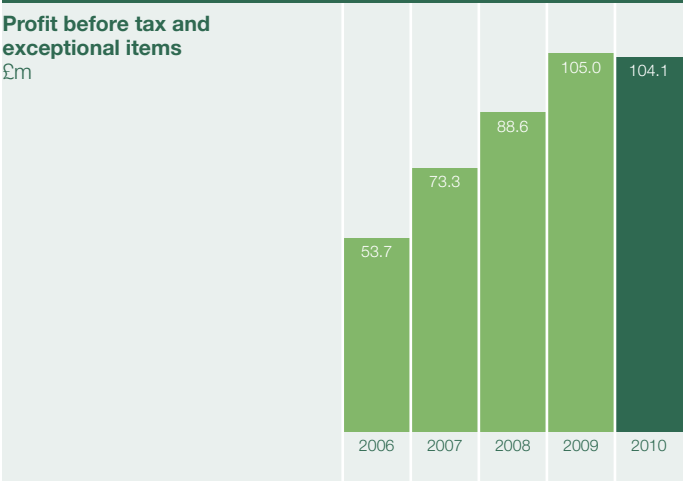
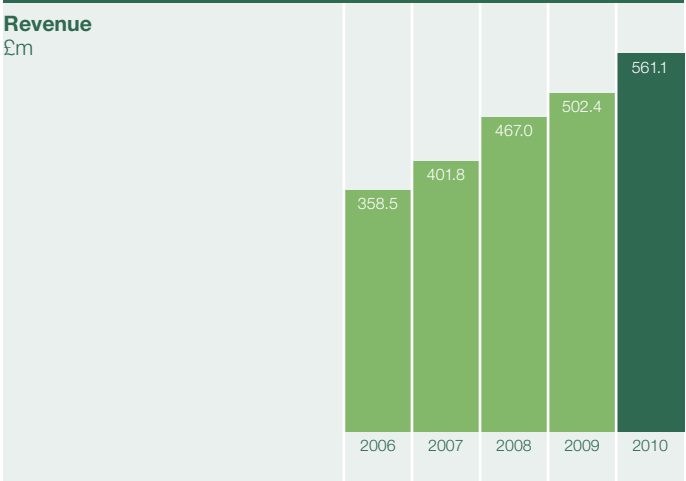


CHIEF EXECUTIVE'S REVIEW



James Hussey
Chief Executive

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



Overview

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

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

Group results

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

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

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

Associates

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

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

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

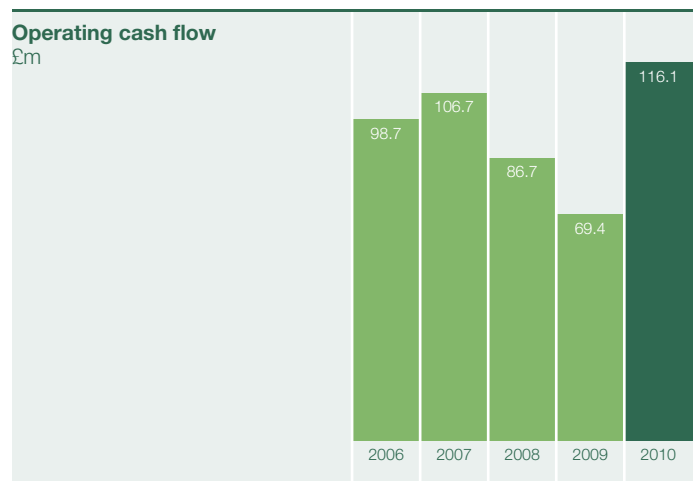
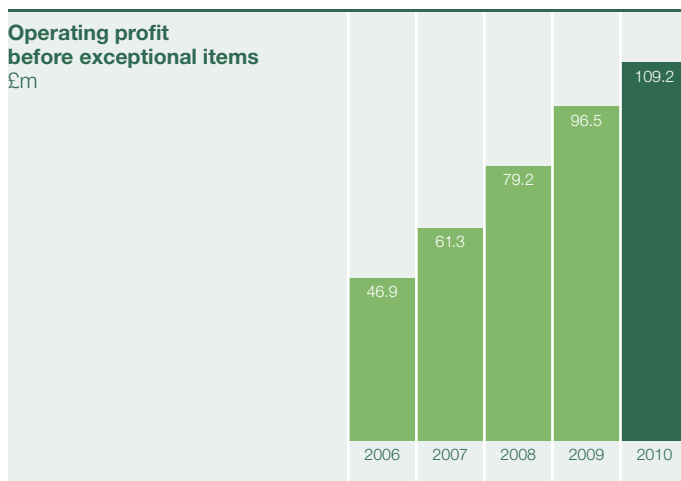
Group strategy

