DeLaRue

MAKING MONEY. DELIVERING CERTAINTY.

Annual Report 2009

Contents

Directors' Report

De La Rue plc is incorporated as a public limited company and is registered in England and Wales under the UK Companies Act 1985 with registered number 3834125 and has its registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS.

The Directors present their Annual Report for the year ended 28 March 2009 which includes the Business Review, Corporate Governance Report and audited Financial Statements for the year. Pages 01 to 66 inclusive of this Annual Report comprise a Directors' Report which has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions of such law.

The Business Review contains certain forward-looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied by such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond De La Rue's ability to control or estimate precisely.

The Annual General Meeting will be held at 10.30 a.m. on Thursday 23 July 2009 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.

Group Profile

We are 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. We are a leading provider of cash sorting equipment and software solutions to central banks, helping them to reduce the cost of handling cash. We also pioneer new technologies in government identity solutions for national identification, drivers' licences and passport issuing schemes. We employ approximately 4,000 people in 24 countries in the world.

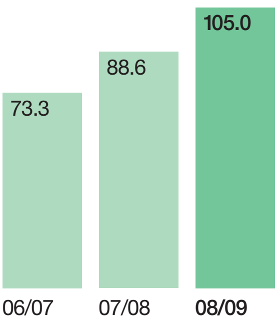
Highlights

(continuing Group including Cash Processing Solutions but excluding the disposed business of Cash Systems)

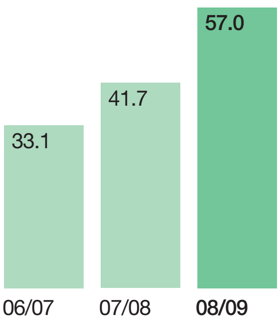
- Revenue up 7.6 per cent to £502.4m
- Profit before tax and exceptionals* up 18.5 per cent to £105.0m
- Margins up 2.2 percentage points to 19.2 per cent
- Headline earnings per share* up 36.7 per cent to 57.0p
- Continued strong cash generation at £69.4m, net debt at £33.1m
- Dividend increase of 92.1 per cent to 41.1p

*before net exceptional charges of £8.9m (2007/2008: credit £2.6m)

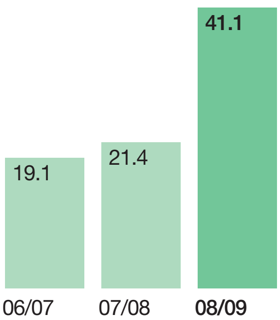
Profit before tax and exceptional items
(£m)



Headline basic earnings per share*
(pence)



Dividends per share†
(pence)



†includes proposed final dividend.

De La Rue plc
De La Rue House
Jays Close
Viables,
Basingstoke
Hampshire
RG22 4BS

Telephone: +44 (0)1256 605000
Fax: +44 (0)1256 605004
Registered Number 3834125

CERTAINTY

Our primary aim is to deliver certainty to our customers. We do this by focusing on currency, security, authentication and identity. We invest in innovation to create products and solutions they can trust.

Certainty means our customers get the reassurance they want and expect from De La Rue.


AUTH
For 24-hour service & cash locations: 1-800-DISCOVER (347-2683)
It pays to
DISCOVER

Combining a holographic foil and magnetic stripe for Discover Financial Services

Discover Financial Services
De La Rue Holographics' continuing commitment to innovation and partnership with its customers was central to the introduction of its patented new Optically Variable Magnetic Stripe (OVMS) technology, recently selected by Discover Financial Services, one of the US's leading card issuers.

OVMS combines a holographic foil and a magnetic stripe into a single product for use on financial cards, giving high visual impact while ensuring compliance with the relevant ISO standards.

The new product has given Discover the opportunity to create a strong vibrant design to differentiate its brand, while offering integrated security to protect against counterfeit and fraud. High standards of security in the manufacturing and shipping process ensure full accountability and traceability across the supply chain.

Significant capital investment has been made in custom built technology at the Basingstoke facility to support the volume production of secure OVMS product.
The magnetic stripe element of production is undertaken by Holographics' coating partner in France who has worked with De La Rue's experts in a combined research and development project on this technically complex and challenging product.

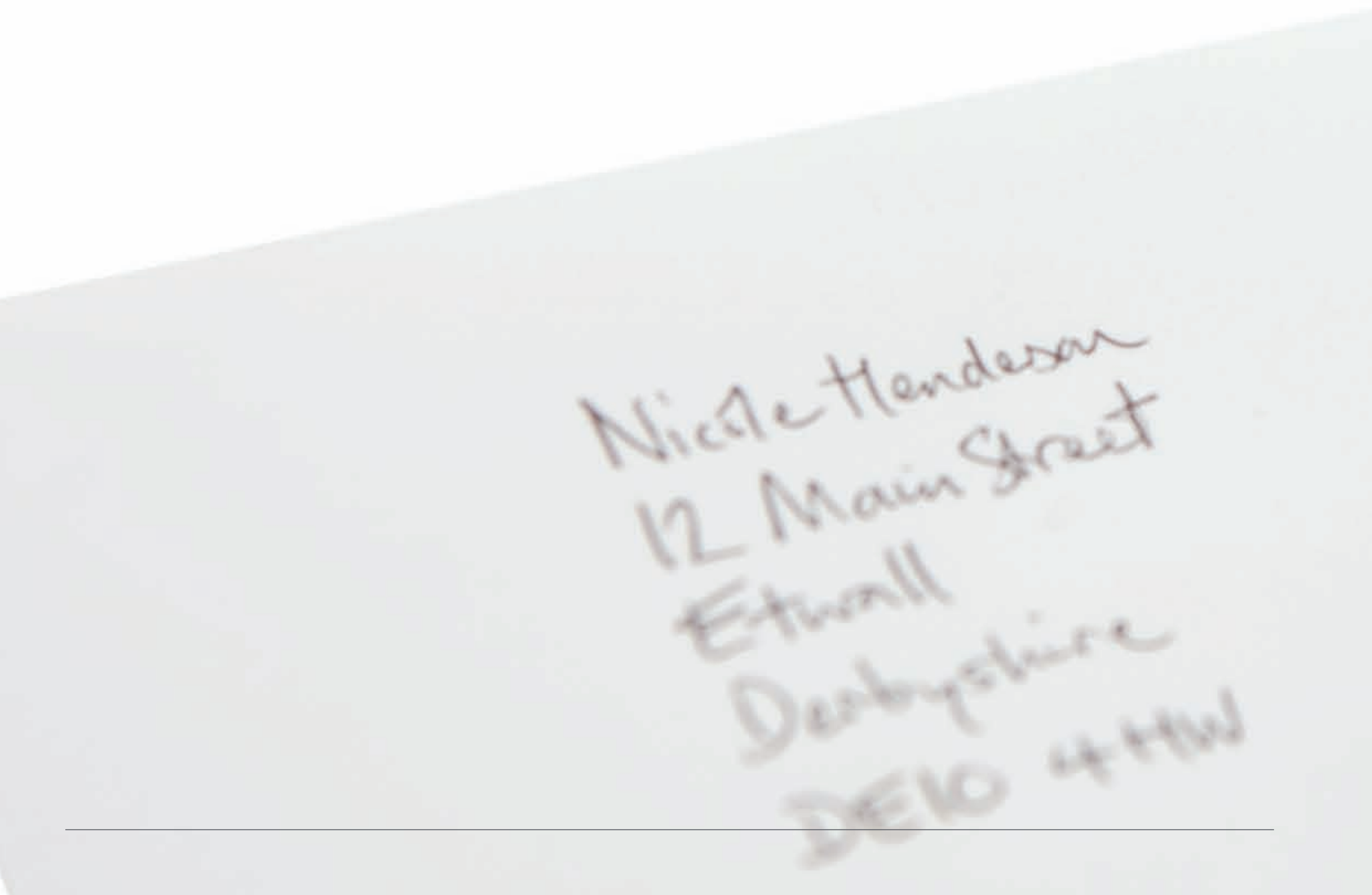
ENTICITY

Meeting the demands of Christmas for the Royal Mail

Royal Mail

For the UK's Royal Mail postal service, Christmas is the busiest time of the year with an estimated 2bn items, of which 750m are Christmas cards, delivered to homes and businesses.

De La Rue Security Print, together with the Royal Mail's primary print contractor, St Ives, performed an essential part of the service by providing the high volume of postage stamps to meet peak demand. Each range of special Christmas stamps is eagerly anticipated by the public and the 2008 range featured theatrical characters from pantomime alongside more traditional religious images, each produced specially for the peak Christmas period. De La Rue rose to the unique set of challenges posed by the critical Christmas special edition and achieved 100 per cent delivery on time and in full.



PABILITY


IDE

A major first world identity systems solution for Malta

Malta National Identity Management
De La Rue Identity Systems is supplying the Maltese government with leading edge identity management services.

Having first produced passports for Malta in 1997 and the country's driving licences since 2001, De La Rue is now working on the island's new ePassport solution. The ePassport is an integral part of the National Identity Management System (NIDMS), a government initiative to consolidate a number of identity databases into a single national identity system.

De La Rue will also be supplying Border Control and PKI (Public Key Infrastructure) solutions, with eID systems to follow. A 'Strategic Partnership Initiatives Scheme' between De La Rue and the Maltese government, providing long terms benefits to both parties through education programmes, R&D support and social initiatives has also been agreed as part of the contract.

Amongst the many security features included in the ePassport is one of the first uses anywhere in the world of SHIELD™, De La Rue's latest high security holographic data page protection solution.

SHIELD™ is a trademark of De La Rue International Limited.

NTITY

A fast and secure licence for New York

New York State Driver License
De La Rue Identity Systems is at the forefront of identity management solutions as shown by the delivery of the new Western Hemisphere Travel Initiative (WHTI) compliant Enhanced Driver License (EDL) for New York State.

The EDL incorporates a radio frequency identification tag and antenna and is being supplied alongside the existing 'standard' driver licence with combined volumes of around 5m documents per year.

Both licence types are security pre-printed front and back and include a combination of advanced anti-counterfeit technologies to ensure they are amongst the most secure licence documents currently available.

The latest image capturing and processing technology is installed at over 120 New York State Department of Motor Vehicles' offices, and uses De La Rue's MIDIS™ (Multiple Identification Document Issuing System) technology to manage the entire document production process.

The EDL can be used in place of a US machine-readable travel document as specified by the WHTI programme, for travel by land or sea to Canada, Mexico, certain parts of the Caribbean and Bermuda.

The contract is one of the top three in terms of issuing volumes in the USA.

MIDIS™ is a trademark of De La Rue International Limited.

SECURITY


NEW YORK STATE
Commissioner of Motor Vehicles
ENHANCED
DRIVER LICENSE
ID: 030 010 511
CLASS D
SAMPLE
LICENSE
1010 ANYPLACE AVE
ANYTOWN NY 12121
DOB: 06-09-85
SEX: F EYES: BR HT: 5-09
E: NONE
R: NONE
ISSUED: 09-16-08 EXPIRES: 06-09-16
LBCDEFGH03


Post Implementation
Audit & Report
Pre-Go Live
Full Test Phase

PRO

Driving efficiencies for Russia's Central Bank

Central Bank of the Russian Federation
Cash Processing Solutions' (CPS) focus on exceeding the needs of its customers has led to the Central Bank of the Russian Federation (CBRF) seeing a 300 per cent improvement in productivity.

The CBRF approached CPS with a brief to improve business processes, reduce the number of ineffective cash centres and improve productivity. To achieve these goals, CPS's business consultants recommended that the CBRF:

- introduce a range of mid-speed sorters robust enough to give continuous throughput
- utilise De La Rue's patented Automated Commercial Deposit Processing system, (ACDP), to allow customer deposits to be continuously processed in a single pass
- install Enterprise Cash Management ISA Essence software stations in each cash centre to automate the deposit process and generate useful management reports
- rationalise the role of cash centre operators using De La Rue experience and consultancy

A trial was held at the CBRF's Voronezh cash centre and showed a dramatic productivity improvement of 300 per cent. Following on from this success, a similar solution was rolled out to 29 cash centres across the country.

DUCTIVITY

The most automated cash system in the Middle East

Transguard
Cash Processing Solutions' (CPS) innovative approach was critical to delivering the most automated cash centre in the Middle East for the Transguard Group, the region's largest cash management operation.

To achieve such an ambitious target within a challenging timescale, CPS worked in partnership with the customer to deliver the optimal layout of the cash centre to reduce the physical movement of cash; to reduce the number of possible cash touch points; to supply the most effective cash processing hardware and develop software to link all cash centre activity with the creation of effective management reports.

By working with CPS to install software designed to consolidate all business critical information, Transguard achieved improved productivity rates of 20 per cent. By using De La Rue's high speed and mid speed hardware combined with Business Intelligence™ software, Transguard was able to meet its initial objectives while also achieving the following improvements over 12 months:

- increase in ATMs serviced = 126 per cent
- increase in notes processed = 71 per cent
- increase in revenue base = 55 per cent
- increase in notes processed by end of 2008 of 250 per cent

Business Intelligence™ is a trademark of De La Rue International Limited.

SIMPLICITY

View Selections Layout Settings Bookmarks Reports Tools Object Window Help
Enterprise KPI
2.0
Year
2007 2009
2008
Month
Mar Apr May Jun Jul
Day
Mean hourly throughput : 83662
Notes between stops: 20949
Reject rate: 4.87%
Shift throughput: 17220
Percentage fit: 51%
Fit value per hour: 61968
QlikView Analyzer

Award winning banknote designs

CREDIBILITY

Innovation in banknote design is what customers of De La Rue expect as standard and the design skills of De La Rue Currency have been rightly recognised with three international awards.

A new Bolivar banknote family for Venezuela was awarded the ‘Best New Banknote’ award by the International Association of Currency Affairs.

The family, designed by the Central Bank of Venezuela, in close collaboration with De La Rue, boasts striking designs using vibrant colours with a vertical design on one side of the note and horizontal on the other. The notes also include a number of sophisticated security features including StarChrome® colour-changing security thread.

The theme of the new banknote family is heroes from Venezuela’s past, with a historical figure linked with a state in the country appearing on each denomination. The reverse of the notes features images of endangered animal and plant species.

De La Rue Currency succeeded in delivering the new family of banknotes from concept to circulation in less than nine months.

The Bank of Scotland’s new £50 note, designed by De La Rue, won the first of two successive awards for ‘Banknote of the Year’ from the International Bank Note Society (IBNS). The judges were impressed with its ‘artistic and technical excellence, its unusual and innovative design and its superior production’.

The Central Bank of Samoa was pleased with the recognition received, praising close collaboration with De La Rue, when their 20 Tala banknote won the 2009 IBNS ‘Banknote of the Year’ award. This is part of a new family from De La Rue, noted for the creative blend of state-of-the-art security features and design elements.

StarChrome® is a registered trademark of De La Rue International Limited.

Award winning, proven banknote security features

Secure banknotes start with effective security features, based on energetic innovation, and De La Rue Currency is leading the way with two proven features – StarChrome® and Optiks™.

StarChrome® is a colour-changing security thread which won the prestigious 'Queen's Award for Industry: Innovation' in 2007 and has achieved high market penetration, currently appearing in more than 60 denominations across 25 currencies. As an innovation platform, it has spawned additional security threads – for example StarChrome® Colour, which builds on the success of this popular and effective feature.

Optiks™, a wide security thread incorporated into the paper in such a way as to give a distinctive see-through aperture, is now included on seven currency families across the world, from the Middle East to Oceania with a number of other customers planning to include it in their future designs.

StarChrome® is a registered trademark of De La Rue International Limited.

Optiks™ is a trademark of De La Rue International Limited.

INGENUITY


100
FALETUPE TUTOTONU O
Samoa
Central Bank of Samoa
SELAU TALA
One Hundred Tala

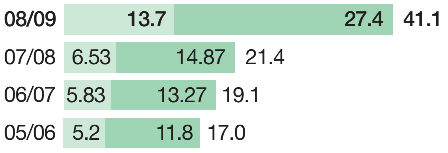
"DE LA RUE HAS NOW COMPLETED ITS TRANSFORMATION INTO A GROUP FOCUSED ON THE HIGH-VALUE ACTIVITIES OF CURRENCY, SECURITY PRINTING AND AUTHENTICATION IN PAYMENT AND IDENTITY TRANSACTIONS."

Nicholas K. Brookes
Chairman

Nicholas K Brookes

Chairman's Statement

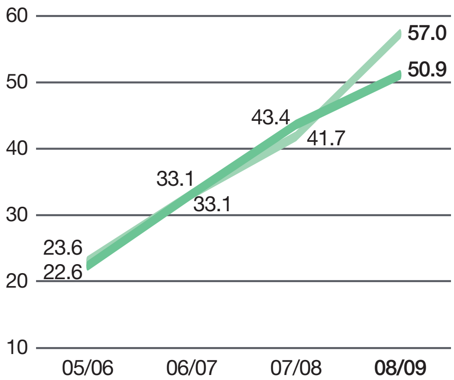
Dividends per share†
(pence)



Interim
Final

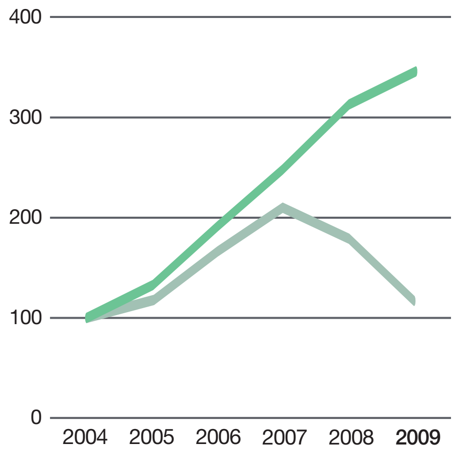
† includes proposed final dividend

Earnings per share
(pence)



Earnings per share
Headline earnings per share (before exceptional items)

Total shareholder return
(£)



De La Rue plc
FTSE 250 excl investment trust Index

This graph shows the value, at 28 March 2009 of £100 invested in De La Rue plc on 27 March 2004 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 excellent year of trading for De La Rue. The Company has now completed its transformation into a Group focused on the high value activities of currency, security printing and authentication in payment and identity transactions. These results and the continuing strength of the order book in each of our core businesses highlight the quality and resilience of De La Rue in terms of market position, long term profitable growth and cash generation.

Returns to Shareholders
Final Dividend
The Board is recommending a final dividend of 27.4p per share (2007/2008: 14.87p per share), subject to shareholders' approval. This will be paid on 31 July 2009 to shareholders on the register on 10 July 2009. Together with the increased interim dividend paid in January 2009, this will give a total dividend for the year of 41.1p (2007/2008: 21.4p per share).

Overall, this equates to an uplift of 92 per cent in the level of ordinary dividend and reflects the policy announced in May 2008.

Return of Cash
Following the successful disposal of the Cash Systems Division (with the exception of Cash Processing Solutions), the Group returned to shareholders in November 2008 a total of £460.0m, comprising the net proceeds of the sale of Cash Systems and cash partially funded by a modest level of debt.

Changes to the Board
As previously announced, the year has seen substantial changes to the Board. On behalf of my fellow Directors, I welcome James Hussey as Chief Executive and Simon Webb as Group Finance Director to the Board. Their energy and passion for the business will be key in ensuring the continuing success of our strategy for the newly-focused Group.

Leo Quinn, Group Chief Executive, and Stephen King, Group Finance Director, stepped down from the Board on 31 December 2008 and 31 March 2009 respectively, having completed the strategic programme initiated in 2004 to transform the Group and build substantial value, of which £780m was returned to investors. Edward Peppiatt succeeded Louise Fluker who also resigned on 31 March 2009 as General Counsel & Company Secretary. I would like to thank all of them for their invaluable contribution to the development of De La Rue.

In February 2009 we also announced changes relating to our non-executive Directors. Keith Hodgkinson ceased to be Chairman of the Audit Committee on 31 March 2009 and will retire as a Director with effect from 31 December 2009. Warren East has become Chairman of the Audit Committee and Sir Jeremy Greenstock will be the senior independent non-executive Director from 1 January 2010. Following the Company's confirmation that it is participating in the UK passport bid, Gill Rider decided with effect from 26 February 2009 to step down temporarily from the Board whilst the award of any contract for the UK passport is being considered by the Identity and Passport Service.

Philip Nolan has informed the Board that he will retire as a Director at the conclusion of the Company's AGM on 23 July 2009. On behalf of the Board, I would like to thank both Keith Hodgkinson and Philip Nolan for the vital contribution they have made to the success of De La Rue and to wish them well for the future.

Outlook
As announced in March, De La Rue entered the year with good order book coverage across its businesses which is expected to continue despite the uncertain global economic environment. As a result, the Board has confidence in the outlook for the current year.

"THESE RESULTS HIGHLIGHT THE CONTINUING STRENGTH IN EACH OF OUR BUSINESSES, AND THE QUALITY AND RESILIENCE OF THE DE LA RUE BRAND."

James Hussey
Chief Executive Officer

Chief Executive's Review

+7.6%

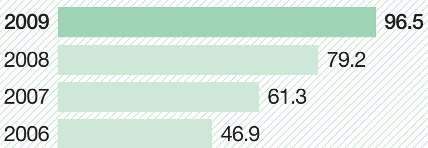
Revenue
(£m)

£105.0m

Profit before tax and exceptional items[(1)]
+18.5 per cent on last year

+21.8%

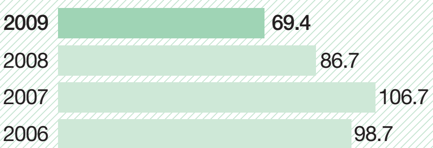
Group underlying operating profits[(1)]
(£m)



+36.7%

Headline earnings per share[(1)]: 57.0 pence

Operating cash flow
(£m)



[(1)] before exceptional costs of £8.9m (2007/2008: £nil)

Following the outcome of our strategic review in 2008 and the subsequent disposal of Cash Systems (with the exception of Cash Processing Solutions), for the first time in many years the Company is focused on meeting the needs of a shared set of customers in the high value areas of currency, security printing, authentication and identity.

I am delighted to report that the refocused Group has continued to grow revenues in a period of severe global economic downturn. At the same time we have further increased the operating profit margin, while pursuing those investments needed to ensure that De La Rue is well-positioned to meet our customers' evolving needs.

Group Results

De La Rue reports another excellent performance for the year ended 28 March 2009. Revenues for the continuing Group grew by 8 per cent to £502.4m (2007/2008: £467.0m) and operating profit (before exceptional items) rose by 22 per cent to £96.5m (2007/2008: £79.2m). Operating profit margins (before exceptional items) for the continuing Group were 2.2 percentage points higher at 19.2 per cent (2007/2008: 17.0 per cent), reflecting the benefits of productivity improvements, volume, customer mix and foreign exchange. Overall for the continuing Group, movement in the value of Sterling against the Euro and US Dollar contributed £25m to revenue and £6m to operating profit.

Profit before tax and exceptional items increased by 18.5 per cent to £105.0m (2007/2008: £88.6m). Headline earnings per share increased by 37 per cent to 57.0p (2007/2008: 41.7p) reflecting the improved trading performance and the benefits of the share consolidation carried out in conjunction with the return of cash. Basic earnings per share from continuing operations were 50.9p compared with 43.4p in 2007/2008, representing an increase of 17 per cent.

Cash generated from continuing operations was £69.4m (2007/2008: £86.7m). The cash movement in the year reflected positive working capital management partially offset by the increased trading activity and, as expected, a reduction in advance payments of £23m, from £63m at 29 March 2008 to £40m at 28 March 2009 as well as an additional one-off contribution of £15m to the Group pension fund as a result of the disposal of Cash Systems. Following the return to shareholders of £460m in November 2008, the Group ended the year with net debt of £33.1m (2007/2008 net cash: £106.7m).

Associates

The main associated company is Camelot, the UK lottery operator, which in the current year transitioned to a new 10-year licence agreement. Profit from associates after tax was £8.9m (2007/2008: £7.1m) and dividend received from associates was £10.3m (2007/2008: £7.7m). As previously announced, De La Rue is reviewing the options in relation to its shareholding in Camelot and will only pursue any outcomes of this review that fully reflect the value of its investment in Camelot.

People

Our people remain a vital part of our success. The results this year clearly demonstrate their dedication and hard work and I would like to thank everyone for their contribution over the last 12 months.

In setting the course for our future as an integrated Group and in driving its implementation, I want to make certain that all of our employees understand our plans and our goals, and how to further their achievement. For that reason, we have launched a widespread programme to upgrade our internal communications across the Group and have appointed cross-business teams to collaborate in specific areas.

Conclusion and Looking Forward

All our businesses performed strongly during the year, demonstrating the quality of our core offerings in currency, security printing, authentication and identity and of our positions in those markets. The strength of the forward order books in each business, combined with our ongoing drive for further production efficiencies, means that the Group as a whole will continue to deliver this level of performance in the current year.

Looking to the future, our Currency business as yet has seen no reduction in banknote demand, whose main driver – central bank policy – is largely unrelated to economic conditions. In the markets for Identity Systems, the more discretionary nature of large ID projects for governments could result in order delays or reductions in specification. The brand licensing business stream of Security Products has been affected by the downturn since autumn 2008 because its customers are mostly

Chief Executive's Review
continued

commercial organisations, with consumers as end users. Currently there is no sign of improvement. Security Products' exposure is, however, mitigated by government customers for other products and by supplying banknote components to its internal customer, Currency.

Senior management remains strongly focused on driving a culture of constant productivity improvement and our employee wide programme has recently been relaunched. The actions to align central costs to those of a smaller public company are now largely complete, while cost reduction continues to be a key focus in each division.

For the longer term, we continue to invest in the technologies and capabilities to enhance the Group's ability to deliver sustainable growth in value for all its stakeholders.

In the short term, our key focus is to set the course for our continued future success and drive the implementation of the actions that will deliver its achievement.

Group Strategy

With the sale of Cash Systems in September 2008, the transformation of the Group is complete. For the first time in many years, De La Rue is focused on meeting the needs of a shared set of customers in the high value areas of currency, security printing, authentication and identity.

