DeLaRue

MAKING MONEY. MAXIMISING VALUE.

Annual Report 2008

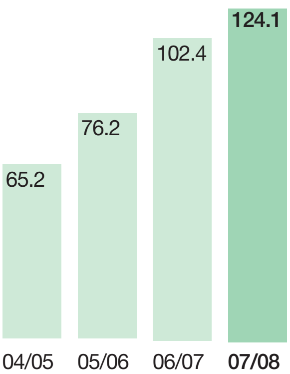
Group Profile

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, 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.

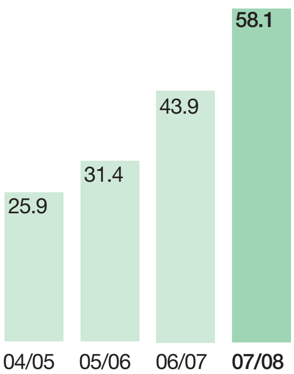
Highlights

- Revenue up 9.6 per cent to £753.6m
- Profit before tax up 23.7 per cent to £126.7m
- Profit before tax and exceptional items[1] up 21.2 per cent to £124.1m
- Group underlying operating profit margin[1] up 2.1 percentage points to 15.2 per cent
- Basic earnings per share up 31.7 per cent to 57.8p
- Headline earnings per share[2] up 32.3 per cent to 58.1p
- Continued strong cash generation from operations at £124.0m, net cash at £106.7m[3]
- Dividend increase of 12.0 per cent to 21.4p†
- Strategic Review conclusions, including capital return and dividend increase

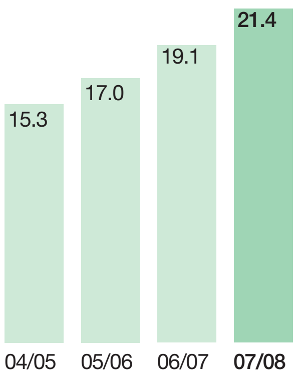
Profit before tax and exceptional items[1]
(£m)



Headline earnings per share[2]
(pence)



Dividends per share†
(pence)



†includes proposed final dividend

(1) before exceptional income of £2.6m (2006/2007 : nil)
(2) before exceptional income of £2.6m (2006/2007 : nil) and charge for the change in the German tax rate of £3.1m (2006/2007 : nil)
(3) cash and cash equivalents of £120.3m (2006/2007 : £149.1m) less current and non-current borrowings of £13.6m (2006/2007 : £11.8m)

Contents

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SHAREHOLDER VALUE IS STILL OUR DRIVING FORCE

2008 marks the completion of a four year strategic cycle which sees De La Rue refreshed and reinvigorated. Productivity and cost improvements have driven increased profitability. Innovation and investment have driven growth. The Company has been restructured and overheads rationalised. Time, talent and money have been invested to ensure that long term performance improvement, nurtured in a high performance culture, drives further growth.

£52.0m has been spent on additional capacity and high calibre management have been recruited.

Innovation has delivered a cutting-edge product portfolio, with 12 new patents and award winning products launched in the last three years. Returns to shareholders total £296.5m over the last four years, not including the Board's latest proposal for a third special dividend in the period.

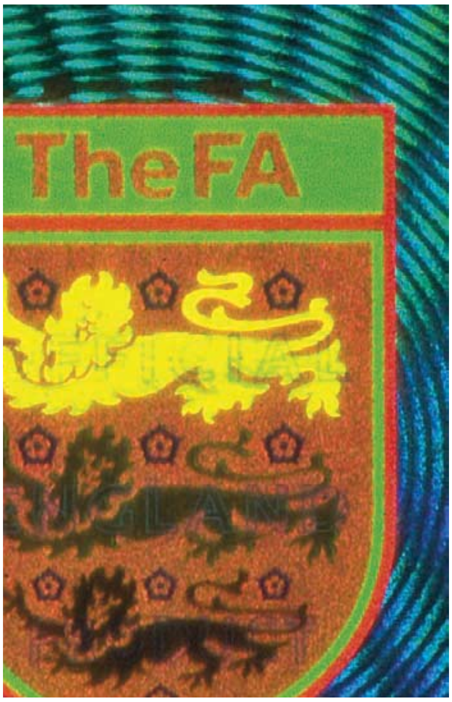
Over the following pages we talk about some of the innovations that have helped us maximise value.

HOLOGRAPHICS EXPANDS INTERNATIONAL BRAND LICENSING BUSINESS

De La Rue Holographics continues to grow its sales in the area of brand licensing, supported by key investment in manufacturing upgrades.

The business provides holographic labels, many of which use the new Combigram™ and Depth Image™ technologies, to protect merchandise and royalties for a number of major brands and events. Exceptional levels of customer satisfaction resulted in Holographics retaining the contract to track and protect the royalties for the 2010 FIFA World Cup™ event in a competitive tender.

This year De La Rue Holographics has also won contracts with high profile international brands such as the English Football Association, the University of Cambridge, The London Organising Committee of the Olympic Games and Paralympic Games Limited and Remington Arms, Inc.



MY CONTRIBUTION PROJECTS DELIVER PROFITABILITY BENEFITS

Core to our success is the drive for productivity improvements through the 'My Contribution' employee programme. We continue to incentivise and reward improvement, and have delivered significant productivity benefits through the programme.

The 'My Contribution' programme encourages employees to share ideas and submit suggestions for improvements to the business. In addition most projects have either a health and safety or an environmental element. The most successful projects within the 'My Contribution' programme are celebrated at our Spotlight event.

In the Cash Systems division, the top 'My Contribution' project and overall winner of this year's Spotlight Award, was Teller Cash Dispenser (TCD) Revitalisation. A multi-national, cross-functional team involving customers, focused on improving sustainability and efficiencies in the production of the long established TCD, the division's highest volume product. This was achieved by rationalising the supply chain, eliminating obsolescent parts and reducing lead times.The project also established best practice for managing products in the latter part of their life cycle.

Another winning Cash System project from the UK, 'Loose Fill', involved shipping product without pallets, and is set to become best practice for De La Rue across the world. The unit shipping cost of desktop products was reduced by more than 35 per cent, storage capacity was increased by 50 per cent, and in-transit damage eliminated.

In Security Paper and Print Division, the Identity Systems' team simulated the reading and writing of ePassports on a single PC. This has improved efficiency leading to reduced lead times to the customer.

The Human Resources team for Cash Systems Branch Teller Automation in North America focused on improving staff retention. A standard set of recruitment tools and a comprehensive, tailored induction programme was launched by the Human Resources team to ensure the right calibre staff were recruited and retained. Since the launch of the new tools, first year technician turnover has dropped to less than five per cent.

Other winning projects involving cross-divisional teams from Holographics, Security Threads and SPP, have all improved cross-company product quality and increased productivity, thereby enabling De La Rue to maintain its high profile customers against intense competition.

EURO ZONE LAUNCH FOR COMPACT BANKNOTE COUNTER AND SORTER

De La Rue prepared for the European Central Bank's Banknote Recycling Framework by launching a new compact banknote counter and fitness sorter, NVision™, in the euro zone marketplace.

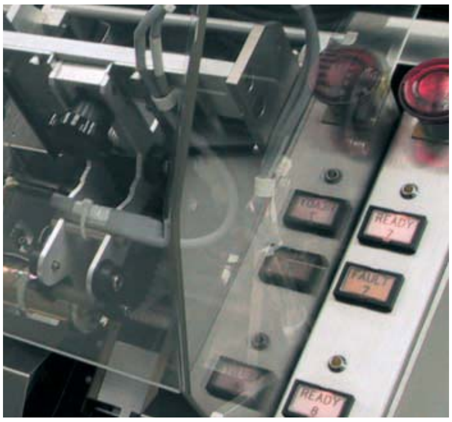
From January 2008 the European Central Bank's Banknote Recycling Framework (BRF), which aims to protect the ongoing integrity of the euro, requires banks and other financial institutions in the euro zone to comply with a new set of rules governing how banknotes are recycled in branches and then returned to the public.

De La Rue Cash Systems Branch Teller Automation developed NVision with the necessary technology simultaneously to check the fitness of banknotes and authenticate them to remove counterfeits.

The Company also launched QC™, a self-service coin deposit solution which ends the need for tellers to pre-sort deposits or for customers to stand in teller queues. Originally designed for the USA, Canadian and Australian marketplace, it was further developed for the euro zone in order to extend the market reach.

IMPROVING CUSTOMERS' CASH HANDLING PROCESS

Four new innovations were launched by De La Rue Cash Systems Cash Processing Solutions this year, improving the bulk cash handling process for customers in this market.



Launched for the high-speed CPS1200-2000 family of banknote processing machines, AutoFacer™ uses patented technology to detect any banknote which is facing the wrong way. The note is then automatically diverted and turned before being merged back into the mainstream sorting process without compromising machine speed or productivity.

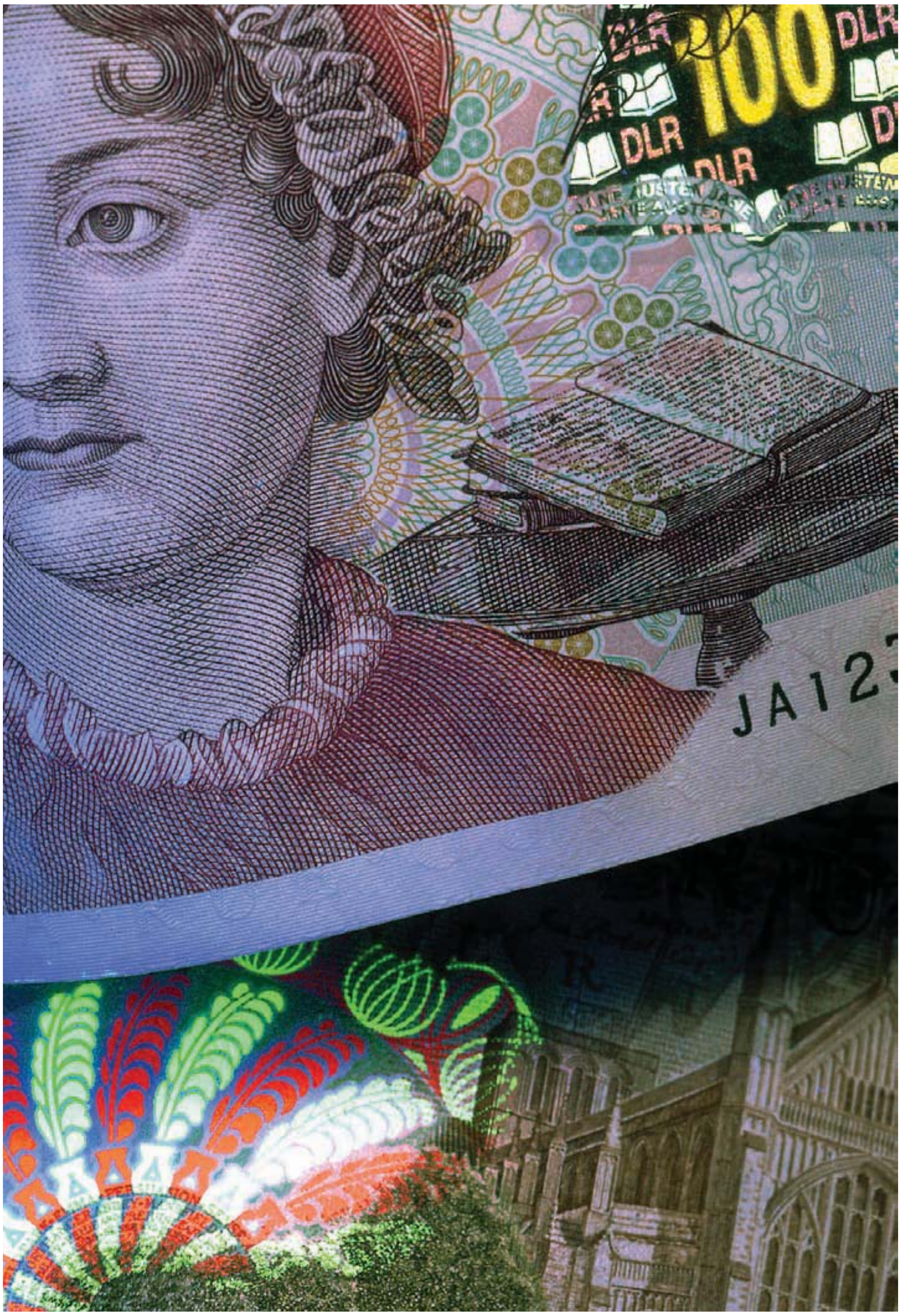
Business Intelligence, a component for the Enterprise Cash Management (ECM™) software suite, is a portal based analysis tool which collates business critical management information from the customer's cash centres.

The Quick Deposit Processing (QDP™) system is a patented process that reduces the time for processing rejected banknotes.

As part of De La Rue's 'My Contribution' programme, one team took just 12 weeks to identify a customer need and to design and produce, a smaller version of the Company's Desktop Shredder (using 60 per cent of the parts from large shredders). This product is now poised to open up a lucrative new market.

INNOVATIVE SECURITY FEATURES DRIVE MARKET GROWTH

In 2007/2008 De La Rue brought to market the Edgestone™ and Multitext™ banknote security features, and launched StarChrome® Colour.



Edgestone is a reinforced corner feature for banknotes that improves their durability in circulation by reducing the number of torn edges.

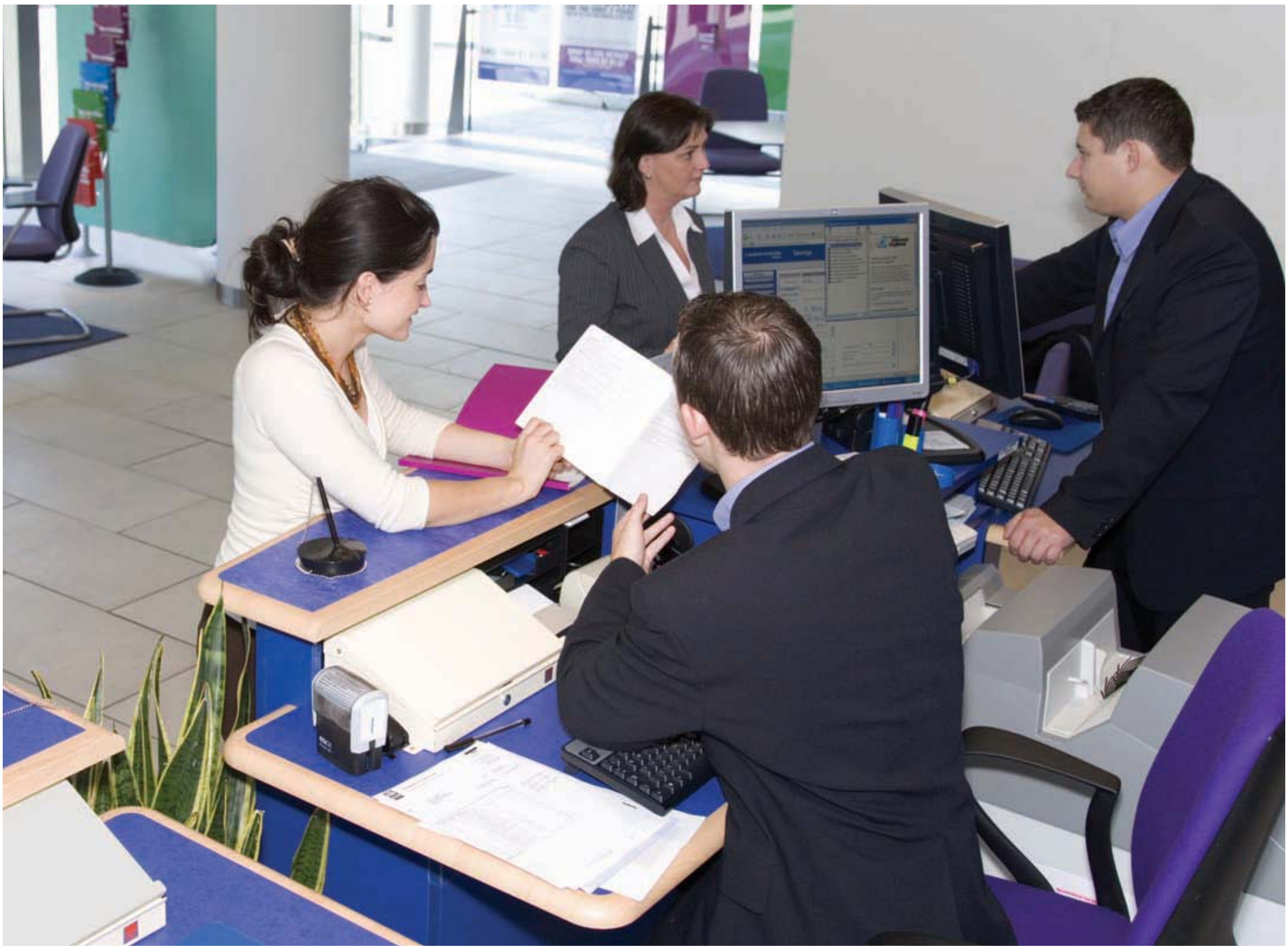
Multitext and StarChrome Colour are enhancements of the highly successful StarChrome product and improve its security and visual effect. Sales of StarChrome®, Gemini™ and Cornerstone® have continued to grow and these security features are now used in products sold to 47 countries.

INTERNATIONAL DISTRIBUTION BUSINESS DOUBLES REVENUE

Cash Systems' International Distribution Business is focused on driving operational efficiencies throughout its business partnerships.

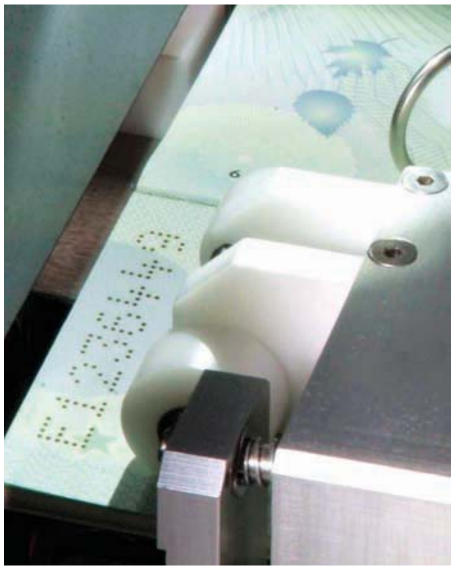
Developing partnerships worldwide in countries where De La Rue does not have wholly-owned offices has enabled the business to sell products and solutions in 55 countries.

Cash Systems' International Distribution Business achieved revenues of more than £50.0m from the sales of desktop products, branch teller automation and self-service solutions in 2007/2008, more than double those of the previous year.



IDENTITY SYSTEMS CELEBRATES MAJOR EPASSPORT CONTRACTS

Identity Systems has enjoyed a successful 2007/2008 with the roll out of De La Rue's first ePassport to the Bahamas and has announced a further contract for the State of Qatar.



De La Rue Identity Systems (IDS) opened its new ePassport facility in Malta, an investment which will help the business make further inroads into this growing market.

The latest version of MIDIS™, our secure identity document enrolment and issuing system, has been redesigned with a new modular architecture which can be configured to meet the widest range of government requirements.

Recent innovations include the new SIPS™ 500e series automatic passport personalisation solution which offers security, modular flexibility and ease of maintenance.

Our experts within IDS have also devised a laser-perforated check digit for use on passports. This avoids the risk of data being misread during the personalisation of pre-numbered passports.

SECURITY PRINT'S PARTNERSHIP ADDS REAL VALUE

Security Print has evolved from a basic supplier of tax stamps to the Kyrgystan government into a revenue collection partner, helping the customer achieve a rise in tax revenue and a fall in counterfeit and illegal goods.

Security Print were originally asked to provide consultancy and strategic advice on the introduction of tax stamps to help the Kyrgyz government control tax evasion on tobacco and alcohol duty.

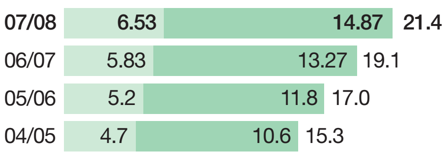
Working with the Kyrgyz government we developed a range of security features and a full excise collection support service which includes training for recording of call-offs, implementation, payments and deliverables.

"ANOTHER STRONG YEAR OF TRADING ACROSS ALL OUR ACTIVITIES SHOWING ONCE AGAIN THE FIRM FOUNDATION ON WHICH THE GROUP NOW STANDS"

Nicholas K. Brookes
Chairman

Chairman's Statement

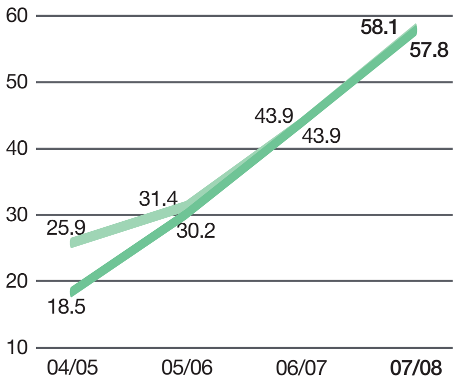
Dividends per share†
(pence)



Interim
Final

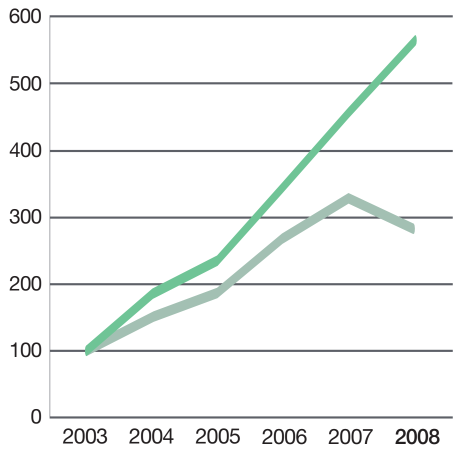
† includes proposed final dividend

Earnings per share
(pence)



Earnings per share
Headline earnings per share (before exceptional income and charge for the change in the German tax rate)

Total shareholder return
(£)



De La Rue plc
FTSE 250 excl investment trust Index

This graph shows the value, by 29 March 2008, of £100 invested in De La Rue plc on 30 March 2003 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 pleased to report another strong year of trading across all of our activities, showing once again the firm foundation on which the Group now stands. Our investments since 2004 to reinvigorate our product portfolio, update our plants and expand in high growth markets have all helped to drive strong sales growth, while our ongoing drive for productivity improvements has contributed to a further rise in profitability.

