	2011 £m	2010 £m
UK	**104.0**	104.9
Malta	**37.5**	37.6
Sri Lanka	**21.7**	18.9
Other countries	**22.2**	23.6
	185.4	185.0

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

Major customers
There were no major customers from whom the Group derived revenues of greater than 10 per cent in the year (2010: one customer of £78.0m in the Currency segment).

2 Operating profit

	2011 £m	2010 £m
Operating profit is arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	**99.9**	125.5
Net impairment of inventories	**0.2**	3.5
Depreciation of property, plant and equipment:		
– purchased	**23.2**	18.4
– leased	**–**	1.8
Amortisation of other intangibles	**1.2**	2.8
Impairment of trade receivables	**–**	–
Operating leases:		
– hire of plant and equipment	**2.2**	1.9
– hire of property	**3.5**	3.6
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	**0.4**	0.5
– tax services	**0.1**	0.2
– other services	**0.2**	–
Research and non capitalised development expense	**10.3**	9.9
Loss on disposal of property, plant and equipment	**1.4**	0.9
Reorganisation costs (see note 3: exceptional items)	**–**	4.8
Foreign exchange (losses)/gains	**1.0**	(8.4)

Auditor's remuneration relates to fees paid to the Company's current auditors KPMG Audit Plc.

3 Exceptional items

	2011 £m	2010 £m
Curtailment gain on closure of defined benefit scheme to further accrual	**16.0**	–
Costs relating to paper production quality issues	**(29.0)**	–
Corporate costs	**(2.6)**	–
Reorganisation of CPS	**–**	(4.8)
Legacy overseas indirect tax	**–**	(2.7)
Exceptional items in operating profit	**(15.6)**	(7.5)
Profit on sale of associate undertaking	**55.1**	–
Total exceptional items	**39.5**	(7.5)
Tax on exceptional items	**3.6**	2.4

The curtailment gain is a result of the closure, to further accruals from 2013, of the defined benefit pension scheme and the freeze in pensionable salary increases from the current year. These changes result in a reduction in the pension liabilities.

The Group has identified paper production quality and certification issues as more fully described in note 27: Contingent liabilities. Provision has been made for the costs associated with the issues identified at this stage and which include the write off of inventories and trade receivables and other costs relating to the investigation and rectification of these matters. Provision has not been made for the potential costs of resolutions or for potential fines from regulatory authorities. The nature and extent of these resolutions and potential fines will be the subject of ongoing discussion, the outcome of which cannot be estimated reliably at present.

Corporate costs of £2.6m were incurred in relation to the engagement of legal and professional advisors following a takeover approach for the Group.

The profit arising on the sale of an associated undertaking is in respect of the sale of the Group's share in Camelot, the UK national lottery operator, which was completed on 8 July 2010. The gain shown represents the consideration received of £77.6m, net of expenses, and the cost of investment.

Exceptional charges of £7.5m in the prior year represent the resolution of a legacy overseas indirect tax issue and the reorganisation of CPS. Reorganisation costs principally comprised redundancy charges and rationalisation of products and site capabilities.

Tax credits relating to exceptional items arising in the year were £1.1m (2010: £1.0m). In addition, there was also an exceptional tax credit of £2.5m in respect of the determination of the tax treatment of prior year exceptional items (2010: £1.4m prior year credit).

4 Interest income and expense

	2011 £m	2010 £m
Recognised in the Income Statement		
Interest income:		
– Cash and cash equivalents	**0.9**	0.3
Interest expense:		
– Bank overdrafts	**(0.9)**	(0.5)
– Bank loans	**(2.8)**	(2.9)
– Finance leases	**–**	(0.1)
– Other including amortisation of finance arrangement fees	**(1.0)**	(1.9)
Total interest expense calculated using the effective interest method	**(4.7)**	(5.4)
Retirement benefit obligation net finance expense (note 24)	**(3.3)**	(6.3)

All finance income and expense arises in respect of assets and liabilities not restated to fair value through the Income Statement.

The gain to the Income Statement in respect of the ineffective portion of derivative financial instruments was £0.2m (2010: £0.3m charge) and is included within interest expense under the 'Bank loans' heading.

Notes to the accounts continued

5 Taxation

	2011 £m	2010 £m
Consolidated Income Statement		
Current tax		
UK Corporation tax:		
– Current tax	**0.7**	19.5
– Adjustment in respect of prior years	**(4.2)**	(4.3)
	(3.5)	15.2
Overseas tax charges:		
– Current year	**2.9**	5.2
– Adjustment in respect of prior years	**3.4**	(0.7)
	6.3	4.5
Total current income tax expense	**2.8**	19.7
Deferred tax:		
– Origination and reversal of temporary differences, UK	**3.3**	6.1
– Origination and reversal of temporary differences, Overseas	**(0.7)**	0.4
Total deferred tax expense	**2.6**	6.5
Total income tax expense in the consolidated Income Statement	**5.4**	26.2
Consolidated Statement of Comprehensive Income		
– On pension actuarial adjustments	**(7.7)**	(20.3)
– On cash flow hedges	**1.9**	1.9
– On foreign exchange on quasi equity balances	**0.5**	(3.0)
Income tax credit reported within comprehensive income	**(5.3)**	(21.4)
Consolidated Statement of Changes in Equity		
– On share options	**0.5**	0.1
Income tax credit reported within equity	**0.5**	0.1

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

			2011			2010
	Before exceptionals £m	**Exceptional items £m**	**Total £m**	Before exceptionals £m	Exceptional items £m	Total £m
Profit before tax	**33.3**	**39.5**	**72.8**	104.1	(7.5)	96.6
Tax calculated at UK tax rate of 28 per cent	**9.3**	**11.1**	**20.4**	29.1	(2.1)	27.0
Effects of overseas taxation	**(1.4)**	**–**	**(1.4)**	(1.9)	–	(1.9)
Non taxable disposal of investment in Camelot	**–**	**(15.4)**	**(15.4)**	–	–	–
Expenses not deductible for tax purposes	**1.2**	**1.5**	**2.7**	1.1	1.1	2.2
Adjustment for tax on profits of associate	**–**	**–**	**–**	(1.8)	–	(1.8)
(Utilisation)/increase in unutilised tax losses	**(0.7)**	**1.7**	**1.0**	(0.2)	–	(0.2)
Adjustments in respect of prior years	**0.7**	**(2.5)**	**(1.8)**	2.3	(1.4)	0.9
Change in UK tax rate	**(0.1)**	**–**	**(0.1)**	–	–	–
Tax charge/(credit)	**9.0**	**(3.6)**	**5.4**	28.6	(2.4)	26.2

The underlying effective tax rate excluding exceptional items was 27.0 per cent (2010: 27.5 per cent).

