De La Rue

MAKING MONEY. CREATING VALUE.

Interim Statement 2006/2007

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

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Trading Summary

	Half Year 2006/2007	Half Year 2005/2006	**Change**
Sales	**£328.4m**	£290.7m	**+13.0%**
Profit before tax and exceptional items*	**£43.9m**	£30.6m	**+43.5%**
Profit before tax	**£43.9m**	£27.6m	**+59.1%**
Group headline earnings per share*	**18.5p**	11.8p	**+56.8%**
Basic earnings per share	**18.5p**	10.6p	**+74.5%**
Operating cash flow	**£51.2m**	£46.5m	**+10.1%**
Net cash at end of period	**£98.9m**	£61.6m	**+60.6%**
Dividends per share	**5.83p**	5.20p	**+12.0%**

*before exceptional charges of £nil (2005/2006 : £3.0m).

Highlights

– Sales up 13 per cent to £328.4m (2005/2006 : £290.7m)

– Profit before tax and exceptional items up 43.5 per cent to £43.9m (2005/2006 : £30.6m)

– Group operating margins improved by 2.6 percentage points to 12.0 per cent (2005/2006 : 9.4 per cent)

– Continued strong cash generation. Net cash £98.9m at end of the period (2005/2006 : £61.6m)

– Increase in the interim dividend of 12 per cent to 5.83p per share

– Ongoing share buy back programme. In the period 2.5 million shares acquired for cancellation at a cost of £13.5m, bringing the total to 4.1 million shares acquired at a cost of £21.3m since commencement of the current programme

Directors' Review

Group Results

De La Rue is pleased to report an excellent performance for the half year ended 30 September 2006 with all key performance indicators again showing good improvements. The increases in margins and operational efficiencies continue to demonstrate the progress the Group is making in implementing its strategy. Furthermore, we are pleased to report revenue growth in both the Cash Systems and Security Paper and Print divisions. Group underlying operating profits* of £39.4m (2005/2006 : £27.3m) represented an increase of £12.1m or 44.3 per cent and underlying profit before tax* rose 43.5 per cent to £43.9m (2005/2006 : £30.6m). Headline earnings per share* increased by 56.8 per cent to 18.5p. Basic earnings per share were 18.5p compared with 10.6p last year, which reflected the absence of exceptional charges in the period.

In Security Paper and Print, strong banknote volumes (up 26.4 per cent on 2005/2006) and paper volumes (up 13.3 per cent on 2005/2006) produced an excellent first half result. In Cash Systems the benefits of the ongoing restructuring actions undertaken last year and strong current growth in the USA, principally driven by the present drive by USA retail banks toward Teller Automation, resulted in further margin improvements. Overall Group operating margins were 2.6 percentage points higher at 12.0 per cent (2005/2006 : 9.4 per cent).

Cash flow remains a key strength of the Group. Cash generated from operations of £51.2m represented an improvement on the performance achieved in the first half of last year (2005/2006: £46.5m) and reflected a 129.9 per cent conversion rate from operating profit aided by record levels of advance payments. The Group ended the half year with net cash of £98.9m, compared with net cash of £91.6m at the start of the year.

Returns to Shareholders

Interim Dividend

In line with the Board's continued confidence in the Group's prospects an interim dividend of 5.83p, representing an increase of 12 per cent on the interim 2005/2006, will be paid on 17 January 2007 to shareholders on the register on 15 December 2006.

Share Buy Back

The Board announced at the interim results in November 2005 its intention to use the existing authorities granted to it at the 2005 Extraordinary General Meeting (EGM) to use surplus cash to purchase the Company's own shares for cancellation. The upper limit of the Board's existing authority is 14.99 per cent of issued capital. In the first half the Company acquired 2.5 million shares under the current share buy back programme at a cost of £13.5m, bringing the total number of shares acquired since the commencement of the programme, in December 2005, to 4.1 million at a cost of £21.3m. The Board expects to continue this programme, funded with surplus cash and will seek shareholder approval to renew its existing authority at the next AGM. The exact amount and timing of future purchases will be dependent on market conditions and ongoing cash generation.

