Remuneration report

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 26 March 2011, for which the Company will be seeking approval from shareholders at the AGM on 21 July 2011.

This report:

- Explains the policy under which the Executive Directors, the Chairman and the Non-executive Directors are remunerated
- Gives details of the remuneration, fees and share interests of the Directors, including share awards
- Informs you of some important decisions made in respect of the remuneration of Tim Cobbold, the new Chief Executive, and Colin Child, the Group Finance Director
- Provides a graph comparing the performance of the Company against the FTSE 250, its comparator group

The 2010 Performance Share Plan and Annual Bonus Plan 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 on pages 47 and 48.

De La Rue has undergone a great deal of change this year. James Hussey stepped down as Chief Executive and De La Rue was subject to a number of well publicised internal and external challenges, including entering into an offer period as a result of a takeover approach and undertaking an investigation into the paper production issues.

It was in this challenging environment that the Company began the search for a new Chief Executive and for the five months prior to Tim Cobbold's appointment, Colin Child ran the Company as Chief Operating Officer as well as managing his usual responsibilities. These exceptional circumstances have required the Remuneration Committee to make some decisions to structure remuneration packages in a way that it believes is both appropriate and necessary taking all the circumstances into account.

We believe that the difficult decisions we have made during this year are in the best interests of our shareholders and we ask our shareholders to support us in these exceptional circumstances.

The Remuneration Committee will be reviewing the policy and the principles outlined in this report to ensure that its executive remuneration framework serves the best interests of shareholders.

Gill Rider
Chairman of the Remuneration Committee

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 Combined Code and it also explains the reasons where it did not do so.

Constitution of the Remuneration Committee
The Remuneration Committee consists entirely of Non-executive Directors all of whom are considered to be independent (as defined by the Combined Code), except the Chairman of the Company, who was independent until his appointment as Chairman on 22 July 2004. The Remuneration Committee comprises: Gill Rider (Chairman), Nicholas Brookes, Sir Jeremy Greenstock and Sir Julian Horn-Smith. Their biographical details appear on page 33. The Committee meets as required: 10 meetings were held during the year and attendance details are set out on page 39. 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.

Advisers
The Committee is authorised to use independent consultants. During 2010/11 Towers Watson was appointed by the Remuneration Committee to advise on executive remuneration. Towers Watson has also provided ad hoc pensions advice. Hewitt New Bridge Street advised on whether the performance targets which determine the vesting of share options were achieved.

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

No one is present when his or her own remuneration or contractual terms are discussed 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 process across the Group.

General policy

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

In setting the Group's 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 executives to focus on both annual and longer term performance

When assessing salaries in the market place, the Remuneration Committee makes prudent use of the survey data supplied by Towers Watson, focusing on companies of similar size and complexity in the FTSE 250. Performance targets set for the incentive schemes are designed to provide maximum awards for exceptional performance.

The Committee adopted a policy in 2002 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 44.

The new Performance Share Plan (PSP), the Annual Bonus Plan (ABP) and special awards

A new long term incentive plan, the PSP was approved by shareholders in 2010 and replaced the 2005 Deferred Bonus and Matching Share Plan for awards from 2010 onwards. 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.

Shareholders also approved in 2010 the new ABP under which a proportion of the annual bonus earned may be paid in deferred shares or restricted stock units with a mandatory holding period of three years. No awards have been made under the ABP to Executive Directors during the year.

As part of his recruitment arrangements, Tim Cobbold received an award of shares under the PSP to the value of 100 per cent of salary. The performance criteria are as previously approved by shareholders. In addition, Tim Cobbold also received an award of shares on appointment with a face value on award of 100 per cent of salary, the terms of which are described later in this report. This was an integral part of his recruitment arrangements and necessary to secure his appointment which was being negotiated at a time of great uncertainty.

