DeLaRue

MAKING MONEY. DELIVERING INNOVATION.

Annual Report 2007

Contents

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Group Profile

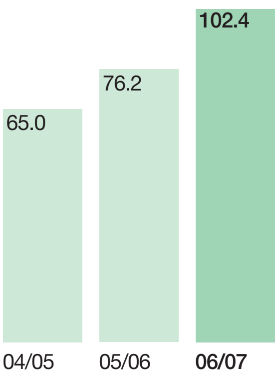
We are the world's largest commercial security printer and papermaker. We produce over 150 national currencies and a wide range of security documents such as passports and authentication labels and fiscal stamps. We are also a leading provider of cash handling equipment and software solutions to banks and retailers worldwide helping them reduce the cost of handling cash. We employ over 6,000 people across 31 countries worldwide. We are also pioneering new technologies in government identity solutions for national identification, driver's licence and passport issuing schemes.

Highlights

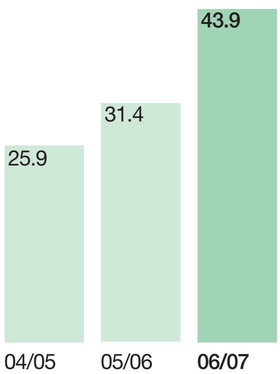
- Revenue up 12.6 per cent to £687.5m
- Profit before tax and exceptionals* up 34.4 per cent to £102.4m
- Margins up 1.7 percentage points to 13.1 per cent
- Headline earnings per share* up 39.8 per cent to 43.9p
- Continued strong cash generation at £144.5m, net cash at £137.3m
- Dividend increase of 12.4 per cent to 19.1p
- Special dividend announced on 22 May 2007 of 46.5p per share (£75m)
- UK Pension Scheme review completed

*before net exceptional charges of £Nil (2005/2006 : £2.5m)

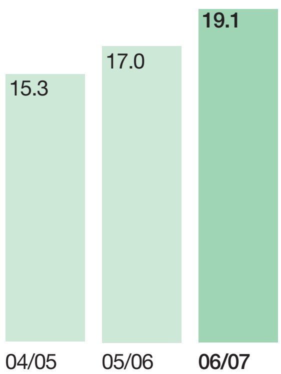
Profit before tax and exceptional items
(£m)



Headline basic earnings per share
(pence)



Dividends per share†
(pence)



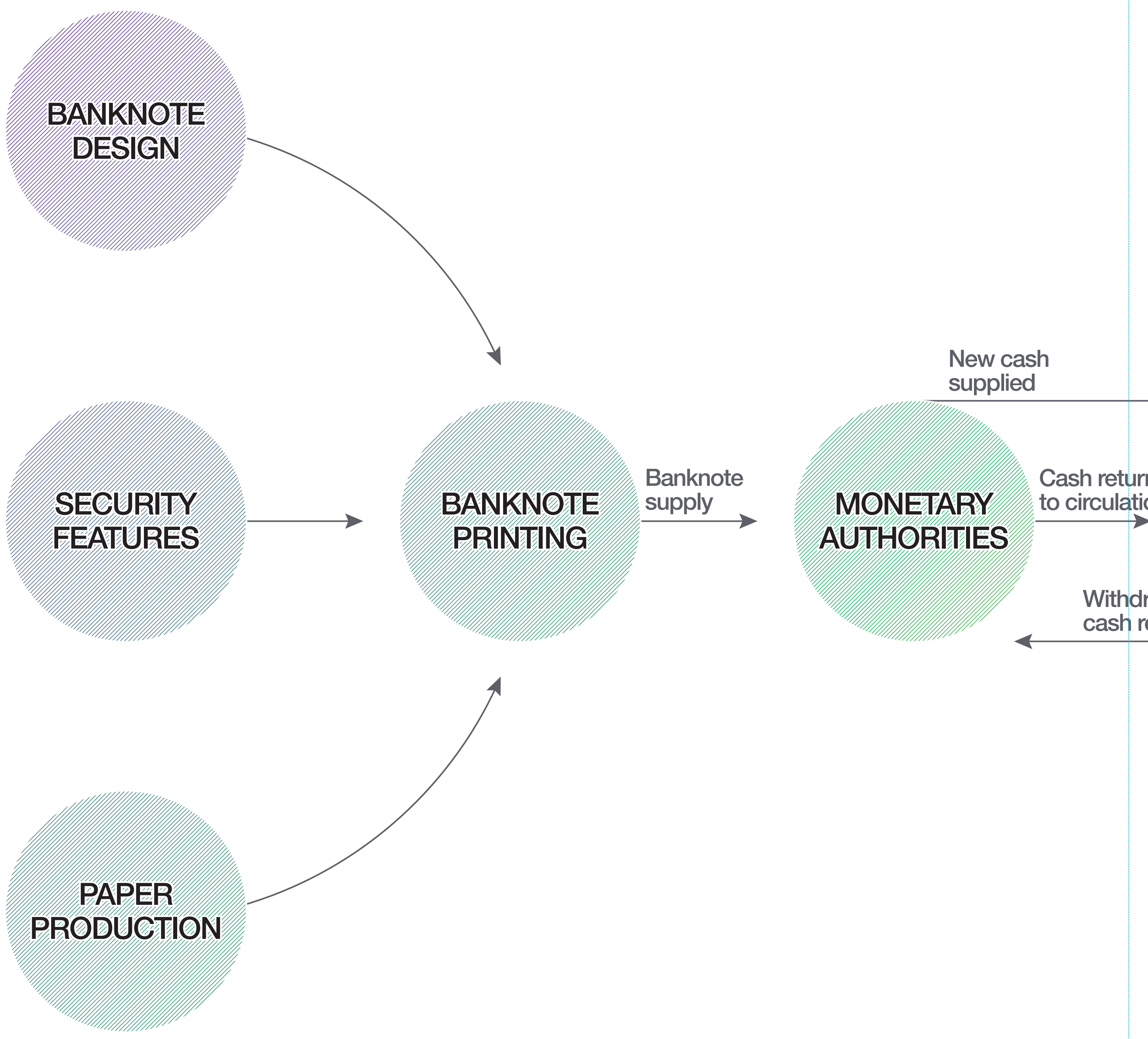
†includes proposed final dividend.

WE ARE WORLD EXPERTS IN CASH MANAGEMENT

HERE'S HOW WE DO IT. >>

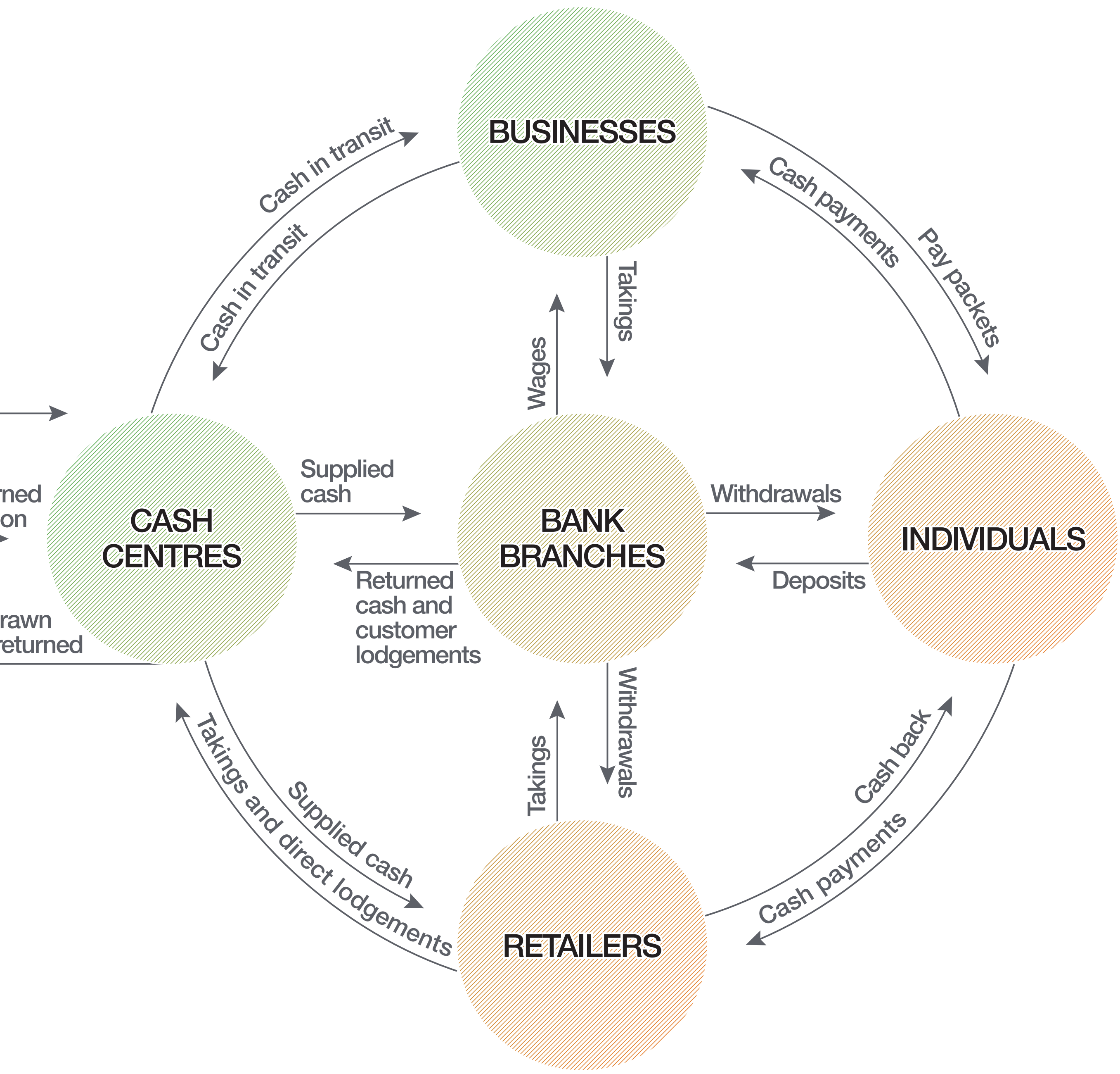
From the creation of a banknote, its paper, its design, its printing and security features to how it's handled as it flows around the world's economies. We manage every aspect of a banknotes' life. This allows us to meet our customers' demand for the highest standards of security, efficiency and, of course, innovation.

The Cash Cycle



Security Paper and Print

Today, De La Rue is involved in the production of nearly one in five of the world's banknotes representing over 150 national currencies globally. We also produce a wide range of security documents such as passports, authentication labels and identity cards. We are world experts in security printing and an industry leader in the development of new print technologies as well as security features. We have to be as the fight against counterfeiting and fraud is an unceasing one. This experience is also a critical factor in the design development and manufacture of note handling technology.



Cash Systems

As the leading provider of cash handling equipment and software solutions to banks and retailers worldwide, De La Rue is enabling its customers to process cash throughout their organisations efficiently and securely. This blend of technical expertise, manufacturing excellence and outstanding customer support combine to focus on the reduction of cost through efficient cash handling processes to ensure the optimisation of our customers' enterprises.

WE DELIVER CONTINUOUS INNOVATION ACROSS EVERY ASPECT OF THE CASH CYCLE.

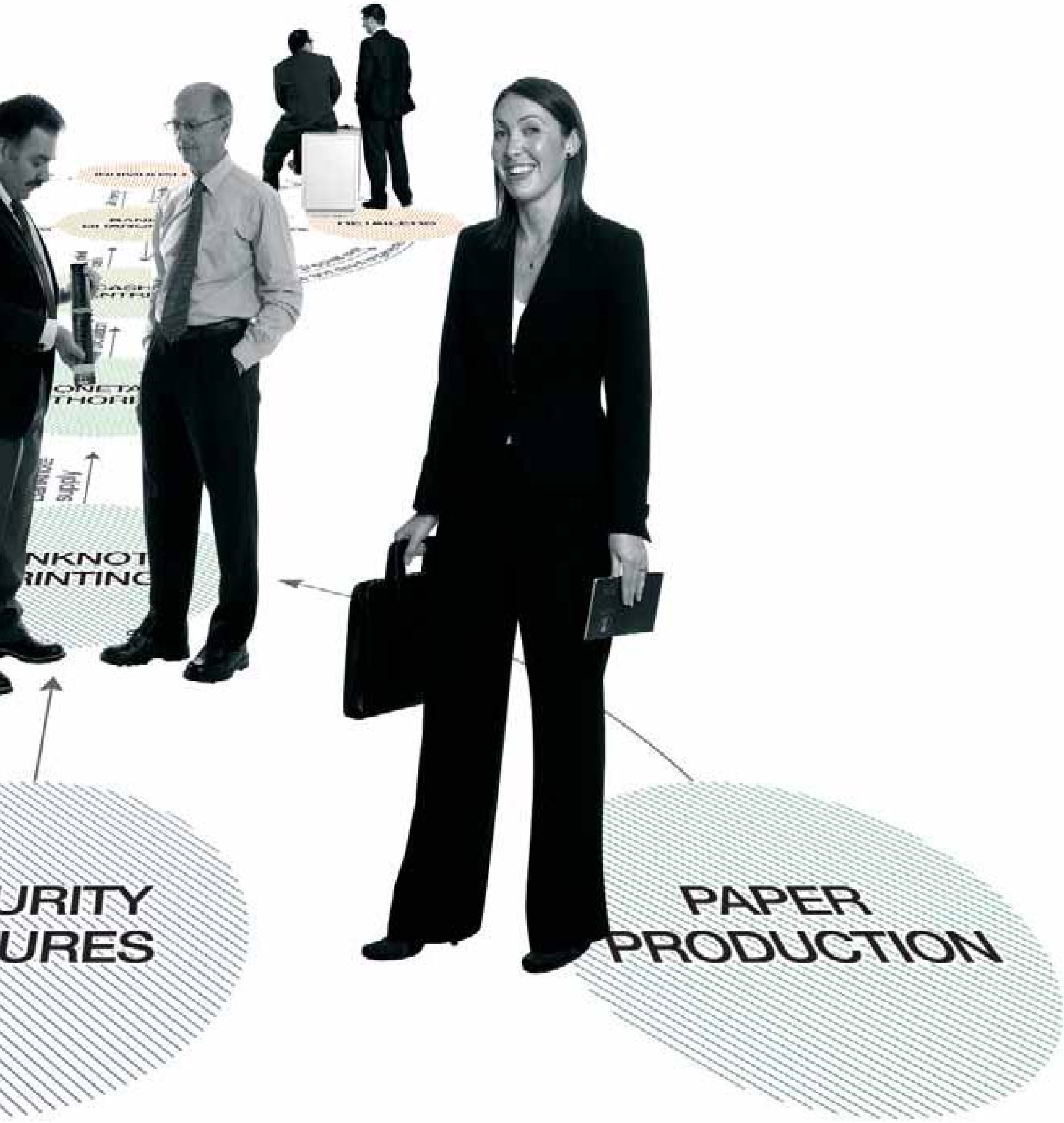
Money flowing around the world's economies as cash is an expensive commodity for organisations to process and authenticate. Calling directly on our extensive experience in banknote paper production, banknote design and printing, significant resource and specialist personnel are deployed to ensure optimum performance of our cash handling technology to tackle these issues. Our cash handling products are therefore built on the heritage and vast experience we have in these areas.

Innovations in Security Paper and Print

These examples show how innovation underpins all that we do – from the introduction of a new banknote feature, Optiks™, to entry into the newly emerging ePassport market, to a novel productivity improvement which recycles the ink used on our printing presses.

1 Optiks™

Designed and developed at Overton, UK, De La Rue's paper production facility, Optiks represents a major step forward in paper-based banknote security features and demonstrates De La Rue's leadership in getting new products successfully to market. Manufacturing of the feature involves the insertion of an 18mm wide demetallised security thread into the paper combined with an aperture in the paper which you can see through. The thread manufacture, paper machine operating conditions and thread insertion technology required for Optiks are very different from those associated with existing banknote papers.



2 Malta – Orlof Ink Recovery

During the year, a team from De La Rue's Malta banknote factory found a way to recover ink used in banknote production on the Orlof printing presses. Usually, up to 60 per cent of the ink used in the press is wiped off and goes to waste, ultimately as landfill. The team, including Ray Borg and Paul Micallef (above), found an innovative way to recover ink before it is sent to the waste treatment plant. The solution for which patents have been applied, has potential environmental benefits through reduced waste and water usage at all De La Rue's production facilities worldwide.

3 ePassport Production

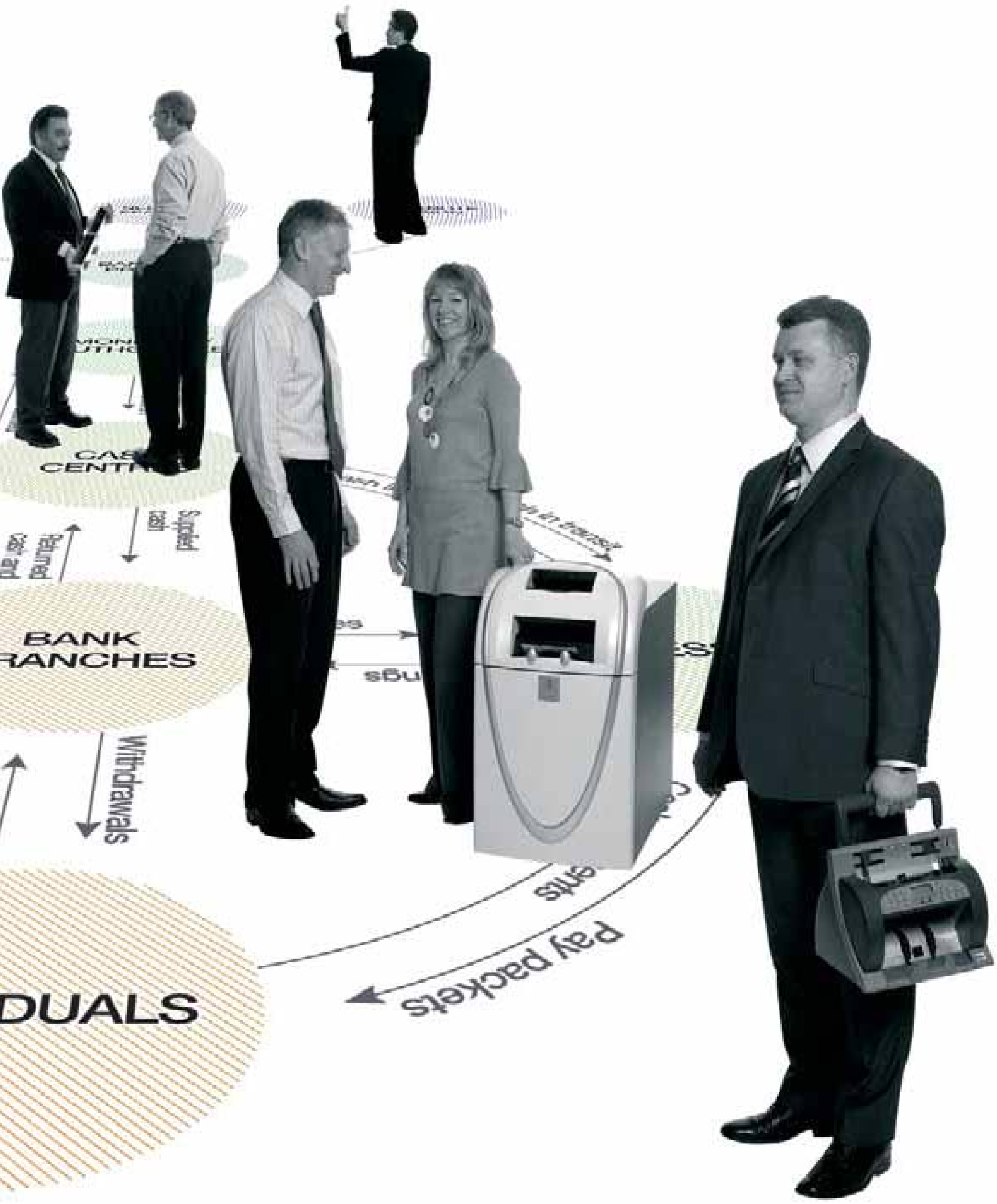
De La Rue is preparing for the introduction of new ePassports with the construction of a new, state-of-the-art passport production facility in Malta. The International Civil Aviation Organisation, which has 189 member states, has approved a new global standard for machine readable passports with a person's key biometric data, primarily a digital facial image, embedded in a contactless electronic chip which can be read by immigration authorities to verify the holder's identity. Strong take up of the technology is expected and De La Rue expects production at the new site to start later this year.

Innovations in Cash Systems

2006/2007 has been a landmark year for Cash Systems with the introduction of several new products. The two examples featured above – VERTERA™ and EV86-Series have been well received by our customers. However, we are also constantly looking at ways to improve the reliability of our existing products as the example from Spain illustrates.

1 Spain

Teller Cash Dispensers (TCDs) sold to Spanish banks are more reliable than ever thanks to a technical alteration put forward by two Cash Systems colleagues in Madrid. TCDs sold in Spain have eight manual deposits covered by a lid, which is opened with a Microlatch mechanism. Faults with this device led to around 240 engineer call-outs every year across the 21,000 TCDs installed in Spain. Hot line agents Carlos Almazan and Javier Arranz (above) suggested adapting the lid so the Microlatch mechanism was no longer needed. With this change in place, TCD reliability has improved and De La Rue has significantly reduced its engineer call-outs.



2 VERTERA™ Launch
Building directly on De La Rue's leading cash recycler, the highly acclaimed TCR Twin Safe® VERTERA™ was launched in October and offers significantly enhanced detection features, including fitness sorting capabilities, increased performance and reliability whilst meeting the increasing demand for a smaller machine. Andy Brierley and Caron Rashbrook (above) were just two members of an international team who developed the machine. The new recycler represents a significant evolution in teller automation technology incorporating proven secure document analysis technology complete with sophisticated full width banknote detection, ensuring that advanced banknote fitness and authentication is now possible in the bank branch.

3 EV86-Series Launch
In September, De La Rue unveiled the next generation in banknote counter technology. The EV86–Series uses De La Rue's unique Ultra Feed technology feed banknotes consistently and reliably at a rate significantly faster than its closest rival in the market. It also uses De La Rue's market leading counting technology Mechanical Double Detection which, in tests, outperformed the rival Opacity Doubles Detect technology used by competitors by more than 100 times. Capable of counting over 2,000 notes per minute, the EV86-Series delivers substantial savings to customers by substantially cutting banknote processing time. It also significantly outperforms the competition in head-to-head throughput testing. Gavin Doyle, Global Product Manager, Desktop Products (above), was responsible for launching the counter in over 50 countries this year.

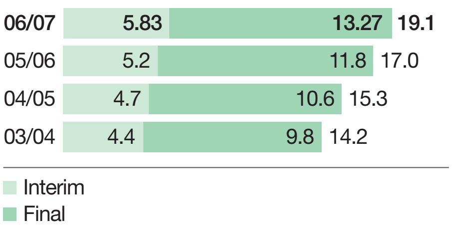
"OUR STRATEGY IS TO RETURN SURPLUS CASH FLOW TO SHAREHOLDERS, WHILE INVESTING APPROPRIATELY FOR GROWTH IN OUR CORE BUSINESSES."

Nicholas K. Brookes
Chairman

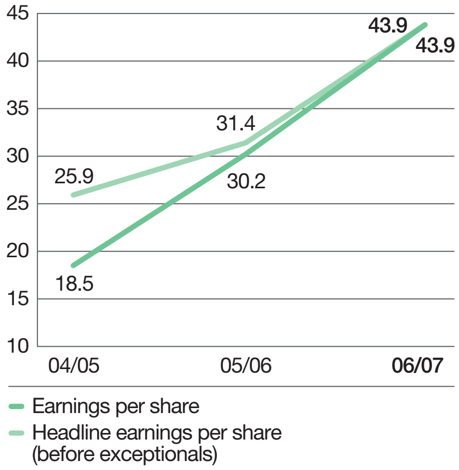
Nicholas K. Brookes

Chairman's Statement

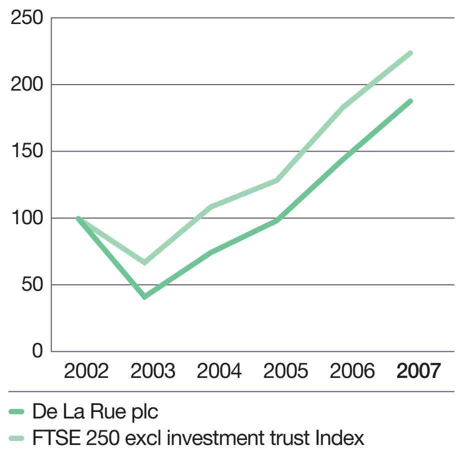
Dividends per share
(pence)



Earnings per share
(pence)



Total shareholder return
(£)



This graph shows the value, by 31 March 2007, of £100 invested in De La Rue plc on 30 March 2002 compared with the value of £100 invested in the FTSE 250 excluding investment trust Index. The other points plotted are the values at intervening financial year-ends.

Source: Thomson Financial

Group Results
I am delighted to be able to report that De La Rue performed strongly in 2006/2007 which demonstrates the significant progress the Group has made in implementing its strategy of concentrating on core activities, addressing underperforming businesses and improving operational productivity.

The Group's strong balance sheet and the cash generative nature of the core operations also provide the opportunity to continue our strategy of returning surplus cash flow to shareholders, while investing appropriately for growth in our core businesses. In line with this strategy, the Board announced at the time of the Preliminary Results on 22 May 2007 its intention to return approximately £75.0m to shareholders, by way of a special dividend equivalent to 46.5p per share, through a special dividend accompanied by a share consolidation. Details of this proposal are outlined below.

Returns To Shareholders
Final Dividend
The Board is recommending an increased final dividend of 13.27p per share, subject to shareholders' approval. This will be paid on 3 August 2007 to shareholders on the register on 13 July 2007. Together with the increased interim dividend paid in January 2007, this will give a total dividend for the year of 19.1p, an overall increase of 12.4 per cent on last year.

Share Buy Back
The Board announced at the interim results in November 2005 its intention to use the existing authorities granted to it at the 2005 Extraordinary General Meeting to use surplus cash to purchase the Company's own shares for cancellation. The upper limit of the Board's existing authority is 14.99 per cent of issued capital. During the year the Company acquired 4.9 million shares under the share buy back programme at a cost of £29.2m, bringing the total number of shares acquired since the commencement of the programme, in December 2005, to 6.5 million at a cost of £37.0m. The Board expects to continue this programme, funded with surplus cash and will seek shareholder approval to renew its existing authority at the Annual General Meeting (AGM). The exact amount and timing of future purchases will be dependent on market conditions and ongoing cash generation.

Special Dividend
The Board also announced on 22 May 2007 its intention to return approximately £75m to shareholders, equivalent to 46.5 p per share, through a special dividend accompanied by a share consolidation. The capital return is consistent with the Board's stated strategy to return surplus cash to shareholders and follows the special dividend paid in August 2005 of £68.3m, equivalent to 38.0p per share.

The special dividend will be accompanied by a share consolidation which will reduce the number of De La Rue shares in issue by 6.7 per cent, on a basis of 14 new shares for every 15 presently held and assist in maintaining the comparability with historic earnings and dividend per share and with historic share prices. The payment of the special dividend is dependent on the approval of the consolidation at the AGM which will be held on 26 July 2007.

Changes To The Board
Michael Jeffries will resign as a non-executive Director with effect from the end of the Annual General Meeting on 26 July 2007. Keith Hodgkinson will succeed Michael Jeffries as senior independent non-executive Director. The Board would like to thank Mike for his significant contribution over the past seven years.

Gill Rider was appointed to the Board on 22 June 2006 as a non-executive Director. Ms Rider is Director General, Leadership and People Strategy in the Cabinet Office. She will succeed Michael Jeffries as Chairman of the Remuneration Committee.

Warren East was appointed to the Board on 9 January 2007 as a non-executive Director. He is Chief Executive of ARM Holdings plc, the developer and licensor of micro-processors.

Outlook
We enter 2007/2008 with a strong order backlog in both operating divisions providing a solid platform for the year ahead. Cash Systems will continue to benefit from the supply chain improvements completed last year which should help us address the increasingly competitive environment in the US market. The strong order book in Currency is expected to result in the business running throughout 2007/2008 at the high levels of capacity experienced in the second half of 2006/2007.

"I AM PLEASED TO REPORT THAT 2006/2007 HAS BEEN A YEAR OF INNOVATION AND GROWTH FOR THE GROUP."

Leo Quinn
Chief Executive Officer

Business Review

+12.6%

Revenue
(£m)

£102.4m

Profit before tax and exceptional items*:
+34.4 per cent on last year

Group underlying operating profits*
(£m)

+45.4%

Basic earnings per share: 43.9 pence

+35.4%

Operating cash flow
(£m)

*before net exceptional charges of £Nil (2005/2006 : £2.5m, 2004/2005 : £24.6m).

A Year of Innovation and Growth

2006/2007 has been a year of innovation and growth for the Group. Following the restructuring actions of the past two years our strategy is progressing to focus strongly on delivering key innovations to our customers worldwide which add value to their business. Within the past year De La Rue has launched innovations across the whole spectrum of our business, from new banknote features in Currency to new products in Cash Systems.

Furthermore, we saw continued revenue growth this year, in particular in the Cash Systems division as our investments in new products, sales capability and geographical expansion show through in the results.

This annual report is dedicated to highlighting just some of these activities. Some examples are outlined in the introduction on pages 2 to 7 and throughout this Business Review.