Cash generation remains a key strength of our businesses and underpins our commitment to continue our strategy of returning surplus cash flow to shareholders. During the last four years, the Group has generated £352.0m in free cash flow from operating profits of £329.3m. Returns to shareholders total £296.5m over the last four years, not including the Board's latest proposal for a third special dividend of £160.0m in the period.

Return to Shareholders
Final Dividend
The Board is recommending an increased final dividend of 14.87p per share, subject to shareholders' approval. This will be paid on 1 August 2008 to shareholders on the register on 11 July 2008. Together with the increased interim dividend paid in January 2008, this will give a total dividend for the year of 21.4p, an overall increase of 12.0 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 610,000 shares under the share buy back programme at a cost of £4.2m, bringing the total number of shares acquired since the commencement of the programme, in December 2005, to 7.2m at a cost of £41.2m. 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 2008 its intention to return approximately £160.0m to shareholders, equivalent to 106p 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 dividends paid first in August 2005 of £68.3m, equivalent to 38.0p per share, and then in August 2007 of £74.4m, equivalent to 46.5p per share.

Changes to the Board
As announced last year, Michael Jefferies resigned as non-executive Director with effect from the end of the Annual General Meeting on 26 July 2007 and was succeeded as senior non-executive Director by Keith Hodgkinson. There have been no subsequent changes to the composition of the Board.

Outlook
We enter 2008/2009 with the order books in both divisions at a four-year high. In Currency, this is expected to result in the business continuing to operate throughout the current year at the high levels of capacity experienced in 2007/2008. Thus, despite the more uncertain financial environment, we remain confident in the outlook for the year ahead.

"THE GROUP'S OUTSTANDING PERFORMANCE IN 2007/2008 TESTIFIES TO THE ACHIEVEMENTS OF THE LAST FOUR YEARS AGAINST OUR STRATEGIC GOALS."

Leo Quinn
Chief Executive Officer

Business Review

+9.6%

Revenue
(£m)

2008	**753.6**
2007	687.5
2006	610.8
2005	620.1

£124.1m

Profit before tax and exceptional items[1]
+21.2 per cent on last year

Group underlying operating profits[1]
(£m)

2008	**114.7**
2007	90.4
2006	69.4
2005	54.8

+32.3%

Headline earnings per share[2]: 58.1 pence

108%

Operating cash flow conversion
(£m)

2008	**124.0**
2007	144.5
2006	106.7
2005	98.7

(1) before exceptional income of £2.6m (2006/2007 : nil)
(2) before exceptional income of £2.6m (2006/2007 : nil) and charge for the change in the German tax rate of £3.1m (2006/2007 : nil)

A Year of Strength

The Group's outstanding performance in 2007/2008 testifies to the achievements of the last four-years against our strategic goals. Continuing improvement to both our sales and profitability demonstrate the success of every business in implementing our combined strategy of innovation and productivity to drive value.

It is from a position of strength, mindful of the need to continue to stretch the Group to deliver shareholder returns, that we took the decision to re-examine our portfolio for its value potential over the next three to five years.

Strategic Review

As the results for last year demonstrate, our strategy since 2004 has created two market-leading divisions, each with strong management teams, reinvigorated product offerings and excellent prospects.

The Strategic Review initiated at the end of 2007 by the Board concluded that:

De La Rue's historic strength has been its relationships with Central Banks and Governments through the Security Paper and Print Division (SPPD) and these remain core to its success.

Our Cash Systems Division has been developed significantly in the last four years and is now a strong business in its own right, serving the retail/commercial banking sector.

On the whole, these divisions are two distinct entities operationally and there is little opportunity for synergies between them. They serve different customer bases, the exception being Cash Processing Solutions (CPS) which develops and supplies banknote sorters and cash optimisation software largely to Central Banks. CPS is integral to the Currency offering and will become part of that business.

Subject to achieving appropriate value, the Board therefore decided to explore the sale of Cash Systems, excluding CPS, as one possible route to crystallise its value for shareholders. Discussions are ongoing which may, or may not lead to a sale. The business is performing well and the Board will only recommend its sale to shareholders if terms are agreed which reflect its quality and future prospects, and the strength of its customer relationships.

The Group's holding in Camelot, the UK national lottery operator has proved an excellent investment. Following Camelot's award of the third lottery licence for a ten year period to 2019, the Board believes that the investment offers strong future value and should be retained. During the year, the Group subscribed for 10,000 redeemable shares of £1 each at par in Camelot Group plc.

Business Review
continued

The financial strength of the Group now provides our Board with the confidence to increase the level of distribution to shareholders by means of the following proposals:

– a new dividend policy, which will take effect in respect of the year ending 28 March 2009, for a dividend cover of approximately 1.75 times, based on the underlying earnings for the year. The Board intends to maintain a progressive dividend policy and is prepared to consider different levels of dividend cover as a result of any short term fluctuations in earnings;

– a return of £160.0m to shareholders by way of a special dividend, using the surplus cash in hand, appropriately adjusted for advance payments from customers, and a new debt facility that has been arranged; and

– if Cash Systems is sold, a further return to shareholders of the net proceeds of the sale.

Going forward, the Group will continue to monitor the shape of the balance sheet and, where appropriate, consider future returns of surplus cash.

Group Results
De La Rue has delivered another very strong financial performance. Revenue grew 9.6 per cent to £753.6m (2006/2007 : £687.5m) and Group underlying operating profit rose 26.9 per cent to £114.7m (2006/2007 : £90.4m), representing an improvement in the Group's underlying operating margin of 2.1 percentage points, to 15.2 per cent. Profit before tax and exceptionals increased by 21.2 per cent to £124.1m (2006/2007 : £102.4m). Headline earnings per share were up 32.3 per cent to 58.1p (2006/2007 : 43.9p), reflecting the improved trading performance and the benefits of the share consolidation carried out in conjunction with the special dividend payment last year. Basic earnings per share were 57.8p compared with 43.9p in 2006/2007, an increase of 31.7 per cent.

In Security Paper and Print, strong banknote and paper volumes (up 13.4 per cent and 19.2 per cent respectively) drove another excellent full year result with the Currency business once again operating at near capacity levels throughout the year, following our investments to refresh printing assets. In Cash Systems, both equipment and service volumes remained in line with our expectations, notwithstanding the more uncertain financial environment and its impact on the retail banking sector. In this context, we were particularly pleased to see a strong second half-year and an increasing order book for the division.

Cash generation was, as always, a key focus. Strong operating cash flow of £124.0m (2006/2007 : £144.5m) reflected both higher profits and tight management of working capital. Growth in trade working capital reflected the high trading activity in the Currency operations, together with a small reduction in advance payments, following the exceptional inflow last year. The Group ended the year with net cash on the balance sheet of £106.7m (2006/2007 net cash : £137.3m) after returning to shareholders a total during the year of £109.6m, comprising £105.4m in respect of dividends and the ongoing share buy back programme (£4.2m).

Associates
The main associated company is Camelot, the UK lottery operator. Profit from associates after tax was higher at £7.1m (2006/2007 : £6.6m). Dividends received from associates of £7.7m were higher than last year's £6.2m.

Looking Forward

The completion of our recent strategy review, four years after we set out to improve returns to our shareholders, confirms the progress made in realising De La Rue's true potential. Furthermore, the foundation that we have built presents a sustainable strategy for profitable growth in all our businesses.

Our combination of clear goals and strong processes, together with an energetic culture of encouraging employees at all levels to deliver innovation and productivity, remains our key competitive advantage. For this reason in particular, I would like to thank all our people for their support, drive and commitment on this journey. It is these characteristics that have built the premium reputation that De La Rue enjoys with its customers and give me every confidence that the Group will continue to out-perform its competitors in the future.

Security Paper and Print

Key drivers of business performance

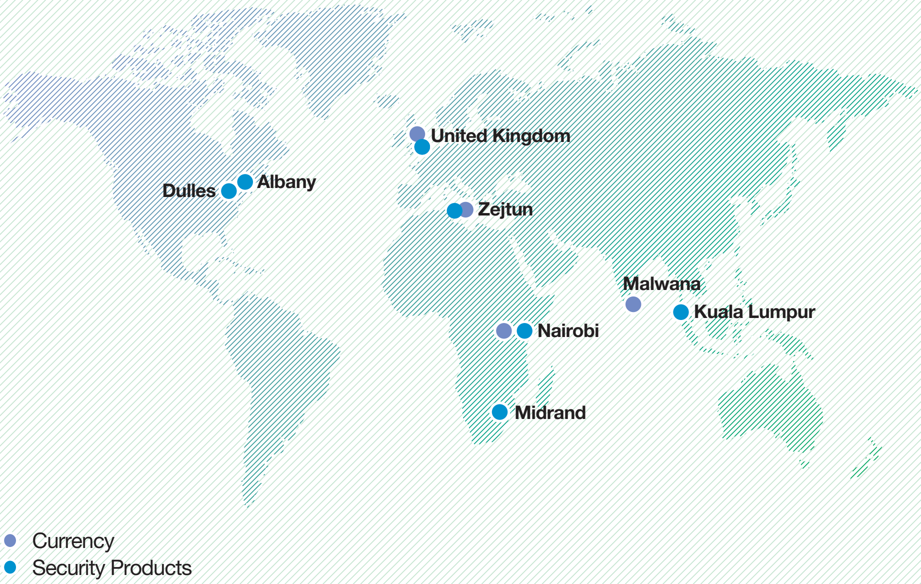
Security Paper and Print

- Ordering patterns of central banks
- Volumes of banknotes/paper
- Input costs (cotton)
- 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



	2007/2008	2006/2007	Change
Revenue	**£408.6m**	£354.5m	+15.3%
Operating Profit	**£79.6m**	£61.7m	+29.0%

Security Paper and Print enters 2008/2009 with its order book at a four-year high. In Currency, this is expected to result in the business continuing to operate throughout the current year at the high levels of capacity experienced in 2007/2008.

Currency

The improved divisional result was driven principally by Currency's activities which had another excellent year, with the banknote business operating at near capacity levels throughout the year and has continued to benefit from our investment in divisional assets.

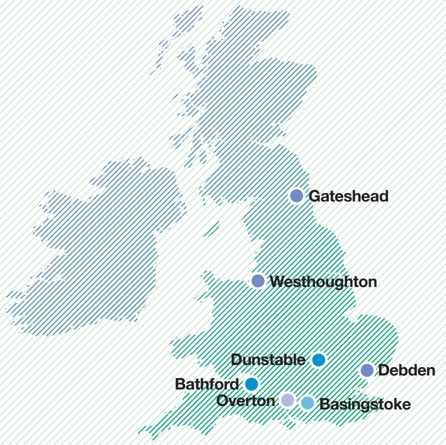
Overall, banknote volumes increased by 13.4 per cent (2006/2007 : increase of 19.5 per cent) over the prior year. There was a more favourable work mix compared to the corresponding period last year with an average contribution per 1000 notes up 4.7 per cent (2006/07 down 12.6 per cent).

The higher overall volumes partly reflected increased overspill which was 29 per cent of the total compared to 26 per cent in the corresponding period last year. In addition, banknote paper volumes rose by 19.2 per cent (2006/2007 : increase of 3.6 per cent) partly driven by the strong print order book.

Looking forward the order book in Currency remains strong, providing good visibility for 2008/2009. Investment in innovation continues and a number of successful new features have been introduced to the market this year eg Edgestone, Multitext thread and StarChrome Colour.

The Security Products businesses also performed well, driven in part by demand for authentication labels, with our contract with a leading software vendor recently renewed for a multi-year term. The business has continued to evolve from being product based into a more service and solution business model.

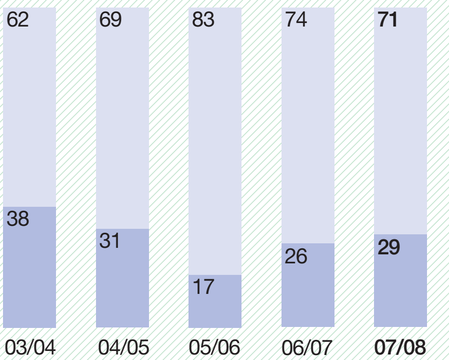
United Kingdom detail



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

Banknotes base/overspill

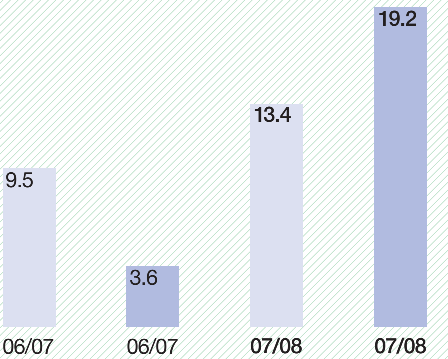
% of revenue



- Base
- Overspill

Currency volumes

% increase



- Banknote volumes
- Paper volumes

In Holographics, revenue continues to grow in brand licensing. The business retained the contract to supply secure licensing solutions for the 2010 FIFA World Cup. It has also won a two-year contract with the English Football Association plus a number of key contracts in the UK, US and internationally.

Identity Systems enjoyed a successful 2007/2008 with the roll out of De La Rue's first ePassport to the Bahamas. It won a further contract for the State of Qatar. Innovations include the new SIPS 500 series automatic passport personalisation solution offering security, modular flexibility and ease of maintenance.

De La Rue's strength continues to be in excellent customer relationships. It is positioning itself to take advantage of the transformation in identity technology. Investment in a new dedicated ePassport manufacturing facility in Malta was completed in the last quarter of 2007/2008.

Cash Systems

Key drivers of business performance

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

World locations

	2007/2008	2006/2007	Change
Revenue	**£345.0m**	£333.0m	+3.6%
Underlying Operating Profit[(1)]	**£35.1m**	£28.7m	+22.3%

(1) before exceptional items

Divisional Strategy
The strategic focus for the Cash Systems Strategic Business Units (SBU) is outlined below. Within each SBU there is 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 freeing up teller resource for alternative value added tasks through improved automation.

Supporting and developing our position as the global market leader in teller automation products serving the retail bank sector.

During the year we successfully launched the cutting edge VERTERA™ portfolio of teller cash recyclers. This has experienced strong market take up and provides a platform for future innovations. Demand for teller automation worldwide remains strong and we continue to focus on both traditional and new markets. Further progress on operational improvements has and will continue to drive bottom line performance.

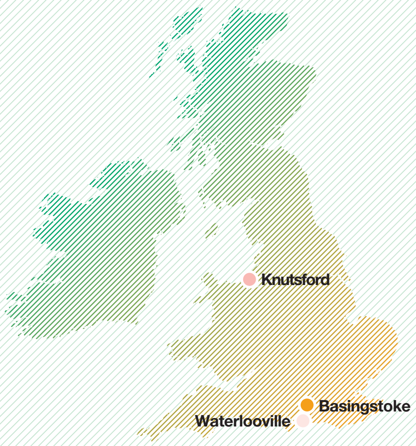
Cash Processing Solutions (CPS)
CPS provides consultancy led cash handling solutions, including banknote sorters and software systems, to help central banks, note issuing authorities, commercial banks and other handlers of bulk cash worldwide process cash efficiently and improve customer service.

In mature markets the focus is on delivering innovation, security and productivity benefits for our customers by tailoring the right solution of hardware, software (ECM) and cash centre design and process. This approach is supported by the ongoing development of hardware with superior detection capabilities combined with investment in sophisticated software giving real time management reports.

Further focus is 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 for providing innovative and efficient solutions to banks and other financial institutions to help them comply with the European Central Bank's Banknote Recycling Framework (BRF).

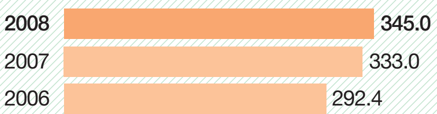
United Kingdom detail



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

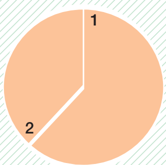
Divisional Revenues 2008

+3.6 per cent on last year



Divisional product/service split

%



1	Product	£214.0m	62%
2	Service	£131.0m	38%

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 position in the ATM market whilst focusing on our growing markets in China and the Middle East followed by other key markets. We are active in non ATM mechanism markets and will continue to operate in those segments.

Desktop Products (DTP)

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

Our strategy is to use technology allied to our intimate knowledge of markets worldwide and our unparalleled global reach to drive the continuous introduction of product innovations to expand and enhance the product portfolio for our customers.

During the year we launched the new NVision multi-pocket counter with world leading authentication and feeding technology. We also developed further variants of our Quickchange/QC bulk coin acceptor for front office applications.

Divisional Performance

In Cash Systems, revenues of £345.0m grew by 3.6 per cent (2006/2007 : £333.0m) and underlying operating profits of £35.1m were strongly ahead of last year (2006/2007 : £28.7m) reflecting both the full benefits of restructuring actions and increased sales volumes through the fixed cost base.

Trading margins improved by 1.6 percentage points, to 10.2 per cent, compared with 8.6 per cent last year.

In a challenging market for the banking sector, Bank Teller Automation (BTA) revenues held up well. Teller cash recycler volumes are up year-on-year following the launch of the VERTERA. Recurring revenues from some contracts and repair work provide a predictable flow of income. Profitability improved as additional operational efficiencies were generated during the year.

The CPS business had an excellent year with double digit revenue growth driven by volume growth across the business and the selling of solutions tailored to provide real efficiency benefits for our customers.

The OEM and DTP businesses showed strong volume growth. Limited price erosion was more than offset by internal operating efficiencies and procurement benefits.

The OEM business has now fully outsourced product manufacturing. The DTP business is investigating whether it can outsource more.

The first full year of trading in the EV86-Series banknote counter has been the primary driver in the uplift in DTP sales. The new products launched during the current year should be a strong platform for future growth.

Our strategy is to use technology and knowledge of the global market to expand our product portfolio by constantly innovating our products for our customers.

Our Business

The Group

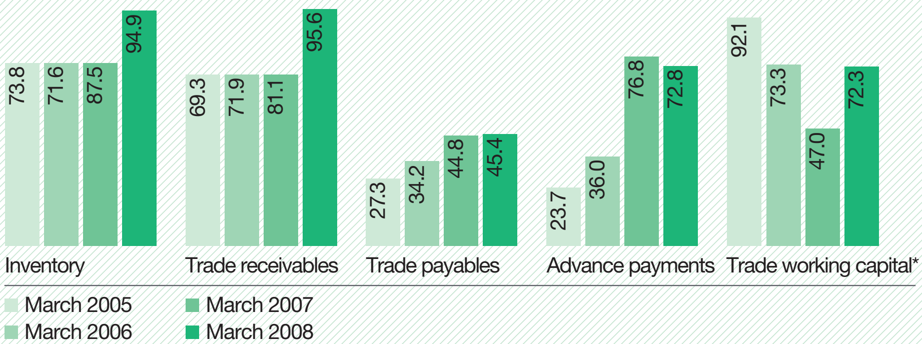
The Group comprises two principal areas of activity, Security Paper and Print and Cash Systems, each with strong market positions and attractive cash generation characteristics.

	2007/2008	2006/2007	Change
Revenue	£753.6m	£687.5m	9.6%
Profit before tax	£126.7m	£102.4m	23.7%
Profit before tax and exceptional items(1)	£124.1m	£102.4m	21.2%
Basic earnings per share	57.8p	43.9p	31.7%
Headline earnings per share(2)	58.1p	43.9p	32.3%
Operating cash flow	£124.0m	£144.5m	(14.2%)
Net cash at end of year(3)	£106.7m	£137.3m	
Dividends per share†	21.4p	19.1p	12.0%

†includes proposed final dividend

(1) before exceptional income of £2.6m (2006/2007 : nil)
(2) before exceptional income of £2.6m (2006/2007 : nil) and charge for the change in the German tax rate of £3.1m (2006/2007 : nil)
(3) cash and cash equivalents of £120.3m (2006/2007 : £149.1m) less current and non-current borrowings of £13.6m (2006/2007 : £11.8m)

Group working capital



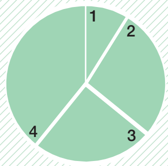
*trade working capital comprises inventory plus trade receivables less trade payables and advance payments.

De La Rue plc share price performance 2007/2008

Note: scaled for comparison.