Colin Child also received an award under the new PSP with a face value on award of 100 per cent of salary. In addition, a special award of deferred shares was made to him. This award was designed to encourage him to remain with the Company during this difficult period. The Remuneration Committee is mindful that shareholders advise against 'retention' awards on the basis that they are often unsuccessful but the Committee's judgement was that, if Colin Child was not retained, no cost would be incurred by shareholder but, if his services are retained, then shareholders will benefit.

The Remuneration Committee believes that these awards were important in order to recruit and retain two exceptional Executive Directors and maintain the Group's position against competitors for senior talent.

Further details about the recruitment and retention share awards, PSP and ABP are set out on pages 47 to 48.

Special arrangements under the Performance Share Plan for 2011/12

The Remuneration Committee agreed some important changes to the PSP. For 2011/12 – on an exceptional basis – share based awards will be made under the PSP with a maximum face value on grant 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 will be reduced from 50 per cent of the award to zero at threshold. To ensure absolute focus on delivering the Improvement Plan, the Remuneration Committee has decided that operating profit should be the sole performance measure that determines the vesting of awards made in 2011/12.

For 2011/12, threshold performance will be operating profit of £85m at the end of the three year performance period. This is expected to equate to approximately 30 per cent compound annual EPS growth. Vesting will start at zero for threshold performance. 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.

Components for Executive Directors

Executive Directors' remuneration is provided in the form of a combination of basic salary, annual bonus (cash) and award of shares, currently under the ABP and PSP.

The 2011/12 remuneration policy will be set to maintain the Group's position against competitors for senior talent, allowing the Group to recruit and retain a high calibre management team with appropriately challenging performance targets that will deliver shareholder value.

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 the final outcome of the ABP.

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

Salaries for Executive Directors

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.

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, however, sensitive to the fact that the market data can be inflationary and uses the data carefully.

Tim Cobbold joined the Company on 1 January 2011 with a salary of £450,000. His salary will be reviewed in 2012. The salary reflects both the calibre of the new Chief Executive and the recruitment 'premium' necessary to attract him. Colin Child was appointed with effect from 1 June 2010 and currently receives a salary of £315,000. The Remuneration Committee believes that these levels of salary were necessary given the circumstances which called for appropriate remuneration packages.

Benefits

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

Remuneration report continued

Annual Bonus Plan
The annual bonus, which is paid in a combination of cash and share based elements, is calculated as a percentage of salary and is based on achieving 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 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 specific measures for 2010/11 were set against Group operating profit and Group cash flow targets for the full year. These measures are key business drivers for De La Rue that reflect the underlying financial performance of the Group. The annual bonus plan is structured so that there is no payment unless a minimum performance threshold has been achieved and the maximum payout will only be made if stretching and challenging targets are met. No payouts were made in respect of 2010/11 as the minimum performance thresholds were not reached. In 2011/12, the ABP will have a single performance criterion of earnings per share.

Executive Directors' service agreements
Tim Cobbold and Colin Child have rolling service agreements respectively 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 by the Company 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 certain corporate actions, 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 expires on 10 November 2011, which entitles him in the event of a change of control to give the Company not less than one month's notice. In these circumstances the Company will make a payment in lieu of notice equivalent to his annual base salary (excluding bonus) less any salary or contractual benefits paid during the notice period. The provision was agreed as part of the recruitment arrangements for Colin Child effective from May 2010.

Simon Webb left the Board on 31 May 2010 and James Hussey resigned from the Board on 12 August 2010. James Hussey received no compensation for loss of office.

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. Tim Cobbold was entitled to a fee of £12,262 (1 January 2011 to 26 March 2011) in respect of his non-executive directorship of Drax Group plc, which he was permitted to retain.

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

	27 March 2010 Total number of shares	**26 March 2011 Total number of shares**
Nicholas Brookes	7,780	**37,408**
Tim Cobbold (appointed 1 January 2011)	–	**14,813**
Colin Child (appointed 1 June 2010)	–	**14,813**
Warren East	2,093	**4,314**
Sir Jeremy Greenstock	–	**1,492**
Sir Julian Horn-Smith	–	**1,500**
Victoria Jarman (appointed 22 April 2010)	–	**1,481**
Gill Rider	454	**454**

There have been no changes in Directors' interests in ordinary shares since 26 March 2011. 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). Executives who are members of the closed defined benefit sections of the De La Rue Pension Scheme (the Scheme) may, instead of joining the Plan, remain in that Scheme until it closes to future accrual in 2013.