Group Strategy

In December 2004 we focused the De La Rue organisation on improving the operational performance and financial returns of the Group. During 2006/2007 the Group made significant progress against its financial and operational objectives. We believe that driving operational efficiency and focusing our investment in our core businesses provides the best opportunity to deliver improved shareholder value. The Group's strong cash generative characteristics and ungeared balance sheet also give the Board scope to return surplus cash flow to shareholders through a combination of progressive dividends, share buy backs and where appropriate, other forms of capital return.

Group Results

De La Rue is pleased to report another strong performance for the year ended 31 March 2007 with all key performance indicators showing good improvements over 2005/2006. This reflected further margin and operational efficiency improvements which demonstrate the significant progress the Group continues to make in implementing its strategy.

Sales increased by £76.7m or 12.6 per cent to £687.5m (2005/2006 : £610.8m) and underlying profit before tax* increased by £26.2m or 34.4 per cent to £102.4m (2005/2006 : £76.2m). Operating profits* of £90.4m represented an increase of £21.0m or 30.3 per cent compared with last year (2005/2006 : £69.4m).

Headline earnings per share* increased by 39.8 per cent to 43.9p (2005/2006 : 31.4p) reflecting the improved trading performance. Basic earnings per share were 43.9p compared with 30.2p in 2005/2006 representing an increase of 45.4 per cent.

In Security Paper and Print, strong banknote volumes (up 19.5 per cent on 2005/2006) and paper volumes (up 3.6 per cent on 2005/2006) produced another excellent full year result with the business operating at near capacity levels throughout the second half. In Cash Systems, the first full year of benefits of the restructuring actions taken previously, and continued strong growth in US Teller Automation resulted in further margin improvements. Overall Group operating margins were 1.7 percentage points higher at 13.1 per cent (2005/2006 : 11.4 per cent).

Cash generation was again strong with operating cash flow of £144.5m representing the fourth successive year on year increase (2005/2006 : £106.7m). This reflected both higher profits and better working capital management, the latter enhanced by an exceptionally high level of customer advance payments of £76.8m. Following payments in total of £28.3m in respect of dividends and the ongoing share buy back programme (£29.2m), the Group ended the year with net cash on the balance sheet of £137.3m (2005/2006 net cash : £91.6m).

Associates

The main associated company is Camelot, the UK national lottery operator. Profit from associates after tax was lower at £6.6m (2005/2006 : £6.8m) reflecting bid preparation costs for the third lottery licence running from 2009 to 2019. Dividends received from associates of £6.2m were lower than last year's income of £8.1m, due to a one-off payment in the prior year. The successful bidder for the third lottery licence is expected to be announced by the National Lottery Commission in Summer 2007.

Summary

For 2007/2008 we are confident the measures we are taking to continue to improve productivity, coupled with the underlying growth of the business and our robust core businesses, will give us a solid basis for a successful 2007/2008. Finally, I would like to take this opportunity to thank all our employees for their hard work and commitment this year.

Security Paper and Print

KEY DRIVERS

Key drivers of business performance

Security Paper and Print

– Ordering patterns of central banks
– Volumes of banknotes/paper
– Capacity utilisation – optimisation of operational gearing
– Overspill demand for banknotes
– R&D innovation
– Foreign Exchange (transaction costs)

Security Products

– Market development and level of worldwide security risk
– R&D innovation

World locations

- Currency
- Security Products

	2006/2007	2005/2006	Change
Sales	£354.5m	318.4	+11.3%
Underlying Operating Profit*	£61.7m	51.0	+21.0%

*before exceptional income of £Nil (2005/2006 : income of £0.9m)

Divisional Strategy

Build on the mature Currency business
- by maintaining its market leadership and strong competitive position through continuous innovation, targeted investment in R&D and a continuous emphasis on driving improved operational efficiency.

Continue to improve the quality of earnings in Security Products
- following the consolidation of the business around a core manufacturing base and high value added products there is further potential to develop this business.

The focus will be on authentication labels, passports including the new ePassports, fiscal stamps market and a broadening of the current customer base.

Divisional Performance

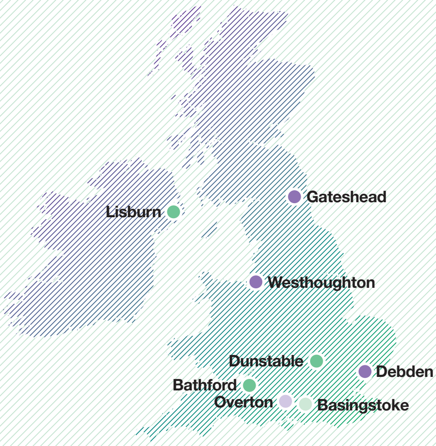
Underlying operating profit* for the Security Paper and Print division of £61.7m was £10.7m ahead of last year (2005/2006 : £51.0m)

Currency

A significant driver behind the improved divisional result was the Currency activities which had another excellent year, with the banknote business operating at near capacity levels in the second half. Overall, banknote volumes increased by 19.5 per cent (2005/2006 : decrease of 11.4 per cent) over the prior year, attaining a level even higher than that achieved in the Iraq contract year in 2003/2004.

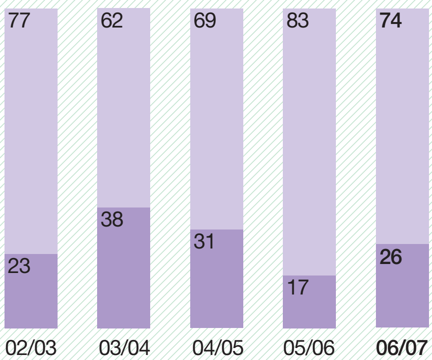
This was partly offset by a less favourable work mix compared to the corresponding period last year with an average contribution per 1000 notes down 12.6 per cent. The higher overall volumes partly reflected increased overspill which was 26 per cent of the total compared to 17 per cent in the corresponding period last year. In particular, the second half overspill levels were more than double the comparative period. In addition, banknote paper volumes rose by 3.6 per cent (2005/2006 : increase of 5 per cent) partly driven by the strong print order book. Looking forward the order book in Currency remains strong, providing good visibility for the majority of 2007/2008.

United Kingdom detail



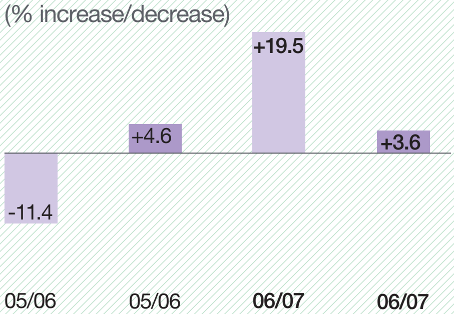
- Currency
- Security Products
- Currency (headquarters)
- Security Products (headquarters)

Banknotes base/overspill
(% of sales)



- Base
- Overspill

Currency volumes
(% increase/decrease)



- Underlying banknote volumes
- Underlying paper volumes

Demand for the latest technology in anti-counterfeit solutions is still a key driver in the market. The proliferation of colour copying, scanning and printing technologies means that we continue to develop anti-counterfeit solutions such as wide threads, holographic devices and iridescent features. We also continue to develop and promote paper-making innovations such as CornerStone® and Platinum® which optimise the strength and soil resistance of the paper and improve the lifespan of the banknotes.

This year we have been particularly pleased with the introduction of Optiks™. Designed and developed at Overton, UK, De La Rue's paper production facility, Optiks represents a major step forward in paper-based banknote security features and demonstrates De La Rue's leadership in getting new products successfully to market. Manufacturing the feature involves the insertion of an 18mm wide demetallised security thread into the paper combined with an aperture in the paper which you can see through. The thread manufacture, paper machine operating conditions and thread insertion technology required for Optiks are very different from those associated with existing banknote papers.

Security Products

The Security Products and Identity Systems businesses also performed well driven principally by strong demand for authentication labels and a strong increase in passport orders. De La Rue's strength is in machine readable passports and we are now expanding our capability to include ePassport. As a consequence we are investing in a dedicated ePassport manufacturing facility in Malta, which is expected to be completed in the last quarter of 2007/2008.

During the year we launched Solitaire™ an innovative new security feature which appears under normal light as two contrasting colours. When the feature is placed under Ultra-Violet (UV) light it becomes a single colour, which is an easy to remember and check effect which has applications to a wide variety of security documents such as alcohol and tobacco tax stamps. Counterfeits are straight-forward to detect since under UV light a counterfeit feature will appear as two colours not one. This effect makes it an ideal feature for covert inspector level authentication such as customs and excise, and other government and commercial officials.

Cash Systems

KEY DRIVERS

Key drivers of business performance

Cash Systems

- Size and sophistication of commercial banking segment in country
- Number of branches and maturity of retail banking sector
- Discretionary spend by central and retail banks
- Security policy relating to the banking sector
- Service offering and in-territory support network
- Price competition
- Supply chain efficiency
- R&D innovation
- Material costs (e.g. steel, printed circuit boards)
- Foreign Exchange (transaction costs)

World locations

- Key manufacturing hubs
- Key sales and service centres

	2006/2007	2005/2006	Change
Sales	£333.0m	£292.4m	+13.9%
Underlying Operating Profit*	£28.7m	£18.4m	+56.0%

*before net exceptional charges of £Nil (2005/2006 : £3.4m)

Divisional Strategy

The strategic focus for the Cash Systems Strategic Business Units (SBU) is outlined below. Within each SBU there is a continuous emphasis on driving operational efficiency:

Branch Teller Automation

The key objectives are:

Optimising branch revenue, enhancing the customer experience and facilitating secure and efficient branch banking by enabling the teller through automation.

Supporting and developing our position as the global market leader in teller automation products serving the retail bank sector. Our focus will be the continued delivery of innovation including the introduction of the VERTERA™ portfolio of teller cash recyclers and innovations around the European Central Bank European Recycling Framework (BRF), coupled with an additional emphasis on the key growth markets, particularly North America, and a further drive for operational productivity improvements.

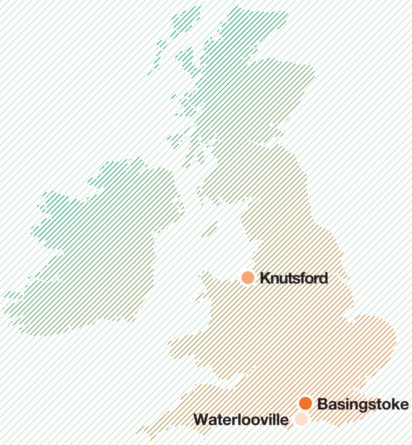
Cash Processing Solutions (CPS)

CPS provides consultancy led cash handling solutions, including banknote sorters and software systems, to help central banks, note issuing authorities, commercial banks and cash-in-transit companies worldwide process cash efficiently and improve customer service.

In mature markets the focus is on delivering innovation through superior vault management design, which we now refer to as Enterprise Cash Management. This includes the development of hardware with superior detection capabilities combined with sophisticated software giving real time management reports, all of which is secured with consultancy and support.

Further focus is given on emerging markets such as Brazil, CIS, China and India, and on particular segments of the market which complement the Group's Currency operations. CPS will also build on its reputation with BRF compliance.

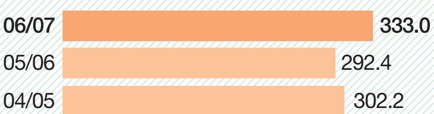
United Kingdom detail



- Key manufacturing hubs (headquarters)
- Key sales and service centres
- R&D facility

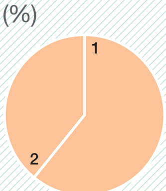
Divisional Revenues 2007

+13.9 per cent on last year



Divisional product/service split

(%)



1	Product	£202m	61%
2	Service	£131m	39%

Original Equipment Manufacture (OEM)

De La Rue is a leading supplier of Original Equipment Manufacture mechanisms and technologies to the Automatic Teller Machine (ATM) industry.

Our strategy is to maintain our market leading position in the ATM market whilst focusing on our growing markets in China and the Middle East followed by other key markets.

Desktop Products (DTP)

The Desktop Products business provides an extensive range of note and coin sorting machines designed to suit all note and coin counting tasks in both the front and back office environments. Financial, retail, transport, gaming and leisure organisations around the world rely upon these compact cash handling machines for their basic batching processes to more sophisticated counterfeit authentication.

Our strategy is to invigorate these mature businesses through the continuous introduction of product innovation to expand and enhance the product portfolio for our customers.

Divisional Performance

In Cash Systems, revenues of £333.0m grew by 13.9 per cent (2005/2006 : £292.4m) and underlying operating profits of £28.7m were strongly ahead of last year (2005/2006 : £18.4m) reflecting both the full benefits of restructuring actions and increased sales volumes through the fixed cost base. The adverse impact of foreign exchange during the year of £1.5m was significantly mitigated by the outsourcing of component parts to US$ based Chinese manufacturing. Trading margins improved by 2.3 percentage points, to 8.6 per cent, compared with 6.3 per cent last year.

Teller automation volumes were significantly up on the same period last year driven principally by continued growth in North America, now the largest single market for our products. However, we are now seeing an increased level of competition from cash handling suppliers.

Over the past two years we have invested in expanding the sales force in our growth regions and training our sales force in all regions. In October, De La Rue launched its new teller cash recycling solution, the VERTERA. Building directly on De La Rue's leading cash recycler, the highly acclaimed TCR Twin Safe®, VERTERA offers significantly enhanced detection features, including fitness sorting capabilities, increased performance and reliability – meet the increasing demand for a smaller footprint machine.

The Sorter business had an improved year with double digit volume growth in both large and medium sized sorters. OEM (ATM mechanisms) and Desktop Products showed strong volume growth in products partially offset by some price erosion. Both businesses benefited from a lower manufacturing cost base during the second half, reflecting the benefits of our continued outsourcing of production capacity to China. During the year the DTP business also launched the EV86-Series which is the next generation banknote counter to the 2600 series. The product has been well received by our customers.

Our Business

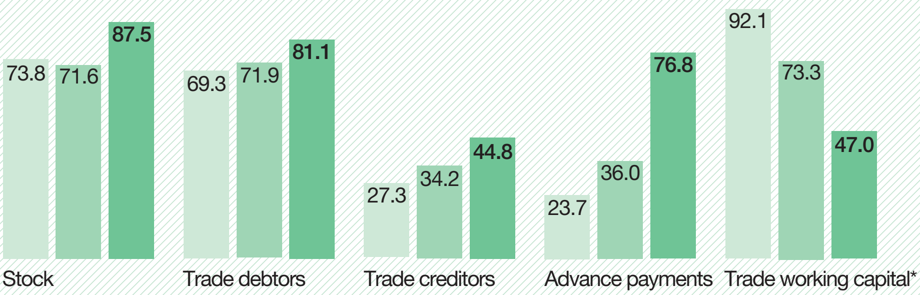
The Group

The Group comprises two principal areas of activity, Security Paper and Print and Cash Systems, each with strong market positions and attractive cash generation characteristics.

	2006/2007	2005/2006	Change
Sales	£687.5m	£610.8m	12.6 %
Profit before tax and exceptional items*	£102.4m	£76.2m	34.4 %
Profit before tax	£102.4m	£73.7m	38.9 %
Headline earnings per share	43.9p	31.4p	39.8 %
Basic earnings per share	43.9p	30.2p	45.4 %
Operating cash flow	£144.5m	£106.7m	35.4 %
Net cash at end of year	£137.3m	£91.6m	
Dividends per share	19.1p	17.0p	12.4%

*before net exceptional charges of £Nil (2005/2006 : £2.5m)

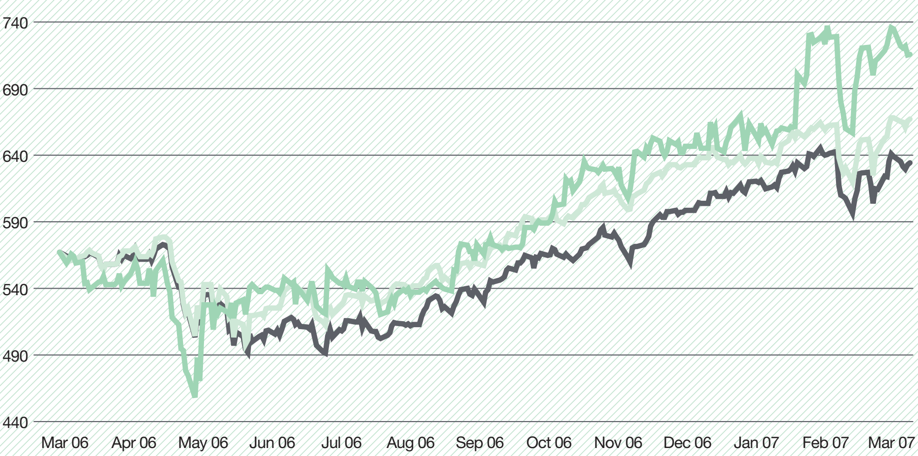
Group working capital



March 2005
March 2006
March 2007

*trade working capital is comprised of stock plus trade debtors less trade creditors and advance payments.

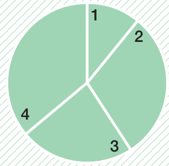
De La Rue plc share price performance 2006/2007



De La Rue
FTSE MID 250 – price index
FTSE All share support services £ – price index

Note: scaled for comparison.

Geographical analysis of Group turnover
(%)



1	UK and Ireland	11%
2	Rest of Europe	30%
3	Americas	23%
4	Rest of World	36%

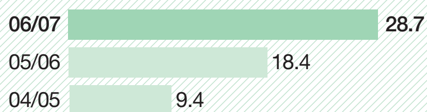
Divisional underlying operating profits (before exceptionals)
(£m)

Security Paper and Print

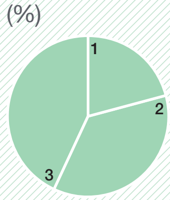
2007 +21%

Cash Systems

2007 +56%



Group stock position – £87.5m
(%)



1	Raw materials	21%
2	Work in progress	36%
3	Finished goods	43%

Market capitalisation: 31 March 2007

£1,158m

Employees: operating in 31 countries

6,000

Operating cash flow

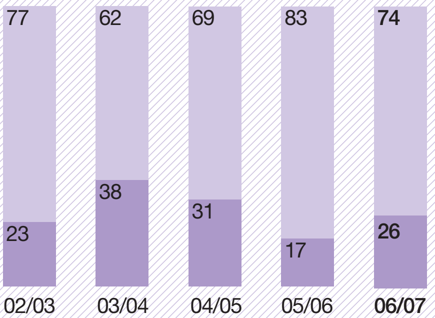
£144.5m

Security Paper and Print

	2006/2007	2005/2006	Change
Sales	£354.5m	£318.4m	+11.3%
Underlying operating profit*	£61.7m	£51.0m	+21.0%

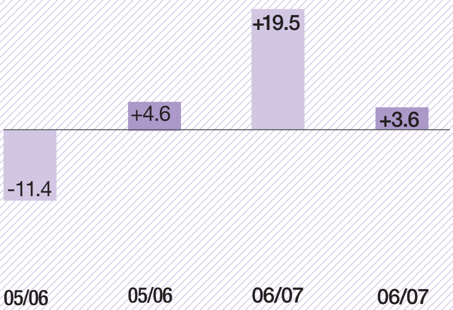
*before exceptional income of £Nil (2005/2006 : income of £0.9m).

Banknotes base/overspill
(% of sales)



Base
Overspill

Currency volumes
(% increase/decrease)



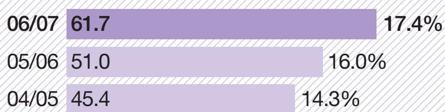
Banknote volumes
Paper volumes

Products by Strategic Business Unit

Currency
Anti-counterfeit consultancy, banknotes, banknote paper, currency management, design and origination service, and security threads.

Security Products
Authentication labels, export cheques and drafts, driver's licences and issuing systems, holograms, motor vehicle title documents, national identity cards and issuing systems, passports and issuing systems, postage, revenue and fiscal stamps, secure substrates, signature panels, tax discs, travellers cheques, visas, vital records, and vouchers.

Divisional operating profit and margins (before exceptionals)
(£m)

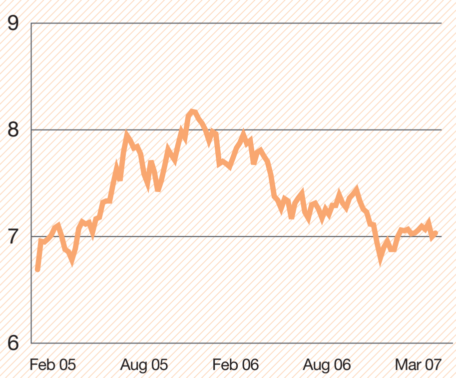


Cash Systems

	2006/2007	2005/2006	Change
Sales	£333.0m	£292.4m	+13.9%
Underlying operating profit*	£28.7m	£18.4m	+56.0%

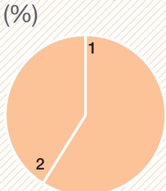
*before net exceptional charges of £Nil (2005/2006 : £3.4m)

SKR/US$, exchange rate



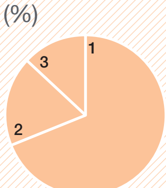
Source: Reuters

Divisional product/service split
(%)



1	Product	£202m	61%
2	Service	£131m	39%

Revenue share by strategic business unit
(%)



1	BTA	68%
2	OEM/Desktop Products	18%
3	Cash Processing Solutions (Sorters)	14%

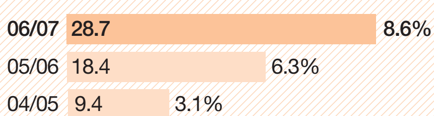
Products by Strategic Business Unit

Branch Teller Automation
Teller cash dispensers and recyclers which help to increase teller productivity and improve customer service. Self-service systems and multifunctional ATM solutions which automate routine self-banking operations.

Cash Processing Solutions (Sorters)
Fully configurable note sorters that enable the highest levels of counterfeit detection and quality control for cash providers. Software that delivers a systematic approach to cash processing control.

OEM/Desktop Products
Note and coin counters, from simple batching to counterfeit checking, including reconciliation of deposits. Cash dispensing mechanisms.

Divisional operating profit and margins (before exceptionals)
(£m)



Our Business
continued

Business Description
De La Rue is the world's largest commercial security printer and papermaker, involved in the production of over 150 national currencies and a wide range of security documents such as passports, fiscal stamps, travellers cheques and authentication labels. In addition, we are a leading provider of cash handling equipment and software solutions to banks and retailers worldwide, helping them to reduce the cost of handling cash throughout the cash cycle.

De La Rue is a global company with more than 19 production facilities in 11 countries predominantly throughout Europe, USA, Africa, CIS and Asia.

The Company employs over 6,000 people across 31 countries and is a member of the FTSE 250. Its ordinary shares are listed with the UK Listing Authority and trade on the market for listed securities on the London Stock Exchange under the symbol DLAR.

The Group operates through two trading divisions in Security Paper and Print and Cash Systems each focusing on the cash cycle which is outlined on page 3.

A description of the performance of the De La Rue Group and each of its two operating divisions for the year ended 31 March 2007 and the significant developments which occurred during the year is set out in the Business Review on pages 10 to 31.

Strategy and Objectives
De La Rue builds value through its people.

The Company demonstrates leadership:

- In our markets, by giving our customers in banking, government and industry the best security and authentication products and services for their transactions;
- In our workplace, by ensuring that all employees are empowered, involved and fairly rewarded;
- For our shareholders, by driving continually increasing value from each business and from the Group as a whole.

Our financial objectives are to generate:

- Modest top line growth
- Profit improvement through ongoing productivity improvements
- High levels of cash flow
- Improved returns to shareholders.

In December 2004, we focused the De La Rue organisation on this strategy to improve the operational performance and financial returns of the Group. Since then, the Group has made significant progress against its financial and operational objectives. We believe that driving operational efficiency and focusing our investment in our core businesses provides the best opportunity to deliver improved shareholder value.

Over the past three years we have focused the entire De La Rue organisation on delivering these strategic objectives which are explained below in more detail.

Modest top line growth
Our strategy is to focusing strongly on delivering key innovations to our customers worldwide which add value to their businesses. Within the past year De La Rue has launched innovations in banknote papermaking, currency printing, cash management, teller automation and banknote and coin counting and sorting. These are outlined on pages 12 to 15. We continue to promote a proactive, customer-driven culture throughout our business that places partnership with customers as a central corporate value.

Profit improvement through cost reduction and productivity improvement
Achieving our strategy depends largely on improving operational productivity across the Group. We continue to engage all our employees in the Group's objectives through clear actions and a methodology to drive and measure improvements across all businesses.

We are able to provide a better service in terms of cost and quality to our customers by constant process improvements. We transfer best practice throughout the Group to achieve operational excellence in all of our facilities through our global 'My Contribution' process improvement programme.

Through our focus on technical and manufacturing excellence and the efficient use of services such as logistics and utilities, we are continually working to improve the efficiency of our operations. 'My Contribution' is our framework for integrating and tracking all De La Rue's performance improvement initiatives. It develops and harnesses the power of our people to identify and drive change whilst tracking rapid performance improvements in the short term and building smarter processes for future stability. It enables us to use our full potential as a Group, by sharing and spreading our existing expertise.

Cash generation
Sustainable high cash generation comes from a relentless focus on margin improvement through operational productivity and operational efficiency savings and working capital management. The Group's strong cash flow over the past three years demonstrates the benefits of this as we have consistently reduced working capital by optimising inventory and improving trade creditor and debtor management. We have also sought mobilisation payments from our customers to fund in part the cost of preparation and set up work.

Improved returns to shareholders
The Group's strong cash generative characteristics and ungeared balance sheet has given the Board scope to return regularly to shareholders surplus cash flow through a combination of progressive dividends, share buy backs and special dividends. Since 2004, we have improved the operational performance and financial returns of the Group, and made significant progress against our financial and operational objectives. During this period, the Group has also generated £266.8m free cash flow and returned a total of £186.9m to share-holders, and proposed a further £96.2m returns through the 2006/2007 final dividend (£21.2m) and special dividend (£75.0m).

Our strategy is to achieve these objectives through an organic focus on our core areas of competitive advantage and excellence where the brand of De La Rue facilitates a premium value for high quality, reliable solutions to customers in all aspects of the secure production of and handling of cash. We firmly believe this will reinforce our overall leadership of our industry, from which we, our customers and shareholders gain value.

	Security Paper and Print			Cash Systems			
	Currency	Security Print	Identity Systems	Branch Teller Automation	Cash Processing Solutions	Desktop Products	OEM
Products	Banknotes, banknote paper, currency related consultancy services, design and origination, anti-counterfeiting technology and security threads.	A suite of security printed products including: authentication labels, travellers cheques, tax & revenue stamps and Government security documents. Hologram solutions for banknotes, financial card protection and brand licensing. High security papers for non-banknote security applications.	Secure passports, ePassports, identity cards, driver's licences, voters' cards and other national identity documents. Integration of document issuing systems, biometric data capture and secure personalisation with automatic systems for large volumes. Secure laminates for passport personalisation.	Teller cash dispensers and recyclers which help to increase teller productivity and improve customer service. Self-service systems and multifunctional ATM solutions which automate routine self-banking operations.	Enterprise solutions to optimise bulk cash handling processing. Consultancy services, enterprise software for remote cash centre monitoring and inventory management as well as a range of sorters from ultra high speed to desktop.	Note counters and coin counters and sorters. From simple batching to counterfeit checking, including reconciliation of deposits.	Original Equipment Manufacture (OEM) mechanisms and technologies to the Automatic Teller Machine (ATM) industry.
Customers	Central Banks and other Banknote Issuing Authorities, State Printing Works	Governments, Commercial organisations, Financial Institutions	Governments, State Printing Works	Retail Banks and Financial Institutions	Central Banks, Commercial Banks, Cash In Transit Companies, Casinos	Financial Institutions, retail, transport, gaming and leisure organisations	ATM Manufacturers
Geographical Markets	Africa Asia Caribbean Central/South America Europe Middle East Oceania	Africa Asia Caribbean Central/South America Europe Middle East North America	Africa Asia Caribbean Central/South America Europe Middle East North America Oceania	Asia Central/South America CIS Europe Middle East North America Oceania	Africa Asia Europe Central/South America North America Middle East	Africa Asia Caribbean Central/South America Europe Middle East North America Oceania	Asia CIS Europe North America

Operating Environment
The table above illustrates the diverse, global markets in which De La Rue operates showing types of products, geographical areas and customers in each. Our two operating divisions participate in a number of linked activities and products serving a customer base that includes Governments, Central Banks, Retail Banks and Commercial organisations.

Competition
Given the diversity of De La Rue's global markets, competition is fragmented across its Strategic Business Units. Only Giesecke & Devrient GmbH, a privately owned German company operates across multiple segments internationally and includes the banknote paper and printing, security printing, identity systems and cash processing segments.

Governmental Regulation
The main impact of regulation has been in the Cash Systems businesses which have adopted processes and procedures to ensure compliance with EU environmental and health & safety directives regarding Waste Electrical and Electronic Equipment (WEEE) and Restrictions on Hazardous Substances (RoHS). In addition we have produced machines which comply with the European Central Bank's adoption of the European Recycling Framework (BRF) which requires cash handling machines sold in the euro zone to be able to recognise a specific anti counterfeiting feature.

Resources, Skills and Capabilities
The Group has a number of key resources that help it achieve its strategic objectives.

People
De La Rue employs over 6,000 people and our workforce encompasses a broad range of skills and experience in areas such as materials science, sales and marketing, engineering, software development and business support services.