6 Earnings per share

	2011 pence per share	2010 pence per share
Earnings per share		
Basic earnings per share	**67.6**	71.0
Diluted earnings per share	**67.2**	70.5
Headline earnings per share		
Basic earnings per share	**24.0**	76.2
Diluted earnings per share	**23.9**	75.7

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.

The Directors are of the opinion that the publication of the headline earnings per share, before exceptional items, is useful to readers of the accounts as it gives 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

	2011 £m	2010 £m
Earnings for basic and diluted earnings per share	**66.9**	69.9
Exceptional items	**(39.5)**	7.5
Less: Tax on exceptional items	**(3.6)**	(2.4)
Earnings for headline earnings per share	**23.8**	75.0

Weighted average number of ordinary shares

	2011 Number m	2010 Number m
For basic earnings per share	**99.0**	98.4
Dilutive effect of share options	**0.6**	0.7
For diluted earnings per share	**99.6**	99.1

7 Equity dividends

	2011 £m	2010 £m
Final dividend for the year ended 27 March 2010 of 28.2p paid on 5 August 2010	**27.9**	–
Interim dividend for the period ended 25 September 2010 of 14.1p paid on 12 January 2011	**14.0**	–
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
	41.9	40.9

A final dividend per equity share of 28.2 pence has been proposed for the year ended 26 March 2011, payable on 4 August 2011. In accordance with IFRS accounting requirements, this dividend has not been accrued in these consolidated Financial Statements.

Notes to the accounts continued

8 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Cost					
At 28 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
Exchange differences	(0.4)	(2.1)	(0.2)	(0.1)	(2.8)
Additions	–	8.8	0.9	13.5	23.2
Transfers from assets in the course of construction	1.1	11.8	0.6	(13.5)	–
Reclassifications	–	(3.5)	3.5	–	–
Disposals	(0.1)	(6.6)	(1.9)	(0.7)	(9.3)
At 26 March 2011	**54.1**	**314.9**	**20.7**	**19.2**	**408.9**
Accumulated depreciation					
At 28 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
Exchange differences	(0.1)	(1.3)	(0.2)	–	(1.6)
Depreciation charge for the year	1.5	20.1	1.6	–	23.2
Reclassifications	–	(3.2)	3.2	–	–
Disposals	(0.1)	(5.6)	(1.2)	–	(6.9)
At 26 March 2011	**22.5**	**208.1**	**16.3**	**–**	**246.9**
Net book value at 26 March 2011	**31.6**	**106.8**	**4.4**	**19.2**	**162.0**
Net book value at 27 March 2010	32.3	108.4	4.9	20.0	165.6
Net book value at 28 March 2009	33.6	95.8	4.4	14.5	148.3

Included within plant and machinery are assets held under finance leases with net book value of £0.2m (2010: £0.2m). Additions include £nil (2010: £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 £4.1m (2010: £4.3m) of land that is not subject to depreciation.

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

9 Intangible assets

	Goodwill £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 28 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
Exchange differences	(0.1)	(0.5)	–	–	(0.6)
Additions	–	5.6	1.4	–	7.0
Disposals	–	(1.6)	(0.6)	–	(2.2)
At 26 March 2011	**8.4**	**16.0**	**8.4**	**0.4**	**33.2**
Accumulated amortisation					
At 28 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
Exchange differences	–	(0.1)	–	–	(0.1)
Amortisation for the year	–	1.1	0.1	–	1.2
Disposals	–	(0.9)	–	–	(0.9)
At 26 March 2011	**0.6**	**2.8**	**6.1**	**0.4**	**9.9**
Carrying value at 26 March 2011	**7.8**	**13.2**	**2.3**	**–**	**23.3**
Carrying value at 27 March 2010	7.9	9.8	1.6	–	19.3
Carrying value at 28 March 2009	8.0	9.2	1.1	–	18.3

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:

	2011 £m	2010 £m
Currency	**4.3**	4.3
Cash Processing Solutions	**3.5**	3.6
	7.8	7.9

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 which are based on cash flow projections covering a five year period based on the 2011/12 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 Group'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 (2010: 13.4 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 year, 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.

Notes to the accounts continued

10 Investments

	Associated companies		
	Equity shares £m	Redeemable shares £m	Total £m
At 28 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 and 26 March 2011	**0.1**	**–**	**0.1**

At 27 March 2010, the principal associate of the Group was Camelot Group plc, in which the Group had a 20 per cent equity holding. The Group held 10,000,000 redeemable shares of £1 each in Camelot Group plc. The redeemable shares did not carry any voting rights but ranked 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 and the investment was reclassified as a non current asset held for sale from that date.

11 Non current assets held for sale

The sale of the Group's investment in Camelot to Ontario Teachers' Pension Plan was completed on 8 July 2010, for a consideration of £77.6m.

12 Inventories

	2011 £m	2010 £m
Raw materials	**21.2**	19.5
Work in progress	**26.6**	23.0
Finished goods	**19.7**	18.5
	67.5	61.0

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

Provisions of £3.6m recognised in pre exceptional operating expenses were made against inventories in 2011 (2010: £5.2m). The Group also reversed provisions of £3.4m (2010: £1.7m), being part of an inventory write down that was not subsequently required.

13 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	**75.3**	71.1
Provision for impairment	**(4.7)**	(3.9)
Net trade receivables	**70.6**	67.2
Amounts due from associated companies and joint ventures	**0.3**	0.6
Other receivables	**13.2**	4.8
Prepayments	**5.6**	3.9
	89.7	76.5

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.

14 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 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 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.

Group Treasury identifies, evaluates and hedges financial risks in close cooperation 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 results 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. Where appropriate, letters of credit are used to mitigate the credit risk from customers.

The Group has established a credit policy that ensures that 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.

Notes to the accounts continued

14 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.

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 2011 £m**	**Carrying amount 2011 £m**	Total fair value 2010 £m	Carrying amount 2010 £m
Financial assets					
Trade and other receivables (excluding prepayments)		**84.1**	**84.1**	72.6	72.6
Cash and cash equivalents		**32.6**	**32.6**	41.6	41.6
Derivative financial instruments:					
– Forward exchange contracts designated as cash flow hedges	Level 2	**4.0**	**4.0**	3.6	3.6
– Forward exchange contracts not designated as cash flow hedges	Level 2	**3.5**	**3.5**	3.0	3.0
– Embedded derivatives	Level 2	**8.3**	**8.3**	14.6	14.6
Total financial assets		**132.5**	**132.5**	135.4	135.4
Financial liabilities					
Unsecured bank loans and overdrafts		**(63.7)**	**(63.7)**	(52.4)	(52.4)
Finance lease liabilities		**(0.1)**	**(0.1)**	(0.2)	(0.2)
Trade and other payables (excluding accruals)		**(47.2)**	**(47.2)**	(58.4)	(58.4)
Derivative financial instruments:					
– Forward exchange contracts designated as cash flow hedges	Level 2	**(2.5)**	**(2.5)**	(3.3)	(3.3)
– Forward exchange contracts not designated as cash flow hedges	Level 2	**(5.4)**	**(5.4)**	(14.5)	(14.5)
– Embedded derivatives	Level 2	**(6.1)**	**(6.1)**	(8.4)	(8.4)
– Interest rate swaps	Level 2	**(0.1)**	**(0.1)**	(0.6)	(0.6)
Total financial liabilities		**(125.1)**	**(125.1)**	(137.8)	(137.8)

The ineffective portion of fair value hedges that was recognised in the Income Statement amounted to a gain of £0.2m (2010: £0.3m loss). The ineffective portion of cash flow hedges that was recognised in the Income Statement was a gain of £0.5m (2010: 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, while 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 forward 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, trade and other payables, and trade and other receivables have been stated at their book values which approximate their fair 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 26 March 2011 the discount rate used was 1.0 per cent (2010: 1.0 per cent).

