

Notes to the Accounts

1 Reconciliation of Movement in Capital and Reserves

	Attributable to equity shareholder								Total equity £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Fair value reserve £m	Cumulative translation adjustment £m	Other reserve £m	*Retained earnings £m	Minority interest £m	
Balance at 25 March 2006	45.9	20.6	3.9	(0.5)	2.2	(83.8)	144.2	3.8	136.3
Foreign currency translation differences for foreign operations	-	-	-	-	(2.9)	-	-	-	(2.9)
Actuarial gain on retirement benefit obligations	-	-	-	-	-	-	3.5	-	3.5
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	-
Net gain/(loss) on hedges of net investment in foreign operations	-	-	-	-	(0.1)	-	-	-	(0.1)
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	4.0	-	4.0
Net gain recognised directly in equity	-	-	-	-	(3.0)	-	7.5	-	4.5
Profit for the financial year	-	-	-	-	-	-	70.2	1.6	71.8
Total income recognised for the year	-	-	-	-	(3.0)	-	77.7	1.6	76.3
Share capital issued	0.2	0.8	-	-	-	-	-	-	1.0
Purchase of shares for cancellation	(1.4)	-	1.4	-	-	-	(29.2)	-	(29.2)
Allocation of treasury shares	-	-	-	-	-	-	6.1	-	6.1
Employee share scheme:									
– value of services provided	-	-	-	-	-	-	3.1	-	3.1
Dividends paid	-	-	-	-	-	-	(28.3)	(0.4)	(28.7)
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 operation	-	-	-	-	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/(loss) 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

*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 approval of a High Court Scheme of Arrangement. On 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.

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2 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. The Cash Systems division is predominantly involved in the provision of cash handling equipment and software solutions to banks and retailers worldwide. Security Paper and Print is involved in the production of national currencies and a wide range of security documents such as authentication labels and identity documents.

Analysis by Business Segment

	2008 Cash Systems £m	2008 Security Paper and Print £m	2008 Group £m	2007 Cash Systems £m	2007 Security Paper and Print £m	2007 Group £m
Continuing operations						
Revenue	345.0	408.6	753.6	333.0	354.5	687.5
Operating profit	35.1	79.6	114.7	28.7	61.7	90.4
Share of post tax profits of associates			7.1			6.6
Non-operating items (note 4)			2.6			
Net interest income			2.0			3.6
Retirement obligations net finance income			0.3			1.8
Profit before taxation			126.7			102.4
Taxation			(38.3)			(30.6)
Profit for the financial year			88.4			71.8
Segment assets	145.9	206.7	352.6	129.4	187.4	316.8
Unallocated assets			222.3			254.3
Total assets			574.9			571.1
Segment liabilities	(111.4)	(128.1)	(239.5)	(107.8)	(128.4)	(236.2)
Unallocated liabilities			(119.9)			(170.0)
Total liabilities			(359.4)			(406.2)
Capital expenditure on property, plant and equipment	7.4	16.8	24.2	3.0	23.3	26.3
Capital expenditure on intangible assets	5.4	0.8	6.2	6.7	1.1	7.8
Depreciation of property, plant and equipment	5.3	16.7	22.0	5.5	16.8	22.3
Amortisation of intangible assets	3.4	1.7	5.1	3.7	0.9	4.6

Analysis by Geographical Segment 2008

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Group £m
Revenue by destination	71.2	202.1	188.2	292.1	753.6
Segment assets	151.8	124.7	49.9	26.2	352.6
Unallocated assets					222.3
Total assets					574.9
Capital expenditure on property, plant and equipment	7.8	11.0	3.8	1.6	24.2
Capital expenditure on intangible assets	3.2	1.8	1.2	-	6.2

2 Segmental Analysis continued

Analysis by Geographical Segment 2007

	UK and Ireland £m	Rest of Europe £m	The Americas £m	Rest of World £m	Group £m
Revenue by destination	72.1	206.6	160.4	248.4	687.5
Segment assets	148.8	98.3	47.9	21.8	316.8
Unallocated assets					254.3
Total assets					571.1
Capital expenditure on property, plant and equipment	10.0	14.2	1.2	0.9	26.3
Capital expenditure on intangible assets	3.5	3.0	1.3	–	7.8