It is a key objective for the Group to attract and retain top quality recruits, and to ensure that our employees develop and grow in their roles and meet new challenges as their careers progress. To help achieve these objectives, we have developed and are implementing a people strategy. This consists of three main components:

Our Business
continued

Behaviours for Success – this encourages our people to display strong leadership at all stages of seniority by exhibiting identified key characteristics and behaviours we need for success, such as:

– Leadership
– Results Planning
– Problem Solving
– Business Awareness
– Communication Skills
– Influence
– Continuous Improvement
– Customer Focus

Talent Management – the Group has a formal structure for its talent management programme where key staff, critical roles and succession planning are reviewed regularly to identify high achievement, longer term potential and succession management. A formal personal performance review process takes place on an annual cycle where key goals and performance targets are set and measured.

Leadership Programme – this provides managers and supervisors across the Group with the opportunity to improve their skills and expand their knowledge through a number of tailored programmes, seminars and courses.

This year, De La Rue also introduced a global leadership award where employees were asked to nominate outstanding leaders from our 6,000 employees. Over 100 individuals were nominated and were judged using the Behaviours for Success criteria.

Three overall winners were selected:

Sammy Likhali, Finishing Manager, Security Print, Nairobi, Kenya.

Pond Thuptien, Team Leader, Security Print, Dulles, USA.

Hansjörg Klock, Head of Detector Development, Cash Systems, Berne, Switzerland.

The Company carried out a global employee survey in 2005 and will carry out a further survey in 2007 with specific focus on issues that drive successful performance and employee engagement.

De La Rue's remuneration polices are designed to attract, retain and reward employees of the highest calibre and experience to help execute the Group's strategy. Our reward strategy specifically emphasises reward for over achievement.

Research and development
To underpin our strategy of achieving sustainable top line growth, we are continuing to invest in research and development. We believe this is a key differentiator for De La Rue. In the year ended 31 March 2007, the investment the Group made in R&D was £18.6m.

Patents
De La Rue maintains a significant patent portfolio in its key businesses and tasks our R&D and intellectual property teams with generating product and process innovation and new intellectual property rights (IPR). De La Rue's policy is to defend its IPR vigorously.

Sales and marketing
Active in over 30 countries, we have an extensive worldwide sales and marketing network. In the majority of key markets, we sell direct to our customers through a highly skilled sales and marketing network. Elsewhere, we sell through distributors or local representative offices. Face-to-face contact is still the single most effective marketing method.

Supply and manufacturing
We currently have some 3,500 people at 19 manufacturing sites in 11 countries, dedicated to delivering a secure, high quality, cost-effective supply of our product range worldwide. In addition, our Cash Systems division also operates some manufacturing lines through five outsourced manufacturing partners in China.

Risk and Risk Management

De La Rue's reputation is based on security, integrity and trust. A comprehensive summary of generic risks faced by all businesses including De La Rue was set out in the Annual Report 2006 which is available on the Company's website at www.delarue.com. This section therefore only summarises the types of risks which are either specific to De La Rue or which could have a material, adverse effect on the Group. It also describes the risk management systems and processes in place.

No business is risk free even if it has detailed processes and procedures for identifying and managing risks. The Combined Code on Corporate Governance requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the company's assets and at least annually to conduct a review of the effectiveness of the Group's system of internal controls. The Board carries out such an annual review covering all material controls, including financial, operational and compliance controls and risk management systems while receiving throughout the year information about the Group's operations enabling it regularly to evaluate the nature and extent of the risks to which the Company is exposed. The Board is therefore able to confirm that its system of internal control has been in place throughout 2006/2007.

Internal Control and Internal Financial Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. It relies on the Audit Committee and Risk Committee to assist in this process. Details of the Audit and Risk Committees are set out in the Corporate Governance section.

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. Divisional managing directors, to whom general managers of each business report, are responsible for establishing and maintaining these procedures.

A summary of the key policies and procedures is provided to senior managers.

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;
- reviewing internal and external audit plans;
- reviewing significant issues identified by internal and external audits;
- reviewing significant Group risks and risk mitigation actions reported by the Risk Committee;
- reviewing annual compliance statements in the form of self-audit questionnaires;
- reviewing reports on other such matters as security, health and safety, environmental issues and fire risks; and
- discussions with management on risk areas identified by management and/or the audit process and any changes from the previous review.

The financial control framework includes the following key features:

- an annual strategic planning process;
- an annual budget;
- a system of monthly reporting by each operating subsidiary 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; and
- interim financial statements reviewed by the auditors.

Risk and Risk Management
continued

The main control procedures which address the financial implications of the major business risks are centred on strict approval procedures, which were revised following a review during the year and which apply to all subsidiaries. These 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; and

– Board consideration of any matter having a material effect on the Group.

The operation of the Group Treasury department is discussed in the Financial Review on page 26.

Specific Risks

Strategy, Technology, Competition and Market Concentration

The Group's strategy and progress in implementing it is outlined on pages 11 to 20.

De La Rue operates in niche markets based on the production and management of cash. The main, strategic threat is either that there is a technological revolution which renders cash obsolete or that the core business diminishes over a period of time.

De La Rue manages this risk by focusing on innovation in features and products to stay ahead of the competition and in particular the counterfeiter.

The Board is responsible for strategy, carrying out an annual review based upon extensive, detailed reviews of individual businesses' plans.

At an operational level Cash Systems is facing increased competition in the teller assist recycler market which it is meeting with the launch of the new VERTERA™ Teller Cash Recycler.

The Currency business operates within a defined market size and the business is exposed to the short term ordering cycles of central banks. Significant year-on-year changes in volume or customer mix could affect profitability. There is no significant geographical dependence although Africa and the Middle East are key banknote markets. Security Product's key customers are Microsoft, Royal Mail and American Express. In Cash Systems, growth depends on the USA.

Reputation

Damage to reputation may arise from an incident or event which is in monetary terms not material. Matters which could affect De La Rue's reputation would include significant breaches of security or a contravention of law, such as competition law or anti-bribery law, environment or health and safety law or a failure to maintain appropriate standards of corporate responsibility. De La Rue operates throughout the world and in areas where the local standards may not equate to the standards required by the UK or those that De La Rue requires all its subsidiaries and employees to follow as regards business behaviour. Details of these standards are set out in the Corporate Responsibility Report on pages 28 to 31.

Significant effort is made to ensure that employees understand legal obligations and there is an established anti-trust compliance programme and the Company's Business Code of Conduct (accessible on the Company's website) defines what standards of behaviour are expected. Agents and distributors are also required to adhere to the Company's standards.

Security

The nature of the Group's activities requires stringent security processes and procedures and steps are taken to minimise the consequences of possible breaches. The Group is in the process of reviewing all its processes and procedures.

Associates' Investment

Loss of dividends from Camelot were it to lose the National Lottery Operating licence would have an adverse effect. The current licence runs to 2009 and the National Lottery Commission is currently evaluating two bids, including Camelot's, for the third operating licence.

Overton Mill

The Group is highly dependent on its paper mill at Overton which is close to the River Test in Hampshire, UK. The business of Security Paper and Print would suffer significant losses to its printing business if the mill were out of action for a sustained period of time, either by reason of fire or some other accident or because of environmental contamination of the River Test, which is a Site of Special Scientific Interest. The Group regularly reviews its physical protection systems and updates them as necessary to mitigate this risk. The consequences of fire or physical loss to any of its printing plants are less significant because the Group has the flexibility to switch production to different plants. As the Group outsources production of its Cash Systems products, the risk of loss of its own factories decreases. The Group requires all its businesses and its subcontractors to have business continuity plans based on business impact analyses of the consequences of particular risks.

Outsourcing

The programme for outsourcing the manufacture of selected products or core components to enhance cost effectiveness continues. This requires careful management of subcontractors to ensure continuity of supply and production in accordance with specification.

Financial Risk Management
Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk, cash flow interest rate risk and commodity price risk. The Group's overall 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 as soon as they arise but does not take speculative positions. Risk management is carried out by a central treasury department (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, credit risk, use of derivative financial instruments and the investment of excess liquidity. The Board authorises all risk management instruments and policies.

Risk and Risk Management
continued

(a) Market Risk
Foreign Exchange Risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, euro, Swedish Krona and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities 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 foreign currency by using external forward foreign exchange contracts transacting with financial institutions.

For segment reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External forward foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is 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. Forecast transactions must be highly probable for hedge accounting purposes. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies and through foreign currency swaps.

(b) Credit Risk
The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. An analysis of net assets per geographical region is shown in Note 2 to the accounts.

(c) Liquidity Risk
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 our 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.

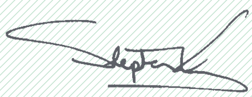
(d) Cash Flow and Fair Value Interest Rate Risk
De La Rue's interest rate management policy is generally to borrow and invest cash at floating rates. The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's exposure to cash flow interest rate risk arises principally from cash balances held. Current low levels of borrowings are all at floating rate. At higher levels of borrowings the policy is to manage the interest rate exposure through the use of floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates so as to achieve a target split.

(e) Commodity Price Risk
The Group's normal policy is to buy commodities at prevailing market prices under medium term supply contracts. The Group has limited exposure to commodity price risk through the purchase of energy products.

Financial Review

Stephen King
Finance Director



Key Financials

	2006/2007 £m	2005/2006 £m	Change %
Operating profit before exceptional items	**90.4**	69.4	30.3
Profit before tax and exceptional items	**102.4**	76.2	34.4
Exceptional items	**–**	(2.5)	
Profit Before Tax	**102.4**	73.7	38.9
Headline Earnings Per Share	**43.9p**	31.4p	39.8
Basic Earnings Per Share	**43.9p**	30.2p	45.4
Dividends Per Share	**19.1p**	17.0p	12.4

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

	2007 Group Assets £m	2007 Cash/(debt) £m	2007 †Net Assets £m	2006 Net Assets £m
UK	**(54.9)**	**90.2**	**35.3**	51.1
USA	**8.8**	**0.2**	**9.0**	(8.5)
Eurozone	**31.4**	**12.5**	**43.9**	28.5
Rest of World	**37.3**	**34.4**	**71.7**	61.4
Total	**22.6**	**137.3**	**159.9**	132.5

† excluding minority interest.

Financial Review

In this section of the Business Review we reflect upon the key business drivers behind the strong results reported for 2006/2007 and an analysis of the financial position of the Group at 31 March 2007. We also consider the accounting and reporting policies and procedures that support De La Rue's financial performance and position and the key influences of the Group's ongoing financial performance.

Financial Results

Underlying profit before tax* increased by £26.2m or 34.4 per cent to £102.4m (2005/2006 : £76.2m) and operating profits* of £90.4m represented an increase of £21.0m or 30.3 per cent compared with last year (2005/2006 : £69.4m). Headline earnings per share* increased by 39.8 per cent to 43.9p (2005/2006 : 31.4p) reflecting the improved trading performance. Basic earnings per share were 43.9p compared with 30.2p in 2005/2006 representing an increase of 45.4 per cent.

In Security Paper and Print, strong banknote volumes (up 19.5 per cent on 2005/2006) and paper volumes (up 3.6 per cent on 2005/2006) produced another excellent full year result with the business operating at capacity throughout the second half. In Cash Systems the first full year of benefits of the restructuring actions taken previously and continued strong growth in US Teller Automation resulted in further margin improvements. Overall Group operating margins were 1.7 percentage points higher at 13.1 per cent (2005/2006 : 11.4 per cent).

*before net exceptional charges of £Nil (2005/2006 : £2.5m)

Exceptional Items

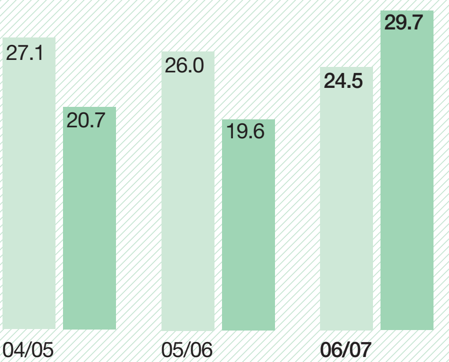
There were no exceptional items in the year.

Interest Charge

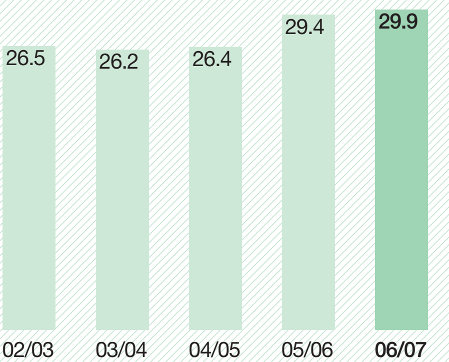
The Group's net interest income was £3.6m, which was £1.8m higher than the previous year. In addition the IAS 19 related finance item, arising from the difference between the expected return on assets and the interest on liabilities, is included here and was a credit of £1.8m compared with a charge of £1.8m the previous year.

Financial Review
continued

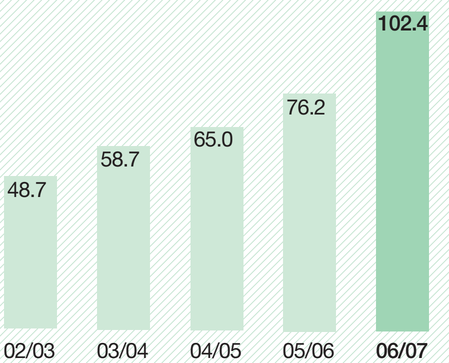
Capital expenditure relative to depreciation
(£m)



Underlying effective tax rate (before exceptionals)
(%)



Profit before tax, exceptional items and goodwill amortisation
(£m)



Taxation
The underlying effective tax rate excluding exceptional items was 29.9 per cent (2005/2006 : 29.4 per cent), the increase reflecting the mix of taxable profits from overseas activities and the elimination of tax losses in the USA.

Cash Flow and Borrowings
During the year operating cash flow was £144.5m compared with £106.7m in 2005/2006 reflecting the rise in operating profits and the continued drive to reduce working capital across the Group. This was also further enhanced by continued high levels of advance payments, which totalled £76.8m at March 2007. Capital expenditure of £29.7m was higher than depreciation reflecting investment in a new banknote printing press in Malta.

After payment of the 2005/2006 final dividend (£19.0m), the 2006/2007 interim dividend (£9.3m) and £29.2m in respect of the ongoing share buy back programme, closing net cash was £137.3m compared with £91.6m at last year end.

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.

When managing foreign exchange transactional risk, protection is taken in the foreign exchange markets whenever a business has a firm expectation of confirming a sale or purchase in a non-domestic currency unless it is impractical or uneconomical to do so. Translation of overseas earnings is not hedged. For the year ended 31 March 2007 adverse foreign exchange impacted the Group profits by £4.2m mostly arising from transaction exposure.

Principal exchange rates used in translating the Group's results

	2006/2007 Average	2007 Year end	2005/2006 Average	2006 Year end
£				
US Dollar	1.89	1.96	1.79	1.74
Euro	1.47	1.47	1.46	1.45
Swedish Krona	13.59	13.76	13.69	13.58
$				
Swedish Krona	7.19	7.02	7.65	7.80

UK Pension Scheme - IAS 19 Valuation

Key assumptions over the past three years for the UK defined benefit scheme

	2006/2007	2005/2006	2004/2005
Key assumptions	%	%	%
Interest rate (AA bond rate)	**5.30**	4.90	5.50
Salary growth	**4.00**	3.90	4.25
Inflation	**3.10**	2.90	3.00
UK pension scheme			
Assets	**£524.4m**	£510.0m	£438.1m
Liabilities	**£628.7m**	£625.0m	£554.0m
(Deficit) – gross	**(£104.3m)**	(£115.0m)	(£115.9m)
(Deficit) – after tax	**(£72.7m)**	(£80.5m)	(£81.1m)

Pension Scheme Funding

Analysis of movement in Pension deficit since 2003

	Funding
Deficit as at 2003	**(£39m)**
Net investment gains	£97m
Contributions paid (£30.5m company, £7.5m employee)	£38m
Cost of future service benefits earned over the period	(£29m)
Surplus at 2006 on 2003 assumptions	**£67m**
Less increase in liabilities due to change in mortality assumptions	(£73m)
Less increase in liabilities due to lower expected investment returns and other miscellaneous factors	(£50m)
Deficit at 2006	**(£56m)**

The Group's last formal (triennial) funding valuation of the Company's defined benefit pension Scheme took place on 6 April 2006 and identified the Scheme to have a deficit of £56.0m (6 April 2003 : £(39.0)m). The deficit has arisen primarily as a result of significant increases in life expectancy and reduced discount rates on liabilities as is shown in the table above.

In April 2004, the Final Salary Section was closed to new entrants with new employees joining the De La Rue Retirement Plan which is a combination of a 1/100ths accrual Final Salary section and a defined contribution arrangement.

Coincident with this valuation, De La Rue entered into consultation with members with a view to making changes to the structure of the Scheme and benefits going forward from April 2007. This consultation has now been completed and the following changes will be implemented from 1 June 2007.

Normal Retirement Age
An increase in the Normal Retirement Age (NRA) of members from 62 to 65 and a removal of the discretionary right to retire at 60 without actuarial reduction. Retirement before the new NRA will now result in a 5 per cent per annum reduction in members' pension.

Contribution Rates
An increase in member contributions of 1.0 per cent per annum equivalent to £0.4m, achieved through two 0.5 per cent increases, effective June 2007 and June 2008.

Mortality Risk
Members will fund 100 per cent of future cost of increases in life expectancy. This will be implemented through an ongoing adjustment to the pension accrual rate to adjust for any additional life expectancy increase.

The Group has also agreed with the Trustee to pay down this deficit over a period of six years, subject to reassessment of the existence of the deficit at the next triennial valuation, and the first payment of £7.0m was made into the Scheme in March 2007.

Overall, the Group feels these changes fairly reflect a more appropriate sharing of the costs and risks associated with the continued provision of a Final Salary (Defined Benefit) Section.

IAS 19 Accounting
It is the responsibility of the independent Trustee to set the method and assumptions for calculating the Scheme liabilities under Scheme Funding Valuation. The assumptions used to calculate the IAS 19 valuation used in the Company's accounts are set by the Company 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 the ongoing funding valuation are based on actuarial advice taking into account the actual investment profile of assets between bonds and equities over the longer term. This is the principal difference between the two sets of assumptions used and results in increased liabilities under IAS 19.

The valuation under IAS 19 principles indicates a scheme deficit after tax at 31 March 2007 of £72.7m (March 2006 : £80.5m). The charge to operating profits in respect of the UK Pension Scheme for 2006/2007 was £9.8m (2005/2006 : £9.1m). In addition, under IAS 19 there is a finance credit of £1.8m arising from the difference between the expected return on assets and the interest on liabilities (2005/2006 : £1.8m charge). This amount is included with the Group interest income in the profit and loss account.

Corporate Responsibility

Progress against 2006/2007 objectives

- Implement noise reduction and education programmes
- Set EHS targets for reportable injury rates, energy use and waste generation
- Achieve accreditation for two more sites under ISO18001
- Progress with accreditation under ISO14001
- Ensure all internal EHS Information is stored on the Sharepoint based EHS Information system to encourage sharing of good practices
- Implement Safe Driver programmes
- Ensure that in major manufacturing sites all managers and supervisors are given clear EHS related objectives.

• all the above completed in the year

2007/2008 objectives

– Review and rollout good practice occupational health standards

– Ensure audiometry testing of all relevant employees is carried out

– Achieve certification for two or more sites under OHSAS 18001

– Achieve certification for one or more additional sites under ISO14001

– Reduce solid waste to landfill relative to production volumes

– Ensure completion of manual handling training programme.

De La Rue is committed to sound Corporate Responsibility ('CR') policies and business practices. This section deals with how it manages CR issues in relation to its stakeholders – customers, shareholders, employees, suppliers and other business partners and local communities wherever it carries on business throughout the world. Further information on CR within De La Rue can also be found on www.delarue.com in the Corporate Responsibility section of the website and via ICSA Software's Corporate Responsibility Exchange.

Policies and Procedures – Business Code of Conduct (the 'Code')

De La Rue's Business Code of Conduct is the cornerstone of its approach to Corporate Responsibility. All employees must receive a personal copy of and comply with the Code. It defines De La Rue's core values and principles for doing business, dealing with issues such as share dealing procedures, competition law compliance rules, ethical dealings with governments, customers, suppliers and third parties, protecting the Group's assets, health and safety and the environment, and avoiding conflicts of interest. The Code is supplemented by more detailed policies and procedures and by training relevant employees. The Code, policies and procedures are also on the Company's intranet as well as being publicly available on the Company's website. Managers must ensure that their staff are properly briefed on the Code.

The Company's 'whistleblowing' process, approved by the Audit Committee, enables employees who have concerns about the application of the Code or business practices within the Group to raise them internally, or anonymously through an independently run telephone help-line. The Board and Audit Committee receive details about any issue raised and how it has been followed up.

During the year, the Audit Committee approved the initiation of a fraud awareness training programme. Higher level training has been given to the Risk Committee, Group and divisional senior finance teams and to all business unit heads of finance at the Group Finance conference in September 2006. The intention is that the programme will continue to be rolled out in an appropriate form across the Group to ensure that employees are kept aware of the risk and impact of fraud.

Accountability and Management Processes

The Board is ultimately responsible for assessing the effect potential CR issues may have on De La Rue's business and setting appropriate policies for the Group. Details of the Board structure and of its Committees are set out on pages 37 to 41. The Chief Executive is the Board member with designated responsibility for CR. The Operating Board is responsible for the day to day management of these issues. The Board and Operating Board receive monthly reports on CR issues. They are also discussed in the quarterly Risk Committee meetings.

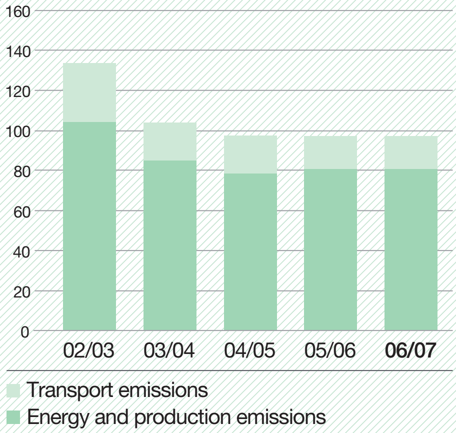
The Environment, Health and Safety ('EHS') Steering Group, chaired by the Company Secretary, is responsible for setting EHS strategy for the Group, responding to regulatory developments, developing appropriate procedures and disseminating information on good practice to Group businesses.

Employees

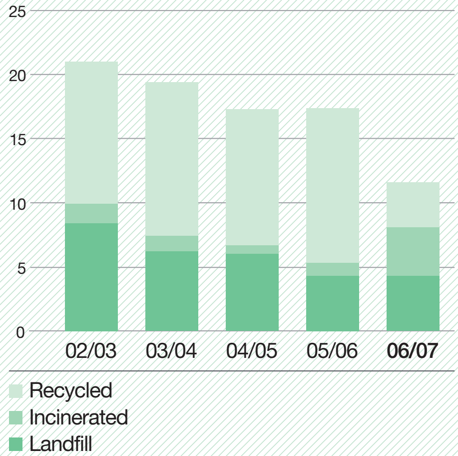
The Group currently employs over 6,000 staff across 31 countries. During the year, emphasis has been put on the recognition of individual and team contributions with the launch of a global Leadership Award initiative which intends to identify and recognise the qualities the Company wishes to emphasise amongst its leaders. This initiative has resulted in winners from three sites, our R & D Centre in Switzerland, our Currency production site in Kenya and our Security Products production site in the USA. In addition, each business has initiated its own recognition awards schemes. The new talent review process whereby the Operating Board identifies and reviews senior line managers or functional jobs as well as new talent within the Group, also continues to gain momentum. It is starting to drive significant change, identifying key employees with potential to progress as well as helping the business identify and address succession planning in a structured way.

The Group continues to promote employee involvement through a policy of communication and consultation by individual business unit managers. In addition to the Company newsletter, the intranet and more traditional house notices, the Chief Executive issues a fortnightly electronic 'Insight' on key business issues to all employees who have the opportunity to respond directly to him.

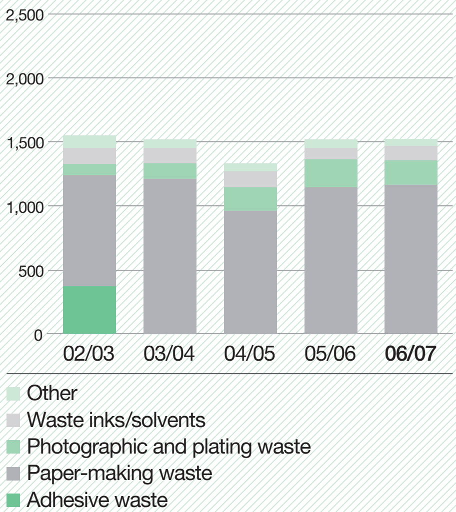
Greenhouse gas emissions
('000 tonnes as CO_2)



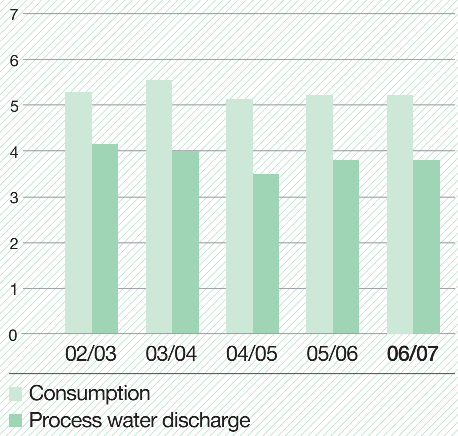
Solid waste
('000 tonnes)



Total liquid waste
(inc process waste m^3)

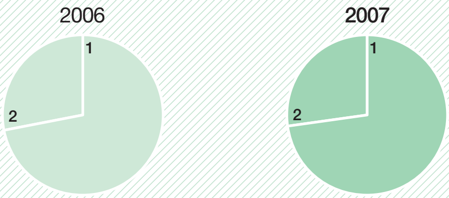


Water consumption by volume
(million m^3)



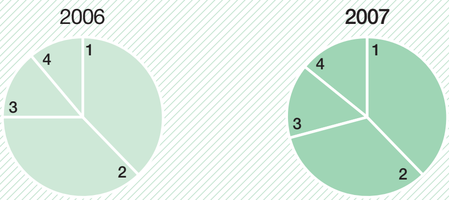
Corporate Responsibility
continued

Gender breakdown (worldwide workforce)
(%)



	2006	2007
1 Male	72%	73%
2 Female	28%	27%

Average number of employees
(%)



	2006		2007	
1 UK and Ireland	2,302	38%	2,291	38%
2 Rest of Europe	2,200	37%	2,004	33%
3 The Americas	873	14%	914	15%
4 Rest of World	647	11%	877	14%

Following the Great Place to Work employee survey undertaken in 2005, every site has set up focus groups to address issues identified by employees and a wide range of actions have resulted. These include improvements to workplace facilities, social events, recognition programmes and broader education, training and development. In addition, at a Group level, initiatives such as the Leadership Awards and roll-out of our personal development and performance management systems have all addressed topics raised by the survey. A revised survey, tailored specifically to the Company's leadership priorities will be conducted in 2007.

De La Rue's productivity programme 'My Contribution' is now in its third year allowing all employees to share ideas, submit suggestions for improvements to the business and track key projects. Its continued expansion is proving highly successful in encouraging creativity and initiative with a great many productivity and innovation projects reaching fruition. Key Performance Indicators are also tracked to highlight areas for improvement. Fourteen projects were judged for the annual 'Spotlight' awards programme which this year was held in Interlaken, Switzerland, and celebrated and rewarded the most innovative and successful employee projects. The winning team from our Malta banknote Currency production site (see pages 4 to 5) demonstrated the development of an invention which, by recovering ink used in banknote production, reduces the impact on the environment, saves costs and has resulted in a new patent application.

The gender statistics for our workforce, shown above, reveal a consistent trend in the split between male and female employees. One of our key objectives for 2006/2007 was to extend collecting data on staff diversity. Where this is in compliance with local employment laws we now collect this data which we will use to help us monitor our policies and improve best practice in this important area.

The Group has been successful in rolling out a new online web based HR management system which will enhance its management processes and enable it to monitor better the implementation of its policies and training. It is anticipated that every country will have their data available on this system by the middle of 2007 and already it is streamlining a number of core HR management processes.

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

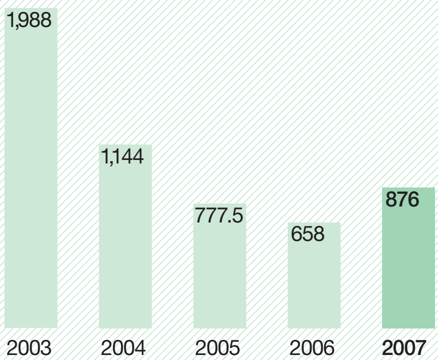
Community
The De La Rue Charitable Trust (the 'Trust') was set up in 1977 and aims to direct funds to appropriate causes where De La Rue operates, with the emphasis on educational projects which promote relevant skills, international understanding and bring relief from suffering. Details of some of the projects the Trust has been involved with can be found on the Corporate Responsibility section of the Company's website.

Suppliers
We expect our suppliers to share our CR values and commitment to ISO standards for EHS performance. Potential suppliers are required to meet certain criteria during the supplier selection process for both direct and indirect procurement. An audit programme for many of our major tier 1 suppliers has been introduced to review EHS risk management and business continuity processes.