In line with our commitment to improve shareholder returns the Board will review the means and amount of capital to be returned to shareholders at the time of the preliminary results. The Board will take into account the level of surplus cash within the business, current trading conditions and the levels achieved through the share buy back programme.

*before net exceptional charges of £nil (2005/2006 : £3.0m).

Operating Reviews

Security Paper and Print

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Sales	**170.2**	149.7	318.4
Underlying operating profit**	**28.7**	21.1	51.0
Underlying operating profit margin (%)	**16.9**	14.1	16.0

**before exceptional income of £nil (2005/2006 : £0.4m).

In Security Paper and Print first half sales grew by 13.7 per cent to £170.2m (2005/2006 : £149.7m) and underlying operating profits of £28.7m were 36.0 per cent ahead of last year (2005/2006 : £21.1m).

First half banknote volumes were exceptional, increasing 26.4 per cent (2005/2006 : decrease of 24.7 per cent) over the prior year. This reflected a strong opening order position, which was partly offset by a less favourable work mix compared to the corresponding period last year. The higher overall volumes reflected increased overspill which was 25 per cent compared to 21 per cent in the corresponding period last year. In addition, banknote paper volumes rose by 13.3 per cent (2005/2006 : decrease of 1.0 per cent) driven by the strong print order book and resulted in the paper mill operating at near capacity levels. Overall, the order book in Currency remains strong, providing good visibility for the second half of the year.

The Security Products and Identity Systems businesses also performed strongly. Sales benefits from increased volumes in authentication labels, fiscal stamps and passports all contributed to improved results.

Cash Systems

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Sales	**158.2**	141.0	292.4
Underlying operating profit†	**10.7**	6.2	18.4
Underlying operating profit margin (%)	**6.8**	4.4	6.3

†before exceptional charges of £nil (2005/2006 : £3.4m).

In Cash Systems, first half sales of £158.2m grew by 12.2 per cent (2005/2006 : £141.0m) and underlying operating profits of £10.7m were strongly ahead of last year (2005/2006 : £6.2m). This reflected an incremental benefit of £3.0m restructuring actions taken in the second half of last year and increased sales volumes through the fixed cost base. Foreign exchange had a £0.3m adverse effect on sales and £0.5m adverse on operating profits.

Teller Automation volumes were up on the same period last year driven principally by continued growth in North America. Over the past two years we have invested in expanding the sales force in the region and in new product development for the Teller Automation market generally which partially offset the higher sales volumes. The Sorter business had an improved first half and our focus remains on achieving operational improvements and targeting the markets in Russia, North America and China. The OEM (ATM mechanisms) and Desktop Products businesses had a good first half, benefiting from the pull forward of orders associated with outsourcing of manufacturing to China.

UK Pension Scheme

The charge to operating profit in respect of the UK pension scheme for the first half of 2006/2007 was £4.7m (2005/2006 : £4.8m). In addition, under IAS 19 there is a finance credit of £0.8m arising from the expected return on assets less the interest on liabilities (2005/2006: charge of £0.7m). The pension deficit, net of deferred tax asset, recorded under IAS 19 at the half year was £76.0m (March 2006 : £80.5m).

During the first half the Company started a review of the future benefits of the UK Pension Scheme and discussions have commenced with UK employees. The Company expects to complete the review prior to the year end. The triennial valuation of the De La Rue UK Pension Scheme as at April 2006 is continuing.

Associates

Profit from associates after tax was lower than last half year at £2.2m (2005/2006 : £2.9m) reflecting preparation costs for the third lottery licence. The main associated company is Camelot, the UK lottery operator. It is in the process of finalising its bid with the licence running from 2009 to 2019.

Directors' Review
continued

Interest
The Group's net interest income of £1.5m (2005/2006 : £1.1m) reflected the strong cash position. In addition a credit of £0.8m has arisen from the pension scheme as noted above (2005/2006: charge of £0.7m).

Taxation
The underlying effective tax rate was 29.9 per cent (2005/2006 full year : 29.4 per cent).