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 Expenses and Other Income

	2008 Total £m	2007 Total £m
Raw materials	167.8	145.9
Employee costs (note 26)	232.8	227.3
Depreciation of property, plant and equipment:		
– purchased	17.9	21.0
– leased	4.1	1.3
Amortisation of other intangibles	5.1	4.6
Net impairment of inventories	2.2	5.3
Impairment of trade receivables	(0.5)	(2.5)
Operating leases:		
– hire of plant and equipment	1.2	0.8
– hire of property	4.2	6.9
Auditors' remuneration:		
– Fees payable to the Company's auditors for the audit of the Company's financial statements (UK)	0.2	0.2
– Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to the legislation (UK)	0.1	0.1
– Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to the legislation (Overseas)	0.5	0.4
– Fees payable to the Company's auditors and its associates for other services		
– tax services (UK)	–	0.2
– tax services (overseas)	0.1	–
– other assurance services (UK)	0.9	0.4
– other assurance services (overseas)	0.1	0.1
Research and non-capitalised development expense	18.1	18.6
Loss on disposal of property, plant and equipment	0.9	1.0
Reorganisation costs	–	–
Foreign exchange losses	3.9	4.2
Other operating expenses	179.3	161.3
	638.9	597.1

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

4 Non Operating Items

The profit on disposal of continuing operations of £0.9m in the year ended 29 March 2008 arose from the disposal of De La Rue Smurfit Limited, one of the Group's Security Printing businesses based in Ireland. The profit on disposal of investments of £1.7m arose from the disposal of the Group's 25 per cent interest in Valora-Servicos de Apoio a Emissao Monetaria SA, a currency printing company based in Portugal. This investment was previously impaired. There were no non operating items in this year ended 31 March 2007.

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5 Interest Income and Expense

	2008 £m	2007 £m
Recognised in profit and loss Interest income		
Cash and cash equivalents	4.4	5.1
Interest expense		
Bank overdrafts	(1.6)	(0.5)
Bank loans	(0.1)	(0.3)
Finance leases	(0.6)	(0.6)
Other	(0.1)	(0.1)
	(2.4)	(1.5)
Retirement benefit obligation net finance income (note 25)	0.3	1.8
The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	4.4	5.1
Total interest expense on financial liabilities	(2.4)	(1.5)
Recognised directly in equity		
Foreign currency differences for foreign operations	10.9	(2.9)
Cash flow hedges recognised	1.6	–
Tax on cash flow hedges	(0.4)	–
Net gain/(loss) on hedge of net investment in foreign operations	3.3	(0.1)
	15.4	(3.0)
Recognised in		
Fair value reserve	1.2	–
Translation reserve	14.2	(3.0)
	15.4	(3.0)

The ineffective portion charged to profit and loss on derivatives in 2008 was nil (2007 : nil).

6 Taxation

	2008 Total £m	2007 Total £m
Current tax		
UK Corporation tax		
Current tax	30.8	11.4
Double tax relief	(19.0)	(3.5)
Adjustment in respect of prior years	(0.8)	–
	11.0	7.9
Overseas tax charges		
Current year	24.8	16.7
Adjustment in respect of prior years	(1.1)	(0.5)
	23.7	16.2
	34.7	24.1
Deferred tax		
UK		
Origination and reversal of temporary differences	2.6	3.2
Overseas		
Origination and reversal of temporary differences	(2.1)	2.2
Adjustment in respect of prior year	–	1.1
German tax rate adjustment	3.1	–
	3.6	6.5
	38.3	30.6

6 Taxation continued

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 30 per cent as follows:

	2008 Before exceptionals £m	2008 Exceptional items £m	2008 Total £m	2007 Total £m
Profit before tax	124.1	2.6	126.7	102.4
Tax calculated at UK tax rate at 30 per cent	37.2	0.8	38.0	30.7
Rate adjustment relating to overseas profits	(1.6)	–	(1.6)	(1.6)
Overseas dividends	0.9	–	0.9	1.7
Income not subject to tax	–	(0.8)	(0.8)	–
Expenses not deductible for tax purposes.	2.3	–	2.3	1.0
Adjustment for tax on profits of Associate	(2.1)	–	(2.1)	(2.0)
Prior year adjustments	(1.9)	–	(1.9)	0.6
Utilisation of previously unrecognised tax losses	(0.2)	–	(0.2)	(0.7)
Tax losses for which no deferred income tax asset was recognised	0.6	–	0.6	0.9
German tax rate adjustment	3.1	–	3.1	–
Tax charge	38.3	–	38.3	30.6

No current tax in respect of share options has been recognised directly in reserves (2007 : £0.7m). The underlying effective tax rate excluding one-off items was 28.4 per cent (2007 : 29.9 per cent), the decrease reflecting the continued improvement in the Group's tax position. In addition, there was a one-off charge of £3.1m arising from the impact on deferred tax assets of a reduction in the German tax rate, enacted in July 2007. The recent change to the UK tax rate from 30% to 28% has not had a significant impact on the tax charge.