Geographical analysis of Group revenue

(%)



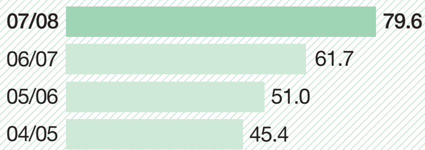
1	UK and Ireland	9%
2	Rest of Europe	27%
3	Americas	25%
4	Rest of World	39%

Divisional underlying operating profits (before exceptional items)

(£m)

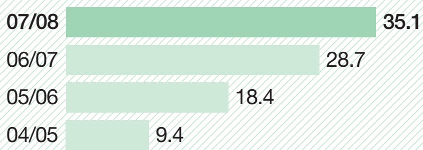
Security Paper and Print

2008 +29%



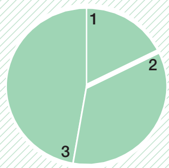
Cash Systems

2008 +22.3%



Group inventory position – £94.9m

(%)



1	Raw materials	18%
2	Work in progress	35%
3	Finished goods	47%

Market capitalisation: 29 March 2008

£1,325m

Employees: operating in 31 countries

6,000

Operating cash flow conversion

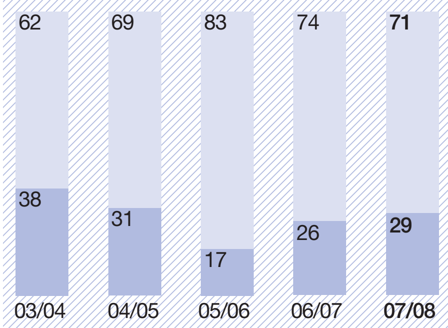
£124.0m

Security Paper and Print

	2007/2008	2006/2007	Change
Revenue	£408.6m	£354.5m	+15.3%
Underlying operating profit[1]	£79.6m	£61.7m	+29.0%

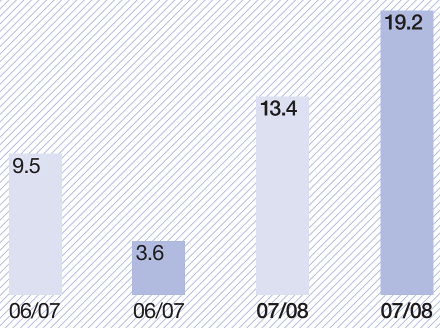
[1] before exceptional items

Banknotes base/overspill
% of sales



Base
Overspill

Currency volumes
% increase



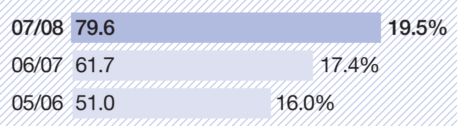
Underlying banknote volumes
Underlying paper volumes

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 exceptional items)
£m

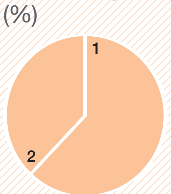


Cash Systems

	2007/2008	2006/2007	Change
Revenue	£345.0m	£333.0m	+3.6%
Underlying operating profit[1]	£35.1m	£28.7m	+22.3%

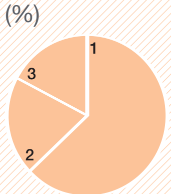
[1] before exceptional items

Divisional product/service split
(%)



1	Product	£214.0m	62%
2	Service	£131.0m	38%

Revenue share by strategic business unit
(%)



1	BTA	63%
2	OEM/Desktop Products	20%
3	Cash Processing Solutions (Sorters)	17%

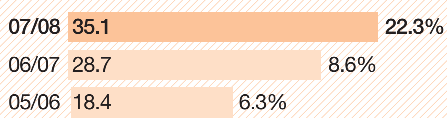
Products by Strategic Business Unit

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 exceptional items)
(£m)



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 and significant events during 2007/2008.

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 carried out its Annual Review which covered all material controls, including financial, operational and compliance controls and risk management systems. Additionally, the Board received 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 2007/2008.

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;
  - internal and external audit plans;
  - significant issues identified by internal and external audits;
  - significant Group risks and risk mitigation actions reported by the Risk Committee including updates to the Group's risk register;
  - annual compliance statements in the form of self-audit questionnaires; and
  - reports on other such matters as security, health and safety, environmental issues and fire risks;.
- discussing with management 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.

The main control procedures which address the financial implications of the major business risks are centred on strict approval procedures. These are reviewed annually, approved by the Board and apply to all subsidiaries. They include:

– Executive Directors' approval of all major non-routine revenue expenditure;

– Board approval of all major capital expenditure;

– Board approval of all acquisitions and disposals;

– a system of authorisation limits which cascades throughout the Group; 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 13 to 19. The Board is responsible for strategy, carrying out an annual review based upon extensive, detailed reviews of individual businesses' plans.

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

De La Rue manages this risk by focusing on innovation in technologies, features and products to stay ahead of changing markets and the competition and in particular the counterfeiter. It seeks new opportunities to work with new customers who may traditionally have produced their currency themselves.

Operational Issues

Cash Systems

Cash Systems continues to face increased competition in the teller assist recycler market which it has addressed by the successful launch of the VERTERA recycler. Its products are discretionary expenditure for its customers who are primarily commercial banks. In addition its key market for growth has been the United States. It is possible that the current difficulties in the world financial markets may result in orders slowing down, especially in the teller automation market, in the future.

SPPD

The Currency business operates within a defined market 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. The loss of key customers, either in banknotes or banknote paper, could have a major effect which the business mitigates by achieving as much diversity of customers as possible. Security Product's key customers are Microsoft, Royal Mail and American Express.

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 30 to 33.

As announced to the market on 27 July 2007 the Serious Fraud Office is investigating the Company. We believe this is in response to allegations of corruption made by a former employee against whom the Company has obtained and enforced a judgement for the recovery of monies stolen from it. The Company believes the allegations made by this individual, who has since pleaded guilty to theft from the Company and been sentenced to three years' imprisonment in February 2008, are false. The Company understands that these investigations are continuing and remains ready to co-operate with the SFO but is not yet in a position to comment further.

Risk and Risk Management
continued

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. The Company has further reviewed and improved its policies and procedures to emphasise again the standard of conduct required. It has introduced a new induction programme and is retraining relevant employees on these revised policies and procedures.

Security
The nature of the Group's activities requires stringent security processes and procedures to minimise the consequences of possible breaches, some of which, such as changes in arrangements by carriers, may be outside the Group's control. The Group completed its review of its security function and processes and has re-organised the function in Currency. The ability to respond quickly to changing circumstances is important. Thus the crisis management plan for Kenya and the Currency business was successfully deployed during the recent unrest after December 2007 so that disruption to production and the supply chain were minimised.

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.

Outsourcing
As the Group outsources production of its Cash Systems products, the risk of loss of its own factories decreases.

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. 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.

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 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. The Board authorises all risk management instruments and policies.

(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, such as used cotton needed to produce banknotes at prevailing market prices under medium term supply contracts. The Group has limited exposure to commodity price risk through the purchase of energy products.

Capital Management

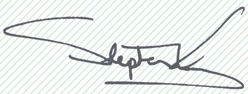
The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors earnings per share, which the Group defines as the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The Board also monitors the level of dividends to ordinary shareholders.

The Group's strong cash generative characteristics and ungeared balance sheet has given the Board scope regularly to return to shareholders surplus cash flow through a combination of progressive dividends, share buy backs and special dividends.

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Financial Review

Stephen King
Finance Director



Key Financials

	2007/2008 £m	2006/2007 £m	Change %
Operating profit before exceptional items(1)	**114.7**	90.4	26.9
Profit Before Tax	**126.7**	102.4	23.7
Exceptional income	**2.6**	–	
Profit before tax and exceptional items(1)	**124.1**	102.4	21.2
Basic Earnings Per Share	**57.8p**	43.9p	31.7
Headline Earnings Per Share(2)	**58.1p**	43.9p	32.3
Dividends Per Share†	**21.4p**	19.1p	**12.0**

†includes proposed final dividend

(1) before exceptional income of £2.6m (2006/2007 : nil)
(2) before exceptional income of £2.6m (2006/2007 : nil) and charge for the change in the German tax rate of £3.1m (2006/2007 : nil)

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

	2008 Group Assets £m	2008 Cash/(debt) £m	2008 Net Assets £m	2007 Net Assets* £m
UK	**(11.2)**	**58.5**	**47.3**	35.3
USA	**(2.2)**	**25.1**	**22.9**	9.0
Eurozone	**52.4**	**12.6**	**65.0**	43.9
Rest of World	**67.5**	**10.5**	**78.0**	71.7
Total	**106.5**	**106.7**	**213.2**	159.9

*excluding minority interest.

Financial Review

In this section of the Business Review we reflect on the key business drivers behind the strong results reported for 2007/2008 and an analysis of the financial position of the Group at 29 March 2008. We also consider the accounting and reporting policies and procedures that support De La Rue's financial performance and position and the key influences on the Group's ongoing financial performance.

Financial Results

Underlying profit before tax increased by £21.7m to £124.1m (2006/2007 : £102.4m) and the Group's underlying operating profits of £114.7m represented an increase of £24.3m or 26.9 per cent compared with last year (2006/2007 : £90.4m). Headline earnings per share increased by 32.3 per cent to 58.1p (2006/2007 : 43.9p) reflecting the improved trading performance. Basic earnings per share were 57.8p compared with 43.9p in 2006/2007 representing an increase of 31.7 per cent.

In Security Paper and Print, strong banknote volumes (up 13.4 per cent on 2006/2007) and paper volumes (up 19.2 per cent on 2006/2007) are reflected in another excellent full year result with the business once again operating at near capacity levels throughout the year. In Cash Systems both equipment and service volumes have remained in line with our expectations, notwithstanding the more uncertain financial environment. We were particularly pleased to see a strong second half-year and increasing order book for the division in these circumstances, especially in response to our investment in developing markets over recent years. Overall Group operating profit margins were 2.1 percentage points higher at 15.2 per cent (2006/2007 : 13.1 per cent).

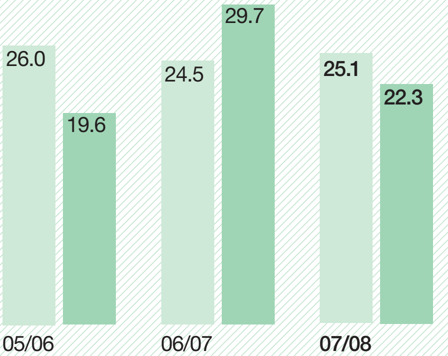
Exceptional Items

The exceptional items are set out below.

Exceptional Items

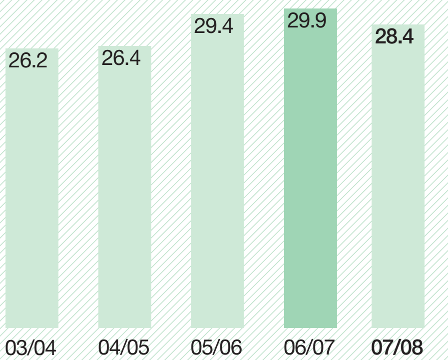
	2007/2008 £m	2006/2007 £m
Income from sale of Valora investment	**1.7**	–
Profit on sale of holding in De La Rue Smurfit	**0.9**	–
Total exceptional income	**2.6**	–

Capital expenditure relative to depreciation
(£m)

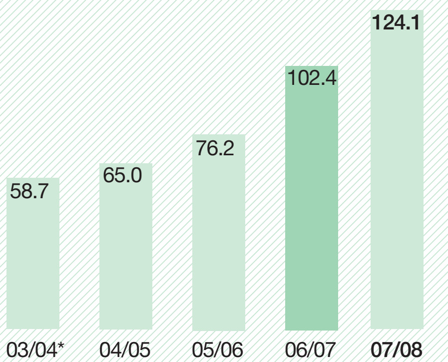


Depreciation
Capital Expenditure

Underlying effective tax rate (before exceptional items)
(%)



Profit before tax and exceptional items
(£m)



*before goodwill amortisation

In December 2007 the Group terminated its joint venture agreement with the Banco de Portugal and disposed of its holding in Valora-Servicos de Apoio a Emissao Monitaria SA. The investment had previously been written down and the proceeds on disposal of £1.7m have been credited as an exceptional item.

In November 2007 the Group disposed of its 50 per cent shareholding in De La Rue Smurfit Limited to its joint venture partner. The profit on disposal of £0.9m has been credited as an exceptional item.

Interest Charge
The Group's net interest income was £2.0m, which was £1.6m lower than the previous year, reflecting lower average net cash balances following the payment of a special dividend in August 2007. 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 £0.3m (2006/2007 : £1.8m credit).

Taxation
The underlying effective tax rate excluding exceptional items and a one-off tax charge was 28.4 per cent (2007/2008 : 29.9 per cent), the decrease reflecting the continued active management of the Group's tax position. The one-off charge of £3.1m arose from the impact on deferred tax assets of a reduction in the German tax rate.

Cash Flow and Borrowings
During the year operating cash flow was again strong at £124.0m compared with £144.5m in 2006/2007. Working capital rose as a result of the increased trading activity but more efficient management of trade receivables, trade payables and inventory was reflected in improved ratios. Advance payments were slightly lower than last year at £72.8m (2006/2007 : £76.8m) but continue at exceptional levels. Capital expenditure of £22.3m was lower than depreciation reflecting the phasing of investment expenditure between years within the Currency business.

Principal exchange rates used in translating the Group's results

	2007/2008 Average	2008 Year end	2006/2007 Average	2007 Year end
£				
US Dollar	**2.01**	**1.99**	1.89	1.96
Euro	**1.42**	**1.26**	1.47	1.47
Swedish Krona	**13.18**	**11.85**	13.59	13.76
$				
Swedish Krona	**6.56**	**5.95**	7.19	7.02

Since the year end the Group has arranged a £250m three year term and revolving credit facility to support the proposed changes to the Group's dividend policy and balance sheet structure.

UK Pension Scheme – IAS 19 Valuation

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

	2007/2008	2006/2007	2005/2006
Key assumptions	%	%	%
Interest rate (AA bond rate)	**6.80**	5.30	4.90
Salary growth	**4.10**	4.00	3.90
Inflation	**3.50**	3.10	2.90
UK pension scheme			
Assets	**£507.4m**	£524.4m	£510.0m
Liabilities	**£528.1m**	£628.7m	£625.0m
(Deficit) – gross	**(£20.7m)**	(£104.3m)	(£115.0m)
(Deficit) – after tax	**(£14.9m)**	(£72.7m)	(£80.5m)

Financial Review
continued

After payment of the 2006/2007 final dividend (£21.2m), the 2007/2008 interim dividend (£9.8m), a second special dividend of £74.4m, paid in August 2007, and £4.2m in respect of the ongoing share buy back programme, closing net cash was £106.7m compared with £137.3m 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 uneconomical or not practical to do so. For the year ended 29 March 2008 adverse foreign exchange impacted the Group's profits by £3.9m, mostly arising from transaction exposure.

Pension Scheme Funding

The Group's last formal (triennial) funding valuation of the Company's UK defined benefit pension Scheme took place on 5 April 2006 and identified the Scheme had a deficit of £56.0m (6 April 2003 : £39.0m deficit). The deficit had arisen primarily as a result of a combination of significant increases in life expectancy, reduced discount rates on liabilities and asset investment performance.

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.

Following consultation with members the following changes were implemented from 1 June 2007. These changes will affect pensions accruing from this date.

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 five 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

Active 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 also agreed with the Trustee to make additional special contributions of £12.0m per annum until 2011 or until the deficit is cleared, if sooner. The second of these payments has now been made.

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 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.

The valuation under IAS 19 principles indicates a Scheme deficit after tax at 29 March 2008 of £14.9m (31 March 2007 : £72.7m). The charge to operating profits in respect of the UK Pension Scheme for 2007/2008 was £10.0m (2006/2007 : £9.8m). In addition, under IAS 19 there is a finance credit of £0.3m arising from the difference between the expected return on assets and the interest on liabilities (2006/2007 : £1.8m). This amount is included with the Group interest income in the profit and loss account.

Corporate Responsibility

Progress against 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

- Completed
- Some progress made
- No progress

2008/2009 objectives

– All risk assessment programmes are to be reviewed on sites

– Two more sites are planned to achieve OHSAS18001 certification

– Sites to implement Manual Handling risk reduction programmes

– Tracking on carbon measurement and energy costs

– Validate compliance to SA8000 Social Accountability principles

De La Rue is committed to sound Corporate Responsibility ('CR') policies and business practices as part of its business strategy. The Corporate Responsibility section of the website www.delarue.com has more information about CR in De La Rue.

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 40 to 44. 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.

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

De La Rue's Business Code of Conduct, revised in September 2007, 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, avoiding conflicts of interest, health and safety and the environment. 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. De La Rue's policies and procedures relating to third parties and avoiding conflicts of interest have also been revised during 2007/2008. New training programmes relating to corporate values and behaviours are being rolled out across the Group together with further training on the Group's policies and procedures relating to the appointment of third party representatives.

The Company's 'whistleblowing' policy and procedures, updated and approved by the Audit Committee in 2007, enable 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 Group's fraud awareness training continued with a fraud risk profiling programme to identify potential weaknesses and implement actions to enhance the control environment. Unannounced fraud detection focused audits at particular business units also continued. The results of both programmes were shared at the annual Group Finance Conference. The Company's fraud policy and procedures were also reviewed and updated in 2007.

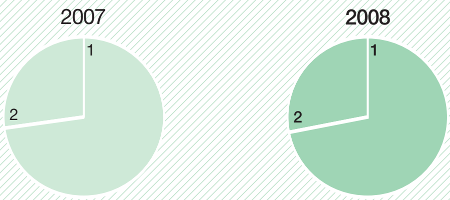
Employees

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. The second global Leadership Award initiative identified and recognised the qualities and values the Company wishes to emphasise amongst its leaders. Leaders from four businesses, Security Products in the UK, Currency in Sri Lanka, Cash Processing Solutions in Russia and Branch Teller Automation in the USA received awards. In addition, each business maintains its own recognition awards schemes. The Operating Board has continued its talent review process whereby at least three times a year senior line managers or functional job holders as well as new talent within the Group are identified and reviewed so that succession planning is managed in a structured way.

The Group promotes 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.

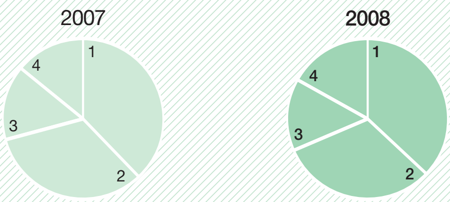
A second Great Place to Work employee survey was undertaken in 2007. The scores for levels of engagement with customers, focus on results and delivery of products and services improved significantly, which is consistent with many initiatives led by the Operating Board. Every site has relaunched focus groups to address issues identified by employees.

Gender breakdown (worldwide workforce)
(%)



		2007	2008
1	Male	73%	72%
2	Female	27%	28%

Average number of employees
(%)



		2007		2008	
1	UK and Ireland	2,291	38%	2,327	37%
2	Rest of Europe	2,004	33%	1,982	31%
3	The Americas	914	15%	914	15%
4	Rest of World	877	14%	1,051	17%

Actions taken include improvements to training, development, on-the-job coaching, workplace facilities, social events, recognition programmes and broader business education. The work of a Group Task Force has resulted in actions to improve communication and performance management.

De La Rue's productivity programme 'My Contribution' currently generates more than one idea per employee across the Group. The programme, now in its fourth year, empowers all employees to share ideas, submit suggestions for improvements to the business and tracks financial benefits. This year 14 projects were shortlisted for judging at the Spotlight event (see page 3).

De La Rue is committed to the fair and equitable treatment of all its employees in recruitment, training, promotion and in terms and conditions of employment irrespective of gender, sexual orientation, religious beliefs, age, colour, ethnic or racial origin, nationality, disability or trade union membership. If an employee becomes disabled when in the Group's employment, full support is given through the provision of special training, equipment or other resources to facilitate continued employment wherever possible. 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.

The Group has successfully rolled out its web based HR management system throughout the Group streamlining core HR management processes and enhancing the HR management reporting capability.

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

Community
The De La Rue Charitable Trust, set up in 1977, 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 these can be found on the Corporate Responsibility section of the Company's website.

Customers
The customer survey programme, NetPromoters™, has been extended from Cash Systems to the Currency business and is a powerful tool for getting feedback from customers.

Suppliers
De La Rue has revised its procurement policies and processes to deliver accountability, sustainable value for money and continuous improvement whilst enabling the Group to fulfil its legal and financial obligations and effectively manage risk. In particular, we expect our suppliers to share our CR values and commitment to ISO standards for EHS performance based on the SA8000 global social accountability standard. The EHS risk management and business continuity processes of many major Tier 1 suppliers have been audited with a positive response to requests for improvements.

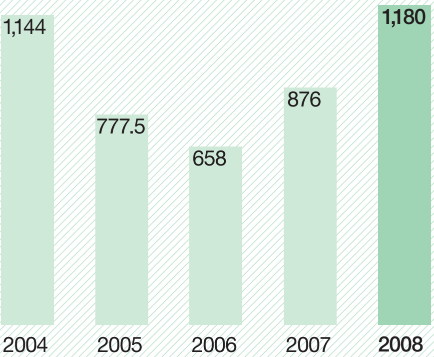
Environment, Health and Safety
We continually strive to minimise our adverse impact on the environment and to safeguard the health and safety of those affected by our operations.

Environment Health and Safety 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. During the year an independent auditor positively benchmarked the Health and Safety processes and procedures of Overton and De La Rue Holographics against other FTSE organisations using the Corporate Health and Safety Performance Index ('CHaSPI').

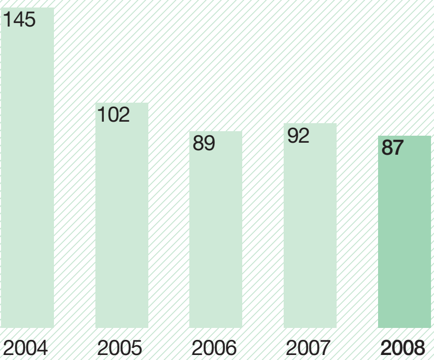
This data and the associated monitoring programmes provide the necessary information to manage our EHS risks and to develop effective improvement programmes. The management systems define how the EHS risks are identified and controlled and who is responsible for so doing. Our objective is that our manufacturing sites should be certificated to ISO14001 for their Environmental Management System and OHSAS 18001 for their Health and Safety Management System in a phased programme. At present sixteen sites have achieved ISO14001 certification and are maintaining this through regular external audits. Eleven sites have achieved OHSAS 18001 certification.

