REMUNERATION REPORT

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the period ended 31 March 2012, for which the Company will be seeking approval from shareholders at the AGM on 26 July 2012.

In 2010/11, we highlighted the rationale for changes that were made to the remuneration arrangements during a period of great uncertainty for the Group following the exceptional and well publicised challenges that the Group faced in 2010.

The exceptional circumstances required the Remuneration Committee to make one off changes to the executive pay arrangements. The rationale for the exceptional changes was fully disclosed and explained in the Remuneration report 2011.

The Improvement Plan announced in May 2011 sets stretching targets to grow revenues, reduce costs and return the business to achieve a 2013/14 operating profit in excess of £100m. The Board has been pleased with the improved financial performance during 2011/12. The Improvement Plan, the reorganisation of the business and the increased emphasis on supply chain management are already improving efficiency and performance. The Group's operating profit margin increased by 3.2 percentage points to 11.9 per cent as reported in the Chief Executive's review on page 8. De La Rue's improved total shareholder return compared with the FTSE 250 index is demonstrated in the TSR chart on page 52.

The Group is in a better position than it was in 2010/11 and there is a much greater level of understanding of the business among the investment community. The Improvement Plan is a three year project and considerable changes still need to be made. Accordingly, incentive arrangements which focus the Executive Directors and the wider senior management team on De La Rue's profitability continue to be important.

We reported that the Remuneration Committee would be reviewing the policy and the principles to ensure that the executive remuneration framework serves the best interests of shareholders.

I have ensured that our largest shareholders have been kept informed of proposals on executive remuneration during the year under review and this report provides additional details.

The main points are as follows:

- Basic salaries for the Executive Directors have been increased by 3 per cent from 1 April 2012 consistent with increases for the majority of UK employees
- The awards under the Performance Share Plan will revert to a maximum of 100 per cent of salary down from 150 per cent in 2011/12
- Maximum payments under the Annual Bonus Plan remain unchanged at 100 per cent of salary for the Chief Executive and 80 per cent of salary for the Group Finance Director with an additional maximum of 35 per cent of salary payable to both in deferred shares

Our main aims have been to ensure simplicity of design in our pay arrangements and to continue the focus on profit and efficiency.

Gill Rider
Chairman of the Remuneration Committee
29 May 2012

Introduction to the Remuneration report

The Remuneration report provides the information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and describes how the Company applied the principles of The UK Corporate Governance Code (the "Code").

Constitution of the Remuneration Committee

The Remuneration Committee comprises: Gill Rider (Chairman), Nicholas Brookes, Philip Rogerson (from 1 March 2012), Sir Jeremy Greenstock and Sir Julian Horn-Smith. The Remuneration Committee consists entirely of Non-executive Directors all of whom are considered to be independent (as defined by the Code), except the Chairman of the Company, who was independent until his appointment as Chairman on 22 July 2004. Their biographical details appear on pages 34 and 35. The Committee meets as required. Five meetings were held during the period and attendance details are set out on page 41. Its remit is to determine the Group's policy for executive remuneration, to determine the remuneration packages of the Chairman, Executive Directors and certain other senior executives who report to the Chief Executive, including pension rights and compensation payments, and to oversee the implementation and operation of share incentive schemes. Details of how the Committee has carried out these responsibilities are set out in this report. Terms of reference for the Committee are set out in full on the Group's website.

The Remuneration Committee adopts the principles of good governance as set out in the Code and complies with the Listing Rules of the Financial Services Authority.

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

No one is present when his or her own remuneration or contractual terms are discussed and no one is involved in the decision making on their own remuneration. The Chief Executive is consulted on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group.

Advisers

The Committee is authorised to use independent consultants. During 2011/12 Towers Watson UK Limited (Towers Watson) was appointed by the Remuneration Committee to advise on executive remuneration. Towers Watson has also provided ad hoc pensions advice. New Bridge Street (an Aon Hewitt company) advised on whether the performance targets which determine the vesting of share options were achieved.