Cash Flow
Cash generated from operations in the first half was £51.2m (2005/2006 : £46.5m) as a result of strong cash conversion and an increase in advance payments which are now at a record level of £63.0m. Capital expenditure of £9.2m was in line with last year (2005/2006 : £9.7m).

After payment in the first half of the 2005/2006 final dividend (£19.0m) and spending £13.5m on the share buy back programme, closing net cash was £98.9m compared with £91.6m at March 2006.

Changes to the Board
Gill Rider was appointed to the Board on 22 June 2006 as a non-executive Director. Ms Rider, 51, is Director General, Leadership and People Strategy in the Cabinet Office. She started her career with Accenture in 1979 in various roles before being appointed global Chief Leadership Officer in 2002.

Outlook
Visibility of the order books in both Cash Systems and Currency underpins our confidence for the second half. As previously announced, we expect the weighting between first and second half trading to be more evenly balanced in 2006/2007 than in previous years.

Nicholas Brookes
Chairman

Independent Review Report to De La Rue plc

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 September 2006 which comprises the Group condensed income statement, Group balance sheet, Group cash flow statement, Group statement of recognised income and expense and the related notes that have been reviewed. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities
The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review Conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
27 November 2006

Notes
(a) The maintenance and integrity of the De La Rue plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Group Condensed Income Statement – Unaudited
For the half year ended 30 September 2006

	Notes	**2006/2007 Half Year £m**	2005/2006 Half Year £m	2005/2006 Full Year £m
Sales	3	**328.4**	290.7	610.8
Operating profit before exceptional items		**39.4**	27.3	69.4
Exceptional items				
– Reorganisation costs	3	**–**	(4.2)	(3.7)
– Income from investments	3	**–**	1.2	1.2
		–	(3.0)	(2.5)
Operating profit	3	**39.4**	24.3	66.9
Share of profits of associated companies after taxation		**2.2**	2.9	6.8
Profit before finance costs		**41.6**	27.2	73.7
Interest income		**2.0**	2.7	3.8
Interest expense		**(0.5)**	(1.6)	(2.0)
Retirement benefit obligation finance income		**16.3**	14.3	29.1
Retirement benefit obligation finance cost		**(15.5)**	(15.0)	(30.9)
		2.3	0.4	–
Profit before taxation		**43.9**	27.6	73.7
Taxation – UK		**(3.4)**	(1.9)	(9.2)
– Overseas		**(9.7)**	(6.2)	(12.7)
Profit for the period		**30.8**	19.5	51.8
Profit attributable to minority interests		**1.1**	0.9	0.9
Profit attributable to equity shareholders of the Company		**29.7**	18.6	50.9
		30.8	19.5	51.8
Basic earnings per ordinary share	4	**18.5p**	10.6p	30.2p
Diluted earnings per ordinary share		**18.0p**	10.6p	29.4p

The Directors propose a dividend of 5.83p per share for the half year ended 30 September 2006 which will utilise £9.3m of shareholders' funds. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 March 2007.