14 Financial instruments continued

Hedge reserves

Net movements in the hedge reserve are shown in the Group Statement of Changes in Equity. The hedge reserve balance at 27 March 2010 was £3.9m.

Comprehensive income for 2010/11 was £4.9m comprising £1.2m of fair value movements on new and continuing cash flow hedges, and a £5.9m charge transferred to the Income Statement on maturing cash flow hedges, less £0.3m ineffectiveness on derecognition of cash flow hedges. Deferred tax on the net income of £6.8m amounted to £1.9m.

The hedge reserve balance on 26 March 2011 was £1.0m.

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 2011 £m	Carrying amount 2010 £m
Trade and other receivables (excluding prepayments)	14	**84.1**	72.6
Cash and cash equivalents	16	**32.6**	41.6
Forward exchange contracts used for hedging		**7.5**	6.6
Embedded derivatives		**8.3**	14.6
		132.5	135.4

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

	Carrying amount 2011 £m	Carrying amount 2010 £m
UK and Ireland	**18.9**	8.8
Rest of Europe	**8.5**	6.2
The Americas	**10.0**	12.6
Rest of world	**46.7**	45.0
	84.1	72.6

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

	Carrying amount 2011 £m	Carrying amount 2010 £m
Banks and financial institutions	**41.0**	32.2
Government institutions	**21.1**	22.8
Distributors	**3.0**	4.1
Retail customers	**1.6**	1.3
End user customers	**7.3**	4.1
Other	**10.1**	8.1
	84.1	72.6

Impairment losses

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

	Gross 2011 £m	**Impairment 2011 £m**	Gross 2010 £m	Impairment 2010 £m
Not past due	**55.2**	**–**	58.0	(0.2)
Past due 0-30 days	**18.7**	**–**	9.8	–
Past due 31-120 days	**11.0**	**(2.0)**	4.6	(0.8)
Past due more than 120 days	**3.9**	**(2.7)**	4.1	(2.9)
	88.8	**(4.7)**	76.5	(3.9)

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

	2011 £m	2010 £m
Balance at beginning of year	**(3.9)**	(4.1)
Impairment losses recognised	**(1.5)**	(0.7)
Impairment losses utilised	**0.7**	0.9
Balance at end of year	**(4.7)**	(3.9)

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 26 March 2011, the Group does not have any collective impairments on its trade receivables (2010: nil).

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

Notes to the accounts continued

14 Financial instruments continued

Liquidity risk

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

26 March 2011	**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**
Non derivative financial liabilities						
Unsecured bank loans and overdrafts	**63.7**	**–**	**–**	**63.7**	**–**	**63.7**
Finance lease liabilities	**0.1**	**–**	**–**	**0.1**	**–**	**0.1**
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging:						
– Gross amount payable from currency derivatives	**179.3**	**11.5**	**–**	**190.8**	**(183.0)**	**7.8**
Interest rate swaps	**0.2**	**–**	**–**	**0.2**	**(0.1)**	**0.1**
	243.3	**11.5**	**–**	**254.8**	**(183.1)**	**71.7**

27 March 2010	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
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

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 26 March 2011 are US dollar 35.0m, euro 69.7m, Swiss franc (16.1m), Canadian dollar (0.4m), and South African rand 4.3m.

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are euro 10.3m. 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 26 March 2011 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 26 March 2011 was nil (2010: nil). Gains and losses on cash management swaps are included in the consolidated Income Statement.

The principal amounts outstanding under cash management currency swaps at 26 March 2011 are US dollar 8.1m, euro (4.7m), Canadian dollar 0.9m, Swiss franc (0.7m), South African rand 26.2m, Japanese yen 5.3m 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 26 March 2011 was £2.2m (2010: £6.2m).

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 26 March 2011 was £0.2m (2010: nil). Gains and losses on balance sheet swaps are included in the consolidated Income Statement.

The principal amounts outstanding under balance sheet swaps at 26 March 2011 are US dollar 34.8m, euro 3.9m, Canadian dollar 0.8m, Swiss franc (5.7m), South African rand 3.8m, Mexican peso (53.7m), and Hong Kong dollar 2.2m.

14 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	
	2011	2010	**2011**	2010
US dollar	**1.55**	1.58	**1.61**	1.49
Euro	**1.17**	1.13	**1.14**	1.11

Sensitivity analysis

A 10 per cent strengthening of sterling against the following currencies at 26 March 2011 and 27 March 2010 would have increased/(decreased) profit or loss by the amounts shown below, based on the Group's external monetary assets and liabilities excluding hedging transactions. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	2011 £m	2010 £m
US dollar	**0.2**	(1.7)
Euro	**(0.5)**	0.8

A 10 per cent weakening of sterling against the above currencies at 26 March 2011 and 27 March 2010 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	
	2011 £m	2010 £m
Variable rate instruments		
Financial assets	**32.6**	41.6
Financial liabilities	**(63.8)**	(52.6)
	(31.2)	(11.0)

As at 26 March 2011 the Group does not hold any fixed rate instruments.

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.

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 1.74 per cent against receipt of 1 month LIBOR. As at 26 March 2011 £50m 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 2010.

	Profit and Loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
26 March 2011	**(0.2)**	**0.2**	**–**	**–**
27 March 2010	0.3	(0.3)	0.3	(0.3)

Notes to the accounts continued

15 Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**31.9**	35.1
Short term bank deposits	**0.7**	6.5
	32.6	41.6

The effective interest rate on short term bank deposits was 0.5 per cent (2010: 1.0 per cent) and subject to one day notice for repayment.

An analysis of cash, cash equivalents and bank overdrafts is shown in the Group Cash Flow Statement.

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 14.