Both Towers Watson and New Bridge Street are members of the Remuneration Consultants' Group which oversees the Code of Conduct in relation to executive remuneration consultancy in the UK.

General policy

The Group operates in a competitive market and is committed to achieve sustained improvements in performance as part of the Improvement Plan and this depends crucially on the individual contributions of each of the executive team and of employees at all levels. The Group's remuneration policy aims to align the interests of the Executive Directors and other senior executives with those of shareholders. The Committee believes that variable performance related pay and incentives should account for a significant proportion of the overall remuneration package of Executive Directors so that the remuneration of Executive Directors is aligned with the Group's performance. Performance related pay accounts for at least 60 per cent of pay for maximum levels of attainment.

The Remuneration Committee benchmarks key roles against similar positions in comparable companies and obtains detailed information from external and internal sources about current market practices. Key roles include Executive Directors and members of the Executive Committee. The Remuneration Committee is sensitive to the fact that the market data can be inflationary and uses the data carefully.

Performance targets set for the incentive schemes are designed to provide maximum awards for exceptional performance. The incentive schemes are designed to enhance the alignment between Executive Directors and shareholders with due consideration to business requirements and shareholder interests.

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

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

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

The simplicity of design arising from the changes in 2011/12 has helped maintain focus which, in the Remuneration Committee's view, is now serving the Group well.

Main components of remuneration

Executive Directors' remuneration is provided in the form of:

- Basic salary
- Annual awards under the Annual Bonus Plan (ABP) (cash plus deferred shares)
- Annual awards under the Performance Share Plan (PSP)
- A range of typical benefits which include cash payments in lieu of pension

Details of the emoluments of the Executive Directors during the period are in the table on page 49.

Changes in 2011/12

As outlined in last year's Remuneration report, the Remuneration Committee made changes in 2011/12 to the policy in respect of the PSP, but this did not affect the level of annual bonuses, or the operation of the PSP. The ABP was simplified by introducing a single performance measure of earnings per share (EPS) to replace operating profit and cash flow. Under the PSP, EPS growth and relative total shareholder return measured against the FTSE 250 were replaced by operating profit which determines the vesting of shares awarded in 2011/12. The target is linked to the Improvement Plan target to achieve a 2013/14 operating profit in excess of £100m.

The Remuneration Committee enhanced the maximum level of awards to Tim Cobbold and Colin Child in respect of the 2011/12 awards under the PSP to 150 per cent of salary as described more fully below.

Salaries for Executive Directors for 2012/13

The Remuneration Committee has decided that with effect from 1 April 2012, the base salaries of the Executive Directors will be increased by 3 per cent and this is consistent with increases across the majority of De La Rue's UK workforce. There were no increases in 2011/12. The Remuneration Committee, taking into account performance, experience and responsibilities, determines the basic salary for each Executive Director. Executive Directors' salaries are reviewed annually by the Remuneration Committee and managed generally having regard to employees' pay and conditions elsewhere in the Group.

When assessing salaries in the market place, the Remuneration Committee makes prudent use of the survey data supplied by Towers Watson Limited, focusing on companies of similar size and complexity in the FTSE 250.

Annual Bonus Plan and Performance Share Plan

The ABP and PSP were approved by shareholders at the July 2010 AGM. The intention continues to be that both plans will be used to make annual, performance linked awards to executives. Further information on the plans is found below and on page 50.

Annual Bonus Plan

Under the ABP the annual bonus is paid in a combination of cash and share based elements with a mandatory holding period for shares of three years, calculated as a percentage of salary and is based on achieving business targets for the year set by the Remuneration Committee. The maximum bonus opportunity as a percentage of salary is 135 per cent for the Chief Executive, Tim Cobbold (which comprises a cash element of 100 per cent of salary and a deferred share element with a maximum of 35 per cent of salary) and 115 per cent for the Group Finance Director, Colin Child (80 per cent cash and a maximum 35 per cent in deferred share bonus). The cash portion of the award is paid immediately subject always to the achievement of the performance criteria and the payment of the share based portion of the award is made at the end of three years if the individual remains in employment. The Committee considers each year the appropriate performance measures to align the reward strategy with the business plan.