Group Balance Sheet – Unaudited
At 30 September 2006

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
ASSETS			
Non-current assets			
Property, plant and equipment	**134.1**	144.0	139.3
Intangible assets	**29.2**	23.8	28.9
Investments: Associates	**10.8**	12.8	12.7
Other investments	**–**	0.4	–
Available for sale financial assets	**0.5**	–	0.5
Deferred tax assets	**54.4**	55.8	53.9
Other receivables	**–**	1.4	0.2
Derivative financial instruments	**0.3**	–	–
	229.3	238.2	235.5
Current assets			
Deferred tax assets	**–**	2.0	–
Inventories	**83.1**	81.0	71.6
Trade and other receivables	**107.2**	91.6	92.2
Current tax assets	**0.6**	–	1.3
Derivative financial instruments	**1.4**	2.6	1.3
Cash and cash equivalents	**336.8**	374.3	388.8
	529.1	551.5	555.2
Total assets	**758.4**	789.7	790.7
LIABILITIES			
Current liabilities			
Borrowings	**(227.2)**	(295.3)	(284.6)
Trade and other payables	**(200.0)**	(182.0)	(182.5)
Current tax liabilities	**(35.1)**	(10.4)	(29.8)
Derivative financial instruments	**(1.5)**	(4.2)	(1.2)
Provisions for liabilities and charges	**(18.9)**	(26.8)	(22.3)
	(482.7)	(518.7)	(520.4)
Non-current liabilities			
Borrowings	**(10.7)**	(17.4)	(12.6)
Retirement benefit obligations	**(112.8)**	(129.3)	(119.6)
Deferred tax liabilities	**(0.6)**	(1.3)	(0.8)
Derivative financial instruments	**–**	–	(0.5)
Other non-current liabilities	**(7.8)**	(17.3)	(0.5)
	(131.9)	(165.3)	(134.0)
Total liabilities	**(614.6)**	(684.0)	(654.4)
Net assets	**143.8**	105.7	136.3
EQUITY			
Capital and reserves attributable to equity holders			
Called up share capital	**45.2**	46.2	45.9
Share premium account	**20.6**	19.0	20.6
Capital redemption reserve	**4.6**	3.5	3.9
Fair value and other reserves	**(0.1)**	(1.4)	(0.5)
Cumulative translation adjustment	**1.2**	2.7	2.2
Other reserve	**(83.8)**	(83.8)	(83.8)
Retained earnings	**151.5**	115.5	144.2
Total equity attributable to shareholders of the Company	**139.2**	101.7	132.5
Minority interests	**4.6**	4.0	3.8
Total equity	**143.8**	105.7	136.3

Group Cash Flow Statement – Unaudited
For the half year ended 30 September 2006

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Cash flows from operating activities			
Profit before tax	**43.9**	27.6	73.7
Adjustments for:			
Finance income and expense	**(2.3)**	(0.4)	–
Depreciation and amortisation	**11.3**	13.6	27.0
(Increase)/decrease in inventory	**(13.3)**	(6.7)	3.5
Increase in trade and other receivables	**(15.0)**	(6.5)	(5.6)
Increase in trade and other payables	**28.0**	22.0	16.6
(Decrease)/increase in reorganisation provisions	**(2.3)**	1.0	(3.4)
Loss on disposal of fixed assets	**1.4**	–	1.2
Share of income from associates after tax	**(2.2)**	(2.9)	(6.8)
Income from investments	**–**	(1.2)	(1.2)
Other non-cash movements	**1.7**	–	1.7
Cash generated from operations	**51.2**	46.5	106.7
Tax paid	**(9.6)**	(0.8)	(10.1)
Net cash flows from operating activities	**41.6**	45.7	96.6
Cash flows from investing activities			
Disposal of subsidiary undertaking	**1.0**	–	–
Proceeds from sale of investment	**–**	0.8	0.8
Purchases of property, plant and equipment (PPE) and software intangibles	**(9.2)**	(9.7)	(19.6)
Development assets capitalised	**(1.8)**	(0.2)	(3.7)
Proceeds from sale of PPE	**0.2**	1.7	1.6
Proceeds from investments previously impaired	**–**	0.4	0.4
Interest received	**2.1**	2.3	3.8
Interest paid	**(0.3)**	(1.9)	(1.5)
Dividends received	**4.0**	4.2	8.1
Net cash flows from investing activities	**(4.0)**	(2.4)	(10.1)
Net cash inflow before financing activities	**37.6**	43.3	86.5
Cash flows from financing activities			
Proceeds from issue of share capital	**2.9**	2.1	6.3
Own share purchases	**(13.5)**	–	(7.8)
Proceeds from borrowings	**–**	2.4	2.4
Repayment of borrowings	**(2.1)**	(1.1)	(2.4)
Finance lease principal payments	**(1.7)**	(2.1)	(4.3)
Dividends paid to shareholders	**(19.0)**	(86.9)	(95.8)
Dividends paid to minority interests	**(0.3)**	(0.9)	(0.9)
Net cash flows from financing activities	**(33.7)**	(86.5)	(102.5)
Net increases/(decrease) in cash and cash equivalents in the period	**3.9**	(43.2)	(16.0)
Cash and cash equivalents at the beginning of the year	**107.8**	126.3	126.3
Exchange rate effects	**(0.1)**	(2.0)	(2.5)
Cash and cash equivalents at the end of the period	**111.6**	81.1	107.8
Cash and cash equivalents consist of:			
Cash at bank and in hand	**272.2**	324.3	318.6
Short term bank deposits	**64.6**	50.0	70.2
Overdrafts	**(225.2)**	(293.2)	(281.0)
	111.6	81.1	107.8