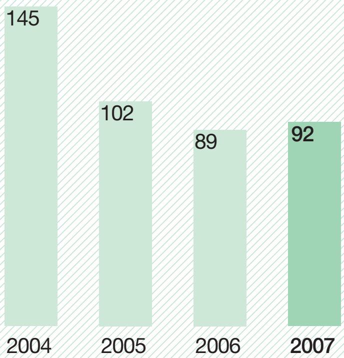
Environment, Health and Safety
We continually strive to minimise the impact of our operations on the environment and to safeguard the health and safety of those affected by our operations. EHS assurance comprises setting appropriate policies, operating management systems and the processes that provide the Board with confirmation that all business units comply with Group policy and applicable law while implementing their EHS action plans. EHS self-assessment and performance benchmarking processes measure how sites perform. Audit results are a factor in the initial allocation of insurance premiums.

This data and the associated monitoring programmes provide the necessary information to manage our EHS risks and to develop effective improvement programmes.

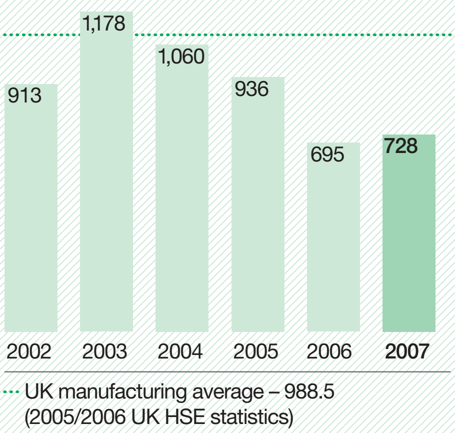
Total days lost



Total lost time accidents
(inc 3 days+)



Annualised reportable injury rate
(RIR)



The management systems define how the EHS risks are identified and controlled and who is responsible for so doing. Employees are widely involved in the EHS continuous improvement processes and there have been several successful EHS related 'My Contribution' projects.

Progress Against 2006/2007 Objectives
We have been successful in achieving all of the objectives we set for 2006/2007. Progress has been made in the achievement of ISO14001 certification within the Group with Malta and Paris (France) receiving certification so that all our currency paper and print plants are ISO14001 accredited. Bolton, Dunstable, Overton (UK) and Moerfelden (Germany), have achieved certification to OHSAS 18001 this year. We have further sites working towards these certified EHS management standards in the forthcoming financial year.

Many employees, supervisors and managers have been trained on EHS issues and we have run a number of additional specialist courses on machinery, lifting operation, noise awareness, lock off isolation, permits to work, conflict management and working at height.

The annual EHS Conference (Interlock 2006) focused on sharing good practices covering a range of environmental, health, safety and fire risk and control issues. Interlock also featured key environmental presentations to raise awareness. The importance of environmentally friendly product and packaging designs was emphasised.

Additionally, Overton Mill has implemented a programme of water saving initiatives, the benefits of which are expected to continue.

All businesses have risk assessment programmes in place and risk reduction programmes continue. Machinery upgrades and machinery safety awareness is continuing as a strong focus with significant annual investment. This year we are tracking carefully both Noise Awareness and Manual Handling training programmes.

EHS Performance Indicators
Our key performance indicators on pages 29 to 31 show improved environmental performance taking account of variable production output and reflecting the improvement programmes implemented across the Group. During 2007/2008 an analysis exercise is being undertaken to review all scheduled data across the Group. None of our operations has been prosecuted for infringing any EHS laws or regulations during 2006/2007.

Awareness and Culture
De La Rue develops awareness of and embeds EHS in its operating culture by training programmes for all levels throughout the Group. The annual EHS conference, Interlock, attended by senior managers, operational personnel, EHS and employee representatives, is the focal point for sharing best practice and introducing new procedures. The European Employee Forum and the UK Employee Forum also discuss EHS matters.

Full copies of our EHS policies are available on our website, or from the Company Secretary, details of which are on page 95.

Air pollutants (tonnes)

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Non chlorinated VOC's	152.6	126.6	139.0	90.9	73.8
Chlorinated VOC's	0.4	10.5	0.4	0.5	0.6

*Specific data has not been included this year due to an analysis exercise being undertaken at the time of this report. A further Group wide verification is also planned for 2007 after which the data will be available for publishing.

Liquid pollutants

	2002/2003	2003/2004	2004/2005	2005/2006	**2006/2007**
Chemical oxygen demand (tonnes)	124.9	346.4	190.0	194.2	**162.9**
Biological oxygen demand (tonnes)	25.1	30.9	17.1	18.4	**17.5**
Suspended solids	28.8	27.7	24.0	26.2	**21.7**

Energy consumption (GWh)

	2002/2003		2003/2004		2004/2005		2005/2006		**2006/2007**	
Electricity	79.2	24%	78.0	23%	72.6	23%	71.0	22%	**73.3**	**23%**
Gas	232.1	72%	250.5	74%	229.1	73%	237.7	74%	**237.8**	**74%**
Other Fuels	12.9	4%	10.4	3%	13.5	4%	12.3	4%	**8.1**	**3%**
Total Energy	324.2	100%	338.9	100%	315.2	100%	321.0	100%	**319.2**	**100%**

Directors and Secretary

1 Nicholas Brookes (59)
Non-executive Chairman† ‡
was appointed to the Board in March 1997 and became Chairman of the Company with effect from 22 July 2004. He is also Chairman of the Nomination Committee of the Board. He was, until 30 June 2004, Chief Executive of Spirent plc. He is a director of Corporacion Financiera Alba SA, Axel Johnson Inc and The Institute of Directors. He was previously Vice President of Texas Instruments Inc and President of the Materials and Controls Group.

2 Leo Quinn (50)
Chief Executive† Ø
joined the Group as Chief Executive Designate on 29 March 2004 and he became Chief Executive on 31 May 2004. He was formerly with Invensys where for nearly three years he was Chief Operating Officer of its Production Management Division based in Massachusetts, USA. Prior to that he spent 16 years with Honeywell Inc. in a variety of senior management roles in the USA, Europe, the Middle East and Africa.

3 Stephen King (46)
Group Finance Director Ø
joined the De La Rue Board as Group Finance Director on 31 January 2003. Prior to his appointment he was with Aquila Networks plc (formerly Midlands Electricity plc) where he was Group Finance Director since 1997. He previously held the position of Group Financial Controller at SEEBOARD plc and prior to that was Group Chief Accountant at Lucas Industries plc. He is an FCA and qualified with Coopers & Lybrand in 1986. He is a non-executive Director of Weir Group plc and Chairman of its audit committee.

4 Warren East (45)
Non-executive#
was appointed to the Board on 9 January 2007. He is Chief Executive of ARM Holdings plc, a post he has held since October 2001, having joined in 1994. He previously worked for Texas Instruments Inc in a variety of roles in the semi-conductor and telecom products divisions. He is a non-executive director of Reciva Ltd, a Cambridge start up company manufacturing internet radios.

5 Sir Jeremy Greenstock GCMG (63)
Non-executive† ‡
was appointed to the Board on 1 March 2005. From 1998 to 2003 he served as Britain's U.N. Ambassador in New York and Permanent Representative on the U.N. Security Council. From 2003 to 2004 he served as HM Government's UK Special Representative for Iraq. He is director of the Ditchley Foundation, a Special Adviser to BP plc and a Governor of the London Business School.

1 2 3 4 5

6 Keith Hodgkinson FCMA (63)
Non-executive#†‡
was appointed to the Board on 19 April 2000. He is Chairman of the Audit Committee of the Board. He is Chief Executive of Chloride Group plc, a post he has held since March 1992. His previous career was with GEC plc where he held a number of senior appointments.

7 Michael Jeffries (62)
Non-executive#†‡
was appointed to the Board on 19 April 2000. He is the Company's senior independent non-executive Director and since 21 July 2004 the Chairman of the Remuneration Committee of the Board. He was Chairman of WS Atkins plc from 2001 to 2006 prior to which he had been Chief Executive since 1995. He held various senior management positions since joining WS Atkins in 1975 and has wide ranging business experience, running service operations across Europe, the Middle East, Asia Pacific and Africa. He was appointed Chairman of Wembley National Stadium Ltd in April 2002, Chairman of Wyless plc in February 2004, Chairman of VT Group plc on 16 May 2005 and was Chairman of National Car Parks Limited from August 2005 to April 2007.

8 Philip Nolan (53)
Non-executive#†‡
was appointed to the Board on 1 September 2001. He is currently Chairman of Infinis Limited and Separa Limited. He was Chief Executive of eircom Group plc the Irish telecom group until August 2006, a post he held since January 2002. He was previously Chief Executive of Lattice Group plc which was demerged from BG Group plc in October 2000, where he held various senior management positions since 1996. He spent 15 years with BP in various operational and strategic roles. He is a non-executive Director of Providence Resources Plc and Ulster Bank Ltd.

9 Gill Rider (52)
Non-executive#‡
was appointed to the Board on 22 June 2006. She started her career with Accenture in 1979 in various consulting roles before being appointed as a partner in 1990. She held a variety of management roles in Accenture before being appointed global Chief Leadership Officer in 2002, reporting to the Accenture CEO, to lead the people aspects of the transition from a partnership to a public company listed on the New York Stock Exchange. She was appointed Director General, Leadership and People Strategy in the Cabinet Office in May 2006.

10 Louise Fluker (53)
General Counsel and Company SecretaryØ
joined De La Rue in 1984 from the UK Civil Aviation Authority. She was appointed General Counsel and Company Secretary in April 1999 and is also responsible for non-financial risk management. She is a trustee of Farnham Castle.

#Member of the Audit Committee of the Board.
†Member of the Nomination Committee of the Board.
‡Member of the Remuneration Committee of the Board.
ØMember of the Risk Committee of the Board.

Ages stated are those on 31 March 2007.

6 7 8 9 10

Directors' Report

The Directors present their annual report together with the audited financial statements of the Group and the Company for the year ended 31 March 2007.

Return to Shareholders

The Board announced at the interim results in November 2005 its intention to use the existing authorities granted to it at the 2005 Extraordinary General Meeting to use surplus cash to purchase the Company's own shares for cancellation. The upper limit of the Board's existing authority is 14.99 per cent of issued capital. During 2006/2007 the Company acquired 4,935,933 ordinary shares of 27 7/9 p each under the programme at a cost of £29,184,835 (3.06 per cent of the issued share capital as at 21 May 2007) bringing the total number of shares acquired since the commencement of the programme in December 2005 to 6,548,211 shares (4.07 per cent of the issued share capital at 21 May 2007) at a cost of £36,966,277.

Principal Activities and Business Review

De La Rue, a British company, is the world's largest commercial security printer and papermaker, involved in the production of over 150 national currencies and a wide range of security documents such as passports, authentication labels and fiscal stamps. It is a leading provider of cash handling equipment and software solutions to banks and retailers worldwide. De La Rue is pioneering new technologies in government identity solutions for national identification, driver's licence and passport issuing schemes. A review of the business is set out in the Business Review Section on pages 10 to 31 and forms part of the Directors' Report. It sets out a business review of the Group's position at the end of the financial year including the development and performance of the business, key performance indicators and a description of principal risks and uncertainties facing the Group. An indication of likely or intended future developments in the Group's business is set out in the Business Review.

Results and Dividends

Profit before taxation and exceptionals was £102.4m (2005/2006 : £76.2m). The profit attributable to shareholders for the year was £70.2m (2005/2006 : £50.9m). The Directors are recommending a final ordinary dividend for the year of 13.27p per share. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 3 August 2007 to ordinary shareholders on the register on 13 July 2007. An interim dividend of 5.83p per ordinary share was paid on 17 January 2007 making a total of 19.1p per share (2006 : 17.0p per share) for the year.

Post Balance Sheet Event

Michael Jeffries has confirmed that he will resign as a Director with effect from the end of the Annual General Meeting on 26 July 2007. He will be succeeded as senior independent non-executive Director by Keith Hodgkinson, Chairman of the Audit Committee and by Gill Rider as Chairman of the Remuneration Committee.

Share Capital

Details of shares issued during the year are provided in Note 20a to the financial statements on page 76.

The Companies Act 1985 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 2006. Authorities to renew for one year the power of directors to allot shares pursuant to Sections 89 and 95 of the Companies Act 1985 will be sought from the shareholders at the Annual General Meeting. The Company was granted authority by its shareholders at the 2006 Annual General Meeting to purchase a maximum of 14.99 per cent of its own shares either for cancellation or held in treasury (or a combination of both).

Pursuant to that authority the Company acquired for cancellation 4,935,933 ordinary shares of 27 7/9 p each representing 3.06 per cent of the issued share capital as at 21 May 2007. The aggregate consideration paid was £29,184,835 and the purpose of the share buy back was to return surplus cash to shareholders. A resolution will be put to shareholders to renew the authority for a further period of one year.

Further details are contained in the Chairman's letter to shareholders dated 15 June 2007.

Share Schemes and Share Option Schemes

The Company operates a number of share schemes or share option schemes for employees, senior executives and managers.

Full details of share schemes are set out in the Remuneration Report on pages 42 to 49.

Substantial Shareholdings

Under the FSA's Transparency Directive effective 20 January 2007 shareholders must notify the Company of any interest in its shares of over 3 per cent and of each 1 per cent increment above to which total voting rights are attached. As at 21 May 2007 the Company had received the following notifications:

Persons Notifying	Total Number of Shares	Total Number of Voting Rights	% of Voting rights
Schroders	18,154,235	18,154,235	11.287
Silchester	13,895,998	13,895,998	8.640
Barclays plc	11,877,058	11,877,058	7.380
Barclays Global Investors	11,667,484	11,667,484	7.260
Legal & General Group plc	6,031,117	6,031,117	3.74

Going Concern

Having made appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union (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).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the parent Company and of the profit or loss of the parent Company for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;

- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and

- 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 proper accounting records that 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 1985. 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 Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Research and Development

Research and development for the year has focused on developing and protecting the intellectual property in security features, cash handling and new types of materials across the range of printed documents.

The amount spent in the year was £18.6m (2005/2006 : £17.0m).

Corporate Governance

A report on corporate governance and compliance with the FRC Combined Code on Corporate Governance 2006 is set out on pages 37 to 41.

Directors' and Officers' Liability Insurance and Indemnity

The Company has purchased insurance to cover its directors and officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity. To the extent permitted by UK law the Company also indemnifies its directors and officers. Amendments to the Companies Act 1985 came into operation on 6 April 2005 and the indemnification of directors and officers therefore is that permitted by the amended law, so that defence costs in civil or regulatory proceedings may be paid but must be refunded in the event that the director or officer is subsequently convicted. Neither the insurance nor the indemnity provide cover where the director has acted fraudulently or dishonestly.

Directors

Details of each person who was a Director at any time during or since the end of the year and their qualifications, experience and responsibilities are given on pages 32 and 33. A table giving details of their interests as at 31 March 2007 is shown below. All the Directors held office throughout the year except Gill Rider and Warren East who were appointed during the year.

In accordance with the Company's Articles of Association, Warren East, who was appointed on 9 January 2007, will retire and being eligible will offer himself for election at the Annual General Meeting. Keith Hodgkinson having served two three year terms, will retire and being eligible will offer himself for re-election. Leo Quinn and Philip Nolan will retire by rotation and, being eligible, will offer themselves for re-election. Nicholas Brookes, having served for three three year terms, will retire and being eligible will offer himself for re-election.

Gill Rider was appointed to the Board on 22 June 2006 and was elected by shareholders at the 2006 Annual General Meeting.

The non-executive Directors hold letters of appointment which will be displayed at the Annual General Meeting, together with the executive Directors' service contracts and indemnification agreements. Leo Quinn and Stephen King have 12-month rolling contracts, details of which are set out in the Remuneration Report on pages 42 to 49.

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 2007.

Directors' Interests

The interests of Directors holding office at the end of the financial year in the ordinary shares of the Company are set out below:

	31 March 2007 ordinary shares of 27$\frac{7}{9}$p each	25 March 2006 or date of appointment ordinary shares of 27$\frac{7}{9}$p each
Nicholas Brookes	13,005	13,005
Warren East	3,500	–
Keith Hodgkinson	4,165	4,165
Michael Jeffries	9,000	9,000
Stephen King	49,950	49,950
Philip Nolan	9,000	9,000
Leo Quinn	38,600	41,000
Gill Rider	760	–

Directors' Report
continued

Sir Jeremy Greenstock has no interest in the Company's ordinary shares. There have been no changes in Directors' interests in ordinary shares since 31 March 2007. All interests of the Directors and their families are beneficial.

Interest in Shares under Trust

As at 31 March 2007 executive Directors are deemed to have an interest as potential discretionary beneficiaries under the De La Rue Employee Share Ownership Trust ('ESOT') and the De La Rue Qualifying Employee Share Ownership Trust ('QUEST'). The shares held in the ESOT and QUEST are as follows:

	31 March 2007 ordinary shares of $27\frac{7}{9}$p	26 March 2006 ordinary shares of $27\frac{7}{9}$
ESOT	1,744,151*	3,400,124
QUEST	Nil#	262,727

*total after using existing shares to satisfy options under under the De La Rue Executive Share Option Schemes.
#total after using existing shares to satisfy options under the De La Rue Sharesave Scheme.

Further details are contained in Note 20b to the accounts on pages 76 to 80.

Directors' Remuneration

Details of the remuneration and share options of each of the Directors are set out in the Remuneration Report on pages 42 to 49.

Employees

Details of the Company's employment policies are set out in the Corporate Responsibility Report on pages 28 to 31.

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. Creditor days for the Group have been calculated at 39 days (2006 : 35 days). The Company does not have any trade creditors.

Charitable and Political Donations

Donations for charitable purposes amounting to £110,587 (2006 : £97,000) were made during the year. Details about the De La Rue Charitable Trust are set out in the Corporate Responsibility Report on pages 28 to 31.

Auditors

PricewaterhouseCoopers LLP resigned as the Company's auditors on 11 October 2006 and confirmed to the Company that there was no circumstances connected with their resignation which they consider should be brought to the attention of shareholders or creditors of the Company in acordance with the Companies Act. The Directors appointed KPMG Audit Plc on 11 October 2006 to fill the casual vacancy arising by reason of resignation of PricewaterhouseCoopers LLP. A resolution to reappoint KPMG Audit Plc as auditors to the Company will be proposed at the Annual General Meeting.

Special Dividend 2005

On 5 August 2005, the Company paid a special dividend of 38.0p per share amounting to £68.3m (the 'Special Dividend'). The Company's distributable profits reported in its annual accounts for the year ended 26 March 2005 were £50.2m.

Under the Company's Act 1985 (the ('Act'), distributions by the Company must not exceed the amount of the distributable profits that are reported in the Company's last annual accounts unless interim accounts demonstrate that there are sufficient distributable profits.

Therefore the Company took appropriate steps to ensure that it had more than sufficient distributable profits to pay the Special Dividend and prepared interim accounts to demonstrate this. It was brought to the Directors' attention during the year that these interim accounts were not approved and filed with Companies House as required. However, as the Company had sufficient distributable profits, the Directors believe that this technical breach of the Act has not prejudiced either shareholders or creditors of the Company.

As a result the Company has a potential claim to recover the Special Dividend paid in August 2005 from shareholders who received it. The Company does not intend to make such a claim and the Board has remedied this situation by resolving on 27 November 2006 to pay a new interim dividend of £68.3m (with the same record date as the Special Dividend). The Company's obligation to pay the new interim dividend is satisfied by the Company waiving its rights to recover the Special Dividend paid in August 2005. Any profits required to pay the new interim dividend are appropriated from profits shown in the Company's accounts for the year ended 25 March 2006. No cash will be required to be paid either to or by any shareholder. The effect of this is to ensure that no shareholder is either better or worse than would have been the case if the Special Dividend had met all of the technical requirements of the Act. For the sake of good order a resolution seeking shareholder ratification and approval of the steps taken by the Board to remedy the position will be proposed at the Annual General Meeting on 26 July 2007. Further details are included in the Chairman's Letter and Notice of Meeting.

HM Revenue and Customs has confirmed that it will continue to treat the Special Dividend paid on 5 August 2005 as a distribution for UK tax purposes (made at the time at which the Special Dividend was paid) and that the steps taken to remedy the position will have no tax implications for shareholders.

Annual General Meeting

The Annual General Meeting will be held at 10.30 a.m. on Thursday 26 July 2007 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS. The notice of the Annual General Meeting, including a Letter from the Chairman, accompanies this annual report.

By order of the Board

Louise Fluker
Company Secretary
21 May 2007

Corporate Governance

The Board is collectively accountable to its 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 Company's corporate governance arrangements are described in the following sections:

Corporate Governance Framework

The Company'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, Finance Director and non-executive Directors. The Company reviews and amends its corporate governance policies to reflect changes to the Combined Code, legislation or good practice. Revisions were last made in March 2007.

The Board also approves the Company's Business Code of Conduct ('Code of Conduct') which defines the Company's business principles and which was updated in June 2005. This is discussed further in the Corporate Responsibility Report on page 28. These documents are set out on the Company's website www.delarue.com

In accordance with the Turnbull Guidance on internal control, the Board confirms that there is an ongoing process for identifying, evaluating and managing the key risks including financial, operational and compliance controls and risk management systems. This process has been in place throughout the year and up to the date of approval by the Board of the Annual Report and Accounts. The Board's governance policies include a process for the Board to review regularly the effectiveness of the system of internal control and risk management systems, and the Board has conducted such a review during the year. Details are set out on pages 21 to 24. This does not extend to associated companies or joint ventures such as Camelot Group plc where we do not have management control.

Compliance with Section 1 of the Combined Code on Corporate Governance

In the year to 31 March 2007 the Company has complied throughout with the provisions and applied the principles of the Combined Code issued by the Financial Reporting Council in June 2006 (the 'Code') as detailed in this Report, and which made minor changes to the Combined Code 2003.

Board of Directors

Composition of the Board

Throughout the year to June 2006 there were four independent non-executive Directors compared to the non-executive Chairman and two executive Directors. Gill Rider and Warren East were appointed non-executive Directors on 22 June 2006 and 9 January 2007 respectively. Both are considered to be independent non-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 Company's business. However no individual or small group can dominate decision taking. The roles of the Chairman and Chief Executive are separated and clearly defined. The Chairman is primarily responsible for the working of the Board. The Chief Executive is responsible for running the business and implementing Board strategy and policy.

The Directors' biographies appear on pages 32 and 33. 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.

The existing commitments of Directors appear on pages 32 and 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.

Succession Planning

The Board has in place an orderly process to refresh the composition of the Board regularly without compromising its continued effectiveness, as demonstrated by the appointment of Gill Rider and Warren East. As well as assessing the skills profile, type and number of non-executive Directors required to enhance the Board's composition, the Company follows a rigorous internal talent review process which is used in planning executive Director and senior management succession.

Objectives of the Board

The Board reviewed its objectives during 2006/2007 and confirmed them as:

– delivering value to shareholders and other stakeholders;

– maintaining the Company's reputation for integrity as the foundation of its relationship with stakeholders; and

– building long term success through innovation, quality and sound management.

Role and Operation of the Board

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; and

– monitoring the composition of the Board through the Nomination Committee.

Corporate Governance
continued

The Board has also reserved certain matters to itself to reinforce its control of the Group. These include:

– establishing Committees of the Board and their terms of reference;

– determining the responsibilities of Directors, in particular those of the Chairman and Chief Executive;

– approving internal control processes;

– (in conjunction with the Audit Committee) approving the announcement of interim and final results;

– approving any interim dividend and recommending the final dividend to shareholders;

– approving the annual report, remuneration report and financial statements;

– approving the Group's strategy;

– approving the Group's annual budget;

– approving significant matters relating to capital expenditure, acquisitions and disposals or joint ventures by any Group Company;

– approving changes to the capital structure of the Company or other matters relevant to its status as a listed Company; and

– being informed about and taking any necessary decision on any matter which would have a material effect on the Company's financial position, liabilities, future strategy or reputation.

The Board delegates authority to run the business to the Chief Executive, except where certain matters are reserved to it or to the Committees of the Board. The Chief Executive in turn delegates responsibility to senior executives, in particular to divisional managing directors. Operational control is exercised by the Operating Board which functions as a board of directors. The Finance Director's role and responsibilities are also clearly defined.

A matrix of delegated authorities is reviewed and approved by the Board annually.

The Board provides leadership of the Company 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 or presentations from the executive Directors, operational managing directors and key functions. Directors receive agendas and Board papers generally five days before each Board meeting; minutes are circulated as soon as possible thereafter. The Board reviews progress on implementing actions arising from the Board and its Committee meetings each month.

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

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

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

The Chairman and each Committee Chairman had discussions with each Director or Committee member based on the responses and each Director's own views regarding effectiveness of the Board or Committee as a whole and the individual Director's performance. The senior independent non-executive Director was responsible for appraising the Chairman's performance in meetings or discussions with the non-executive Directors in the absence of the Chairman. The Chairman and the non-executive Directors also met in the absence of the executive Directors. The results were discussed by the Board or individual Committees which then produced an implementation plan to address any issues raised.

The chairman of the Audit Committee is also responsible for ensuring that the effectiveness of the external audit process and internal audit function is reviewed following a similar procedure. The Audit Committee agreed that the evaluation of the external audit process should be performed when KPMG Audit Plc has completed a full cycle.

As the result of the review of 2006/2007 the Board will devote more time to stategic issues, customer feedback and progress in outsourcing.

Details of Attendance at Board and Committee Meetings

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

Directors' Attendance 2006/2007	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	15	3	9	4
Dr P M G Nolan	14	3	8	4
Mr K H Hodgkinson	13	3	9	4
Mr M M Jeffries	14	3	9	4
Mr N K Brookes (Chairman)	15	–	†4	4
Mr S A King	15	–	–	–
Mr L M Quinn (Chief Executive)	15	–	–	4
Sir Jeremy Greenstock	12	–	9	4
Ms G Rider (appointed 22 June 2006)	9	*1	*5	–
Mr D W A East (appointed 9 January 2007)	4	**–	–	–

† Appointed to the Remuneration Committee on 28 September 2006.
* Appointed to Audit and Remuneration Committees 27 July 2006.
** Appointed to Audit Committee 22 February 2007.

Role of Non-Executive Directors

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

Michael Jeffries succeeded Nicholas Brookes as the Company's senior independent non-executive Director and shareholders may contact him if they feel their concerns are not being addressed through normal channels. He is also responsible for reviewing the performance of the Chairman. Keith Hodgkinson will succeed Michael Jeffries as senior independent non-executive Director when he resigns as a non-executive Director with effect from the end of the Annual General Meeting. Non-executive Directors confirm on appointment, and annually, and have done so this year, that they are able to allocate sufficient time to enable them to properly discharge their duties. In the very few instances when a Director has not been able to attend Board or Committee meetings, he has made known his views on pertinent matters to the Board.

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, 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 required to attend an external course covering such duties and responsibilities. During the year Gill Rider and Warren East had an induction programme covering strategy, corporate governance and remuneration and HR issues with the executive Directors, the Company Secretary and other senior staff, as well as visiting a number of sites. Directors are briefed, where appropriate, by the Company's external advisers, on changes to legislation, regulation or market practice, as well as receiving briefings from individual businesses throughout the year. In particular this year the Board received specific briefing on the implementation of the Companies Act 2006 and changes made to the Disclosure and Transparancy Rules in January 2007. Directors, especially Committee chairmen, have the opportunity of attending appropriate training sessions.

At least once a year the Board generally visits an operational site (Gateshead this year) and Directors are encouraged to visit other sites and staff. The 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 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

All Directors are required to submit themselves for re-election at least every three years. New Directors are subject to election by shareholders at the first opportunity after their appointment, as are directors whose role has changed since their previous election or who are subject to particular conditions, such as Nicholas Brookes who, since March 2006, is required to submit himself for re-election annually after serving nine years on the Board. Non-executive Directors are appointed for an initial period of three years with the expectation of a further three years subject to satisfactory performance. Additionally, any non-executive Director who has completed two three year terms is required to submit himself for re-election annually thereafter. Keith Hodgkinson will offer himself for re-election at this year's Annual General Meeting. The Board may invite a non-executive Director to serve a third three year term after a detailed review at the end of the second term. Non-executive Directors' letters of appointment are available for inspection at the Company's registered office and at the Annual General Meeting, together with executive Directors' service contracts.

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

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 Company's website and are also available on request. Membership of these Committees is given in the Directors' biographies on pages 32 and 33. Further details of Committees are given below.

Nomination Committee

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 also reviews the

Corporate Governance
continued

time commitment required of non-executive Directors at least once a year. The Board, as a whole, approves the appointment and removal of Directors. The Committee has the power to employ the services of such advisers as it deems necessary in order to carry out its responsibilities. It generally retains appropriate executive search consultants, having prepared a job specification for the particular role to be filled. The principal activity of the Committee during 2006/2007 has been to conduct a search for two new non-executive Directors using The Zygos Partnership.

The Committee consists of four independent non-executive Directors together with the Chairman and the Chief Executive.

Remuneration Committee
Gill Rider was appointed to the Remuneration Committee in July 2006. Details of the Committee and of the remuneration policy can be found in the Remuneration Report on pages 42 to 49. Nicholas Brookes was appointed in September 2006 in anticipation of the changes to the Combined Code 2006.

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 Committee chaired by the Company Secretary, meets and reports to the Board at least four times a year. Other members include the Chief Executive, Finance Director, heads of key functions and representatives from each division. Any Director is entitled to attend any meeting.