The ABP is structured so that there is no payment unless a minimum performance threshold has been achieved and the maximum payout will only be made if stretching and challenging targets are met.

In 2011/12, the ABP had a single performance criterion of EPS. The Group's strong growth in revenue and profit resulted in an increase in headline EPS over the year of 81 per cent to 43.5 pence. This resulted in payments of 80 per cent of the maximum cash portion of the award and 80 per cent of the maximum deferred share portion of the award for the Executive Directors.

Details of Executive Directors' emoluments for the year are shown on page 49.

EPS growth will remain the sole performance criterion for the ABP in 2012/13. The Remuneration Committee, as before, will set stretching targets. Bonuses will only be paid in full if De La Rue's performance is exceptional.

Performance Share Plan

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

Special arrangements under the PSP for 2011/12

As reported previously, the Remuneration Committee agreed some important changes to the PSP for 2011/12. On an exceptional basis share based awards were made under the PSP of 150 per cent of salary for both Tim Cobbold and Colin Child. At the same time, the proportion of shares that vest at threshold was reduced from 50 per cent of the award to zero at threshold. To ensure absolute focus on delivering the Improvement Plan, the Remuneration Committee decided that operating profit should be the sole performance measure that determines the vesting of awards made in 2011/12.

For the 2011/12 awards, threshold performance is an operating profit of £85m at the end of the three year performance period which is expected to equate to approximately 30 per cent compound annual EPS growth. Target performance will be linked to the Improvement Plan target (£100m of operating profit) and for Executive Directors, shares to the value of 100 per cent of salary on grant will vest at target. The shares will only vest in full for operating profit performance of £115m which is expected to be the equivalent of a compound annual growth in EPS in excess of 45 per cent. The Remuneration Committee believes this is extremely challenging and is fully aligned with the Improvement Plan. The Remuneration Committee also believes that this is preferable to a lower level of award with less stretching growth targets.

PSP Awards 2012/13

The Remuneration Committee will consult with major shareholders and voting guidance services before awards are made.

Share retention policy

The Committee believes it is important that the interests of the Executive Directors should be closely aligned with those of shareholders. The Committee adopted a policy that certain key executives (being Executive Directors and other members of the Executive Committee) should be encouraged to hold and retain a personal shareholding in the Company equivalent to one times salary over a period of five years. The Directors' share interests table is on page 48.

Benefits

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

REMUNERATION REPORT CONTINUED

Executive Directors' service agreements

Tim Cobbold and Colin Child have rolling service agreements allowing 12 months notice period from the Company and six months' notice from the executives. Both contain provision, at the Company's sole discretion, for payment in lieu of notice not exceeding 12 months basic salary, excluding bonus but including benefits.

Tim Cobbold's service agreement dated 12 December 2010 has a provision which allows him, in the event of a change of control or Court sanctioning a compromise or arrangement under the Companies Act 2006, to give the Company not less than one month's notice and, subject to such notice, the Company will make a payment in lieu of notice of one year's salary (excluding bonus) and the cost of providing contractual benefits for a period of 12 months. This provision was negotiated as part of Tim Cobbold's recruitment arrangements and was deemed to be necessary to secure his agreement to join the Company.

Colin Child's service agreement dated 20 May 2010 has a provision, which expired on 10 November 2011, which entitled him in the event of a change of control to give the Company not less than one month's notice. A payment in lieu of notice in accordance with his service agreement would have been payable under such circumstances.

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.