Now that the Group has been transformed to a focused business, its future strategy is to build on its position as a world-leading producer of banknotes and banknote paper to become the premier supplier to central banks, governments and international corporations of security features and authentication systems used in payment and identity transactions. These are the markets for Currency (including Cash Processing Solutions), Security Products and Identity Systems.

This focus distinguishes the De La Rue Group from its competitors. The strategy for an integrated De La Rue flows from its core strengths of reputation, customer relationships and innovation. Leveraging these across the individual businesses, while continuing both to drive productivity and to invest in capability, will enable the Group to maximise the opportunities presented by its markets.

De La Rue's products and services address problems, such as sophisticated counterfeiting and global terrorism. The solutions provided by the Group have to meet an absolute standard: delivering certainty for its customers by providing the best solutions in currency, security printing, authentication and identity. Achieving and maintaining leadership requires that all De La Rue operations work together to enhance their offering to customers by harnessing their many overlapping capabilities in:

- technology
- production assets
- processes
- customer and market understanding
- industry skills and experience

De La Rue's strategy as a focused Group is about capitalising on these combined strengths and sharing the fruits of its ongoing investments to deliver long term profitable growth. The Group's goal is to ensure that each of its business units uses the power of De La Rue to lead in its market sector, outpace its competitors, exceed customer expectations, while rewarding employees for their dedication and high performance. For its investors, De La Rue will follow a consistent formula to build value by:

- focusing on security printing and authentication systems
- driving for cost management and high margins
- maintaining superior cash conversion
- continuing to invest in capability and innovation
- actively managing the balance sheet
- returning surplus cash to shareholders

Our Business

De La Rue is the world's largest commercial security printer and papermaker, involved in the production of over 150 national currencies and a wide range of security documents such as passports, authentication labels and fiscal stamps. It is a leading provider of cash sorting equipment and software solutions to central banks, helping them to reduce the cost of handling cash. The Group also pioneers new technologies in government identity solutions for national identification, drivers' licences and passport issuing schemes. De La Rue employs approximately 4,000 people in 24 countries in the world.

Currency provides market-leading banknote paper; printed banknotes and banknote security features, including cylinder mould watermarks; security threads; a wide range of printed features and sophisticated optically variable devices. It also provides associated banknote services of anti-counterfeit consultancy; counterfeit analysis and training; currency management; design and origination; public education and technology partnerships.

Currency has one of the largest banknote design facilities in the world at Basingstoke in the UK, where it combines traditional techniques with unique, advanced systems for designing and originating banknotes and other security printed documents. It operates five banknote production facilities, located in the UK, Malta, Kenya and Sri Lanka.

World demand for banknotes is driven primarily by the decisions and policies of central banks. As cash handling becomes increasingly mechanised and counterfeiting ever more sophisticated, so the requirement for central banks to ensure an adequate supply of secure, high quality banknotes underpins long term demand for Currency's products and services.

Cash Processing Solutions (CPS) is integral to the Currency offering. It is dedicated to providing innovative solutions to large cash handling organisations with a strategic focus on central banks, commercial banks and bulk cash processing companies. As an expert in this arena, CPS provides consultancy services with a suite of progressive hardware and software products. These offerings, combined with consultancy, ensure that its customers have the most appropriate solutions to meet their cash processing objectives for their businesses.

CPS is a global player in its industry with manufacturing facilities in the USA, Russia and China and operational facilities in a further 16 countries.

Security Products is active in secure transactions which protect revenues worldwide for governments, large global corporations and financial institutions. Security Products also includes the Holographics business which is involved in designing, originating and manufacturing holograms.

Over recent years, Security Products has rationalised its facilities and products to transform its profitability. It has also repositioned itself in growth markets by developing higher value-added solutions for organisations seeking to protect the revenues which flow from licensing their individual brands.

Identity Systems (IDS) is engaged in developing, designing, implementing and managing secure identification systems for governments and state authorities in Africa, Europe, the Middle East, Latin America and the US.

IDS provides secure government services in over 40 countries including passport, border control, voter registration, driving licence and national ID card programmes.

IDS is able to provide end to end solutions including biometric data capture, secure identity documents, personalisation and issuance systems and associated implementation and support services.

The identity market is fragmented, comprising state print works, specialist systems integrators and secure technology providers. IDS' ability to compete in its marketplace is centred on the De La Rue brand and reputation for innovation. The business also leverages De La Rue's established routes to market and the cost efficiency of its solutions, as well as Group production and R&D synergies.

Identity Systems is well positioned in a market which is increasingly moving to technology based solutions such as ePassports. In April 2008, the business opened a new ePassport facility in Malta and continues to develop offerings to address the growth opportunities in its market.

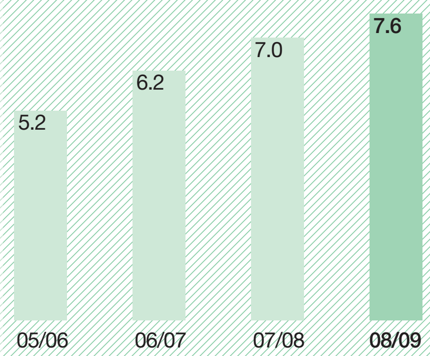
Chief Executive's Review
continued

The Group key performance indicators

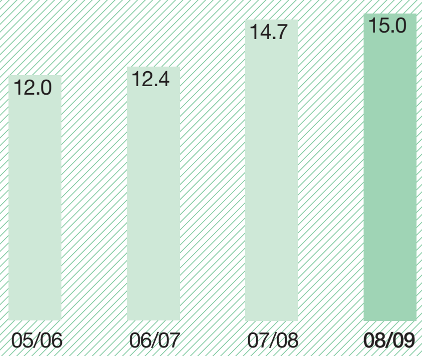
The Group uses a range of key performance indicators (KPIs), along with other management tools, to monitor performance over time against the financial objectives and strategy set out in the Business Review. The principal KPIs, together with the Group's performance against them in 2008/2009, are described below:

Performance measures*

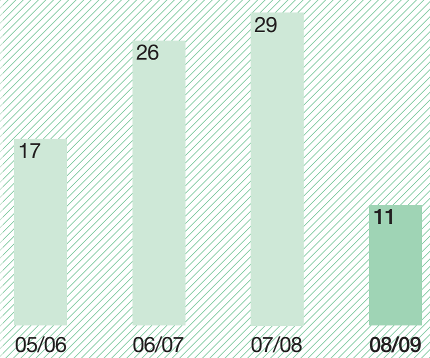
Banknote print volumes
(billion)



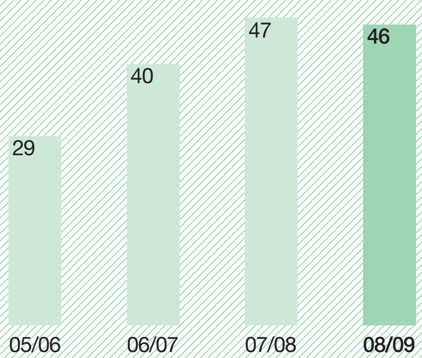
Banknote paper output volume
('000 tonnes)



Overspill proportion of total banknotes
(%)



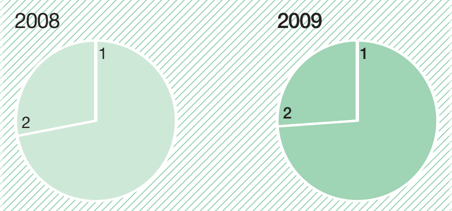
Currency order book
(weeks – 2 year rolling average)



*See page 21 for our financial KPIs.

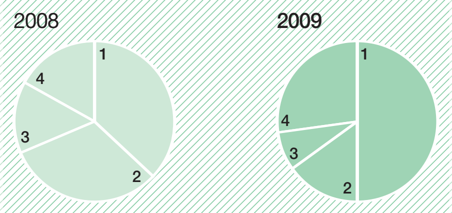
People measures

Gender breakdown (worldwide workforce)
(%)



		2008	2009
1	Male	72%	**74%**
2	Female	28%	**26%**

Average number of employees
(%)

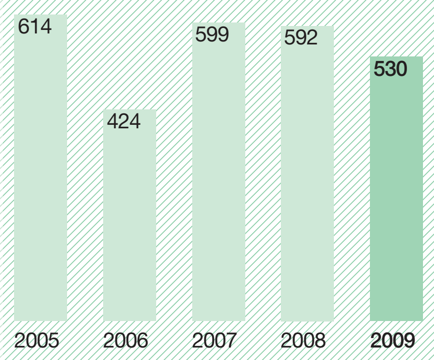


		2008		2009	
1	UK and Ireland	2,327	37%	**1,992**	**50%**
2	Rest of Europe	1,982	31%	**593**	**15%**
3	The Americas	914	15%	**309**	**8%**
4	Rest of World	1,051	17%	**1,065**	**27%**

See page 41 for more information on our employees.

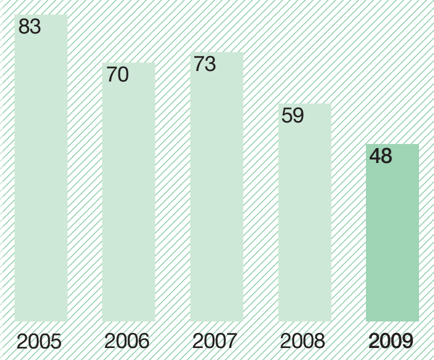
Health and safety measures

Total days lost



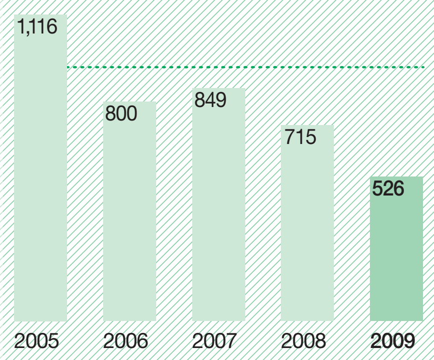
Total lost time accidents

(inc 3 days+)



Annualised reportable injury rate

(RIR)

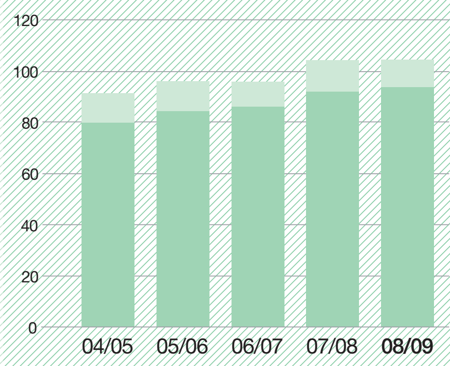


-- UK manufacturing average – 925.5 (2006/2007 UK HSE statistics)

Environmental measures

Greenhouse gas emissions

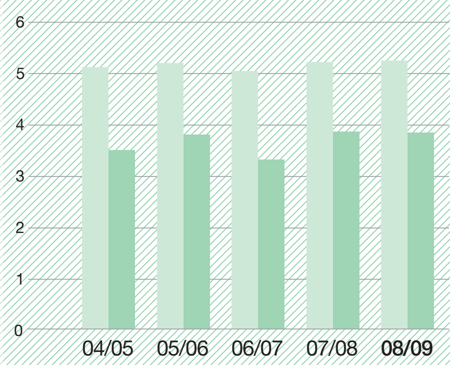
('000 tonnes as CO_2)



- Transport emissions
- Energy and production emissions

Water consumption by volume

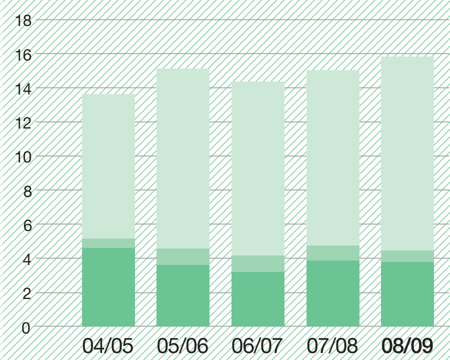
(million m³)



- Consumption
- Process water discharge

Solid waste

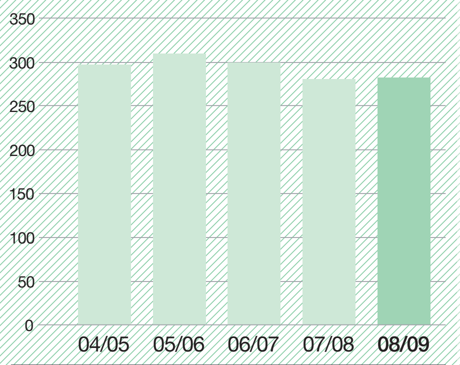
('000 tonnes)



- Recycled
- Incinerated
- Landfill

Water used per gross tonne of banknote paper

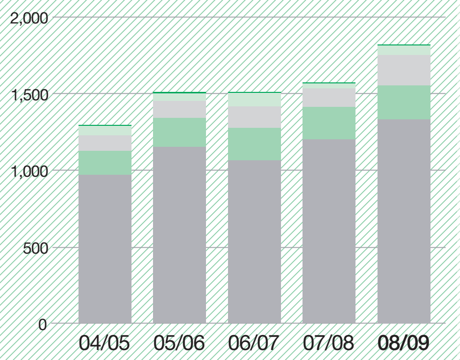
(million m³)



Note: Total water used (abstraction plus recycled) per production tonne of banknote paper produced at Overton for 2008/2009. Production tonne definition here means production tonnes at standard weight including spoil less any paper trials.

Total liquid waste

(including process waste m³)



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

See page 45 for more information on our environmental performance.

Our Business

The Group

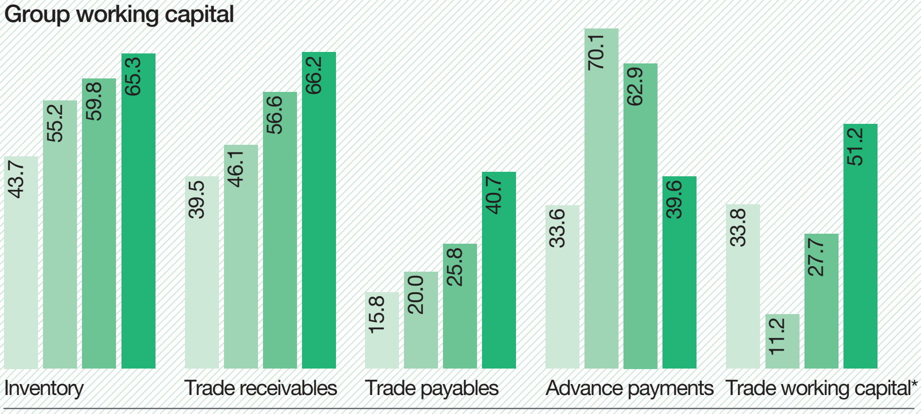
The Group comprises four strategic business units of Currency, Cash Processing Solutions (CPS), Security Products and Identity Systems (IDS).

	2008/2009	2007/2008	Change
Revenue	£502.4m	£467.0m	7.6%
Profit before tax	£96.1m	£91.2m	5.4%
Profit before tax and exceptional items(1)	£105.0m	£88.6m	18.5%
Basic earnings per share	277.7p	57.8p	380.4%
Headline earnings per share(1)	57.0p	41.7p	36.7%
Operating cash flow	£69.4m	£86.7m	(20.8%)
Net (debt)/cash at end of year(2)	(£33.1m)	£106.7m	–
Dividends per share†	41.1p	21.4p	92.1%

†includes proposed final dividend

(1) before exceptional costs of £8.9m (2007/2008: income £2.6m)
(2) cash and cash equivalents of £58.5m (2007/2008: £120.3m) less current and non-current borrowings of £91.6m (2007/2008: £13.6m)

Group working capital

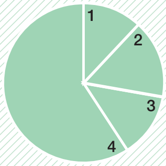


*Trade working capital comprises inventory plus trade receivables less trade payables and advance payments.

De La Rue plc share price performance 2008/2009

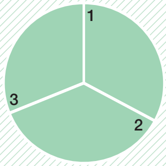
Note: scaled for comparison.

Geographical analysis of Group revenue
(%)



1	UK and Ireland	12%
2	Rest of Europe	16%
3	Americas	13%
4	Rest of World	59%

Group inventory position – £65.3m
(%)



1	Raw materials	33%
2	Work in progress	36%
3	Finished goods	31%

Market capitalisation: 28 March 2009

£927.4m

Employees: operating in 24 countries

4,000

Operating cash flow

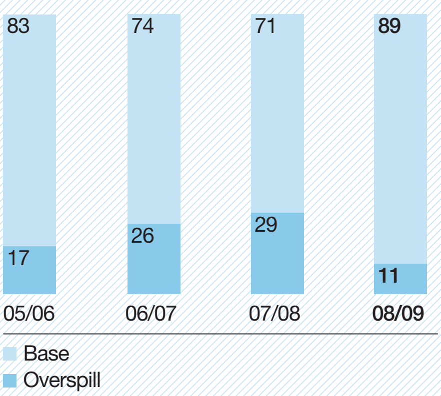
£69.4m

Currency

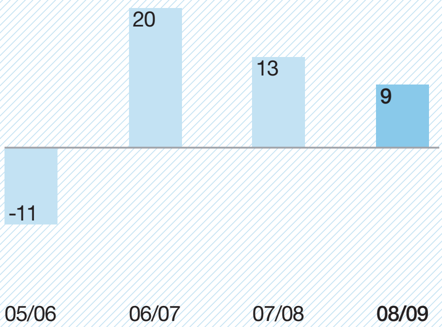
	2008/2009	2007/2008	Change
Revenue	£348.6m	£316.7m	+10.1%
Underlying operating profit[1]	£82.8m	£66.5m	+24.5%

[1] before exceptional items

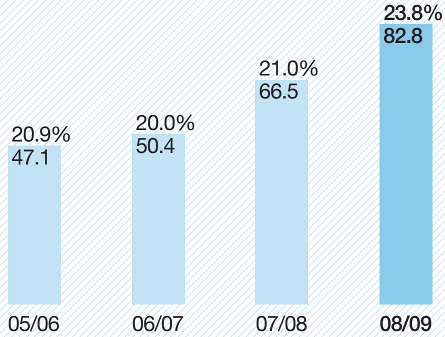
Banknotes base/overspill
(% of sales)



Currency print volumes
(% movement)

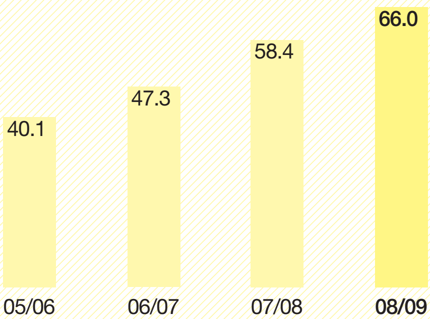


Operating profit and margins (before exceptional items)
(£m)

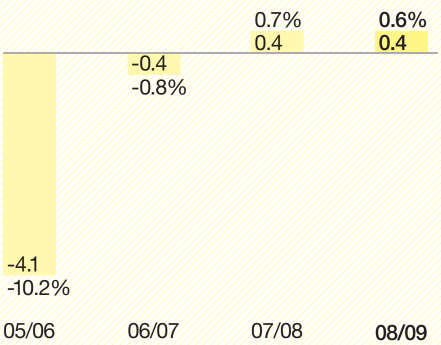


Cash Processing Solutions (CPS)

Revenue
(£m)

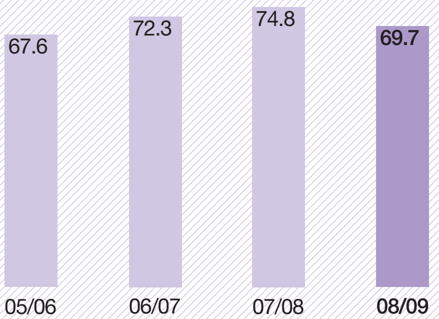


Operating profit and margins (before exceptional items)
(£m)

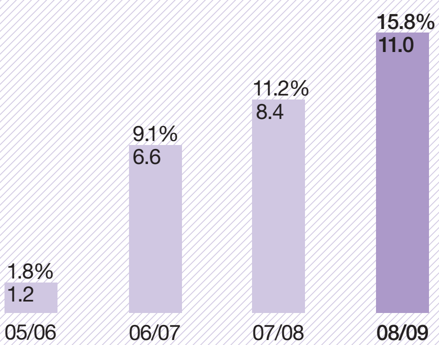


Security Products

Revenue
(£m)

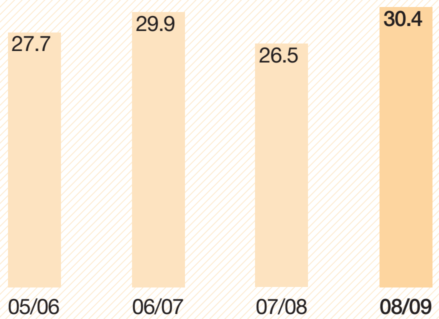


Operating profit and margins (before exceptional items)
(£m)

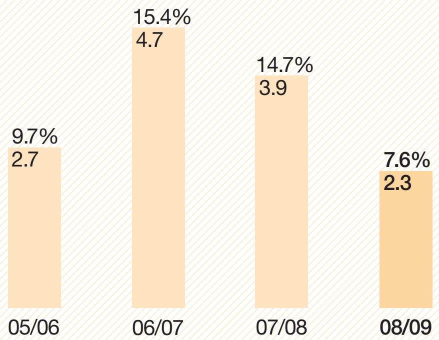


Identity Systems (IDS)

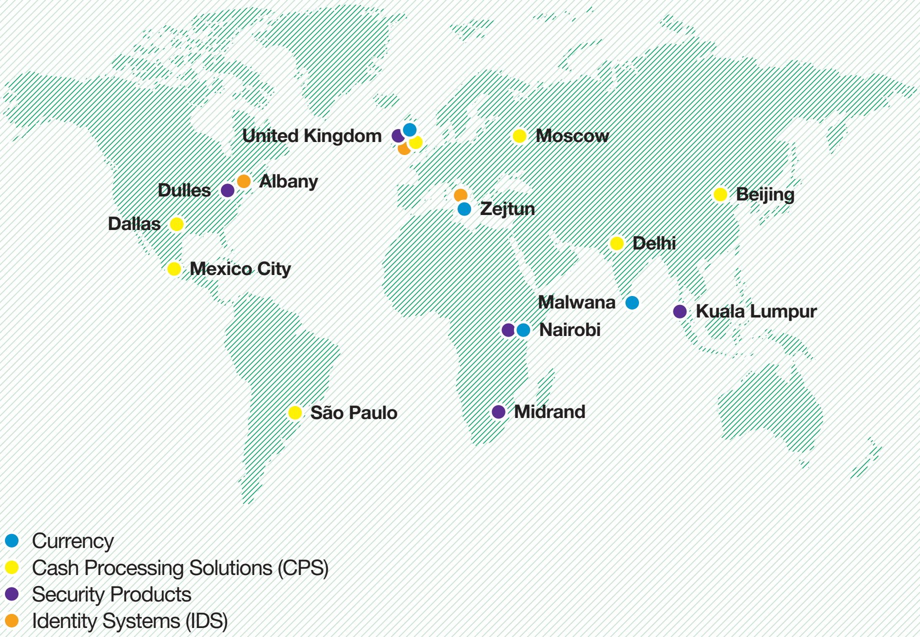
Revenue
(£m)



Operating profit and margins (before exceptional items)
(£m)



Review of Operations
Key Businesses and Activities



This section of the report reviews the year for each of the businesses, and outlines the main trends and factors likely to affect their future development and performance within the Group. Risks and Risk Management are described on pages 34 to 37.

Currency
Strategy
Currency's strategy is to maintain and enhance its position as the leading commercial provider of banknotes, banknote paper, security features and associated services worldwide. The strategy is executed by focusing on three key areas:

– close customer relationships: by developing and maintaining the closest possible partnerships with its customers, the business understands their requirements and can tailor the products and services that it provides to meet their particular needs. This understanding of customer needs also drives the innovation process.

– an efficient and high quality manufacturing base: as the largest commercial manufacturer of banknotes and banknote paper in the world, De La Rue Currency has natural economies of scale, which are enhanced by comprehensive programmes of continuous improvement to reduce costs while increasing quality.

– innovation: in both its products and its processes the delivery of novel security features helps combat the threat of counterfeiting while the efficiency of the cash circulation cycle is key to De La Rue's market leadership.

Key drivers and performance
Currency turned in another strong performance in 2008/2009, assisted by continuing high levels of demand for banknotes around the world, and operated at very high levels of capacity utilisation throughout the year.

Overall banknote volumes increased by 8.5 per cent (2007/2008: increase of 13.4 per cent) despite the very low proportion of overspill work of 11 per cent compared to 29 per cent in 2007/2008. Operating profit margins benefited from volume increases, productivity improvements and the weakening of Sterling exchange rates against the Euro and the US Dollar. In addition, there was a more favourable mix of work compared to the corresponding period last year.

Banknote paper continues to operate at full capacity but production rose by 2.6 per cent (2007/2008 up 18.3 per cent). This was underpinned by productivity improvements, although timing of shipments resulted in volumes sold being only marginally up year on year.

The good order book in Currency continues to provide good visibility into 2009/2010.

Trends and factors of current and future performance

In relation to cash issuance by central banks note retirement is the most important factor as well as changes in the underlying level of GDP and changes in using cash as a means of payment.

Note retirement is affected by:

- the timing and frequency of new note design launches
- changes in cash recycling policy and technology
- growth in automated cash handling by retail banks requiring a cleaner note policy
- changes in denomination structure
- progressive developments in counterfeiting

Marketplace – key challenges and opportunities in the industry

Demand for banknotes continues to be strong around the world, with no indications of a significant decline in demand despite the global economic situation. Although economic growth is one driver of banknote demand, it is not as important as other factors such as shortening design cycles and changes in cash circulation policy. Similarly the continuing development of alternative payment systems shows no signs of a significant impact on cash usage. The value of cash in circulation as a proportion of GDP remains extremely stable in even the most developed economies.