The core responsibilities are to:

– identify and evaluate key risks (excluding matters relating to financial reporting and systems which are the remit of the Audit Committee);

– assist the Board by providing a framework for managing risk throughout the Company;

– provide an appropriate level of reporting on the status of risk management to the Board including insurance, health and safety, fire, environment, business continuity, security and legal;

– ensure any corrective actions are taken;

– promote awareness of risk management;

– review the management processes and systems to monitor and manage key risks; and

– investigate and manage such matters as the Audit Committee may from time to time request.

The Committee is assisted by other Group-wide committees which deal with managing specific areas of risk such as:

– Environmental, Health and Safety Steering Group;

– Group Security Committee; and

– Human Resources.

Risk Management
Details of risk management and particular risks within the Group are set out on pages 21 to 24.

Audit Committee of the Board
All members of the Audit Committee are independent non-executive Directors. The Board considers that at least one member of the Audit Committee, namely the Committee Chairman, has sufficient recent and relevant financial experience for it to discharge its functions effectively. The external auditor, Chairman, Chief Executive, Finance Director, General Counsel and Company Secretary, Group Financial Controller and Head of Internal Audit attend each meeting at the invitation of the Committee Chairman. The internal auditor and KPMG Audit Plc each meet the Committee without executive Directors or employees of the Company being present.

The Committee receives comprehensive reports from senior management and the internal and external auditors. Its key responsibilities are to:

– approve and review the appointment of the external auditor which it did so during the year;

– monitor the effectiveness of and receive regular reports from the internal audit function;

– ensure the adequacy of the systems and standards of internal financial control within the Group; and

– review reports on actions taken to address financial risk identified by management and/or the internal audit process.

During the year principal activities of the Committee included:

– recommending to the Board the appointment of the external auditor;

– reviewing the interim and full year financial results;

– reviewing and approving the audit plans for the following year for the external and internal auditors;

– reviewing and monitoring the external auditor's independence and objectivity;

– reviewing the effectiveness of the external audit process;

– reviewing and approving the external auditor's audit fees and letter of engagement; and

– reviewing reports on the effectiveness of the Group's Whistleblowing Policy, details of which are set out on page 28.

Internal Audit
The Board through the Audit Committee monitors the internal financial control systems through reports received from the Group internal audit function during the year. The internal audit function reviews internal financial controls in all key activities of the Group, typically over a three year cycle. It acts as a service to businesses by assisting with the continuous 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. Actions are agreed in response to its recommendationsand these are followed up to ensure that satisfactory control is maintained. The internal audit programme is centrally co-ordinated. This is set and reviewed by the Audit Committee, together with reports from the external auditors on internal control matters noted as part of their audit work.

During the year the Company continued to raise the profile of good internal financial controls. A training programme aimed at increasing the awareness and early detection of fraud was implemented and this will be cascaded down the organisation in specific risk areas. As part of this programme businesses completed fraud risk profiling for key accounting processes. A number of unannounced special audits was carried out during the year to test the internal financial control processes.

External Auditors

During the year KPMG Audit Plc was appointed external auditor to the Company and prior to its appointment the firm performed certain internal audit services. Following the appointment of KPMG Audit Plc as the Company's external auditor the Company has appointed Ernst & Young to perform the internal audit services previoulsy undertaken by KPMG Audit Plc. The Directors agreed to a period of overlap for the remainder of the financial year by KPMG Audit Plc for internal and external services to the Company having received assurances from KPMG Audit Plc that there would be sufficient checks and procedures in place to ensure that there was no conflict of interest.

Independence of Auditors

The Committee has a detailed policy specifying which services the external auditor is either allowed to or prohibited from performing on behalf of the Group and the relevant procedures to be followed by the Group.

The procedures relate to:

– selecting the statutory auditor and approving the audit fee;

– being satisfied that there are no relationships between the auditor and the Company (other than in the ordinary course of business);

– agreeing a policy on the employment of former employees of the auditor, then monitoring the implementation of this policy;

– commissioning non-audit work; and

– circumstances in which it is appropriate or inappropriate for incumbent auditors to be allowed to, or prohibited from, providing non-audit work.

De La Rue's procedures for procuring audit and consulting services from external sources are:

– **Audit-related services:** this covers regulatory and statutory reporting and formalities relating to shareholder and other circulars. In addition to the annual appointment of auditors by the shareholders, the Audit Committee reviews the auditors' performance, the extent to which the auditors keep the Audit Committee and management of the Company informed about material issues affecting the Company and any significant developments in accounting policies and standards which may have a material effect on the Company's financial position.

– **Non-audit related services:** the Audit Committee regularly reviews the nature and extent of non-audit services seeking to balance the maintenance of objectivity and value for money.

Incumbent auditors are prohibited from performing certain non audit related services including remuneration consultancy and advice, the design, development or implementation of financial information or internal control systems. Certain other non-audit services interrelate closely with the auditing work because of the significant knowledge the incumbant auditors may possess of the particular area of the business or issue. Therefore a total ban on use of incumbent auditors might lead to loss of business knowledge that could adversely affect audit quality.

Whilst it may be cost effective for incumbent auditors to provide services, as a general principle all must be subject to competitive tender. The Finance Director determines how this applies. Non-audit related services may include:

– work related to disposals by the external auditors because of their knowledge of the business concerned; and

– corporation tax compliance work assessed on a case by case basis, depending on who is best suited to perform the work.

Incumbent auditors may, but only with the prior approval of the Chairman of the Audit Committee, provide some non-audit related services such as acquisition work where the selection criteria include detailed proposals, timescales, local resource and cost. During 2006/2007 the amount of consulting related non-audit fees paid to KPMG Audit Plc was £0.2m and was principally related to procurement and supply chain management advisory work.

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 the professional and regulatory requirements and best practice designed to ensure their independence. Thus 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 who may be providing services to De La Rue.

Relationship with Shareholders

The Company places a high priority on communications with and accountability to shareholders. A general interim statement and a fully audited annual report and accounts are sent to shareholders and posted on the Company's website as are presentations to institutional investors. Announcements are also regularly made by Regulatory News Service to the London Stock Exchange. The Chairman and Senior Independent non-executive Director are available to meet key shareholders to discuss strategy, governance and other matters. Nicholas Brookes met a key shareholder during the year and communicated its views to the Board.

All shareholders are entitled to attend the Annual General Meeting and receive a Notice of Meeting which is posted at least 20 working days before the Annual General Meeting. Shareholders can also vote and appoint proxies electronically. At the Annual General Meeting the Chairman announces details of proxy voting after each item of business. Proxy votes are also available to shareholders at the Annual General Meeting and on the Company's website. The Chairman also provides a trading update. The Chairmen of the Board Committees are also present. Shareholders may question the Board on these and other matters relating to the Group's business. Directors also have an opportunity to meet shareholders 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 an external consultant.

By order of the Board

Louise Fluker

Louise Fluker
Company Secretary
21 May 2007

Remuneration Report

The Remuneration Committee presents its report which has been adopted by the Board. Shareholders will be asked to approve the Remuneration Report 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 plans; and

– graphs comparing the performance of the Company against the FTSE 250, its comparator group.

Details of each Director's interests in the Company's shares are set out in the Directors' Report.

Although the Board rather than the Remuneration Committee is responsible for the terms of appointment of non-executive Directors and their fees, details of these are included at the end of this Report.

Remuneration Committee
The Remuneration Committee consists exclusively of independent non-executive Directors (as defined under the Combined Code) plus the Chairman of the Company, Nicholas Brookes who was independent at the time of his appointment as Chairman on 22 July 2004. The members during the year were: Michael Jeffries (Chairman), Nicholas Brookes, Sir Jeremy Greenstock, Keith Hodgkinson, Philip Nolan and Gill Rider. Their biographical details appear on pages 32 and 33. The Committee met nine times and attendance details are set out on page 39. The Committee's terms of reference are set out in full on De La Rue's website and the key requirements are to approve:

– the Chairman's fee and all elements of the remuneration, including base salaries, benefits, pensions, performance measures and targets of the Company's executive Directors and senior executives reporting to the Chief Executive;

– all contracts with executive Directors and any compensation arrangements arising from the early termination of these contracts;

– all grants of shares and options under the Company's share schemes, any changes to existing schemes and the introduction of any new schemes; and

– the design of bonus schemes for divisions of the Company.

Details of how the Committee has carried out these responsibilities are described in this report.

Advisers
The Committee is authorised to and uses independent consultants. During 2006/2007 Watson Wyatt Limited was retained to advise on remuneration levels compared with comparator companies and on share plan design. New Bridge Street Consultants LLP advised only on whether performance targets in share option schemes were achieved. Watson Wyatt Limited has also provided advice to the Company on a variety of compensation and employee benefits for employees below the level of executives reporting directly to the Chief Executive.

In addition, Leo Quinn, Chief Executive, Jane van Ammel, Group Director of Human Resources and, from time to time, Stephen King, Finance Director, are requested to attend meetings on an ad-hoc basis to provide assistance to the Committee. Louise Fluker, General Counsel and Company Secretary, the Committee's Secretary, advises the Committee 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.

Remuneration Policy for Executive Directors and Senior Executives
De La Rue's remuneration policy is designed to support the achievement of the Company's key business strategies and is linked to its performance and is regularly reviewed. It reflects the need to attract and retain employees who have the necessary skills and commitment and to motivate them by providing outstanding reward opportunities linked to the achievement of outstanding results. The structure of the reward package for executive Directors and senior executives comprises:

– basic salary set at competitive levels relative to the external market and individual contribution;

– an annual incentive award, providing a substantial total earnings opportunity, to reward achievement of short term results and specific business objectives;

– a long term incentive for senior management comprising a deferred bonus to be satisfied by shares vesting in three years plus an allocation of matching shares vesting of which depends on the achievement of stretching performance targets; and

– pension and other benefits in line with competitive practice.

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.

The Committee regularly benchmarks key jobs against similar positions in comparable companies and obtains detailed information from external and internal sources about current market practices. Key jobs include executive Directors and members of the Operating Board. The primary external comparator group used by the Committee is companies of similar size and complexity in the FTSE 250. The Chief Executive's current level of annual basic salary is positioned broadly at the median of composite comparator data for chief executives, comprising Watson Wyatt's proprietary remuneration survey data and a bespoke group of predominantly FTSE 250 companies. The Finance Director's current level of annual basic salary is positioned slightly above the median of composite comparator data for finance directors, on the same basis. The objective is to ensure that total remuneration packages are fair and competitive, simple to understand and transparent. The Committee also seeks to ensure that the interests of the executives are aligned with those of the shareholders pursuing a policy of high rewards only for high performance.

The Remuneration Committee concluded that it would be appropriate to change the longer term incentive plan for executive Directors and senior key executives for 2005/06. The Deferred Bonus and Matching Share Plan was established during that year and replaced the Matching Shares Scheme. Details of both are set out on pages 46 to 48.

For 2006/2007 incentives linked to performance were through participation by executive Directors and senior managers in the annual incentive award and the De La Rue Deferred Bonus and Matching Share Plan. Performance-related elements of remuneration form a significant proportion of total remuneration packages. The maximum annual incentive bonus, combined with the maximum allocation of deferred shares and expected value of conditional matching shares (using the Watson Wyatt Present Economic Value methodology) provides approximately 63 per cent of the executive Directors' direct remuneration.

Salaries for Executive Directors and Senior Executives

Details of each individual executive Director's remuneration are set out on page 46. Basic salaries reflect the responsibilities, market value and sustained performance level of executive Directors and senior executives. Salaries are based on the rate for similar posts in benchmarked companies although individual salaries may be above or below this level, reflecting performance and seniority in the position while having regard to employees' pay and conditions elsewhere in the Group. Basic salaries are reviewed annually by the Remuneration Committee.

Annual Incentive Award

The annual incentive award, 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 Leo Quinn and 70 per cent for Stephen King. 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 headline earnings per share, operating cash flow and operating profit together with an element based in 2006/2007 on the achievement of key business imperatives. There are appropriate divisional measures for managing directors and senior executives of divisions. The incentive plan is structured so that there is no payment unless a minimum performance threshold has been achieved and that the maximum payout will only be made if stretching and challenging targets are met. The 2006/2007 Annual Incentive Award achieved maximum payout for executive Directors and some senior management.

Targets set for 2007/2008 follow the same plan design as for 2006/2007 but with more challenging performance targets and with an element again dependent on achievement of key agreed business imperatives. Once the design of the 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 turnover, 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 six years, including the annual incentive award for 2006/2007.

External Appointments

The Board considers whether it is appropriate for an executive Director to serve as a non-executive Director of another company. Stephen King was entitled to a fee of £41,500 in respect of his non-executive Directorship of the Weir Group plc, which he was permitted to retain.

Executive Directors' Service Contracts

The executive Directors have rolling service contracts with 12 months' notice period (except as set out below) and provision for compensation on termination not exceeding 12 months' gross salary. Leo Quinn and Stephen King are required to give 12 months' and six months' notice of termination respectively to the Company. Leo Quinn's contract was dated 3 March 2004.

Stephen King's contract, dated 7 October 2002, had a change of control clause which expired on 1 February 2005.

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.

Benefits

All executive Directors and senior employees are eligible for a range of taxable benefits which include the provision of a company car and payment of its operating expenses (including fuel up to 31 March 2007) or a cash alternative, membership of private medical and permanent health insurance schemes, life assurance and reimbursement of the annual subscription to an appropriate professional body.

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

Remuneration Report
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Pension
All executive Directors and senior executives in the UK may join the HM Revenue and Customs registered De La Rue Pension Scheme. Executives who are members of the senior section are required to pay a contribution of 7 per cent of basic salary to the Scheme. Members are provided with a pension of up to two-thirds of pensionable salary on retirement. The actual level of pension depends upon the number of years' service with the Group. The current normal retirement age is 62 (except for Leo Quinn whose normal retirement age is 60) although accrued pensions may be drawn in full from age 60. The Scheme also provides a lump sum death in service benefit and pensions for dependants of members on their death. During 2005/06 a review of pension provision was carried out taking account of the new legislation arising from the Finance Act 2004. From 6 April 2006 ("A-Day") the HM Revenue and Customs earnings cap (£105,600 for 2005/2006) was removed and full basic earnings became pensionable through the Scheme. 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 no executive Director or employee will be compensated by the Company for any additional tax which may be payable as a result of these changes.

During 2006/2007 the Company consulted with its employees regarding proposed changes to the structure of the Scheme, with the aim of more appropriately sharing the cost and risks going forward. Having considered the results of that consultation the Company has decided that with effect from 1 June 2007 it will implement the following changes which will be applied to all members of the Scheme fairly and equitably:

– normal retirement age will increase to age 65

– member contributions will increase to 7.5 per cent from 1 June 2007 and to 8 per cent from 1 June 2008

– the accrual rate for service after 1 June 2007 will be adjusted during the working life of the member to take account of changes in life expectancy over that period.

Pension accrued up to 1 June 2007 will not be affected by these changes.

Details of each executive Director's pension arrangements up to 1 June 2007 and thereafter are as follows:

Stephen King is eligible for a target pension from all sources of two-thirds of basic salary at the age of 65. Part of this benefit arises from previous employment. His target pension is provided through a combination of a closed FURBS and membership of the senior section of the De La Rue Pension Scheme. He is required to make a contribution of 7 per cent of basic salary to his pension arrangement and is 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. Contributions to the FURBS were suspended during 2003, until the review of the A-Day legislation was completed and benefits on earnings in excess of the earnings cap were provided on an unfunded basis. From 6 April 2006 it was agreed that the previously unfunded benefits should be provided through the Scheme. The Scheme actuary has assessed that the contribution required by the Company to the Scheme to fund them is £260,000. Payment of this amount has been made to the Scheme. The effect of this is to increase his pension under the defined benefit Scheme as at 5 April 2007 to £29,500 per annum. The changes being made to the Scheme will be applied to his benefits accruing from 1 June 2007.

Leo Quinn is eligible for a target pension from all sources of two-thirds of basic salary at the age of 60. Part of this benefit arises from previous employment. He is required to make a contribution to the senior section of the Scheme of 7 per cent of basic salary and is 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 payable on death in service. Until the review of the A-Day legislation was completed, pension on earnings in excess of the earnings cap was unfunded. From 6 April 2006 it was agreed that his pension should be provided through the Scheme. To ensure that the Annual Allowance permitted under the 2004 legislation is not breached, the Company will make payments each year to the Scheme up to the Annual Allowance to secure the unfunded pension. For 2006/2007 the Company made a payment to the Scheme of £43,800, increasing the pension funded under the defined benefit Scheme as at 5 April 2007 to £25,000 per annum. The Scheme actuary has estimated the cost of the remaining unfunded pension to be £446,000. The changes being made to the Scheme will also be applied to his benefits from 1 June 2007, except for his normal retirement age which will increase by three years from age 60 to age 63 rather than to age 65.

The increase in defined benefit scheme pension for each of the executive Directors from 6 April 2007 does not represent an increase in either the target pension or Company liability but is a consequence of transferring the funding from a combination of two arrangements to one and the cancellation of past unfunded liabilities.

Directors' Pension Entitlements (audited information)
The table opposite sets out the pension benefits to which each executive Director is entitled. It shows:

– the accrued pension entitlement at the end of the year, payable from normal retirement age;

– the additional pension accrued during the year, payable at normal retirement age; and

– the transfer value amounts as at 26 March 2006 and 31 March 2007 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. The increase in transfer value required by the Listing Rules discloses the current value of the increase whereas the change in transfer value shown under the Companies Act 1985 shows the absolute change in the value including the effects of market volatility and inflation.

Directors' Pension Entitlements (£'000)

	Pension accumulated at 31 March 2007	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 26 March 2006	Transfer Value of accumulated pension at 31 March 2007	Change in transfer value (excluding Directors' contributions)
Leo Quinn	25	18	17	196	82	317	204
Stephen King	27	16	16	125	112	260	128

The number of options over De La Rue plc shares held by executive Directors under the executive share option and sharesave schemes is detailed below:

Directors' Share Options (audited information)

	Date of Grant	26 March 2006	Exercised during year	Lapsed during year	Number of Options 31 March 2007	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)(e)
Leo Quinn Executive Share Options	Jul '04	352,422	–	–	352,422	340.500	–	(a)	Jul '07	Jul '14	88.0
Sharesave Options	Dec '04	5,448	–	–	5,448	303.31	–	(b)	Mar '10	Aug '10	89.0
		357,870			357,870						
Stephen King Executive Share Options	Mar '03	100,000	–	–	100,000	200.500	–	(c)	Mar '06	Mar '13	70.9
	Jul '03	204,000	204,000	–	–	237.333	549.2775	(d)	Jul '06	Jul '13	66.0
	Jul '04	149,779	–	–	149,779	340.500	–	(a)	Jul '07	Jul '14	88.0
Sharesave Options	Dec '03	3,563	3,563	–	–	258.900	663.134	(b)	Mar '07	Aug '07	66.0
		457,342	207,563		249,779						

Notes

(a) Earnings per share growth over three years of at least 3 per cent per annum over rate of increase in retail prices index; headline earnings per share at the start of the performance period were 24.2p.

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

(c) Earnings per share growth over three years of at least 3 per cent per annum over rate of increase in retail prices index; headline earnings per share at the start of the performance period were 34.4p.

(d) Earnings per share growth over three years of at least 5 per cent per annum over rate of increase in retail prices index; headline earnings per share at the start of the performance period were 18.9p.

(e) Estimated value of award at time of grant (see also Note 20b to the financial statements).

During 2006/2007 Stephen King exercised executive share options as stated above. The gain made on exercise was £636,480.

Remuneration Report
continued

Deferred Bonus and Matching Share Plan (audited information)

Deferred allocation of shares held by executive Directors is as follows:

	Date of allocation	Total allocation as at 26 March 2006	Allocation during year	Allocation vesting during year	Lapsed during year	Total allocation as at 31 March 2007	Mid market share price on date of allocation (pence)	Vesting date	Average fair value per share (pence)(b)
Leo Quinn									
Deferred Allocation	28.07.05	51,796	–	–	–	51,796	386.13	28.07.08	391
	22.06.06	–	40,429	–	–	40,429	531.80	22.06.09	540
Maximum Matching Allocation (a)	28.07.05	103,592	–	–	–	103,592	386.13	28.07.08	284
	22.06.06	–	80,858	–	–	80,858	531.80	22-06.09	380
		155,388	121,287	–	–	276,675			
Stephen King									
Deferred Allocation	28.07.05	19,811	–	–	–	19,811	386.13	28.07.08	391
	22.06.06	–	17,770	–	–	17,770	531.80	22.06.09	540
Maximum Matching Allocation (a)	28.07.05	39,622	–	–	–	39,622	386.13	28.07.08	284
	22.06.06	–	35,540	–	–	35,540	531.80	22.06.09	380
		59,433	53,310	–	–	112,743			

Notes

(a) Details of the performance condition attached to matching shares are set out on page 47.

(b) Estimated value of award at time of grant (see also Note 20b to the financial statements).

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 31 March 2007 and based on the prevailing share price on that date dividend shares accrued were as follows:

Leo Quinn: 5,403 ordinary shares
Stephen King: 2,123 ordinary shares

The closing mid-market price of De La Rue plc shares at 31 March 2007 was 715p and the highest and lowest mid-market prices during the year were: High 736p Low 457p

Directors' Emoluments (audited information)

	2007 Salary and fees £'000	2007 Benefits £'000	2007 Bonus £'000	2007 Total £'000	2006 Total £'000
Executive Directors					
Leo Quinn	460	29	460	949	894
Stephen King	290	27	203	520	489
	750	56	663	1,469	1,383
Non-executive Chairman					
Nicholas Brookes	155	–	–	155	150
Non-executive Directors					
Warren East (appointed 9 January 2007)	8	–	–	8	–
Sir Jeremy Greenstock	35	–	–	35	30
Keith Hodgkinson	42	–	–	42	37
Michael Jeffries	42	–	–	42	37
Philip Nolan	35	*1	–	36	36
Gill Rider (appointed 22 June 2006)	27	–	–	27	–
Aggregate emoluments	1,094	57	663	1,814	1,673

*relates to reimbursement of traveling expenses from Ireland to attend Board meetings.

Sharesave Scheme
All UK employees of the Company may join its 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 2006 at a price of 540.74p which was a 15 per cent discount, and 32 per cent of eligible employees participated.

US Employee Share Purchase Plan
The US Employee Share Purchase Plan, 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, subject to the statutory limit (currently US$25,000 worth of shares). No performance conditions are attached to options under the Plan. The Fifth Offering under the Plan began on 1 January 2007 and 28 per cent of eligible employees participated. The purchase price is 85 per cent of the lower market value of a De La Rue share either at the beginning (547.83p) or end of the Offering Period on 31 December 2007.

Current Schemes
Deferred Bonus and Matching Share Plan
The Company established the Deferred Bonus and Matching Share Plan in July 2005 following a review by the Remuneration Committee of share incentive arrangements which were introduced in 2002 for executive Directors and other senior executives. The objective of the Plan was to replace the existing schemes with a single arrangement which was more in alignment with the Company's strategy of developing its core business.

The Plan involves making awards of deferred allocations of shares to executive Directors and selected senior executives based on the achievement of annual performance targets to be satisfied before the awards are made.

The maximum value of the deferred allocation based on market value of a share at the date of allocation is 50 per cent of the maximum bonus, i.e. 50 per cent of salary in the case of Leo Quinn and 35 per cent of salary in the case of Stephen King. The number of deferred shares will be matched by additional free 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 by the Company.

There are two performance targets each one of which will apply to 50 per cent of the Matching Shares. 50 per cent of Matching Shares will be 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 prices index which is at least a minimum of 3 per cent per annum. If the minimum target is not achieved no matching share allocation will be awarded. If EPS increases by 5 per cent or more above the annual rate of increase in the retail prices index, the eligible participant will receive 100 per cent of Matching Shares subject to the EPS test, with intermediate straightline vesting.

The remaining 50 per cent of the Matching Share element will be 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 relative 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 straightline 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.

After carrying out a review of the operation of the Deferred Bonus and Matching Share Plan and following consultation with key shareholders the Remuneration Committee decided on 15 May 2007 to extend the operation of the Plan for a further three year period. However, in the interim it will keep under regular review the operation of the Plan and its specific terms, including performance measures. Before making each particular tranche of awards the Remuneration Committee will consider the appropriateness of the performance targets for matching awards, recognising in particular that the average earnings per share growth target of Retail Price Index +3-5 per cent is the minimum.

Long Term Incentive Plan
The Long Term Incentive Plan (LTIP) was introduced in 2006 in place of the Executive Share Option Plan which expired in July 2006. The Remuneration Committee considered, particularly in view of the changes to the accounting rules, that the appropriate long term incentive needed to be simpler, based on cash rather than issuing shares or matching shares and over a period of not less than three years in order to retain key individuals. The LTIP is a cash based plan under which eligible employees, who are not already covered by the Deferred Bonus and Matching Share Plan, may 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 under the Plan provided the performance measure is met.

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

The Remuneration Committee chose EPS rather than TSR because it was better suited to De La Rue and the nature of our business.

Superseded Schemes
Executive Share Schemes
Awards are discretionary and subject to the limits approved by the Committee while reflecting good corporate governance practice and institutional guidelines. The number of shares under any option is determined by reference to a percentage of annual base salary. This is normally in a range between 25 per cent and up to 200 per cent of base salary depending on levels of seniority.

The Committee may award an individual options equal to three times base salary each year, but only in exceptional circumstances.

Grants to date have not been made at these levels. The performance conditions attached to share options apply to all executive Directors.

Remuneration Report
continued

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.

The Option Plan is in two parts. Part A is approved by HM Revenue and Customs and so confers tax relief on UK resident employees on any gains arising on exercise. Part B is unapproved to enable the grant of options to an individual where the cumulative value of the employee's subsisting options at the date of grant exceeds £30,000. Options are granted for nil payment and may normally only be granted within 42 days of any announcement of results.

These options will vest subject to achieving the performance condition over three years of earnings per share growth of at least three per cent per annum over the rate of increase in the retail prices index. If this condition is not met at the end of the performance period the options will lapse. For grants of options before April 2004, retesting of the performance target will be allowed twice from the fixed date of the original grant date, on the fourth and fifth anniversaries of the date of grant. For the purpose of the calculations in connection with the Plan earnings per share will be derived from the headline earnings per ordinary share (before exceptional items) as shown in the Group Profit and Loss Account.

The Remuneration Committee considered, when establishing the Plan in July 2002, using a performance measure based on a comparison of the Company's Total Shareholder Return with those of other companies, but given the difficulty in finding a suitable group of comparator companies, the then current market conditions and the Group's position, the Committee's view then was that a performance measure based on growth in earnings per share was more appropriate.

The Remuneration Committee will regularly review the performance target and may increase but not relax it to ensure the performance target remains a challenging and stretching test of performance.

The Plan was replaced by the Long Term Incentive Plan which is cash not share based and only senior employees (other than executive Directors or those eligible for participation in the Deferred Bonus and Matching Share Plan) are eligible to participate.

A Phantom Share Option Scheme is operated under similar rules to provide an equivalent cash incentive to senior executives in jurisdictions where the tax or securities laws make it impracticable to operate a share option scheme. Grants will not be made under the Scheme whilst awards are made under the Long Term Incentive Plan.

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

A Phantom Share Option Scheme has been operated and the performance targets for grants prior to 2002 match those of the Executive Share Option Scheme. The Remuneration Committee considered the performance target to be the most appropriate at the time it was introduced.

Matching Shares Scheme
In order to encourage key executives to build up their personal shareholding, the Company implemented the Matching Share Scheme in 2002. It expires in July 2012 but no grant has been made since 2004 as the Scheme has been superseded by the Deferred Bonus and Matching Share Plan.

Dilution Limits
The Executive Share Option Plan and Deferred Bonus and Matching Share Plan incorporate the current (14 December 2006) ABI Guidelines on headroom which provide that over a 10 year period in relation to the Company's issued share capital (or reissue of treasury shares):

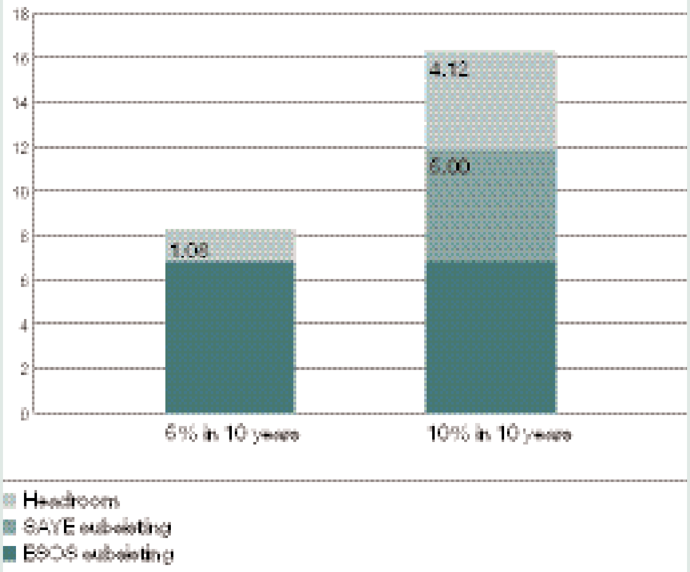
– no more than 10 per cent can be issued to satisfy options granted under both executive share option schemes and any other employee share scheme of the Company; and

– no more than 5 per cent can be allocated to satisfy executive share option schemes or share awards.

The Remuneration Committee monitors monthly 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 commitment has been made are excluded from the headroom calculations.