External directorships of Executive Directors

The Board considers whether it is appropriate for an Executive Director to serve as a non-executive director of another company and has agreed the appointments below. Tim Cobbold is a non-executive director of Drax Group plc. Colin Child is a non-executive director of The Rank Group Plc. In each case the relevant Director was permitted to retain the fees as shown in the table below:

External directorship fees

	Payment received £
Tim Cobbold	52,500
Colin Child (for the period 1 January 2012 to 31 March 2012)	10,000

Directors' share interests (audited information)

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

	31 March 2012 Total number of shares	26 March 2011 Total number of shares
Nicholas Brookes	**37,408**	37,408
Tim Cobbold	**14,813**	14,813
Colin Child	**14,813**	14,813
Warren East	**4,314**	4,314
Sir Jeremy Greenstock	**1,492**	1,492
Sir Julian Horn-Smith	**1,500**	1,500
Victoria Jarman	**1,481**	1,481
Gill Rider	**454**	454
Philip Rogerson (appointed 1 March 2012)	**–**	–

There have been no changes in Directors' interests in ordinary shares since 31 March 2012. All interests of the Directors and their families are beneficial.

Pension

All Executive Directors and senior executives in the UK may join the HM Revenue & Customs registered De La Rue Defined Contribution Pension Plan (the Plan). Senior executives who were members of the closed defined benefit sections of the De La Rue Pension Scheme (the Scheme) before October 2010 may, instead of joining the Plan, remain in that Scheme until it closes to future accrual in 2013.

Executives who have reached the Lifetime Allowance are offered the option of remaining in pensionable service and incurring a personal tax charge, known as the Lifetime Allowance Charge, on any excess benefits or opting out of pensionable service and receiving a cash allowance in lieu of pension contribution. Executive Directors and senior executives who are entitled to pension contributions in excess of the Annual Allowance will be offered the option of receiving the balance of their entitlement above the Annual Allowance as a cash allowance in lieu of pension contribution. The Committee has decided that the Group will not compensate any Executive Director or employee for any additional tax which may be payable as a result of a member reaching the Lifetime Allowance or exceeding the Annual Allowance.

Details of each Executive Director's pension arrangements are detailed below.

Tim Cobbold is eligible for a pension contribution of 30 per cent of his basic salary. Contributions of £50,000 were made into the Plan for him during the year; contributions in excess of this, amounting to £85,000, were paid to him as a cash allowance. He has elected to receive a cash allowance of 30 per cent of his salary in lieu of future pension contributions from 1 April 2012. He is covered for a lump sum on death in service of four times his basic salary; in addition, the accrued value of the contributions made to the Plan will be used to provide further benefits for his dependants.

Colin Child is covered for a lump sum on death in service of four times his salary. During the year the Company made a contribution to his self invested personal pension plan of 25 per cent of his basic salary amounting to £78,750. He has elected to receive a cash allowance of 25 per cent of his salary in lieu of future pension contributions from 1 April 2012.

The cash allowance to Tim Cobbold is included in the Directors' emoluments table on page 49.

Directors' emoluments (audited information)

	2012 Salary and fees £'000	2012 Annual Bonus Plan[a] Cash £'000	Shares deferred for three years £'000	2012 Pension Allowance[b] £'000	2012 Other benefits (excluding pensions) £'000	Total to 31 March 2012 £'000	2011 Total £'000
Executive Directors							
Tim Cobbold	**450**	**360**	**126**	**85**	**28**	**1,049**	153[c]
Colin Child	**315**	**202**	**88**	**–**	**21**	**626**	262[c]
James Hussey (resigned 12 August 2010)	**–**	**–**	**–**	**–**	**–**	**–**	152
Simon Webb (resigned 31 May 2010)	**–**	**–**	**–**	**–**	**–**	**–**	375
	765	**562**	**214**	**85**	**49**	**1,675**	942
Non-executive Chairman[d]							
Nicholas Brookes	**165**	**–**	**–**	**–**	**–**	**165**	165
Non-executive Directors[d]							
Warren East	**47**	**–**	**–**	**–**	**–**	**47**	47
Sir Jeremy Greenstock	**40**	**–**	**–**	**–**	**–**	**40**	40
Sir Julian Horn-Smith	**40**	**–**	**–**	**–**	**–**	**40**	40
Victoria Jarman	**40**	**–**	**–**	**–**	**–**	**40**	38
Gill Rider	**47**	**–**	**–**	**–**	**–**	**47**	47
Philip Rogerson (appointed 1 March 2012)	**3**	**–**	**–**	**–**	**–**	**3**	–
Aggregate emoluments	**1,147**	**562**	**214**	**85**	**49**	**2,057**	1,319