Corporate Responsibility
continued

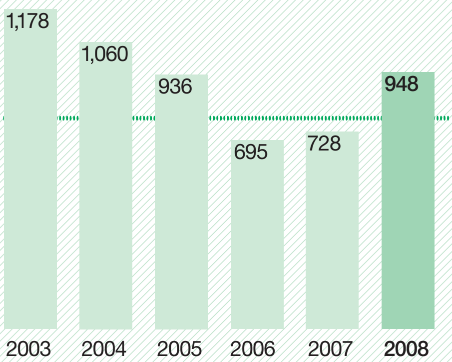
Total days lost



Total lost time accidents
(inc 3 days+)



Annualised reportable injury rate
(RIR)



UK manufacturing average – 925.5 (2006/2007 UK HSE statistics)

Employees are also widely involved in the EHS continuous improvement processes and the majority of the 'My Contribution' finalists for 2008 Spotlight had projects which had EHS benefits or improvements.

Significant Activities in 2007/2008

- Stronger Occupational Health Management processes have been implemented;
- Malta, our largest printing plant achieved OHSAS18001;
- Workplace consultation on EHS issues at all sites and, as appropriate, at wider worker consultative forums;
- Safety Training and Observation Programme ('STOP') introduced at our Overton Mill site in the UK. This has resulted in 12 hours additional training per person across the site to increase awareness and reduce risk;
- Noise Exposure initiatives rolled out undertaking awareness training, noise mapping and an audiometry programme;
- Over 1,500 employees have been trained in best practice manual handling techniques and several sites have also introduced new mechanical handling aids or equipment to reduce lifting and carrying by employees;
- Major review of use and storage of flammable solvents and other chemicals in manufacturing facilities, resulting in improved controls;
- Reduction of over 60% of the use of solvents at Westhoughton site, UK and improved ventilation in the flammable solvent store to reduce both the potential fire hazard and operator exposure to solvent fumes;
- Over eight per cent water recycling against an increase in productivity of around 16 per cent, following water saving and recycling initiatives at Overton Mill; and
- Health and safety challenge '1 Step 4 Safety' at Interlock 2007 conference.

EHS Performance Indicators

Our key performance indicators on pages 31 to 33 show slight increases against a background of significantly improved productivity and awareness. None of our operations has been prosecuted for infringing any EHS laws or regulations during 2007/2008.

Awareness and Culture

De La Rue develops awareness of and embeds EHS in its operating culture with 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. Interlock 2007 focused on sharing good practices.

Full copies of our EHS policies are available on our website, or from the Company Secretary, details of which are on page 99.

Air pollutants (tonnes)

	2003/2004	2004/2005	2005/2006	2006/2007	**2007/2008**
Non chlorinated VOC's	126.6	139.0	90.9	73.8	**136.5**
Chlorinated VOC's	10.5	0.4	0.5	0.6	**0.0**

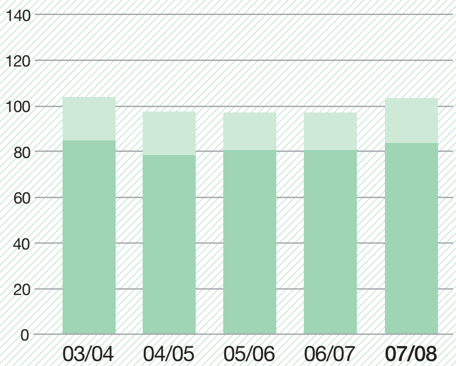
Liquid pollutants

	2003/2004	2004/2005	2005/2006	2006/2007	**2007/2008**
Chemical oxygen demand (tonnes)	346.4	190.0	194.2	156.9	**197.5**
Biological oxygen demand (tonnes)	30.9	17.1	18.4	15.2	**27.7**
Suspended solids	27.7	24.0	26.2	20.0	**24.7**

Energy consumption (GWh)

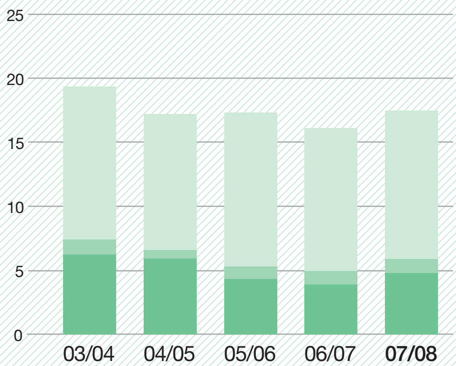
	2003/2004		2004/2005		2005/2006		2006/2007		**2007/2008**	
Electricity	78.0	23%	72.6	23%	71.0	22%	73.3	23%	**75.2**	**22%**
Gas	250.5	74%	229.1	73%	237.7	74%	237.8	74%	**249.6**	**75%**
Other Fuels	10.4	3%	13.5	4%	12.3	4%	8.1	3%	**9.4**	**3%**
Total Energy	338.9	100%	315.2	100%	321.0	100%	319.2	100%	**334.2**	**100%**

Greenhouse gas emissions
('000 tonnes as CO_2)



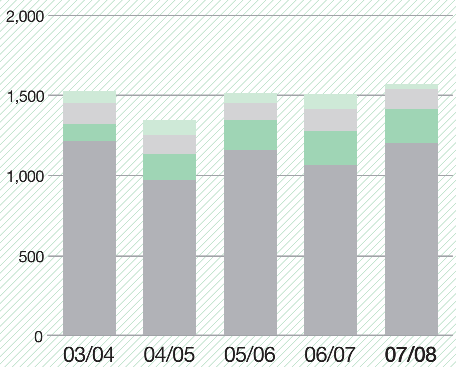
Transport emissions
Energy and production emissions

Solid waste
('000 tonnes)



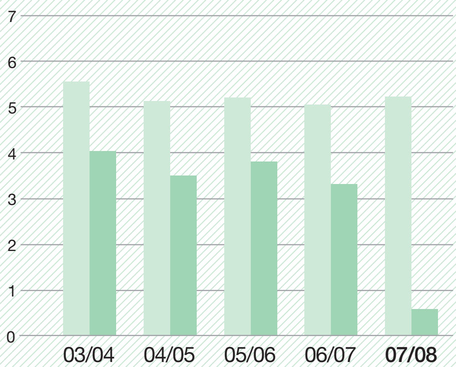
Recycled
Incinerated
Landfill

Total liquid waste
(inc process waste m^3)



Other
Waste inks/solvents
Photographic and plating waste
Paper-making waste

Water consumption by volume
(million m^3)



Consumption
Process water discharge

Directors and Secretary

1 Nicholas Brookes FCA (60)
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 (51)
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. On 6 July 2007, he was appointed non-executive Director of Tomkins plc.

3 Stephen King (47)
Group Finance DirectorØ
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 (46)
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 (64)
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 Trustee of the International Rescue Committee (UK).

6 Keith Hodgkinson FCMA (64)
Non-executive# † ‡
was appointed to the Board on 19 April 2000. He is the Company's senior independent non-executive Director and 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 Philip Nolan (54)
Non-executive# † ‡
was appointed to the Board on 1 September 2001. He is currently Chairman of Infinis Limited, Sepura Limited and the Irish Management Institute. 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.

8 Gill Rider (53)
Non-executive# ‡
was appointed to the Board on 22 June 2006 and since 26 July 2007, the Chairman of the Remuneration Committee. She started her career with Accenture in 1979 in various consulting roles before being appointed as a partner in 1990. She held a variety of management roles in Accenture before being appointed global Chief Leadership Officer in 2002, reporting to the Accenture CEO, to lead the people aspects of the transition from a partnership to a public company listed on the New York Stock Exchange. In May 2006 she was appointed Director General, Head of the Civil Service Capability Group and is Head of the HR Profession for the Civil Service.

9 Louise Fluker (54)
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 29 March 2008.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Directors' Report

The Directors present their annual report together with the audited financial statements of the Group and the Company for the year ended 29 March 2008.

Return to Shareholders
In May 2007, the Board announced a proposed return of capital to shareholders amounting to approximately £75m by means of a special dividend of 46.5p per ordinary share accompanied by a share consolidation. The special dividend formed part of the Board's strategy to return surplus cash to shareholders through a combination of progressive dividends and, at the appropriate time, capital returns.

Shareholders approved the consolidation of the Company's share capital at the Annual General Meeting of the Company on 26 July 2007. Accordingly, shareholders on the Company's Register of Members on the close of business on 27 July 2007 exchanged 15 ordinary shares of $27^{7}/_{9}$p each for 14 new ordinary shares of $29^{16}/_{21}$p each. As a consequence of the share consolidation the Company's authorised share capital was reduced to 223,125,756 ordinary shares of $29^{16}/_{21}$p each and the issued share capital was reduced to 150,131,296 from 160,854,960.

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 13 to 15 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. Also included in the Business Review is an indication of likely or intended future developments in the Group's businesses.

Results and Dividends
Profit before taxation and exceptionals was £124.1m (2006/2007 : £102.4m). The profit attributable to shareholders for the year was £88.1m (2006/2007 : £70.2m). The Directors are recommending a final ordinary dividend for the year of 14.87p per share. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 1 August 2008 to ordinary shareholders on the register on 11 July 2008. An interim dividend of 6.53p per ordinary share was paid on 16 January 2008 making a total of 21.4p per share (2007 : 19.1p per share) for the year.

Post Balance Sheet Event

New Credit Facility
Since the year end the Group has arranged a £250m three year term and revolving facilities agreement with three of its key relationship banks to support the proposed changes to the Group's dividend policy and balance sheet structure.

Share Capital
Details of shares issued during the year are provided in note 21a to the financial statements on page 80.

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 2007. 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 2007 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 610,000 ordinary shares of $29^{16}/_{21}$p each representing 0.4 per cent of the issued share capital as at 21 May 2008. The aggregate consideration paid was £4,188,690 and the purpose of the share buy back was to return surplus cash to shareholders. A total of 7.2 million shares have been acquired since commencement of the programme in December 2005, at a cost of £41.2m. 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 16 June 2008.

Takeovers Directive
Pursuant to Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive the Company is required to disclose additional information including:

Rights and Restrictions on Shares
Certain restrictions, which are customary of a listed company, apply to the rights and transfers of shares in the Company. The rights and obligations attaching to the Company's shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association (the 'Articles'), copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

Dealings in the Company's ordinary shares by its Directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, their connected persons, are subject to the Company's Share Dealing Code which adopts the Model Code of the Listing Rules published by the Financial Services Authority ('FSA').

Transfers of Shares
There are no restrictions on the transfer of shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its rights to suspend their voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising rights by the FSA's Listing Rules, the City Code on Takeovers and Mergers or any other regulations.

Exercise of Rights of Shares in Employee Share Schemes

The trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on shares held in the employee trust. No voting rights are exercised in relation to shares unallocated to potential individual beneficiaries.

Powers of Directors

Details on appointment, replacement and powers of Directors are reported in the Corporate Governance section of the Annual Report.

Significant Agreements – Change of Control

A number of agreements take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as bank loan agreements and employee share plans. None of these are deemed to be significant as a whole except for the following:

The £100m credit facility dated 30 March 2007 between the Company and two of its key relationship banks contains a provision such that in the event of a change of control, any lender may, if it so requires, notify the agent that it wishes to cancel this commitment whereupon the commitment of that lender will be cancelled and all their outstanding loans, together with accrued interest, will become immediately due and payable.

A change of control will be deemed to have occurred if any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) at any time is/are or becomes interested in more than 50% of the issued ordinary share capital of the Company.

On 21 May 2008 the Group entered into a new three year £250m term and revolving facilities agreement (see New Credit Facility on page 36) to replace the £100m credit facility dated 30 March 2007.

The replacement facility contains the same change of control provisions as the earlier £100m agreement outlined above.

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 45 to 52.

Substantial Shareholdings

Under the UKLA's Disclosure and Transparency Rules 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 2008 the Company had received the following notifications:

Persons Notifying	Total Number of Shares	Total Number of Voting Rights	Percentage of Voting Rights
Schroders Plc	9,345,970	8,683,079	5.79
Legal & General Group plc	6,350,239	6,350,239	4.23
Barclays Global Investors	5,925,374	5,925,374	3.95
Barclays plc	5,465,751	5,465,751	3.65
Ameriprise Financial Inc	5,381,482	5,381,482	3.59

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 International Financial Reporting Standards ('IFRS') as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS 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.

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 IFRS 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.

Directors' Report
continued

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 £18.1m (2006/2007 : £18.6m).

Corporate Governance
A report on corporate governance and compliance with the FRC Combined Code on Corporate Governance 2006 is set out on pages 40 to 44.

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. To the extent permitted by the Companies Act 2006 and the UKLA Listing Rules the indemnification of Directors and officers is permitted so that the Company may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine but any advances 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 29 March 2008 and their qualifications, experience and responsibilities are given on pages 34 and 35. A table giving details of their interests as at 29 March 2008 is shown below. All the Directors held office throughout the year, except Michael Jeffries who resigned as a non-executive Director at last year's Annual General Meeting on 26 July 2007.

Keith Hodgkinson and Philip Nolan, each having served two three year terms, will retire and, being eligible, will offer themselves for re-election. Sir Jeremy Greenstock and Stephen King 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.

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. The Board agreed to reduce the terms of appointment for all non-executive Directors from three year appointments to two year appointments with effect 1 April 2008. Leo Quinn and Stephen King have 12-month rolling contracts, details of which are set out in the Remuneration Report on pages 45 to 52.

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 July 2008.

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	Following share consolidation on 30 July 2007 ordinary shares of $29\frac{16}{21}$p each	29 March 2008 ordinary shares of $29\frac{16}{21}$p each
Nicholas Brookes	13,005	12,138	12,138
Warren East	3,500	3,266	3,266
Keith Hodgkinson	4,165	3,887	3,887
Stephen King	49,950	46,620	46,620
Philip Nolan	9,000	8,400	8,400
Leo Quinn	43,800	40,878	40,878
Gill Rider	760	709	709

Sir Jeremy Greenstock has no interest in the Company's ordinary shares. There have been no changes in Directors' interests in ordinary shares since 29 March 2008. All interests of the Directors and their families are beneficial.

Directors' Remuneration
Details of the remuneration and share options of each of the Directors are set out in the Remuneration Report on pages 45 to 52.

Employees
Details of the Company's employment policies are set out in the Corporate Responsibility Report on pages 30 to 33.

Payments to Suppliers
The Company and Group's policy is that suppliers be paid on the basis of monthly summary invoicing plus 60 days subject to local laws or other exceptions. The average number of days credit provided by suppliers to the Group has been calculated at 48 days (2007 : 39 days). The Company does not have any trade payables.

Charitable and Political Donations
Donations for charitable purposes amounting to £79,000 (2007 : £110,587) were made during the year. Details about the De La Rue Charitable Trust are set out in the Corporate Responsibility Report on pages 30 to 33.

Amendment to Articles of Association
At the Company's annual general meeting a special resolution will be put to shareholders proposing amendments to the existing Articles of Association primarily to accommodate the provisions of the new Companies Act 2006. Further details are contained in the Chairman's letter to shareholders dated 16 June 2008.

Auditors
A resolution to reappoint KPMG Audit Plc as auditors to the Company will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held at 10.30 a.m. on Thursday 24 July 2008 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.

Directors' Responsibility Statement in Respect of the Disclosure and Transparency Rules
We confirm to the best of our knowledge:

(a) the Group financial statements in this report, which have been prepared in accordance with International Financial Reporting Statements as adopted by the EU ('Adopted IFRS'), including interpretations issued by the International Accounting Standards Board ('IASB') and those sections of the Companies Act 1985 applicable to companies reporting under IFRS as adopted in the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole; and

(b) the parent Company financial statements in this report, which have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(c) the Chairman's Statement and Business Review contained in this report include a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Louise Fluker

Louise Fluker
Company Secretary
21 May 2008

Corporate Governance

The Board is collectively accountable to the Company's shareholders for good corporate governance and all Directors are responsible for complying with their legal and fiduciary obligations.

The Board is committed to complying with the highest standards of corporate governance, which is the system of internal principles, controls and processes it approves and by which the De La Rue Group is run in order to achieve its objectives while complying with the required standards of accountability and probity.

The 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 September 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 September 2007. This is discussed further in the Corporate Responsibility Report on page 30. 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 22 to 25. This does not extend to associated companies or joint ventures such as Camelot Group plc where the Company does not have management control.

Compliance with Section 1 of the Combined Code on Corporate Governance

In the year to 29 March 2008 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

Up to July 2007 there were six independent non-executive Directors, the non-executive Chairman and two executive Directors. Mike Jeffries resigned as a non-executive Director after the annual general meeting on 26 July 2007. 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 page 34 and the Board's policy is that the Chairman and executive Directors should accept appointments to the boards of other companies only with the prior approval of the Board and that non-executive Directors must seek the agreement of the Chairman and confirmation by the Board before accepting additional commitments that may affect the time they devote to their role.

The existing commitments of Directors appear on page 34 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 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 2007/2008 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.

The Board has also reserved certain matters to itself to reinforce its control of the Group. Full details are set out on Company's website www.delarue.com. 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. It annually reviews the delegated authorities. 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 role and responsibilities of the Chairman, Chief Executive, Finance Director, senior independent non-executive Director and other directors are also clearly defined. Full details are set out on the Company's website www.delarue.com.

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 addressing 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 which were to improve processes.

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 2007/2008	Audit Committee	Board	Nomination Committee	Remuneration Committee
Number of meetings held	4	17	2	13
Dr P M G Nolan	4	15	2	10
Mr K H Hodgkinson	4	14	2	11
Mr N K Brookes (Chairman)	1	17	2	13
Mr S A King	–	16	–	–
Mr L M Quinn (Chief Executive)	–	17	2	–
Sir Jeremy Greenstock	–	17	2	13
Ms G Rider	2	16	–	13
Mr D W A East	3	15	1†	–

†Appointed to the Nomination Committee on 28 February 2008.

Corporate Governance
continued

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.

Keith Hodgkinson succeeded Michael Jeffries 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. 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 discharge their duties properly. In the very few instances when a Director has not been able to attend Board or Committee meetings, he or she has made known his or her 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 invited to attend an external course covering such duties and responsibilities. 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. The Board received specific briefing on the key issues of the Companies Act 2006, its implementation and on new segmental reporting. The Directors, especially Committee chairmen, have the opportunity of attending appropriate training sessions.

At least once a year the Board generally visits an operational site. Directors are also 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 were originally appointed for an initial period of three years with the expectation of a further three years subject to satisfactory performance. The Board agreed to reduce the terms of appointment for all non-executive Directors from three years to two years with effect from 1 April 2008. Additionally, any non-executive Director who has completed six years is required to submit himself for re-election annually thereafter. Keith Hodgkinson and Philip Nolan will offer themselves for re-election at this year's Annual General Meeting. The Board may invite a non-executive Director to serve a further term after a six year term following a detailed review at the end of this period, subject to re-election. 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. The Board is satisfied that the Committees discharged their responsibilities set out therein. Membership of these Committees is given in the Directors' biographies on page 34. Further details of Committees and key activities performed during the year are given on page 43.

Nomination Committee

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

The Committee meets at least once a year and otherwise as necessary and makes recommendations to the Board with regard to any vacancies for executive or non-executive Directors or changes that are considered necessary. The Committee also reviews the time commitment required of non-executive Directors at least once a year. The Board, as a whole, approves the appointment and removal of Directors. 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 2007/2008 has been to review the composition of the Board and its Committees as part of the strategic review. Warren East was appointed to the Nomination Committee in February 2008.

Remuneration Committee

Gill Rider was appointed to the Remuneration Committee in July 2006 and she succeeded Mike Jeffries as Chairman on 26 July 2007. Details of the Committee and of the remuneration policy can be found in the Remuneration Report on pages 45 to 52.

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 General Counsel and 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. Keith Hodgkinson, Chairman of the Audit Committee, and Warren East, non-executive Director, attended a meeting of the Risk Committee during the year.

Key areas of responsibility for the Risk Committee are to monitor the Group's risk exposure, promote risk awareness and provide an appropriate level of reporting (by exception) to the Board, which retains the overall responsibility, on the status of internal non financial risk management. The Committee is assisted by Group-wide committees which deal with specific areas of risk such as Environmental, Health and Safety Steering Group and Group Security Committee. A review of the role and responsibilities of the internal audit function and the relationship of the internal audit function, Risk Committee, Audit Committee and the Board is in progress.

Details of risk management and particular risks within the Group are set out on pages 22 to 25.

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 Head of Internal Audit and KPMG Audit Plc each meet the Committee without executive Directors or employees of the Company being present.

The Committee provides an independent overview of the effectiveness of the internal financial control systems and financial reporting processes. The principal responsibilities include:

– the appointment of the external auditor and the terms of engagement at the start of each audit;

– approving and reviewing progress on audit plans across the businesses;

– reviewing the integrity of the interim and full year financial statements,

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

– reviewing reports on the effectiveness of the Group's Whistleblowing Policy, details of which are set out on page 30.

During the year, the Audit Committee reviewed the effectiveness of the internal audit function and of the external audit and KPMG Audit Plc's role in performing it.

Internal Audit

The Board through the Audit Committee monitors the internal 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 recommendations and 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. The fraud risk profiling programme, involving multi-disciplined teams, considered areas of potential risks and confirmed controls needed for key financial processes to mitigate such risks. A number of unannounced special audits were carried out during the year to test the internal financial control processes.

During the year the Company revised the Whistleblowing Policy in conjunction with policies on Business Dealings – Avoiding Conflicts of Interest and Fraud Awareness and the revised policies are being relaunched across the Group, through a revised induction policy.

Corporate Governance
continued

Independence of Auditors
The Audit 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.