16 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:

	2011 £m	2010 £m
Deferred tax assets	**27.8**	36.5
Deferred tax liabilities	**(1.0)**	(0.3)
	26.8	36.2

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

	2011 £m	2010 £m
Beginning of the year	**36.2**	29.3
Exchange differences	**(0.2)**	(0.2)
Income statement charge	**(2.6)**	(6.5)
Tax credited to equity	**(6.6)**	13.6
End of the year	**26.8**	36.2

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 28 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
Recognised in the Income Statement	0.5	–	0.6	(0.1)	1.0
Recognised in equity	–	–	–	0.4	0.4
At 26 March 2011	**8.8**	**0.4**	**1.9**	**0.9**	**12.0**

	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
Assets					
At 28 March 2009	(2.9)	(19.4)	–	(17.0)	(39.3)
Recognised in the Income Statement	1.4	(0.5)	(0.3)	5.3	5.9
Recognised in equity	0.1	(15.6)	–	1.9	(13.6)
Exchange differences	–	–	–	0.2	0.2
At 27 March 2010	(1.4)	(35.5)	(0.3)	(9.6)	(46.8)
Recognised in the Income Statement	(0.3)	3.6	(0.7)	(1.0)	1.6
Recognised in equity	0.5	4.2	–	1.5	6.2
Exchange differences	–	–	–	0.2	0.2
At 26 March 2011	**(1.2)**	**(27.7)**	**(1.0)**	**(8.9)**	**(38.8)**

16 Deferred taxation continued

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

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 has not recognised deferred income tax assets of £3.2m (2010: £2.5m) in respect of losses amounting to £12.6m (2010: £9.8m) that can be carried forward against future taxable income.

Unremitted earnings totalled £429.3m at 26 March 2011 (2010: £558.9m). 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 £337.0m are carried forward at 26 March 2011 (2010: £337.0m). No deferred tax asset has been recognised in respect of these losses.

UK tax rate

Finance (No 2) Act 2010 was substantively enacted on 27 July 2010 and included legislation to reduce the main rate of UK corporation tax from 28 per cent to 27 per cent from 1 April 2011. For the year ended 26 March 2011, as the reduction in statutory rate by 1 per cent has been substantively enacted, deferred tax has been recognised on the Balance Sheet at 27 per cent and therefore the UK deferred tax liabilities/assets have been reduced accordingly.

A further reduction to the main rate was announced in the 2011 Budget on 23 March 2011 reducing the rate by an additional 1 per cent to 26 per cent from April 2011. This will be substantively enacted after 26 March 2011 and therefore has not been reflected in the deferred tax figures on the Balance Sheet.

17 Trade and other payables

	2011 £m	2010 £m
Current liabilities		
Payments received on account	**54.6**	42.9
Trade payables	**23.8**	26.9
Amounts owed to associated companies	**1.9**	1.1
Social security and other taxation	**3.4**	2.0
Deferred income	**5.1**	3.7
Accrued expenses	**59.8**	63.2
Other payables	**15.8**	24.4
	164.4	164.2
Non current liabilities		
Payments received on account	**–**	1.1
Other payables	**2.4**	4.0
	2.4	5.1

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 14.

Notes to the accounts continued

18 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 14.

	Currency	Nominal interest rate	Year of maturity	**Face value 2011 £m**	**Carrying amount 2011 £m**	Face value 2010 £m	Carrying amount 2010 £m
Current liabilities							
Unsecured bank loans and overdrafts	CHF	1.60%	2011	**0.3**	**0.3**	–	–
Unsecured bank loans and overdrafts	EUR	2.63%	2011	**1.6**	**1.6**	0.2	0.2
Unsecured bank loans and overdrafts	LKR	12.50%	2011	**0.3**	**0.3**	0.1	0.1
Unsecured bank loans and overdrafts	INR	15.50%	2011	**0.2**	**0.2**	–	–
Unsecured bank loans and overdrafts	GBP	2.64%	2011	**37.1**	**37.1**	25.0	25.0
Unsecured bank loans and overdrafts	USD	2.34%	2011	**21.7**	**21.7**	22.9	22.9
Unsecured bank loans and overdrafts	BRL	16.90%	2011	**2.5**	**2.5**	3.4	3.4
Finance leases	GBP	1.00%	2011	**0.1**	**0.1**	0.1	0.1
				63.8	**63.8**	51.7	51.7
Non current liabilities							
Unsecured bank loans repayable by instalments	EUR	0%	2011	**–**	**–**	0.8	0.8
Finance leases	GBP	1.00%	2011	**–**	**–**	0.1	0.1
				–	**–**	0.9	0.9
Total interest bearing liabilities				**63.8**	**63.8**	52.6	52.6

In 2011, bank loans and overdrafts of £109.1m (2010 £107.9m) were pooled for interest purposes against cash and cash equivalents.

As at 26 March 2011, the Group has a total of undrawn committed borrowing facilities, all maturing in more than two years, of £120.9m (2010: £125.2m).

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2011 £m	**Interest 2011 £m**	**Present value of minimum lease payments 2011 £m**	Future minimum lease payments 2010 £m	Interest 2010 £m	Present value of minimum lease payments 2010 £m
Less than one year	**0.1**	**–**	**0.1**	0.2	(0.1)	0.1
Between one and five years	**–**	**–**	**–**	0.1	–	0.1
	0.1	**–**	**0.1**	0.3	(0.1)	0.2

19 Provisions for liabilities and charges

	Restructuring £m	Business disposals £m	Warranty £m	Other £m	Total £m
At 27 March 2010	5.8	1.1	13.9	5.3	26.1
Exchange differences	–	–	–	(0.3)	(0.3)
Charge for the year	–	–	22.6	0.9	23.5
Utilised in year	(3.4)	–	(11.0)	(2.0)	(16.4)
Released in year	–	–	(5.6)	(0.3)	(5.9)
At 26 March 2011	**2.4**	**1.1**	**19.9**	**3.6**	**27.0**

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.

Warranty provisions include £5.0m in respect of the paper production quality issues described in note 3: Exceptional items, which are expected to be utilised within twelve months.

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

20 Share capital

	2011 £m	2010 £m
Issued and fully paid		
99,202,592 ordinary shares of $44^{152}/_{175}$ p each (2010: 98,882,856 ordinary shares of $44^{152}/_{175}$ p each)	**44.5**	44.4
111,673,300 deferred shares of 1p each (2010: 111,673,300 deferred shares of 1p each)	**1.1**	1.1
	45.6	45.5

	2011		2010	
	Ordinary shares '000	**Deferred shares '000**	Ordinary shares '000	B shares/ Deferred shares '000
Allotments during the year				
Shares in issue at 27 March 2010/28 March 2009	**98,883**	**111,673**	97,787	111,673
Issued under executive share option plans	**18**	**–**	49	–
Issued under savings related share option scheme	**163**	**–**	415	–
Issued under US employee share purchase plan	**14**	**–**	16	–
Issued under deferred bonus and matching share plan	**125**	**–**	616	–
Shares in issue at 26 March 2011/27 March 2010	**99,203**	**111,673**	98,883	111,673

The deferred shares carry no voting rights and are unlisted.