Notes

(a) The figures above represent emoluments earned as Executive Directors during the relevant financial period and include the cash element of the ABP for 2011/12 which is paid immediately in the year following that in which it is earned. The ABP also comprises an element of deferred shares, the value of which is capped at 35 per cent of salary on grant. The shares are conditionally awarded based on the market share price at the time of award following announcement of the full year results. They are deferred for three years. The deferred share portion of the award shown in the table above represents the cash value on grant of the number of shares to be awarded

(b) The pension allowance shown in the table above relates to cash in excess of pension contributions paid to Tim Cobbold. In addition to the cash allowance, the Company paid contributions of £50,000 on Tim Cobbold's behalf into the De La Rue Defined Contribution Pension Plan, which are not shown in the table above. The Company also paid contributions of £78,750 directly into Colin Child's self invested personal pension plan which are not shown in the table above. The pension arrangements for Executive Directors are described on page 48

(c) The 2011 emoluments for Tim Cobbold and Colin Child represent amounts earned subsequent to their appointment on 1 January 2011 and 1 June 2010 respectively. No awards were made under the ABP in respect of this period

(d) The Remuneration Committee and the Board determine the fees for the Chairman and Non-executive Directors respectively and these are based on independent external advice

Directors' share options (audited information)

The awards over De La Rue plc shares held by Executive Directors under the PSP, Recruitment Share Award, Retention Share Award (see page 51 for details of the Recruitment Share Award and the Retention Share Award) and Sharesave Scheme during the period are detailed below:

	Date of award	Total award as at 26 March 2011	Exercised during year	Awarded during year	Lapsed during year	Awards held at 31 March 2012	Mid market share price preceding date of award (pence)	Market price at exercise date (pence)	Performance targets (see below)	Date from which exercisable	Expiry date	Average fair value per share[a] (pence)
Tim Cobbold												
Recruitment Share Award	Jan 11	65,549	–	–	–	**65,549**	686.50	–	– (b)	Jan 14	Jan 21	687
Performance Share Plan	Jan 11	65,549	–	–	–	**65,549**	686.50	–	– (c)	Jan 14	Jan 21	597
	Jun 11	–	–	88,839	–	**88,839**	759.80[1]	–	– (c)	Jun 14	Jun 21	734
						219,937						
Sharesave options	Dec 11	–	–	1,245	–	**1,245**	722.66[2]	–	– (b)	Mar 15	Aug 15	210
Colin Child												
Retention Share Award	Jan 11	45,884	–	–	–	**45,884**	686.50	–	– (b)	Jan 14	Jan 21	687
Performance Share Plan	Jan 11	45,884	–	–	–	**45,884**	686.50	–	– (c)	Jan 14	Jan 21	597
	Jun 11	–	–	62,187	–	**62,187**	759.80[1]	–	– (c)	Jun 14	Jun 21	734
						153,955						
Sharesave options	Dec 11	–	–	1,245	–	**1,245**	722.66[2]	–	– (b)	Mar 15	Aug 15	210

[1] Mid market value of an ordinary share averaged over the five dealing days immediately preceding award date

[2] Mid market value of an ordinary share averaged over the three dealing days immediately preceding grant date

Notes

(a) Estimated value of award at time of grant (see also note 19 to the Financial Statements)

(b) No performance conditions are attached to the awards under the Recruitment Share Award, Retention Share Award and the Sharesave Scheme

(c) Details of the performance conditions attached to the PSP are set out on pages 47 and 50

Share awards under the ABP in 2012 are excluded from the above Directors' share options table as the awards had not been made at the date of this report.