– **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 incumbent 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 2007/2008 the amount of consulting related non-audit fees paid to KPMG Audit Plc was £1.1m and was principally related to work performed in connection with the Group's Strategic Review, including preparing a vendor due diligence report on the Cash Systems business.

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.

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 this year's Annual General Meeting voting on resolutions will be conducted on a poll. Results of the poll will be made available to shareholders 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 2008

Remuneration Report

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

The Report covers the following:

– committee membership and responsibilities;

– policy on Directors' and senior Executives' remuneration;

– details of each Director's remuneration and awards under share or share option schemes;

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

– details of the fees of non-executive Directors (for which the Board rather than the Remuneration Committee is responsible)

Details of each Director's interests in the Company's shares are set out in the Directors' 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: Gill Rider (Chairman), Nicholas Brookes, Sir Jeremy Greenstock, Keith Hodgkinson and Philip Nolan. Michael Jeffries was Chairman of the Remuneration Committee until he resigned from the Board on 26 July 2007. Their biographical details appear on page 34. The Committee met 13 times and attendance details are set out on page 41. The Committee's terms of reference are set out in full on De La Rue's website and its key responsibilities 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 2007/2008 Watson Wyatt Limited was retained to advise on remuneration levels compared with comparator companies and on share plan design. Hewitt New Bridge Street 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, designed to support the achievement of the Company's key business strategies, 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 in 2007/2008, as in previous years, 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.

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 64 per cent of the executive Directors' direct remuneration.

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.

Remuneration Report

Salaries for Executive Directors and Senior Executives

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. Details of each individual executive Director's remuneration are set out on page 49. 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. The primary external comparator group used by the Committee is companies of similar size and complexity in the FTSE 250. At the most recent market benchmarking review the Chief Executive's level of annual basic salary was 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 level of annual basic salary was 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.

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 2007/2008 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 2007/2008 Annual Incentive Award achieved maximum payout for executive Directors and some senior management.

Targets set for 2008/2009 follow similar plan design as for 2007/2008 but with more challenging performance targets. 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 seven years, including the annual incentive award for 2007/2008.

External Appointments

The Board considers whether it is appropriate for an executive Director to serve as a non-executive Director of another company. Leo Quinn received a fee of £45,610 in respect of his non-executive Directorship of Tomkins plc. Stephen King was entitled to a fee of £47,500 in respect of his non-executive Directorship of the Weir Group plc. Both were permitted to retain their fees.

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 excluding fuel for private mileage 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 49.

Pension

All executive Directors and senior executives in the UK may join the HM Revenue and Customs ('HMRC') registered De La Rue Pension Scheme. Executives who are members of the senior section are required to pay a contribution of 7.5 per cent of pensionable salary to the Scheme. Members are provided with a pension of up to 71.66 per cent of final pensionable salary on retirement. The actual level of pension depends upon the number of years' service with the Group. The current normal retirement age is 65 (except for Leo Quinn whose normal retirement age is 63) although pension accrued on service before 1 June 2007 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. 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 a member reaching the Lifetime Allowance.

The Company implemented the following changes to the Scheme from 1 June 2007, which will be applied to all members of the Scheme:

– normal retirement age increased from age 62 to age 65

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

– the accrual rate for service after 1 June 2007 will be adjusted to take account of changes in life expectancy up to the retirement date.

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

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

Leo Quinn is eligible for a target pension from all sources of 71.66 per cent of basic salary at the age of 63. Part of this benefit arises from previous employment. He is required to make a contribution to the senior section of the Scheme of 7.5 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. Prior to A-Day his 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 HMRC Annual Allowance is not breached, the Company will make payments each year to the Scheme up to the Annual Allowance to secure the unfunded pension. For 2007/2008 the Company made a payment to the Scheme of £100,400 (2006/07 : £43,800), increasing the pension funded under the defined benefit Scheme as at 5 April 2008 to £47,500 per annum. The Scheme actuary has estimated the cost of the remaining unfunded pension to be £376,000.

The increase in defined benefit scheme pension does not represent an increase in either the target pension or Company liability but is a consequence of taking steps to cancel previously unfunded liabilities. The changes made to the Scheme were applied to Mr Quinn's benefits from 1 June 2007, except for his normal retirement age which has increased by three years from age 60 to age 63 rather than to age 65.

Stephen King is eligible for a target pension from all sources of 71.66 per cent 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 7.5 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. His pension under the defined benefit Scheme as at 29 March 2008 was £35,800 per annum. The changes made to the Scheme apply to his benefits accruing from 1 June 2007.

Prior to 1 June 2007 the maximum pension an executive Director or senior executive could receive from the Scheme was two-thirds of final pensionable salary. The maximum amount has increased to 71.66 per cent to reflect the additional three years service to the new normal retirement age.

Directors' Pension Entitlements (audited information)
The table on page 48 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 31 March 2007 and 29 March 2008 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 transfer value of the increase in pension required by the Listing Rules discloses the current value of the increase whereas the change in transfer value required under the Companies Act 1985 shows the absolute change in the value including the effects of market volatility and inflation.

Remuneration Report
continued

Directors' Pension Entitlements (£'000)

	Pension accumulated at 29 March 2008	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 31 March 2007	Transfer value of accumulated pension at 29 March 2008	Change in transfer value (excluding Directors' contributions)
Leo Quinn	48	23	22	235	317	672	317
Stephen King	36	9	7	47	260	392	109

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	31 March 2007	Exercised during year	Granted during year	Lapsed during year	Number of Options 29 March 2008	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)(d)
Leo Quinn												
Executive Share Options	Jul '04	352,422	–	–	–	352,422	340.50	–	(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)	–	200.50	–	(c)	–	Mar '08	70.9
	Jul '04	149,779	–	–	–	149,779	340.50	–	(a)	Jul '07	Jul '14	88.0
Sharesave Options	Dec '07	–	–	1,287	–	1,287	745.74	–	(b)	Mar '11	Aug '11	185
		249,779		1,287	(100,000)	151,066						

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

Executive Directors did not exercise any executive share options during the period.

Deferred Bonus and Matching Share Plan (audited information)

Allocation of shares held by executive Directors is as follows:

	Date of allocation	Total allocation as at 31 March 2007	Allocation during year	Allocation vesting during year	Lapsed during year	Total allocation as at 29 March 2008	10 Day Average Mid market share price preceding the date of allocation (pence)	Vesting date	Average fair value per share (pence)(b)
Leo Quinn									
Deferred Allocation	Jul '05	51,796	–	–	–	51,796	386.13	Jul '08	391
	Jun '06	40,429	–	–	–	40,429	531.80	Jun '09	540
	Jun '07		32,964	–	–	32,964	758.40	Jun '10	792
Maximum Matching Allocation (a)	Jul '05	103,592	–	–	–	103,592	386.13	Jul '08	284
	Jun '06	80,858	–	–	–	80,858	531.80	Jun '09	380
	Jun '07		65,928	–	–	65,928	758.40	Jun '10	552
		276,675	98,892			375,567			
Stephen King									
Deferred Allocation	Jul '05	19,811	–	–	–	19,811	386.13	Jul '08	391
	Jun '06	17,770	–	–	–	17,770	531.80	Jun '09	540
	Jun '07	–	14,075	–	–	14,075	758.40	Jun '10	792
Maximum Matching Allocation (a)	Jul '05	39,622	–	–	–	39,622	386.13	Jul '08	284
	Jun '06	35,540	–	–	–	35,540	531.80	Jun '09	380
	Jun '07	–	28,150	–	–	28,150	758.40	Jun '10	552
		112,743	42,225			154,968			

Notes

(a) Details of the performance condition attached to matching shares are set out on page 50.

(b) Estimated value of award at time of grant (see also note 21b 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 29 March 2008 and based on the prevailing share price on that date dividend shares accrued were as follows:

Leo Quinn: 13,727 ordinary shares
Stephen King: 5,578 ordinary shares

The closing mid-market price of De La Rue plc shares at 29 March 2008 was 886p and the highest and lowest mid-market prices during the year were:

	Ordinary shares of 27 7/9p to 27 July 2007	**Ordinary shares of 29 16/21p to 29 March 2008**
High	824.0p	**985.0p**
Low	697.5p	**668.0p**

Directors' Emoluments (audited information)	**2008 Salary and fees £'000**	2008 Benefits £'000	2008 Bonus £'000	**2008 Total £'000**	2007 Total £'000
Executive Directors					
Leo Quinn	**500**	33	500	**1,033**	949
Stephen King	**305**	22	214	**541**	520
	805	55	714	**1,574**	1,469
Non-executive Chairman					
Nicholas Brookes	**163**	–	–	**163**	155
Non-executive Directors					
Warren East	**38**	–	–	**38**	8
Sir Jeremy Greenstock	**38**	–	–	**38**	35
Keith Hodgkinson	**45**	–	–	**45**	42
Michael Jeffries (resigned 26 July 2007)	**15**	–	–	**15**	42
Philip Nolan	**38**	2*	–	**40**	36
Gill Rider	**42**	–	–	**42**	27
Aggregate emoluments	**1,184**	57	714	**1,955**	1,814

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

Remuneration Report
continued

Current Schemes

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 2007 at a price of 745.74p 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 Sixth Offering under the Plan began on 1 January 2008 and 32 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 (976.5p) or end of the Offering Period on 31 December 2008.

Deferred Bonus and Matching Share Plan

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

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

The maximum value of the deferred allocation based on the 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 (‘Matching Shares’) which will be released on the third anniversary of the allocation of the deferred shares provided pre-determined performance targets are satisfied and the participant is still employed 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 three per cent per annum. If the minimum target is not achieved no matching share allocation will be awarded. If EPS increases by five 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.

The Remuneration Committee regularly reviews the operation of the Plan and its specific terms, including performance measures. Before making any award the Remuneration Committee considers the appropriateness of the performance targets for matching awards, recognising in particular that the average earnings per share growth target of Retail Price Index +3-5 per cent is the minimum.

Long Term Incentive Plan

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

The performance measure is EPS based and on a straight line basis. The test is 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 15 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 20 per cent of annual salary is payable with intermediate straight line vesting in between.

Superseded Schemes

Executive Share Schemes

These schemes were replaced by the Deferred Bonus and Matching Share Plan so no grants have been made under these schemes since 2006.

The Committee was entitled to award an individual options equal to three times base salary each year, but only in exceptional circumstances. No grants were made at these levels. The performance conditions attached to share options apply to all executive Directors.

Executive Share Option Plan

The Executive Share Option Plan (the '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 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 income statement.

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.

Dilution Limits

The Executive Share Option Plan and Deferred Bonus and Matching Share Plan incorporate the current (3 December 2007) 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):

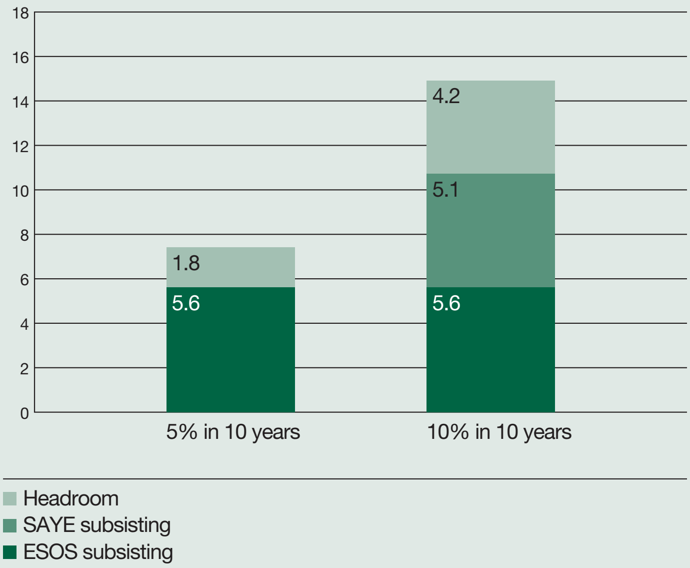
– no more than ten per cent can be issued to satisfy options granted under both executive share option schemes and any other employee share scheme of the Company; and

– no more than five 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 2008 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 21b on page 84) the current headroom in relation to all outstanding share options or deferred share awards is shown below:

Scheme limits headroom
(m shares)



Shareholder Return

The performance chart below illustrates total shareholder return.

Total shareholder return
(£)

This graph shows the value, by 29 March 2008, of £100 invested in De La Rue plc on 29 March 2003 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

Remuneration Report
continued

Non-Executive Directors

Non-executive Directors do not have service contracts and have letters of appointment specifying fixed terms of office. Originally terms of appointment were for three years, renewable for a further three years subject to satisfactory performance but the Board agreed, with effect from 1 April 2008, that they would be reduced to two year appointments. The Board may invite non-executive Directors to serve a third term after a detailed review. The non-executive Directors' current letters of appointment are dated as follows:

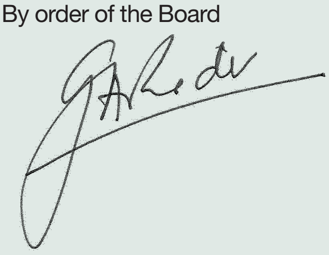
Non-executive Director	Date of letter of appointment	Date of first appointment
Warren East	30 March 2008	9 January 2007
Keith Hodgkinson	30 March 2008	19 April 2000
Philip Nolan	30 March 2008	1 September 2001
Sir Jeremy Greenstock	30 March 2008	1 March 2005
Gill Rider	30 March 2008	22 June 2006

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

Remuneration for Non-Executive Directors

The Board determines the fees paid to 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 2007/2008. Details of fees to the Chairman and other non-executive Directors are set out on page 49. The Chairman of the Audit and Remuneration Committees receive an additional fee for their work. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's bonus or share option schemes.

By order of the Board



Gill Rider
Chairman of the Remuneration Committee
21 May 2008

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 29 March 2008 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 29 March 2008 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 ('IFRS') as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 37.

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 Principal Activities and 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 IFRS as adopted by the EU, of the state of the Group's affairs as at 29 March 2008 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 Auditor
London
21 May 2008

Group Income Statement
For the year ended 29 March 2008

	Notes	2008 Before exceptionals £m	2008 Exceptional items £m	2008 Total £m	2007 Total £m
Continuing operations					
Revenue	2	753.6		753.6	687.5
Operating expenses	3	(638.9)		(638.9)	(597.1)
Operating profit		114.7		114.7	90.4
Share of profits of associated companies after taxation	2	7.1		7.1	6.6
Profit on the disposal of a business			0.9	0.9	
Profit on the disposal of investments			1.7	1.7	
Non-operating items	4		2.6	2.6	–
Profit before interest and taxation		121.8	2.6	124.4	97.0
Interest income	5	4.4		4.4	5.1
Interest expense	5	(2.4)		(2.4)	(1.5)
Retirement benefit obligation finance income	5	34.2		34.2	32.4
Retirement benefit obligation finance cost	5	(33.9)		(33.9)	(30.6)
Profit before taxation		124.1	2.6	126.7	102.4
Taxation	6	(38.3)		(38.3)	(30.6)
Profit for the financial year		85.8	2.6	88.4	71.8
Profit attributable to equity shareholders of the Company		85.5	2.6	88.1	70.2
Profit attributable to minority interests		0.3		0.3	1.6
		85.8	2.6	88.4	71.8
Earnings per share attributable to the Company's equity holders					
Basic	7			57.8p	43.9p
Diluted	7			56.7p	42.9p

Group Balance Sheet
At 29 March 2008

	Notes	2008 £m	2007 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	**143.2**	139.4
Intangible assets	10	**33.2**	30.3
Investments in associates and joint ventures	11	**22.5**	13.1
Available for sale financial assets	12	**0.2**	0.4
Deferred tax assets	17	**25.9**	51.4
Other receivables	14	**0.8**	0.2
Derivative financial instruments	15	**0.4**	0.3
		226.2	235.1
Current assets			
Inventories	13	**94.9**	87.5
Trade and other receivables	14	**114.0**	97.0
Current tax assets		**0.4**	1.4
Derivative financial instruments	15	**19.1**	1.0
Cash and cash equivalents	16	**120.3**	149.1
		348.7	336.0
Total assets		**574.9**	571.1
LIABILITIES			
Current liabilities			
Borrowings	19	**(8.6)**	(1.7)
Trade and other payables	18	**(245.3)**	(238.7)
Current tax liabilities		**(31.7)**	(24.9)
Derivative financial instruments	15	**(15.8)**	(1.5)
Provisions for other liabilities and charges	20	**(23.1)**	(17.8)
		(324.5)	(284.6)
Non-current liabilities			
Borrowings	19	**(5.0)**	(10.1)
Retirement benefit obligations	25	**(25.3)**	(108.1)
Deferred tax liabilities	17	**(0.6)**	(2.1)
Derivative financial instruments	15	**(2.1)**	(0.3)
Other non-current liabilities	18	**(1.9)**	(1.0)
		(34.9)	(121.6)
Total liabilities		**(359.4)**	(406.2)
Net assets		**215.5**	164.9
EQUITY			
Ordinary share capital	1	**44.6**	44.7
Share premium account	1	**22.5**	21.4
Capital redemption reserve	1	**5.5**	5.3
Fair value reserve	1	**0.7**	(0.5)
Cumulative translation adjustment	1	**13.4**	(0.8)
Other reserves	1	**(83.8)**	(83.8)
Retained earnings	1	**210.3**	173.6
Total equity attributable to shareholders of the Company		**213.2**	159.9
Minority interests	1	**2.3**	5.0
Total equity		**215.5**	164.9

Approved by the Board on 21 May 2008.

Nicholas Brookes Chairman

Stephen King Finance Director

Group Cash Flow Statement
For the year ended 29 March 2008

	Notes	2008 £m	2007 £m
Cash flows from operating activities			
Profit before tax		126.7	102.4
Adjustments for:			
Finance income and expense		(2.3)	(5.4)
Depreciation and amortisation		27.1	26.9
Increase in inventories		(3.3)	(18.6)
Increase in trade and other receivables		(13.6)	(9.3)
Increase in trade and other payables		10.3	61.7
Decrease in reorganisation provisions		(0.7)	(3.6)
Special pension fund contribution		(12.0)	(7.0)
Profit on the disposal of a business		(0.9)	–
Profit on the disposal of investments		(1.7)	–
Loss on disposal of property, plant and equipment		0.9	1.0
Share of income from associates after tax		(7.1)	(6.6)
Other non-cash movements		0.6	3.0
Cash generated from operations		124.0	144.5
Tax paid		(27.5)	(28.2)
Net cash flows from operating activities		96.5	116.3
Cash flows from investing activities			
Disposal of subsidiary undertaking		2.1	1.0
Investment in associates		(10.0)	–
Proceeds from sale of investment		1.7	–
Purchases of property, plant and equipment (PPE) and software intangibles		(22.3)	(29.7)
Development assets capitalised		(4.7)	(4.1)
Proceeds from sale of PPE		1.3	0.7
Interest received		4.3	5.2
Interest paid		(1.2)	(1.0)
Dividends received from associates		7.7	6.2
Net cash flows from investing activities		(21.1)	(21.7)
Net cash inflow before financing activities		75.4	94.6
Cash flows from financing activities			
Proceeds from issue of share capital		5.2	7.1
Own share purchase		(4.2)	(29.2)
Proceeds from (repayment of) borrowings		2.2	(1.5)
Finance lease principal payments		(4.5)	(3.6)
Dividends paid to shareholders		(105.4)	(28.3)
Dividends paid to minority interests		(0.4)	(0.4)
Net cash flows from financing activities		(107.1)	(55.9)
Net (decrease)/increase in cash and cash equivalents in the year		(31.7)	38.7
Cash and cash equivalents at the beginning of the year		149.0	107.8
Exchange rate effects		(0.6)	2.5
Cash and cash equivalents at the end of the year		116.7	149.0
Cash and cash equivalents consist of:	16		
Cash at bank and in hand		49.9	40.3
Short term bank deposits		70.4	108.8
Bank overdrafts		(3.6)	(0.1)
	22	116.7	149.0

Group Statement of Recognised Income and Expense
For the year ended 29 March 2008

	2008 £m	2007 £m
Foreign currency translation differences for foreign operations	10.9	(2.9)
Actuarial gains on retirement benefit obligations	73.5	3.5
Effective portion of changes in fair value of cash flow hedges	1.6	–
Net gain/(loss) on hedges of net investment in foreign operations	3.3	(0.1)
Income tax on income and expenses recognised directly in equity	(22.9)	4.0
Net gain recognised directly in equity	66.4	4.5
Profit for the financial year	88.4	71.8
Total recognised income and expense for the year	154.8	76.3
Attributable to:		
Equity shareholders of the Company	154.5	74.7
Minority interests	0.3	1.6
Total recognised income and expense for the year	154.8	76.3

Accounting Policies – Group
For the year ended 29 March 2008

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 consolidated financial statements have been approved by the directors and prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS') including interpretations issued by the International Accounting Standards Board ('IASB'). 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.

The accounts have been prepared as at 29 March 2008, being the last Saturday in March. The comparatives for the 2007 financial year are for the year ended 31 March 2007.

The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

Basis of consolidation
Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the control commences until the date that control ceases. The majority of the subsidiaries prepare their financial statements up to 29 March except for certain subsidiaries whose year end is 31 December. In the case of the subsidiaries whose financial statements are made up to 31 December, results for the period to 31 March 2007 have been consolidated.

Associated companies
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

The Group's share of the profits of associated companies is included in the consolidated income statement. 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.

The majority of the material associated companies prepare their financial information to 29 March except for certain associated companies whose year end is 31 December. In the case of the associated companies whose financial statements are made up to 31 December, results for the period to 29 March have been included in the consolidated income statement.

Transactions eliminated on consolidation
Intra group balances and any unrealised gains and losses or income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

Foreign currency
Foreign currency transactions
Transactions in foreign currencies are translated at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Financial statements of foreign operations
Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at average exchange rates (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). Exchange differences arising on retranslation are recognised directly in 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.