21 Share based payments

At 26 March 2011, De La Rue plc has 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	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Annual bonus plan	**0.1**	–	**–**	–
Deferred bonus and matching plan	**0.5**	0.9	**–**	–
Performance share plan	**0.1**	–	**–**	–
Recruitment share award	**0.6**	–	**–**	–
Retention share award	**0.4**	–	**–**	–
Savings related share option plan	**0.2**	0.6	**–**	–
US employee share plan	**–**	0.1	**–**	–
	1.9	1.6	**–**	–

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	Annual bonus plan	Deferred bonus and matching plan	Executive share option plan	Performance share plan
Dates of current year grants	26 Nov 2010	n/a	n/a	26 Nov 2010 31 Jan 2011
Number of options granted	92,939	n/a	n/a	137,263 111,433
Exercise price	n/a	n/a	n/a	n/a
Contractual life (years)	3	n/a	n/a	3
Settlement	Shares	Shares	Shares	Shares
Vesting period (years)	3	n/a	n/a	3
Dividend yield	n/a	n/a	n/a	n/a
Fair value per option at grant date	£5.60	n/a	n/a	£4.87 £5.97

Arrangement	Recruitment share award	Retention share award	Savings related share option plan	US employee share plan
Dates of current year grants	31 Jan 2011	31 Jan 2011	23 Dec 2010	01 Jan 2011
Number of options granted	65,549	45,844	1,515,182	17,644 (estimated)
Exercise price	n/a	n/a	444.14	See below
Contractual life (years)	3	3	3 or 5	1
Settlement	Shares	Shares	Shares	Shares
Vesting period (years)	3	3	3 or 5	1
Dividend yield	n/a	n/a	4.5%	n/a
Fair value per option at grant date	£6.87	£6.87	£1.28 for 3 year plan £1.38 for 5 year plan	n/a

An expected volatility rate of 30 per cent (2010: 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 1.5 or 2.4 per cent depending on exact grant date.

Reconciliations of option movements over the year to 26 March 2011 for each class of options are shown below:

Annual Bonus Plan

For details of the Annual Bonus Plan, refer to the Remuneration report on pages 42 to 50.

	2011 Number of options '000	2010 Number of options '000
Options outstanding at start of year	**–**	–
Granted	**93**	–
Forfeited	**–**	–
Exercised	**–**	–
Expired	**–**	–
Outstanding at end of year	**93**	–
Exercisable at year end	**–**	–

The shares have been allocated based on a share price of 559.5p.

21 Share based payments continued

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 250 excluding investment trusts. The performance conditions are described in more detail on page 49. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2011 Number of options '000	2010 Number of options '000
Options outstanding at start of year	**422**	887
Granted – deferred shares	**–**	82
Granted – matching shares	**–**	117
Forfeited	**(70)**	(72)
Exercised	**(118)**	(592)
Expired	**–**	–
Outstanding at end of year	**234**	422
Exercisable at year end	**–**	–

In 2010 the deferred and matching shares were based on a share price of 858.55p.

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 3 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 was 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.

	2011		2010	
	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	**10**	**388.05**	40	373.59
Granted	**–**	**–**	–	–
Forfeited	**–**	**–**	–	–
Exercised	**–**	**–**	(30)	368.59
Expired	**–**	**–**	–	–
Outstanding at end of year	**10**	**388.05**	10	388.05
Exercisable at year end	**10**	**388.05**	10	388.05

The range of exercise prices for the share options outstanding at the end of the year is 340.50p - 407.42p (2010: 340.50p - 407.42p).

The remaining contractual life of the outstanding share options is up to 5 July 2015 (2010: up to 5 July 2015).

Executive Share Option Scheme

The Company operated an Executive Share Option Scheme with a HM Revenue & 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 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.

	2011		2010	
	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	**18**	**487.88**	37	505.56
Exercised	**(18)**	**487.49**	(19)	522.30
Expired	**–**	**–**	–	–
Outstanding at end of year	**–**	**522.30**	18	487.88
Exercisable at year end	**–**	**522.30**	18	487.88

200 options remain outstanding and exercisable as at 26 March 2011. The exercise price for the share options outstanding at the end of the year was 522.30p (2010: 482.33p - 522.30p).

The remaining contractual life of the outstanding share options is up to 3 July 2011.

Notes to the accounts continued

21 Share based payments continued

Performance Share Plan

For details of the Performance Share Plan, refer to the Remuneration report on pages 42 to 50.

	2011 Number of options '000	2010 Number of options '000
Options outstanding at start of year	**–**	–
Granted	**249**	–
Forfeited	**–**	–
Exercised	**–**	–
Expired	**–**	–
Outstanding at end of year	**249**	–
Exercisable at year end	**–**	–

The shares have been allocated based on a share price of 559.5p for the 26 November 2010 grants, and 686.5p for the 31 January 2011 grants.

Retention and Recruitment Share Award

For details of the Recruitment Share Award and Retention Share Award, refer to the Remuneration report on pages 42 to 50.

	Retention share award		Recruitment share award	
	2011 Number of options '000	2010 Number of options '000	**2011 Number of options '000**	2010 Number of options '000
Options outstanding at start of year	**–**	–	**–**	–
Granted	**46**	–	**66**	–
Forfeited	**–**	–	**–**	–
Exercised	**–**	–	**–**	–
Expired	**–**	–	**–**	–
Outstanding at end of year	**46**	–	**66**	–
Exercisable at year end	**–**	–	**–**	–

The shares have been allocated based on a share price of 686.5p.

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.

	2011		2010	
	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	**1,107**	**686.87**	1,225	565.31
Granted	**1,515**	**444.14**	348	819.55
Forfeited	**(397)**	**754.58**	(42)	691.21
Exercised	**(163)**	**379.31**	(415)	443.54
Expired	**(12)**	**647.72**	(9)	475.50
Outstanding at end of year	**2,050**	**519.01**	1,107	686.87
Exercisable at year end	**155**	**720.31**	12	470.74

The range of exercise prices for the share options outstanding at the end of the year is 357.00p – 819.55p (2010: 303.31p – 819.55p). The weighted average remaining contractual life of the outstanding share options is 1 September 2014 (2010: 1 September 2012).

US Employee Share Purchase 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 2010/11, 14,014 shares (2009/10: 16,110 shares) were allotted pursuant to the plan. It is estimated that 17,644 shares will be required to satisfy the Company's 2011/12 obligations in respect of employees' savings under the plan as at 26 March 2011.

Market share purchase of shares by the 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. Ardel Trust Company (Guernsey) Limited is the Trustee. The Trustee held no shares at 26 March 2011.

