

Remuneration Report

The following is a report from the Remuneration Committee which has been approved and adopted by the Board.

Membership and Responsibilities

The Remuneration Committee consists exclusively of independent non-executive Directors. The members are: Nicholas Brookes (Chairman), Sir Brandon Gough, Keith Hodgkinson, Michael Jeffries and Dr Philip Nolan. Their biographical details appear on page 25. The Chief Executive is requested to attend meetings on an ad-hoc basis.

The Committee is authorised to and uses independent consultants to provide advice on remuneration levels among comparator companies, design of bonus incentive schemes and share option schemes and whether performance targets for share option schemes have been achieved. Watson Wyatt Partners, Monks Partnership and New Bridge Street Consultants have provided advice during 2001/2002.

The Chief Executive is consulted on the remuneration for the Chief Executive's direct reports and other senior executives. No executive Director or employee is present when his remuneration is being discussed.

The Committee is required by its terms of reference to determine Company policy for executive remuneration for approval by the Board.

Remuneration for Non-Executive Directors

The Board determines the fees paid to the Chairman and other non-executive Directors taking into account market norms, comparisons with companies of equivalent size and the duties required of non-executive Directors. The Board was advised by Monks Partnership during 2001/2002. Details of fees to the Chairman and other non-executive Directors are set out on page 33. The Chairmen of the Audit and Remuneration Committees each receive an additional fee of £5,000 for this responsibility. 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.

Remuneration Policy for Executive Directors and Senior Executives

The Remuneration Committee takes into account the need to attract, retain and motivate executive Directors and senior executives of the right quality, while also avoiding paying more than is required. Performance-related elements of remuneration form a significant proportion of total remuneration packages. In particular the Committee approves:

- all elements of the Company's executive Directors' and senior executives' remuneration, including base salaries, benefits, pensions, incentive measures and targets;
- 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 Committee regularly benchmarks key jobs and obtains detailed information from external and internal sources about current practices in a selected comparator group of companies in order to achieve its policy. The objective is to ensure that total remuneration packages are fair and competitive and reflect the responsibilities, experience and market value of each Director or senior executive. The Committee also seeks to ensure that the interests of the executives are aligned with those of the shareholders.

The Board adopted the Committee's recommendations without

substantial amendment during the last year. A resolution will be put to shareholders to approve the remuneration policy set out in the Remuneration Report at the forthcoming Annual General Meeting.

Salaries for Executive Directors and Senior Executives

Details of each individual executive Director's remuneration are set out on page 33.

Basic salaries reflect the responsibilities, market value and sustained performance level of executive Directors and senior executives. Individuals who sustain a superior level of performance will have a higher market value which is taken into account. Basic salaries are normally reviewed annually by the Remuneration Committee.

Annual Incentive Award

Performance-related elements of remuneration form a significant proportion of total remuneration packages.

Executive Directors and senior executives are eligible to receive an annual incentive award which is paid as a percentage of basic salary and is based on achieving targets for the year set by the Remuneration Committee. For the financial year 2001/2002 the maximum incentive award for executive Directors was 80 per cent of basic salary and for direct reports of the Chief Executive up to 50 per cent of basic salary. The Committee considers each year what are appropriate performance measures to align the reward strategy with the business strategy and these will vary according to division in the case of divisional schemes or executive in the case of executive Directors and senior executives. Typical measures will include headline earnings per share, operating cash flow and operating profit together with specific personal objectives set for each individual. The incentive plan is structured so that there is no payment unless a minimum performance threshold has been achieved and the maximum payout will only be made if truly stretching and challenging targets are met.

The Committee has used a combination of these measures for the past three years and for the annual bonus scheme of 2002/2003. Once the design of the bonus scheme has been approved by the Committee it is then introduced throughout the business to eligible employees where participation is calculated by a percentage of their annual salary determined by their seniority.

Service Contracts

Non-executive Directors have letters of appointment specifying fixed terms of office. They do not have service contracts. The executive Directors have service contracts with a 12-month notice period and provision for compensation on termination not exceeding 12 months' remuneration.

If Ian Much's service contract is terminated by reason of a change of control (other than for the purpose of amalgamation or reconstruction) the Company is liable to pay the higher of (a) twice basic salary at termination plus compensation equivalent to the average annual compensation under the bonus scheme based on awards made in respect of the two final years preceding the date of termination or (b) 30 months' basic salary. The compensation payable will be reduced proportionately after Ian Much's 58th birthday.