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

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

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

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



CHIEF EXECUTIVE'S REVIEW

continued

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

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

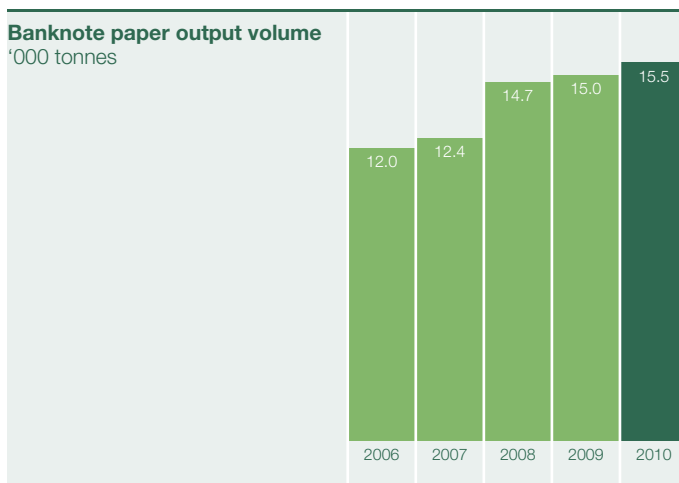
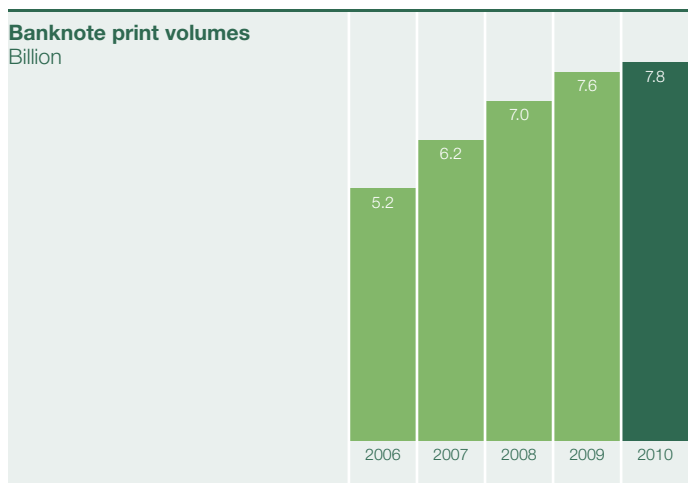
Shareholders: for our investors, I have previously outlined our six steps to value:

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

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

People

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



How our businesses have performed in 2009/2010

Currency

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

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

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

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

We illustrate here four performance measures for Currency:

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

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

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

Cash Processing Solutions

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

Security Products

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

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

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

Identity Systems

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

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

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

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

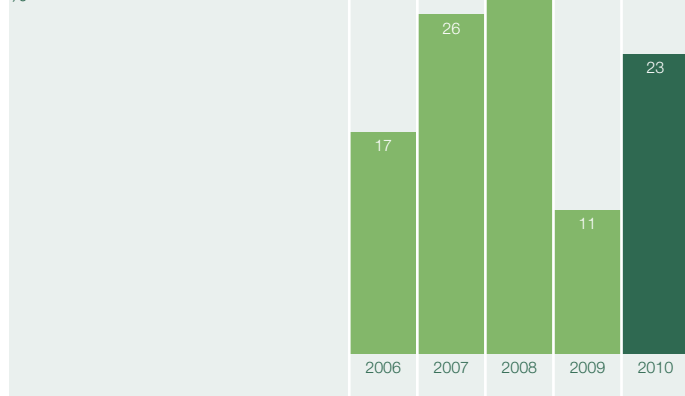
Conclusion and looking forward

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

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

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

Overspill proportion of total banknotes
%



Currency order book
Weeks – two year rolling average