The current normal retirement age is 65 although pension accrued on service before 1 June 2007 may be drawn in full from age 60. Defined benefit pension accrued after 1 June 2007 is subject to a variable accrual rate which is adjusted annually to reflect changes to life expectancy. As part of the Scheme closure agreement, the variable accrual rate will be removed and will revert to the underlying unadjusted rate for those employees who remain in service after 1 April 2013.

The arrangements provide a lump sum death in service benefit and additional benefits 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. 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 provision. 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.

James Hussey (resigned 12 August 2010) was entitled to a pension from the senior section of the Scheme. His accrual rate was approximately 1/60th of his notional pensionable salary for each year of pensionable service. He was required to make a contribution of 8 per cent of his notional pensionable salary towards the cost. He was covered for a lump sum on death in service of four times his basic salary and a widow's pension of 60 per cent of his prospective pension. He left service on 12 August 2010. His pension under the defined benefit Scheme as at 12 August 2010 was £98,943 per annum. His notional pensionable salary for 2010/11 was £231,525. James Hussey received a cash allowance of 20 per cent on the difference between his basic salary and his notional pensionable salary. He received no other payments.

Simon Webb (resigned 31 May 2010) was entitled to a pension from the retirement plan section of the Scheme. The accrual rate from 1 April 2011 allowing for adjustments for mortality was 1⁄102.85 for each year of pensionable service. He was required to make a contribution of 3.5 per cent of his basic salary towards his defined benefit pension and elected to pay additional top up contributions of 3 per cent to the defined contribution section which were matched by the Group. In the event of death in service he was covered for a lump sum of four times his basic salary and a widow's pension of 25 per cent of basic salary. He ceased to be a Director on 31 May 2010 and left service on 30 June 2010. His defined benefit pension as at 31 May 2010 was £2,946 per annum. Under the rules of the Scheme he is required to take a refund of his own contributions, less tax, or transfer the value of his pension to an alternative registered pension scheme on leaving service. The Group also made a payment to a self invested pension plan for him of 10 per cent of his basic salary.

Colin Child was appointed on 1 June 2010. He is covered for a lump sum on death in service of four times his salary. The Group makes a contribution to his self invested personal pension plan of 25 per cent of his basic salary.

Tim Cobbold is eligible for a pension contribution of 30 per cent of his basic salary. He received a cash payment of £33,750 in lieu of a pension contribution from January 2011 to March 2011 and this is included in the benefits column shown in the Directors' emoluments table on page 46. He joined the Plan from April 2011. Contributions up to the Annual Allowance will be made into the Plan; contributions in excess of the Annual Allowance will be paid to him as a cash allowance. He is covered for a lump sum on death in service of four times his basic salary; in addition, in the event of death in service the accrued value of the contributions made to the Plan will be used to provide further benefits for his dependants.

Directors' pension entitlements (audited information)
The table below sets out the pension benefits to which each Executive Director is entitled. It shows:

- The accrued pension entitlement at the end of the year, including pension accrued before appointment as a Director, if applicable, payable from normal retirement age
- The additional pension accrued during the year, payable at normal retirement age
- The transfer value amounts as at 27 March 2010 and 26 March 2011 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

Directors' pension entitlements (£'000)