The Remuneration Committee considers the appropriateness of the principle of mitigation of damages on early termination of a service contract.

As announced Paul Hollingworth will resign as an executive Director at the end of June 2002.

Benefits

Executive Directors and senior employees are eligible for a range of

taxable benefits which include the provision of a company car, or a cash alternative, and payment of its operating expenses, including fuel, membership of private medical and permanent health insurance schemes, life assurance and reimbursement of the annual subscription to an appropriate professional body. Details of the emoluments of the executive Directors during the year are set out below.

Pension

All executive Directors and senior executives in the UK may join the senior section of the De La Rue Pension Scheme. The Scheme has an employee contribution rate of five per cent of basic capped salary (£95,400 for 2001/2002) for all salary levels. Members are provided with a pension of up to two-thirds of pensionable salary on retirement. The actual level of pension depends upon the number of years' service with the Group. The normal retirement age is 62 (except for Ian Much whose normal retirement age is 60) although accrued pensions may be drawn in full from age 60. The Scheme also provides a lump sum death in service benefit and pensions for dependants of members on their death. Executive Directors and certain senior executives for whom a personal pension arrangement is more appropriate as an alternative to joining the Company scheme can receive a Company contribution subject to Inland Revenue rules. In addition they may receive a payment into a Funded Unapproved Retirement Benefit Scheme ("FURBS").

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

Ian Much is eligible for a target pension of 20 per cent of basic salary payable from age 60. This is provided through a combination of a FURBS and membership of the senior section of the De La Rue Pension Scheme. He is required to make a contribution of five per cent of basic capped 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 40 per cent of basic salary in the event of death in service. The Company's external actuary assesses the Company's contributions to the scheme.

Paul Hollingworth is eligible for a target pension from all sources of two-thirds of basic salary at the age of 62. Part of this benefit arises from previous employment. His target pension is provided through a combination of a FURBS and membership of the senior section of the De La Rue Pension Scheme. He is required to make a contribution of five per cent of basic capped 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 40 per cent of basic salary in the event of death in service. The Company's external actuary assesses the Company's contributions to the scheme.

Share Schemes

Sharesave Scheme

All UK employees of the Company may join its Inland Revenue 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-£250 per month over a period of three or five years. A grant was made in December 2001 at a price of 434.10 pence which was a 10 per cent discount.

The Remuneration Committee believes that it is desirable to introduce all employee share schemes to appropriate jurisdictions outside the UK, subject to evaluating the financial, tax and legal implications and dilution limits.

Executive Scheme

The Company runs an Inland Revenue approved Executive Share Option Scheme which will expire in 2004. It also established an unapproved section to enable the grant of options to an individual

Directors' emoluments	2002	2001
	£'000	£'000
Non-executive Chairman		
Sir Brandon Gough	111	106
Non-executive Directors		
Brian Birkenhead (resigned 19 July 2000)	-	9
Nicholas Brookes	30	28
Keith Hodgkinson	30	25
Michael Jeffries	25	22
Philip Nolan (appointed 1 September 2001)	15	-
Lord Wright (resigned 19 July 2000)	-	8
	211	198
	Salary	Total
	2002	2001
	£'000	£'000
	Salary	Benefits
	Increase	2002
	%	£'000
	Bonus	2002
	2002	£'000
	Total	2001
	2002	£'000
Executive Directors		
Ian Much (highest paid Director)	385	6.94
Paul Hollingworth	225	7.14
	610	74
	316	1,000
	1,019	
Non-executive Directors' fees	211	198
Aggregate emoluments	1,211	1,217

	Age at 30 March 2002	Years of pensionable service	Defined benefit scheme (£'000)				Defined contribution schemes (£'000)	
			Accrued benefit at 31 March 2001	Increase during year (excluding inflation)	Accrued benefit at 30 March 2002	Transfer value of increase in accrued benefit during year	Contributions over year to 30 March 2002	Contributions over year to 31 March 2001
Directors' pension entitlements								
Ian Much	57	4	4	2	6	26	174	151
Paul Hollingworth	41	3	5	3	8	19	53	50
			9	5	14	45	227	201

where the cumulative value of the employee's subsisting options at the date of a grant exceeds £30,000. Options granted under the Scheme since July 1996 can only be exercised if performance targets are met. The performance condition that has been applied to the 1997 grant and to all subsequent grants of options is that options 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. Options granted in 1996 are normally exercisable only if over a rolling three-year period the total return of a share exceeds the average total return of the FTSE All Share Index. A Phantom Share Option Scheme is operated under similar rules to provide an equivalent cash incentive to some overseas employees in jurisdictions where the tax or securities laws make it impracticable to operate a share option scheme. The Phantom Scheme operates the same performance targets as the Executive Share Option Scheme.