7 Earnings Per Share

	2008 Pence per share	2007 Pence per share
Basic earnings per share	57.8	43.9
Diluted earnings	56.7	42.9
Headline earnings per share	58.1	43.9

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 paid a special dividend of £74.4m 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.

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

	2008 Earnings £m	2008 Weighted average number of shares m	2008 Per-share amount pence	2007 Earnings £m	2007 Weighted average number of shares m	2007 Per-share amount pence
Basic EPS	88.1	152.5	57.8	70.2	160.0	43.9
Effect of dilutive options	–	2.8	(1.1)	–	3.7	(1.0)
Diluted EPS	88.1	155.3	56.7	70.2	163.7	42.9

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.

	2008 Pence per share	2007 Pence per share
Reconciliation of headline earnings per share		
Basic earnings per share	57.8	43.9
Profit on the disposal of continuing operations	(0.6)	–
Profit on disposal of investments	(1.1)	–
Tax arising from change in German statutory tax rate (see note 6)	2.0	–
Headline earnings per share	58.1	43.9

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8 Equity Dividends

	2008 £m	2007 £m
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	–
Final dividend for the year ended 25 March 2006 of 11.8p paid on 4 August 2006	–	19.0
Interim dividend for the period ended 30 September 2006 of 5.83p paid on 17 January 2007	–	9.3
	105.4	28.3

A final dividend per equity share of 14.87 pence has been proposed for the year ended 29 March 2008, payable on 1 August 2008. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

9 Property, Plant and Equipment

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
Year ended 31 March 2007	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Group					
Cost or valuation					
At 25 March 2006	58.3	241.1	38.6	6.3	344.3
Exchange differences	(0.8)	(2.6)	(1.5)	(0.1)	(5.0)
Additions	0.5	5.8	1.6	18.4	26.3
Transfers from assets in the course of construction	0.4	2.4	2.1	(4.9)	–
Disposals	(1.0)	(6.7)	(1.3)	–	(9.0)
At 31 March 2007	57.4	240.0	39.5	19.7	356.6
Accumulated depreciation					
At 25 March 2006	18.8	155.6	30.6	–	205.0
Exchange differences	(0.1)	(1.4)	(1.3)	–	(2.8)
Depreciation charge for the year	1.5	17.1	3.7	–	22.3
Disposals	(0.2)	(6.0)	(1.1)	–	(7.3)
At 31 March 2007	20.0	165.3	31.9	–	217.2
Net book value					
At 31 March 2007	37.4	74.7	7.6	19.7	139.4

Included in the above are leased assets as follows:

Plant and machinery	cost	£16.0m	(2007 : £18.7m)
	net book value	£7.8m	(2007 : £10.6m)

10 Intangible Assets

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
Year ended 31 March 2007					
Cost					
At 25 March 2006	26.3	12.0	12.2	2.9	53.4
Exchange differences	(1.3)	(0.5)	(0.2)	–	(2.0)
Additions	–	4.1	3.7	–	7.8
Disposals	–	–	(0.3)	–	(0.3)
At 31 March 2007	25.0	15.6	15.4	2.9	58.9
Accumulated amortisation					
At 25 March 2006	11.5	2.5	7.6	2.9	24.5
Exchange differences	(0.1)	(0.1)	(0.1)	–	(0.3)
Amortisation for the year	–	2.4	2.2	–	4.6
Disposals	–	–	(0.2)	–	(0.2)
At 31 March 2007	11.4	4.8	9.5	2.9	28.6
Carrying value at 31 March 2007	13.6	10.8	5.9	–	30.3

*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.