	Pension accumulated at 26 March 2011	Increase in pension during year	Increase in pension during year (net of inflation)	Transfer value of the increase in pension (excluding Directors' contributions)	Transfer value of accumulated pension at 27 March 2010	**Transfer value of accumulated pension at 26 March 2011**	Change in transfer value (excluding Directors' contributions)	Contributions to a Defined Contribution Scheme
Tim Cobbold (appointed 1 January 2011)	**–**	–	–	–	–	**–**	–	–
Colin Child (appointed 1 June 2010)	**–**	–	–	–	–	**–**	–	66
James Hussey (to date of resignation of 12 August 2010)	**99**	1	1	6	1,295	**1,390**	88	–
Simon Webb (to date of resignation of 31 May 2010)	**3**	0.4	0.4	2	25	**29**	2	5

Remuneration report continued

Directors' emoluments (audited information)

	2011 Salary and fees £'000	2011 Benefits £'000	2011 Compensation for loss of office £'000	Total to 26 March 2011 (or date of resignation if sooner) £'000	2010 Total £'000
Executive Directors					
Tim Cobbold (appointed 1 January 2011)	**113**	**40**	**–**	**153**	–
Colin Child (appointed 1 June 2010)	**246**	**16**	**–**	**262**	–
James Hussey (resigned 12 August 2010)	**133**	**19**	**–**	**152**	451
Simon Webb (resigned 31 May 2010)*	**39**	**3**	**333**	**375**	301
	531	**78**	**333**	**942**	752
Non-executive Chairman					
Nicholas Brookes#	**165**	**–**	**–**	**165**	163
Non-executive Directors					
Warren East	**47**	**–**	**–**	**47**	47
Sir Jeremy Greenstock	**40**	**–**	**–**	**40**	40
Sir Julian Horn-Smith	**40**	**–**	**–**	**40**	23
Victoria Jarman (appointed 22 April 2010)	**38**	**–**	**–**	**38**	–
Gill Rider	**47**	**–**	**–**	**47**	35
Aggregate emoluments	**908**	**78**	**333**	**1,319**	1,060

*Simon Webb was entitled, under his service contract, to compensation for early termination. Further detail on the early payment was contained in the Annual Report 2010

#Nicholas Brookes took on the role of Executive Chairman from 12 August 2010 to 31 December 2010

Payments made to former Directors of the Company

Lord Wright, who retired as a Director on 19 July 2000, provides up to 20 days' consultancy each year pursuant to an agreement with the Company dated 20 July 2000 and which expired on 19 July 2010. He was paid a fee of £5,000 in 2010/11.

Directors' share options (audited information)

The awards over De La Rue plc shares held by Executive Directors under the PSP, Recruitment Share Award and Retention Share Award during the period are detailed below:

	Date of award	27 March 2010 (or date of appointment if later)	Exercised during year	Awarded during year	Lapsed during year	Awards held at 26 March 2011	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 (appointed 1 January 2011)												
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
Colin Child (appointed 1 June 2010)												
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

Notes

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

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

(c) Details of the performance conditions attached to the PSP are set out on page 48

The closing mid market price of De La Rue plc shares at 26 March 2011 was 794.5p and the highest and lowest mid market prices during the year were 984.0p and 549.5p respectively.

Deferred Bonus and Matching Share Plan (audited information)

Allocation of shares held by former Executive Directors is as follows:

	Date of allocation	Total allocation as at 27 March 2010 (or date of appointment if later)	Allocation during year	Allocation vesting during year	Lapsed during year	**Total allocation as at 26 March 2011 (or date of resignation if sooner)**	10 day average mid market share price preceding date of allocation (pence)	Market price at date of vesting (pence)	Vesting date	Average fair value per share[a] (pence)
James Hussey (resigned 12 August 2010)										
Deferred Allocation	Jun 07	9,691	–	9,691	–	–	758.40	942.56	Jun 10	792
	Jun 08	8,494	–	–	8,494	–	908.50*	–	Jun 11	889
	Jun 09	13,249	–	–	13,249	–	858.55	–	Jun 12	880
Maximum Matching Allocation[b]	Jun 07	19,380	–	19,380	–	–	758.40	942.56	Jun 10	552
	Jun 08	16,988	–	–	16,988	–	908.50*	–	Jun 11	639
	Jun 09	26,498	–	–	26,498	–	858.55	–	Jun 12	665
		94,300		29,071[1]	65,229					
Simon Webb (resigned 31 May 2010)										
Deferred Allocation	Jun 09	9,172	–	9,172	–	–	858.55	673.50	Jun 12	880
Maximum Matching Allocation[b]	Jun 09	13,758	–	2,416	11,342	–	858.55	673.50	Jun 12	665
		22,930		11,588[2]	11,342					