Net investment in foreign operations
Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective. To the extent that the hedge is ineffective such differences are recognised in the income statement.

Financial instruments
Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other receivables and payables are discounted when the time value of money is considered material. Available for sale financial assets are measured at fair value.

Derivative financial instruments
The Group holds derivative financial instruments, which include cross currency swaps and foreign exchange contracts, to hedge its foreign currency exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Cash flow hedge
Where a derivative that is designated and qualifies as a hedge is used to hedge a forecast transaction, any effective portion of the change in fair value is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period when the hedged item affects profit or loss.

Embedded derivatives
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and a combined instrument is not measured at fair value through the income statement.

Hedge of net investment in foreign operations
Gains or losses on instruments used to hedge net investment in foreign operations that are effective hedges are recognised in equity. Ineffective hedges or portions thereon are recognised in the income statement.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised immediately in the consolidated income statement.

Gains and losses on derivative financial instruments related to operating activities are included in operating profit when recognised in the consolidated income statement

Revenue
Group revenue 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 assets, liabilities and contingent liabilities of the business acquired at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition the goodwill is allocated to cash generating units for the purpose of impairment testing and is tested at least annually for impairment.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business. Goodwill arising on the acquisition of subsidiaries is presented in goodwill and goodwill arising on the acquisition of associates is presented in investments in associates. Internally generated goodwill is not recognised as an asset.

Goodwill arising on acquisitions before 27 March 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Development costs
Expenditure incurred in the development of products or enhancements 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 eight 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.

Impairment
Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Accounting Policies – Group
continued

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed for all Cash Generating Units ('CGUs') to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For all other intangible assets, an impairment test is performed whenever an indicator of impairment exists.

An impairment loss is recognised 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 under IAS 20, government grants 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 group income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit pension schemes and the imputed interest on pension scheme liabilities are disclosed as retirement benefit obligation finance income and retirement benefit obligation finance expense respectively in the income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of 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 De La Rue Employee Share Ownership Trust is a separately administered trust. Liabilities of the trust are guaranteed by the Company and the assets of the trust mainly comprise shares in the Company.

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

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 of Directors and unpaid at the year end are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised in the period that they are paid.

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.

New Accounting standards and interpretations
In preparing the consolidated financial statements the Group has adopted the following new IFRS and amendment to IAS which became effective in 2007/08:
- IFRS 7 'Financial Instruments: Disclosures'; and
- Amendment to IAS 1 'Presentation of Financial Statements: Capital Disclosures'.

The following new interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), effective for accounting periods commencing on or after 1 January 2007, have had no impact on the financial statements:
- IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies'
- IFRIC 8 'Scope of IFRS 2 'Share-based Payment"
- IFRIC 9 'Reassessment of Embedded Derivatives'; and
- IFRIC 10 'Interim Financial Reporting and Impairment'.

The following new IFRS and interpretations and amendments to IFRS and IAS are not yet effective and have not been early adopted:
- IFRS 8 'Operating Segments' is effective for the 2009/10 financial year;
- Amendments to IFRS 2 'Share-based Payment', IAS 1 'Presentation of Financial Statements', IAS 27 'Consolidated and Separate Financial Statements' and IAS 23 'Borrowing costs' are all effective for the 2009/10 financial year;
- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and IFRIC 12 'Service Concession Arrangements' are both effective for the 2008/9 financial year;
- IFRIC 13 'Customer Loyalty Programmes' is effective for the 2009/10 financial year. This interpretation has not yet been endorsed by the EU

The adoption of this IFRS and these interpretations and amendments to IFRS and IAS is not expected to have a significant impact on the consolidated financial statements.

IFRS 3 (revised) 'Business Combinations' is effective for the 2010/11 financial year although it has not yet been endorsed by the EU.

Accounting Policies – Group
continued

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' is effective for the 2008/9 financial year although it has not yet been endorsed by the EU. The interpretation clarifies the limitations on recognising defined benefit pension surpluses (and the related deferred tax liabilities) in the balance sheet and may also require recognition of an additional liability for any committed future contributions. The Group is currently assessing the impact of this interpretation on the consolidated financial statements.

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 shareholder								
	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	Minority interest £m	Total equity £m
Balance at 25 March 2006	45.9	20.6	3.9	(0.5)	2.2	(83.8)	144.2	3.8	136.3
Foreign currency translation differences for foreign operations	–	–	–	–	(2.9)	–	–	–	(2.9)
Actuarial gain on retirement benefit obligations	–	–	–	–	–	–	3.5	–	3.5
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	–	–	–
Net gain/(loss) on hedges of net investment in foreign operations	–	–	–	–	(0.1)	–	–	–	(0.1)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	4.0	–	4.0
Net gain recognised directly in equity	–	–	–	–	(3.0)	–	7.5	–	4.5
Profit for the financial year	–	–	–	–	–	–	70.2	1.6	71.8
Total income recognised for the year	–	–	–	–	(3.0)	–	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 treasury shares	–	–	–	–	–	–	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	(0.5)	(0.8)	(83.8)	173.6	5.0	164.9
Foreign currency translation differences for foreign operation	–	–	–	–	10.9	–	–	–	10.9
Actuarial gain on retirement benefit obligations	–	–	–	–	–	–	73.5	–	73.5
Effective portion of changes in fair value of cash flow hedges	–	–	–	1.6	–	–	–	–	1.6
Net gain/(loss) on hedge of net investment in foreign operations	–	–	–	–	3.3	–	–	–	3.3
Income tax on income and expenses recognised directly in equity	–	–	–	(0.4)	–	–	(22.5)	–	(22.9)
Net gain recognised directly in equity	–	–	–	1.2	14.2	–	51.0	–	66.4
Profit for the financial year	–	–	–	–	–	–	88.1	0.3	88.4
Total income recognised for the year	–	–	–	1.2	14.2	–	139.1	0.3	154.8
Share capital issued	0.1	1.1	–	–	–	–	–	–	1.2
Purchase of shares for cancellation	(0.2)	–	0.2	–	–	–	(4.2)	–	(4.2)
Allocation of treasury shares	–	–	–	–	–	–	4.0	–	4.0
Employee share scheme: – value of services provided	–	–	–	–	–	–	3.2	–	3.2
Dividends paid	–	–	–	–	–	–	(105.4)	(0.4)	(105.8)
Disposal of a business	–	–	–	–	–	–	–	(2.6)	(2.6)
Balance at 29 March 2008	**44.6**	**22.5**	**5.5**	**0.7**	**13.4**	**(83.8)**	**210.3**	**2.3**	**215.5**

*On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc, following approval of a High Court Scheme of Arrangement. On exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The profit and loss account reserve of £83.8m arose as a result of this transaction.

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

	2008 Cash Systems £m	2008 Security Paper and Print £m	2008 Group £m	2007 Cash Systems £m	2007 Security Paper and Print £m	2007 Group £m
Continuing operations						
Revenue	345.0	408.6	753.6	333.0	354.5	687.5
Operating profit	35.1	79.6	114.7	28.7	61.7	90.4
Share of post tax profits of associates			7.1			6.6
Non-operating items (note 4)			2.6			
Net interest income			2.0			3.6
Retirement obligations net finance income			0.3			1.8
Profit before taxation			126.7			102.4
Taxation			(38.3)			(30.6)
Profit for the financial year			88.4			71.8
Segment assets	145.9	206.7	352.6	129.4	187.4	316.8
Unallocated assets			222.3			254.3
Total assets			574.9			571.1
Segment liabilities	(111.4)	(128.1)	(239.5)	(107.8)	(128.4)	(236.2)
Unallocated liabilities			(119.9)			(170.0)
Total liabilities			(359.4)			(406.2)
Capital expenditure on property, plant and equipment	7.4	16.8	24.2	3.0	23.3	26.3
Capital expenditure on intangible assets	5.4	0.8	6.2	6.7	1.1	7.8
Depreciation of property, plant and equipment	5.3	16.7	22.0	5.5	16.8	22.3
Amortisation of intangible assets	3.4	1.7	5.1	3.7	0.9	4.6

Analysis by Geographical Segment 2008

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Group £m
Revenue by destination	71.2	202.1	188.2	292.1	753.6
Segment assets	151.8	124.7	49.9	26.2	352.6
Unallocated assets					222.3
Total assets					574.9
Capital expenditure on property, plant and equipment	7.8	11.0	3.8	1.6	24.2
Capital expenditure on intangible assets	3.2	1.8	1.2	–	6.2

2 Segmental Analysis continued

Analysis by Geographical Segment 2007

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Group £m
Revenue 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

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

	2008 Total £m	2007 Total £m
Raw materials	**167.8**	145.9
Employee costs (note 26)	**232.8**	227.3
Depreciation of property, plant and equipment:		
– purchased	**17.9**	21.0
– leased	**4.1**	1.3
Amortisation of other intangibles	**5.1**	4.6
Net impairment of inventories	**2.2**	5.3
Impairment of trade receivables	**(0.5)**	(2.5)
Operating leases:		
– hire of plant and equipment	**1.2**	0.8
– hire of property	**4.2**	6.9
Auditors' remuneration:		
– Fees payable to the Company's auditors for the audit of the Company's financial statements (UK)	**0.2**	0.2
– Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to the legislation (UK)	**0.1**	0.1
– Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to the legislation (Overseas)	**0.5**	0.4
– Fees payable to the Company's auditors and its associates for other services		
– tax services (UK)	**–**	0.2
– tax services (overseas)	**0.1**	–
– other assurance services (UK)	**0.9**	0.4
– other assurance services (overseas)	**0.1**	0.1
Research and non-capitalised development expense	**18.1**	18.6
Loss on disposal of property, plant and equipment	**0.9**	1.0
Reorganisation costs	**–**	–
Foreign exchange losses	**3.9**	4.2
Other operating expenses	**179.3**	161.3
	638.9	597.1

Auditor's remuneration in 2007 relates to fees paid to the Company's current auditors KPMG Audit plc. Other assurance services include work performed in connection work performed in connection with the group's strategic review, including vendor due diligence on the Cash Systems business.

4 Non Operating Items

The profit on disposal of continuing operations of £0.9m in the year ended 29 March 2008 arose from the disposal of De La Rue Smurfit Limited, one of the Group's Security Printing businesses based in Ireland. The profit on disposal of investments of £1.7m arose from the disposal of the Group's 25 per cent interest in Valora-Servicos de Apoio a Emissao Monitaria SA, a currency printing company based in Portugal. This investment was previously impaired. There were no non operating items in this year ended 31 March 2007.

Notes to the Accounts
continued

5 Interest Income and Expense

	2008 £m	2007 £m
Recognised in profit and loss Interest income		
Cash and cash equivalents	4.4	5.1
Interest expense		
Bank overdrafts	(1.6)	(0.5)
Bank loans	(0.1)	(0.3)
Finance leases	(0.6)	(0.6)
Other	(0.1)	(0.1)
	(2.4)	(1.5)
Retirement benefit obligation net finance income (note 25)	0.3	1.8
The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	4.4	5.1
Total interest expense on financial liabilities	(2.4)	(1.5)
Recognised directly in equity		
Foreign currency differences for foreign operations	10.9	(2.9)
Cash flow hedges recognised	1.6	–
Tax on cash flow hedges	(0.4)	–
Net gain/(loss) on hedge of net investment in foreign operations	3.3	(0.1)
	15.4	(3.0)
Recognised in		
Fair value reserve	1.2	–
Translation reserve	14.2	(3.0)
	15.4	(3.0)

The ineffective portion charged to profit and loss on derivatives in 2008 was nil (2007 : nil).

6 Taxation

	2008 Total £m	2007 Total £m
Current tax		
UK Corporation tax		
Current tax	30.8	11.4
Double tax relief	(19.0)	(3.5)
Adjustment in respect of prior years	(0.8)	–
	11.0	7.9
Overseas tax charges		
Current year	24.8	16.7
Adjustment in respect of prior years	(1.1)	(0.5)
	23.7	16.2
	34.7	24.1
Deferred tax		
UK		
Origination and reversal of temporary differences	2.6	3.2
Overseas		
Origination and reversal of temporary differences	(2.1)	2.2
Adjustment in respect of prior year	–	1.1
German tax rate adjustment	3.1	–
	3.6	6.5
	38.3	30.6

6 Taxation continued

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

	2008 Before exceptionals £m	2008 Exceptional items £m	2008 Total £m	2007 Total £m
Profit before tax	124.1	2.6	126.7	102.4
Tax calculated at UK tax rate at 30 per cent	37.2	0.8	38.0	30.7
Rate adjustment relating to overseas profits	(1.6)	–	(1.6)	(1.6)
Overseas dividends	0.9	–	0.9	1.7
Income not subject to tax	–	(0.8)	(0.8)	–
Expenses not deductible for tax purposes.	2.3	–	2.3	1.0
Adjustment for tax on profits of Associate	(2.1)	–	(2.1)	(2.0)
Prior year adjustments	(1.9)	–	(1.9)	0.6
Utilisation of previously unrecognised tax losses	(0.2)	–	(0.2)	(0.7)
Tax losses for which no deferred income tax asset was recognised	0.6	–	0.6	0.9
German tax rate adjustment	3.1	–	3.1	–
Tax charge	38.3	–	38.3	30.6

No current tax in respect of share options has been recognised directly in reserves (2007 : £0.7m). The underlying effective tax rate excluding one-off items was 28.4 per cent (2007 : 29.9 per cent), the decrease reflecting the continued improvement in the Group's tax position. In addition, there was a one-off charge of £3.1m arising from the impact on deferred tax assets of a reduction in the German tax rate, enacted in July 2007. The recent change to the UK tax rate from 30% to 28% has not had a significant impact on the tax charge.

7 Earnings Per Share

	2008 Pence per share	2007 Pence per share
Basic earnings per share	57.8	43.9
Diluted earnings	56.7	42.9
Headline earnings per share	58.1	43.9

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of dilutive share options.

During the year the Company paid a special dividend of £74.4m and at the same time carried out a consolidation of its share capital. These transactions were conditional on each other. They were specifically designed to achieve the same overall effect on the Company's capital structure as a buy back of shares in a way in which all shareholders could participate. Accordingly, earnings per share is presented on the basis that in substance a share buy back has occurred.

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

	2008 Earnings £m	2008 Weighted average number of shares m	2008 Per-share amount pence	2007 Earnings £m	2007 Weighted average number of shares m	2007 Per-share amount pence
Basic EPS	88.1	152.5	57.8	70.2	160.0	43.9
Effect of dilutive options	–	2.8	(1.1)	–	3.7	(1.0)
Diluted EPS	88.1	155.3	56.7	70.2	163.7	42.9

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.

	2008 Pence per share	2007 Pence per share
Reconciliation of headline earnings per share		
Basic earnings per share	57.8	43.9
Profit on the disposal of continuing operations	(0.6)	–
Profit on disposal of investments	(1.1)	–
Tax arising from change in German statutory tax rate (see note 6)	2.0	–
Headline earnings per share	58.1	43.9

Notes to the Accounts
continued

8 Equity Dividends

	2008 £m	2007 £m
Final dividend for the year ended 31 March 2007 of 13.27p paid on 3 August 2007	21.2	–
Special dividend of 46.5p paid on 3 August 2007	74.4	–
Interim dividend for the period ended 29 September 2007 of 6.53p paid on 16 January 2008	9.8	–
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
	105.4	28.3

A final dividend per equity share of 14.87 pence has been proposed for the year ended 29 March 2008, payable on 1 August 2008. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

9 Property, Plant and Equipment

Year ended 29 March 2008	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 31 March 2007	57.4	240.0	39.5	19.7	356.6
Exchange differences	0.8	8.5	3.4	0.7	13.4
Additions	0.1	6.2	2.9	15.0	24.2
Transfers from assets in the course of construction	1.3	19.8	0.4	(21.5)	–
Disposals	(1.5)	(17.9)	(2.1)	(0.3)	(21.8)
At 29 March 2008	58.1	256.6	44.1	13.6	372.4
Accumulated depreciation					
At 31 March 2007	20.0	165.3	31.9	–	217.2
Exchange differences	0.4	4.4	2.8	–	7.6
Depreciation charge for the year	1.8	17.5	2.7	–	22.0
Disposals	(1.0)	(15.3)	(1.3)	–	(17.6)
At 29 March 2008	21.2	171.9	36.1	–	229.2
Net book value					
At 29 March 2008	36.9	84.7	8.0	13.6	143.2

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 25 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 25 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

Included in the above are leased assets as follows:

Plant and machinery	cost	£16.0m	(2007 : £18.7m)
	net book value	£7.8m	(2007 : £10.6m)

10 Intangible Assets

Year ended 29 March 2008	Goodwill* £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 31 March 2007	25.0	15.6	15.4	2.9	58.9
Exchange differences	3.0	1.5	0.5	–	5.0
Additions	–	4.7	1.5	–	6.2
Disposals	–	(0.3)	(6.7)	–	(7.0)
At 29 March 2008	28.0	21.5	10.7	2.9	63.1
Accumulated amortisation					
At 31 March 2007	11.4	4.8	9.5	2.9	28.6
Exchange differences	1.9	0.4	0.4	–	2.7
Amortisation for the year	–	2.0	3.1	–	5.1
Disposals	–	(0.1)	(6.4)	–	(6.5)
At 29 March 2008	13.3	7.1	6.6	2.9	29.9
Carrying value at 29 March 2008	14.7	14.4	4.1	–	33.2

Year ended 31 March 2007	Goodwill* £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 25 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					
At 25 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

*Goodwill amortisation relates to impairments made in previous years. 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:

	2008 Cash Systems £m	2008 Security Paper and Print £m	2008 Total £m	2007 Cash Systems £m	20077 Security Paper and Print £m	2007 Total £m
United Kingdom and Ireland	1.2	1.3	2.5	1.2	1.3	2.5
Rest of Europe	5.3	1.8	7.1	4.8	1.6	6.4
The Americas	3.4	0.8	4.2	3.2	0.7	3.9
Rest of World	–	0.9	0.9	–	0.8	0.8
	9.9	4.8	14.7	9.2	4.4	13.6

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 29 March 2008, no impairment charges were recognised. The estimates of recoverable amount were based on value-in-use calculations using a post-tax discount rate of 10 per cent. These calculations use cash flow projections covering a five year period based on the financial budget for 2008/2009. 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.

Notes to the Accounts
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11 Investments

Investments comprise

	2008 £m	2007 £m
Investments in associated companies	22.5	13.1
Other investments	–	–
	22.5	13.1

	Associates £m
At 1 April 2007	13.1
Additions	10.0
Share of post tax profits	7.1
Dividends paid	(7.7)
At 29 March 2008	22.5
At 26 March 2006	12.7
Share of post tax profits	6.6
Dividends paid	(6.2)
At 31 March 2007	13.1

At 29 March 2008 and 31 March 2007 the principal associate of the Group was Camelot Group plc, in which the Group has a 20 per cent holding.

On 30 August 2007 the Group subscribed for 10,000,000 redeemable shares of £1 each at par in Camelot Group plc.

On 31 December 2007 the Group disposed of its entire holding in Valora-Servicas De Apoioa Emissao Monitaria SA (25%) to Banco de Portugal for £1.7m. The investment in this company was previously impaired.

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

	2008 Total associates £m	2008 Camelot Group £m	2007 Total associates £m	2007 Camelot Group £m
Revenue	995.9	993.3	986.7	982.2
Profit after tax	7.1	7.1	6.6	6.6
Assets	90.0	89.7	83.2	80.1
Liabilities	(66.5)	(66.3)	(67.3)	(65.5)

12 Available for Sale Financial Assets

	2008 £m	2007 £m
At 29 March 2008 and 31 March 2007	0.2	0.4

	£m
At 1 April 2007	0.4
Additions	–
Amortisation	(0.2)
At 29 March 2008	**0.2**
At 26 March 2006	0.5
Amortisation	(0.1)
At 31 March 2007	0.4

Available for sale financial assets comprise various debentures.

13 Inventories

	2008 £m	2007 £m
Raw materials	**17.5**	18.5
Work in progress	**32.9**	31.3
Finished goods	**44.5**	37.7
	94.9	87.5

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

Provisions of £7.2m recognised in operating expenses were made against inventories in 2008 (2007 : £7.3m). The Group also reversed £5.0m (2007 : £2.0m), being part of an inventory write down that was subsequently not required.

14 Trade and Other Receivables

	2008 £m	2007 £m
Non current assets		
Other receivables	**0.8**	0.2
	0.8	0.2
Current assets		
Trade receivables	**100.4**	85.4
Provision for impairment	**(4.8)**	(4.3)
Net trade receivables	**95.6**	81.1
Amounts due from associated companies and joint ventures	**–**	0.2
Other receivables	**14.4**	12.6
Prepayments and accrued income	**4.0**	3.1
	114.0	97.0
	114.8	97.2

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.

15 Financial Instruments

Financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors.

The Group Treasury Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group Treasury Department provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity.

Notes to the Accounts
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15 Financial Instruments continued

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk and the value of the Group's revenue attributable to sales transactions with any one customer is not significant.

The Group has established a credit policy that ensures that wholesale sales of products are made to customers with an appropriate credit history. The Group has a policy to procure mobilisation payments during order negotiation which further reduces credit risk. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, Swedish Kroner 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 exchange contracts transacting with financial institutions.

The Group's risk management policy aims to hedge firm commitments and between 60 per cent and 100 per cent of forecast exposures in each major currency for the subsequent 12 months. 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 denomination in the relevant foreign currencies and through foreign currency swaps.

Capital management
The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors earnings per share, which the Group defines as the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The Board also monitors the level of dividends to ordinary shareholders.