Group Statement of Recognised Income and Expense – Unaudited

For the half year ended 30 September 2006

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Exchange differences	**(1.0)**	(0.7)	(1.1)
Actuarial gain/(loss) on retirement benefit obligations	**6.0**	(8.2)	2.3
Tax on actuarial gain/(loss) on retirement benefit obligations	**(1.8)**	2.5	(0.7)
Cash flow hedges recognised	**0.7**	(1.8)	(1.5)
Tax on cash flow hedges	**(0.2)**	–	0.1
Net investment hedge	**(0.1)**	–	0.5
Current tax on share options	**0.2**	0.2	0.8
Deferred tax on share options	**1.3**	–	1.2
Net gain/(loss) recognised directly in equity	**5.1**	(8.0)	1.6
Profit for the financial period	**30.8**	19.5	51.8
Total recognised income and expense for the period	**35.9**	11.5	53.4
Total recognised income and expense for the year attributable to:			
Equity shareholders of the Company	**34.8**	10.6	52.5
Minority interests	**1.1**	0.9	0.9
	35.9	11.5	53.4

Notes to the Interim Statement – Unaudited

1 Basis of Preparation and Accounting Policies

This unaudited Interim Statement has been prepared in accordance with the Listing Rules of the Financial Services Authority and uses International Financial Reporting Standards (IFRS) accounting policies consistent with those described in the Annual Report 2006. The Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing the interim consolidated financial information and therefore is not in full compliance with IFRS.

2 Statement of Changes in Reserves

	Attributable to equity shareholders							Minority interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Fair value and other reserve £m	Cumulative translation adjustment £m	Other reserve £m	Profit and loss account £m	£m	£m
Balance at 27 March 2005	46.1	17.0	3.5	0.4	3.4	(83.8)	188.6	3.7	178.9
Exchange differences	–	–	–	–	(0.7)	–	–	–	(0.7)
Actuarial loss on retirement benefit obligations	–	–	–	–	–	–	(8.2)	–	(8.2)
Tax on actuarial loss on retirement benefit obligations	–	–	–	–	–	–	2.5	–	2.5
Tax on share options	–	–	–	–	–	–	0.2	–	0.2
Fair value gains/(losses) net of tax: cash flow hedges	–	–	–	(1.8)	–	–	–	–	(1.8)
Net profit/(loss) recognised directly in equity	–	–	–	(1.8)	(0.7)	–	(5.5)	–	(8.0)
Profit for the period	–	–	–	–	–	–	18.6	0.9	19.5
Total income recognised for the period	–	–	–	(1.8)	(0.7)	–	13.1	0.9	11.5
Share capital issued	0.1	2.0	–	–	–	–	–	–	2.1
Employee share scheme: – value of services provided	–	–	–	–	–	–	0.7	–	0.7
Dividends	–	–	–	–	–	–	(86.9)	(0.6)	(87.5)
Balance at 24 September 2005	46.2	19.0	3.5	(1.4)	2.7	(83.8)	115.5	4.0	105.7