The threat of counterfeiting is ever present and counterfeiters will always try to exploit the latest developments in digital reprographic technology. De La Rue Currency combats this by continuing to invest extensively in the development of innovative and effective security features, using some of the newest developments in materials science. The proportion of counterfeit currency in circulation generally remains extremely low.

Cash Processing Solutions

Strategy

CPS' strategic goal is to deliver steady and sustainable growth by utilising De La Rue's reputation in developing strategic customer relationships; and by delivering excellence in execution.

This will be achieved by:

- Continued development of sales channels: CPS will grow and strengthen its sales capacity and sales presence by leveraging Group networks and partnering externally where appropriate.

- Continued development of product offering: by identifying market trends and investing in R&D, CPS will continually refresh its product portfolio to capitalise on market opportunities in the cash handling environment.

- Delivering customer-focused excellence: CPS will leverage its industry expertise to deliver a product set and standard of service that enhances customers' own performance.

Working in tandem with the existing customer base is an important element of CPS' product portfolio strategy. As experts in the industry, CPS can through its products and services help customers to build leading edge strategies which take advantage of new market opportunities.

Key drivers and performance

Over the last decade, technology has begun to influence this historically conservative market sector. At the bank branch level, the growth of ATM networks has increased the accessibility of cash and has underpinned the continuing usage of cash as an ideal medium for a large number of low value transactions. The expectation in the current economic climate that people will use more cash as a method of controlling personal expenditure has increased pressure on financial entities to maintain the integrity and availability of cash in circulation.

For central banks, the automation of cash processing provides a means of fulfilling the twin objectives of security and accuracy, validating both the required standard and integrity of each note.

Review of Operations
continued

Commercial bulk cash handlers are sensitive to profit fluctuations and are continually looking to rationalise their business processes and to reduce overheads. In the automation of cash handling, ultra high speed and medium speed sorters can now offer feature rich output, including detailed data on throughput and productivity levels. Combined with industry designed software to track and manage the flow of cash around a cash centre, these capabilities provide commercial entities with the management tools necessary to reduce their costs, maximise their throughput and rationalise their operations.

The development of a refreshed product portfolio was a vital strategic achievement for CPS. During the last year, the business introduced two major products to its portfolio, the DLR7000, the latest in the range of ultra high speed sorters, and monitoring software, ECM™ Dashboard.

Trends and factors of current and future performance

CPS provides consultancy-led cash handling solutions, including banknote sorters, to help central banks, note issuing authorities, commercial banks and other handlers of bulk cash worldwide to process cash efficiently and improve customer service.

CPS focuses on delivering innovation, security and productivity benefits for its customers by tailoring the right solution of hardware and software with cash centre design and process for particular segments of the market which complement the Currency business and maximise the commercial sector. The emerging markets such as Brazil, Russia, China and India may provide further opportunities. CPS' products also comply with the European Central Bank's Banknote Recycling Framework.

Marketplace – key challenges and opportunities in the industry

Cash processing is an essential aspect of the currency life cycle as it assists in maintaining the authentication and integrity of all cash in circulation. As such the cash processing industry is a mature market with a number of differing suppliers and vendors offering a variety of products to manage and control the handling of cash. In order to differentiate itself from other vendors, CPS works with its customers at a strategic level. These strategic relationships allow for greater clarity of discussion and ultimately an improved product and solution offering.

Cash is a valuable commodity that needs to be handled securely by all of those entities responsible for its production, circulation, ownership, transportation and ultimately destruction. Each customer segment has a different but valuable role to play in the currency life cycle, with all customers having individual business drivers and standards to maintain. These requirements heavily influence the cash processing methodology employed. By highlighting its own knowledge of these requirements, CPS seeks to position itself as a market leader on whom the industry can depend.

With its continued investment in innovation and refreshed portfolio CPS is well positioned to provide solutions to meet the needs of its key customer segments.

Looking forward there will be a continued requirement in the market for productivity solutions to enable effective management of the cash cycle. The business anticipates growth opportunities and will seek to improve profitability over the next two years through continued focus on operational efficiency.

ECM™ is a trademark of De La Rue International Limited.

Security Products

Strategy

Security Products contains the three niche businesses of Holographics, Security Papers and Security Print. While each of these is among the leading players in its respective area, both Holographics and Security Papers compete in relatively concentrated markets, while Security Print's market is more diverse.

Over recent years, Security Products' strategy has been to reposition the business to focus on and build market share incrementally in segments with strong long term growth prospects. These are brand licensing solutions and authentication labels, government documents, financial card holograms and supplying components to other parts of De La Rue, such as Currency.

Security Products' strategy for the immediate future is to invest in new technology to improve its differentiation in target markets. It will benefit from sharing the Group's intellectual property.

It will achieve further productivity improvement, by building on the Group's existing facilities and by continuing to control costs – a programme that has already delivered significant enhancement to profitability.

Many of Security Products' applications are seen as 'mission critical' to its customers, either in securing their revenues or authenticating their product. This means that the solutions offered by Security Products have to be both effective and robust. Increasingly the business is delivering a full service to its customers, including data management and on-line authentication capability.

In the longer term, Security Products expects to evolve into a solutions business and will upgrade its capability accordingly, using internal development, selective recruitment and external partnerships.

Key drivers and performance

Security Products met its targets for the year, demonstrating continued progress in executing its strategy and strengthening its contribution to the Group. Following the disposal of the De La Rue Smurfit joint venture during the previous year, comparisons are made on a like-for-like basis.

The business grew both its sales and order book, despite the impact of the downturn in its commercial markets and sectors related to consumer demand. This was underpinned by a strong performance from internal components in particular.

A tight rein was kept on overhead and operating costs, delivering more than four percentage points' improvement in operating profit to 15 per cent for the full year.

The modest improvement in sales and the strongly improved profitability combined to drive a substantially higher operating profit, while a marked decrease in working capital resulted in more than 100 per cent of this being converted into cash.

Trends and factors of current and future performance

De La Rue operates as the largest commercial security printer and, in addition to supplying Currency, produces authentication labels; brand licensing products; government documents; overseas cheques; postage stamps and holograms. Opportunities for growth will centre around the development of new customers for these solutions and in particular:

- potential for fiscal stamp growth: at present many countries around the world have either partial fiscal stamp schemes or no such schemes. As governments seek to enhance and protect their revenues, they will tend to introduce new or improved schemes.

- potential in brand licensing: Security Products has been successful in winning several high profile brand licensing contracts. This is a market with scope for further growth.

Other factors relevant to the business include:

- productivity: in recent years, the business has improved productivity, resulting in improved competitiveness. This allows the business to build share in some of its more traditional, less differentiated markets.

- exchange rates: many of its competitors are based in the euro zone. The business is currently benefiting from the high value of the Euro compared to Sterling.

Marketplace – key challenges and opportunities in the industry

Security Products' customers fall into two broad categories: governments and international commercial organisations. In both cases many contracts are secured on a multi-year basis. This means that, while sales cycles may be long, once contracts are secured the business benefits from a significant degree of continuity and a good level of forward visibility.

While Security Products has shown considerable resilience, it is not immune to the current economic climate. Call-off orders from its commercial customers, particularly in the brand licensing and authentication labels area, were scaled back in the second half of the year, reflecting weaker demand in their end consumer markets. At present, there is no sign that demand is yet returning to normal levels, despite the long term trend toward increased demand for such solutions.

In government business, Security Products has two routes to growth: building market share in a currently fragmented market and increasing its use of De La Rue's reputation and relationships across the world. At the same time, Security Products' internal components businesses will continue to work closely with the Currency business and benefit from the ongoing strength of demand in that market.

Review of Operations
continued

Identity Systems

Strategy

Identity Systems' (IDS) goal is to deliver steady and sustainable growth, focusing on existing markets while at the same time continuing to extend its capabilities and customer offering so as to benefit from the expansion of the identity market as it evolves.

The business has three streams through which it intends to deliver this strategy:

– continued development of sales channels: growing and strengthening its sales presence to capitalise on market growth; leveraging Group networks and partnering externally where appropriate.
– innovation and breadth of proposition: targeting research investment to develop differentiated security features for documents using Group technology. The business will also expand its range of solutions to meet customers' changing needs by investing in enhanced software and infrastructure capabilities and broadening its range of electronic identity solutions.
– delivery of customer-focused operational excellence: maintaining focus on quality and procurement excellence to ensure cost advantages and superior customer satisfaction.

Key drivers and performance

The identity market is growing steadily, driven by increased cross-border security initiatives and growing public sector spending on identity card initiatives. In addition, the technology has developed rapidly with the advent of both ePassports, which include a chip and Radio Frequency Identification (RFID) antenna, and chipped identity cards. Not only does this technology drive increased document sophistication, it also requires a complex, secure infrastructure to handle, store and encrypt personal data.

Profitability and success are strongly dependent on IDS' ability to buy effectively and to manage production costs. In bringing together identity solutions to meet customer needs, the business may act as a reseller and integrator, adding various elements supplied by third parties to its core proposition. Robust procurement, particularly for chipped inlays, is essential. The increased cost of materials with the move to ePassports and exacting customer requirements also drive a focus on quality and cost control, especially within the manufacturing base.

During the year, De La Rue opened its state of the art ePassport factory in Malta. Benefiting from operational synergies with neighbouring Currency facilities, the site will enable the business to capitalise on the continuing conversion from old style machine readable passports to ePassports.

The business achieved sales of £30.4m in 2008/2009 (2007/2008: £26.5m), with significant wins stemming from previous investment in capability. The launch of its first chipped, RFID identity card helped to secure a major contract renewal in the year. The business also introduced its first complete integrated national ePassport and electronic identity card programme. IDS now has contracts for the supply of ePassports to five countries.

Trends and factors of current and future performance

The following factors are relevant to the IDS business:

– the growth rate in the identity market is above 10 per cent and is driven by the transition to electronic and new technologies, coupled with an increasing need to identify individuals for social and security reasons.

– growth of data management services: such as secure data capture transmission, authentication and management. These are early signs of a gradual move away from physical documents to bio-verification.

– increased technology sophistication: passports need to be integrated into overall government systems and as the electronic requirements increase complexity so opportunities for product and service are created.

Marketplace – key challenges and opportunities in the industry

Although most of the larger developed countries have now moved to ePassports, in IDS' core markets customers are continuing to transition gradually, as expected. IDS has aimed to place itself strongly in the machine readable passport market in order to benefit from this transition. The changing technology increases the scope of countries' requirements, adding a need for more sophisticated services for data capture, handling and assurance. In the identity card market, IDS has pursued a similar strategy, culminating in the sale of its first chipped identity card products this year.

IDS has opportunities to grow as its target customers pursue this migration to electronic identity cards and ePassports. The growing technology challenges faced by governments also present IDS with an opportunity to deepen its services to existing customers. The business anticipates continued steady growth. The business will also seek to improve profitability over the next two years through continued procurement focus and improvements in production efficiency.

The technology shift also opens opportunities for De La Rue to partner with State Print Works as they, too, make the transition to ePassports, with the provision of procurement, personalisation and issuance services.

Risk and Risk Management

De La Rue's reputation is based on security, integrity and trust. This section therefore only summarises the types of risks which are either specific to the continuing businesses of De La Rue or which could have a material, adverse effect on the Group, following the disposal of the Cash Systems business. It also describes the risk management systems and processes in place and significant events during 2008/2009.

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 information about the Group's operations throughout the year 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 2008/2009.

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 Statement.

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. Business Unit Managing Directors, to whom general managers of smaller businesses report, are responsible for establishing and maintaining these procedures.

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;
  - reports on other such matters as security, health and safety, environmental issues and fire risks; and
- discussing with management risks 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 38.

Following the disposal of Cash Systems, the internal audit function was outsourced entirely to Ernst & Young who have, in conjunction with senior management and the Audit Committee, carried out a review of the focus of, and way in which internal audits will be carried out in the future with the objective of targeting resources better and improving the process.

Specific Risks

Strategy, Technology, Competition and Market Concentration

The Group's strategy and progress in implementing it is outlined on pages 20 to 33. 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 perceived to be a technological revolution which renders cash obsolete, such as e-cash.

The business primarily operates in developing countries with approximately 85 per cent of its customer base outside Europe and the USA. Such developing countries are likely to be significantly behind any trend to e-cash technologies. Even in the UK, banknote volumes have not been significantly eroded by existing cashless payment methods such as debit and credit cards.

In addition, such technologies require critical mass to gain credibility and this in turn requires an established common infrastructure to support it. Finally, cultural factors in many countries maintain strong demand for cash as a method of transaction.

Operational issues

Currency

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 on the Group's results and prospects which the business mitigates by achieving as much diversity of customers as possible.

De La Rue seeks to mitigate the risk of counterfeiting by focusing on innovation in technologies, features and products to stay ahead of changing markets and the competition and in particular the counterfeiter. Failure to develop new technology to meet customers' needs, delays in bringing products to market or failure to protect material intellectual property rights may have an adverse impact upon the Group's prospects.

Cash Processing Solutions

The CPS business is exposed to long ordering processes of central banks and commercial banks, frequently for customers in the developing world. Significant year on year changes in volume or customer mix could affect profitability, which the business mitigates by achieving a diversity of its customer base.

One of the strengths of the CPS business is that a significant part of the business is annual service and maintenance of the installed base. These are very stable, long term contracts to maintain mission critical machine operation.

CPS' total solution package typically represents a major investment by its customers. Therefore, the profitability of the CPS business in any given period can fluctuate significantly, depending upon the customer demand and the specific solutions delivered in that period.

CPS continues to invest in and develop its product portfolio to ensure that the products continue to provide the flexible tailored solutions that De La Rue's customers demand.

Risk and Risk Management
Continued

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 applicable in the UK or those that De La Rue requires all its subsidiaries and employees to follow as regards business behaviour. Any material damage to De La Rue's reputation could have a major effect on the Group's prospects. Details of these standards are set out in the Corporate Responsibility Report on pages 41 to 45.

On 27 July 2007 the Company announced that the Serious Fraud Office ('SFO') was 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 was 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. At present, the Company is not able to quantify the impact of any action the SFO may take as a result of this investigation and is not yet in a position to comment further.

Significant effort is made to ensure that employees understand legal obligations. 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 Board has accepted recommendations following a further review of its policies and procedures against the recommendations made by Lord Woolf as described in the Corporate Responsibility section on page 41.

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. Any material breach of security could have a major effect on the Group's prospects.

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 Currency 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.

General Risks
Economic conditions
Significant changes in economic conditions, for example: the prices of commodities such as cotton, energy or inks; changes in interest rates, rates of inflation, economic growth and other factors could substantially and adversely affect the business, financial and operating performance of the Group notwithstanding the Group's normal policy of buying commodities at prevailing market prices under medium term supply contracts. A number of businesses are relatively energy intensive, either because of production processes or due to the proportionately high costs of transportation.

In addition, no one element of the above commodities represents more than 30 per cent of the total final cost element of a finished banknote. Vertical integration gives greater internal control with more than 60 per cent of costs now in house. Further mitigation is achieved through the rolling process of contract negotiation which provides the opportunity to update processes to reflect the cost base.

Security Products is more exposed to the economic cycle than Currency due to the proportion of commercial organisations that it serves.

Although the identity market is more insulated against the current economic climate than most, pressure on state finances may mean the cancellation or postponement of government identity projects. Passport and identity document issuance volumes are also expected to decrease as travel reduces or renewals are postponed. There are also risks around the supply of critical document and system components as the external supply chain struggles to deal with the limited availability of credit and working capital. Although these effects have not been significant to date, it is expected that the threat of these challenges will persist well into 2009/2010.

Legislation and regulation
De La Rue is subject to the laws and regulations of countries where it does business. Failure to comply with such laws and regulations could impose additional costs on or have an adverse impact on the performance of and/or damage the reputation of the business carried on by the Group.

Financial Risk Management
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. Any material exposure could adversely impact the Group's earnings. This is not a material risk for the Company's sufficiency of working capital over the next 12 months. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures as soon as they arise but does not take speculative positions. Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

Group Treasury provides written principles for overall risk management, as well as policies covering specific risks, such as foreign exchange, interest rate, credit, 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 and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group aims to hedge such exposures where possible and practical. However, any material exposure to foreign exchange risk could have a major effect on the Group's profits. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward foreign exchange contracts transacted with financial 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.

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

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

The Group's exposure to cash flow interest rate risk arises principally from cash balances held. Current low levels of borrowings are all at floating rates. 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.

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 current low gearing 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

Simon Webb
Group Finance Director

Key Financials (continuing operations)

	2008/2009 £m	2007/2008 £m	Change %
Operating profit before exceptional items	**96.5**	79.2	21.8
Profit before tax and exceptional items	**105.0**	88.6	18.5
Exceptional items	**(8.9)**	2.6	
Profit before tax	**96.1**	91.2	5.4
Headline earnings per share	**57.0p**	41.7p	36.7
Basic earnings per share	**277.7p**	57.8p	380.4
Dividends per share	**41.1p**	21.4p	92.1

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

	2009 Group Assets £m	2009 Cash/(debt) £m	2009 Net Assets† £m	2008 Net Assets† £m
£ Sterling	**(23.9)**	**(23.3)**	**(47.2)**	47.3
US Dollar	**39.2**	**(24.3)**	**14.9**	22.9
Euro	**39.1**	**2.0**	**41.1**	65.0
All other	**(3.6)**	**12.5**	**8.9**	78.0
Total	**50.8**	**(33.1)**	**17.7**	213.2

†Excluding minority interest.

In this section of the Business Review we analyse the strong performance and financial position of the Group at 28 March 2009. 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

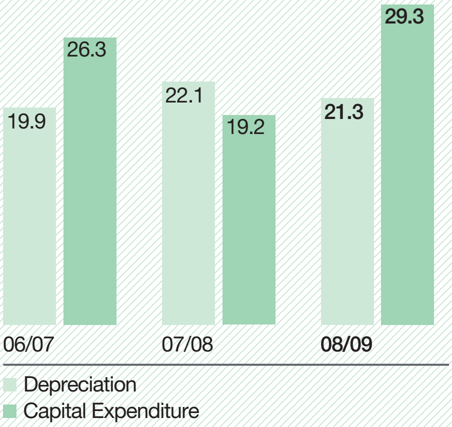
Profit before tax increased by £4.9m to £96.1m (2007/2008: £91.2m) and the Group's operating profits of £87.6m represented an increase of £8.4m or 11 per cent compared with last year (2007/2008: £79.2m). Headline earnings per share increased by 37 per cent to 57.0p (2007/2008: 41.7p) reflecting the improved trading performance and the benefits of the share consolidation carried out in conjunction with the return of cash. Basic earnings per share from continuing operations were 50.9p compared with 43.4p in 2007/2008, representing an increase of 17 per cent.

In Currency, banknote export volumes remained consistent (up 3 per cent on 2007/2008), with a number of new banknote families being launched and a particularly strong sales mix. Overspill represented only 11 per cent (2007/2008: 29 per cent). Productivity efficiencies increased paper output (up 3 per cent on 2007/2008) with the business continuing to benefit from strong capacity utilisation. Overall Group operating profit margins were 2.2 percentage points higher at 19.2 per cent (2007/2008: 17.0 per cent).

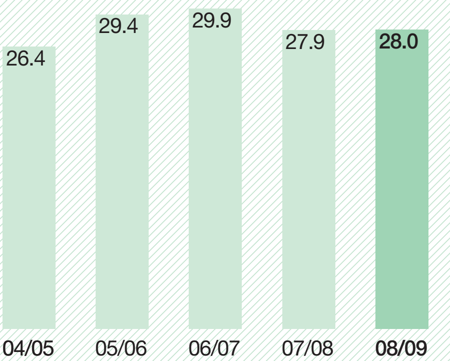
Discontinued Operations

The Group completed the sale of its Cash Systems activities (excluding Cash Processing Solutions) on 1 September 2008. In accordance with the requirements of IFRS5 (non-current assets held for sale and discontinued operations), Cash Systems has been classified as a discontinued operation and has been disclosed as such. The comparatives have been restated accordingly. Profit from discontinued operations (after tax) was £296.5m, which included £12.6m (after tax) from the trading profit of the discontinued activities for the five months

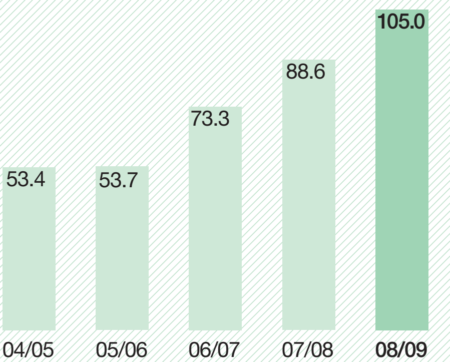
Capital expenditure relative to depreciation
(£m)



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



Profit before tax and exceptional items
(£m)



to 1 September 2008. The profit on the disposal represents the proceeds of Cash Systems on a cash free, debt free basis, less net assets disposed and related transaction costs.

Exceptional Items

Following the sale of Cash Systems, there was an exceptional charge of £8.9m in the year reflecting the restructuring costs associated with downsizing the central organisation, principally covering redundancy, separation costs and site rationalisation charges. This programme is largely complete. In the prior year, 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 were credited as an exceptional item. In addition, in November 2007 the Group disposed of its 50 per cent shareholding in De La Rue Smurfit Limited to its joint venture partner generating a exceptional profit on disposal of £0.9m.

Interest Charge

The Group's net interest income was £1.4m (2007/2008: £2.0m) which reflected the net benefit from the underlying cash generation of the Group. In addition, the IAS19 related finance item, arising from the difference between the interest on liabilities and the expected return on assets, was a charge of £1.8m compared with a credit of £0.3m the previous year.

Taxation

Tax for the year on continuing operations was £28.5m, including an exceptional tax credit of £0.9m (2007/2008: £24.7m). The effective tax rate on continuing operations pre exceptional items was 28 per cent, in line with the last full year's charge. Tax credits relating to exceptional items were £0.9m, with a credit of £1.9m in relation to the central reorganisation being partly offset by a £1.0m charge in respect of the phasing out of Industrial Buildings Allowances, included in the Finance Act 2008.

Cash Flow and Borrowings

During the year operating cash flow from continuing operations was positive at £69.4m compared with £86.7m in 2007/2008. Increased working capital in the year reflected both the increased trading activity and, as expected, a reduction in advance payments of £23m from £63m at 29 March 2008 to £40m at 28 March 2009. Asset working capital ratios remained consistent with the prior year.

Capital expenditure of £29.3m (2007/2008: £19.2m) was higher than depreciation, reflecting the timing of the longer term investment programme directed at enhancing the future capability of the business.

After payment of the 2007/2008 final dividend (£22.3m), the 2008/2009 interim dividend (£13.8m), the B Share dividend of £340.6m, and a £119.3m return of cash, closing net debt was £33.1m compared with net cash of £106.7m at last year end.

During the year, the Group negotiated new borrowing facilities of £175m, comprising a £50.0m three year term loan drawn on 14 November 2008, and a £125.0m revolving facility. Key covenants on these facilities require that the interest cover be greater than four times, and the net debt to EBITDA ratio be less than three times.

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 28 March 2009 foreign exchange favourably impacted the Group's revenue by £25m and operating profit by £6m, 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.

Financial Review
Continued

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. From June 2007 the normal retirement age was increased from 62 to 65, with retirements before the normal retirement age resulting in a 5 per cent per annum actuarial reduction in pension.

The Group also agreed with the Trustee to make additional special contributions of £12.0m per annum until 2012 or until the deficit is cleared, if sooner. The payments have been made in line with the agreed schedule. 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 of the UK Pension Scheme under IAS 19 principles indicates a scheme deficit pre-tax at 28 March 2009 of £67.5m (March 2008: £20.7m). This significant increase in deficit during the year has mainly arisen due to the volatile markets partly offset by the benefit of the Group's special contributions of £27.0m, comprising a regular contribution of £12m (noted above) and a further additional one-off contribution of £15m following the disposal of Cash Systems. The charge to operating profits in respect of the UK Pension Scheme for 2008/2009 was £5.8m (2007/2008: £10.0m). In addition, under IAS 19 there was a finance charge of £1.8m arising from the difference between the expected return on assets and the interest on liabilities.

Principal exchange rates used in translating the Group's results

	2008/2009 Average	2009 Year end	2007/2008 Average	2008 Year end
£				
US Dollar	**1.73**	**1.43**	2.01	1.99
Euro	**1.21**	**1.08**	1.42	1.26

UK Pension Scheme – IAS 19 Valuation

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

	2008/2009	2007/2008	2006/2007
Key assumptions	%	%	%
Interest rate (AA bond rate)	**6.80**	6.80	5.30
Salary growth	**3.50**	4.10	4.00
Inflation	**2.90**	3.50	3.10
UK pension scheme			
Assets	**£427.3m**	£507.4m	£524.4m
Liabilities	**£494.8m**	£528.1m	£628.7m
(Deficit) – gross	**(£67.5m)**	(£20.7m)	(£104.3m)
(Deficit) – after tax	**(£48.6m)**	(£14.9m)	(£72.7m)

Corporate Responsibility

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 52 to 57. 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 and De La Rue’s policies and procedures. New induction processes have been rolled out together with more in depth training of senior managers and the sales force in relation to third parties and avoiding conflicts of interest.

Following its review of Lord Woolf’s recommendations, the Board will itself take responsibility for reputational matters while the process for appointing sales agents and consultants will be centralised and the General Counsel & Company Secretary will be responsible for ensuring that proper due diligence has been done. Continued training of relevant employees has been undertaken and will continue to be a significant feature.

The Company’s ‘whistle blowing’ policy and procedures 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 helpline. The Board and Audit Committee receive details about any issue raised and how it has been followed up. Each year the Audit Committee reviews the policy and procedures.

Employees

Following the divestment of the Cash Systems Division, the Group now employs approximately 4,000 staff in 24 countries. See page 24 for KPIs.

With the smaller, more focused Group structure, the leadership team is concentrating on the benefits and synergies of greater collaboration and process sharing across the businesses. Under the umbrella of One De La Rue, teams are working on action plans in six key areas: Our Customers, Our Innovation, Our Performance, Our Contribution, Our Communication and Our People.