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

	2008 Cash Systems £m	2008 Security Paper and Print £m	2008 Total £m	2007 Cash Systems £m	2007 Security Paper and Print £m	2007 Total £m
United Kingdom and Ireland	1.2	1.3	2.5	1.2	1.3	2.5
Rest of Europe	5.3	1.8	7.1	4.8	1.6	6.4
The Americas	3.4	0.8	4.2	3.2	0.7	3.9
Rest of World	–	0.9	0.9	–	0.8	0.8
	9.9	4.8	14.7	9.2	4.4	13.6

Impairment tests are performed for all 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. In the year ended 29 March 2008, no impairment charges were recognised. The estimates of recoverable amount were based on value-in-use calculations using a post-tax discount rate of 10 per cent. These calculations use cash flow projections covering a five year period based on the financial budget for 2008/2009. Cash flows beyond this period are extrapolated assuming a growth rate of 3 per cent. The growth rate used does not exceed the long term average growth rate for the manufacturing business in which the CGU operates. The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

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11 Investments

Investments comprise

	2008 £m	2007 £m
Investments in associated companies	22.5	13.1
Other investments	–	–
	22.5	13.1
		Associates £m
At 1 April 2007		13.1
Additions		10.0
Share of post tax profits		7.1
Dividends paid		(7.7)
At 29 March 2008		22.5
At 26 March 2006		12.7
Share of post tax profits		6.6
Dividends paid		(6.2)
At 31 March 2007		13.1

At 29 March 2008 and 31 March 2007 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.

On 31 December 2007 the Group disposed of its entire holding in Valora-Servicas De Apoioa Emissao Monetaria SA (25%) to Banco de Portugal for £1.7m. The investment in this company was previously impaired.

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

	2008 Total associates £m	2008 Camelot Group £m	2007 Total associates £m	2007 Camelot Group £m
Revenue	995.9	993.3	986.7	982.2
Profit after tax	7.1	7.1	6.6	6.6
Assets	90.0	89.7	83.2	80.1
Liabilities	(66.5)	(66.3)	(67.3)	(65.5)

12 Available for Sale Financial Assets

	2008 £m	2007 £m
At 29 March 2008 and 31 March 2007	0.2	0.4
		£m
At 1 April 2007		0.4
Additions		–
Amortisation		(0.2)
At 29 March 2008		0.2
At 26 March 2006		0.5
Amortisation		(0.1)
At 31 March 2007		0.4

Available for sale financial assets comprise various debentures.

13 Inventories

	2008 £m	2007 £m
Raw materials	17.5	18.5
Work in progress	32.9	31.3
Finished goods	44.5	37.7
	94.9	87.5

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

Provisions of £7.2m recognised in operating expenses were made against inventories in 2008 (2007 : £7.3m). The Group also reversed £5.0m (2007 : £2.0m), being part of an inventory write down that was subsequently not required.

14 Trade and Other Receivables

	2008 £m	2007 £m
Non current assets		
Other receivables	0.8	0.2
	0.8	0.2
Current assets		
Trade receivables	100.4	85.4
Provision for impairment	(4.8)	(4.3)
Net trade receivables	95.6	81.1
Amounts due from associated companies and joint ventures	–	0.2
Other receivables	14.4	12.6
Prepayments and accrued income	4.0	3.1
	114.0	97.0
	114.8	97.2

The carrying value of trade and other receivables also represent 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.

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
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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 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.

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15 Financial Instruments continued

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 mobilisation 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.

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, Swedish Kroner 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 foreign exchange contracts transacting 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 denomination 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 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 ungeared balance sheet 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.

15 Financial Instruments continued

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	
		2008 £m	2007 £m
Available-for-sale financial assets	12	0.2	0.4
Trade and other receivables	14	114.8	97.2
Cash and cash equivalents	16	120.3	149.1
Forward exchange contracts used for hedging		7.5	1.0
Embedded derivatives		11.4	0.3
Total		254.2	248.0

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

	Carrying amount	
	2008 £m	2007 £m
UK and Ireland	7.9	17.3
Rest of Europe	33.6	27.0
The Americas	19.6	17.2
Rest of World	53.7	35.7
Total	114.8	97.2

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

	Carrying amount	
	2008 £m	2007 £m
Banks and financial institutions	65.3	43.9
Government institutions	11.1	9.8
Distributors	12.7	9.8
Retail customers	2.4	1.7
End user customers	10.2	13.5
Other debtors	13.1	18.5
Total	114.8	97.2