As at 21 May 2007 and taking into account options which are covered by a commitment to satisfy by market purchases and where the Company is able to use shares held in the ESOT (details of which are set out in Note 20b on page 80) the current headroom in relation to all outstanding share options or deferred share awards is shown oposite:

Scheme limits headroom
(m shares)

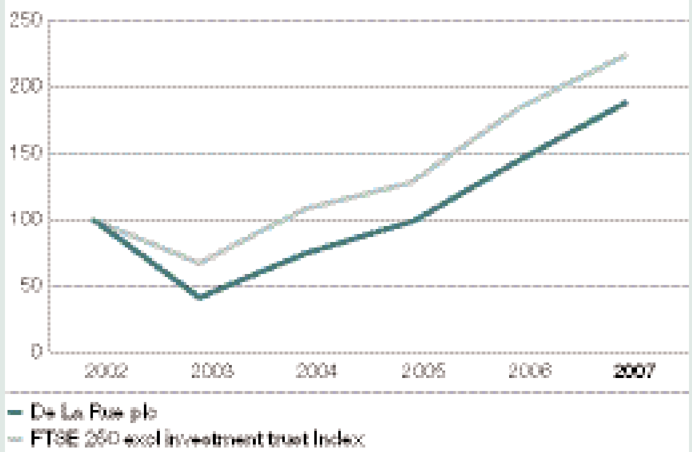


Shareholder Return

The performance chart below illustrates total shareholder return.

The Remuneration Committee considers this to be the most appropriate basis for comparison as the Company has been a constituent of the FTSE 250 Index throughout the period.

Total shareholder return
(£)



This graph shows the value, by 31 March 2007, of £100 invested in De La Rue plc on 30 March 2002 compared with the value of £100 invested in the FTSE 250 excluding investment trust Index. The other points plotted are the values at intervening financial year-ends.

Source: Thomson Financial

Non-Executive Directors

Non-executive Directors have letters of appointment specifying fixed terms of office of three years, renewable for a further three years subject to satisfactory performance. They do not have service contracts. The Board may invite non-executive Directors to serve a third three-year term after a detailed review. The non-executive Directors' current letters of appointment are dated as follows:

Non-executive Director	Date of current term of appointment
Warren East	18 December 2006
Keith Hodgkinson	1 April 2006
Michael Jeffries	1 April 2006
Philip Nolan	1 April 2005
Sir Jeremy Greenstock	18 February 2005
Gill Rider	6 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 other non-executive Directors taking into account market norms, comparisons with comparator companies and the duties required of non-executive Directors. Watson Wyatt Limited advised the Board during 2006/2007. Details of fees to the Chairman and other non-executive Directors are set out on page 46. These include additional fees for chairing the Audit and Remuneration Committees. 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

Michael Jeffries
Chairman of the Remuneration Committee
21 May 2007

Independent Auditor's Report to the Members of De La Rue plc

We have audited the Group financial statements of De La Rue plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of De La Rue plc for the year ended 31 March 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on pages 34 to 35.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;

– the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

– the information given in the Directors' Report is consistent with the Group financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors
London
21 May 2007

Group Income Statement
For the year ended 31 March 2007

	Notes	2007 Before exceptionals £m	2007 Exceptional items £m	2007 Total £m	2006 Before exceptionals £m	2006 Exceptional items £m	2006 Total £m
Continuing operations							
Sales	2	687.5		687.5	610.8		610.8
Operating expenses	3	(597.1)		(597.1)	(541.4)	(3.7)	(545.1)
Other income	3		–	–	–	1.2	1.2
Operating profit		90.4	–	90.4	69.4	(2.5)	66.9
Share of profits of associated companies after taxation	2	6.6		6.6	6.8		6.8
Interest income	4	5.1		5.1	3.8		3.8
Interest expense	4	(1.5)		(1.5)	(2.0)		(2.0)
Retirement benefit obligation finance income		32.4		32.4	29.1		29.1
Retirement benefit obligation finance cost	4	(30.6)		(30.6)	(30.9)		(30.9)
Profit before taxation		102.4	–	102.4	76.2	(2.5)	73.7
Taxation	5	(30.6)		(30.6)	(22.4)	0.5	(21.9)
Profit for the financial year		71.8	–	71.8	53.8	(2.0)	51.8
Profit attributable to equity shareholders of the Company				70.2			50.9
Profit attributable to minority interests				1.6			0.9
				71.8			51.8
Basic earnings per ordinary share – continuing operations	6			43.9p			30.2p
Diluted earnings per ordinary share – continuing operations	6			42.9p			29.4p

Group Balance Sheet
At 31 March 2007

	Notes	2007 £m	2006 £m
ASSETS			
Non-current assets			
Property, plant and equipment	8	**139.4**	139.3
Intangible assets	9	**30.3**	28.9
Investments in associates and joint ventures	10	**13.1**	12.7
Available for sale financial assets	11	**0.4**	0.5
Deferred tax assets	16	**51.4**	53.9
Other receivables	13	**0.2**	0.2
Derivative financial instruments	14	**0.3**	-
		235.1	235.5
Current assets			
Inventories	12	**87.5**	71.6
Trade and other receivables	13	**97.0**	92.2
Current tax assets		**1.4**	1.3
Derivative financial instruments	14	**1.0**	1.3
Cash and cash equivalents	15	**149.1**	388.8
		336.0	555.2
Total assets		**571.1**	790.7
LIABILITIES			
Current liabilities			
Borrowings	18	**(1.7)**	(284.6)
Trade and other payables	17	**(238.7)**	(182.5)
Current tax liabilities		**(24.9)**	(29.8)
Derivative financial instruments	14	**(1.5)**	(1.2)
Provisions for other liabilities and charges	19	**(17.8)**	(22.3)
		(284.6)	(520.4)
Non-current liabilities			
Borrowings	18	**(10.1)**	(12.6)
Retirement benefit obligations	23	**(108.1)**	(119.6)
Deferred tax liabilities	16	**(2.1)**	(0.8)
Derivative financial instruments	14	**(0.3)**	(0.5)
Other non-current liabilities	17	**(1.0)**	(0.5)
		(121.6)	(134.0)
Total liabilities		**(406.2)**	(654.4)
Net assets		**164.9**	136.3
EQUITY			
Ordinary share capital	1	**44.7**	45.9
Share premium account	1	**21.4**	20.6
Capital redemption reserve	1	**5.3**	3.9
Fair value reserve	1	**(0.6)**	(0.5)
Cumulative translation adjustment	1	**(0.7)**	2.2
Other reserves	1	**(83.8)**	(83.8)
Retained earnings	1	**173.6**	144.2
Total equity attributable to shareholders of the Company		**159.9**	132.5
Minority interests	1	**5.0**	3.8
Total equity		**164.9**	136.3

Approved by the Board on 21 May 2007.

Nicholas Brookes Chairman

Stephen King Finance Director

Group Cash Flow Statement
For the year ended 31 March 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Profit before tax		102.4	73.7
Adjustments for:			
Finance income and expense		(5.4)	–
Depreciation and amortisation		26.9	27.0
(Increase)/decrease in inventories		(18.6)	3.5
Increase in trade and other receivables		(9.3)	(5.6)
Increase in trade and other payables		54.7	16.6
Decrease in reorganisation provisions		(3.6)	(3.4)
Loss on disposal of fixed assets		1.0	1.2
Share of income from associates after tax		(6.6)	(6.8)
Income from investments		–	(1.2)
Other non-cash movements		3.0	1.7
Cash generated from operations		144.5	106.7
Tax paid		(28.2)	(10.1)
Net cash flows from operating activities		116.3	96.6
Cash flows from investing activities			
Disposal of subsidiary undertaking		1.0	–
Proceeds from sale of investment		–	0.8
Purchases of property, plant and equipment (PPE) and software intangibles		(29.7)	(19.6)
Development assets capitalised		(4.1)	(3.7)
Proceeds from sale of PPE		0.7	1.6
Proceeds from investments previously impaired		–	0.4
Interest received		5.2	3.8
Interest paid		(1.0)	(1.5)
Dividends received from associates		6.2	8.1
Net cash flows from investing activities		(21.7)	(10.1)
Net cash inflow before financing activities		94.6	86.5
Cash flows from financing activities			
Proceeds from issue of share capital		7.1	6.3
Own share purchase		(29.2)	(7.8)
Proceeds from borrowings		–	2.4
Repayment of borrowings		(1.5)	(2.4)
Finance lease principal payments		(3.6)	(4.3)
Dividends paid to shareholders		(28.3)	(95.8)
Dividends paid to minority interests		(0.4)	(0.9)
Net cash flows from financing activities		(55.9)	(102.5)
Net increase / (decrease) in cash and cash equivalents in the year		38.7	(16.0)
Cash and cash equivalents at the beginning of the year		107.8	126.3
Exchange rate effects		2.5	(2.5)
Cash and cash equivalents at the end of the year		149.0	107.8
Cash and cash equivalents consist of:			
Cash at bank and in hand		40.3	318.6
Short term bank deposits		108.8	70.2
Bank overdrafts		(0.1)	(281.0)
	21	149.0	107.8

Group Statement of Recognised Income and Expense

For the year ended 31 March 2007

	2007 £m	2006 £m
Exchange differences	**(2.9)**	(1.1)
Actuarial gains on retirement benefit obligations	**3.5**	2.3
Tax on actuarial gains on retirement benefit obligations	**(1.0)**	(0.7)
Cash flow hedges	**–**	(1.5)
Tax on cash flow hedges	**–**	0.1
Net investment hedge	**(0.1)**	0.5
Current tax on share options	**0.7**	0.8
Deferred tax on share options	**4.3**	1.2
Net gain recognised directly in equity	**4.5**	1.6
Profit for the financial year	**71.8**	51.8
Total recognised income and expense for the year	**76.3**	**53.4**
Total recognised income and expense for the year attributable to:		
Equity shareholders of the Company	**74.7**	52.4
Minority interests	**1.6**	1.0
	76.3	53.4

Accounting Policies – Group

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.

Basis of Preparation

The Group financial statements have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP; these are presented on pages 87 to 90. The financial statements have been prepared under the historical costs convention as modified by the revaluation of land, buildings, available for sale investments, financial assets and liabilities held for trading. A summary of the more important Group accounting policies is set out below.

The accounts have been prepared as at 31 March 2007, being the last Saturday in March. The comparatives for 2006 financial year are for the year ended 26 March 2006.

The Directors have considered the impact of new standards, amendments aand interpretation that have been endorsed but which are not yet effective and conclude that there is no material impact of early adoption.

Accounting Convention

The consolidated accounts 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.

Basis of Consolidation

The results of all of the subsidiaries of the Company have been consolidated. The majority of these subsidiaries and the material associated companies prepare their financial information to 31 March except for certain associated companies and subsidiaries whose year end is 31 December. In the case of the subsidiaries, whose financial statements are made up to 31 December, results for the period to 31 March 2007 have been consolidated. The results of businesses acquired are included from the effective date of acquisition and the results of businesses sold are included up to the date of disposal.

Associated Companies

An associated company is one in which the Group has a long term investment and is in a position to exercise significant influence over the company in which the investment is made.

The Group's share of the profits of associated companies is included in the consolidated profit and loss account. Its interest in their net assets is included as an investment in the consolidated balance sheet at the Group's share of the net assets at acquisition, adjusted for goodwill or fair value adjustments recognised on initial investment plus the Group's share of retained profits.

Foreign Currencies

Currency of measurement

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is De La Rue plc's functional and presentational currency.

Foreign currency transaction in Group entities

In individual entities, 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 recorded within general and administrative costs within the income statement.

Net investment hedging

Exchange differences arising on the revaluation of long term foreign currency borrowings used to finance or hedge foreign currency investments are taken directly to shareholders' equity on consolidation.

Translation of the results of foreign operations in the consolidated financial statements

The assets and liabilities of foreign subsidiaries denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Income and expenses for each income statement of foreign subsidiaries are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and all resulting exchange differences are recognised as a separate component of equity. When a foreign subsidiary is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. As permitted by IFRS 1, the balance on the cumulative translation adjustment on retranslation of subsidiaries net assets has been set to zero at the date of transition to IFRS.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue

Group turnover represents sales to external customers of manufactured products and services 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 or services 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.

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

Accounting Policies – Group
continued

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 at least annually for impairment.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold except for goodwill deducted from shareholders' equity. 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 after amortisation subject to being tested for impairment at that date.

Development Costs
Expenditure incurred in the development of products or enhancements 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 and amortised on a straight line basis over the shorter of their useful economic life or their licence period at rates which vary from between three and five years.

Distribution rights are 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 impairment losses. 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 8 per cent and 50 per cent per annum. The principal annual rates of depreciation used are 10 per cent on plant and machinery, 10 per cent on fixtures and fittings, and 33 per cent on tooling and computer equipment. No depreciation is provided for assets in the course of construction.

Residual values and useful lives are reviewed at least at each financial year end.

On revaluation, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement.

Asset Impairment
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 CGUs to which goodwill has been allocated at the balance sheet date or whenever there is an indication of impairments. For all other intangible assets, an impairment test is performed whenever an indication of impairment exists. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, the latter being the higher of the assets fair value less costs to sell and value in use. Value in use calculations are performed using cash flow projections for the asset (or group of assets where cash flows are not identifiable to specific assets), discounted at a rate which reflects the asset specific risks and the time value of money.

Government Grants
As permitted by IAS 20, government grant received in respect of property, plant and equipment are deducted from the cost of the assets to which they relate.

Leasing
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. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

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, using tax rates enacted or substantially enacted by the balance sheet date.

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

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

Deferred tax liabilities are 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.

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.

Inventories
Stocks and work in progress are valued at the lower of cost, including relevant production overheads, and net realisable value. Cost is determined on a weighted average cost basis. Cost comprises directly attributable purchase and conversion costs and an allocation of production overheads based on normal operating capacity. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

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 consolidated 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 comprise the pension element of the net finance cost/income 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 recognised income and expense in full in the period in which they arise.

The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of the scheme assets 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 an estimate of the numbers of options that will actually vest. Vesting conditions, other than market based conditions, are not taken into account when estimating the fair value. For cash settled share options, the services received from employees are measured at the fair value of the liability for options outstanding and recognised in the consolidated income statement on a straight line basis over the vesting period. The fair value of the liability is re-measured at each reporting date and at the date of settlement with changes in fair value recognised in the consolidated income statement. IFRS 2 'Share-based payment' has been applied to equity settled share options granted after 7 November 2002 not yet vested at 1 January 2005 and to outstanding cash settled share options as at 1 January 2005.

Share Option Schemes
The Group's Employee Share Ownership Trusts are separately administered trusts. Liabilities of the trusts are guaranteed by the Company and the assets of the trusts mainly comprise shares in the Company.

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

Cash and Cash Equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short term deposits and other short term liquid investments, with original maturities of three months or less.

Provisions
Provisions are recognised when the Group has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted where the time value of money is considered material.

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

Dividends
Final dividends proposed by the Board 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.

Segment Reporting
The Group's primary reporting format is business segments and its secondary format is geographical segments. A business segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of other business segments. A geographical segment is a component of the Group that operates within a particular economic environment and that is subject to risks and return that are different from those of components operating in other economic environments. Non specific central costs are allocated on the basis of estimates of time spent and other cost drivers and this policy is consistently applied.

Accounting Policies – Group
continued

Financial Instruments

Derivative financial instruments are measured at fair value. Derivative financial instruments utilised by the Group include cross currency swaps and forward foreign exchange contracts. Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

(a) Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.

(b) Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.

(c) Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is recognised in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and similarly recognised in the consolidated income statement.

For cash flow hedges and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity, with any ineffective portion recognised in the consolidated income statement. When hedged cash flows result in the recognition of a non financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the consolidated income statement in the same period in which the hedged cash flows affect the consolidated 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

Borrowings are measured at amortised cost. Where borrowings are used to hedge the Group's interests in the net assets of foreign operations, the portion of the exchange gain or loss on the borrowings that is determined to be an effective hedge is recognised in equity.

Trade and 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.

Available for sale financial assets are measured at fair value.

Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

(a) Property, Plant and Equipment
Assets are carried at historical cost less depreciation calculated to write off the cost of such assets over their estimated useful lives. Management determines the estimated useful lives and related depreciation charges at acquisition but will revise the depreciation charge where useful lives are subsequently found to be different to those previously estimated.

(b) Impairment of Assets
The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. 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.

(c) Income Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Pension Obligations
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

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

Notes to the Accounts

1 Reconciliation of Movement in Capital and Reserves

	Attributable to equity shareholders							Minority interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Fair value reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 27 March 2005	46.1	17.0	3.5	0.4	3.4	(83.8)	188.6	3.7	178.9
Exchange differences	–	–	–	–	(1.2)	–	–	0.1	(1.1)
Actuarial gain on retirement benefit obligations	–	–	–	–	–	–	2.3	–	2.3
Tax on actuarial gain on retirement benefit obligations	–	–	–	–	–	–	(0.7)	–	(0.7)
Tax on share options	–	–	–	–	–	–	0.8	–	0.8
Deferred tax on share options	–	–	–	–	–	–	1.2	–	1.2
Cash flow hedges	–	–	–	(1.5)	–	–	–	–	(1.5)
Tax on cash flow hedges	–	–	–	0.1	–	–	–	–	0.1
Net investment hedge	–	–	–	0.5	–	–	–	–	0.5
Net gain recognised directly in equity	–	–	–	(0.9)	(1.2)	–	3.6	0.1	1.6
Profit for the financial year	–	–	–	–	–	–	50.9	0.9	51.8
Total income recognised for the financial year	–	–	–	(0.9)	(1.2)	–	54.5	1.0	53.4
Share capital issued	0.2	3.6	–	–	–	–	–	–	3.8
Purchase of shares for cancellation	(0.4)		0.4				(7.8)		(7.8)
Allocation of shares for cancellation							2.5		2.5
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	2.2	–	2.2
Dividends paid	–	–	–	–	–	–	(95.8)	(0.9)	(96.7)
Balance at 25 March 2006	45.9	20.6	3.9	(0.5)	2.2	(83.8)	144.2	3.8	136.3
Exchange differences	–	–	–	–	(2.9)				(2.9)
Actuarial gain on retirement benefit obligations	–	–	–	–	–		3.5	–	3.5
Tax on actuarial gain on retirement benefit obligations	–	–	–	–	–	–	(1.0)	–	(1.0)
Tax on share options	–	–	–	–	–	–	0.7	–	0.7
Deferred tax on share options	–	–	–	–	–	–	4.3	–	4.3
Cash flow hedges	–	–	–		–	–	–	–	–
Tax on cash flow hedges	–	–	–		–	–	–	–	–
Net investment hedge	–	–	–	(0.1)	–	–	–	–	(0.1)
Net gain recognised directly in equity	–	–	–	(0.1)	(2.9)	–	7.5	–	4.5
Profit for the financial year	–	–	–	–	–	–	70.2	1.6	71.8
Total income recognised for the year	–	–	–	(0.1)	(2.9)	–	77.7	1.6	76.3
Share capital issued	0.2	0.8	–	–	–	–	–	–	1.0
Purchase of shares for cancellation	(1.4)		1.4				(29.2)		(29.2)
Allocation of shares for cancellation							6.1		6.1
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	3.1	–	3.1
Dividends paid	–	–	–	–	–	–	(28.3)	(0.4)	(28.7)
Balance at 31 March 2007	**44.7**	**21.4**	**5.3**	**(0.6)**	**(0.7)**	**(83.8)**	**173.6**	**5.0**	**164.9**

Notes to the Accounts
continued

2 Segmental Analysis

The Group's primary reporting format is by business segment. The Group is organised on a worldwide basis into two business segments: Cash Systems and Security Paper and Print. The secondary reporting format is by geographical segment. The Cash Systems division is predominantly involved in the provision of cash handling equipment and software solutions to banks and retailers worldwide. Security Paper and Print is involved in the production of national currencies and a wide range of security documents such as authentication labels and identity documents.

Analysis by Business Segment

	2007 Cash Systems £m	2007 Security Paper and Print £m	2007 Group £m	2006 Cash Systems £m	2006 Security Paper and Print £m	2006 Group £m
Continuing operations						
Sales	333.0	354.5	687.5	292.4	318.4	610.8
Underlying profit – segment result	28.7	61.7	90.4	18.4	51.0	69.4
Exceptional items	–	–	–	(3.4)	0.9	(2.5)
Operating profit	28.7	61.7	90.4	15.0	51.9	66.9
Share of post tax profits of associates			6.6			6.8
Net interest income			3.6			1.8
Retirement obligations net finance income/(cost)			1.8			(1.8)
Profit before taxation			102.4			73.7
Taxation			(30.6)			(21.9)
Profit for the financial year			71.8			51.8
Segment assets	129.4	187.4	316.8	118.6	176.6	295.2
Unallocated assets			254.3			495.5
Total assets			571.1			790.7
Segment liabilities	(107.8)	(128.4)	(236.2)	(99.8)	(83.9)	(183.7)
Unallocated liabilities			(170.0)			(470.7)
Total liabilities			(406.2)			(654.4)
Capital expenditure on property, plant and equipment	3.0	23.3	26.3	4.7	10.4	15.1
Capital expenditure on intangible assets	6.7	1.1	7.8	5.1	3.2	8.3
Depreciation of property, plant and equipment	5.5	16.8	22.3	6.0	17.6	23.6
Amortisation of intangible assets	3.7	0.9	4.6	2.3	1.1	3.4

Analysis by Geographical Segment 2007

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Group £m
Sales by destination	72.1	206.6	160.4	248.4	687.5
Segment assets	148.8	98.3	47.9	21.8	316.8
Unallocated assets					254.3
Total assets					571.1
Capital expenditure on property, plant and equipment	10.0	14.2	1.2	0.9	26.3
Capital expenditure on intangible assets	3.5	3.0	1.3	–	7.8

2 Segmental Analysis continued

Analysis by Geographical Segment 2006

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Group £m
Sales by destination	76.8	190.9	129.8	213.3	610.8
Segment assets	146.3	79.9	49.5	19.5	295.2
Unallocated assets					495.5
Total assets					**790.7**
Capital expenditure on property, plant and equipment	8.3	3.9	1.8	1.1	15.1
Capital expenditure on intangible assets	5.3	2.6	0.4	–	8.3

Underlying operating profit comprises operating profit before exceptional items. 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.

3 Operating Expenses and Other Income

	2007 Before exceptionals £m	**2007 Exceptional items £m**	**2007 Total £m**	2006 Before exceptionals £m	2006 Exceptional items £m	2006 Total £m
Raw materials	145.9	–	145.9	123.6	–	123.6
Employee costs (Note 24)	227.3	–	227.3	221.2	–	221.2
Depreciation of property, plant and equipment:						
– purchased	21.0	–	21.0	22.9	–	22.9
– leased	1.3	–	1.3	0.7	–	0.7
Amortisation of other intangibles	4.6	–	4.6	3.4	–	3.4
Net impairment of inventories	5.3	–	5.3	2.9	–	2.9
Impairment of trade receivables	(2.5)	–	(2.5)	1.1	–	1.1
Operating leases:						
– hire of plant and equipment	0.8	–	0.8	1.1	–	1.1
– hire of property	6.9	–	6.9	5.8	–	5.8
Auditors' remuneration:						
– fees payable to the Company's auditors for the audit of the Group's annual accounts	0.3	–	0.3	0.3	–	0.3
– fees payable to the Company's auditors and it's associates for other services:						
– audit of the Company's subsidiaries pursuant to legislation	0.4	–	0.4	0.6	–	0.6
– tax services	0.2	–	0.2	0.3	–	0.3
– other assurance services	0.5	–	0.5	0.3	–	0.3
Research and non-capitalised development expense	18.6	–	18.6	17.0	–	17.0
Loss on disposal of fixed assets	1.0	–	1.0	1.2	–	1.2
Reorganisation costs	–	–	–	–	3.7	3.7
Foreign exchange gains	–	–	–	(1.3)	–	(1.3)
Other operating expenses	165.5	–	165.5	140.3	–	140.3
	597.1	–	597.1	**541.4**	**3.7**	**545.1**
Other income:						
Profit on disposal of investments	–	–	–	–	(0.8)	(0.8)
Income from investments previously impaired	–	–	–	–	(0.4)	(0.4)
	–	–	–	–	(1.2)	(1.2)

Auditors' remuneration in 2007 relates to fees paid to the Company's current auditors KPMG Audit Plc. Auditors' remuneration in 2006 relate to fees paid to the Company's previous auditors, PricewaterhouseCoopers LLP.

In 2006, net reorganisation costs of £3.7m consisted of £4.2m in Cash Systems relating to the fundamental restructuring of the business which commenced in 2004/2005 offset by a write back of surplus provisions relating to the closure of factories in Security Paper and Print. Profit from disposal of investments in 2006 arises from the sale of the Group's stake in a small distributor in South Africa.
Income from investments previously impaired in 2006 arises from loan repayments from the Group's associate holding in Valora.

Notes to the Accounts
continued

4 Interest

	2007 £m	2006 £m
Interest income		
Cash and cash equivalents	5.1	3.8
Interest expense		
Bank overdrafts	(0.5)	(0.6)
Bank loans	(0.3)	(0.6)
Finance leases	(0.6)	(0.7)
Other	(0.1)	(0.1)
	(1.5)	(2.0)
Retirement benefit obligation net finance income/(costs) (Note 23)	1.8	(1.8)

5 Taxation

		2007 Before exceptionals £m	2007 Exceptional items £m	2007 Total £m	2006 Before exceptionals £m	2006 Exceptional items £m	2006 Total £m
Current tax	UK	7.9		7.9	7.8	(0.3)	7.5
	Overseas	16.2		16.2	11.2	(0.3)	10.9
		24.1		24.1	19.0	(0.6)	18.4
Deferred tax	UK	3.2		3.2	(0.3)		(0.3)
	Overseas	3.3		3.3	3.7	0.1	3.8
		6.5		6.5	3.4	0.1	3.5
		30.6		30.6	22.4	(0.5)	21.9

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 30 per cent as follows:

	2007 Before exceptionals £m	2007 Exceptional items £m	2007 Total £m	2006 Before exceptionals £m	2006 Exceptional items £m	2006 Total £m
Profit before tax	102.4		102.4	76.2	(2.5)	73.7
Tax calculated at UK tax rate at 30 per cent	30.7		30.7	22.9	(0.7)	22.2
Rate adjustment to overseas profits	(1.6)		(1.6)	(1.3)		(1.3)
Overseas dividends	1.7		1.7	1.9		1.9
Income not subject to tax					(0.1)	(0.1)
Expenses not deductible for tax purposes	1.0		1.0	2.4	0.3	2.7
Adjustment for tax on profits of associate	(2.0)		(2.0)	(2.1)		(2.1)
Prior year adjustments	0.6		0.6	(1.1)		(1.1)
Utilisation of previously unrecognised tax losses	(0.7)		(0.7)	(0.3)		(0.3)
Tax losses for which no deferred income tax asset was recognised	0.9		0.9			
Tax charge	30.6		30.6	22.4	(0.5)	21.9

£0.7m of current tax in respect of share options has been recognised directly in reserves (2006 : £0.8m).

6 Earnings Per Share

	2007 Pence per share	2006 Pence per share
Basic earnings per share	43.9	30.2
Diluted earnings	42.9	29.4
Headline earnings per share	43.9	31.4

Basic earnings per share is calculated by dividing the earning 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 dilutive share options.

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

	2007 Earnings £m	2007 Weighted average number of shares m	2007 Per-share amount pence	2006 Earnings £m	2006 Weighted average number of shares m	2006 Per-share amount pence
Basic EPS	70.2	160.0	43.9	50.9	168.6	30.2
Effect of dilutive options	–	3.7	(1.0)	–	4.5	(0.8)
Diluted EPS	70.2	163.7	42.9	50.9	173.1	29.4

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

	2007 Pence per share	2006 Pence per share
Reconciliation of headline earnings per share		
Basic earnings per share	43.9	30.2
Income from investment previously impaired	–	(0.2)
Profit on disposal of investments	–	(0.5)
Reorganisation costs	–	1.9
Headline earnings per share	43.9	31.4

Notes to the Accounts
continued

7 Equity Dividends

	2007 £m	2006 £m
Final dividend for the year ended 25 March 2006 of 11.8p paid on 4 August 2006	**19.0**	
Interim dividend for the period ended 30 September 2006 of 5.83p paid on 17 January 2007	**9.3**	
Final dividend for the year ended 26 March 2005 of 10.6p paid on 5 August 2005		19.1
Special dividend of 38.0p paid on 5 August 2005		68.3
Interim dividend for the period ended 24 September 2005 of 5.2p paid on 18 January 2006		8.4
	28.3	95.8

A final dividend per equity share of 13.27p has been proposed for the year ended 31 March 2007, payable on 3 August 2007. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

On 5 August 2005, the Company paid a special dividend of 38.0p per share amounting to £68.3m (the 'Special Dividend'). The Company's distributable profits reported in its annual accounts for the year ended 26 March 2005 were £50.2m.

Under the Companies Act 1985 (the Act'), distributions by the Company must not exceed the amount of the distributable profits that are reported in the Company's last annual accounts unless interim accounts demonstrate that there are sufficient distributable profits.

Therefore the Company took appropriate steps to ensure that it had more than sufficient distributable profits to pay the Special Dividend and prepared interim accounts to demonstrate this. It recently came to the Directors' attention that these interim accounts were not approved and filed with Companies House as required. However, as the Company had sufficient distributable profits, the Directors believe that this technical breach of the Act has not prejudiced either shareholders or creditors of the Company.