The Company's policy is to grant share options under the Company's Executive Share Option Scheme in phases within 42 days after either the preliminary announcement of the year's results or the announcement of the interim results. Occasionally the Remuneration Committee needs to approve the grant of options at other times in order to attract a Director or senior executive to join the Company.

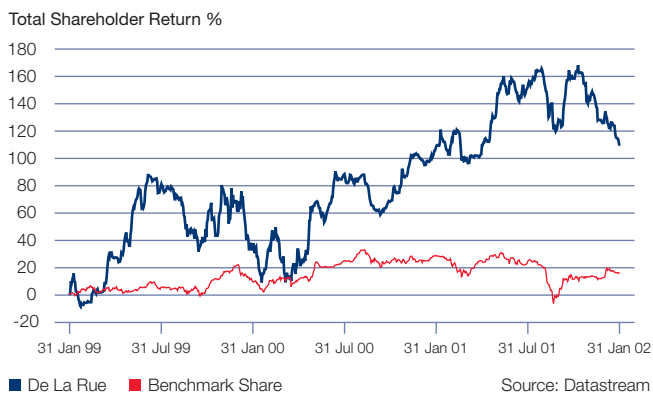
Executive share options are not granted at a discount to market price.

Share Price Improvement Plan

The Company established the Share Price Improvement Plan in July 1999. The objective of the Plan has been to achieve improvement in the Company's value by aligning shareholders' interests with those of senior employees. Twenty-three current employees have received options under the Plan and grants during the year were capped at a maximum of one times annual salary. The performance targets are challenging and measure the Company's progress over a number of specified periods. Options are exercisable on a sliding scale related to the Company's share price improvement over the performance period. In respect of the first, second and final annual grants of options under the Plan, unless the share price achieves a minimum target price of 322.95 pence, 392.22 and 557.06 pence respectively no options become exercisable. In addition, options may only be exercised if the Company's percentage increase in share price has equalled or exceeded the percentage increase in the FTSE 250 index (excluding investment companies) over the same performance period. If the share price performance permits options to be exercised they must be exercised within 12 months of vesting and optionholders must retain a proportion of shares for a minimum period of three years. There will be no further grants of options under the Plan.

During 2001/2002 no executive Director exercised any share options although options granted in September 1998 vested as the performance targets under the Executive Share Option Scheme were met. The performance chart on page 35 illustrates De La Rue's total shareholder return (TSR) compared to that of the median company within the FTSE 250 over the performance period.

Directors' share options	Date of grant	Number of options					Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
		1 April 2001	Exercised during year	Granted during year	Lapsed during year	30 March 2002				
Ian Much										
Executive Share Options	Sep '98	301,600	-	-	-	301,600	218.333	-	Sep '01	Sep '08
	Nov '99	204,002	-	-	-	204,002	333.330	-	Nov '02	Nov '09
Share Price Improvement Plan										
	Nov '99	315,800	-	-	-	315,800	215.300	-	Nov '02	Nov '03
	Jul '00	105,600	-	-	-	105,600	340.900	-	Jul '03	Jul '04
	Jun '01	-	-	76,000	-	76,000	506.420	-	Jun '04	Jun '05
		927,002		76,000		1,003,002				
Paul Hollingworth										
Executive Share Options	Nov '99	120,001	-	-	-	120,001	333.330	-	Nov '02	Nov '09
	Jul '00	60,200	-	-	-	60,200	348.330	-	Jul '03	Jul '10
	Jul '01	-	-	43,000	-	43,000	522.300	-	Jul '04	Jul '11
		180,201		43,000		223,201				



The Company is proposing to introduce new share option plans, details of which are set out in the Chairman's letter to shareholders which accompanies this annual report.

By order of the Board

Nicholas Brookes Chairman of the Remuneration Committee
28 May 2002