The Group's strong cash generative characteristics and ungeared balance sheet have given the Board scope to regularly return to shareholders surplus cash flow through a combination of progressive dividends, share buy backs and special dividends.
There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

15 Financial Instruments continued

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount 2008 £m	Carrying amount 2007 £m
Available-for-sale financial assets	12	0.2	0.4
Trade and other receivables	14	114.8	97.2
Cash and cash equivalents	16	120.3	149.1
Forward exchange contracts used for hedging		7.5	1.0
Embedded derivatives		11.4	0.3
Total		254.2	248.0

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

	Carrying amount 2008 £m	Carrying amount 2007 £m
UK and Ireland	7.9	17.3
Rest of Europe	33.6	27.0
The Americas	19.6	17.2
Rest of World	53.7	35.7
Total	114.8	97.2

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

	Carrying amount 2008 £m	Carrying amount 2007 £m
Banks and financial institutions	65.3	43.9
Government institutions	11.1	9.8
Distributors	12.7	9.8
Retail customers	2.4	1.7
End user customers	10.2	13.5
Other debtors	13.1	18.5
Total	114.8	97.2

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2008 £m	Impairment 2008 £m	Gross 2007 £m	Impairments 2007 £m
Not past due	96.5	(1.6)	84.6	(1.0)
Past due 0-30 days	12.9	(0.2)	7.3	(0.2)
Past due 31-120 days	5.9	(1.0)	6.4	(0.3)
More than one year	4.3	(2.0)	3.2	(2.8)
Total	119.6	(4.8)	101.5	(4.3)

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

	2008 £m	2007 £m
Balance at beginning of year	(4.3)	(6.8)
Impairment loss (recognised)/released	(0.5)	2.5
Balance at end of year	(4.8)	(4.3)

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly. At 29 March 2008 the Group does not have any collective impairments on its trade receivables (2007 : nil). Based on past experience, the Group believe that no impairment is required for financial assets that are neither past due or impaired.

Notes to the Accounts
continued

15 Financial Instruments continued

Liquidity risk
The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

29 March 2008	Carrying amount £m	Contractual cash flows £m	Less than 12 Months £m	1-2 years £m
Non-derivative financial liabilities				
Unsecured bank loans and overdrafts	5.1	5.1	5.1	–
Finance lease liabilities	8.5	9.7	6.0	3.7
Trade and other payables	247.2	247.2	245.3	1.9
Total	260.8	262.0	256.4	5.6
Derivative financial assets and liabilities				
Forward exchange contracts used for cash flow hedging:				
Gross amount receivable from currency derivatives	7.5	322.0	7.3	0.2
Gross amount payable from currency derivatives	(13.5)	(328.0)	(12.2)	(1.3)
Total	(6.0)	(6.0)	(4.9)	(1.1)

31 March 2007	Carrying amount £m	Contractual cash flows £m	Less than 12 Months £m	1-2 years £m
Non-derivative financial liabilities				
Unsecured bank loans and overdrafts	1.7	1.7	1.7	–
Finance lease liabilities	10.1	11.3	9.4	1.9
Trade and other payables	239.7	239.7	238.7	1.0
Total	251.5	252.7	249.8	2.9
Derivative financial assets and liabilities				
Forward exchange contracts used for cash flow hedging:				
Gross amount receivable from currency derivatives	1.0	476.6	0.7	0.3
Gross amount payable from currency derivatives	(0.2)	(475.8)	(0.2)	–
Total	0.8	0.8	0.5	0.3

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Forward foreign exchange contracts
The principal amounts of the outstanding forward foreign exchange contracts at 29 March 2008 are US$116.4m, Swedish Krona 429m, Euro 74.6m, Swiss Franc (13.3)m and Canadian Dollars 1.1m. The principal amounts outstanding under forward contracts with maturities greater than 12 months is Euro 16.5m.These forward contracts are held as cash flow hedges.

Gains and losses recognised in the hedging reserve in equity (note 1) on forward foreign exchange contracts at 29 March 2008 will be released to the income statement at various dates between one month and 24 months from the balance sheet date.

Net investments
The Group has designated $30m of US Dollar swaps as a hedge of the net investments in the Group's US subsidiary operations. The fair value of the currency swaps at 29 March 2008 was nil (2007 : nil).

The Group has designated €30m of Euro swaps as a hedge of the net investment in the Group's European subsidiary operations. The fair value of the currency swaps at 29 March 2008 was (£0.1m) (2007 : 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 29 March 2008 was nil (2007 : 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 29 March 2008 was nil (2007 : nil).

15 Financial Instruments continued

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 29 March 2008 was £0.7m (2007 : £(0.1)m).

The principal amounts outstanding under cash management currency swaps are US Dollars 10.6m, Euro 14.7m, Swedish Krona 605m, Canadian Dollar 3.4m, Singapore Dollar (0.9)m, Hong Kong Dollar (0.55)m and South African Rand 11.0m.

Embedded derivatives
Embedded derivatives relate to revenue and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The fair value of embedded derivatives at 29 March 2008 was £7.0m (2007 : (£1.3)m).

Currency risk

Exposure to currency risk
The Group's exposure to foreign currency risk was as follows based on notional amounts:

Some of the Group's net assets are in currencies other than sterling. The Group's policy is to limit the translation exposure and resulting impact on equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets. At 29 March 2008 there were no material currency exposures after accounting for the effect of the hedging transactions.

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are limited. However, where they do occur the Group's policy is to hedge firm commitments as soon as they are committed using forward foreign exchange contracts and these are designated as a cash flow hedge. In addition it is the Group's policy to hedge 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. For the year ended 29 March 2008 all foreign exchange cash flow hedges were effective with a £1.6m gain recognised in equity.

The following significant exchange rates applied during the year:

	Reporting date		Average rate spot rate	
	2008	2007	**2008**	2007
USD	**2.01**	1.89	**1.99**	1.96
EUR	**1.42**	1.47	**1.26**	1.47
SEK	**13.18**	13.59	**11.85**	13.76

Sensitivity analysis
A 10 per cent strengthening of GBP against the following currencies at 29 March 2008 and 31 March 2007 would have increased (decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Effect in £m	
29 March 2008	Profit and Loss	Equity
USD	**(0.7)**	**2.6**
EUR	**(0.9)**	**1.0**
SEK	**(0.3)**	**–**
31 March 2007		
USD	(0.8)	1.9
EUR	(0.1)	(0.1)
SEK	(0.1)	–

A 10 per cent weakening of GBP against the above currencies at 29 March 2008 and 31 March 2007 would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

Notes to the Accounts
continued

15 Financial Instruments continued

Interest rate risk

Profile
At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2008 £m	Carrying amount 2007 £m
Financial assets	120.3	149.1
Financial liabilities	(13.6)	(11.8)
	106.7	137.3

At 29 March 2008 the Group does not hold any fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit for the year by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit and loss		Equity	
29 March 2008	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments				
Cash flow sensitivity (net)	1.2	(1.2)	–	–
31 March 2007				
Variable rate instruments				
Cash flow sensitivity (net)	1.2	(1.2)	–	–

Fair values

Fair values versus carrying amounts
The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2008 Carrying amount £m	2008 Fair value £m	2007 Carrying amount £m	2007 Fair value £m
Available-for-sale financial assets	0.2	0.2	0.4	0.4
Trade and other receivables	114.8	114.8	97.2	97.2
Cash and cash equivalents	120.3	120.3	149.1	149.1
Embedded derivatives:				
Assets	11.4	11.4	0.3	0.3
Liabilities	(4.4)	(4.4)	(1.6)	(1.6)
Forward exchange contracts used for hedging:				
Assets	8.1	8.1	1.0	1.0
Liabilities	(13.5)	(13.5)	(0.2)	(0.2)
Unsecured bank loans and overdrafts	(5.1)	(5.1)	(1.7)	(1.7)
Finance lease liabilities	(8.5)	(9.7)	(10.1)	(11.3)
Trade and other payables	(247.2)	(247.2)	(239.7)	(239.7)
	(23.9)	(25.1)	(5.3)	(6.5)
Unrealised loss		(1.2)		(1.2)

Determination of fair values

Trade and other receivables
The amortised cost less impairment provision of trade receivables and payables are assumed to approximate their fair values.

15 Financial Instruments continued

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated 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.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on LIBOR in the relevant currencies and were as follows:

	2008	2007
Leases	**5.70%**	5.70%

16 Cash and Cash Equivalents

	2008 £m	2007 £m
Cash at bank and in hand	**49.9**	40.3
Short term bank deposits	**70.4**	108.8
	120.3	149.1

The effective interest rate on short-term bank deposits was 5.1% (2007 : 5.1%) and the deposits had an average maturity period of 13 days.

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

	2008 £m	2007 £m
Cash and cash equivalents	**120.3**	149.1
Bank overdrafts repayable on demand	**(3.6)**	(0.1)
Balance per Group cash flow statement	**116.7**	149.0

All cash and deposits are of a floating rate nature and earn interest based on the relevant national LIBID equivalents and are recoverable within three months.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

Notes to the Accounts
continued

17 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:

	2008 £m	2007 £m
Deferred tax assets:	**25.9**	51.4
Deferred tax liabilities:	**(0.6)**	(2.1)
	25.3	49.3

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

	2008 £m	2007 £m
Beginning of the year	**49.3**	53.1
Exchange differences	**2.1**	(0.6)
Income statement charge	**(3.6)**	(6.5)
Tax charged to equity	**(22.5)**	3.3
End of the year	**25.3**	49.3

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	Property plant and equipment £m	Fair value gains £m	Development costs £m	Other £m	Total £m
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
Charged/(credited) to the income statement	(0.2)	–	1.2	(4.9)	(3.9)
At 29 March 2008	**8.0**	**0.4**	**4.6**	**1.9**	**14.9**

Assets	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 25 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)
(Credited)/charged to the income statement	0.5	2.9	1.4	2.8	7.6
(Credited)/charged to equity	–	22.5	–	–	22.5
Exchange differences	–	–	(1.6)	(0.6)	(2.2)
At 29 March 2008	**(5.8)**	**(7.0)**	**(4.5)**	**(22.9)**	**(40.2)**

Other deferred assets and liabilities predominantly relate to tax associated with Group provisions (£4.5m), intangible assets (£3.6m) and overseas tax credits (£4.0m).

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 £7.1m (2007 : £6.7m) in respect of losses amounting to £26.9m (2007 : £17.9m) that can be carried forward against future taxable income.

Deferred income tax liabilities of £103.8m (2007 : £99.4m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled £435.2m at 29 March 2008 (2007 : £360.1m).

UK capital losses of £382m are carried forward at 29 March 2008.

On 12 March 2008, the Government announced the intention to phase out Industrial buildings allowances with effect from 1 April 2008. This change has not been reflected in these financial statements at 29 March 2008 because it is not substantially enacted at the balance sheet date. An estimate of the financial effect of this change, based on 29 Mach 2008 balances, is that it would reduce the deferred tax asset by £1.0m to £24.3m.

18 Trade and Other Payables

	2008 £m	2007 £m
Current liabilities		
Payments received on account	**72.8**	76.8
Trade payables	**45.4**	44.8
Amounts owed to associated companies	**0.6**	0.8
Social security and other taxation	**4.8**	9.9
Accrued expenses and deferred income	**99.7**	80.8
Other payables	**22.0**	25.6
	245.3	238.7
Non current liabilities		
Other payables	**1.9**	1.0
	1.9	1.0

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

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 15.

19 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 15.

	2008 £m	2007 £m
Current liabilities		
Unsecured bank loans and overdrafts	**3.6**	0.1
Finance leases	**5.0**	1.6
	8.6	1.7
Non current liabilities		
Unsecured bank loans repayable otherwise than by installments	**1.5**	1.6
Finance leases	**3.5**	8.5
	5.0	10.1

In 2008, bank loans and overdrafts of £250.5m were pooled for interest purposes against cash and cash equivalents.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payment 2008 £m	Interest 2008 £m	Present value of minimum lease payment 2008 £m	Future minimum lease payment 2007 £m	Interest 2007 £m	Present value of minimum lease payment 2007 £m
Less than one year	6.0	(1.0)	5.0	1.9	(0.3)	1.6
Between one and five years	3.7	(0.2)	3.5	9.4	(0.9)	8.5
More than five years	–	–	–	–	–	–
	9.7	(1.2)	8.5	11.3	(1.2)	10.1

Terms and debt repayment schedule	Currency	2008 Nominal interest rate £m	2008 Year of maturity	2008 Face value £m	2008 Carrying amount	2007 Face value £m	2007 Carrying amount
Unsecured bank facility	GBP	**6.25%**	**2008**	**3.6**	**3.6**	–	–
Unsecured bank facility	USD			**–**	**–**	0.1	0.1
Unsecured bank facility	EUR	**3.00%**	**2011**	**1.5**	**1.5**	–	–
Unsecured bank facility	MTL			**–**	**–**	1.6	1.6
Finance lease liabilities	GBP	**5.80%**	**2011**	**6.9**	**6.9**	10.1	10.1
Finance lease liabilities	USD	**3.15%**	**2009**	**1.6**	**1.6**	–	–
Total interest bearing liabilities				**13.6**	**13.6**	11.8	11.8

Notes to the Accounts
continued

19 Borrowings continued

	2008 £m
The Group has the following undrawn borrowing facilities:	
Floating rate:	
- Expiring within one year	**–**
- Expiring beyond one year	**110.0**
Fixed rate:	
- Expiring within one year	**–**
	110.0

As at 29 March 2008, the total of undrawn committed borrowing facilities maturing in more than two years was £100m (2007 : £100m).

20 Provisions for Liabilities and Charges

	Restructuring £m	Business disposals £m	warranty £m	Other £m	Total £m
At 1 April 2007	2.8	1.0	5.9	8.1	17.8
Exchange differences	–	–	0.3	0.1	0.4
Charge for the year	–	0.5	7.2	3.5	11.2
Utilised in year	(0.7)	–	(5.7)	(2.5)	(8.9)
Released in year	(0.1)	–	(0.4)	(0.1)	(0.6)
Reclassified from other payables	–	–	2.4	0.8	3.2
At 29 March 2008	**2.0**	**1.5**	**9.7**	**9.9**	**23.1**

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 businesses previously disposed of by the Group.

Warranty provisions relate to present obligations for product warranties in Cash Systems and defective product provisions across Security Paper and Print.

There are no individually material provisions held within other provisions.

21a Share Capital

	2008 £m	2007 £m
Authorised		
223,125,756 ordinary shares of 29 16⁄21p each* (2007 : 239,063,310 ordinary shares of 27 7⁄9p each)	**66.4**	66.4
Authorised, called up and fully paid		
149,842,853 ordinary shares of 29 16⁄21p each (2007 : 160,827,386 ordinary shares of 27 7⁄9p each)	**44.6**	44.7

	2008 '000	2007 '000
Allotments during the year		
Ordinary shares in issue at 31 March 2007	**160,827**	165,361
Shares bought back for cancellation	**(610)**	(4,935)
Issued under savings related share option schemes	**295**	338
Issued under US employee share purchase plan	**54**	63
Shares consolidated*	**(10,723)**	–
Ordinary shares in issue at 29 March 2008	**149,843**	160,827

*On 30 July 2007, the Group carried out a share consolidation of 14 new ordinary shares of 29 16⁄21p for every 15 ordinary shares of 27 7⁄9p in issue accompanied by the payment of a special dividend to all shareholders.

21b Share Based Payments

Share based payments

At 29 March 2008, De La Rue plc has a number of share based payment plans, which are described below. The 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 as 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	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Employee share option plan and scheme	**0.7**	2.5	**–**	–
Deferred bonus and matching share plan	**3.1**	2.5	**–**	–
Savings related share option scheme	**0.5**	0.5	**–**	–
Matching shares scheme	**–**	–	**–**	–
US employee share purchase plan	**0.1**	0.1	**–**	–
Phantom share option plan and scheme	**–**	–	**0.4**	0.6
	4.4	5.6	**0.4**	0.6

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

Arrangement	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	6 June '07	27 Dec '07	n/a	n/a	n/a
Number of options granted	n/a	449,931	221,091 (3 yr) 78.894 (5 yr)	n/a	n/a	n/a
Exercise price	n/a	n/a	745.74	n/a	n/a	n/a
Contractual life (years)	n/a	3	3/5	n/a	n/a	n/a
Settlement	Shares	Shares	Shares	Shares	Shares	Cash
Vesting period (years)	n/a	3	3/5	n/a	n/a	3
Dividend yield	n/a	3.5%	3.5%	n/a	n/a	3.0%
Fair value per option at last grant date		£7.92 for deferred allocation £5.52 for matching allocation	£1.85 for 3 year plan £1.99 for 5 year plan	n/a	n/a	remeasured at period end

An expected volatility rate of 20 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 5.2 per cent depending on exact grant date and term of the option.

Reconciliations of option movements over the year to 29 March 2008 for each class of options are shown on pages 82 to 84.

Notes to the Accounts
continued

21b Share Based Payments continued

Executive Share Option Plan
The Executive Share Option Plan is open to senior executives around the Group. Options are granted at a price equal to the average market price of a share over the three dealing days immediately preceding the date of grant with a performance condition based on the achievement of an earnings per share growth target. The performance condition relates to the achievement over three years of a minimum 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.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	2,783	337.28	4,113	312.22
Granted	–	–	–	–
Forfeited	(19)	407.42	(58)	354.54
Exercised	(906)	332.07	(1,165)	251.52
Expired	(786)	304.47	(107)	311.07
Outstanding at end of year	1,072	362.84	2,783	337.28
Exercisable at year end	696	338.76	227	223.19

The range of exercise prices for the share options outstanding at the end of the year is 237.33p–407.42p (2007 : 200.50p–407.42p). The remaining contractual life of the outstanding share options is up to 5 July 2015 (2007 : up to 5 July 2015).

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 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. A pre vesting forfeiture rate of 5 per cent per annum has been assumed.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	894	496.62	1,627	507.30
Exercised	(229)	494.61	(477)	485.37
Expired	(545)	490.19	(256)	568.60
Outstanding at end of year	120	514.79	894	496.62
Exercisable at year end	120	514.79	615	496.62

The range of exercise prices for the share options outstanding at the end of the year is 482.33p–522.30p (2007 : 275.25p–522.30p). The remaining contractual life of the outstanding share options is 3 December 2011 (2007 : up to 3 December 2011).

Deferred Bonus and Matching Share Plan
The plan is open to senior executives around the Group. The plan is a combination of three elements: deferred allocation, dividend allocation and matching allocation. The matching allocation is linked to the deferred allocation and is subject to the following performance condition 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 ('TSR') against the companies in the FTSE Mid 250 excluding investment trusts. The performance conditions are described in more detail on page 50. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2008 Number of options '000	2007 Number of options '000
Options outstanding at start of year	1,005	547
Granted – deferred shares	181	202
Granted – matching shares	269	308
Forfeited	(8)	(52)
Outstanding at end of year	1,447	1,005
Exercisable at year end	–	–

The deferred and matching shares have been allocated based on a share price of 758.40p (2007 : 531.80p).

21b 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 share 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 normally have six months in which to decide whether or not to exercise their options. A pre vesting forfeiture rate of 5.0 per cent has been assumed.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	1,875	366.00	2,142	304.50
Granted	300	745.74	415	540.74
Forfeited	(92)	371.29	(76)	323.10
Exercised	(295)	306.02	(592)	274.34
Expired	(10)	456.94	(14)	278.15
Outstanding at end of year	1,778	439.63	1,875	366.00
Exercisable at year end	31	346.20	54	334.49

The range of exercise prices for the share options outstanding at the end of the year is 258.90p–745.74p (2007 : 244.5p–541.0p).
The remaining contractual life of the outstanding share options is 1 September 2013 (2007 : 1 September 2012).

Matching Shares Scheme

The Matching Shares Scheme was open to certain key executives. 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 three per cent per annum.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	–	–	4	331.50
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	(4)	331.50
Outstanding at end of year	–	–	–	–
Exercisable at year end	–	–	–	–

Phantom Share Option Scheme

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

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	256	355.23	351	365.25
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	(117)	340.22	(83)	403.39
Expired	(46)	413.23	(12)	315.86
Outstanding at end of year	93	344.99	256	355.23
Exercisable at year end	73	328.24	114	380.50

The range of exercise prices for the share options outstanding at the end of the year is 297.33p–407.47p (2007 : 237.3p–522.3p).
The remaining contractual life of the outstanding share options is up to 5 July 2015 (2007 : 5 July 2015).

Notes to the Accounts
continued

21b Share Based Payments continued

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 2007/2008, 54,472 shares (2006/2007 : 63,756 shares) were allotted pursuant to the plan. It is estimated that 50,460 shares will be required to satisfy the Company's 2008/2009 obligations in respect of employee's savings under the plan as at 29 March 2008.

Market Share Purchase of Shares by Trustees
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 26 March 2005 held 4.1 million ordinary shares due for release to participants of the ESOS and ESOP and this was reduced to 3,690,000 following the share consolidation in August 2005. The balance of the trust at 31 March 2007 was 1,744,151 ordinary shares and this was reduced following the transfer to option holders of 1,116,986 and a further share consolidation in July 2007, which reduced the remaining balance by 56,279 giving a closing balance at 29 March 2008 of 570,886 ordinary shares. 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 7. At 29 March 2008, a total of 3,062,835 ordinary shares has been transferred to option holders under the ESOP or ESOS.

22 Notes to Group Cash Flow Statement

	2008 £m	2007 £m
Analysis of net cash		
Cash at bank and in hand	49.9	40.3
Short term bank deposits	70.4	108.8
Bank overdrafts	(3.6)	(0.1)
Total cash and cash equivalents	116.7	149.0
Other debt due within one year	(5.0)	(1.6)
Borrowings due after one year	(5.0)	(10.1)
Net cash at end of period	106.7	137.3

23 Group Operating Leases

	2008 Property £m	2008 Plant and equipment £m	2007 Property £m	2007 Plant and equipment £m
Total commitments expiring				
– within one year	1.5	2.6	1.4	1.6
– between one and five years	8.9	4.9	9.9	2.0
– over five years	29.6	–	29.3	–
Total commitments	40.0	7.5	40.6	3.6

24 Disposal

During November 2007, the Group disposed of its shareholding in De La Rue Smurfit Limited.