Dividend Shares

An additional award of shares may be released on the vesting date in respect of awards under the PSP, Recruitment Share Award and Retention Share Award equivalent in value to the amount of dividends that would have been received since the award date in respect of the number of shares that the executives acquire. As at 31 March 2012 and based on the prevailing market share price on the respective dividend record date the dividend shares accrued and assuming full vesting as appropriate pursuant to the relevant plan rules were as follows:

Tim Cobbold: 11,942 ordinary shares

Colin Child: 8,359 ordinary shares

The closing mid market price of De La Rue plc shares at 31 March 2012 was 900p and the highest and lowest mid market prices during the year were 1001p and 730p respectively.

REMUNERATION REPORT CONTINUED

Current schemes

Sharesave Scheme

All UK employees may join the Company's HM Revenue & Customs approved Sharesave 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 2011 at a price of 722.66p which was at a 20 per cent discount and 24 per cent of eligible employees participated.

Under the current Rules of the Scheme, this arrangement is due to expire on 17 July 2012. The Company is seeking approval to extend the terms of the Sharesave Scheme for an additional 10 years. In addition, a number of minor amendments are proposed in order to update the statutory references which apply to the Scheme. Further details are included in the Explanatory Notes to the Notice of the AGM accompanying this Annual Report.

US Employee Share Purchase Plan

The US Employee Share Purchase Plan (USESPP), established under Section 423 of the US Internal Revenue Code, provides a competitive incentive for US employees to invest up to 10 per cent of basic salary each year in the Company's shares, subject to the statutory limit (currently US$25,000 worth of shares). No performance conditions are attached to options under the USESPP. The Tenth Offering under the USESPP began on 1 January 2012 and 21 per cent of eligible employees participated. The purchase price is 85 per cent of the lower of the market value of a De La Rue share either at the beginning or end of the offering period of 31 December 2012.

Similar to the Sharesave Scheme, this arrangement is due to expire on 17 July 2012 and the Company will seek to extend the term of the USESPP for an additional 10 years. Details are included in the Explanatory Notes to the Notice of AGM.

Existing share plans

The Company established the ABP and the PSP in July 2010. The plans are designed to provide rewards that align the interests of executives with those of shareholders and which are in line with both the Group's short term and long term performance goals.

Annual Bonus Plan

Awards under the ABP are made to Executive Directors and selected senior executives on achievement of the annual bonus targets set at the beginning of the financial year, and comprise both a cash element and a share element.

The maximum market value of all shares over which any individual may be granted a share award in any financial year under the ABP shall not exceed an amount equal to 35 per cent of salary.

Share based awards under the ABP may only vest after three years from the date of grant while the award holder remains an employee within the Group. Awards may vest early where employment ceases in specified good leaver circumstances and awards in these circumstances will vest in full.

Additional shares may be made equivalent in value to the amount of dividends that would have been received since the award date under the ABP in respect of the number of shares that the participant acquires under the ABP.

Performance Share Plan

The PSP was approved by shareholders in 2010. Awards are made annually to Executive Directors and selected senior executives generally following the announcement of results.

The maximum market value of all shares over which any individual may be granted awards in any financial year under the PSP shall not exceed an amount equal to one times his or her salary at time of award other than in exceptional circumstances. It is currently intended that all share awards for UK participants will be made as nil cost options (which may be exercised by the participant following the third anniversary of the award date up to a date no later than the tenth anniversary of the award date) although awards may take the form of either a conditional allocation or forfeitable shares.

As noted on page 47 both Tim Cobbold and Colin Child received awards under the PSP in 2011/12 to the value of 150 per cent of salary.