As a result the Company has a potential claim to recover the Special Dividend paid in August 2005 from shareholders who received it. The Company does not intend to make such a claim and the Board has remedied this situation by resolving on 27 November 2006 to pay a new interim dividend of £68.3m (with the same record date as the Special Dividend). The Company's obligation to pay the new interim dividend is satisfied by the Company waiving its rights to recover the Special Dividend paid in August 2005. Any profits required to pay the new interim dividend as appropriated from profits shown in the Company's accounts for the year ended 25 March 2006.

No cash will be required to be paid either to or by any shareholder. The effect of this is to ensure that no shareholder is either better or worse off than would have been the case if the Special Dividend had met all of the technical requirements of the Act.

For the sake of good order a resolution seeking shareholder ratification and approval of the steps taken by the Board to remedy the position will be proposed at the Company's next Annual General Meeting.

HM Revenue and Customs has confirmed that it will continue to treat the Special Dividend paid on 5 August 2005 as a distribution for UK tax purposes (made at the time at which the Special Dividend was paid) and that the steps taken to remedy the position will have no tax implications for the shareholders.

8 Property, Plant and Equipment

Year ended 31 March 2007	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 26 March 2006	58.3	241.1	38.6	6.3	344.3
Exchange differences	(0.8)	(2.6)	(1.5)	(0.1)	(5.0)
Additions	0.5	5.8	1.6	18.4	26.3
Transfers from assets in the course of construction	0.4	2.4	2.1	(4.9)	–
Disposals	(1.0)	(6.7)	(1.3)	–	(9.0)
At 31 March 2007	57.4	240.0	39.5	19.7	356.6
Accumulated depreciation					
At 26 March 2006	18.8	155.6	30.6	–	205.0
Exchange differences	(0.1)	(1.4)	(1.3)	–	(2.8)
Depreciation charge for the year	1.5	17.1	3.7	–	22.3
Disposals	(0.2)	(6.0)	(1.1)	–	(7.3)
At 31 March 2007	20.0	165.3	31.9	–	217.2
Net book value					
At 31 March 2007	37.4	74.7	7.6	19.7	139.4

Year ended 25 March 2006	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 27 March 2005	57.8	233.9	47.3	6.7	345.7
Exchange differences	0.9	4.3	1.1	0.5	6.8
Additions	1.1	4.6	3.7	5.7	15.1
Transfers from assets in the course of construction	0.1	6.1	0.4	(6.6)	–
Disposals	(1.6)	(7.8)	(13.9)	–	(23.3)
At 25 March 2006	58.3	241.1	38.6	6.3	344.3
Accumulated depreciation					
At 27 March 2005	16.9	142.0	37.9	–	196.8
Exchange differences	0.6	3.6	0.9	–	5.1
Depreciation charge for the year	1.5	17.8	4.3	–	23.6
Disposals	(0.2)	(7.8)	(12.5)	–	(20.5)
At 25 March 2006	18.8	155.6	30.6	–	205.0
Net book value					
At 25 March 2006	39.5	85.5	8.0	6.3	139.3

Included in the above are leased assets as follows:

Plant and machinery	cost	£18.7m	(2006 : £17.0m)
	net book value	£10.6m	(2006 : £7.8m)

Notes to the Accounts
continued

9 Intangible Assets

Year ended 31 March 2007	Goodwill £m	Research & development £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 26 March 2006	26.3	12.0	12.2	2.9	53.4
Exchange differences	(1.3)	(0.5)	(0.2)	–	(2.0)
Additions	–	4.1	3.7	–	7.8
Disposals	–	–	(0.3)	–	(0.3)
At 31 March 2007	**25.0**	**15.6**	**15.4**	**2.9**	**58.9**
Accumulated amortisation/impairment					
At 26 March 2006	11.5	2.5	7.6	2.9	24.5
Exchange differences	(0.1)	(0.1)	(0.1)	–	(0.3)
Amortisation for the year	–	2.4	2.2	–	4.6
Disposals	–	–	(0.2)	–	(0.2)
At 31 March 2007	**11.4**	**4.8**	**9.5**	**2.9**	**28.6**
Carrying value at 31 March 2007	**13.6**	**10.8**	**5.9**	**–**	**30.3**

Year ended 25 March 2006	Goodwill £m	Research & development £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 27 March 2005	26.1	8.3	8.0	2.9	45.3
Exchange differences	0.2	–	–	–	0.2
Additions	–	3.7	4.6	–	8.3
Disposals	–	–	(0.4)	–	(0.4)
At 25 March 2006	**26.3**	**12.0**	**12.2**	**2.9**	**53.4**
Accumulated amortisation/impairment					
At 27 March 2005	11.5	1.5	5.6	2.9	21.5
Amortisation for the year	–	1.0	2.4	–	3.4
Disposals	–	–	(0.4)	–	(0.4)
At 25 March 2006	**11.5**	**2.5**	**7.6**	**2.9**	**24.5**
Carrying value at 25 March 2006	**14.8**	**9.5**	**4.6**	**–**	**28.9**

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:

	2007 Cash Systems £m	2007 Security Paper and Print £m	2007 Total £m	2006 Cash Systems £m	2006 Security Paper and Print £m	2006 Total £m
United Kingdom and Ireland	**1.2**	**1.3**	**2.5**	1.2	1.3	2.5
Rest of Europe	**4.8**	**1.6**	**6.4**	5.3	1.6	6.9
The Americas	**3.2**	**0.7**	**3.9**	3.6	0.8	4.4
Rest of World	**–**	**0.8**	**0.8**	–	0.8	0.8
	9.2	**4.4**	**13.6**	10.1	4.5	14.6

Impairment tests are performed for all 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. In the year ended 31 March 2007, no impairment charges were recognised. The estimates of recoverable amount were based on value-in-use calculations, using a post-tax discount rates of 10 per cent. These calculations use cash flow projections covering a five year period based on the financial budget for 2007/2008. Cash flows beyond this period are extrapolated assuming a growth rate of 3 per cent. The growth rate used does not exceed the long term average growth rate for the manufacturing business in which the CGU operates. The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

10 Investments

Investments comprise

	2007 £m	2006 £m
Investments in associated companies	**13.1**	12.7
Other investments	–	–
	13.1	12.7

Other investments have been classified as available for sale financial assets on adoption of IAS 32 and IAS 39 (Note 11).

	Associates £m
At 26 March 2006	12.7
Share of post tax profits	6.6
Dividends paid	(6.2)
At 31 March 2007	13.1
At 27 March 2005	14.0
Share of post tax profits	6.8
Dividends paid	(8.1)
At 25 March 2006	12.7

At 31 March 2007 and 25 March 2006, the principal associate of the Group was Camelot Group plc, in which the Group has a 20 per cent holding.

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

	2007 Total associates £m	2007 Camelot Group £m	2006 Total associates £m	2006 Camelot Group £m
Sales	**986.7**	**982.2**	1,004.5	1,002.6
Profit after tax	**6.6**	**6.6**	6.8	6.8
Assets	**83.2**	**80.1**	75.3	75.2
Liabilities	**(67.3)**	**(65.5)**	(62.6)	(61.3)

11 Available for Sale Financial Assets

	2007 £m	2006 £m
At 31 March 2007 and 25 March 2006	0.4	0.5
At 26 March 2006		**0.5**
Amortisation		(0.1)
At 31 March 2007		0.4
At 27 March 2005		–
Adoption of IAS 32 and 39		0.3
Additions		0.2
At 25 March 2006		0.5

Available for sale financial assets comprise various debentures.

12 Inventories

	2007 £m	2006 £m
Raw materials	**18.5**	13.5
Work in progress	**31.3**	21.4
Finished goods	**37.7**	36.7
	87.5	71.6

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

Provisions of £7.3m recognised in operating expenses were made against inventories in 2007 (2006 : £6.7m). The Group also reversed £2.0m (2006 : £3.8m), being part of an inventory write down that was subsequently not required.

Notes to the Accounts
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13 Trade and Other Receivables

	2007 £m	2006 £m
Non current assets		
Other receivables	0.2	0.2
	0.2	0.2
Current assets		
Trade receivables	85.4	78.7
Provision for impairment	(4.3)	(6.8)
Net trade receivables	81.1	71.9
Amounts due from associated companies and joint ventures	0.2	–
Other receivables	12.6	11.6
Prepayments and accrued income	3.1	8.7
	97.0	92.2
	97.2	92.4

The carrying value of trade and other receivables also represent 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 Derivative Financial Instruments

Financial Instruments 2007

Foreign Exchange Management

	2007 Assets £m	2007 Liabilities £m
Cross currency swaps - net investment hedges	–	–
Cross currency swaps - fair value hedges	–	–
Forward foreign exchange contracts - cash flow hedges	1.0	0.2
Embedded derivatives	0.3	1.6
Total	1.3	1.8
Less non-current portion:		
Forward foreign exchange contracts - cash flow hedges	0.3	–
Embedded derivatives	–	0.3
Current portion	1.0	1.5

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.

Embedded derivative assets and liabilities represent the fair value of uninvoiced amounts outstanding at 31 March 2007 on 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.

Movement on Cash Flow Hedging Reserves

	2007 £m	2006 £m
Balance of cash flow hedging reserve at the beginning of the year	(0.5)	0.4
Effective portion of gains or losses on forward foreign exchange contracts used in cash flow hedges	(1.1)	(1.5)
Gains or losses on forward foreign exchange contracts transferred to profit or loss	1.0	0.5
Deferred tax associated with movement of cash flow hedging reserve	–	0.1
Balance of cash flow hedging reserve at the end of the year	(0.6)	(0.5)

Forward Foreign Exchange Contracts
The principal amounts of the outstanding forward foreign exchange contracts at 31 March 2007 are US$95.0m, Swedish Krona 208.6m, euro 166.7m, Swiss Francs 4.8m, Canadian Dollars 1.6m, Japanese Yen 134.6m and South African Rand 11.3m.
The principal amounts outstanding under forward foreign exchange contracts with maturities greater than 12 months is euro 60.7m.

Gains and losses recognised in the hedging reserve in equity (Note 1) on forward foreign exchange contracts as of 31 March 2007 will be released to the income statement at various dates between one month and 26 months from the balance sheet date.

Net investments
The Group has designated $30m of US Dollar swaps as a hedge of the net investment in the Group's US subsidiary operations. The fair value of the currency swaps at 31 March 2007 was Nil (2006 : Nil).

The Group has designated €30.5m of euro swaps as a hedge of the net nvestment in the Group's European subsidiary operations. The fair value of the currency swaps at 31 March 2007 was Nil (2006 : Nil).

The Group has designated Rand 40m of South African Rand swaps as a hedge of the net investment in the Group's South African subsidiary operations. The fair value of the currency swaps at 31 March 2007 was Nil (2006 : Nil).

The Group has designated Swiss Franc 5m of Swiss Franc swaps as a hedge of the net investment in the Group's Swiss subsidiary operations. The fair value of the currency swaps at 31 March 2007 was Nil (2006 : Nil).

The Group has designated Canadian $ 2.5m of Canadian Dollar swaps as a hedge of the net investment in the Group's Canadian subsidiary operations. The fair value of the currency swaps at 31 March 2007 was Nil (2006 : Nil).

Cash Management Swaps
In addition to currency swaps for net investments the Group also uses currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 31 March 2007 was £(0.1)m (2006 : Nil). Gains and losses on cash management currency swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps are US Dollars 7m, euro 15.5m, Swedish Krona 446.7m, Swiss Franc (1.7)m, Canadian Dollar 1m, Australian Dollar 2.4m, Singapore Dollar (0.9)m, Japanese Yen (29)m and South African Rand (19.2)m.

Interest Rate Management
The exposure of the Group's financial assets and liabilities to interest rate changes and the earlier of their contractual repricing or maturity dates at the balance sheet date are as follows:

Financial Assets
All cash and deposits are of a floating rate nature and earn interest based on the relevant national LIBID equivalents and are recoverable within one year.

Financial Liabilities

	2007 £m
Six months or less	9.5
Six–12 months	–
One–five years	2.3
Over five years	–
	11.8

The maturity of non-current borrowings are as follows:

	2007 £m
Between one and two years	5.2
Between two and five years	4.9
Over five years	–
	10.1

The effective interest rates at the balance sheet date were as follows:

	2007 US$	2007 €	2007 £	2007 Other
Bank overdrafts	5.75	5.00	6.25	–
Bank borrowings	–	–	–	–
Obligations under finance leases	5.80	–	5.55	–
Other loans	–	–	–	2.20

The carrying amount of short term borrowings approximate their fair value.

Notes to the Accounts
continued

14 Derivative Financial Instruments continued

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

	2007 £m
US Dollar	0.1
Pound Sterling	10.1
Other currencies (Maltese Lira)	1.6
	11.8

The Group has the following undrawn borrowing facilities:

	2007 £m
Floating rate:	
– expiring within one year	10.2
– expiring beyond one year	100.0
Fixed rate:	
– expiring within one year	–
	110.2

As at 31 March 2007, the total of undrawn committed borrowing facilities maturing in more than two years was £100m (2006 : Nil).

Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk and commodity price risk). The Group's overall 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.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Group Treasury provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and the investment of excess liquidity.

Market Risk

(a) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, Swedish Krona and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities 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 foreign currency by using external forward foreign exchange contracts transacted with financial insitutions.

For segment reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External forward foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is to hedge firm commitments and between 60% to 100% of forecast exposures in each major currency for the subsequent 12 months. Forecast transactions must be highly probable for hedge accounting purposes.

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

14 Derivative Financial Instruments continued

(b) Credit Risk
The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. An analysis of net assets per geographical region is shown in note 2 to the accounts.

(c) Liquidity Risk
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.

(d) Cash Flow and Fair Value Interest Rate Risk
De La Rue's interest rate management policy is generally to borrow and invest cash at floating rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's exposure to cash flow interest rate risk arises principally from cash balances held. Current low levels of borrowings are all at floating rate. At higher levels of borrowings the policy is to manage the interest rate exposure through the use of floating to fixed interest rate swaps.

Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

(e) Commodity Price Risk
The Group's normal policy is to buy commodities at prevailing market prices under medium term supply contracts. The Group has limited exposure to commodity price risk through the purchase of energy products.

Fair Value Estimation
The fair value of financial instruments that are not traded in an active market (over-the-counter derivatives) is determined by using valuation techniques. In estimating fair values the Group makes assumptions based on market conditions existing at each balance sheet date. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Financial Instruments 2006

Foreign Exchange Management
All gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions.

	2006 Assets £m	2006 Liabilities £m
Forward foreign exchange contracts - cash flow hedging	1.0	0.9
Embedded derivatives	0.3	0.8
Total	**1.3**	**1.7**
Less non-current portion:		
Embedded derivatives	–	0.5
Current portion	1.3	1.2

The full 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 25 March 2006 are US$62.3m, Swedish Krona 139.8m, euro 140.6m, Swiss Francs 11.2m, Canadian Dollars 5.4m, Japanese Yen 23.1m and South African Rand 1.5m. The net principal amounts outstanding under forward contracts with maturities greater than 12 months is euro 86.8m.

Notes to the Accounts
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Gains and losses recognised in the hedging reserve in equity (note 1) on forward foreign exchange contracts as of 25 March 2006 will be released to the income statement at various dates between one month and 36 months from the balance sheet date.

Embedded derivatives assets and liabilities represent the full fair value of uninvoiced amounts outstanding at 25 March 2006 on 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.

Net investments
The Group has designated $30m of US Dollar swaps as a hedge of the net investment in the Group's US subsidiary operations. The fair value of the currency swaps at 25 March 2006 was Nil (2005: £0.5m).

The Group has designated Rand 34m of South African Rand swaps as a hedge of the net investment in the Group's South African subsidiary operations. The fair value of the currency swaps at 25 March 2006 was Nil (2005: Nil).

The Group has designated Swiss Franc 10m of Swiss Franc swaps as a hedge of the net investment in the Group's Swiss subsidiary operations. The fair value of the currency swaps at 25 March 2006 was Nil (2005 : Nil).

The Group has designated Canadian $ 4m of Canadian Dollar swaps as a hedge of the net investment in the Group's Canadian subsidiary operations. The fair value of the currency swaps at 25 March 2006 was Nil (2005: Nil).

Cash Management Swaps
In addition to currency swaps for net investments the Group also uses currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 25 March 2006 was Nil (2005 : Nil). Gains and losses on cash management swaps are included in the consolidated income statement.

The net principal amounts outstanding under cash management currency swaps are US Dollars (15.1)m, euro (23.9)m, Swedish Krona 412.5m, Swiss Franc (3.0)m, Canadian Dollar (0.7)m, Japanese Yen (65)m and South African Rand (13.1)m.

Interest Rate Management
The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2006 £m
Six months or less	295.6
Six–12 months	0.3
One–five years	1.2
Over five years	0.1
	297.2

The maturity of non-current borrowings are as follows:

	2006 £m
Between one and two years	0.3
Between two and five years	1.2
Over five years	0.1
	1.6

The effective interest rates at the balance sheet date were as follows:

	2006 US$	2006 Swedish Krona	2006 €	2006 £	2006 Other
Bank overdrafts	5.75	3.50	3.50	5.50	2.50
Bank borrowings	–	–	–	–	–
Obligations under finance leases	5.10	–	–	4.60	–
Other loans	–		–	–	2.20

The carrying amount of short term borrowings approximate their fair value.

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

	2006 £m
US Dollar	50.6
Swedish Krona	25.7
Euro	25.8
Pound Sterling	157.7
Other currencies	37.4
	297.2

The Group has the following undrawn borrowing facilities:

	2006 £m
Floating rate:	
– expiring within one year	11.5
– expiring beyond one year	35.0
Fixed rate:	
– expiring within one year	–
	46.5

As at 25 March 2006, the total of undrawn committed borrowing facilities maturing in more than two years was Nil (2005 : £35.0m).

15 Cash and Cash Equivalents

	2007 £m	2006 £m
Cash at bank and in hand	**40.3**	318.6
Short term bank deposits	**108.8**	70.2
	149.1	388.8

The effective interest rate on short term bank deposits was 5.1 per cent (2006 : 4.2 per cent); these deposits have an average maturity of 11 days (2006 : 22 days).

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

	2007 £m	2006 £m
Cash and cash equivalents	**149.1**	388.8
Bank overdrafts repayable on demand	**(0.1)**	(281.0)
Balance per Group cash flow statement	**149.0**	107.8

Notes to the Accounts
continued

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:

	2007 £m	2006 £m
Deferred tax assets:		
– deferred tax asset to be recovered after more than 12 months	49.0	51.6
– deferred tax asset to be recovered within 12 months	2.4	2.3
	51.4	53.9
Deferred tax liabilities:		
– deferred tax liability to be recovered after more than 12 months	(2.1)	(0.8)
– deferred tax liability to be recovered within 12 months	–	–
	(2.1)	(0.8)
	49.3	53.1

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

	2007 £m	2006 £m
Beginning of the year	53.1	55.7
Exchange differences	(0.6)	0.3
Income statement charge	(6.5)	(3.5)
Tax charged to equity	3.3	0.6
End of the year	49.3	53.1

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:

Liabilities

	Accelerated tax depreciation £m	Fair value gains £m	Development costs £m	Other £m	Total £m
At 27 March 2005	9.0	0.4	1.4	4.3	15.1
Charged/(credited) to the income statement	(0.9)	–	1.5	0.8	1.4
At 25 March 2006	8.1	0.4	2.9	5.1	16.5
Charged/(credited) to the income statement	0.1		0.5	1.7	2.3
At 31 March 2007	8.2	0.4	3.4	6.8	18.8

Assets

	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 27 March 2005	(0.5)	(35.8)	(5.0)	(29.5)	(70.8)
(Credited)/charged to the income statement	(0.3)	(0.7)	1.8	1.3	2.1
(Credited)/charged to equity	(1.2)	0.7	–	(0.1)	(0.6)
Exchange differences	–	–	(0.1)	(0.2)	(0.3)
At 26 March 2006	(2.0)	(35.8)	(3.3)	(28.5)	(69.6)
(Credited)/charged to the income statement	–	2.4	(1.1)	2.9	4.2
(Credited)/charged to equity	(4.3)	1.0	–	–	(3.3)
Exchange differences	–	–	0.1	0.5	0.6
At 31 March 2007	(6.3)	(32.4)	(4.3)	(25.1)	(68.1)

Other deferred assets predominantly relate to tax associated with interim Group profits (£3.9m), intangible assets (£4.9m) and overseas tax credits (£3.5m).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of £6.7m (2006 : £6.9m) in respect of losses amounting to £17.9m (2006 : £18.2m) that can be carried forward against future taxable income.

Deferred income tax liabilities of £99.4m (2006 : £106.8m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaires. Such amounts are permanently reinvested. Unremitted earnings totalled £360.1m at 31 March 2007 (2006 : £380.4m).

During the year, UK capital losses of £364m were agreed with HMRC, with an amount of £382m carried forward.

17 Trade and Other Payables

	2007 £m	2006 £m
Current liabilities		
Payments received on account	**76.8**	36.0
Trade payables	**44.8**	34.2
Amounts owed to associated companies	**0.8**	0.4
Social security and other taxation	**9.9**	9.6
Accrued expenses and deferred income	**80.8**	88.6
Other payables	**25.6**	13.7
	238.7	182.5
Non current liabilities		
Accrued expenses and deferred income	**–**	–
Other payables	**1.0**	0.5
	1.0	0.5

Payment received on account relate to monies received from customers under contract prior to delivery of goods or services.

18 Borrowings

	2007 £m	2006 £m
Current liabilities		
Bank loans and overdrafts	**0.1**	282.4
Finance leases	**1.6**	2.2
	1.7	284.6
Non current liabilities		
Bank loans repayable otherwise than by instalments	**1.6**	1.6
Finance leases	**8.5**	11.0
	10.1	12.6

In 2006, bank loans and overdrafts of £250.5m were pooled for interest purposes against cash and cash equivalents.

The finance lease obligation is repayable quarterly in advance and interest is accrued at LIBOR plus 45 basis points.

The minimum lease payments under finance leases fall due as follows:

	2007 £m	2006 £m
Not later than one year	**4.0**	4.2
Later than one year but not more than five	**7.3**	10.6
More than five years	**–**	–
	11.3	14.8
Future finance charges on finance leases	**(1.2)**	(1.6)
Present value of finance lease liabilities	**10.1**	13.2

Present value of finance lease payments falling due:

	2007 £m	2006 £m
Not later than one year	**1.6**	2.2
Later than one year but not more than five	**8.5**	11.0
More than five years	**–**	–
	10.1	13.2

Notes to the Accounts
continued

19 Provisions for Liabilities and Charges

	Restructuring £m	Business disposals £m	Other £m	Total £m
At 26 March 2006	6.4	3.7	12.2	**22.3**
Exchange differences	–	(0.1)	(0.2)	**(0.3)**
Charge for the year	–	–	9.5	**9.5**
Utilised in year	(4.5)	(1.7)	(5.8)	**(12.0)**
Released in year	–	–	(1.7)	**(1.7)**
Reclassification	0.9	(0.9)	–	**–**
At 31 March 2007	2.8	1.0	14.0	**17.8**

Restructuring provisions relate to amounts set aside for various reorganisations within the Group, principally Cash Systems operations. Most of the utilisation of these provisions is likely within the next year.

Business disposal provisions represent amounts provided in respect of business previously disposed by the Group.

Other provisions relate to warranty costs, legal costs and other present obligations. There are no other individually material provisions held within other provisions.

20a Share Capital

	2007 £m	2006 £m
Authorised		
239,063,310 ordinary shares of 27⁷⁄₉p each (2006 : 239,063,310 ordinary shares of 27⁷⁄₉p each)	**66.4**	66.4
Authorised, called up and fully paid		
160,827,386 ordinary shares of 27⁷⁄₉p each (2006 : 165,361,177 ordinary shares of 27⁷⁄₉p each)	**44.7**	45.9

	2007 '000	2006 '000
Allotments during the year		
Ordinary shares in issue at 26 March 2006	**165,361**	184,201
Shares bought back for cancellation	**(4,935)**	(1,612)
Issued under savings related share option schemes	**338**	312
Issued under executive share option schemes	**–**	871
Issued under US employee share purchase plan	**63**	80
Issued under the matching shares scheme	**–**	5
Shares consolidated*	**–**	(18,496)
Ordinary shares in issue at 31 March 2007	**160,827**	165,361

20b Share Based Payments

At 31 March 2006, 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	
	2007 £m	2006 £m	2007 £m	2006 £m
Executive share option plan	**2.5**	2.0	**–**	–
Deferred bonus and matching share plan	**2.5**	0.9	**–**	–
Savings related share option plan	**0.5**	0.3	**–**	–
Matching shares scheme	**–**	–	**–**	–
US employee share purchase plan	**0.1**	–	**–**	–
Phantom share option plan and scheme	**–**	–	**0.6**	0.6
	5.6	3.2	**0.6**	0.6

20b Share Based Payments continued

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

Arrangement	Executive share option plan	Deferred bonus and matching share plan	Savings related share option plan	Matching shares scheme	US employee share purchase plan	Phantom share option plan
Dates of current year grants	n/a	28 June '06	28 Dec '06		n/a	n/a
Number of options granted	n/a	510,532	307,436 (3 yr) 107,129 (5 yr)		n/a	n/a
Exercise price	n/a	531.8	540.74	n/a	n/a	n/a
Contractual life (years)	10	3	3/5	2	n/a	n/a
Settlement	Shares	Shares	Shares	Shares	Shares	Cash
Vesting period (years)	3	3	3/5	2	n/a	3
Dividend yield	4.5%	4.0%	4.0%	4.5%	n/a	4.5%
Fair value per option at last grant date		£5.40 for deferred allocation £3.80 for matching allocation	£1.41 for 3 year plan £1.48 for 5 year plan		n/a	remeasured at period end

An expected volatility rate of 25-30 per cent has been used for grants in the period depending on grant date. 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 4.2 per cent depending on exact grant date.

Reconciliations of option movements over the year to 31 March 2007 for each class of options are shown below.

Executive Share Option Plan

The Executive Share Option Plan is open to senior executives of the Group. Options are granted at a price equal to the average market price of a share over the three dealing days immediately preceeding the date of grant with a performance condition based on the acheivement of an earning per share growth target. The performance condition relates to the acheivement over three years of three per cent per annum earnings per share growth over the rate of increase in the retail price index. If this condition is not met at the end of the performance period the options will lapse. For grants of options before April 2004 retesting of the performance target will be allowed twice, on the fourth and fifth anniversaries of the grant date. A pre vesting forfeiture rate of 5 per cent per annum has been assumed. The Plan expired on 17 July 2006.

	2007 Number of options '000	2007 Weighted average exercise price pence per share	2006 Number of options '000	2006 Weighted average exercise price pence per share
Options outstanding at start of year	**4,113**	**312.22**	4,463	300.03
Granted	**–**	**–**	458	407.42
Forfeited	**(58)**	**354.54**	(60)	313.57
Exercised	**(1,165)**	**251.52**	(484)	293.50
Expired	**(107)**	**311.07**	(264)	309.28
Outstanding at end of year	**2,783**	**337.28**	4,113	312.22
Exercisable at year end	**227**	**223.19**	100	200.50

The range of exercise prices for the share options outstanding at the end of the year is 200.5p–407.4p (2006 : 200.5p–407.4p).

The remaining contractual life of the outstanding share options is up to 5 July 2015 (2006 : up to 5 July 2015).

Notes to the Accounts
continued

20b Share Based Payments continued

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

	2007 Number of options '000	2007 Weighted average exercise price pence per share	2006 Number of options '000	2006 Weighted average exercise price pence per share
Options outstanding at start of year	1,627	507.30	2,748	477.80
Exercised	(477)	485.37	(678)	324.10
Expired	(256)	568.60	(443)	609.80
Outstanding at end of year	894	496.62	1,627	507.30
Exercisable at year end	615	496.62	334	485.21

The range of exercise prices for the share options outstanding at the end of the year is 275.25p–522.3p (2006 : 275.25p–637.0p).
The remaining contractual life of the outstanding share options is 3 December 2011 (2005 : up to 3 December 2011).

Deferred Bonus and Matching Share Plan
The plan is open to senior executives of 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 that: up to 50 per cent of the award is released subject to an earnings per share test and up to 50 per cent is released based on the performance of the total shareholder return test (TSR) against the companies in the FTSE Mid 250 excluding investment trusts. The performance conditions are described in more detail on page 46. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2007 Number of options '000	2006 Number of options '000
Options outstanding at start of year	547	–
Granted – deferred shares	202	236
Granted – matching shares	308	358
Expired	(52)	(47)
Outstanding at end of year	1,005	547
Exercisable at year end	–	–

The deferred and matching shares have been allocated based on a share price of 531.8p (2006 : 386.13p).

20b Share Based Payments continued

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 to five years.

There are no performance conditions attaching to the options. After the three or five year term has expired, employees nomally 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.

	2007 Number of options '000	2007 Weighted average exercise price pence per share	2006 Number of options '000	2006 Weighted average exercise price pence per share
Options outstanding at start of year	2,142	304.50	2,710	273.39
Granted	415	540.74	663	357.00
Forfeited	(76)	323.10	(186)	275.25
Exercised	(592)	274.34	(949)	364.61
Expired	(14)	278.15	(96)	417.07
Outstanding at end of year	1,875	366.00	2,142	304.50
Exercisable at year end	54	334.49	46	261.00

The range of exercise prices for the share options outstanding at the end of the year is 244.5p–541.0p (2006 : 244.5p–434.1p). The weighted average remaining contractual life of the outstanding share options is 1 September 2012 (2006 : 1 September 2011).