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2008 £m	Impairment 2008 £m	Gross 2007 £m	Impairments 2007 £m
Not past due	96.5	(1.6)	84.6	(1.0)
Past due 0-30 days	12.9	(0.2)	7.3	(0.2)
Past due 31-120 days	5.9	(1.0)	6.4	(0.3)
More than one year	4.3	(2.0)	3.2	(2.8)
Total	119.6	(4.8)	101.5	(4.3)

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

	2008 £m	2007 £m
Balance at beginning of year	(4.3)	(6.8)
Impairment loss (recognised)/released	(0.5)	2.5
Balance at end of year	(4.8)	(4.3)

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. At 29 March 2008 the Group does not have any collective impairments on its trade receivables (2007 : nil). Based on past experience, the Group believe that no impairment is required for financial assets that are neither past due or impaired.

Notes to the Accounts

continued

15 Financial Instruments continued

Liquidity risk

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

	Carrying amount £m	Contractual cash flows £m	Less than 12 Months £m	1-2 years £m
29 March 2008				
Non-derivative financial liabilities				
Unsecured bank loans and overdrafts	5.1	5.1	5.1	–
Finance lease liabilities	8.5	9.7	6.0	3.7
Trade and other payables	247.2	247.2	245.3	1.9
Total	260.8	262.0	256.4	5.6
Derivative financial assets and liabilities				
Forward exchange contracts used for cash flow hedging:				
Gross amount receivable from currency derivatives	7.5	322.0	7.3	0.2
Gross amount payable from currency derivatives	(13.5)	(328.0)	(12.2)	(1.3)
Total	(6.0)	(6.0)	(4.9)	(1.1)
31 March 2007				
Non-derivative financial liabilities				
Unsecured bank loans and overdrafts	1.7	1.7	1.7	–
Finance lease liabilities	10.1	11.3	9.4	1.9
Trade and other payables	239.7	239.7	238.7	1.0
Total	251.5	252.7	249.8	2.9
Derivative financial assets and liabilities				
Forward exchange contracts used for cash flow hedging:				
Gross amount receivable from currency derivatives	1.0	476.6	0.7	0.3
Gross amount payable from currency derivatives	(0.2)	(475.8)	(0.2)	–
Total	0.8	0.8	0.5	0.3

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.

Forward foreign exchange contracts

The principal amounts of the outstanding forward foreign exchange contracts at 29 March 2008 are US\$116.4m, Swedish Krona 429m, Euro 74.6m, Swiss Franc (13.3)m and Canadian Dollars 1.1m. The principal amounts outstanding under forward contracts with maturities greater than 12 months is Euro 16.5m. These forward contracts are held as cash flow hedges.

Gains and losses recognised in the hedging reserve in equity (note 1) on forward foreign exchange contracts at 29 March 2008 will be released to the income statement at various dates between one month and 24 months from the balance sheet date.

Net investments

The Group has 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 (2007 : nil).

The Group has designated c30m 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) (2007 : nil).

The Group has 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 (2007 : nil).

The Group has designated Swiss 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 (2007 : nil).

15 Financial Instruments continued

Cash Management Swaps

In addition to currency swaps for net investments, the Group also uses currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 29 March 2008 was £0.7m (2007 : £(0.1)m).

The principal amounts outstanding under cash management currency swaps are US Dollars 10.6m, Euro 14.7m, Swedish Krona 605m, Canadian Dollar 3.4m, Singapore Dollar (0.9)m, Hong Kong Dollar (0.55)m and South African Rand 11.0m.

Embedded derivatives

Embedded derivatives relate to revenue 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 29 March 2008 was £7.0m (2007 : (£1.3)m).

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 29 March 2008 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 and so transaction exposures are limited. However, where they do occur the Group's policy is to hedge firm commitments as soon as they are committed using forward foreign exchange contracts and these are designated as a cash flow hedge. 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 29 March 2008 all foreign exchange cash flow hedges were effective with a £1.6m gain recognised in equity.

The following significant exchange rates applied during the year:

	Reporting date		Average rate spot rate	
	2008	2007	2008	2007
USD	2.01	1.89	1.99	1.96
EUR	1.42	1.47	1.26	1.47
SEK	13.18	13.59	11.85	13.76

Sensitivity analysis

A 10 per cent strengthening of GBP against the following currencies at 29 March 2008 and 31 March 2007 would have increased (decreased) equity and profit and 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 2007.

