

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 31 March 2012, being the last Saturday in March. The comparatives for the 2010/11 financial year are for the period ended 26 March 2011.

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 22 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 period 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.