22 Notes to the Group Cash Flow Statement

	2011 £m	2010 £m
Disposal of subsidiary undertakings		
Consideration received, satisfied in cash	–	1.9
Net cash disposed of	–	–
Disposal costs paid	–	(2.9)
Disposal of subsidiary undertakings (net of cash disposed)	–	(1.0)

	2011 £m	2010 £m
Analysis of net debt		
Cash at bank and in hand	**31.9**	35.1
Short term bank deposits	**0.7**	6.5
Bank overdrafts	**(9.2)**	(3.8)
Total cash and cash equivalents	**23.4**	37.8
Borrowings due within one year	**(54.6)**	(47.9)
Borrowings due after one year	–	(0.9)
Net debt	**(31.2)**	(11.0)

23 Group operating leases

	2011 Property £m	2011 Plant and equipment £m	2010 Property £m	2010 Plant and equipment £m
Total commitments due:				
– Within one year	**3.2**	**0.2**	3.4	0.2
– Between one and five years	**5.1**	**0.2**	9.6	0.1
– Over five years	**26.4**	–	34.2	0.1
	34.7	**0.4**	47.2	0.4

24 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 28 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 expense	(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)
Exchange differences	–	0.1	0.1	–	0.1
Current service cost included in operating profit	(7.6)	(0.2)	(7.8)	2.2	(5.6)
Curtailments	16.0	–	16.0	(4.5)	11.5
Net finance expense	(3.2)	(0.1)	(3.3)	0.9	(2.4)
Actuarial gains and losses arising over the year	(31.1)	0.1	(31.0)	8.7	(22.3)
Cash contributions and benefits paid	50.2	–	50.2	(14.1)	36.1
Change in tax rate	–	–	–	(1.0)	(1.0)
At 26 March 2011	**(100.5)**	**(2.4)**	**(102.9)**	**27.7**	**(75.2)**

Notes to the accounts continued

24 Retirement benefit obligations continued

Amounts recognised in the consolidated Balance Sheet:

	2011 UK £m	2011 Overseas £m	2011 Total £m	2010 UK £m	2010 Overseas £m	2010 Total £m
Fair value of plan assets	**638.5**	**0.3**	**638.8**	569.2	0.3	569.5
Present value of funded obligations	**(732.0)**	**(0.4)**	**(732.4)**	(687.3)	(0.4)	(687.7)
Funded defined benefit pension plans	**(93.5)**	**(0.1)**	**(93.6)**	(118.1)	(0.1)	(118.2)
Present value of unfunded obligations	**(7.0)**	**(2.3)**	**(9.3)**	(6.7)	(2.2)	(8.9)
Net liability	**(100.5)**	**(2.4)**	**(102.9)**	(124.8)	(2.3)	(127.1)

Amounts recognised in the consolidated Income Statement:

	2011 UK £m	2011 Overseas £m	2011 Total £m	2010 UK £m	2010 Overseas £m	2010 Total £m
Included in employee benefits expense:						
– Current service cost	**(7.6)**	**(0.2)**	**(7.8)**	(4.5)	(0.2)	(4.7)
Included in profit from operations:						
– Curtailments	**16.0**	**–**	**16.0**	–	–	–
Included in net finance expense:						
– Expected return on plan assets	**35.7**	**–**	**35.7**	26.4	–	26.4
– Interest expense	**(38.9)**	**(0.1)**	**(39.0)**	(32.6)	(0.1)	(32.7)
Net finance expense	**(3.2)**	**(0.1)**	**(3.3)**	(6.2)	(0.1)	(6.3)
Total recognised in the consolidated Income Statement	**5.2**	**(0.3)**	**4.9**	(10.7)	(0.3)	(11.0)
Actual return on plan assets	**46.4**	**–**	**46.4**	143.8	–	143.8

Amounts recognised in the Statement of Comprehensive Income:

	2011 UK £m	2011 Overseas £m	2011 Total £m	2010 UK £m	2010 Overseas £m	2010 Total £m
Actuarial gain on plan assets	**10.7**	**–**	**10.7**	117.4	–	117.4
Actuarial (losses)/gains on defined benefit pension obligations	**(41.8)**	**0.1**	**(41.7)**	(189.8)	0.1	(189.7)
Amounts recognised in the Statement of Comprehensive Income	**(31.1)**	**0.1**	**(31.0)**	(72.4)	0.1	(72.3)

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

	2011 UK %	2011 Overseas %	2011 Total %	2010 UK %	2010 Overseas %	2010 Total %
Equities	**56.7**	**–**	**56.7**	58.9	–	58.9
Bonds	**22.1**	**–**	**22.1**	19.4	–	19.4
Gilts	**19.3**	**–**	**19.3**	19.0	–	19.0
Other	**1.9**	**100.0**	**1.9**	2.7	100.0	2.7

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:

	2011 UK %	2011 Overseas %	2010 UK %	2010 Overseas %
Future salary increases	**–**	**3.00**	4.10	3.00
Future pension increases – past service	**3.80**	**0.43**	3.70	0.43
Future pension increases – future service	**3.50**	**–**	3.50	–
Discount rate	**5.60**	**5.30**	5.80	5.80
Inflation rate	**3.60**	**2.00**	3.50	2.00
Expected return on plan assets:				
– Equities	**8.50**	**–**	8.25	–
– Bonds	**5.60**	**–**	5.80	–
– Gilts	**4.20**	**–**	4.60	–
– Other	**–**	**5.30**	–	2.80

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 26 March 2011 and 27 March 2010 mortality assumptions were 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 20.6 years (2010: 20.5 years).

In July 2010, the UK government announced changes to the inflation index used for statutory pension increases (both for pensions in payment and pensions in deferment) to apply to private sector pension schemes. This has resulted in a small actuarial gain during the period in respect of the De La Rue pension plans in the UK.