2 Statement of Changes in Reserves continued

	Attributable to equity shareholders							Minority interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Fair value and other reserve £m	Cumulative translation adjustment £m	Other reserve £m	Profit and loss account £m	£m	£m
Balance at 24 September 2005	46.2	19.0	3.5	(1.4)	2.7	(83.8)	115.5	4.0	105.7
Exchange differences	–	–	–	–	(0.5)	–	–	0.1	(0.4)
Actuarial gain on retirement benefit obligations	–	–	–	–	–	–	10.5	–	10.5
Tax on actuarial gain on retirement benefit obligations	–	–	–	–	–	–	(3.2)	–	(3.2)
Tax on share options	–	–	–	–	–	–	0.6	–	0.6
Deferred tax on share options	–	–	–	–	–	–	1.2	–	1.2
Cash flow hedges recognised	–	–	–	0.3	–	–	–	–	0.3
Tax on cash flow hedges	–	–	–	0.1	–	–	–	–	0.1
Net investment hedge	–	–	–	0.5	–	–	–	–	0.5
Net profit/(loss) recognised directly in equity	–	–	–	0.9	(0.5)	–	9.1	0.1	9.6
Profit for the period	–	–	–	–	–	–	32.3	–	32.3
Total income recognised for the period	–	–	–	0.9	(0.5)	–	41.4	0.1	41.9
Share capital issued	0.1	1.6	–	–	–	–	–	–	1.7
Purchase of shares for cancellation	(0.4)	–	0.4	–	–	–	(7.8)	–	(7.8)
Allocation of shares for cancellation	–	–	–	–	–	–	2.5	–	2.5
Employee share scheme: – value of services provided	–	–	–	–	–	–	1.5	–	1.5
Dividends	–	–	–	–	–	–	(8.9)	(0.3)	(9.2)
Balance at 25 March 2006	45.9	20.6	3.9	(0.5)	2.2	(83.8)	144.2	3.8	136.3

Notes to the Interim Statement – Unaudited
continued

2 Statement of Changes in Reserves continued

	Attributable to equity shareholders							Minority interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Fair value and other reserve £m	Cumulative translation adjustment £m	Other reserve £m	Profit and loss account £m	£m	£m
Balance at 25 March 2006	45.9	20.6	3.9	(0.5)	2.2	(83.8)	144.2	3.8	136.3
Exchange differences	–	–	–	–	(1.0)	–	–	–	(1.0)
Actuarial gain on retirement benefit obligations	–	–	–	–	–	–	6.0	–	6.0
Tax on actuarial gain on retirement benefit obligations	–	–	–	–	–	–	(1.8)	–	(1.8)
Tax on share options	–	–	–	–	–	–	0.2	–	0.2
Deferred tax on share options	–	–	–	–	–	–	1.3	–	1.3
Cash flow hedges recognised	–	–	–	0.7	–	–	–	–	0.7
Tax on cash flow hedges	–	–	–	(0.2)	–	–	–	–	(0.2)
Net investment hedge	–	–	–	(0.1)	–	–	–	–	(0.1)
Net profit/(loss) recognised directly in equity	–	–	–	0.4	(1.0)	–	5.7	–	5.1
Profit for the period	–	–	–	–	–	–	29.7	1.1	30.8
Total income recognised for the period	–	–	–	0.4	(1.0)	–	35.4	1.1	35.9
Purchase of shares for cancellation	(0.7)	–	0.7	–	–	–	(13.5)	–	(13.5)
Allocation of shares for cancellation	–	–	–	–	–	–	2.9	–	2.9
Employee share scheme: – value of services provided	–	–	–	–	–	–	1.5	–	1.5
Dividends	–	–	–	–	–	–	(19.0)	(0.3)	(19.3)
Balance at 30 September 2006	**45.2**	**20.6**	**4.6**	**(0.1)**	**1.2**	**(83.8)**	**151.5**	**4.6**	**143.8**

3 Segmental Analysis

The Group's primary reporting format is by business segment. The Group is organised on a worldwide basis into two business segments: Cash Systems and Security Paper and Print. The secondary reporting format is by geographical segment.