The Operating Board continues 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.

Group communication processes have been reviewed and continue to promote employee involvement through a policy of communication and consultation by the leadership team and business managers. Senior managers are engaged in a series of site communication and work shadowing initiatives to broaden business understanding and engagement with employees. In addition to the Company newsletter, the intranet and more traditional house notices, the Chief Executive issues a regular electronic article on key business issues to all employees who have the opportunity to respond directly to him.

Corporate Responsibility
Continued

Following the second employee survey undertaken in 2007, focus groups have been actively building on the high scores for levels of engagement with customers, focus on results and delivery of products and services, as well as implementing many initiatives combining charitable giving, team building and social events. All businesses have been engaged in improving their recruitment and promotion processes both as a result of survey feedback and the need for increased manning at a number of sites following the introduction of 24/7 working. For example, Overton Mill runs a formal apprenticeship scheme in mechanical and electrical engineering and instrumentation which includes outside training. The Group has launched a major leadership development initiative which is being introduced across all sites with positive feedback from participants. Local surveys of progress against survey topics are showing encouraging results and a further survey is planned during 2009.

De La Rue's productivity programme 'My Contribution' continues to generate more than one idea per employee across the Group. The programme, now in its fifth year, is being relaunched as 'Our Contribution' to place even greater emphasis on teamwork and cross functional and cross business collaboration and productivity improvement. The most significant initiatives will be recognised at the 4th Spotlight event which will be held in Malta in September 2009.

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 Human Rights, Equal Opportunities, Anti-Harassment and Stress policies are available on the Company's website.

The Group's web based HR management system continues to add value 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.

Charitable Donations
Donations for charitable purposes amounting to £144,000 (2008: £79,000) were made during the year. This included a donation of £75,000 in Kenya following the civil unrest in early 2008.

The De La Rue Charitable Trust also aims to direct funds to appropriate causes where De La Rue operates, emphasising educational projects promoting relevant skills, international understanding or relieving suffering.

Customers
The customer survey programme, Net Promoters™, is now an accepted tool for all four business units for getting customer feedback.

Suppliers
De La Rue continues to apply a consistent set of procurement policies and processes to deliver accountability, sustainable value for money and continuous improvement while 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.

FTSE4 Good Index
De La Rue is also a member of the FTSE4 Good Index, the responsible investment index calculated by Global Index Provider FTSE Group.

Further details can be found on the Corporate Responsibility section of the Company's website.

Corporate Responsibility in Action

The Group encourages its employees to participate in community projects.

Kenya – computer recycling and school exercise books

Employees at the Kenya factory have been involved in a number of community help programmes. One such scheme involves the donation of redundant computer equipment to disadvantaged schools in poor urban and rural areas.

Personal computer usage is growing rapidly in Kenya but, due to lack of funds, little provision is made in schools for pupils to use computers and there are no options for disposing of old equipment. The Nairobi site is involved in the Computers for Schools Kenya (CFSK) initiative which arranges the collection, refurbishment and donation of used computer equipment to disadvantaged schools.

In addition, the Nairobi factory provides local schools (see below) with exercise books made from recycled (non-watermarked) paper. Previously this paper would have been destroyed.

Both these initiatives help schools reduce their costs and reduce waste in Kenya.

Sri Lanka house

De La Rue Lanka employees decided to donate a group prize to a good cause rather than spend it on an employee event.

At the time a temporary worker at the site was living in a timber shack with his wife and three children so the employees put the money towards building this family a permanent home (see below).

In addition to personal financial donations, matched by the Company, employees also helped build the house and donated books and clothing.

Overton Mill Water Recycling Project

Water is vital to the cotton preparation and banknote paper-making process at the Overton site. This project aims to recycle and reuse water in as many areas around the mill as possible without affecting product quality.

The Effluent Treatment Plant can divert some of the final discharge of effluent water through a filtration process for reuse in specific processes. The remainder of the water is cleaned before being discharged into the River Test (see below) which is a protected Site of Special Scientific Interest (SSSI).

The whole of the paper stock preparation area including the linter processing plant now runs on recycled water. There are two paper-making machines that can run on recycled water as well as using recycled water for the cooling processes and for sealing vacuum pumps. In addition, most of the steam condensate is returned back to the boiler house for reuse, resulting in a reduced need for chemicals and in energy and water savings. The volume of recycled water that is used every year is improving with further benefits to be realised in the future.

See page 25 for more information on our environmental performance.

Corporate Responsibility
Continued

Progress against 2008/2009 EHS objectives

- All risk assessment programmes reviewed
- Two more sites achieved OHSAS 18001 certification
- Manual Handling risk reduction programmes implemented
- Tracking of carbon measurement initiated
- Compliance to SA8000 principles validated in main supply chains

- completed
- Some progress made
- No progress

2009/2010 objectives

– Implement an updated road risk management programme

– Implement an updated travel risk management programme

– Continue with our carbon measurement and aim to reduce our impact

Significant EHS Activities in 2008/2009

The Group continued to invest in lifting equipment and in providing training to reduce lifting and carrying injuries as part of our Manual Handling risk reduction programme.

The four day IOSH Managing Safely training course is provided for first line managers and supervisors whilst many senior executives have also attended recognised health and safety training.

Other EHS key actions have been:

– professional skin awareness and skin care programmes at the larger, higher risk sites;

– safety reviews of machinery and the implementation of improvements identified to reduce machinery risks initially at the larger sites but to be rolled out to the smaller sites in 2009/2010;

– all business units reviewed to validate compliance with SA8000 Social Accountability principles and all main suppliers are now asked to comply with this;

– environmental awareness training on waste recycling, energy and our duties of care regarding the environment;

– replacing Ozone Depleting Substances within our site refrigeration systems by system replacement or ODS substitution;

– calculating Currency's carbon footprint: One gross tonne of banknote paper is 3.04tCO_2e.

– abstracting water from Overton's boreholes rather than using mains water reduces the on site carbon footprint by 1200tCO_2e per annum.

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. See KPIs on page 25.

Our Environment Health and Safety assurance comprises setting appropriate policies and applying good practice through our operating management systems. The Board receives confirmation that the business units comply with Group policy and applicable local laws through external and internal audits, reports and measurement against action plans and benchmarking processes.

These reports 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. Twelve out of 14 manufacturing sites of the current business have achieved and are maintaining ISO14001 certification through regular external audits. This year Holographics and Kenya achieved OHSAS 18001 certification so that there are now 12 18001 certified sites.

Employees are also widely involved in the continuous improvement of EHS processes. At Interlock 2008, our annual EHS Conference, there was a Group competition for the best environmental improvement project in which all of the manufacturing sites participated.

CO_2 Footprint for Currency

In order to set a baseline against which to measure future improvements Currency's carbon footprint was independently calculated following the principles of the Greenhouse Gas (GHG) Protocol and ISO 14064. The Greenhouse Gas Protocol is the most widely used international accounting tool for government and businesses. The Level One footprint calculation includes the combustion of fuels, that is: natural gas, fuel oils and purchased grid electricity and owned transport energy consumption. Over 50 per cent relates to gas or electricity used at Overton Mill.

EHS Performance Indicators

Our key performance indicators on pages 24 and 25 show slight increases against a background of significantly improved productivity and awareness. Our Reportable Injury Rate for the ongoing business has reduced this year. None of our operations has been prosecuted for infringing any EHS laws or regulations during 2008/2009.

Full copies of our EHS policies are available on our website, or from the General Counsel & Company Secretary, details of which are on page 116.

Air pollutants (tonnes)

	2004/2005	2005/2006	2006/2007	2007/2008	**2008/2009**
Non chlorinated VOC's	139.0	90.9	73.8	136.5	**170.0**
Chlorinated VOC's	0.4	0.5	0.6	0.0	**0.0**

Liquid pollutants

	2004/2005	2005/2006	2006/2007	2007/2008	**2008/2009**
Chemical oxygen demand (tonnes)	190.0	194.2	156.9	197.5	**187.7**
Biological oxygen demand (tonnes)	17.1	18.4	15.2	27.7	**25.6**
Suspended solids	24.0	26.2	20.0	24.7	**26.4**

Energy consumption (GWh)

	2004/2005		2005/2006		2006/2007		2007/2008		**2008/2009**	
Electricity	61.0	21%	62.2	20%	66.4	22%	71.5	22%	**75.7**	**24%**
Gas	223.5	76%	234.3	77%	234.2	76%	246.5	76%	**232.0**	**74%**
Other fuels	10.0	3%	8.8	3%	6.5	2%	6.6	2%	**6.6**	**2%**
Total energy	294.5	100%	305.3	100%	307.1	100%	324.6	100%	**314.3**	**100%**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Directors and Secretary

1 Nicholas Brookes FCA **(61)**
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 James Hussey (47)
Chief Executive Ø †
was appointed as Chief Executive and Director with effect from 1 January 2009. He has more than twenty five years' experience within De La Rue and was Managing Director of the Security Paper and Print Division for the previous four years. He is a director of Camelot Group plc.

3 Simon Webb (45)
Group Finance Director Ø
was appointed to the Board on 1 April 2009. He joined De La Rue from Enodis plc, where he was deputy chief financial officer. Previously he was Vice President Finance (EMEA) for Paxar plc and held senior finance roles in British American Tobacco plc. He is a chartered accountant and qualified with PricewaterhouseCoopers in 1990.

4 Warren East (47)
Non-executive # †
was appointed to the Board on 9 January 2007. He became Chairman of the Audit Committee on 1 April 2009. 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 semiconductor 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 **(65)**
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 **(65)**
Non-executive # † ‡
was appointed to the Board on 19 April 2000. He has indicated his intention to step down from the Board on 31 December 2009 until which time he will remain the Company's senior independent non-executive Director. On 31 March 2009 he ceased to be Chairman of the Audit Committee of the Board. He is a non executive Director of Zenergy Power plc, and was Chief Executive of Chloride Group plc from March 1992 until July 2008. His previous career was with GEC plc where he held a number of senior appointments.

7 Philip Nolan (55)
Non-executive # † ‡
was appointed to the Board on 1 September 2001 and is currently acting Chairman of the Remuneration Committee. He will retire as a Director at the conclusion of the Company's AGM in July 2009. He is Chairman of Infinis Limited, Sepura Plc and the Irish Management Institute. He was Chief Executive of eircom Group plc, the Irish telecom group, from January 2002 until August 2006. He was previously Chief Executive of Lattice Group plc and 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 (54)
Non-executive # ‡
was appointed to the Board on 22 June 2006 and since 26 July 2007 has been the Chairman of the Remuneration Committee. She has temporarily stepped down from the Board whilst the award of the contract for the UK passport is being considered by the Identity and Passport Service. She started her career with Accenture in 1979 in various consulting roles before being appointed as a partner in 1990. She held a variety of management roles in Accenture before being appointed global Chief Leadership Officer in 2002, reporting to the Accenture CEO, to lead the people aspects of the transition from a partnership to a public company listed on the New York Stock Exchange. She is Director General, Cabinet Office.

9 Edward Peppiatt (42)
General Counsel & Company Secretary Ø
was appointed as General Counsel of De La Rue plc on 1 March 2009 and as Company Secretary with effect from 1 April 2009. He was previously General Counsel and Corporate Secretary of Christian Salvesen PLC.

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

Ages stated are those on 28 March 2009.

Shareholders and Share Capital

As at 28 March 2009 the Company's authorised share capital was £66m comprising 111,673,300 Deferred Shares of 1 penny each and 144,641,840 Ordinary Shares of 44$^{152}/_{175}$p each. On 28 March 2009 there were 97,786,854 Ordinary Shares and 111,673,300 Deferred Shares in issue. The process whereby the Company's share capital changed during 2008/2009 is described below.

Details of shares issued during the year are provided in note 21a to the financial statements on page 99.

Return of Cash to Shareholders
On 16 June 2008 the Board announced its intention, conditional on completion of the disposal of the Cash Systems business, to return approximately £460m to shareholders, representing 305 pence per existing Ordinary Share. The disposal completed on 1 September 2008. The return of cash was structured: (i) to give shareholders (other than certain excluded shareholders) a choice between receiving the cash in the form of income or capital and (ii) to reduce the number of existing Ordinary Shares in issue so that, subject to normal market movements, the share price of one new Ordinary Share immediately after Admission to the Official List was approximately equal to the share price of one existing Ordinary Share immediately prior to the cessation of dealings in existing Ordinary Shares. Shareholders approved the Return of Cash and the related reorganisation of the Company's share capital into B Shares and new Ordinary Shares at the Extraordinary General Meeting of the Company on 14 November 2008. On 28 November 2008 shareholders received 305 pence per B Share under the terms of the Return of Cash documentation. JPMorgan Cazenove Limited acting as principal purchased 39,101,452 B Shares for 305 pence each which were subsequently acquired by De La Rue plc for an aggregate consideration of approximately £119.3m. These B Shares were cancelled on 28 November 2008. Each B Share in respect of which a dividend of 305 pence per share was declared on 25 November 2008 was converted into a Deferred Share of 1 penny nominal value. As a consequence of the Return of Cash and share reorganisation the Company's authorised share capital was reduced to £66m representing 111,673,300 Deferred Shares of 1 penny each and 144,641,840 Ordinary Shares of 44$^{152}/_{175}$p each. The issued share capital was reduced to 96,650,482 from 150,774,752 Ordinary Shares.

Results and Dividends
Profit before taxation and exceptionals was £105.0m (2007/2008: £88.6m for continuing businesses). The profit attributable to shareholders for the year was £363.0m (2007/2008: £88.1m). The Directors are recommending a final ordinary dividend for the year of 27.4p per share. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 31 July 2009 to ordinary shareholders on the register on 10 July 2009. An interim dividend of 13.7p per Ordinary Share was paid on 14 January 2009 making a total for the year of 41.1p per share (2008: 21.4p per share).

Pre-emption Rights and Authority to Allot
The Companies Act 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 2008. 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 2008 Annual General Meeting to purchase a maximum of 9.99 per cent of its own Ordinary Shares either for cancellation or to be held in treasury (or a combination of both) and such authority was reduced at the Extraordinary General Meeting on 14 November 2008 to apply to the number of shares in issue following the share consolidation described above. No purchases have been made pursuant to this authority and a resolution will be put to shareholders to renew the authority for a further period of one year.

The Company was also granted authority at the Extraordinary General Meeting for the market purchase by the Company of the B Shares at a maximum price of 305 pence each. As described above the Company acquired 39,101,452 B Shares for an aggregate consideration of approximately £119.3m and these B Shares were cancelled on 28 November 2008.

Takeover 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 and Transfers of 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 Ordinary and Deferred 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. The key points are summarised below.

Ordinary Shares
Notices of meetings must be given to every shareholder and to any person entitled to a share unless the Articles or the rights of the shares say he is not entitled to receive them from the Company. The Board can decide that only people who are entered on the register at the close of business on a particular day are entitled to receive the notice. On a show of hands each holder of shares present in person and entitled to vote has one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote has one vote for every share held.

Dividends and distributions on liquidation to shareholders
Holders of Ordinary Shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to an extraordinary resolution of the Company the liquidator may divide amongst members the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

Transfers of Shares

There are no restrictions on the transfer of Ordinary 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.

The Deferred Shares carry limited economic rights and no voting rights. They are not transferable except in accordance with the Articles of Association of the Company. The holders of Deferred Shares are not entitled to receive notices of general meetings of the Company or to attend, speak and vote at any such meeting. Further, the holders of Deferred Shares have no right to participate in the profit of the Company or in the assets of the Company, save for the limited rights on winding-up of the Company, in accordance with the Articles of Association of the Company.

Dealings subject to the Model Code of the Listing Rules

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').

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. No shares are currently held in trust.

Substantial Shareholdings

As at 19 May 2009 the following companies had notified an interest in the issued Ordinary Share capital of the Company in accordance with the Financial Services Authority's Disclosure and Transparency Rules.

Persons Notifying	Total Number of Shares	Total Number of Voting Rights	Percentage of Voting Rights
Capital Research and Management Company	14,298,233	14,298,233	14.58
Ameriprise Financial Inc	4,959,541	4,959,541	5.05
Legal & General Group Plc	3,746,922	3,746,922	3.82
Baring Asset Management Limited	3,488,035	3,488,035	3.56

Relationship with Shareholders

The Company places a high priority on communications with and accountability to shareholders. A fully audited Annual Report and Accounts is sent to shareholders and it and the interim statement are posted on the Company's website as are presentations to institutional investors. Announcements are also regularly made by a Regulatory Information Service to the London Stock Exchange. The Chairman and the 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.

Other Statutory Information

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 67 days (2008: 48 days). The Company does not have any trade payables.

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 is deemed to be significant as a whole except for the following:

The £175m credit facility dated 21 May 2008 between the Company and three 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 its 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 become interested in more than 50 per cent of the issued ordinary share capital of the Company.

Political Donations
There were no political donations. The Company's policy is not to make any. The Company will propose to shareholders at this year's Annual General Meeting that the precautionary authority granted at the 2006 Annual General Meeting, pursuant to the Companies Act 1985, be renewed and details are included in the Chairman's Letter and Notice of Meeting.

Essential Contracts or other Arrangements
De La Rue confirms there are no persons with whom the Company has contractual or other arrangements, which De La Rue considers are essential to its business.

Annual Report and the Financial Statements

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 20 to 33 of the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in pages 38 to 40 of the Business Review. The accounting policies used in the preparation of the financial position are described in pages 72 to 77. In addition, pages 34 to 37 of the Risk and Risk Management Report include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk.

As described on page 39 of the Annual Report, the Group meets its funding requirements through a main corporate borrowing facility of £175m and cash generated from operations. The Group has no material debt requiring refinancing in 2009/2010.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate with its currently available facilities. The Group will open refinancing negotiations with lenders in due course and expects to be able to achieve sufficient refinancing to meet its future requirements.

The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business. As a consequence the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future, despite the current global uncertain economic environment. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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.

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.

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

(a) the financial statements prepared in accordance with International Financial Reporting Statements as adopted by the EU ('adopted IFRS'), give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;

(b) the parent Company financial statements in this report, which have been prepared in accordance with UK Accounting Standards (UK 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 Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

On behalf of the Board

Simon Webb
Group Finance Director
19 May 2009

Corporate Governance Statement

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.

The Company's corporate governance procedures, which are approved by the Board, define the matters reserved to the Board, the terms of reference of various Committees of the Board and the functions delegated to these Committees as well as defining the jobs of the Chairman, Chief Executive, Finance Director and non-executive Directors. The Company reviews and amends its corporate governance policies to reflect changes to the Combined Code, legislation or good practice. Revisions were last made in March 2009.

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 41. 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 52 to 57. 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 28 March 2009 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 28 March 2009 there were five independent non-executive Directors, the non-executive Chairman and two executive Directors. The Board has concluded that its composition throughout the year was and remains appropriately balanced.

There is a clear division between the management of the Board and the executive Directors' responsibility for managing the Company's business. However, no individual or small group can dominate decision taking. The roles of the Chairman and Chief Executive are separated and clearly defined. The Chairman is primarily responsible for the working of the Board. The Chief Executive is responsible for running the business and implementing Board strategy and policy.

The Directors' biographies appear on page 47 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.

Board Changes

During the year there were several changes of Directors and roles, details of which are set out in the Chairman's Statement on page 18. James Hussey, who for the past four years has been Managing Director of the Security Paper and Print Division, was appointed Chief Executive and an executive Director on 1 January 2009.

Simon Webb was appointed Group Finance Director Designate on 2 February 2009 and became Group Finance Director and an executive Director of the Board on 1 April 2009.

In accordance with the Company's Articles of Association, James Hussey and Simon Webb being eligible will offer themselves for election at the Annual General Meeting. Gill Rider and Warren East 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 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 from 1 April 2008.

The existing commitments of Directors appear on page 46 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.

Subject to the provisions of relevant statutes, the Company's Memorandum and Articles of Association and any directions given by special resolutions, the Directors may exercise all the powers of the Company.

Edward Peppiatt replaced Louise Fluker as General Counsel & Company Secretary on 1 April 2009.

Succession Planning

The Board reviews its composition at least annually, assessing the skills profile, type and number of non-executive Directors required to enable the Board to perform effectively. It also reviews the Company's internal talent review process in planning executive Director and senior management succession.

Objectives of the Board

The Board reviewed its objectives during 2008/2009 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 strategic business unit 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.

Corporate Governance Statement
continued

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 General Counsel & 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 and individual Committees and the final report highlighting any areas for improvement agreed by the Board in May 2009.

Conflicts of interests
Directors have a duty to avoid a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company unless that conflict has been authorised by the Board. Such conflict may arise by reason of a situation or a specific transaction proposed. The Board has established a process to review at least annually and if thought appropriate authorise any conflict of interest and has carried out such review and authorised all Directors' situational conflicts. Any transactional conflicts are reviewed as they arise.

Indemnity
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 advance must be refunded if the Director or Officer is subsequently convicted.

Neither the insurance nor the indemnity provide cover where the Director or Officer has acted fraudulently or dishonestly.

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 2008/2009	Audit Committee	Board	Nomination Committee	Remuneration Committee
Number of meetings held	4	17	4	8
Mr N K Brookes	–	17	4	8
Mr D W A East	3	16	3	–
Sir Jeremy Greenstock	–	16	4	8
Mr K H Hodgkinson	4	14	4	8
Mr J A Hussey (appointed 1 January 2009)	–	4	1*	–
Mr S A King	–	17	–	–
Dr P M G Nolan	4	16	4	8
Mr L M Quinn (resigned 31 December 2008)	–	12	3	–
Ms G Rider (temporarily stepped down 26 February 2009)	4	14	–	7

*Appointed to Nomination Committee on 26 February 2009

Role of non-executive Directors
The non-executive Directors, all of whom are considered by the Board to be independent to 28 March 2009, 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 is the Company's senior independent non-executive Director until his retirement from the Board on 31 December 2009 when he will be succeeded by Sir Jeremy Greenstock. 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. Directors who have been unable to attend Board or Committee meetings have made known their views on pertinent matters before the meeting.

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. James Hussey and Simon Webb have received briefings from the Company's auditors and legal advisers. The Board received specific briefing on the key issues of the Companies Act 2006 and on its implementation during the year. The Directors, especially Committee chairmen, have the opportunity of attending appropriate training sessions.

The Board visits an operational site at least annually (Malta in 2008). Directors are also encouraged to visit other sites and staff. The General Counsel & 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 General Counsel & 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 (James Hussey and Simon Webb will stand for election at the 2009 Annual General Meeting), 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. Philip Nolan will retire from the Board at the conclusion of the 2009 Annual General Meeting and Keith Hodgkinson will retire from the Board on 31 December 2009. 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.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for election and 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 election and 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 pages 46 and 47. Further details of Committees and key activities performed during the year are given on pages 55 and 56.

Nomination Committee

The Committee consists of 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 2008/2009 was succession planning following the disposal of Cash Systems and recruitment of a new Chief Executive, Finance Director and other senior management.

Remuneration Committee

Gill Rider was appointed to the Remuneration Committee in July 2006 and she has been the Committee Chairman since 26 July 2007 until she temporarily stood down from the Board on 26 February 2009. Philip Nolan is acting Chairman of the Committee. Details of the Committee and of the remuneration policy can be found in the Remuneration Report on pages 58 to 66.

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).

Corporate Governance Statement
continued

Risk Committee
The Committee, chaired by the General Counsel & 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 strategic business unit. Any Director is entitled to attend any meeting.

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 the Environmental, Health and Safety Steering Group and the Group Security Committee. The Risk Committee will work closely with Ernst & Young LLP, the internal auditors, in ensuring the focus of risk management is aligned with the internal audit programme, and a review of 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 34 to 37.

Audit Committee of the Board
All members of the Audit Committee are independent non-executive Directors. The Board considers that during 2008/2009 Keith Hodgkinson, chairman of the Audit Committee had sufficient recent and relevant financial experience for it to discharge its functions effectively. The external auditor, Chairman, Chief Executive, Finance Director, General Counsel & 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 41.

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.

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.

Ernst & Young LLP was appointed in 2007 to assist in the internal audit programme and to develop the approach to internal audit to ensure it was aligned to the risks that the Company face and to develop the audit process to include non financial risks for a more robust audit and assurance tracking process for key significant risks. The Audit Committee decided to outsource the internal audit function entirely to Ernst & Young LLP for 2009/2010 following the disposal of Cash Systems.

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 2008/2009 the amount of non-audit fees paid to KPMG Audit Plc was £1.1m and was principally related to work performed in connection with the disposal of the Cash Systems' business including the vendor due diligence report, working capital adjustment, two Class I Circulars and the Prospectus for the 'B' Shares.

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 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.

By order of the Board

Edward Peppiatt
Company Secretary
19 May 2009

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).

Remuneration Committee

The Remuneration Committee consists exclusively of independent non-executive Directors (as defined under the Combined Code) plus the Chairman of the Company, who was independent at the time of his appointment as Chairman on 22 July 2004. The members during the year were: Gill Rider (Chairman) (until 26 February 2009), Nicholas Brookes, Sir Jeremy Greenstock, Keith Hodgkinson and Philip Nolan (acting Chairman from 26 February 2009). Their biographical details appear on page 47.

The Committee met eight times and attendance details are set out on page 54. The Committee's terms of reference are set out in full on De La Rue's website and its key responsibilities are to approve:

– 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;

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

– the Chairman's fee.

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

Advisers

The Committee is authorised to and does use independent consultants. During 2008/2009 Watson Wyatt Limited advised on remuneration issues including: benchmarking against comparator companies; the share plan consequences of the divestment of the Cash Systems business; share plan design; compensation and employee benefits including termination packages for executive Directors and employees reporting to the Chief Executive; and compensation and employee benefits for employees below the level of executives reporting directly to the Chief Executive. This ensures consistency of reward policy throughout the Company. Watson Wyatt Limited are also actuaries to the Company in respect of the UK Pension Scheme. Hewitt New Bridge Street advised only on whether performance targets in share option schemes were achieved.