Awards under the PSP for the financial year 2010/11 are subject to two performance measures. Over the performance period, 60 per cent of the award is subject to achievement of an annual rate of increase in EPS in excess of RPI. Where EPS exceeds RPI by 3 per cent compound per annum, 50 per cent of the award will vest, rising on a straight line basis to full vesting where EPS increase exceeds RPI by 5 per cent compound per annum. If the minimum target is not achieved, the proportion of awards subject to the EPS test will not vest.

The remaining 40 per cent of the award is based on the Company's total shareholder return (TSR) relative to the TSR of the companies in the FTSE 250 index excluding investment trusts over the three year performance period, with 50 per cent of this portion of each award vesting if the Company's TSR is at least at the median in the comparator group, rising on a straight line basis to full vesting for upper quartile performance.

EPS was chosen because it is a key performance indicator for the business and for shareholders. Relative TSR was chosen because it is a measure that is familiar to our institutional shareholders.

There will be no retesting of either of the performance targets.

Under normal circumstances, awards may only vest after three years and if the relevant post grant performance targets have been met. Awards may be allowed to vest early where employment ceases in specified good leaver circumstances and in these circumstances performance conditions and apportionment for the time that the award has been held shall be applied.

If there is a change of control of the Company by way of a general offer, or if there is a general offer following a change of control or there is a voluntary winding up, awards will vest early. Under the ABP, awards vesting early will vest in full. Under the PSP, unless the Remuneration Committee determines otherwise, apportionment for the time that the award has been held shall be applied, subject to the extent to which the performance targets have been fulfilled.

The Company may transfer additional shares to participants equivalent in value to the amount of dividends that would have been received since grant in respect of the number of shares that the participants acquire under the PSP.

At the time the PSP was introduced and following consultation with major shareholders on the principal features of the PSP, the Remuneration Committee placed a reduced emphasis on relative TSR because management had little influence over TSR performance. The greater emphasis on EPS performance was considered to be fair and appropriately challenging with a range intended to require stretching performance for all awards to vest, aligning shareholder and management interests.

The Remuneration Committee decided that PSP awards made in 2011/12 should be subject to a single operating profit performance measure as described on page 47 of this report.

Special arrangements

Recruitment Share Award and Retention Share Award

As previously disclosed in the 2010/11 Remuneration report, Tim Cobbold and Colin Child received recruitment and retention awards of shares respectively on 31 January 2011.

Features common to both awards are as follows:

- The value of the awards on grant was 100 per cent of salary
- Shares will normally vest three years after the award date and in Colin Child's case provided he remains with the Company
- There are no performance criteria attached to vesting
- The shares will vest in the event of a change of control
- The awards are not pensionable

Specific to Recruitment Share Award: The award will vest after a termination of service, provided that the termination was not for cause (ie misconduct or in any of the circumstances allowing for summary dismissal under Tim Cobbold's service agreement). Vesting after termination would take place on the third anniversary of grant, although the Remuneration Committee has the power to accelerate.

Specific to Retention Share Award: In the event that Colin Child ceases employment under the good leaver provision, the Remuneration Committee will consider pro rating awards for time from the award date to cessation of employment.

The Remuneration Committee is of the view that the special share awards were fully justified for the recruitment of Tim Cobbold as Chief Executive and the retention of Colin Child as Group Finance Director given the internal and external challenges facing the Group and that shareholders will benefit from these exceptional arrangements. The terms of the special share awards together with awards under the PSP will enhance the alignment between the Executive Directors and shareholders and these decisions were taken with due consideration to business requirements and shareholder interests.

The Board may choose to satisfy an award with either new or existing shares. Accordingly, no firm commitment has been entered into to issue shares, nor has any decision to do so yet been made. The choice need not be made until the time at which an award is exercised, but the authority to allot any such new shares on a non pre emptive basis would be that conferred by shareholders on 21 July 2011.

Superseded schemes

Deferred Bonus and Matching Share Plan

The Company established the Deferred Bonus and Matching Share Plan (the Plan) in July 2005 which, following a review in 2007, was extended until 2010 although no awards were made in 2010. The Plan was replaced with the PSP and ABP as detailed on page 50 of this report.