		2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Sales by class of business				
	Cash Systems	**158.2**	141.0	292.4
	Security Paper and Print	**170.2**	149.7	318.4
		328.4	290.7	610.8
Operating profit before exceptional items by class of business				
	Cash Systems	**10.7**	6.2	18.4
	Security Paper and Print	**28.7**	21.1	51.0
		39.4	27.3	69.4
Exceptional items by class of business				
Reorganisation costs	Cash Systems	**–**	(4.2)	(4.2)
	Security Paper and Print	**–**	–	0.5
		–	(4.2)	(3.7)
Income from disposal of investments	Cash Systems	**–**	0.8	0.8
Income from investments previously impaired	Security Paper and Print	**–**	0.4	0.4
		–	(3.0)	(2.5)
Operating profit		**39.4**	24.3	66.9
Sales by geographical area of destination				
United Kingdom and Ireland		**31.2**	37.5	76.8
Rest of Europe		**100.0**	87.7	190.9
The Americas		**80.3**	62.8	129.8
Rest of World		**116.9**	102.7	213.3
		328.4	290.7	610.8

In 2005/2006, net reorganisation costs in Cash Systems related to the fundamental restructuring of the business which commenced in 2004/2005 and this was offset by a write back of surplus provisions arising from the closure of factories in Security Paper and Print.

Income from investments in 2005/2006 arises from loan repayments from the Group's associate holding in Valora.

Profit from disposal of investments in 2005/2006 arises from the sale of the Group's stake in a small distributor in South Africa.

Notes to the Interim Statement – Unaudited
continued

4 Earnings Per Share

	2006/2007 Half Year pence per share	2005/2006 Half Year pence per share	2005/2006 Full Year pence per share
Basic earnings per share	**18.5**	10.6	30.2
Diluted earnings	**18.0**	10.6	29.4
Headline earnings per share	**18.5**	11.8	31.4

Earnings per share are based on the profit for the period attributable to ordinary shareholders of £29.7m (2005/2006 : £18.6m) as shown in the Group condensed income statement. The weighted average number of ordinary shares used in the calculations is 160,850,440 (2005/2006 : 174,774,959) for basic earnings per share and 164,918,582 (2005/2006 : 176,329,061) for diluted earnings per share after adjusting for dilutive share options.

	2006/2007 Half Year pence per share	2005/2006 Half Year pence per share	2005/2006 Full Year pence per share
Reconciliation of earnings per share			
Basic earnings per share	**18.5**	10.6	30.2
Income from investment previously impaired	**–**	(0.2)	(0.2)
Profit on disposal of investments	**–**	(0.4)	(0.5)
Reorganisation costs	**–**	1.8	1.9
Headline earnings per share before items above	**18.5**	11.8	31.4

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

5 Equity Dividends

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Final dividend for the year ended 25 March 2006 of 11.8p paid on 4 August 2006	**19.0**	–	–
Final dividend for the year ended 26 March 2005 of 10.6p paid on 5 August 2005	**–**	19.1	19.1
Special dividend of 38.0p paid on 5 August 2005	**–**	67.8	68.3
Interim dividend for the period ended 24 September 2005 of 5.2p paid on 18 January 2006	**–**	–	8.4
	19.0	86.9	95.8

In accordance with IFRS the interim dividend has not been accrued in these interim consolidated financial statements. An interim dividend of 5.83p per share has been proposed for the half year ended 30 September 2006.

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

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

5 Equity Dividends continued

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

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

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

6 Notes to Group Cash Flow Statement

	2006/2007 Half Year £m	2005/2006 Half Year £m	2005/2006 Full Year £m
Analysis of net cash			
Cash at bank and in hand	**272.2**	324.3	318.6
Short term bank deposits	**64.6**	50.0	70.2
Bank overdrafts	**(225.2)**	(293.3)	(281.0)
	111.6	81.0	107.8
Borrowings due within one year	**(2.0)**	(2.0)	(3.6)
Borrowings due after one year	**(10.7)**	(17.4)	(12.6)
Net cash at end of period	**98.9**	61.6	91.6

7 This financial information does not constitute the Group's statutory accounts within the meaning of s240 of the Companies Act 1985.

8 The statutory accounts for the year ended 25 March 2006 have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985.

9 This Interim Statement was approved by the Board on 27 November 2006 and is being posted to all shareholders. Copies are available from the Company Secretary, De La Rue plc, De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS.

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Shareholder Enquiries and Holder Amendments
Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare Investor Services PLC. You can view and change your shareholding details online at www-uk.computershare.com/investor

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

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

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