In addition, Leo Quinn, Chief Executive (until his resignation on 31 December 2008), James Hussey (Chief Executive from 1 January 2009), Jane van Ammel, Group Director of Human Resources and, from time to time, Stephen King, Finance Director, were requested to attend meetings on an ad-hoc basis to provide assistance to the Committee. Louise Fluker, General Counsel & Company Secretary, the Committee's Secretary (until her resignation on 31 March 2009), advised 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, which applied in 2008/2009 and applies in 2009/2010, is designed to support the achievement of the Company's key business strategies and is linked to its performance. It is regularly reviewed to ensure that the incentive structure remains appropriate and continues to drive behaviours which are aligned with shareholder interests. 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 2008/2009, 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 which vest only if stretching performance targets have been achieved; 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) provide approximately 58 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.

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 63. 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. This group was reviewed following the divestment of the Cash Systems business and a number of changes made to reflect the change in the Group's size and structure. At the most recent market benchmarking review Leo Quinn'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. Stephen King's level of annual basic salary was positioned slightly above the median of composite comparator data for Finance Directors on the same basis. With the appointment of James Hussey as Chief Executive from 1 January 2009 and Simon Webb as Group Finance Director Designate on 2 February 2009 (subsequently becoming Group Finance Director and executive Director on 1 April), as well as changes in other Operating Board appointments, the Committee has sought to adjust salary levels to reflect the reduced size of the Company. 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 the outgoing Chief Executive, Leo Quinn and, with effect from 1 April 2009 for his successor, James Hussey, and 70 per cent for the Finance Director, Stephen King and his successor, Simon Webb. 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 2008/2009 on the achievement of key business imperatives. For the executive Directors, the Annual Incentive Award measures for 2008/2009 were set against Group Operating Profit and Group Cash Flow targets for the full year which were subsequently adjusted to reflect the disposal of the Cash Systems business on 1 September 2008. These measures were chosen as they represent the key business drivers that reflect the underlying financial performance of the Company. To maximise the sale of the Cash Systems business a performance related incentive was put in place. This incentive retained key executives during this transition period and maximised returns to shareholders from the disposal of the Cash Systems business.

There are appropriate divisional measures for managing directors and senior executives of business units. 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 2008/2009 Annual Incentive Award achieved maximum payout for executive Directors and some senior management.

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 eight years, including the annual incentive award for 2008/2009.

The Remuneration Committee has discretion to consider other factors, such as corporate responsibility, environment, health and safety matters as it sees fit when determining the final outcome of the annual incentive award.

Targets set for 2009/2010 follow a similar plan design as for 2008/2009, with appropriately challenging performance targets.

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 basic salary, excluding benefits in kind.

The following table summarises the terms of the executive Directors' service contracts.

	Date of contract	Unexpired term	Notice period company	Notice period individual
James Hussey	25 Nov 2008	12 mths	12 mths	12 mths
Leo Quinn (resigned 31 December 2008)	3 Mar 2004	(a)	12 mths	12 mths
Stephen King (resigned 31 March 2009)	7 Oct 2002	(b)	12 mths	6 mths
Simon Webb	26 Jan 2009	12 mths	12 mths	12 mths

Notes

(a) Leo Quinn resigned as Chief Executive on 31 December 2008 and left the Company on 7 April 2009.

(b) Stephen King resigned as Finance Director on 31 March 2009 and will leave the Company on 30 June 2009.

Details of termination arrangements for Leo Quinn and Stephen King are set out on pages 63 and 64.

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. During the year it was agreed that the contracts of both Leo Quinn and Stephen King would be terminated following the successful completion of the sale, of the Cash Systems business, return of cash to shareholders and the subsequent reorganisation of central operations.

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. Leo Quinn is a non-executive director of Tomkins plc. Stephen King is a non-executive director of the Weir Group plc. In each case both Directors were permitted to retain the relevant directors' fees as shown in the table below:

External directorship fees

	Payment received £
Leo Quinn	59,290
Stephen King	47,500

Remuneration Report
continued

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 a private medical scheme; life assurance and reimbursement of the annual subscription to an appropriate professional body. In addition, the Chief Executive is, and for 2008/2009 the Finance Director was, provided with a permanent health insurance scheme.

Details of the emoluments of the executive Directors during the year are in the table on page 63.

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 closed senior section are required to pay a contribution of 8 per cent of pensionable salary to the Scheme and 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. Executives who are members of the retirement plan section are required to pay a contribution of 3.5 per cent of pensionable salary to the Scheme. Pension accrues at a maximum rate of 1 per cent for each year of pensionable service. In addition members of this section may pay up to an extra 3 per cent of pensionable salary into a defined contribution plan and receive equal matching contributions from the Company.

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. Pension accrued after 1 June 2007 is subject to a variable accrual rate which is adjusted annually to reflect changes to life expectancy. 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 the Company 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.

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 was required to make a contribution to the senior section of the Scheme of 8 per cent of basic salary and was 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. Before 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 was not breached, the Company made payments each year to the Scheme up to the Annual Allowance to secure the unfunded pension. For 2008/2009 the Company made a payment to the Scheme of £124,700 (2007/2008: £100,400) increasing the pension funded under the defined benefit Scheme as at 5 April 2009 to £71,020 per annum.

The increase in defined benefit scheme pension does not represent an increase in either the target pension or the Company's liability but is a consequence of taking steps to cancel previously unfunded liabilities.

Leo Quinn left service on 7 April 2009, and has been granted a deferred pension of £71,020 per annum payable from his normal retirement age. In addition, he was paid a lump sum of £121,695 in lieu of the balance of his unfunded pension in 2009/2010.

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 8 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 28 March 2009 was £45,900 per annum.

James Hussey is eligible for a pension of up to 71.66 per cent of his notional pensionable salary at age 65. He is required to make a contribution to the senior section of the De La Rue Pension Scheme of 8 per cent of his notional pensionable salary. He is covered for a lump sum on death in service of four times his basic salary, with a widow's pension of 60 per cent of his prospective pension in the event of death in service. His pension under the defined benefit Scheme as at 28 March 2009 was £89,740 per annum. His notional pensionable salary for 2008/2009 was £220,500. James Hussey receives a cash allowance of 20 per cent on the difference between his basic salary and his notional pensionable salary. Notional salary increases annually in line with the Retail Price Index.

Simon Webb is entitled to a pension from the retirement plan section of the De La Rue Pension Scheme. The accrual rate from 1 April 2009 allowing for adjustments for mortality is $^{1}/_{101.59}$ for each year of pensionable service. He is required to make a contribution of 3.5 per cent of his basic salary towards his defined benefit pension and has elected to pay additional top up contributions of 3 per cent to the defined contribution section. In the event of death in service he is covered for a lump sum of four times his basic salary and a widow's pension of 25 per cent of basic salary. His pension under the defined benefit Scheme as at 28 March 2009 was £370 per annum.

Directors' Pension Entitlements (audited information)
The table on page 61 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 29 March 2008 and 28 March 2009 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.

Pensions accruing to executive Directors during the full or part year are set out below:

Directors' Pension Entitlements (£'000)

	Pension accumulated at 28 March 2009	Increase pension during year	Increase pension during year (net of inflation)	value of the increase in pension (excluding Directors' contributions)	Transfer Transfer value of accumulated pension at 29 March 2008	**Transfer value of accumulated pension at 28 March 2009**	Change in transfer value (excluding Directors' contributions)
Leo Quinn (full year)	**71**	23	21	232	672	**1,000**	331
Leo Quinn (to date of resignation of 31 December 2008)	**65**	18	18	197	672	**967**	265
Stephen King	**46**	10	8	55	392	**514**	98
James Hussey (full year)	**90**	8	4	16	902	**1,028**	109
James Hussey (from date of appointment of 1 January 2009)	**0.9**	0.9	0.9	4	–	**8**	4
Simon Webb (appointed Group Finance Director Designate on 2 February 2009 and Group Finance Director and executive Director on 1 April 2009)	**0.4**	0.4	0.4	2	–	**3**	2

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) – De La Rue Executive Share Option Plan and Sharesave Scheme

	Date of Grant	29 March 2008	Exercised during year	Granted during year	Lapsed during year	Number of Options 28 March 2009 (or date of resignation if sooner)	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)(c)
Leo Quinn (resigned 31/12/08)												
Executive share options	Jul '04	352,422	–	–	–	352,422[1]	340.50	–	(a)	Jul '07	–[1]	88.0
Sharesave options	Dec '04	5,448	–	–	–	5,448	303.31	–	(b)	–[3]	–[3]	89.0
Stephen King												
Executive share options	Jul '04	149,779	149,779	–	–	–	340.50	903.39[2]	(a)	Jul '07	–[2]	88.0
Sharesave options	Dec '07	1,287	–	–	–	1,287	745.74	–	(b)	Mar '11	–[4]	288.0

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

(1) Leo Quinn exercised his options on 9 February 2009 in accordance with the Rules of the Executive Share Option Plan. Leo Quinn made a total gain of £1,401,037.84 net of deductions for any applicable tax and national insurance contributions.

(2) Stephen King made a gain of £494,035.75 net of deductions for any applicable tax and national insurance contributions on the exercise of his options on 20 June 2008.

(3) Exercisable for a period of six months from date of termination of 7 April 2009.

(4) Exercisable for a period of six months from date of termination of 30 June 2009.

James Hussey does not hold any options under the Executive Share Option Plan or the Sharesave Scheme.

Remuneration Report
continued

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 29 March 2008 (or date of appointment if later)	Allocation during year	Allocation vesting during year	Lapsed during year	Total allocation as at 28 March 2009 (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[b] (pence)
James Hussey (appointed 1 January 2009)										
Deferred Allocation	Jun '06	12,505	–	–	–	12,505	531.80	–	Jun '09	540
	Jun '07	9,691	–	–	–	9,691	758.40	–	Jun '10	792
	Jun '08	8,494	–	–	–	8,494	908.50*	–	Jun '11	889
Maximum Matching Allocation[a]	Jun '06	25,010	–	–	–	25,010	531.80	–	Jun '09	380
	Jun '07	19,380	–	–	–	19,380	758.40	–	Jun '10	552
	Jun '08	16,988	–	–	–	16,988	908.50*	–	Jun '11	639
		92,068	–	–	–	92,068				
Leo Quinn (resigned 31 December 2008)										
Deferred Allocation	Jul '05	51,796	–	51,796[1]	–	–	386.13	870.5	Jul '08	391
	Jun '06	40,429	–	–	–	40,429[2]	531.80	–	Apr '09	540
	Jun '07	32,964	–	–	–	32,964[2]	758.40	–	Apr '09	792
	Jun '08	–	28,894	–	–	28,894[2]	908.50*	–	Apr '09	889
Maximum Matching Allocation[a]	Jul '05	103,592	–	103,592	–	–	386.13	870.5	Jul '08	284
	Jun '06	80,858	–	–	–	80,858[3]	531.80	–	Apr '09	380
	Jun '07	65,928	–	–	–	65,928[3]	758.40	–	Apr '09	552
	Jun '08	–	57,788	–	–	57,788[4]	908.50*	–	Apr '09	639
		375,567	86,682	155,388	–	306,861				
Stephen King (resigned 31 March 2009)										
Deferred Allocation	Jul '05	19,811	–	19,811[5]	–	–	386.13	870.5	Jul '08	391
	Jun '06	17,770	–	–	–	17,770[6]	531.80	–	Jun '09	540
	Jun '07	14,075	–	–	–	14,075[6]	758.40	–	Jun '09	792
	Jun '08	–	12,336	–	–	12,336[6]	908.50*	–	Jun '09	889
Maximum Matching Allocation[a]	Jul '05	39,622	–	39,622	–	–	386.13	870.5	Jul '08	284
	Jun '06	35,540	–	–	–	35,540[6]	531.80	–	Jun '09	380
	Jun '07	28,150	–	–	–	28,150[6]	758.40	–	Jun '09	552
	Jun '08	–	24,671	–	–	24,671[6]	908.50*	–	Jun '09	639
		154,968	37,007	59,433	–	132,542				

Notes
*Middle market value of an Ordinary Share on the dealing day immediately preceding date of allocation.

(a) Details of the performance condition attached to matching shares are set out on page 65. The performance condition for the 2005 awards under the Plan was met in full and the shares vested on 28 July 2008.

(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 28 March 2009 and based on the prevailing share price on that date dividend shares accrued were as follows:

James Hussey: 2,689 Ordinary Shares
Stephen King: 3,860 Ordinary Shares

Leo Quinn and Stephen King retained the shares acquired on vesting of the July 2005 award under the Plan after either providing funds or selling sufficient number of shares to meet their PAYE and NI liability.

The Remuneration Committee approved the following termination arrangements (notes 2, 3, 4 and 6) for Leo Quinn and Stephen King.

Leo Quinn
(1) A total of 8,449 dividend shares were released to Leo Quinn on Deferred Allocations vesting in 2008/2009.

(2) Deferred Allocations for the years 2006, 2007 and 2008 were released in full on 7 April 2009. A total of 9,392 dividend shares relating to these allocations were also released on 7 April 2009.

(3) Matching Allocations for the years 2006 and 2007 were released in full on 7 April 2009 without pro rating for time served subject to measurement of the EPS condition to 31 March 2008 and the TSR condition to 1 September 2008 which were both met.

(4) Matching Allocation for the year 2008 was released pro rated (15,025) to 7 April 2009 subject to the measurement of the EPS condition to 31 March 2008 and the TSR condition to 1 September 2008 which were both met.

Stephen King
(5) A total of 3,231 dividend shares were released to Stephen King on Deferred Allocations vesting in 2008/2009.

(6) The 2006 and 2007 Deferred Allocations will vest in full when Stephen King leaves the Company on 30 June 2009 with full Matching Allocations and Dividend Allocations to 30 June 2009. The 2008 Deferred Allocation will vest in full on 30 June 2009 and the Matching Allocation and Dividend Allocation relating to the Deferred Allocation will also vest on 30 June 2009 pro rated to that date. The performance targets for the Matching Share Allocations in 2006, 2007 and 2008 were subject to performance targets which measured EPS to 31 March 2008 and TSR to 1 September 2008 and were met in full.

The closing mid-market price of De La Rue plc shares at 28 March 2009 was 955p and the highest and lowest mid-market prices during the year were:

	Ordinary shares of $29\frac{16}{21}$p to 14 November 2008	**Ordinary shares of $44\frac{152}{175}$p to 28 March 2009**
High	980.5	**1,074.0**
Low	815.5	**802.5**

Directors' Emoluments (audited information)	2009 Salary and fees £'000	2009 Benefits £'000	2009 Bonus £'000	Compensation for loss of office £'000	2009 Total £'000 to 28 March 2009 (or date of resignation if sooner)	2008 Total £'000
Executive Directors						
James Hussey (appointed 1 January 2009)(1)	**81**	**11**	**129**	**–**	**221**	–
Leo Quinn (resigned 31 December 2008)	**394**	**25**	**1,225**(2)	**677**	**2,321**	1,033
Stephen King (resigned 31 March 2009)	**320**	**20**	**651**(3)	**–**	**991**	541
Simon Webb (appointed Group Finance Director Designate on 2 February 2009 and Group Finance Director and executive Director on 1 April 2009)(4)	**37**	**3**	**26**	**–**	**66**	–
	832	**59**	**2,031**	**677**	**3,599**	1,574
Non-executive Chairman						
Nicholas Brookes	**163**	**–**	**–**	**–**	**163**	163
Non-executive Directors						
Warren East	**40**	**–**	**–**	**–**	**40**	38
Sir Jeremy Greenstock	**40**	**–**	**–**	**–**	**40**	38
Keith Hodgkinson	**47**	**–**	**–**	**–**	**47**	45
Philip Nolan	**41**	**1***	**–**	**–**	**42**	40
Gill Rider	**43**	**–**	**–**	**–**	**43**	42
Aggregate Emoluments	**1,206**	**60**	**2,031**	**677**	**3,974**	1,940

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

(1) 2009/2010 salary for James Hussey is £325,000.

(2) Includes price related bonus of £700,000 on successful sale of Cash Systems which was paid in two tranches. The second tranche of £350,000 was paid on 7 April 2009.

(3) Stephen King qualified for a price related bonus of £427,000 in respect of the sale of the Cash Systems business.

(4) 2009/2010 salary for Simon Webb is £225,000.

Remuneration Report
continued

Leo Quinn's termination arrangements
Leo Quinn received, as part of his termination arrangements 12 months' annual basic salary as stipulated in his contract of employment. He also received his full Annual Incentive Award for the 2008/2009 year. The Company paid Leo Quinn the following amounts after his contract terminated on 7 April 2009:

	£
Payment in lieu of notice	555,000
Balance of unfunded pension as lump fund	121,695

Stephen King's termination arrangements
Agreement was reached with Stephen King so that on termination of his employment on 30 June 2009 he will receive:

	£
Payment in lieu of notice	366,200
12 months additional pension contribution	71,680

Stephen King will also be eligible for a potential performance maximum pro rated payment of £58,835 under the annual incentive arrangements for 2009/2010.

Details of the release of shares under the Deferred Bonus and Matching Share Plan for Leo Quinn and Stephen King are set out above in notes 2, 3, 4 and 6.

Payments made to former Directors of the Company
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 18 July 2009. He is paid a fee of £20,000 per annum.

Directors' share interests (audited information)
The interests of Directors holding office at the end of the financial year in the Ordinary Shares of the Company are set out below.

	29 March 2008 Ordinary Shares of 29 16/21p each	Following share consolidation on 17 November 2008 Ordinary Shares of 44 152/175p each	28 March 2009 Ordinary Shares of 44 152/175p each
Nicholas Brookes	12,138	7,780	7,780
Warren East	3,266	2,093	2,093
Keith Hodgkinson	3,887	2,491	2,491
James Hussey (appointed 1 January 2009)	–	–	13,298
Stephen King	46,620	29,884	–
Philip Nolan	8,400	5,384	5,384
Gill Rider	709	454	454

Sir Jeremy Greenstock and Simon Webb (appointed 1 April 2009) have no interest in the Company's Ordinary Shares. There have been no changes in Directors' interests in Ordinary Shares since 28 March 2009. All interests of the Directors and their families are beneficial.

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 January 2009 at a price of 714.14p which was at a 15 per cent discount and 41 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 Seventh Offering under the Plan began on 1 January 2009 and 33 per cent of eligible employees participated. The purchase price of 906p is 85 per cent of the lower market value of a De La Rue share either at the beginning or end of the Offering Period on 31 December 2009.

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, that is: 50 per cent of salary in the case of Leo Quinn and 35 per cent of salary in the case of James Hussey and 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 applies to allocations of up to 50 per cent of the Matching Shares. 50 per cent is 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 subject to the EPS test 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 straight line vesting.

The remaining 50 per cent of the Matching Share element is 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. 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 Retail Price Index +3-5 per cent is the minimum.

In the case of Leo Quinn, Stephen King and other senior executives whose employment would terminate following the disposal of Cash Systems the Committee exercised its discretion pursuant to the Plan Rules in order to incentivise the executive directors and other employees to complete the necessary restructuring of the Group after 1 September 2008. The Committee agreed to: (i) waive pro rating of Deferred, Dividend and Matching Allocations; and (ii) set 29 March 2008 and 1 September 2008 as the respective reference dates for measuring the performance targets. Details are set out on pages 62 and 63.

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 means 20 per cent of annual salary is payable with intermediate straight line vesting in between.

Superseded Schemes

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 exceeded £30,000. Options were granted for nil payment and could normally only be granted within 42 days of any announcement of results. Options vested if they achieved 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 was not met at the end of the performance period the options lapsed. All options under the Plan vested with the exception of the 2002 grant of options which failed the performance condition.

The Plan was replaced by the Long Term Incentive Plan.

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 (December 2008) ABI Guidelines on headroom which provide that over a 10 year period in relation to the Company's issued share capital (or reissue of treasury shares):

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

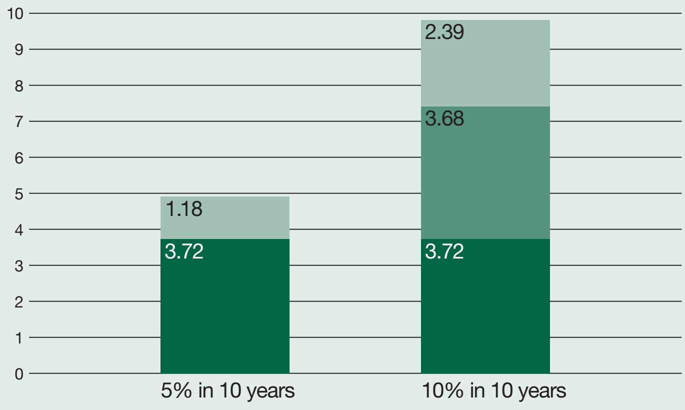
Remuneration Report
continued

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

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

As at 19 May 2009 the current headroom in relation to all outstanding share options or deferred share awards is shown below:

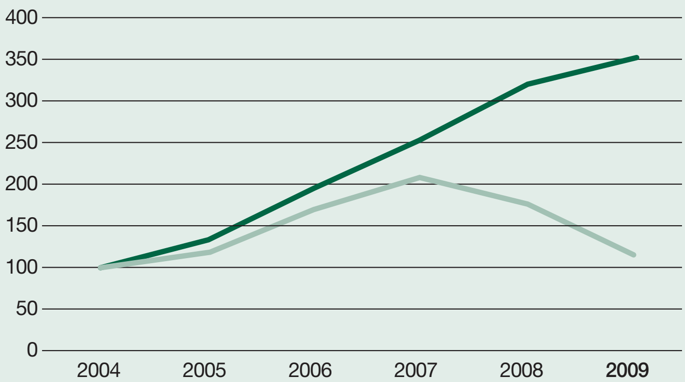
Scheme limits headroom
(m shares)



Shareholder Return

The performance chart below illustrates total shareholder return.

Total shareholder return
(£)



This graph shows the value at 28 March 2009 of £100 invested in De La Rue plc on 27 March 2004 compared with the value of £100 invested in the FTSE 250 excluding investment trust Index. The other points plotted are the values at intervening financial year-ends

Source: Thomson Financial

Non-Executive Directors

Non-executive Directors 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	29 March 2009	9 January 2007
Keith Hodgkinson	29 March 2009	19 April 2000
Philip Nolan	30 March 2008	1 September 2001
Sir Jeremy Greenstock	29 March 2009	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 2008/2009. Details of fees to the Chairman and other non-executive Directors are set out on page 63 and remain unchanged for the year 2009/2010. The Chairman 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

Philip Nolan
Acting Chairman of the Remuneration Committee
19 May 2009

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 28 March 2009 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 28 March 2009 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 pages 50 and 51.

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.

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 28 March 2009 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
Chartered Accountants
Registered Auditor
London
19 May 2009

Group Income Statement
For the year ended 28 March 2009

	Notes	2009 £m	2008 Restated* £m
Continuing operations			
Revenue	2	502.4	467.0
Operating expenses	3	(405.9)	(387.8)
Operating profit before exceptional items		96.5	79.2
Exceptional items – operating	4	(8.9)	–
Operating profit		87.6	79.2
Share of profits of associated companies after taxation		8.9	7.1
Profit on the disposal of a business		–	0.9
Profit on the disposal of investments		–	1.7
Exceptional items – non-operating	4	–	2.6
Profit before interest and taxation		96.5	88.9
Interest income	5	7.8	4.4
Interest expense	5	(6.4)	(2.4)
Retirement benefit obligation finance income	25	33.3	33.7
Retirement benefit obligation finance cost	25	(35.1)	(33.4)
Profit before taxation		96.1	91.2
Taxation			
– UK	6	(21.8)	(18.2)
– Overseas	6	(6.7)	(6.5)
Profit for the year from continuing operations		67.6	66.5
Discontinued operations			
Profit for the year from discontinued operations	7	296.5	21.9
Profit for the year		364.1	88.4
Profit attributable to equity shareholders of the Company		363.0	88.1
Profit attributable to minority interests		1.1	0.3
		364.1	88.4

Earnings per share attributable to the Company's equity holders			
From continuing operations			
Basic	8	50.9p	43.4p
Diluted	8	50.4p	42.7p
From discontinued operations			
Basic	8	226.8p	14.4p
Diluted	8	224.6p	14.0p
On profit for the year			
Basic	8	277.7p	57.8p
Diluted	8	275.0p	56.7p

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

Group Balance Sheet
At 28 March 2009

	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Property, plant and equipment	10	**148.3**	143.2
Intangible assets	11	**18.3**	33.2
Investments in associates and joint ventures	12	**21.1**	22.5
Deferred tax assets	17	**29.3**	25.9
Other receivables	14	**–**	0.8
Derivative financial instruments	15	**11.6**	0.4
		228.6	226.0
Current assets			
Inventories	13	**65.3**	94.9
Trade and other receivables	14	**82.5**	114.2
Current tax assets		**0.4**	0.4
Derivative financial instruments	15	**23.3**	19.1
Cash and cash equivalents	16	**58.5**	120.3
		230.0	348.9
Total assets		**458.6**	574.9
LIABILITIES			
Current liabilities			
Borrowings	19	**(40.1)**	(8.6)
Trade and other payables	18	**(158.5)**	(245.3)
Current tax liabilities		**(40.4)**	(31.7)
Derivative financial instruments	15	**(27.7)**	(15.8)
Provisions for other liabilities and charges	20	**(32.5)**	(23.1)
		(299.2)	(324.5)
Non-current liabilities			
Borrowings	19	**(51.5)**	(5.0)
Retirement benefit obligations	25	**(69.7)**	(25.3)
Deferred tax liabilities	17	**–**	(0.6)
Derivative financial instruments	15	**(14.3)**	(2.1)
Other non-current liabilities	18	**(3.3)**	(1.9)
		(138.8)	(34.9)
Total liabilities		**(438.0)**	(359.4)
Net assets		**20.6**	215.5
EQUITY			
Share capital	1	**45.0**	44.6
Share premium account	1	**26.5**	22.5
Capital redemption reserve	1	**5.9**	5.5
Hedge reserve	1	**(8.6)**	0.7
Cumulative translation adjustment	1	**3.7**	13.4
Other reserves	1	**(83.8)**	(83.8)
Retained earnings	1	**29.0**	210.3
Total equity attributable to shareholders of the Company		**17.7**	213.2
Minority interests	1	**2.9**	2.3
Total equity		**20.6**	215.5

Approved by the Board on 19 May 2009.