The effect of disposal on the financial position of the Group is summarised as follows:

	£m
Property, plant and equipment	(2.6)
Inventory	(1.1)
Trade debtors	(1.4)
Trade creditors	0.4
Other current assets and liabilities	1.0
Taxation	0.4
Minority interest creditor	2.6
Cash	(1.9)
Net assets and liabilities disposed	(2.6)
Consideration received, satisfied in cash	(4.0)
Cash disposed of	1.9
Net cash flow	(2.1)

25 Retirement Benefit Obligations

The Group operates pension plans throughout the world covering the majority of employees. These plans are devised in accordance with local conditions and practices in the country concerned. The assets of the Group's plans are generally held in separately administered trusts or are insured.

(i) Defined Benefit Pension Plans

	UK defined benefit pension £m	Overseas defined retirement benefit £m	Gross defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 1 April 2007	(104.3)	(3.8)	(108.1)	32.4	(75.7)
Exchange differences	–	(0.7)	(0.7)	0.2	(0.5)
Change in tax rate	–	–	–	(0.5)	(0.5)
Current service cost included in operating profit	(10.0)	(0.8)	(10.8)	3.0	(7.8)
Net finance income/(cost)	0.4	(0.1)	0.3	–	0.3
Actuarial gains and losses arising over the year	73.4	0.1	73.5	(22.0)	51.5
Cash contributions and benefits paid	20.5	0.7	21.2	(6.2)	15.0
Transfers	(0.7)	–	(0.7)	0.1	(0.6)
At 29 March 2008	**(20.7)**	**(4.6)**	**(25.3)**	**7.0**	**(18.3)**

	UK defined benefit pension £m	Overseas defined retirement benefit £m	Gross 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 income/(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)

Notes to the Accounts
continued

25 Retirement Benefit Obligations continued

Amounts recognised in the consolidated balance sheet:	2008 UK £m	2008 Overseas £m	2008 Total £m	2007 UK £m	2007 Overseas £m	2007 Total £m
Fair value of plan assets	507.4	15.8	523.2	524.4	13.2	537.6
Present value of funded obligations	(522.4)	(18.7)	(541.1)	(622.6)	(15.6)	(638.2)
Funded defined benefit pension plans	(15.0)	(2.9)	(17.9)	(98.2)	(2.4)	(100.6)
Present value of unfunded obligations	(5.7)	(1.7)	(7.4)	(6.1)	(1.4)	(7.5)
Net liability	(20.7)	(4.6)	(25.3)	(104.3)	(3.8)	(108.1)
Amounts recognised in the consolidated income statement:						
Included in employee benefits expense:						
Current service cost	(10.0)	(0.8)	(10.8)	(9.8)	(0.7)	(10.5)
Included in net finance cost:						
Expected return on plan assets	33.7	0.5	34.2	31.8	0.6	32.4
Interest cost	(33.3)	(0.6)	(33.9)	(30.0)	(0.6)	(30.6)
	0.4	(0.1)	0.3	1.8	–	1.8
Total recognised in the consolidated income statement	(9.6)	(0.9)	(10.5)	(8.0)	(0.7)	(8.7)
Actual return on plan assets	(9.9)	0.5	(9.4)	22.2	0.6	22.8
Amounts recognised in the statement of recognised income and expense:						
Actuarial losses on plan assets	(43.6)	–	(43.6)	(9.6)	–	(9.6)
Actuarial gains on defined benefit pension obligations	117.0	0.1	117.1	12.6	0.5	13.1
Amounts recognised in the statement of recognised income and expense	73.4	0.1	73.5	3.0	0.5	3.5

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

	2008 UK %	2008 Overseas %	2008 Total %	2007 UK %	2007 Overseas %	2007 Total %
Equities	55.2	–	53.6	59.5	–	58.0
Bonds	17.1	–	16.5	18.7	–	18.2
Gilts	26.4	–	25.6	19.3	–	18.8
Other	1.3	100.0	4.3	2.5	100.0	5.0

Other assets comprise cash. Categories of plan assets for overseas plans have not been disclosed as these plans are not considered sufficiently material to warrant such disclosure.

25 Retirement Benefit Obligations continued

Principal actuarial assumptions:	2008 UK %	2008 Overseas %	2007 UK %	2007 Overseas %
Future salary increases	**4.10**	**3.10**	4.00	3.00
Future pension increases – past service	**3.60**	**1.50**	3.20	1.50
Future pension increases – future service	**3.40**	**1.50**	3.00	1.50
Discount rate	**6.80**	**5.70**	5.30	4.90
Inflation rate	**3.50**	**2.80**	3.10	2.40
Expected return on plan assets:				
Equities	**7.75**	**–**	7.75	–
Bonds	**6.30**	**–**	5.00	–
Gilts	**4.60**	**–**	4.75	–
Other	**5.25**	**4.10**	5.00	4.10

The expected rate of return on plan assets has been determined following advice from the plans' independent actuary and is based on the expected return on each asset class together with consideration of the long term asset strategy.

The mortality assumptions used to assess the defined benefit obligation for the UK plan, the largest plan, are based on tables issued by the Continuous Mortality Investigation Bureau. At 29 March 2008 and 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 future. The resulting life expectancy for a 65 year old pensioner is 20.2 years (2007 : 20.2 years).

History of experience gains and losses:	2008 £m	2007 £m	2006 £m	2005 £m
Fair vale of plan assets	**523.2**	537.6	525.1	453.0
Present value of defined benefit pension obligations	**(548.5)**	(645.7)	(644.7)	(572.9)
Net liability	**(25.3)**	(108.1)	(119.6)	(119.9)
Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	**57.2**	(16.3)	(19.8)	(22.1)
Experience gains arising on defined benefit obligations:				
Amount (£m)	**0.3**	16.2	–	4.9
Percentage of present value of defined benefit obligations	**–0.1%**	–2.5%	–	–0.9%
Experience (losses)/gains arising on plan assets:				
Amount (£m)	**(43.6)**	(9.6)	55.3	11.3
Percentage of plan assets	**–8.3%**	–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 5 April 2006, and updated to 29 March 2008. The plan is valued formally every three years, the next valuation being as at April 2009.

Notes to the Accounts
continued

25 Retirement Benefit Obligations continued

Changes in the fair value of UK plan assets:	2008 £m	2007 £m
At 1 April 2007/26 March 2006	524.4	510.0
Expected return on plan assets	33.7	31.8
Actuarial losses	(43.6)	(9.6)
Employer contributions	20.0	15.3
Plan participant contributions	3.2	3.0
Claims from insurance policy	0.5	0.4
Benefits paid	(27.2)	(24.1)
Plan administration and investment management expenses	(2.4)	(1.9)
Life assurance premiums	(0.5)	(0.5)
Transfers	(0.7)	–
At 29 March 2008/31 March 2007	507.4	524.4

The Group expects to contribute around £20.0m to its material defined benefit pension plans in 2009.

Changes in the fair value of UK defined benefit pension obligations:	2008 £m	2007 £m
At 1 April 2007/26 March 2006	(628.7)	(625.0)
Current service cost	(10.0)	(9.8)
Interest cost	(33.3)	(30.0)
Actuarial gains	117.0	12.6
Plan participant contributions	(3.2)	(3.0)
Benefits paid	27.2	24.1
Plan administration and investment management expenses	2.4	1.9
Life assurance premiums	0.5	0.5
At 29 March 2008/31 March 2007	(528.1)	(628.7)

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 (2007 : £3.0m).

26 Employees

	2008	2007
Average number of employees		
United Kingdom and Ireland	2,327	2,291
Rest of Europe	1,982	2,004
The Americas	914	914
Rest of World	1,051	877
	6,274	6,086
Average number of employees		
Cash Systems	3,114	3,015
Security Paper and Print	3,160	3,071
	6,274	6,086

26 Employees continued

	2008 £m	2007 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**198.1**	192.2
Social security costs	**15.2**	16.0
Share incentive schemes	**5.2**	5.1
Sharesave schemes	**0.5**	0.5
Pension costs	**13.8**	13.5
	232.8	227.3

27 Capital Commitments

	2008 £m	2007 £m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	**5.0**	13.6
	5.0	13.6

28 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.

29 Related Party Transactions

During the year the Group traded with the following associated companies: Fidink (33.3%) and Valora-Servicos de Apoio a Emissao Monitaria SA (25%).

On 31 December 2007, the Group disposed of its entire holding in Valora-Servicos de Apoio a Emissao Monitaria SA (25%) to Banco de Portugal for £1.7m.

The Group's trading activities with these companies include £9.9m (2007 : £8.9m) for the purchase of ink and other consumables. In 2007 the Group's trading activities also included £0.2m for the provision of management services and £0.2m for the sale of ink, paper and plates. At the balance sheet date there was a payable balance of £0.6m with Fidink. At March 2007, there were trade receivables and trade payables with associated companies of £0.2m and £0.8m respectively.

Key Management Compensation	2008 £'000	2007 £'000
Salaries and other short term employee benefits	**4,005.0**	3,490.0
Termination benefits	**75.7**	150.6
Retirement benefits:		
– defined contribution	**6.0**	1.8
– defined benefit	**367.3**	640.7
Share-based payments	**2,223.0**	1,395.0
	6,677.0	5,678.1

Key management comprises members of the Board (including fees of non-executive Directors) and the Operating Board. Key management compensation includes compensation for loss of office, ex-gratia payments, redundancy payments, enhanced retirement benefits and any related benefits-in-kind connected with a person leaving office or employment.

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 29 March 2008 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 29 March 2008.

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 page 37.

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 Principal Activities and 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 Accounting Practice, of the state of the Company’s affairs as at 29 March 2008;

– 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 2008

Company Balance Sheet
At 29 March 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Investments in subsidiaries	3a	**152.4**	152.4
		152.4	152.4
Current assets			
Debtors receivable within one year	4a	**98.1**	235.2
Cash at bank and in hand		–	1.6
		98.1	236.8
Creditors: amounts falling due within one year			
Borrowings	6a	**(59.9)**	(45.2)
Other creditors	5a	**(4.6)**	(1.9)
		(64.5)	(47.1)
Net current assets		**33.6**	189.7
Total assets less current liabilities		**186.0**	342.1
Creditors: amounts falling due after more than one year			
Borrowings	6a	**–**	(48.1)
		–	(48.1)
Net assets		**186.0**	294.0
Capital and reserves			
Called up share capital	7a	**44.6**	44.7
Share premium account	8a	**22.5**	21.4
Capital redemption reserve	8a	**5.5**	5.3
Retained earnings	8a	**113.4**	222.6
Total shareholders' funds		**186.0**	294.0

Approved by the Board on 21 May 2008.

Nicholas Brookes Chairman

Stephen King Finance Director

Accounting Policies – Company

Basis of Preparation
The financial statements of De La Rue plc (the 'Company') have been prepared under the historical cost convention and have been prepared in accordance with the Companies Act 1985 and applicable UK accounting standards. During the year ended 29 March 2008 Urgent Issues Task Force ('UITF') 41 'Scope of FRS 20' and UITF 44 'Group and Treasury Share Transactions' were issued. The application of these new interpretations has had no significant impact on these financial statements.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The Company has taken advantage of the exemption in Financial Reporting Standard ('FRS') 29 (IFRS 7) 'Financial Instruments: Disclosures' not to prepare a financial instrument note as the information is available in the published consolidated financial statements of the Group.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 'Cash Flow Statements'. The Company is also exempt under the terms of FRS8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the De La Rue Group.

The accounts have been prepared as at 29 March 2008, being the last Saturday in March. The comparatives for the 2007 financial year are for the year ended 31 March 2007.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

Foreign Currencies
Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate year end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included within the interest section of the profit and loss account except for exchange gains and losses associated with hedging loans that are taken to reserves.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account.

Other receivables
Other receivables are measured at amortised cost less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material.

Investments
Investments are stated at cost or valuation in the balance sheet, less provision for any permanent diminution in the value of the investment.

Retirement Benefits
The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme that is funded partly by contributions from members and partly by contributions from the Company and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with FRS 17, De La Rue plc accounts for its contributions as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover the Company and a number of its subsidiaries and those assets and liabilities cannot be split between each subsidiary on a consistent and reasonable basis. Full details of the scheme and its deficit (measured on an IAS 19 basis can be found in note 25 to the consolidated financial statements.

Share Based Payments
The Company 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.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 20 share based payments. Any payments made by the subsidiary undertaking in respect of these arrangement are treated as a return of this investment.

Share based payments recharged to subsidiaries are recorded via the intercompany loan account.

Dividends
Under FRS 21, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Taxation
The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Accounts – Company

1a Employee Costs and Numbers

Employee costs are borne by De La Rue Holdings plc. For details of Directors' remuneration, refer to disclosures in the Directors' Report on page 36.

	2008 No.	2007 No.
Average employee numbers	**2**	2

2a Equity Dividends

For details of equity dividends see note 8 to the consolidated financial statements.

3a Investments

	2008 £m	2007 £m
Investments comprise		
Investments in subsidiaries	**152.4**	152.4

	£m	£m
At 1 April 2007 and 26 March 2006	**152.4**	151.6
Additions	**–**	0.8
At 29 March 2008 and 31 March 2007	**152.4**	152.4

For details of investments in Group companies, refer to Principal Subsidiaries, Branches and Associated Companies on pages 95 to 97.

4a Debtors

	2008 £m	2007 £m
Amounts due within one year		
Amounts owed by Group undertakings	**98.1**	235.2

5a Other Creditors

	2008 £m	2007 £m
Amounts falling due within one year		
Amounts due to Group undertakings	**1.6**	1.4
Accruals and deferred income	**3.0**	0.5
Other creditors	**4.6**	1.9

6a Borrowings

	2008 £m	2007 £m
Short term borrowings		
Bank loans and overdrafts	**59.9**	45.2
Long term borrowings		
Amounts due to Group undertakings	**–**	48.1

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:

	2008 £m	2007 £m
US Dollar	**24.7**	25.1
Euro	**20.8**	17.8
Pound Sterling	**11.8**	48.1
Other currencies	**2.6**	2.3
	59.9	93.3

Notes to the Accounts – Company
continued

7a Share Capital

For details of share capital see Note 21a to the consolidated financial statements.

8a Other reserves

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 31 March 2007	44.7	21.4	5.3	222.6	294.0
Share capital issued	0.1	1.1			1.2
Purchase of shares	(0.2)	–	0.2	(4.2)	(4.2)
Allocation of treasury shares	–	–	–	4.0	4.0
Profit for the financial year	–	–	–	(6.8)	(6.8)
Dividends paid	–	–	–	(105.4)	(105.4)
Employee share scheme – value of services provided	–	–	–	3.2	3.2
At 29 March 2008	**44.6**	**22.5**	**5.5**	**113.4**	**186.0**
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 for cancellation	(1.4)	–	1.4	(29.2)	(29.2)
Allocation of treasury shares	–	–	–	6.1	6.1
Profit for the financial year	–	–	–	55.2	55.2
Dividends paid	–	–	–	(28.3)	(28.3)
– value of services provided	–	–	–	0.8	0.8
At 31 March 2007	44.7	21.4	5.3	222.6	294.0

10a Share based payments

For details of share based payments see Note 21b to the consolidated financial statements and the Remuneration Report on page 45.

Principal Subsidiaries, Branches and Associated Companies
As at 29 March 2008

The companies and branches listed on these three 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 Cash Systems Limited	Distribution, service and marketing	100
France		
De La Rue Cash Systems S.A.S.	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

*associated company

Principal Subsidiaries, Branches and Associated Companies
As at 29 March 2008
continued

Country of incorporation and operation	Activities	De La Rue interest in ordinary shares %
Europe continued		
Portugal		
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
De La Rue Cash Dispensing Systems A.B.	Sales, marketing, support and management of OEM business	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 North America Inc.	Security printing	100
De La Rue Cash Systems Inc.	Design, assembly, distribution, marketing, manufacturing, service 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

*associated company

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
Thomas De La Rue Australia Pty Limited	Holding company	100
China		
De La Rue Banking Technology (Shenzhen) Corporation Limited	Distribution, service and marketing	100
De La Rue (Suzhou) Banking Technology Trading Co Ltd	International procurement office (IPO)	100
Hong Kong		
De La Rue Systems Limited	Distribution, service and marketing	100
Malaysia		
De La Rue (Malaysia) Sdn Bhd	Distribution, service and marketing	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 2004 £m	IFRS 2005 £m	2006 £m	2007 £m	**2008 £m**
Revenue						
– Continuing operations		638.3	620.1	610.8	687.5	**753.6**
– Discontinued operations – Sequoia Voting Systems Inc.	(a)	44.2	–	–	–	**–**
Total		682.5	620.1	610.8	687.5	**753.6**
Operating profit						
Continuing operations		51.2	54.8	69.4	90.4	**114.7**
Reorganisation and arbitration costs		(15.2)	(13.5)	(3.7)	–	**–**
Goodwill impairment			(11.5)	–	–	**–**
Profit on impairment of investments		–	0.4	1.2	–	**–**
Discontinued operations – Sequoia Voting Systems Inc.	(a)	(1.9)	–	–	–	**–**
Total		34.1	30.2	66.9	90.4	**114.7**
Amortisation of goodwill		(21.2)	–	–	–	**–**
Share of profits of associated companies		10.0	6.4	6.8	6.6	**7.1**
Profit on the sale of continuing operations		0.2	–	–	–	**0.9**
Profit on the disposal of investments		–	–	–	–	**1.7**
Profit on ordinary activities before interest		23.1	36.6	73.7	97.0	**124.4**
Net Interest: Group/associates		(0.6)	2.5	1.8	3.6	**2.0**
Retirement benefit obligation net finance cost		–	1.5	(1.8)	1.8	**0.3**
Profit on ordinary activities before taxation		22.5	40.6	73.7	102.4	**126.7**
Taxation on profit on ordinary activities		(10.0)	(12.9)	(21.9)	(30.6)	**(38.3)**
Profit on ordinary activities after taxation		12.5	27.7	51.8	71.8	**88.4**
Discontinued operations		n/a	6.9	–	–	**–**
Equity minority interests		(0.4)	(1.6)	(0.9)	(1.6)	**(0.3)**
Profit for the financial year		12.1	33.0	50.9	70.2	**88.1**
Dividends		(24.8)	(25.8)	(95.8)	(28.3)	**(105.4)**
Retained (loss)/profit for the period		(12.7)	7.2	(44.9)	41.9	**(17.3)**
Earnings per ordinary share		6.8p	18.5p	30.2p	43.9p	**57.8p**
Diluted earnings per share		6.8p	18.4p	29.4p	42.9p	**56.7p**
Headline earnings per ordinary share (before exceptionals)		24.2p	25.9p	31.4p	43.9p	**58.1p**
Dividends per ordinary share	(b)	14.2p	15.3p	17.0p	19.1p	**21.4p**
Profit on ordinary activities before taxation, exceptional items and goodwill		58.7	65.2	76.2	102.4	**124.1**

Balance sheet

	£m	£m	£m	£m	**£m**
Fixed assets/non current assets	206.0	245.2	235.5	235.1	**226.2**
Net current assets	34.9	(50.9)	(69.4)	(96.0)	**(87.5)**
Net cash	41.1	106.5	91.6	137.3	**106.7**
Other liabilities	(64.4)	(121.7)	(121.4)	(111.5)	**(29.9)**
Equity minority interests	(3.5)	(3.7)	(3.8)	(5.0)	**(2.3)**
Equity shareholders' funds	214.1	175.4	132.5	159.9	**213.2**

Notes

The year 2004 has not been restated for IFRS.

(a) Discontinued operations refer to all businesses discontinued between 2004 and 2008. Thus continuing operations refer to those businesses continuing as at 29 March 2008.

(b) Includes proposed final dividend in 2005, 2006, 2007 and 2008 which, in accordance with IFRS accounting requirements, have not been accrued.

Shareholders' Information

Registered Office
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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-uk.computershare.com/investor. Shareholder Helpline Telephone 0870 703 6375.

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, 24 July 2008 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	1 August 2008
Record Date	11 July 2008
Ex-Dividend Date	9 July 2008
Interim	14 January 2009*

*Expected

Results Announcements

Final Results	22 May 2008
Interim Results	26 November 2008

Analysis of Shareholders at 29 March 2008

	Shareholder		Shares	
By range of holdings	Number	%	Number	%
1–1,000	4,989	65.34	1,947,553	1.30
1,001–2,000	1,199	15.70	1,701,410	1.14
2,001–4,000	678	8.88	1,873,060	1.25
4,001–20,000	430	5.63	3,379,188	2.26
20,001–200,000	209	2.74	13,417,340	8.95
200,000 and above	131	1.71	127,524,302	85.10
Total	7,636	100	149,842,853	100

Share Dealing Facilities
JPMorgan Cazenove Limited
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) 0.5 per cent thereafter, 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

Computershare Investor Services PLC
Computershare, the Company's Registrars, provides a simple way to sell or purchase De La Rue plc shares using either their Internet Share Dealing Service or Telephone Share Dealing Service. Commission is charged at a rate of 0.5 per cent and 1 per cent respectively subject to a minimum charge of £15. Further information can be obtained from Computershare Investor, Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 7NH UK; Telephone 0870 703 0084; www.computershare.com/dealing/uk.

Stocktrade
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 with a minimum charge of £15 up to £10,000 and then 0.2 per cent thereafter with no maximum. For further information please call +44 (0)845 601 0995 and quote reference Low Co103.

Capital Gains Tax – March 1982 Valuation
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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