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

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 predetermined performance targets are satisfied and the participant is still employed within the Group.

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

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

No Matching 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 equal in value to the amount of dividends which would have been payable on the Deferred Shares over the performance period.

Long Term Incentive Plan

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

The performance measure is EPS. The test is achievement of an annual rate of increase in earnings per share which is at least 3 per cent over the annual rate of increase in RPI. At the minimum achievement a cash payment equivalent to 15 per cent of annual salary is payable while an EPS increase of 5 per cent or more above the annual rate of increase in RPI will result in 20 per cent of annual salary being payable.

Executive Share Option Plan (ESOP)

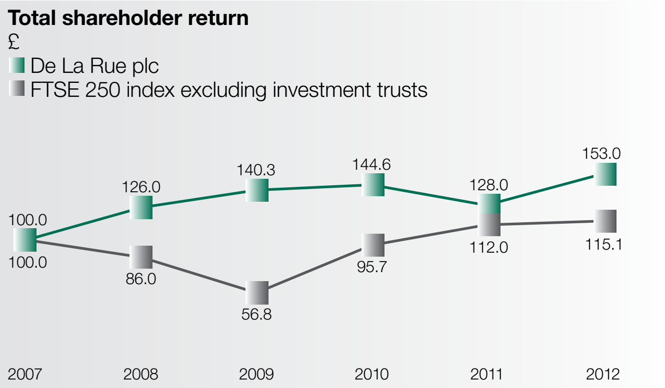
The Executive Share Option Plan, which expired on 17 July 2006 for the purpose of grants of options, provided for the grant of options at a price equal to the average market value of a De La Rue plc ordinary share over the three dealing days immediately preceding the date of grant, with a performance condition based on the achievement of an earnings per share growth target. At 31 March 2012, 2,454 executive share options remained outstanding (2010/11: 10,562). Executive Directors do not hold any executive share options.

The ESOP was replaced by the LTIP.

REMUNERATION REPORT CONTINUED

Dilution limits
The share incentives operated by the Company comply with the Association of British Insurers share dilution guidelines.

Total shareholder return performance graph
The graph below shows the value, by 31 March 2012, of £100 invested in De La Rue plc on 31 March 2007 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. The FTSE 250 has been chosen as the index as De La Rue is a constituent. (Source: Thomson Reuters)



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

Non-executive Director	Current expiry of appointment	Date of first appointment
Warren East	8 January 2013	9 January 2007
Sir Julian Horn-Smith	1 September 2013	1 September 2009
Sir Jeremy Greenstock	28 February 2014	1 March 2005
Victoria Jarman	21 April 2014	22 April 2010
Gill Rider	21 June 2012	22 June 2006
Philip Rogerson	28 February 2014	1 March 2012

Nicholas Brookes was initially appointed as a Non-executive Director on 19 March 1997 and as Chairman of the Company on 22 July 2004. He will retire as Chairman and as a Non-executive Director following the Annual General Meeting on 26 July 2012.

Philip Rogerson was appointed a Non-executive Director and Chairman designate on 1 March 2012. He will succeed Nicholas Brookes as Chairman on his retirement.

Remuneration for Non-executive Directors
The Board determines the fees paid to Non-executive Directors taking into account market norms, comparator companies and the duties required of Non-executive Directors. Details of fees to the Chairman and other Non-executive Directors are set out on page 49. The Chairman did not receive a fee increase in 2011/12. The fees for Non-executive Directors were last increased in 2008 and the Board agreed an increase of 3 per cent in the fees for 2012/13. The Chairmen of the Audit and Remuneration Committees each 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 annual incentive arrangements, or share option schemes. No compensation is payable to the Chairman or to any Non-executive Director if the appointment is terminated early.

By order of the Board

Gill Rider
Chairman of the Remuneration Committee
29 May 2012