REMUNERATION REPORT

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

The Report covers the following:

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

Constitution of the Remuneration Committee

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

Advisers

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

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

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

General policy

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

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

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

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

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

New performance share plan and changes to Annual Incentive Award

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

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

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

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

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

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

Components for executive Directors and senior executives

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

Salaries for executive Directors and senior executives

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

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

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

Benefits

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

Annual Incentive Award

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

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

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

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

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

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

Executive Directors' service contracts

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

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

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

Directors' share interests (audited information)

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

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

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

Pension

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

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

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

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

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

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

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

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

Simon Webb is entitled to a pension from the retirement plan section of the Scheme. The accrual rate from 1 April 2010 allowing for adjustments for mortality is $1/_{102.16}$ for each year of pensionable service. He is required to make a contribution of 3.5 per cent of his basic salary towards his defined benefit pension and has elected to pay additional top up contributions of 3 per cent to the defined contribution section. In the event of death in service he is covered for a lump sum of four times his basic salary and a widow's pension of 25 per cent of basic salary. His pension under the defined benefit Scheme as at 27 March 2010 was £2,583 per annum. The Group also makes a payment of 10 per cent of basic salary to a self invested pension plan for the executive. For the first nine months of the year this contribution was paid as a cash allowance to the executive.

Directors' pension entitlements (audited information)

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

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

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

Directors' pension entitlements (£'000)

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

Directors' emoluments (audited information)

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

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

Simon Webb's termination arrangements

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

Payments made to former Directors of the Company

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

Directors' Share Options (audited information) – Sharesave Scheme

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

	Date of Grant	28 March 2009	Exercised during year	Granted during year	Lapsed during year	Number of Options 27 March 2010 (or date of resignation if sooner)	Exercise price (pence)	Market price at exercise date (pence)	Performance targets (see below)	Date from which exercisable	Expiry date	Average fair value per share (pence)(4)
Stephen King (to date of resignation of 31 March 2009)												
Sharesave options	Dec '07	1,287	–	–	–	**1,287(1)**	745.74	– (1)	– (2)	– (3)	– (3)	288.0

Notes

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

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

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

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

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

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

	Ordinary shares of $44^{152}/_{175}$p to 27 March 2010
High	**1,006.0**
Low	**813.5**

Deferred Bonus and Matching Share Plan (audited information)

Allocation of shares held by executive Directors is as follows:

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

Notes

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

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

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

Dividend Shares

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

James Hussey: 2,622 ordinary shares

Simon Webb: 404 ordinary shares

James Hussey

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

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

Stephen King

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

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

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

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

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

Current schemes

Sharesave Scheme

All UK employees may join the Company's HM Revenue and Customs approved SAYE Scheme. Options are granted over De La Rue plc shares, at the prevailing market price at the time of grant (with a discretionary discount to the market price), to employees who agree to save between £5 and £250 per month over a period of three or five years. A grant was made in December 2009 at a price of 819.55p which was at a 15 per cent discount and 40 per cent of eligible employees participated.

US Employee Share Purchase Plan

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

Deferred Bonus and Matching Share Plan

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

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

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

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

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

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

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

Long Term Incentive Plan

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

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

Superseded schemes

Executive Share Option Plan

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

The Plan was replaced by the Long Term Incentive Plan.

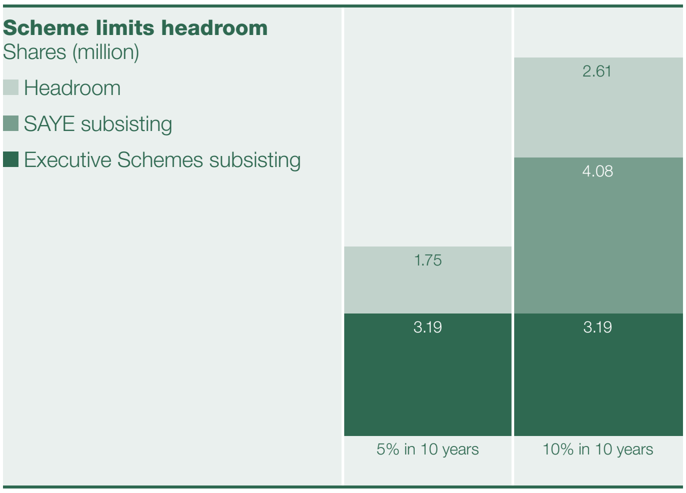
Dilution limits

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

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

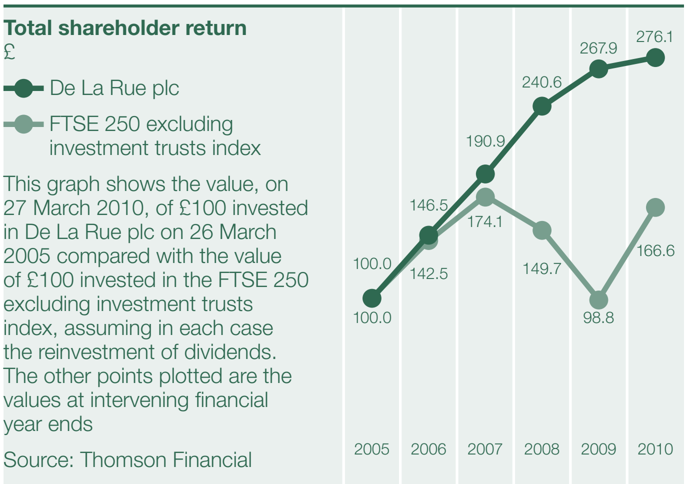
The Remuneration Committee monitors regularly the effect of potential vesting of share options or share awards to ensure that the Company remains within these dilution limits. Options for which a market purchase of shares has been made are excluded from the headroom calculations.

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



Shareholder return

The performance chart below illustrates total shareholder return.



Non-executive Directors

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

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

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

Remuneration for non-executive Directors

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

By order of the Board

Gill Rider
Chairman of the Remuneration Committee
24 May 2010