Nicholas Brookes Chairman

Simon Webb Group Finance Director

Group Cash Flow Statement

For the year ended 28 March 2009

	Notes	2009 £m	2008 Restated* £m
Cash flows from operating activities			
Profit before tax		96.1	91.2
Adjustments for:			
Finance income and expense		0.4	(2.3)
Depreciation and amortisation		21.3	22.1
Increase in inventory		(0.1)	(4.0)
Increase in trade and other receivables		(30.4)	(12.6)
Increase in trade and other payables		17.5	12.5
Increase/(decrease) in reorganisation provisions		4.4	(0.9)
Special pension fund contributions		(27.0)	(12.0)
Profit on the disposal of a business		–	(0.9)
Profit on the disposal of investments		–	(1.7)
(Profit)/loss on disposal of property, plant and equipment		(0.1)	0.9
Share of income from associates after tax		(8.9)	(7.1)
Other non-cash movements		(3.8)	1.5
Cash generated from continuing operations		69.4	86.7
Cash generated from discontinued operations	22	(2.2)	37.3
Tax paid – continuing operations		(20.5)	(14.7)
Tax paid – discontinued operations	22	(10.0)	(12.8)
Net cash flows from operating activities		36.7	96.5
Cash flows from investing activities			
Disposal of subsidiary undertakings	22	333.7	2.1
Investment in associates		–	(10.0)
Proceeds from sale of investment		–	1.7
Purchases of property, plant and equipment (PPE) & software intangibles – continuing operations		(29.3)	(19.2)
Purchases of property, plant and equipment (PPE) & software intangibles – discontinued operations	22	(0.7)	(3.1)
Development assets capitalised – continuing operations		(3.3)	(0.1)
Development assets capitalised – discontinued operations	22	(1.1)	(4.6)
Proceeds from sale of PPE		0.5	1.3
Interest received		7.6	4.3
Interest paid		(4.1)	(1.2)
Dividends received from associates		10.3	7.7
Net cash flows from investing activities		313.6	(21.1)
Net cash inflow before financing activities		350.3	75.4
Cash flows from financing activities			
Proceeds from issue of share capital		7.0	5.2
Own share purchase		–	(4.2)
Return of cash		(119.3)	–
Proceeds from borrowings		77.6	2.2
Finance lease principal payments		(3.9)	(4.5)
Dividends paid to shareholders		(376.7)	(105.4)
Dividends paid to minority interests		(0.5)	(0.4)
Net cash flows from financing activities		(415.8)	(107.1)
Net decrease in cash and cash equivalents in the year		(65.5)	(31.7)
Cash and cash equivalents at the beginning of the year		116.7	149.0
Exchange rate effects		(1.1)	(0.6)
Cash and cash equivalents at the end of the year		50.1	116.7
Cash and cash equivalents consist of:			
Cash at bank and in hand	16	43.4	49.9
Short term bank deposits	16	15.1	70.4
Bank overdrafts		(8.4)	(3.6)
	22	50.1	116.7

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

Group Statement of Recognised Income and Expense
For the year ended 28 March 2009

	2009 £m	2008 £m
Foreign currency translation differences for foreign operations	3.6	10.9
Actuarial (losses)/gains on retirement benefit obligations	(75.0)	73.5
Effective portion of changes in fair value of cash flow hedges	(13.0)	1.6
Net gains on hedge of net investment in foreign operations	–	3.3
Income tax on income and expenses recognised directly in equity	25.4	(22.9)
Net (loss)/gain recognised directly in equity	(59.0)	66.4
Profit for the financial year	364.1	88.4
Total recognised income and expense for the year	305.1	154.8
Attributable to:		
Equity shareholders of the Company	304.0	154.5
Minority interests	1.1	0.3
Total recognised income and expense for the year	305.1	154.8

Accounting Policies – Group

De La Rue plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on page 116 of this Annual Report. The consolidated financial statements of the Company for the year ended 28 March 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The parent Company financial statements present information about the Company as a separate entity and not about its Group. The principal activities of the Group are described in note 2. 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.

Statement of compliance
European Union (EU) law (IAS Regulation EC 1606/2002) requires that the consolidated financial statements, for the year ended 28 March 2009, be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (Adopted IFRSs). These consolidated financial statements have been approved by the Directors and prepared in accordance with Adopted IFRS including interpretations issued by the International Accounting Standards Board ('IASB').

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

Basis of preparation
The consolidated financial statements 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 28 March 2009, being the last Saturday in March. The comparatives for the 2008 financial year are for the year ended 29 March 2008.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 28 March 2009. Control exists when the Company 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 results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date that control commences or until the date that control ceases. The majority of the subsidiaries prepare their financial statements up to 28 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 2008, results for the period to 28 March 2009 have been consolidated.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Significant accounting policies and judgements applied
Foreign currency
Foreign currency transactions
These financial statements are presented in sterling, which is the functional and presentational currency of the Company. The functional currency of Group entities is principally determined by the primary economic environment in which the respective entity operates.

Transactions in foreign currencies entered into by Group entities are translated into the functional currencies of those entities 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.

Foreign currency non-monetary items measured in terms of historical cost are translated at the rate of exchange at the date of the transaction. Exchange differences on non-monetary items are recognised in line with whether the gain or loss on the non-monetary item itself is recognised in the income statement or in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (refer to the accounting policy on derivative financial instruments for details of the Group's accounting policies in respect of such derivative financial instruments).

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 (which approximate to actual rates). Exchange differences arising on retranslation are recognised in the Group's translation reserve, which is a component of equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

In respect of foreign operations, any differences that have arisen before 27 March 2004, the date of transition to Adopted IFRSs, are presented as part of retained earnings.

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 in the translation reserve to the extent the hedge is effective. To the extent that the hedge is ineffective such differences are recognised as finance income or costs in the income statement. Cumulative gains or losses in equity are taken to the income statement on disposal of the foreign operation.

Financial instruments

The Group's operating activities expose it to financial risks of changes in foreign currency exchange rates and interest rates. The Group uses a range of derivative instruments, including forward contracts and swaps to hedge its risk to changes in foreign exchange rates and interest rates. Derivative financial instruments are only used for hedging purposes. The use of financial derivatives is governed by the Group's risk management policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The gain or loss on subsequent fair value measurement is recognised in the income statement unless the derivative qualifies for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item also affects the income statement. However, if the hedged item results in the recognition of a non-financial asset or liability, the amounts accumulated in equity on the hedging instrument are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting or are not designated as hedging instruments are recognised in the income statement as they arise.

Fair value hedges

For an effective hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in net income.

Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Any unrealised gains or losses on such separated derivatives are reported in 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 Group income statement.

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

Revenue recognition

Group revenue predominantly represents sales to external customers of manufactured products 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 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 arising on consolidation 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 annually for impairment and when there are indications of impairment. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

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.

Accounting Policies – Group
continued

Development costs
Expenditure incurred in the development of products or enhancements to existing product ranges 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 less accumulated amortisation and impairment losses. Software intangibles are 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 capitalised at cost less accumulated amortisation and impairment losses and 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 provision for impairment in value. Assets in the course of construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date. 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 and on fixtures and fittings. No depreciation is provided for assets in the course of construction.

Depreciation methods, residual values and useful lives are reviewed at least at each financial year end, taking into account commercial and technical obsolescence as well as normal wear and tear, provision being made where the carrying value exceeds the recoverable amount.

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.

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 immediately in the income statement 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 and in the case of goodwill is not subsequently reversed. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

For other intangible assets, at each balance sheet date, an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Associated companies
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. 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 results, assets and liabilities of associated companies are included in these financial statements using the equity method of accounting, except when classified as held for sale. The results are presented after interest, tax and minority interest. Investments in associates are carried in the balance sheet at cost as adjusted by the post acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of the individual investment. Losses of the associate in excess of the Group's interest in that associate are not recognised unless the Group has a legal or constructive obligation to fund those losses.

Any excess of the cost of acquisition over the fair values of the identifiable net assets at the date of acquisition of the associate is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment. The majority of the material associated companies prepare their financial information to 28 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 28 March have been included in the consolidated income statement.

Leasing

A lease is defined as an agreement whereby the lessor conveys to the lessee the right to use a specific asset for an agreed period of time in return for a payment or a series of payments.

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. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Where a leasehold property is vacant, or sublet under terms such that the rental income is less than the head-lease rental cost, provision is made for the best estimate of unavoidable lease payments during the vacancy or on the anticipated future shortfall of sub-lease income compared with the head-lease expense.

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, including adjustments in respect of prior periods, 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 generally 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, not deductible for tax purposes, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are only offset to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities, they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise an asset and settle a liability simultaneously.

Inventories

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises directly attributable purchase and conversion costs, including direct labour and an allocation of production overheads based on normal operating capacity that have been incurred in bringing those inventories to their present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

Accounting Policies – Group
continued

Cash and cash equivalents
Cash and cash equivalents comprise bank balances and cash held by the Group and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Loans
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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 in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of the scheme assets, as determined by actuarial valuations carried out 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 the numbers of shares that are actually expected to vest, taking into account non market vesting conditions (including service conditions). 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 probable that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date and 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 to 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

The following IFRS, 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 2009/2010 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 2009/2010 financial year.
- IFRIC 13 'Customer Loyalty Programmes' and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction' are effective for the 2009/2010 financial year.

The adoption of this IFRS, these interpretations, and amendments to IFRS and IAS is not expected to have a significant impact on the results or net assets of the Group, though they may affect presentation and disclosure in the consolidated financial statements.

The following standards and interpretations were not adopted as at the balance sheet date by the European Commission:

- IFRS 3 (revised) 'Business Combinations' is effective for the 2010/2011 financial year.
- IFRIC 12 'Service Concession Arrangements' is effective for the 2010/2011 financial year.
- IFRIC 15 'Agreements for the Construction of Real Estate' is effective for the 2009/2010 financial year.
- IFRIC 16 'Hedges of Net Investment in A Foreign Operation' is effective for the 2009/2010 financial year.
- IFRIC 17 'Distributions of Non-cash Assets to Owners' is effective for the 2010/2011 financial year.
- IFRIC 18 'Transfers of Assets from Customers' is effective for the 2010/2011 financial year.

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

Key sources of estimation uncertainty

In applying the above accounting policies, management has made appropriate estimates which 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 down the cost of such assets to their residual values over their estimated useful lives. Management determines estimated useful lives and the related depreciation charges at acquisition, based upon historical experience with similar assets and anticipation of future events such as technological change which might impact upon asset lives. Subsequently, asset lives and residual values are reviewed annually for appropriateness. Changes in asset lives or residual values would alter the depreciation charge in the income statement.

b) Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives are impaired. 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 of future cash flows, discounted at suitable rates.

c) Income taxes

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. Calculation of the current tax position involves estimation and judgement in respect of certain items whose tax treatment is uncertain and which will be resolved at some future date. Management makes judgements as to the likely impact and outcome of uncertain or disputed tax treatments. Deferred tax generally recognises the future reversal of all temporary timing differences, but management exercises judgement in respect of deferred tax assets as to their likely recoverability against future taxable profits. As this judgement involves assessment of the future trading prospects of individual statutory entities, the actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and the income statement in the period in which such determination is made.

d) Provisions for other liabilities and charges

The Group measures provisions at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date, discounted where the time value of money is considered material. These estimates take account of available information, historical experience and the likelihood of different possible outcomes. Both the amount and the maturity of these liabilities could be different from those estimated.

e) Pension obligations

Pension costs within the income statement and the pension obligations as stated in the balance sheet are both dependent upon a number of assumptions chosen by management. 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 to the terms of the related pension liability. Other key assumptions for pension obligations include the estimates of the expected longevity of current and future pensioners.

Notes to the Accounts

1 Reconciliation of Movement in Capital and Reserves

	Attributable to equity shareholders								
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	Minority interest £m	Total equity £m
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 operations	–	–	–	–	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 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
Foreign currency translation differences for foreign operations	–	–	–	–	3.6	–	–	–	3.6
Actuarial loss on retirement benefit obligations	–	–	–	–	–	–	(75.0)	–	(75.0)
Effective portion of changes in fair value of cash flow hedges	–	–	–	(13.0)	–	–	–	–	(13.0)
Income tax on income and expenses recognised directly in equity	–	–	–	3.7	–	–	21.7	–	25.4
Net gain recognised directly in equity	–	–	–	(9.3)	3.6	–	(53.3)	–	(59.0)
Profit for the financial year	–	–	–	–	–	–	363.0	1.1	364.1
Total income/(expense) recognised for the year	–	–	–	(9.3)	3.6	–	309.7	1.1	305.1
Share capital issued	0.8	4.0	–	–	–	–	–	–	4.8
Return of capital	(0.4)	–	0.4	–	–	–	(119.3)	–	(119.3)
Allocation of shares for cancellation	–	–	–	–	–	–	2.2	–	2.2
Employee share scheme: – value of services provided	–	–	–	–	–	–	2.8	–	2.8
Dividends paid	–	–	–	–	–	–	(376.7)	(0.5)	(377.2)
Disposal of a business	–	–	–	–	(13.3)	–	–	–	(13.3)
Balance at 28 March 2009	**45.0**	**26.5**	**5.9**	**(8.6)**	**3.7**	**(83.8)**	**29.0**	**2.9**	**20.6**

Nature and purpose of other reserves

a) Share premium account

This reserve arises from the issuance of shares for consideration in excess of their nominal value.

b) Capital redemption reserve

The reserve represents the nominal value of shares redeemed by the Company.

c) Hedge reserve

The reserve records the portion of any gain or loss on hedging instruments that are determined to be effective hedges. When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. If a forecast transaction is no longer expected to occur, the gain or loss on the related hedging instrument previously recognised in equity is transferred to the income statement.

1 Reconciliation of Movement in Capital and Reserves continued

d) Cumulative translation adjustment
This reserve records exchange differences arising from the translation of the financial statements of foreign entities. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. This reserves also records the effect of hedging net investments in foreign operations.

e) Other reserve
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 the approval of a High Court Scheme of Arrangement. In 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.

2 Segmental Analysis

The Group's primary reporting format is by business segment. Following the disposal of the Cash Systems business (excluding Cash Processing Solutions (CPS)), the Group comprises Security Paper and Print Division and Cash Processing Solutions (which was previously disclosed within Cash Systems). The Currency and Security Print businesses are involved in the production of a wide range of national currencies and security documents, including authentication labels, travellers' cheques and fiscal stamps. The Identity Systems business is involved in the production of passports, including ePassports, together with other secure identity products. The CPS business is primarily focused in the production of large sorters for central banks complementing our Currency business. Additional information on Security Paper and Print has been provided on a voluntary basis.

Analysis by business segment 2009

	Security Paper and Print						
	Currency £m	Security Print £m	Identity Systems £m	Cash Processing Solutions £m	Eliminations/ Exceptional items £m	Continuing operations £m	Discontinued operations £m
Revenue	348.6	69.7	30.4	66.0	(12.3)	502.4	121.6
Underlying operating profit	82.8	11.0	2.3	0.4	–	96.5	17.6
Exceptional items – operating (note 4)	–	–	–	–	(8.9)	(8.9)	–
Operating profit	82.8	11.0	2.3	0.4	(8.9)	87.6	17.6
Share of profits of associated companies after taxation						8.9	–
Profit on sale of business						–	316.8
Net interest income						1.4	–
Retirement benefit obligations net finance charge						(1.8)	–
Profit before taxation						96.1	334.4
Taxation						(28.5)	(37.9)
Profit for the financial year						67.6	296.5
Segment assets	186.2	26.5	14.9	48.0	–	275.6	–
Unallocated assets						183.0	–
Total assets						458.6	–
Segment liabilities	(100.7)	(14.3)	(15.5)	(20.0)	–	(150.5)	–
Unallocated liabilities						(287.5)	–
Total liabilities						(438.0)	–
Capital expenditure on property, plant and equipment	22.0	2.0	0.4	3.8	–	28.2	0.7
Capital expenditure on intangible assets	1.2	0.1	–	2.6	–	3.9	1.1
Depreciation of property, plant and equipment	14.9	2.6	0.7	1.4	–	19.6	1.3
Amortisation of intangible assets	1.1	0.1	0.1	0.4	–	1.7	1.1

Notes to the Accounts
continued

2 Segmental Analysis continued

Analysis by business segment 2008 (Restated*)

	Security Paper and Print						
	Currency £m	Security Print £m	Identity Systems £m	Cash Processing Solutions £m	Eliminations/ Exceptional items £m	Continuing operations £m	Discontinued operations £m
Revenue	316.7	74.8	26.5	58.4	(9.4)	467.0	286.6
Operating profit	66.5	8.4	3.9	0.4	–	79.2	35.5
Share of profits of associated companies after taxation						7.1	–
Exceptional items – non-operating (note 4)						2.6	–
Net interest income						2.0	–
Retirement benefit obligations net finance income						0.3	–
Profit before taxation						91.2	35.5
Taxation						(24.7)	(13.6)
Profit for the financial year						66.5	21.9
Segment assets	168.3	26.0	12.4	35.4	–	242.1	110.5
Unallocated assets						222.3	–
Total assets						464.4	110.5
Segment liabilities	(103.1)	(12.1)	(12.9)	(14.2)	–	(142.3)	(97.2)
Unallocated liabilities						(119.9)	–
Total liabilities						(262.2)	(97.2)
Capital expenditure on property, plant and equipment	11.2	1.5	4.1	1.4	–	18.2	6.0
Capital expenditure on intangible assets	0.7	–	0.1	–	–	0.8	5.4
Depreciation of property, plant and equipment	12.1	4.4	0.2	2.3	–	19.0	3.0
Amortisation of intangible assets	1.4	0.3	–	1.4	–	3.1	2.0

Analysis by geographical segment 2009

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Continuing operations £m	Discontinued operations £m
Revenue by destination	62.1	80.5	63.5	296.3	502.4	121.6
Segment assets	159.8	58.4	31.6	25.8	275.6	–
Unallocated assets					183.0	–
Total assets					458.6	–
Capital expenditure on property, plant and equipment	19.0	3.9	3.5	1.8	28.2	0.7
Capital expenditure on intangible assets	2.6	–	1.3	–	3.9	1.1

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

2 Segmental Analysis continued

Analysis by geographical segment 2008 (Restated*)

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Continuing operations £m	Discontinued operations £m
Revenue by destination	61.5	54.9	92.7	257.9	467.0	286.6
Segment assets	139.6	48.5	26.8	27.2	242.1	110.5
Unallocated assets					222.3	–
Total assets					464.4	110.5
Capital expenditure on property, plant and equipment	6.4	9.8	0.5	1.5	18.2	6.0
Capital expenditure on intangible assets	0.8	–	–	–	0.8	5.4

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 Profit

	2009 £m	2008 Restated* £m
Operating profit is arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	**74.9**	74.3
Net impairment of inventories	**2.3**	1.9
Depreciation of property, plant and equipment:		
– purchased	**16.4**	15.4
– leased	**3.2**	3.6
Amortisation of other intangibles	**1.7**	3.1
Impairment of trade receivables	**0.4**	–
Operating leases:		
– hire of plant and equipment	**2.0**	1.4
– hire of property	**3.9**	3.6
Auditor's remuneration:		
– Fees payable to the Company's auditors for the audit of the Company's consolidated financial statements	**0.2**	0.2
– Fees payable to the Company's auditors and its associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.4
– tax services	**0.1**	0.1
– services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or Group	**1.0**	1.0
Research and non-capitalised development expense	**10.3**	7.8
(Profit)/loss on disposal of property, plant and equipment	**(0.1)**	0.9
Reorganisation costs (Exceptional items – see note 4)	**8.9**	–
Foreign exchange losses	**5.3**	3.9

Auditor's remuneration relates to fees paid to the Company's current auditors KPMG Audit plc. Other assurance services include corporate finance work performed in connection with the disposal of the Cash Systems business in 2008/2009 and the group's strategic review in 2007/2008, including vendor due diligence on the Cash Systems business.

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

Notes to the Accounts
continued

4 Exceptional Items

	2009 £m	2008 £m
Operating – Reorganisation of central operations	(8.9)	–
Non-operating – Profit on disposal of investments	–	2.6
Exceptional items – continuing operations	(8.9)	2.6
Exceptional items – tax	0.9	–

During the year, De La Rue announced its intention to reduce central costs by approximately 50 per cent following the disposal of Cash Systems. This programme is largely complete.

Central reorganisation costs relating to this programme principally cover redundancy, separation costs and site rationalisation charges. Tax credits relating to exceptional items were £0.9m, with a credit of £1.9m in relation to the central reorganisation being partly offset by a £1.0m charge in respect of the phasing out of Industrial Buildings Allowances, included in the Finance Act 2008.

In the prior year, profit from disposal of investments comprises a £1.7m gain from the sale of the Group's Valora investment and £0.9m gain on the sale of its 50 per cent stake in De La Rue Smurfit.

5 Interest Income and Expense

	2009 £m	2008 £m
Recognised in profit and loss		
Interest income		
Cash and cash equivalents	7.8	4.4
Interest expense:		
Bank overdrafts	(1.3)	(1.6)
Bank loans	(2.9)	(0.1)
Finance leases	(0.3)	(0.6)
Other	(1.9)	(0.1)
Total interest expense calculated using the effective interest method	(6.4)	(2.4)
Retirement benefit obligation net finance (expense)/income (note 25)	(1.8)	0.3
The above financial income and expense include the following in respect of assets and liabilities not at fair value through profit or loss:		
Total interest income on financial assets	7.8	4.4
Total interest expense on financial liabilities	(6.4)	(2.4)
Recognised directly in equity		
Foreign currency differences for foreign operations	3.6	10.9
Cash flow hedges recognised	(13.0)	1.6
Tax on cash flow hedges	3.7	(0.4)
Net gain on hedge of net investment in foreign operations	–	3.3
	(5.7)	15.4
Recognised in		
Hedge reserve	(9.3)	1.2
Translation reserve	3.6	14.2
	(5.7)	15.4

The ineffective portion charged to profit and loss on derivatives in 2009 was £nil (2008: £nil).

6 Taxation

	2009 £m	2008 Restated* £m
Consolidated income statement		
Current tax		
UK Corporation tax		
Current tax	11.6	19.3
Double tax relief	(0.5)	(3.3)
Adjustment in respect of prior years	0.2	(0.4)
	11.3	15.6
Overseas tax charges		
Current year	6.3	6.8
Adjustment in respect of prior years	0.2	(1.1)
	6.5	5.7
Total current income tax expense	17.8	21.3
Deferred tax		
UK		
Origination and reversal of temporary differences	10.5	2.6
Overseas		
Origination and reversal of temporary differences	0.2	0.8
Total deferred tax expense	10.7	3.4
Income tax expense reported in the consolidated income statement in respect of continuing operations	28.5	24.7
Income tax expense in respect of discontinued operations (note 7)	5.0	13.6
Total income tax expense in the consolidated income statement	33.5	38.3
Consolidated statement of recognised income and expense		
On pension actuarial adjustments	(21.0)	22.5
On share options	(0.7)	–
On cash flow hedges	(3.7)	0.4
Income tax (income)/expense reported within equity	(25.4)	22.9

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 28 per cent as follows:

	2009 Before Exceptionals £m	2009 Exceptional Items £m	2009 Total £m	2008 Restated* Before Exceptionals £m	2008 Restated* Exceptional Items £m	2008 Restated* Total £m
Profit before tax	105.0	(8.9)	96.1	88.6	2.6	91.2
Tax calculated at UK tax rate at 28 per cent (2008: 30 per cent)	29.4	(2.5)	26.9	26.6	0.8	27.4
Effects of overseas taxation	(1.5)	–	(1.5)	(2.0)	–	(2.0)
Income not subject to tax	–	–	–	–	(0.8)	(0.8)
Expenses not deductible for tax purposes	3.6	0.6	4.2	3.7	–	3.7
Adjustment for tax on profits of associate	(2.5)	–	(2.5)	(2.1)	–	(2.1)
Adjustments in respect of prior years	0.4	–	0.4	(1.5)	–	(1.5)
Industrial Buildings Allowances	–	1.0	1.0	–	–	–
Tax charge	29.4	(0.9)	28.5	24.7	–	24.7

The underlying effective tax rate excluding one-off items was 28.0 per cent (2008: 27.9 per cent). A charge of £1.0m related to the impact on deferred tax balances of the phasing out of Industrial Buildings Allowances, included in the Finance Act 2008.

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

Notes to the Accounts
continued

7 Discontinued Operations

The Group completed the disposal of the Cash Systems business (excluding Cash Processing Solutions) on 1 September 2008.

Results of discontinued operations

	2009 £m	2008 £m
Revenue	121.6	286.6
Operating expenses	(104.0)	(251.1)
Operating profit	17.6	35.5
Taxation on operating profits from discontinued operations	(5.0)	(13.6)
Gain on disposal of discontinued operations before tax	316.8	–
Taxation on gain on disposal of discontinued operations	(32.9)	–
	283.9	–
Profit for the year from discontinued operations	296.5	21.9

Gain on disposal of discontinued operations

	2009 £m
Amounts paid by purchaser	367.3
Amounts payable by purchaser	1.9
Disposal costs paid	(11.2)
Disposal costs accrued	(5.4)
Taxation on gain on disposal	(32.9)
Reserves recycled on disposal	13.3
Net assets and liabilities disposed (see note 24)	(49.1)
Gain on disposal	283.9

8 Earnings Per Share

	2009 pence per share	2008 Restated* pence per share
Basic earnings per share	277.7	57.8
Diluted earnings per share	275.0	56.7
Basic earnings per share from continuing operations	50.9	43.4
Diluted earnings per share from continuing operations	50.4	42.7
Basic earnings per share from discontinued operations	226.8	14.4
Diluted earnings per share from discontinued operations	224.6	14.0
Headline earnings per share	57.0	41.7

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 returned cash of £460m to shareholders 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.