Notes

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

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

(b) Details of the performance conditions attached to Matching Shares are set out on page 49. The performance conditions for the 2007 awards under the Plan were met in full and the shares vested on 6 June 2010

Dividend Shares

An additional award of shares was 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. Dividend shares released were as follows:

James Hussey: 1,405 ordinary shares

Simon Webb: 401 ordinary shares

(1) James Hussey retained the shares acquired on vesting of the June 2007 award under the Plan after selling sufficient number of shares to meet his PAYE and NI liability

(2) The total value of Simon Webb's award of shares at vesting was £80,746

Current schemes

Sharesave Scheme

All UK employees may join the Company's HM Revenue & 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 2010 at a price of 444.14p which was at a 20 per cent discount and 58 per cent of eligible employees participated.

US Employee Share Purchase Plan

The US Employee Share Purchase Plan (USESPP), established under Section 423 of the US Internal Revenue Code, provides a competitive incentive for US employees to invest up to 10 per cent of basic salary each year in the Company's shares, subject to the statutory limit (currently US$25,000 worth of shares). No performance conditions are attached to options under the USESPP. The Ninth Offering under the Plan began on 1 January 2011 and 28 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 (819.50 pence) or end of the offering period on 31 December 2011.

New 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 awards may be made 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 participant acquires under the ABP.

No awards were made to Executive Directors during 2010/11.

Remuneration report continued

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 43 both Tim Cobbold and Colin Child received awards under the PSP in 2010/11 to the value of 100 per cent of salary.

For the financial year 2010/11, awards under the PSP are subject to two performance measures in accordance with the existing policy. The award date marks the start of the three year performance period. Over the performance period, 60 per cent of the award is subject to achievement of an annual rate of increase in earnings per share (EPS) in the Retail Price Index (RPI) of a minimum of 3 per cent per annum. Where EPS exceeds inflation by 3 per cent compound per annum, 50 per cent of the award will vest, rising on a straight line basis to full vesting at 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. EPS will be measured from the Company's half year announcement in November 2010, when the last accounts prior to the award were published.

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.

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 fulfiled.

Dividend shares may also be awarded on similar terms to the ABP.

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 has decided that PSP awards made in 2011/12 should be subject to a single performance measure as described on page 43 of this report.

Special arrangements

Recruitment Share Award and Retention Share Award

Tim Cobbold (as part of his appointment) and Colin Child received a recruitment and retention award of shares respectively. The date of these awards was 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 terms of both awards will be available for inspection from 14 June 2011 at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London, EC2A 2HS and at the place of the AGM from 10:15 on the day of the AGM until the conclusion of the AGM.

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 22 July 2010.

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 the RPI. At the minimum achievement a cash payment equivalent to 15 per cent of annual salary is payable whilst an earnings per share increase of 5 per cent or more above the annual rate of increase in RPI will result in 20 per cent of annual salary being payable.

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.

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

The maximum potential value of the Deferred Shares based on the market value of a share at the date of allocation was 50 per cent of salary. The number of Deferred Shares will be matched by additional free shares (Matching Shares) which will be released on the third anniversary of the allocation of the Deferred Shares provided 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 index 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.

Up to two Matching Shares may be allocated for each Deferred Share. 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 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. At the time the Plan was introduced in 2005 the EPS and TSR performance measures were adopted following consultation with shareholders as being the most transparent and appropriate. Before making any award the Remuneration Committee considers the appropriateness of the performance targets for matching awards, recognising in particular that the average earnings per share growth target of RPI plus 3 to 5 per cent is the minimum. The Plan was replaced with the PSP and ABP as detailed on pages 47 to 48 of this report.