Matching Shares Scheme
The Matching Shares Scheme was open to certain key executives (see page 48 of the Remuneration Report). For every two shares lodged with a nominee or trustee for a two year period the executive will receive a further share (a 'matching share'). The award of the matching share is subject to a performance target based on the increase in the Company's earnings per share over a consecutive two year period exceeding inflation plus 3.0 per cent per annum.

	2007 Number of options '000	2007 Weighted average exercise price pence per share	2006 Number of options '000	2006 Weighted average exercise price pence per share
Options outstanding at start of year	4	331.50	9	303.50
Granted	–		–	–
Forfeited	–		–	–
Exercised	(4)	331.50	(5)	275.25
Expired			–	–
Outstanding at end of year			4	331.50
Exercisable at year end	–	–	–	–

No share options remain outstanding at the end of the year (2006 : exercise price of outstanding options 331.5p with a contractual life of 22 June 2006).

Notes to the Accounts
continued

20b Share Based Payments continued

Phantom Share Option Scheme
This scheme operates under similar rules to the Executive Share Option Scheme but provides a payment in the form of cash rather than shares.

	2007 Number of options '000	2007 Weighted average exercise price pence per share	2006 Number of options '000	2006 Weighted average exercise price pence per share
Options outstanding at start of year	351	365.25	581	353.44
Granted	–	–	20	407.42
Forfeited	–	–	–	–
Exercised	(83)	403.39	(182)	300.65
Expired	(12)	315.86	(68)	401.98
Outstanding at end of year	256	355.23	351	365.25
Exercisable at year end	114	380.50	90	327.85

The range of exercise prices for the share options outstanding at the end of the year is 237.3p–522.3p (2006 : 237.3p–534.0p.)
The weighted average remaining contractual life of the outstanding share options is up to 5 July 2015 (2006 : 5 July 2015).

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 value of a De La Rue plc share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2006/2007, 63,756 shares (2005/2006 : 79,972 shares) were allotted pursuant to the plan. It is estimated that 64,161 shares will be required to satisfy the Company's 2007/2008 obligations in respect of employee's savings under the plan as at 31 March 2007.

Market Share Purchase of Shares by Trustees
(a) De La Rue Employee Share Ownership Trust

The De La Rue Employee Share Ownership Trust was established to administer shares granted under the various De La Rue Executive Share Option Schemes (ESOS) and the De La Rue Executive Share Option Plan (ESOP) (or any other share option plan established by the Company) to executive Directors and senior employees. Bachmann Trust Company Limited is the Trustee. The Trustee at 25 March 2006 held 3,400,124 shares due for release to participants of the ESOS and ESOP and this was reduced to 1,744,151 following exercise of options under the executive share option schemes. The Trustee has agreed to waive dividends on these shares except for 0.0001 per cent per share and accordingly such shareholding is not included in the Company's EPS calculation referred to in Note 6. At 31 March 2007, 1,655,973 shares have been transferred to option holders under the ESOP or ESOS.

(b) De La Rue Qualifying Employee Share Ownership Trust (the 'QUEST')

The QUEST was established on 30 March 2000 to administer shares granted under the De La Rue Sharesave Scheme to employees and Directors of the Company and its subsidiaries.

The QUEST at 25 March 2006 held 262,727 shares to be distributed on maturity of savings-related share option schemes and this was reduced to nil at 31 March 2007 following exercise of options under the Sharesave Scheme. The QUEST has waived all rights to receive dividends payable on its registered shareholding except for 0.0001p per share and accordingly such shareholding is not included in the Company's EPS calculation referred to in Note 6.

21 Notes to Group Cash Flow Statement

	2007 £m	2006 £m
Analysis of net cash		
Cash at bank and in hand	40.3	318.6
Short term bank deposits	108.8	70.2
Bank overdrafts	(0.1)	(281.0)
Total cash and cash equivalents	149.0	107.8
Other debt due within one year	(1.6)	(3.6)
Borrowings due after one year	(10.1)	(12.6)
Net cash at end of period	137.3	91.6

22 Group Operating Leases

	2007 Property £m	2007 Plant and equipment £m	2006 Property £m	2006 Plant and equipment £m
Total commitments expiring				
– within one year	1.4	1.6	6.2	1.2
– between one and two years	2.7	0.8	4.4	1.1
– between two and five years	7.2	1.2	7.5	0.9
– over five years	29.3	–	26.7	–
Payments to be made during next year	40.6	3.6	44.8	3.2

Notes to the Accounts
continued

23 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 schemes are generally held in separately administered trusts or are insured.

(i) Defined Benefit Pension Plans

	UK defined benefit pension £m	Overseas defined retirement benefit £m	Defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 26 March 2006	(115.0)	(4.6)	(119.6)	35.8	(83.8)
Current service cost included in operating profit	(9.8)	(0.7)	(10.5)	3.1	(7.4)
Net finance cost	1.8	–	1.8	(0.5)	1.3
Actuarial gains and losses arising over the year	3.0	0.5	3.5	(1.0)	2.5
Cash contributions and benefits paid	15.7	1.0	16.7	(5.0)	11.7
At 31 March 2007	**(104.3)**	**(3.8)**	**(108.1)**	**32.4**	**(75.7)**

	UK defined benefit pension £m	Overseas defined retirement benefit £m	Defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 27 March 2005	(115.9)	(4.0)	(119.9)	35.8	(84.1)
Current service cost included in operating profit	(9.1)	(0.2)	(9.3)	2.8	(6.5)
Net finance cost	(1.6)	(0.2)	(1.8)	0.6	(1.2)
Actuarial gains and losses arising over the year	2.3	–	2.3	(0.7)	1.6
Cash contributions and benefits paid	9.3	(0.2)	9.1	(2.7)	6.4
At 25 March 2006	(115.0)	(4.6)	(119.6)	35.8	(83.8)

Amounts recognised in the consolidated balance sheet:

	2007 UK £m	2007 Overseas £m	2007 Total £m	2006 UK £m	2006 Overseas £m	2006 Total £m
Fair value of plan assets	524.4	13.2	537.6	510.0	15.1	525.1
Present value of funded obligations	(622.6)	(15.6)	(638.2)	(619.2)	(18.4)	(637.6)
Funded defined benefit pension plans	(98.2)	(2.4)	(100.6)	(109.2)	(3.3)	(112.5)
Present value of unfunded obligations	(6.1)	(1.4)	(7.5)	(5.8)	(1.3)	(7.1)
Net liability	(104.3)	(3.8)	(108.1)	(115.0)	(4.6)	(119.6)
Amounts recognised in the consolidated income statement:						
Included in employee benefits expense:						
Current service cost	(9.8)	(0.7)	(10.5)	(9.1)	(0.2)	(9.3)
Included in net finance cost:						
Expected return on plan assets	31.8	0.6	32.4	28.6	0.5	29.1
Interest cost	(30.0)	(0.6)	(30.6)	(30.2)	(0.7)	(30.9)
	1.8	–	1.8	(1.6)	(0.2)	(1.8)
Total recognised in the consolidated income statement	(8.0)	(0.7)	(8.7)	(10.7)	(0.4)	(11.1)
Actual return on plan assets	22.2	0.6	22.8	83.7	0.7	84.4
Amounts recognised in the statement of recognised income and expense:						
Actuarial losses/(gains) on plan assets	(9.6)	–	(9.6)	55.1	0.2	55.3
Actuarial gains/(losses) on defined benefit pension obligations	12.6	0.5	13.1	(52.8)	(0.2)	(53.0)
Amounts recognised in the statement of recognised income and expense	3.0	0.5	3.5	2.3	–	2.3

23 Retirement Benefit Obligations continued

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

	2007 UK %	2007 Overseas %	2007 Total %	2006 UK %	2006 Overseas %	2006 Total %
Equities	59.5	–	58.0	60.2	–	58.5
Bonds	18.7	–	18.2	29.9	–	28.9
Gilts	19.3	–	18.8	9.4	–	9.1
Other	2.5	100.0	5.0	0.5	100.0	3.5

Principal actuarial assumptions:

	2007 UK %	2007 Overseas %	2006 UK %	2006 Overseas %
Future salary increases	4.00	3.00	3.90	3.00
Future pension increases – past service	3.20	1.50	3.00	1.50
Future pension increases – future service	3.00	1.50	2.75	1.50
Discount rate	5.30	4.90	4.90	4.90
Inflation rate	3.10	2.40	2.90	2.40
Expected return on plan assets:				
Equities	7.75		7.75	–
Bonds	5.00		4.75	–
Gilts	4.75		4.25	–
Other	5.00	4.10	4.25	4.10

The expected 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, the largest plan, are based on tables issued by the Continuous Mortality Investigation Bureau. At 31 March 2007 mortality assumptions are based on the PxA92 birth year tables multiplied by a rating of 125 per cent and allowance for medium cohort mortality improvements in the future. The resulting life expectancy for a 65 year old pensioner is 20.2 years. At 25 March 2006 mortality assumptions were based on the PxA92 birth year tables, and the resulting life expectancy for a 65 year old pensioner was 18.6 years.

History of experience gains and losses:

	2007 £m	2006 £m	2005 £m
Fair vale of plan assets	537.6	525.1	453.0
Present value of defined benefit pension obligations	(645.7)	(644.7)	(572.9)
Net liability	(108.1)	(119.6)	(119.9)
Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	(16.3)	(19.8)	(22.1)

	2007	2006	2005
Experience gains arising on defined benefit obligations:			
Amount (£m)	16.2	–	4.9
Percentage of present value of defined benefit obligations	-2.5%	–	-0.9%
Experience (losses)/gains arising on plan assets:			
Amount (£m)	(9.6)	55.3	11.3
Percentage of plan assets	-1.8%	10.5%	2.5%

The largest defined benefit pension plan operated by the Group is in the UK. A full actuarial valuation of the plan was carried out by a qualified actuary as at 6 April 2006, and updated to 31 March 2007. The plan is valued formally every three years, the next valuation being as at April 2009.

Notes to the Accounts
continued

23 Retirement Benefit Obligations continued

Changes in the fair value of UK plan assets:

	2007 £m	2006 £m
Opening balance	510.0	438.1
Expected return on plan assets	31.8	28.6
Actuarial (losses) / gains	(9.6)	55.1
Employer contributions	15.3	8.7
Plan participant contributions	3.0	3.2
Claims from insurance policy	0.4	0.6
Benefits paid	(24.1)	(22.0)
Plan administration and investment management expenses	(1.9)	(1.8)
Life assurance premiums	(0.5)	(0.5)
Closing balance	524.4	510.0

The Group expects to contribute around £19.8m to its material defined benefit pension plans in 2008.

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

	2007 £m	2006 £m
Opening balance	(625.0)	(554.0)
Current service cost	(9.8)	(9.1)
Interest cost	(30.0)	(30.2)
Actuarial gains / (losses)	12.6	(52.8)
Plan participant contributions	(3.0)	(3.2)
Benefits paid	24.1	22.0
Plan administration and investment management expenses	1.9	1.8
Life assurance premiums	0.5	0.5
Closing balance	(628.7)	(625.0)

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.

(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 £3.0m (2006 : £2.8m).

24 Employees

	2007	2006
Average number of employees		
United Kingdom and Ireland	2,291	2,302
Rest of Europe	2,004	2,200
The Americas	914	873
Rest of World	877	647
	6,086	6,022
Average number of employees		
Cash Systems	3,015	3,038
Security Paper and Print	3,071	2,984
	6,086	6,022

24 Employees continued

	2007 £m	2006 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**192.2**	190.7
Social security costs	**16.0**	15.2
Share incentive schemes	**5.1**	2.9
Sharesave schemes	**0.5**	0.3
Pension costs	**13.5**	12.1
	227.3	221.2

Aggregate gains on the exercise of share options during the year was £4.4m (2006 : £1.8m).

Details of Directors' emoluments are set out in the Remuneration Report on page 46.

25 Capital Commitments

	2007 £m	2006 £m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	**13.6**	4.7
Authorised but not contracted	**1.0**	2.8
	14.6	7.5

26 Contingent Liabilities

There are contingent liabilities, arising in the ordinary course of business, in respect of litigation and guarantees in various countries, for which the Directors believe adequate provisions have been made in the accounts. Pursuant to the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland, the Company has guaranteed the liabilities of certain of its Irish subsidiaries and as a result such subsidiaries have been exempted from the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland.

27 Related Party Transactions

During the year the Group traded with the following associated companies: Fidink (33.3 per cent) and Valora-Serviços de Apoio à Emissão Monitária S.A. (25 per cent).

On 31 March 2006, the Group disposed of its entire holding in Royal Mint Services Limited to Royal Mint for a nominal amount.

The Group's trading activities with these companies include £8.9m for the purchase of ink and other consumables; £0.2m for the provision of management services; £0.2m for the sale of ink, paper and plates. At the balance sheet date there were debtor and creditor balances with these companies of £0.2m and £0.8m respectively.

Key Management Compensation	2007 £'000	2006 £'000
Salaries and other short term employee benefits	**3,490.0**	2,488.5
Termination benefits	**150.6**	687.1
Retirement benefits:		
– defined contribution	**1.8**	731.2
– defined benefit	**640.7**	768.3
Share-based payments	**1,395.0**	848.3
	5,678.1	5,523.4

Key management comprises members of the Board, including fees of non executive Directors and the Operating Board. Key management compensation includes fees of non-executive Directors, 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.

Independent Auditor’s Report to the Members of De La Rue plc

We have audited the parent company financial statements of De La Rue plc for the year ended 31 March 2007 which comprise the Balance Sheet and the related notes. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also Audited the information in the Directors’ Remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of De La Rue plc for the year ended 31 March 2007.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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
The directors' responsibilities for preparing the Annual Report, the Directors’ Remuneration Report and the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on pages 34 to 35.

Our responsibility is to audit the parent company financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

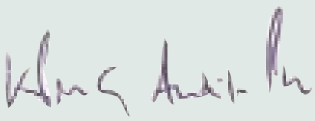
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors’ Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors’ Remuneration Report to be audited.

Opinion
In our opinion:

- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accouting Practice, of the state of the company’s affairs as at 31 March 2007;

- the parent company financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the parent company financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
21 May 2007

Company Balance Sheet
At 31 March 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Investments in subsidiaries	4a	152.4	151.6
		152.4	151.6
Current assets			
Debtors receivable within one year	5a	235.2	235.0
Cash at bank and in hand		1.6	0.1
		236.8	235.1
Creditors: amounts falling due within one year			
Borrowings	7a	(45.2)	(75.2)
Other creditors	6a	(1.9)	(0.4)
		(47.1)	(75.6)
Net current assets		189.7	159.5
Total assets less current liabilities		342.1	311.1
Creditors: amounts falling due after more than one year			
Borrowings	7a	(48.1)	(22.7)
		(48.1)	(22.7)
Net assets		294.0	288.4
Capital and reserves			
Called up share capital	8a	44.7	45.9
Share premium account	9a	21.4	20.6
Capital redemption reserve	9a	5.3	3.9
Retained earnings	9a	222.6	218.0
Total shareholders' funds		294.0	288.4

Approved by the Board on 21 May 2007.

Nicholas Brookes Chairman

Stephen King Finance Director

Accounting Policies – Company

Basis of Preparation

The De La Rue plc entity financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable UK accounting standards. As permitted by Section 230 of the Companies Act 1985, the profit and loss account is not presented.

The accounts have been prepared as at 31 March 2007, being the last Saturday in March. The comparatives for the 2006 financial year are for the year ended 25 March 2006.

The Directors have reviewed the Company's existing accounting policies and consider that they are consistent with the requirements of Financial Reporting Standard ('FRS') 18. The Company's accounting policies are otherwise consistent with the prior year.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the De La Rue Group.

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, except those arising on long term foreign currency borrowings used to finance or hedge foreign currency investments which on consolidation are taken directly to shareholders' equity.

Trade Receivables

Trade and 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. Revaluation movements due to foreign exchange are transferred to the foreign exchange reserve and those due to changes in the currency value of the investment are taken to the revaluation reserve.

Retirement Benefits

The pension rights of De La Rue plc 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 De La Rue plc 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 De La Rue plc and a number of its subsidiaries and it 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 Payment

De La Rue plc operates various equity settled and cash settled option schemes although the majority of plans are settled by the issue of shares. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 20 has been applied to share settled share options granted after 7 November 2002.

The fair value of share options issued by the Company to employees of subsidiaries is charged to the profit and loss account of the relevant subsidiary. The Company accounts for its obligation to grant options to employees of it subsidiaries by increasing the value of its investment in Group companies with a corresponding entry being recorded in the subsidiary reserves as a capital contribution.

Dividends

Under FRS 21, final ordinary dividends payable to the shareholders of De La Rue plc are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Notes to the Accounts – Company

2a Employee Costs and Numbers

Employee costs are borne by De La Rue Holdings plc. For details of Directors' remuneration, refer to disclosures in the Remuneration Report on page 42.

	2007	2006
Average employee numbers	**2**	2

3a Equity Dividends

For details of equity dividends see Note 7 to the consolidated financial statements.

4a Investments

	2007 £m	2006 £m
Investments comprise		
Investments in subsidiaries	**152.4**	151.6

	£m
At 26 March 2006	151.6
Additions	0.8
At 31 March 2007	152.4

For details of investments in Group companies, refer to Principal Subsidiaries, Branches and Associated Companies on pages 91 to 93.

5a Debtors

	2007 £m	2006 restated £m
Amounts due within one year		
Amounts owed by Group undertakings	**235.2**	235.0

6a Other Creditors

	2007 £m	2006 £m
Amounts falling due within one year		
Amounts due to Group undertakings	**1.4**	–
Accruals and deferred income	**0.5**	0.4
Other creditors	**1.9**	0.4

7a Borrowings

	2007 £m	2006 £m
Short term borrowings		
Bank loans and overdrafts	**45.2**	75.2
Long term borrowings		
Amounts due to Group undertakings	**48.1**	22.7

All amounts due to Group undertakings are repayable in more than five years.

The carrying amounts of short and long term borrowings approximate their fair value.

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

	2007 £m	2006 £m
US Dollar	**25.1**	28.3
Euro	**17.8**	18.1
Pound Sterling	**48.1**	49.1
Other currencies	**2.3**	2.4
	93.3	97.9

Notes to the Accounts – Company
continued

8a Share Capital

For details of share capital see Note 20a to the consolidated financial statements.

9a Other reserves

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 26 March 2006	45.9	20.6	3.9	218.0	288.4
Share capital issued	0.2	0.8			1.0
Purchase of shares	(1.4)		1.4	(29.2)	(29.2)
Allocation of shares				6.1	6.1
Profit for the financial year				55.2	55.2
Dividends paid				(28.3)	(28.3)
Employee share scheme:					
– value of services provided				0.8	0.8
At 31 March 2007	44.7	21.4	5.3	222.6	294.0
At 27 March 2005	46.1	17.0	3.5	71.3	137.9
Share capital issued	0.2	3.6			3.8
Purchase of shares for cancellation	(0.4)		0.4	(7.8)	(7.8)
Allocation of shares				2.5	2.5
Profit for the financial year				245.6	245.6
Dividends paid				(95.8)	(95.8)
Employee share scheme:					
– value of services provided				2.2	2.2
At 25 March 2006	45.9	20.6	3.9	218.0	288.4

10a Share based payments

For details of share based payments see Note 20b to the consolidated financial statements and the Remuneration Report on page 42.

Principal Subsidiaries, Branches and Associated Companies
As at 31 March 2007

The companies and branches listed on these two pages 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		
De La Rue Holdings plc	Holding and general commercial activities	100
De La Rue International Limited	Security paper and printing, sale and maintenance of cash handling products and services, identity systems, brand protection and holographics	100
De La Rue Overseas Limited	Holding company	100
De La Rue Investments Limited	Holding company	100
Portals Group Limited	Holding company	100
Portals Property Limited	Property holding company	100
Camelot Group plc	Lottery operator	20*
Channel Islands		
The Burnhill Insurance Company Limited	Insurance	100
De La Rue (Guernsey) Limited	General commercial company	100
Belgium		
De La Rue Cash Systems N.V.	Distribution, service and marketing	100
Ireland		
De La Rue Smurfit Limited	Security printing	50
De La Rue Cash Systems Limited	Distribution, service and marketing	100
France		
De La Rue France Holdings S.A.S.	Holding company	100
De La Rue Cash Systems S.A.	Distribution, service and marketing	100
Germany		
De La Rue Cash Systems GmbH	Distribution, service and marketing	100
De La Rue Systems GmbH	Holding company and distribution and marketing of cash handling products for export	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 cash handling products	100

Principal Subsidiaries, Branches and Associated Companies
As at 31 March 2007
continued

Country of incorporation and operation	Activities	De La Rue interest in ordinary shares %
Europe continued		
Portugal		
Valora-Serviços de Apoio à Emissão Monitária S.A.	Currency printing	25*
De La Rue Systems – Automatização, S.A.	Manufacturing, distribution, service and marketing	100
Russia		
De La Rue CIS	Manufacturing, distribution, service and marketing	100
Spain		
De La Rue Systems S.A.	Distribution, service and marketing	100
Sweden		
De La Rue Cash Systems A.B.	Manufacturer of cash handling equipment	100
Switzerland		
Thomas De La Rue A.G.	Holding company	100
Fidink S.A.	Security ink marketing	33.33*
De La Rue Cash Systems A.G.	Distribution, service and marketing	100
De La Rue International Limited, Swiss Branch	Design and development centre principally for cash handling products and solutions	100
North America		
United States of America		
De La Rue Inc.	Holding company	100
De La Rue Security Print Inc.	Security printing	100
De La Rue Cash Systems Inc.	Design, assembly, distribution, marketing and identity systems	100
Canada		
De La Rue Cash Systems Inc.	Distribution, service and marketing	100
South America		
Brazil		
De La Rue Cash Systems Limitada	Distribution, service and marketing	100
Mexico		
De La Rue México, S.A. de C.V.	Distribution, marketing and identity systems	100
India		
De La Rue Cash Systems India Private Limited	Distribution, service and marketing	100
Africa		
Kenya		
De La Rue Currency & Security Print Limited	Security printing	100
South Africa		
De La Rue South Africa (Proprietary) Limited	Distribution, service and marketing	100
De La Rue Global Services (S.A.) (Proprietary) Limited	Security Printing	100

Country of incorporation and operation	Activities	De La Rue interest in ordinary shares %
Far East		
Australia		
De La Rue Cash Systems Pty Limited	Distribution, service and marketing	100
China		
Shenzhen De La Rue Nantian Banking Technology Corporation Limited	Distribution, service and marketing	100
De La Rue (Suzhou) Banking Technology Trading Co Limited	International procurement office (IPO)	100
Hong Kong		
De La Rue Systems Limited	Distribution, service and marketing	100
Malaysia		
De La Rue (Malaysia) Sdn Bhd	Security printing	100
Philippines		
De La Rue Cash Systems (Philippines) Inc	Distribution, service and marketing	100
Sri Lanka		
De La Rue Lanka Currency and Security Print (Private) Limited	Security printing	60
Thailand		
De La Rue (Thailand) Limited	Distribution, service and marketing	100

*associated company

Five Year Record

Profit and Loss Account

	Note	UK GAAP 2003 (restated) £m	UK GAAP 2004 £m	IFRS 2005 £m	IFRS 2006 £m	IFRS 2007 £m
Turnover						
– Continuing operations		557.5	638.3	620.1	610.8	**687.5**
– Discontinued operations – Sequoia Voting Systems Inc.	a	25.2	44.2	–	–	**–**
Total		582.7	682.5	620.1	610.8	**687.5**
Operating profit						
Continuing operations		42.3	51.2	54.8	69.4	**90.4**
Reorganisation and arbitration costs		(31.9)	(15.2)	(13.5)	(3.7)	**–**
Goodwill impairment				(11.5)	–	**–**
(Loss)/profit on impairment of investments		(1.3)	–	0.4	1.2	**–**
Discontinued operations – Sequoia Voting Systems Inc.	a	(3.7)	(1.9)	–	–	**–**
Total		5.4	34.1	30.2	66.9	**90.4**
Amortisation of goodwill		(19.6)	(21.2)	–	–	**–**
Share of profits of associated companies		9.2	10.0	6.4	6.8	**6.6**
Profit on the sale of continuing operations		–	0.2	–	–	**–**
Profit/(loss) on ordinary activities before interest		(5.0)	23.1	36.6	73.7	**97.0**
Net Interest: Group/associates		0.9	(0.6)	2.5	1.8	**3.6**
Retirement benefit obligation net finance cost			–	1.5	(1.8)	**1.8**
Profit/(loss) on ordinary activities before taxation		(4.1)	22.5	40.6	73.7	**102.4**
Taxation on profit on ordinary activities		(2.5)	(10.0)	(12.9)	(21.9)	**(30.6)**
Profit/(loss) on ordinary activities after taxation		(6.6)	12.5	27.7	51.8	**71.8**
Discontinued operations		n/a	n/a	6.9	–	**–**
Equity minority interests		(0.7)	(0.4)	(1.6)	(0.9)	**(1.6)**
Profit/(loss) for the financial year		(7.3)	12.1	33.0	50.9	**70.2**
Dividends		(24.6)	(24.8)	(25.8)	(95.8)	**(28.3)**
Retained profit/(loss) for the period		(31.9)	(12.7)	7.2	(44.9)	**41.9**
Earnings per ordinary share		(4.0)p	6.8p	18.5p	30.2p	**43.9p**
Diluted earnings per share		(4.0)p	6.8p	18.4p	29.4p	**42.9p**
Adjusted earnings per ordinary share (before exceptionals)		19.2p	24.2p	25.9p	31.4p	**43.9p**
Dividends per ordinary share	c	13.6p	14.2p	15.3p	17.0p	**19.1p**
Profit on ordinary activities before taxation, exceptional items and goodwill		48.7	58.7	65.2	76.2	**102.4**

Balance sheet	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m
Fixed assets/non current assets	231.7	206.0	245.2	235.5	**235.1**
Net current assets	47.2	34.9	(50.9)	(69.4)	**(96.0)**
Net cash	8.2	41.1	106.5	91.6	**137.3**
Other liabilities	(58.1)	(64.4)	(121.7)	(121.4)	**(111.5)**
Equity minority interests	(4.2)	(3.5)	(3.7)	(3.8)	**(5.0)**
Equity shareholders' funds	224.8	214.1	175.4	132.5	**159.9**

Notes

The years 2003 and 2004 have not been restated for IFRS.

(a) Discontinued operations refer to all businesses discontinued between 2003 and 2007. Thus continuing operations refer to those businesses continuing as at 31 March 2007.

(b) The comparatives for 2003 have been adjusted to reflect the adoption of UITF Abstract 38 (accounting for ESOP trusts).

(c) Includes proposed final dividend in 2005, 2006 and 2007, which in accordance with IFRS accounting requirements have not been accrued in the consolidated financial statements.

Shareholders' Information

Registered Office

De La Rue House
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Fax: +44 (0)1256 605336
Registered Number 3834125
Company Secretary: Miss C L Fluker

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH UK
Telephone: +44 (0)870 703 6375
Fax: +44 (0)870 703 6101

Shareholder Enquiries and Holder Amendments

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare Investor Services PLC. Details of your shareholding and how to make amendments to your details can be viewed online at www.computershare.com

Electronic Communications

You can register online at www-uk.computershare.com/investor to stop receiving statutory communications through the post. If you choose this option you will receive an e-mail notification each time we publish new shareholder documents on our website and you will be able to download and read them at your own convenience.

To register you will need an internet-enabled PC. You will also need to have your shareholder reference number (SRN) available when you first log in. This 11 character number (which starts with the letter C or G) can be found on share certificates and dividend tax vouchers. Shareholders who subscribe for electronic communications can revert to postal communications or request a paper copy of any shareholder document at any time in the future.

Internet

Visit our home page at www.delarue.com

Consolidation of Share Certificates

If your total registered shareholding is represented by several individual share certificates, you may wish to have these replaced by one consolidated certificate. De La Rue will meet the cost for this service. You should send your share certificates to the Company's registrar together with a letter of instruction.

Annual General Meeting

The Annual General Meeting will be held at 10.30 a.m. on Thursday, 26 July 2007 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.

Dividend Payments

Final	3 August 2007
Record Date	13 July 2007
Ex-Dividend Date	11 July 2007
Interim	January 2008

Results Announcements

Final Results	22 May 2007
Interim Results	27 November 2007

Analysis of Shareholders at 31 March 2007

	Shareholder		Shares	
By range of holdings	Number	%	Number	%
1–1,000	5,141	64.12	2,075,517	1.29
1,001–2,000	1,292	16.11	1,852,903	1.15
2,001–4,000	779	9.71	2,175,188	1.35
4,001–20,000	498	6.21	3,937,124	2.45
20,001–200,000	197	2.46	12,767,384	7.94
200,000 and above	111	1.39	138,019,270	85.82
Total	**8,018**	**100**	**160,827,386**	**100**

Share Dealing Facilities

The Company's Stockbroker, JPMorgan Cazenove Limited, provides a simple, low cost **postal** dealing facility in De La Rue plc shares. Commission is charged at the rate of 1 per cent (up to £5,000), with a minimum charge of £20. Further information and forms can be obtained from JPMorgan Cazenove Limited, 20 Moorgate, London, EC2R 6DA UK. Telephone: +44 (0)20 7155 5155. A copy of the low-cost dealing form is also available at www.delarue.com

A low cost **telephone** dealing service has also 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 (subject to a minimum commission of £15). For further information please call +44 (0)845 601 0995 and quote reference Low Co103.

Capital Gains Tax – March 1982 Valuation

Shareholders should be aware that 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 CGT calculations.

EMAS

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