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.

8 Earnings Per Share continued

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

Earnings

	2009 £m	2008 Restated* £m
Earnings for basic earnings per share	**363.0**	88.1
Deduct: Profit for the year from discontinued operations	**(296.5)**	(21.9)
Earnings for basic earnings per share from continuing operations	**66.5**	66.2
Add: Exceptional items – operating	**8.9**	–
Deduct: Exceptional items – non-operating	**–**	(2.6)
Less: Tax on exceptional items	**(1.9)**	–
Add: Tax effect of phasing out of Industrial Buildings Allowances	**1.0**	–
Earnings for headline earnings per share	**74.5**	63.6

Weighted average number of shares

	2009 Number m	2008 Number m
For basic earnings per share	**130.7**	152.5
Effect of dilutive options	**1.3**	2.8
For diluted earnings per share	**132.0**	155.3

*Restated for the disposal of Cash Systems (excluding Cash Processing Solutions) – see note 7.

9 Equity Dividends

	2009 £m	2008 £m
Final dividend for the year ended 29 March 2008 of 14.87p paid on 1 August 2008	**22.3**	–
B Shares dividend of 305.0p paid on 28 November 2008	**340.6**	–
Interim dividend for the period ended 27 September 2008 of 13.7p paid on 14 January 2009	**13.8**	–
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
	376.7	105.4

A final dividend per equity share of 27.4 pence has been proposed for the year ended 28 March 2009, payable on 31 July 2009. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

Notes to the Accounts
continued

10 Property, Plant and Equipment

Year ended 28 March 2009

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 29 March 2008	58.1	256.6	44.1	13.6	372.4
Exchange differences	1.6	13.3	1.0	0.1	16.0
Additions	–	10.7	1.1	17.1	28.9
Disposal of business	(6.1)	(5.0)	(31.3)	(1.7)	(44.1)
Transfers from assets in the course of construction	–	13.2	1.4	(14.6)	–
Disposals	–	(6.8)	(0.3)	–	(7.1)
At 28 March 2009	53.6	282.0	16.0	14.5	366.1
Accumulated depreciation					
At 29 March 2008	21.2	171.9	36.1	–	229.2
Exchange differences	0.6	6.7	0.8	–	8.1
Depreciation charge for the year	1.3	17.3	2.3	–	20.9
Disposal of business	(3.1)	(3.2)	(27.3)	–	(33.6)
Disposals	–	(6.5)	(0.3)	–	(6.8)
At 28 March 2009	20.0	186.2	11.6	–	217.8
Net book value					
At 28 March 2009	33.6	95.8	4.4	14.5	148.3

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

Included within plant and machinery are assets held under finance leases with net book value of £2.1m (2008 £7.8m). Additions include £0.1m (2008 £2.5m) for plant and machinery held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

11 Intangible Assets

Year ended 28 March 2009

	Goodwill* £m	Development costs £m	Software assets £m	Distribution rights £m	Total £m
Cost					
At 29 March 2008	28.0	21.5	10.7	2.9	63.1
Exchange differences	3.8	0.3	0.1	(0.2)	4.0
Additions	–	4.4	0.6	–	5.0
Disposal of business	(23.5)	(15.8)	(5.6)	(2.3)	(47.2)
At 28 March 2009	8.3	10.4	5.8	0.4	24.9
Accumulated amortisation					
At 29 March 2008	13.3	7.1	6.6	2.9	29.9
Exchange differences	2.3	–	0.3	(0.2)	2.4
Amortisation for the year	–	1.6	1.2	–	2.8
Disposal of business	(15.3)	(7.5)	(3.4)	(2.3)	(28.5)
At 28 March 2009	0.3	1.2	4.7	0.4	6.6
Carrying value at 28 March 2009	8.0	9.2	1.1	–	18.3

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

*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.

Notes to the Accounts
continued

11 Intangible Assets continued

A segment level summary of the goodwill allocation is presented below:

	2009 £m	2008 £m
Cash Processing Solutions (Cash Systems in 2008)	3.7	9.9
Security Paper and Print	4.3	4.8
	8.0	14.7

Goodwill relates to the acquisition of CSI Inc in 2001 which was allocated to Cash Processing Solutions and Security Paper and Print on the basis that the acquired business generated synergies for both CGUs. The estimates of recoverable amount are based on value-in-use calculations. In each case, the value-in-use calculations use cash flow projections covering a five year period based on the 2009/2010 budget, plus a terminal value. The key assumptions underlying these projections are summarised below:

(a) Cash Processing Solutions: unit sales of large sorters and the extent of maintenance income generated from these sales, which are based on a combination of orders on hand and past experience.

(b) Security Paper and Print: the volume and price of orders secured, particularly in respect of banknotes and banknote papers, which are also based on a combination of the current order book and past experience, taking into account:

(i) expectations in respect of economic growth and central banks' banknote circulation policies, and

(ii) the Company's knowledge of its customer base, gained through its long standing relationships with them.

Material input prices and foreign exchange rates are also factors but are not considered significant in the context of the headroom available in the calculations.

The pre-tax discount rate used for both Cash Processing Solutions and Security Paper and Print was 14.1 per cent (2008 14.4 per cent). The discount rates applied take into account the Group's weighted average cost of capital (WACC) and the relative risks associated with the CGUs' operations. The post tax discount rate used is unchanged compared to the prior period reflecting the fact that the Group's WACC has not changed and that the risks associated with the CGU's in question have not been materially affected by the recent economic conditions. Cash flows beyond the period covered by the projections have been extrapolated assuming a growth rate of 3 per cent, which approximates to the long term GDP growth in the markets served by the Group.

Sensitivity analysis has been performed and management do not consider there to be any reasonably possible change in assumptions that could result in the assets' recoverable amounts falling below their book values.

12 Investments

	Associated companies		
	Equity shares £m	Redeemable shares £m	Total £m
At 29 March 2008	12.5	10.0	22.5
Share of post tax profits	8.9	–	8.9
Dividends paid	(10.3)	–	(10.3)
At 28 March 2009	**11.1**	**10.0**	**21.1**
At 31 March 2007	13.1	–	13.1
Additions	–	10.0	10.0
Share of post tax profits	7.1	–	7.1
Dividends paid	(7.7)	–	(7.7)
At 29 March 2008	12.5	10.0	22.5

At 28 March 2009 and 29 March 2008, 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. The redeemable shares do not carry any voting rights, but rank equally with Ordinary Shares for dividend and return of capital.

On 31 December 2007, the Group disposed of its entire holding in Valora-Servicos de Apoio a Emissao Monitaria SA (25 per cent) to Banco de Portugal for £1.7m. The investment in this Company was previously impaired.

12 Investments continued

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

	Camelot Group	
	2009 £m	2008 £m
Share of the associate's results:		
Revenue	1,029.9	993.3
Profit after tax	8.9	7.1
Share of the associate's balance sheet:		
Non-current assets	33.1	16.0
Current assets	61.2	73.7
Share of gross assets	94.3	89.7
Non-current liabilities	(1.7)	(1.2)
Current liabilities	(69.7)	(65.1)
Share of gross liabilities	(71.4)	(66.3)
Share of net assets	22.9	23.4

13 Inventories

	2009 £m	2008 £m
Raw materials	21.4	17.5
Work in progress	23.4	32.9
Finished goods	20.5	44.5
	65.3	94.9

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

Provisions of £5.0m recognised in operating expenses were made against inventories in 2009 (2008: £7.2m). The Group also reversed provisions of £2.2m (2008: £5.0m), being part of an inventory write down that was not subsequently required.

14 Trade and Other Receivables

	2009 £m	2008 £m
Non current assets		
Other receivables	–	0.8
	–	0.8
Current assets		
Trade receivables	70.3	100.4
Provision for impairment	(4.1)	(4.8)
Net trade receivables	66.2	95.6
Other receivables	11.7	14.4
Prepayments	4.6	4.2
	82.5	114.2
	82.5	115.0

The carrying value of trade and other receivables approximate to 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.

Notes to the Accounts
continued

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
– Currency risk
– Market risk

The Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital are set out below.

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 Management 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.

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 advance 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.

15 Financial Instruments continued

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 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 currency via foreign exchange contracts transacted 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 denominated 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 divided 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 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.

Fair values

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

	2009 Carrying amount £m	2009 Fair value £m	2008 Carrying amount £m	2008 Fair value £m
Financial assets				
Trade and other receivables (excluding prepayments)	77.9	77.9	110.8	110.8
Cash and cash equivalents	58.5	58.5	120.3	120.3
Derivative financial instruments:				
– Forward exchange contracts designated as cash flow hedges	6.5	6.5	1.9	1.9
– Forward exchange contracts not designated as cash flow hedges	3.0	3.0	6.2	6.2
– Embedded derivatives	25.4	25.4	11.4	11.4
Total financial assets	171.3	171.3	250.6	250.6
Financial liabilities				
Unsecured bank loans and overdrafts	(88.3)	(88.3)	(5.1)	(5.1)
Finance lease liabilities	(3.3)	(3.6)	(8.5)	(9.7)
Trade and other payables (excluding accruals)	(105.3)	(105.3)	(173.3)	(173.3)
Derivative financial instruments:				
– Forward exchange contracts designated as cash flow hedges	(18.4)	(18.4)	(0.8)	(0.8)
– Forward exchange contracts not designated as cash flow hedges	(19.5)	(19.5)	(12.6)	(12.6)
– Embedded derivatives	(4.0)	(4.0)	(4.4)	(4.4)
– Interest rate swaps	(0.1)	(0.1)	–	–
– Net investment hedges	–	–	(0.1)	(0.1)
Total financial liabilities	(238.9)	(239.2)	(204.8)	(206.0)

Determination of fair values

Trade and other receivables and payables

The amortised cost less impairment provision of trade receivables and payables is assumed to approximate to fair value due to their short maturities.

Embedded derivatives

The fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts.

Notes to the Accounts
continued

15 Financial Instruments continued

Forward exchange contracts used for hedging
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 has been determined using quoted forward exchange rates at the balance sheet date.

Non-derivative financial liabilities
Fair value 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.

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

	2009	2008
Leases	1.89%	5.70%

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	
	Notes	2009 £m	2008 £m
Trade and other receivables (excluding prepayments)	14	77.9	110.8
Cash and cash equivalents	16	58.5	120.3
Forward exchange contracts used for hedging		9.5	8.1
Embedded derivatives		25.4	11.4
		171.3	250.6

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

	Carrying amount	
	2009 £m	2008 £m
UK and Ireland	15.2	5.2
Rest of Europe	10.2	33.5
The Americas	9.9	19.1
Rest of World	42.6	53.0
	77.9	110.8

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

	Carrying amount	
	2009 £m	2008 £m
Banks and financial institutions	38.6	65.3
Government institutions	15.0	11.1
Distributors	3.6	12.7
Retail customers	–	2.4
End user customers	6.8	10.2
Other debtors	13.9	9.1
	77.9	110.8

15 Financial Instruments continued

Impairment losses

The ageing of trade and other receivables at the reporting date was:

	2009 Gross £m	2009 Impairment £m	2008 Gross £m	2008 Impairment £m
Not past due	62.6	(0.1)	92.5	(1.6)
Past due 0-30 days	6.2	(0.1)	12.9	(0.2)
Past due 31-120 days	6.6	(1.0)	5.9	(1.0)
More than one year	6.6	(2.9)	4.3	(2.0)
	82.0	(4.1)	115.6	(4.8)

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

	2009 £m	2008 £m
Balance at beginning of year	(4.8)	(4.3)
Impairment loss released/(recognised)	0.7	(0.5)
Balance at end of year	(4.1)	(4.8)

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.

Based on past experience, the Group believes that no impairment is required for financial assets that are not past due and are not currently known to be impaired.

Liquidity risk

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

28 March 2009

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting and fair value £m	Carrying amount £m
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	37.8	–	50.5	88.3	–	88.3
Finance lease liabilities	2.5	1.1	–	3.6	(0.3)	3.3
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging:						
– Gross amount payable from currency derivatives	168.3	88.8	–	257.1	(219.2)	37.9
Interest rate swaps	0.3	0.3	–	0.6	(0.5)	0.1
	208.9	90.2	50.5	349.6	(220.0)	129.6

29 March 2008

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting and fair value £m	Carrying amount £m
Non-derivative financial liabilities						
Unsecured bank loans and overdrafts	5.1	–	–	5.1	–	5.1
Finance lease liabilities	6.0	3.7	–	9.7	(1.2)	8.5
Derivative financial liabilities						
Forward exchange contracts used for cash flow hedging:						
– Gross amount payable from currency derivatives	226.3	101.7	–	328.0	(314.5)	13.5
	237.4	105.4	–	342.8	(315.7)	27.1

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.

Notes to the Accounts
continued

15 Financial Instruments continued

Forward foreign exchange contracts
The principal amounts of the outstanding forward foreign exchange contracts at 28 March 2009 are US Dollar 87.0m, Euro 179.6m and Swiss Franc (14.6m).

The principal amount outstanding under forward contracts with maturities greater than 12 months is Euro 80.5m. These forward contracts are designated as cash flow hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity (note 1) on forward foreign exchange contracts at 28 March 2009 will be released to the income statement at various dates between one month and 24 months from the balance sheet date.

Net investments
Following the sale of the Cash Systems business (excluding CPS), the Group has de-designated all of its previous net investment hedges. No net investment hedges were outstanding at 28 March 2009.

At 29 March 2008, the following net investment hedges were in place:

The Group 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.

The Group 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).

The Group 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.

The Group designated 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.

Cash management swaps
The Group uses currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 28 March 2009 was £0.2m (2008: (£0.7m)).

Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps are US Dollars 8.4m, Euro (16.8m), Canadian Dollar 3.2m, Singapore Dollar (0.9m), Swiss Francs (1.7m), South African Rand (9.3m) and Japanese Yen (14.5m).

Embedded derivatives
Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based.

The fair value of embedded derivatives at 28 March 2009 was £21.4m (2008: £7.0m).

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 28 March 2009 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. However, where transaction exposures do occur the Group's policy is to hedge firm commitments as soon as they are entered into using forward foreign exchange contracts, which are designated as cashflow hedges if applicable. 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 28 March 2009 all foreign exchange cash flow hedges were effective with a £12.0m loss recognised in equity.

15 Financial Instruments continued

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
USD	**1.73**	2.01	**1.43**	1.99
EUR	**1.21**	1.42	**1.08**	1.26

Sensitivity analysis

A 10 per cent strengthening of GBP against the following currencies at 28 March 2009 and 29 March 2008 would have increased (decreased) equity and profit or 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 2008.

	2009 £m	2008 £m
USD	**(0.1)**	(0.7)
EUR	**0.9**	(0.9)

A 10 per cent weakening of GBP against the above currencies at 28 March 2009 and 29 March 2008 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

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

	Carrying amount	
	2009 £m	2008 £m
Variable rate instruments		
Financial assets	**58.5**	120.3
Financial liabilities	**(91.6)**	(13.6)
	(33.1)	106.7

As at 28 March 2009 the Group does not hold any fixed rate instruments.

The Group reduced its exposure to cash flow interest rate risk in March 2009 by entering into interest rate swaps with notional principal amounts of £50m, which have the effect of fixing the interest cost on £50m of borrowings under the Group's committed bank facility until May 2011 at an average rate of 2.64 per cent (inclusive of borrowing margin).

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 and loss 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 2008.

	Profit and Loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
28 March 2009				
Variable rate instruments cash flow sensitivity (net)	**1.3**	**(1.3)**	**–**	**–**
29 March 2008				
Variable rate instruments cash flow sensitivity (net)	1.2	(1.2)	–	–

Notes to the Accounts
continued

16 Cash and Cash Equivalents

	2009 £m	2008 £m
Cash at bank and in hand	43.4	49.9
Short term bank deposits	15.1	70.4
	58.5	120.3

The effective interest rate on short-term bank deposits was 1.2 per cent (2008: 5.1 per cent) and the deposits had an average maturity period of 23 days.

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

	2009 £m	2008 £m
Cash and cash equivalents	58.5	120.3
Bank overdrafts repayable on demand	(8.4)	(3.6)
Balance per Group cash flow statement	50.1	116.7

All cash and deposits are of a floating rate nature, 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.

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:

	2009 £m	2008 £m
Deferred tax assets	29.3	25.9
Deferred tax liabilities	–	(0.6)
	29.3	25.3

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

	2009 £m	2008 £m
Beginning of the year	25.3	49.3
Exchange differences	1.5	2.1
Income statement charge	(15.9)	(3.6)
Tax (credited)/charged to equity	25.0	(22.5)
Disposal of business	(6.6)	–
End of the year	29.3	25.3

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 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
Credited to the income statement	(0.4)	–	(2.6)	(0.5)	(3.5)
Disposal of business	(0.2)	–	(1.2)	–	(1.4)
At 28 March 2009	**7.4**	**0.4**	**0.8**	**1.4**	**10.0**

17 Deferred Taxation continued

Assets	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 31 March 2007	(6.3)	(32.4)	(4.3)	(25.1)	(68.1)
Charged to the income statement	0.5	2.9	1.4	2.8	7.6
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)
Charged to the income statement	3.1	8.5	4.5	3.3	19.4
Credited to equity	(0.2)	(21.0)	–	(3.8)	(25.0)
Disposal of business	–	0.1	–	7.9	8.0
Exchange differences	–	–	–	(1.5)	(1.5)
At 28 March 2009	**(2.9)**	**(19.4)**	**–**	**(17.0)**	**(39.3)**

Other deferred assets and liabilities predominantly relate to tax associated with provisions (£8.4m), and overseas tax credits (£4.7m).

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 £2.2m (2008: £7.1m) in respect of losses amounting to £8.6m (2008: £26.9m) that can be carried forward against future taxable income.

Deferred income tax liabilities of £127.3m (2008: £103.8m) 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 £527.1m at 28 March 2009 (2008: £435.2m).

UK capital losses of £372m are carried forward at 28 March 2009 (2008: £382m). No deferred tax asset has been recognised in respect of these losses.

18 Trade and Other Payables

	2009 £m	2008 £m
Current liabilities		
Payments received on account	**38.4**	72.8
Trade payables	**40.7**	45.4
Amounts owed to associated companies	**1.6**	0.6
Social security and other taxation	**–**	4.8
Deferred income	**4.3**	25.8
Accrued expenses	**56.5**	73.9
Other payables	**17.0**	22.0
	158.5	245.3
Non current liabilities		
Other payables	**3.3**	1.9
	3.3	1.9

The Directors consider the carrying amounts of trade and other payables to approximate to their fair values.

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.

Notes to the Accounts
continued

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.

	Currency	Nominal interest rate	Year of maturity	2009 Face value £m	2009 Carrying amount £m	2008 Face value £m	2008 Carrying amount £m
Current liabilities							
Unsecured bank loans and overdrafts	GBP	1.50%	2009	4.9	4.9	3.6	3.6
Unsecured bank loans and overdrafts	GBP	2.30%	2009	5.0	5.0	–	–
Unsecured bank loans and overdrafts	USD	1.46%	2009	24.4	24.4	–	–
Unsecured bank loans and overdrafts	BRL	16.15%	2009	3.5	3.5	–	–
Finance leases	GBP	1.89%	2009	2.3	2.3	3.4	3.4
Finance leases	USD			–	–	1.6	1.6
				40.1	40.1	8.6	8.6
Non current liabilities							
Unsecured bank loans repayable by instalments	EUR	2.50%	2011	1.3	1.3	1.5	1.5
Unsecured bank loans repayable otherwise than by instalments	GBP	2.09%	2011	49.2	49.2	–	–
Finance leases	GBP	1.89%	2010–2011	1.0	1.0	3.5	3.5
				51.5	51.5	5.0	5.0
Total interest bearing liabilities				91.6	91.6	13.6	13.6

In 2009, bank loans and overdrafts of £115.4m (2008: £250.5m) were pooled for interest purposes against cash and cash equivalents.

The Group has the following undrawn borrowing facilities:

	2009 £m	2008 £m
Floating rate:		
– Expiring within one year	13.9	–
– Expiring beyond one year	93.9	110.0
Fixed rate:		
– Expiring within one year	–	–
	107.8	110.0

As at 28 March 2009, the total of undrawn committed borrowing facilities maturing in more than two years was £93.9m (2008: £110m).

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2009 Future minimum lease payments £m	2009 Interest £m	2009 Present value of minimum lease payments £m	2008 Future minimum lease payments £m	2008 Interest £m	2008 Present value of minimum lease payments £m
Less than one year	2.5	(0.2)	2.3	6.0	(1.0)	5.0
Between one and five years	1.1	(0.1)	1.0	3.7	(0.2)	3.5
	3.6	(0.3)	3.3	9.7	(1.2)	8.5

20 Provisions for Liabilities and Charges

	Restructuring £m	Business disposals £m	Warranty £m	Other £m	Total £m
At 29 March 2008	2.0	1.5	9.7	9.9	23.1
Exchange differences	–	–	0.2	1.2	1.4
Charge for the year	12.0	–	11.8	0.7	24.5
Utilised in year	(0.7)	–	(5.5)	(1.4)	(7.6)
Released in year	(0.8)	(0.4)	(1.1)	(1.2)	(3.5)
Disposal of business	–	–	(4.0)	(1.9)	(5.9)
Reclassified from/(to) other payables	–	–	0.6	(0.1)	0.5
At 28 March 2009	**12.5**	**1.1**	**11.7**	**7.2**	**32.5**

Restructuring provisions relate to exceptional amounts set aside for various reorganisations within the Group, principally involving Central functions. Most of the utilisation of these provisions is likely within the next year.

Business disposal provisions represent amounts reserved to cover exposures arising in connection with businesses previously owned by the Group. These exposures include product warranties provided prior to disposal, disputed contractual amounts and certain indemnities provided by the Group to the new owners. The majority of these provisions are expected to be utilised within one year.

Warranty provisions relate to present obligations for defective products and include known claims as well as anticipated claims that had not been reported at the balance sheet date. The provisions are management judgements based on information currently available, past history and experience of the products sold, however it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain, but is generally expected to fall within the year.

Other provisions comprise a number of liabilities with varying expected utilisation rates. There are no individually material provisions within this total.

21a Share Capital

	2009 £m	2008 £m
Authorised		
144,641,840 Ordinary Shares of $44\frac{152}{175}$p each (2008: 223,125,756 Ordinary Shares of $29\frac{16}{21}$p each)	**64.9**	66.4
111,673,300 Deferred Shares of 1p each (2008: nil)	**1.1**	–
Authorised, called up and fully paid		
97,786,854 Ordinary Shares of $44\frac{152}{175}$p each (2008: 149,842,853 Ordinary Shares of $29\frac{16}{21}$p each)	**43.9**	44.6
111,673,300 Deferred Shares of 1p each (2008: nil)	**1.1**	–
	45.0	44.6

	2009 Ordinary Shares '000	2009 B Shares/ Deferred Shares '000	2008 Ordinary Shares '000	2008 Deferred Shares '000
Allotments during the year				
Shares in issue at 29 March 2008	**149,843**	**–**	160,827	–
Sub-division of shares*	**–**	**150,774**		
Shares bought back for cancellation	**–**	**(39,101)**	(610)	–
Issued under executive share option plan	**546**	**–**	–	–
Issued under savings related share option scheme	**724**	**–**	295	–
Issued under US employee share purchase plan	**23**	**–**	54	–
Issued under deferred bonus and matching share plan	**775**	**–**	–	–
Shares consolidated*	**(54,124)**	**–**	(10,723)	–
Shares in issue at 28 March 2009	**97,787**	**111,673**	149,843	–

*Following shareholders' approval of a return of cash at the Extraordinary General Meeting of the Company on 14 November 2008, each existing Ordinary Share held by shareholders on the Company's Register of Members at the close of business on 14 November 2008 was sub-divided into one undesignated share and one B Share. The undesignated shares were immediately consolidated on the basis of 25 new Ordinary Shares for every 39 undesignated shares. On 28 November 2008, shareholders opting for the single B Share dividend alternative received 305 pence per B Share. JPMorgan Cazenove Limited acting as principal purchased 39,101,452 B Shares in respect of which valid acceptances of the purchase offer had been received for 305 pence each. The Company acquired the 39,101,452 B Shares for an aggregate consideration of approximately £119.3m, and these B Shares were cancelled on 28 November 2008. The remaining B Shares were converted into Deferred Shares of 1 penny nominal value. As a consequence of the return of cash and share consolidation, the Company's authorised share capital was reduced from £66.4m to £66.0m, representing 111,673,300 Deferred Shares of 1 penny each and 144,641,840 Ordinary Shares of $44\frac{152}{175}$ pence each. The issued Ordinary Share capital was reduced from 150,774,752 to 96,650,482.

On 30 July 2007 the Group carried out a share consolidation of 14 new Ordinary Shares of $29\frac{16}{21}$p for every 15 Ordinary Shares of $27\frac{7}{9}$p in issue, accompanied by the payment of a special dividend to all shareholders.

The Deferred Shares carry no voting rights and are unlisted.

Notes to the Accounts
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21b Share Based Payments

At 28 March 2009, De La Rue plc has a number of share based payment plans, which are described below. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, 'Share Based Payments', which means that IFRS 2 has been applied to all grants of employee share based payments granted after 7 November 2002 that had not vested at 1 January 2005 and cash settled awards outstanding at 1 January 2005.