24 Retirement benefit obligations continued

History of experience gains and losses:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of plan assets	**638.8**	569.5	428.1	523.2	537.6
Present value of defined benefit pension obligations	**(741.7)**	(696.6)	(497.8)	(548.5)	(645.7)
Net liability	**(102.9)**	(127.1)	(69.7)	(25.3)	(108.1)
Cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income	**(121.1)**	(90.1)	(17.8)	57.2	(16.3)
Experience (losses)/gains arising on defined benefit pension obligations:					
– Amount	**(7.7)**	(38.3)	(0.1)	0.3	16.2
– Percentage of present value of defined benefit pension obligations	**1.0%**	5.5%	–	0.1%	2.5%
Experience gains/(losses) arising on plan assets:					
– Amount	**10.7**	117.4	(123.7)	(43.6)	(9.6)
– Percentage of plan assets	**1.7%**	20.6%	28.9%	8.3%	1.8%

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 26 March 2011. 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:

	2011 £m	2010 £m
At 27 March 2010/28 March 2009	**569.2**	427.3
Expected return on plan assets (before expenses)	**38.1**	26.4
Plan administration and investment management expenses	**(2.4)**	(2.4)
Actuarial gains	**10.7**	117.4
Employer contributions	**50.2**	25.4
Plan participant contributions	**3.1**	3.1
Claims from insurance policy	**0.5**	0.5
Benefits paid	**(30.0)**	(28.0)
Life assurance premiums	**(0.5)**	(0.4)
Transfers	**(0.4)**	(0.1)
At 26 March 2011/27 March 2010	**638.5**	569.2

Changes in the fair value of UK defined benefit pension obligations:

	2011 £m	2010 £m
At 27 March 2010/28 March 2009	**(694.0)**	(494.8)
Current service cost	**(7.6)**	(4.5)
Curtailments	**16.0**	–
Interest cost	**(38.9)**	(32.6)
Actuarial losses	**(41.8)**	(189.8)
Plan participant contributions	**(3.1)**	(3.1)
Benefits paid	**29.5**	28.0
Plan administration and investment management expenses	**–**	2.4
Life assurance premiums	**0.5**	0.4
Transfers	**0.4**	–
At 26 March 2011/27 March 2010	**(739.0)**	(694.0)

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 2011/12.

(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 £1.8m (2010: £1.4m).

Notes to the accounts continued

25 Employees

	2011 number	2010 number
Average number of employees		
United Kingdom and Ireland	**2,061**	2,021
Rest of Europe	**685**	688
The Americas	**252**	302
Rest of World	**999**	935
	3,997	3,946
Average number of employees		
Currency	**2,469**	2,440
Cash Processing Solutions	**698**	739
Security Products	**563**	606
Identity Systems	**267**	161
	3,997	3,946

	2011 £m	2010 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**128.9**	133.9
Social security costs	**9.0**	7.8
Share incentive schemes	**1.6**	1.0
Sharesave schemes	**0.3**	0.6
Pension costs	**9.6**	6.1
	149.4	149.4

26 Capital commitments

	2011 £m	2010 £m
The following commitments existed at the balance sheet date:		
– Contracted but not provided for in the accounts	**4.0**	22.1

27 Contingent liabilities

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters. While the outcome of litigation and other disputes can never be predicted with certainty, having regard to legal advice received and the insurance arrangements of the Company and its subsidiaries, the Directors believe that adequate provision has been made to cover these matters.

In July 2010 the Board commissioned an investigation by external lawyers into issues that had been brought to its attention internally. The investigation, which was completed in October 2010, found nothing of substance to support the matters raised other than in respect of some paper production issues where it was found that a small number of the many detailed specification parameters of some paper had fallen marginally short of specification. It was also established that certain paper specification test certificates had been deliberately falsified. The Board reported the findings of the investigation to the appropriate authorities, who are considering the matter, and is implementing a number of measures arising from the findings of the investigation.

Provision, as described in note 3: Exceptional items, has been made for the costs associated with the paper production issues identified at this stage, including the write off of inventories and trade receivables and other costs relating to the investigation and rectification of these matters.

Provision has not been made for the potential costs of resolutions or for potential fines from regulatory authorities. The nature and extent of these resolutions will be the subject of ongoing discussions, the outcome of which cannot be estimated reliably at present. The timing, response and outcome of the consideration by the authorities of the reported findings of the investigation and rectification is also uncertain and the financial consequences, if any, cannot be estimated reliably at present.

28 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 £22.8m (2010: £12.7m) for the purchase of ink and other consumables. At the balance sheet date there were creditor balances of £1.9m (2010: £1.1m) 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

	2011 £'000	2010 £'000
Salaries and other short term employee benefits	**2,267.3**	2,661.4
Termination benefits	**333.0**	1,578.9
Retirement benefits:		
– Defined contribution	**24.5**	31.2
– Defined benefit	**113.4**	422.8
Share based payments	**1,051.3**	801.0
	3,789.5	5,495.3

Key management comprises members of the Board (including fees of Non-executive Directors) and the Executive Committee. 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 26 March 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investments in subsidiaries	4a	**152.4**	152.4
		152.4	152.4
Current assets			
Debtors receivable within one year	5a	**63.8**	100.2
Cash at bank and in hand		**1.7**	2.2
		65.5	102.4
Creditors: amounts falling due within one year			
Borrowings	6a	**(28.4)**	(26.4)
Other creditors	7a	**(7.2)**	(8.8)
		(35.6)	(35.2)
Net current assets		**29.9**	67.2
Total assets less current liabilities		**182.3**	219.6
Creditors: amounts falling due after more than one year	8a	**(9.0)**	(100.0)
Net assets		**173.3**	119.6
Capital and reserves			
Called up share capital	10a	**45.6**	45.5
Share premium account	11a	**29.1**	28.4
Capital redemption reserve	11a	**5.9**	5.9
Retained earnings	11a	**92.7**	39.8
Total shareholders' funds		**173.3**	119.6

Approved by the Board on 24 May 2011

Nicholas Brookes
Chairman

Colin Child
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 26 March 2011, being the last Saturday in March. The comparatives for the 2010 financial year are for the year ended 27 March 2010.

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 24 to the consolidated Financial Statements.

Share based payments
The Company operates various equity 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 Directors' remuneration, refer to disclosures in the Directors' Report on pages 42 to 50.

	2011 Number	2010 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 7 to the consolidated Financial Statements.

4a Investments

	2011 £m	2010 £m
Investments comprise:		
Investments in subsidiaries	**152.4**	152.4

	£m	£m
Cost		
At 26 March 2011 and 27 March 2010	**152.4**	152.4

For details of investments in Group companies, refer to principal subsidiaries, branches and associated companies on page 92.

5a Debtors

	2011 £m	2010 £m
Amounts due within one year		
Amounts owed by Group undertakings	**63.8**	100.2

6a Borrowings

	2011 £m	2010 £m
Short term borrowings		
Bank loans and overdrafts	**28.4**	26.4

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2011 £m	2010 £m
US dollar	**24.0**	22.8
Euro	**0.2**	0.2
Sterling	**0.7**	–
Other currencies	**3.5**	3.4
	28.4	26.4

7a Other creditors

	2011 £m	2010 £m
Amounts falling due within one year		
Amounts due to Group undertakings	**3.6**	5.3
Accruals and deferred income	**3.6**	3.5
Other creditors	**7.2**	8.8

8a Creditors: Amounts due after more than one year

	2011 £m	2010 £m
Amounts due to Group undertakings	**9.0**	100.0

9a Deferred taxation
A deferred tax asset of £1.1m (2010: nil) has not been recognised in respect of timing differences relating to tax losses amounting to £3.8m (2010: nil) as there is insufficient evidence that the asset will be recovered. The asset would be recovered if suitable taxable profits arise in the future.