Executive Share Option Plan

The Executive Share Option Plan, which expired on 17 July 2006 for the purpose of grants of options, provided for the grant of options at a price equal to the average market value of a De La Rue plc ordinary share over the three dealing days immediately preceding the date of grant, with a performance condition based on the achievement of an earnings per share growth target. This is a legacy plan with five participants, none of whom are Executive Directors or senior executives, holding 10,562 subsisting options.

The Plan was replaced by the LTIP.

Dilution limits

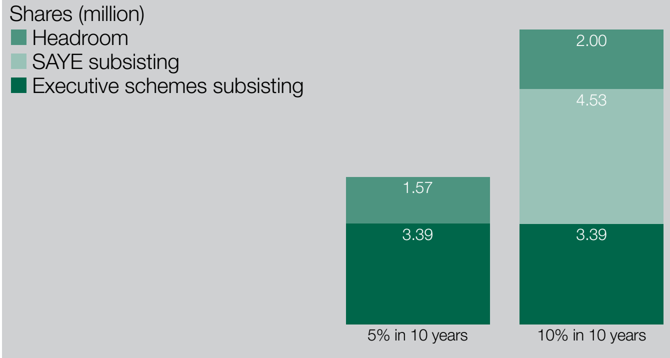
The ABP, PSP, Executive Share Option Plan and Deferred Bonus and Matching Share Plan incorporate the current (December 2009) Association of British Insurers Guidelines on headroom which provide that over a 10 year period in relation to the Company's issued share capital (including any reissue of treasury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

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

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

As at 26 March 2011, the headroom in relation to all outstanding share options or deferred share awards was as shown below:

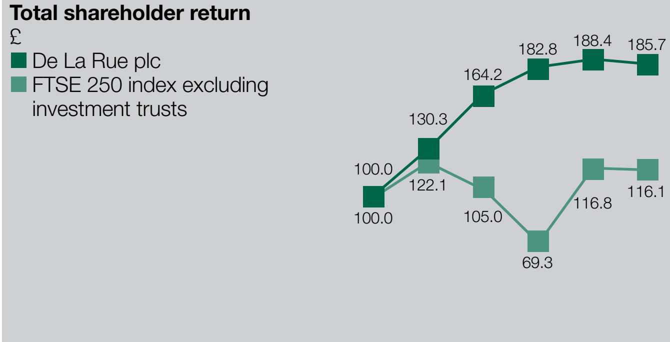
Scheme limits headroom



Shareholder return

The graph below shows the value, on 26 March 2011, of £100 invested in De La Rue plc on 25 March 2006 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.

Total shareholder return



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. Terms of appointment are initially for two years with the expectation of three two year terms. The Board may invite Non-executive Directors to serve a further term after a six year term following a detailed review. The Non-executive Directors' current terms of appointment are detailed below:

Non-executive Director	Current expiry of appointment	Date of first appointment
Warren East	8 January 2013	9 January 2007
Sir Julian Horn-Smith	31 August 2011	1 September 2009
Sir Jeremy Greenstock	29 February 2012	1 March 2005
Victoria Jarman	21 April 2012	22 April 2010
Gill Rider	21 June 2012	22 June 2006

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

Remuneration for Non-executive Directors
The Board determines the fees paid to Non-executive Directors taking into account market norms, comparator companies and the duties required of Non-executive Directors. Details of fees to the Chairman and other Non-executive Directors are set out on page 46. The fees for Non-executive Directors were last increased in 2008 and the Board agreed that the fees should remain unchanged for the time being. The Chairman's fee, at his request, was not adjusted to reflect his additional role and workload as Executive Chairman pending appointment of the new Chief Executive and remains unchanged for 2011/12. The Chairmen of the Audit and Remuneration Committees each receive an additional fee of £7,000 per annum for their work. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's bonus or share option schemes.

By order of the Board

Gill Rider
Chairman of the Remuneration Committee
24 May 2011