The compensation cost and related liability that have been recognised for De La Rue's share based compensation plans are set out in the table below:

	Expense recognised for the year		Liability at end of year	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Executive share option plan	**–**	0.7	**–**	–
Deferred bonus and matching share plan	**2.5**	3.1	**–**	–
Savings related share option scheme	**0.6**	0.5	**–**	–
US employee share purchase plan	**0.1**	0.1	**–**	–
Phantom share option plan	**–**	–	**–**	0.4
	3.2	4.4	**–**	0.4

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 scheme	US employee share purchase plan	Phantom share option plan
Dates of current year grants	n/a	26 Jun '08	7 Jan '09	n/a	n/a
Number of options granted	n/a	277,348	299,920	n/a	n/a
Exercise price	n/a	n/a	714.14p	n/a	n/a
Contractual life (years)	n/a	3	3	n/a	n/a
Settlement	Shares	Shares	Shares	Shares	Cash
Vesting period (years)	n/a	3	3	n/a	n/a
Dividend yield	n/a	3.5%	3.5%	n/a	n/a
Fair value per option at grant date	n/a	£8.89 for Deferred Allocation £6.39 for Matching Allocation	£3.18	n/a	remeasured at period end

An expected volatility rate of 25 per cent has been used for grants in the period. This rate is based on historical volatility over the last three years.

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The rate applied during the year was in the region of 4.5 per cent depending on exact grant date.

21b Share Based Payments continued

Reconciliations of option movements over the year to 28 March 2009 for each class of options are shown below:

Executive Share Option Plan

The Executive Share Option Plan was open to senior executives of the Group and expired on 17 July 2006 for the purposes of grant of options. Options were 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 related to the achievement over three years of three per cent per annum earnings per share growth over the rate of increase in the retail price index. All options under the Plan vested with the exception of the 2002 grant of options which failed the performance condition. A pre vesting forfeiture rate of 5 per cent per annum has been assumed.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	1,072	362.84	2,783	337.28
Forfeited	–	–	(19)	407.42
Exercised	(1,032)	362.42	(906)	332.07
Expired	–	–	(786)	304.47
Outstanding at end of year	40	373.59	1,072	362.84
Exercisable at year end	40	373.59	696	338.76

The range of exercise prices for the share options outstanding at the end of the year is 340.50 – 407.42p (2008: 237.33p – 407.42p).

The remaining contractual life of the outstanding share options is up to 5 July 2015 (2008: up to 5 July 2015).

Executive Share Option Scheme

The Company operated 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. All options have now vested.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	120	514.79	894	496.62
Exercised	(83)	518.92	(229)	494.61
Expired	–	–	(545)	490.19
Outstanding at end of year	37	505.56	120	514.79
Exercisable at year end	37	505.56	120	514.79

The range of exercise prices for the share options outstanding at the end of the year was 482.33p – 522.30p (2008: 482.33p – 522.30p). The remaining contractual life of the outstanding share options is up to 3 December 2011.

Notes to the Accounts
continued

21b Share Based Payments continued

Deferred Bonus and Matching Share Plan
The Plan is open to senior executives of the Group. The Plan is a combination of three elements: Deferred Allocation, Dividend Allocation and Matching Allocation. The Matching Allocation is linked to the Deferred Allocation and is subject to the following performance condition: up to 50 per cent of the award is released subject to an earnings per share test and up to 50 per cent is released based on the performance of the total shareholder return test (TSR) against the companies in the FTSE Mid 250 excluding investment trusts. The performance conditions are described in more detail on pages 64 and 65. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2009 Number of options '000	2008 Number of options '000
Options outstanding at start of year	1,447	1,005
Granted – Deferred Allocation of Shares	107	181
Granted – Matching Allocation of Shares	170	269
Forfeited	(102)	(8)
Exercised	(735)	–
Outstanding at end of year	887	1,447
Exercisable at year end	–	–

The Deferred and Matching Shares have been allocated based on a share price of 908.5p (2008: 758.4p).

Savings Related Share Option Scheme
The Scheme is open to all UK employees. Options are granted at the prevailing market price at the time of the grant (with a discretionary discount to the market price), to employees who agree to save between £5 and £250 per month over a period of three or 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 per cent has been assumed.

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	1,778	439.63	1,875	366.00
Granted	300	714.14	300	745.74
Forfeited	(119)	570.50	(92)	371.29
Exercised	(723)	319.63	(295)	306.02
Expired	(11)	387.65	(10)	456.94
Outstanding at end of year	1,225	565.31	1,778	439.63
Exercisable at year end	36	352.46	31	346.20

The range of exercise prices for the share options outstanding at the end of the year is 258.90p – 745.74p (2008: 258.90p – 745.74p). The weighted average remaining contractual life of the outstanding share options is 1 September 2013 (2008: 1 September 2013).

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

	2009 Number of options '000	2009 Weighted average exercise price pence per share	2008 Number of options '000	2008 Weighted average exercise price pence per share
Options outstanding at start of year	93	344.99	256	355.23
Exercised	(93)	344.99	(117)	340.22
Expired	–	–	(46)	413.23
Outstanding at end of year	–	–	93	344.99
Exercisable at year end	–	–	73	328.24

There were no options outstanding at the end of the year.

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 Ordinary 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 Ordinary Share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2008/2009, 22,152 shares (2007/2008: 54,472 shares) were allotted pursuant to the Plan. It is estimated that 25,541 shares will be required to satisfy the Company's 2009/2010 obligations in respect of employees' savings under the Plan as at 28 March 2009.

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 satisfy options 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 29 March 2008 held 570,886 shares due for release to participants of the ESOS and ESOP. Following the transfer to option holders of 570,886 Ordinary Shares, the Trustee held no shares at 28 March 2009.

The Trustee 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 8.

22 Notes to Group Cash Flow Statement

	2009 £m	2008 £m
Net cash flows attributable to discontinued operations		
Cash (utilised by)/generated from discontinued operations	(2.2)	37.3
Tax paid	(10.0)	(12.8)
Net cash (used in)/from operating activities	(12.2)	24.5
Net cash used in investing activities	(1.8)	(7.7)
Net cash (used in)/from discontinued operations	(14.0)	16.8

	2009 £m	2008 £m
Disposal of subsidiary undertakings		
Consideration received, satisfied in cash	367.3	4.0
Net cash disposed of	(22.4)	(1.9)
Disposal costs paid	(11.2)	-
Disposal of subsidiary undertakings (net of cash disposed)	333.7	2.1

	2009 £m	2008 £m
Analysis of net cash		
Cash at bank and in hand	43.4	49.9
Short-term bank deposits	15.1	70.4
Bank overdrafts	(8.4)	(3.6)
Total cash and cash equivalents	50.1	116.7
Other debt due within one year	(31.7)	(5.0)
Borrowings due after one year	(51.5)	(5.0)
Net (debt)/cash at end of period	(33.1)	106.7

Notes to the Accounts
continued

23 Group Operating Leases

	2009 Property £m	2009 Plant and equipment £m	2008 Property £m	2008 Plant and equipment £m
Total commitments due:				
Within one year	**3.6**	**0.2**	5.6	2.6
Between one and five years	**5.0**	**0.2**	8.4	4.9
Over five years	**28.3**	**–**	26.0	–
	36.9	**0.4**	40.0	7.5

24 Disposals
On 1 September 2008 the Group disposed of the Cash Systems business (excluding Cash Processing Solutions), and in 2007 the Group disposed of its shareholding in De La Rue Smurfit Limited.

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

Assets and liabilities disposed of

	2009 £m	2008 £m
Property, plant and equipment	**10.5**	2.6
Intangible assets	**18.7**	–
Inventories	**42.0**	1.1
Trade and other receivables	**39.2**	1.4
Cash and cash equivalents	**22.4**	1.9
Trade and other payables	**(17.6)**	(0.4)
Advance payments	**(12.0)**	–
Other current assets and liabilities	**(22.0)**	(1.4)
Retirement benefit obligations	**(2.9)**	–
Provisions for liabilities and charges	**(5.9)**	–
Deferred income	**(23.3)**	–
Minority interest	**–**	(2.6)
Net assets and liabilities	**49.1**	2.6

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 benefit pension £m	Gross defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 30 March 2008	(20.7)	(4.6)	(25.3)	7.0	(18.3)
Exchange differences	–	(0.4)	(0.4)	–	(0.4)
Current service cost included in operating profit	(5.8)	(0.2)	(6.0)	1.6	(4.4)
Curtailments	0.8	–	0.8	(0.2)	0.6
Net finance cost	(1.8)	–	(1.8)	–	(1.8)
Actuarial gains and losses arising over the year	(75.1)	0.1	(75.0)	21.0	(54.0)
Cash contributions and benefits paid	35.5	–	35.5	(9.9)	25.6
Disposal of business	–	2.9	2.9	(0.2)	2.7
Transfers	(0.4)	–	(0.4)	0.1	(0.3)
At 28 March 2009	**(67.5)**	**(2.2)**	**(69.7)**	**19.4**	**(50.3)**

25 Retirement Benefit Obligations continued

	UK defined benefit pension £m	Overseas defined benefit pension £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)

Amounts recognised in the consolidated balance sheet:

	2009 UK £m	2009 Overseas £m	2009 Total £m	2008 UK £m	2008 Overseas £m	2008 Total £m
Fair value of plan assets	427.3	0.8	428.1	507.4	15.8	523.2
Present value of funded obligations	(489.3)	(0.8)	(490.1)	(522.4)	(18.7)	(541.1)
Funded defined benefit pension plans	(62.0)	–	(62.0)	(15.0)	(2.9)	(17.9)
Present value of unfunded obligations	(5.5)	(2.2)	(7.7)	(5.7)	(1.7)	(7.4)
Net liability	(67.5)	(2.2)	(69.7)	(20.7)	(4.6)	(25.3)

Amounts recognised in the consolidated income statement:

	2009 UK £m	2009 Overseas £m	2009 Total £m	2008 UK £m	2008 Overseas £m	2008 Total £m
Included in employee benefits expense:						
Current service cost	(5.8)	(0.2)	(6.0)	(10.0)	(0.8)	(10.8)
Included in profit from discontinued operations:						
Curtailments	0.8	–	0.8	–	–	-
Included in net finance cost:						
Expected return on plan assets	33.2	0.1	33.3	33.7	0.5	34.2
Interest cost	(35.0)	(0.1)	(35.1)	(33.3)	(0.6)	(33.9)
	(1.8)	–	(1.8)	0.4	(0.1)	0.3
Total recognised in the consolidated income statement	(6.8)	(0.2)	(7.0)	(9.6)	(0.9)	(10.5)
Actual return on plan assets	(90.5)	0.1	(90.4)	(9.9)	0.5	(9.4)

Amounts recognised in the statement of recognised income and expense:

	2009 UK £m	2009 Overseas £m	2009 Total £m	2008 UK £m	2008 Overseas £m	2008 Total £m
Actuarial losses on plan assets	(123.7)	–	(123.7)	(43.6)	–	(43.6)
Actuarial gains on defined benefit pension obligations	48.6	0.1	48.7	117.0	0.1	117.1
Amounts recognised in the statement of recognised income and expense	(75.1)	0.1	(75.0)	73.4	0.1	73.5

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

	2009 UK %	2009 Overseas %	2009 Total %	2008 UK %	2008 Overseas %	2008 Total %
Equities	54.4	–	54.3	55.2	–	53.6
Bonds	15.0	–	15.0	17.1	–	16.5
Gilts	28.8	–	28.7	26.4	–	25.6
Other	1.8	100.0	2.0	1.3	100.0	4.3

Other UK 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.

Notes to the Accounts
continued

25 Retirement Benefit Obligations continued

Principal actuarial assumptions:

	2009 UK %	2009 Overseas %	2008 UK %	2008 Overseas %
Future salary increases	**3.50**	**3.00**	4.10	3.10
Future pension increases – past service	**3.30**	**1.35**	3.60	1.50
Future pension increases – future service	**2.90**	**–**	3.40	1.50
Discount rate	**6.80**	**5.80**	6.80	5.70
Inflation rate	**2.90**	**2.00**	3.50	2.80
Expected return on plan assets:				
Equities	**8.30**	**–**	7.75	–
Bonds	**6.80**	**–**	6.30	–
Gilts	**4.00**	**–**	4.60	–
Other	**–**	**5.80**	5.25	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 are based on tables issued by the Continuous Mortality Investigation Bureau. At 28 March 2009 and 29 March 2008 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 (2008: 20.2 years).

History of experience gains and losses:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of plan assets	**428.1**	523.2	537.6	525.1	453.0
Present value of defined benefit pension obligations	**(497.8)**	(548.5)	(645.7)	(644.7)	(572.9)
Net liability	**(69.7)**	(25.3)	(108.1)	(119.6)	(119.9)
Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	**(17.8)**	57.2	(16.3)	(19.8)	(22.1)
Experience (losses)/gains arising on defined benefit pension obligations:					
Amount (£m)	**(0.1)**	0.3	16.2	–	4.9
Percentage of present value of defined benefit pension obligations	**–**	-0.1%	-2.5%	–	-0.9%
Experience (losses)/gains arising on plan assets:					
Amount (£m)	**(123.7)**	(43.6)	(9.6)	55.3	11.3
Percentage of plan assets	**-28.9%**	-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 28 March 2009. The plan is valued formally every three years, the next valuation being as at April 2009.

Changes in the fair value of UK plan assets:

	2009 £m	2008 £m
At 30 March 2008/1 April 2007	**507.4**	524.4
Expected return on plan assets	**33.2**	33.7
Actuarial losses	**(123.7)**	(43.6)
Employer contributions	**34.9**	20.0
Plan participant contributions	**3.3**	3.2
Claims from insurance policy	**0.6**	0.5
Benefits paid	**(25.3)**	(27.2)
Plan administration and investment management expenses	**(2.2)**	(2.4)
Life assurance premiums	**(0.5)**	(0.5)
Transfers	**(0.4)**	(0.7)
At 28 March 2009/29 March 2008	**427.3**	507.4

25 Retirement Benefit Obligations continued

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

	2009 £m	2008 £m
At 30 March 2008/1 April 2007	(528.1)	(628.7)
Current service cost	(5.8)	(10.0)
Curtailments	0.8	–
Interest cost	(35.0)	(33.3)
Actuarial gains	48.6	117.0
Plan participant contributions	(3.3)	(3.2)
Benefits paid	25.3	27.2
Plan administration and investment management expenses	2.2	2.4
Life assurance premiums	0.5	0.5
At 28 March 2009/29 March 2008	(494.8)	(528.1)

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.

The Group is committed to making special contributions of £12m to its UK pension fund annually until 2012.

(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 £1.3m (2008: £3.0m).

26 Employees

	2009	2008
Average number of employees		
United Kingdom and Ireland	1,992	2,327
Rest of Europe	593	1,982
The Americas	309	914
Rest of World	1,065	1,051
	3,959	6,274
Average number of employees		
Cash Processing Solutions (including Cash Systems in 2008)	820	3,114
Security Paper & Print	3,139	3,160
	3,959	6,274

	2009 £m	2008 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	134.8	198.1
Social security costs	6.1	16.5
Share incentive schemes	2.6	3.9
Sharesave schemes	0.6	0.5
Pension costs	7.3	13.8
	151.4	232.8

27 Capital Commitments

	2009 £m	2008 £m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	2.5	5.0

Notes to the Accounts
continued

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 associated company Fidink (33.3 per cent).

The Group's trading activities with this company included £9.2m (2008: £9.9m) for the purchase of ink and other consumables.

At the balance sheet date there were creditor balances of £1.6m (2008: £0.6m) with Fidink.

Key management compensation

	2009 £'000	2008 £'000
Salaries and other short-term employee benefits	5,457.4	4,005.0
Termination benefits	114.2	75.7
Retirement benefits:		
Defined contribution	11.2	6.0
Defined benefit	410.1	367.3
Share-based payments	2,209.0	2,223.0
	8,201.9	6,677.0

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 28 March 2009 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 28 March 2009.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on pages 50 and 51.

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.

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 28 March 2009;

– 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
19 May 2009

Company Balance Sheet
At 28 March 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments in subsidiaries	3a	**152.4**	152.4
		152.4	152.4
Current assets			
Debtors receivable within one year	4a	**168.8**	98.1
		168.8	98.1
Creditors: amounts falling due within one year			
Borrowings	6a	**(62.3)**	(59.9)
Other creditors	5a	**(105.8)**	(4.6)
		(168.1)	(64.5)
Net current assets		**0.7**	33.6
Total assets less current liabilities		**153.1**	186.0
Creditors: amounts falling due after more than one year			
Borrowings	6a	**–**	–
		–	–
Net assets		**153.1**	186.0
Capital and reserves			
Called up share capital	7a	**45.0**	44.6
Share premium account	8a	**26.5**	22.5
Capital redemption reserve	8a	**5.9**	5.5
Retained earnings	8a	**75.7**	113.4
Total shareholders' funds		**153.1**	186.0

Approved by the Board on 19 May 2009.

Nicholas Brookes Chairman

Simon Webb Group 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.

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 28 March 2009, being the last Saturday in March. The comparatives for the 2008 financial year are for the year ended 29 March 2008.

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 payment
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 arrangements are treated as a return of this investment.

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

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

Taxation
The charge for taxation is based on the result for the 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 Remuneration Report on page 58.

	2009 Number	2008 Number
Average employee numbers	2	2

2a Equity Dividends

For details of equity dividends see note 9 to the consolidated financial statements.

3a Investments

	2009 £m	2008 £m
Investments comprise		
Investments in subsidiaries	152.4	152.4

	£m	£m
At 30 March 2008 and 1 April 2007	152.4	152.4
Additions	–	–
At 28 March 2009 and 29 March 2008	152.4	152.4

For details of investments in Group companies, refer to principal subsidiaries, branches and associated companies on page 114.

4a Debtors

	2009 £m	2008 £m
Amounts due within one year		
Amounts owed by Group undertakings	168.8	98.1

5a Other Creditors

	2009 £m	2008 £m
Amounts falling due within one year		
Amounts due to Group undertakings	102.0	1.6
Accruals and deferred income	3.8	3.0
Other creditors	105.8	4.6

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

6a Borrowings

	2009 £m	2008 £m
Short term borrowings		
Bank loans and overdrafts	62.3	59.9

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:

	2009 £m	2008 £m
US Dollar	34.4	24.7
Euro	24.3	20.8
Pound sterling	0.8	11.8
Other currencies	2.8	2.6
	62.3	59.9

7a Share Capital
For details of share capital see note 21a to the consolidated financial statements.

8a Other Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 30 March 2008	44.6	22.5	5.5	113.4	186.0
Share capital issued	0.8	4.0	–	–	4.8
Allocation of shares for cancellation	–	–	–	2.2	2.2
Profit for the financial year	–	–	–	453.3	453.3
Return of capital	(0.4)	–	0.4	(119.3)	(119.3)
Dividends paid	–	–	–	(376.7)	(376.7)
Employee share scheme:					
– value of services provided	–	–	–	2.8	2.8
At 28 March 2009	**45.0**	**26.5**	**5.9**	**75.7**	**153.1**
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 for cancellation	(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

9a Share Based Payments
For details of share based payments see note 21b to the consolidated financial statements and the Remuneration Report on page 58.

Principal Subsidiaries, Branches and Associated Companies

As at 28 March 2009

The companies and branches listed below 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	DLR (No.1) Limited	Holding Company	100
	DLR (No. 2) Limited	Holding Company	100†
	De La Rue Holdings plc	Holding and general commercial activities	100
	De La Rue International Limited	Security paper and printing, sale and maintenance of CPS 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
France	De La Rue Cash Processing Solutions (France) S.A.S.	Distribution, service and marketing	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 CPS products	100
Russia	De La Rue CIS	Manufacturing, distribution, service and marketing	100
Spain	De La Rue Cash Processing Solutions (Spain) S.A.	Distribution, service and marketing	100
Switzerland	Thomas De La Rue A.G.	Holding company	100
	Fidink S.A	Security ink marketing	33.33*
North America			
United States of America	De La Rue North America Holdings Inc.	Holding Company	100
	De La Rue North America Inc.	Security printing	100
Canada	De La Rue Canada Inc.	Distribution and marketing of CPS and identity systems	100
South America			
Mexico	De La Rue Mexico, S.A. de C.V.	Distribution, marketing and identity systems	100
Africa			
Kenya	De La Rue Currency and 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
Far East			
Australia	De La Rue Cash Processing Solutions (Australia) Pty Limited	Distribution, service and marketing	100
China	De La Rue Banking Technology (Shenzhen) Corporation Limited	Distribution, service and marketing	100
	De La Rue (Suzhou) Trading Company Limited	Distribution, service and marketing of CPS	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
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
†Held directly by De La Rue plc

Five Year Record

Profit and Loss Account

	Notes	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
Revenue						
Continuing operations		336.1	358.5	401.8	467.0	**502.4**
Discontinued operations	(a)	284.0	252.3	285.7	286.6	**121.6**
Total		620.1	610.8	687.5	753.6	**624.0**
Operating profit						
Continuing operations		43.0	46.9	61.3	79.2	**96.5**
Exceptional items – operating		1.2	1.7	–	–	**(8.9)**
Total		44.2	48.6	61.3	79.2	**87.6**
Share of profits of associated companies		6.4	6.8	6.6	7.1	**8.9**
Exceptional items – non-operating		–	–	–	2.6	**–**
Profit on ordinary activities before interest		50.6	55.4	67.9	88.9	**96.5**
Net interest income		2.5	1.8	3.6	2.0	**1.4**
Retirement benefit obligation net finance (cost)/income		1.5	(1.8)	1.8	0.3	**(1.8)**
Profit on ordinary activities before taxation		54.6	55.4	73.3	91.2	**96.1**
Taxation on profit on ordinary activities		(16.3)	(16.5)	(21.9)	(24.7)	**(28.5)**
Profit on ordinary activities after taxation		38.3	38.9	51.4	66.5	**67.6**
Discontinued operations		(3.7)	12.9	20.4	21.9	**296.5**
Equity minority interests		(1.6)	(0.9)	(1.6)	(0.3)	**(1.1)**
Profit for the financial year		33.0	50.9	70.2	88.1	**363.0**
Dividends		(25.8)	(95.8)	(28.3)	(105.4)	**(376.7)**
Retained profit/(loss) for the period		7.2	(44.9)	41.9	(17.3)	**(13.7)**
Earnings per Ordinary Share from continuing operations		22.4p	23.6p	33.1p	43.4p	**50.9p**
Diluted earnings per share from continuing operations		22.2p	23.0p	32.4p	42.7p	**50.4p**
Headline earnings per Ordinary Share (before exceptionals)		21.7p	22.6p	33.1p	41.7p	**57.0p**
Dividends per Ordinary Share	(b)	15.3p	17.0p	19.1p	21.4p	**41.1p**
Profit on ordinary activities before taxation and exceptional items		53.4	53.7	73.3	88.6	**105.0**

Balance Sheet

	£m	£m	£m	£m	£m
Fixed assets/non-current assets	245.2	235.5	235.1	226.0	**228.6**
Net current assets	(50.9)	(69.4)	(96.0)	(87.3)	**(87.6)**
Net cash/(debt)	106.5	91.6	137.3	106.7	**(33.1)**
Other liabilities	(121.7)	(121.4)	(111.5)	(29.9)	**(87.3)**
Equity minority interests	(3.7)	(3.8)	(5.0)	(2.3)	**(2.9)**
Equity shareholders' funds	175.4	132.5	159.9	213.2	**17.7**

Notes

(a) Discontinued operations refer to all businesses discontinued between 2005 and 2009. Thus continuing operations refer to those businesses continuing as at 28 March 2009.

(b) Includes proposed final dividend which, in accordance with IFRS accounting requirements, has not been accrued.

Shareholders' Information

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Hampshire RG22 4BS UK
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Fax: +44 (0)1256 605336
Registered Number 3834125
Company Secretary: Mr E H D Peppiatt

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

Shareholder Enquiries
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.investorcentre.co.uk. Shareholder Helpline Telephone: +44 (0)870 703 6375.

Electronic Communications
You can register online at www.investorcentre.co.uk/ecomms 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 be able to download and read them at your own convenience. You will 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 to access previous annual reports, dividend history and share price information.

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, 23 July 2009 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.

Financial Calendar

20 May 2009	Preliminary Results Announcement
8 July 2009	Ex Dividend Date for 2008/2009 Final Dividend
10 July 2009	Record Date for Final Dividend
31 July 2009	Payment of 2008/2009 Final Dividend
24 November 2009	Interim Results Announcement*
9 December 2009	Ex Dividend Date for 2009/2010 Interim Dividend*
11 December 2009	Record Date for 2009/2010 Interim Dividend*
13 January 2010	Payment of 2009/2010 Interim Dividend*

*Expected

Analysis of Shareholders at 28 March 2009

	Shareholders		Shares	
By range of holdings	Number	%	Number	%
1–1,000	5,599	75.96	1,837,495	1.88
1,001–2,000	851	11.55	1,186,478	1.21
2,001–4,000	404	5.48	1,109,738	1.13
4,001–20,000	251	3.41	2,093,656	2.14
20,001–200,000	188	2.55	12,370,945	12.65
200,001 and above	78	1.05	79,188,542	80.99
Total	7,371	100.00	97,786,854	100.00

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 Registrar, provides a simple way to sell or purchase De La Rue plc shares.

Internet Share Dealing
Available 24 hours a day/seven days a week with real time pricing in market hours. Commission is charged at a rate of 0.5 per cent subject to a minimum charge of £15, with no set up or annual management fees. Further information can be obtained by logging on to: www.computershare.com/dealing/uk.

Telephone Share Dealing
Commission is charged at 1 per cent subject to a minimum charge of £25 with no set up or annual management fees. The telephone share dealing service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays on telephone number: +44 (0)870 703 0084.

Stocktrade
An execution-only telephone dealing service has 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
The price per share on 31 March 1982 was 617.5p.

November 2008 Return of Cash
A shareholder's original base cost in the existing Ordinary Shares will be apportioned between the New Ordinary Shares and the B Shares by reference to their respective market values on the day on which they were first listed which were equal to 816.75p and 302.375p, respectively. On the reorganisation, for each 39 existing Ordinary Shares held by a shareholder he or she received 25 new Ordinary Shares and 39 B Shares. Based on these values the tax base cost in the existing Ordinary Shares is apportioned 63.3899 per cent to the new Ordinary Shares received and 36.6101 per cent to the B Shares received.

Shareholders are advised to refer to their brokers/financial advisers for detailed advice on individual CGT calculations.

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
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