10a Share capital
For details of share capital, see note 20 to the consolidated Financial Statements.

11a Other reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 28 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
Share capital issued	0.1	0.7	–	–	0.8
Profit for the financial year	–	–	–	92.9	92.9
Dividends paid	–	–	–	(41.9)	(41.9)
Employee share scheme:					
– value of services provided	–	–	–	1.9	1.9
At 26 March 2011	**45.6**	**29.1**	**5.9**	**92.7**	**173.3**

12a Share based payments
For details of share based payments, see note 21 to the consolidated Financial Statements and the Remuneration Report on pages 42 to 50.

13a 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 28 to the consolidated Financial Statements.

Principal subsidiaries, branches and associated companies

As at 26 March 2011
The trading 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 holograms	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
Channel Islands	The Burnhill Insurance Company Limited	Insurance	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
Switzerland	Thomas De La Rue A.G.	Holding company	100
North America			
USA	De La Rue North America Holdings Inc.	Holding company	100
USA	De La Rue North America Inc.	Security printing	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
Far East			
China	De La Rue Trading (Shenzhen) Co Limited	Distribution, service and marketing	100
Hong Kong	De La Rue Systems Limited	Distribution, service and marketing	100
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited	Security printing	60

†Held directly by De La Rue plc

Five year record

Profit and Loss Account

	Note	2007 £m	2008 £m	2009 £m	2010 £m	**2011 £m**
Revenue						
– Continuing operations		401.8	467.0	502.4	561.1	**463.9**
– Discontinued operations	(a)	285.7	286.6	121.6	–	**–**
Total		687.5	753.6	624.0	561.1	**463.9**
Operating profit						
– Continuing operations		61.3	79.2	96.5	109.2	**40.4**
– Exceptional items – operating		–	–	(8.9)	(7.5)	**(15.6)**
Total		61.3	79.2	87.6	101.7	**24.8**
Share of profits of associated companies		6.6	7.1	8.9	6.3	**–**
Exceptional items – non operating		–	2.6	–	–	**55.1**
Profit on continuing operations before interest		67.9	88.9	96.5	108.0	**79.9**
Net interest income/(expense)		3.6	2.0	1.4	(5.1)	**(3.8)**
Retirement benefit obligation net finance income/(expense)		1.8	0.3	(1.8)	(6.3)	**(3.3)**
Profit on continuing operations before taxation		73.3	91.2	96.1	96.6	**72.8**
Taxation		(21.9)	(24.7)	(28.5)	(26.2)	**(5.4)**
Profit on continuing operations after taxation		51.4	66.5	67.6	70.4	**67.4**
Discontinued operations		20.4	21.9	296.5	–	**–**
Equity non controlling interests		(1.6)	(0.3)	(1.1)	(0.5)	**(0.5)**
Profit for the financial year		70.2	88.1	363.0	69.9	**66.9**
Dividends		(28.3)	(105.4)	(376.7)	(40.9)	**(41.9)**
Retained profit/(loss) for the period		41.9	(17.3)	(13.7)	29.0	**25.0**
Earnings per ordinary share from continuing operations		33.1p	43.4p	50.9p	71.0p	**67.6p**
Diluted earnings per share from continuing operations		32.4p	42.7p	50.4p	70.5p	**67.2p**
Headline earnings per ordinary share (before exceptional items)		33.1p	41.7p	57.0p	76.2p	**24.0p**
Dividends per ordinary share	(b)	19.1p	21.4p	41.1p	42.3p	**42.3p**
Profit on continuing operations before taxation and exceptional items		73.3	88.6	105.0	104.1	**33.3**

Balance Sheet

	£m	£m	£m	£m	**£m**
Non current assets	235.1	226.0	228.6	222.3	**213.5**
Net current liabilities	(96.0)	(87.3)	(87.6)	(67.2)	**(58.6)**
Net cash/(debt)	137.3	106.7	(33.1)	(11.0)	**(31.2)**
Other liabilities	(111.5)	(29.9)	(87.3)	(134.6)	**(106.9)**
Equity non controlling interests	(5.0)	(2.3)	(2.9)	(3.2)	**(3.5)**
Equity shareholders' funds	159.9	213.2	17.7	6.3	**13.3**

Notes

(a) Discontinued operations include all businesses discontinued between 2007 and 2011. Thus continuing operations are those businesses continuing as at 26 March 2011.

(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

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 6ZZ

Telephone: +44 (0)870 703 6375
Fax: +44 (0)870 703 6101

Annual General Meeting

The Annual General Meeting (AGM) will be held at 10:30 on Thursday 21 July 2011 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. The Notice of Meeting can also be found in the investors section on the Group's website.

Electronic shareholder communications

Shareholders can register online at www.investorcentre.co.uk/ecomms to receive statutory communications electronically rather than through the post. Shareholders who choose this option will receive an email notification each time the Group publishes new shareholder documents on its website. Shareholders will need to have their Shareholder Reference number ('SRN') available when they 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.

Electronic voting

All shareholders can submit proxies for the AGM electronically by logging onto Computershare's website at www.eproxyappointment.com

Shareholder enquiries

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare Investor Services PLC. Details of shareholdings and how to make amendments to personal details can be viewed online at www.investorcentre.co.uk Shareholder helpline telephone: +44 (0)870 703 6375.

Dividends

Shareholders are encouraged to have dividends paid directly into their bank accounts to ensure an efficient payment method on the payment date. Shareholders selecting this payment method will receive a tax voucher in respect of each dividend payment.

Consolidation of shares

Where registered shareholdings are represented by several individual share certificates, shareholders may wish to have these replaced by one consolidated certificate. De La Rue will meet the cost for this service. Share certificates should be sent to the Company's registrar together with a letter of instruction.

Internet

The Group has a wide range of information that is available on its website www.delarue.com including:

- Finance information – annual and interim reports, financial news and events
- Share price information
- Shareholder services information
- Press releases

Analysis of shareholders at 26 March 2011

	Shareholders		Shares	
By range of holdings	Number	%	Number	%
0 – 1,000	5,453	76.72	1,817,332	1.83
1,001 – 5,000	1,249	17.57	2,471,847	2.49
5,001 – 10,000	112	1.57	812,900	0.82
10,001 – 100,000	186	2.62	6,674,152	6.73
100,001 – 500,000	73	1.03	17,918,023	18.06
500,001 and above	35	0.49	69,508,338	70.07
Total	7,108	100.00	99,202,592	100.00

Share dealing facilities

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 8:00 to 16:30 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.

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

Financial calendar

Preliminary results announcement	24 May 2011
Ex dividend date for 2010/11 final dividend	6 July 2011
Record date for final dividend	8 July 2011
Payment of 2010/11 final dividend	4 August 2011
Interim results announcement	November 2011

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