	Effect in £m	
	Profit and Loss	Equity
29 March 2008		
USD	(0.7)	2.6
EUR	(0.9)	1.0
SEK	(0.3)	–
31 March 2007		
USD	(0.8)	1.9
EUR	(0.1)	(0.1)
SEK	(0.1)	–

A 10 per cent weakening of GBP against the above currencies at 29 March 2008 and 31 March 2007 would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

Notes to the Accounts

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15 Financial Instruments continued

Interest rate risk

Profile

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

	Carrying amount	
	2008 £m	2007 £m
Financial assets	120.3	149.1
Financial liabilities	(13.6)	(11.8)
	106.7	137.3

At 29 March 2008 the Group does not hold any fixed rate instruments.

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 for the year 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 2007.

	Profit and loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
29 March 2008				
Variable rate instruments				
Cash flow sensitivity (net)	1.2	(1.2)	–	–
31 March 2007				
Variable rate instruments				
Cash flow sensitivity (net)	1.2	(1.2)	–	–

Fair values

Fair values versus carrying amounts

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

	2008 Carrying amount £m	2008 Fair value £m	2007 Carrying amount £m	2007 Fair value £m
Available-for-sale financial assets	0.2	0.2	0.4	0.4
Trade and other receivables	114.8	114.8	97.2	97.2
Cash and cash equivalents	120.3	120.3	149.1	149.1
Embedded derivatives:				
Assets	11.4	11.4	0.3	0.3
Liabilities	(4.4)	(4.4)	(1.6)	(1.6)
Forward exchange contracts used for hedging:				
Assets	8.1	8.1	1.0	1.0
Liabilities	(13.5)	(13.5)	(0.2)	(0.2)
Unsecured bank loans and overdrafts	(5.1)	(5.1)	(1.7)	(1.7)
Finance lease liabilities	(8.5)	(9.7)	(10.1)	(11.3)
Trade and other payables	(247.2)	(247.2)	(239.7)	(239.7)
	(23.9)	(25.1)	(5.3)	(6.5)
Unrealised loss		(1.2)		(1.2)

Determination of fair values

Trade and other receivables

The amortised cost less impairment provision of trade receivables and payables are assumed to approximate their fair values.

15 Financial Instruments continued

Derivatives

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 is determined using quoted forward exchange rates at the balance sheet date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, 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.

Interest rates used for determining fair value

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

	2008	2007
Leases	5.70%	5.70%

16 Cash and Cash Equivalents

	2008 £m	2007 £m
Cash at bank and in hand	49.9	40.3
Short term bank deposits	70.4	108.8
	120.3	149.1

The effective interest rate on short-term bank deposits was 5.1% (2007 : 5.1%) and the deposits had an average maturity period of 13 days.

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

	2008 £m	2007 £m
Cash and cash equivalents	120.3	149.1
Bank overdrafts repayable on demand	(3.6)	(0.1)
Balance per Group cash flow statement	116.7	149.0

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

Notes to the Accounts

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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:

	2008 £m	2007 £m
Deferred tax assets:	25.9	51.4
Deferred tax liabilities:	(0.6)	(2.1)
	25.3	49.3

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

	2008 £m	2007 £m
Beginning of the year	49.3	53.1
Exchange differences	2.1	(0.6)
Income statement charge	(3.6)	(6.5)
Tax charged to equity	(22.5)	3.3
End of the year	25.3	49.3

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 25 March 2006	8.1	0.4	2.9	5.1	16.5
Charged/(credited) to the income statement	0.1	–	0.5	1.7	2.3
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

Assets	Share options £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 25 March 2006	(2.0)	(35.8)	(3.3)	(28.5)	(69.6)
(Credited)/charged to the income statement	–	2.4	(1.1)	2.9	4.2
(Credited)/charged to equity	(4.3)	1.0	–	–	(3.3)
Exchange differences	–	–	0.1	0.5	0.6
At 31 March 2007	(6.3)	(32.4)	(4.3)	(25.1)	(68.1)
(Credited)/charged to the income statement	0.5	2.9	1.4	2.8	7.6
(Credited)/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)

Other deferred assets and liabilities predominantly relate to tax associated with Group provisions (£4.5m), intangible assets (£3.6m) and overseas tax credits (£4.0m).

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 £7.1m (2007 : £6.7m) in respect of losses amounting to £26.9m (2007 : £17.9m) that can be carried forward against future taxable income.

Deferred income tax liabilities of £103.8m (2007 : £99.4m) 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 £435.2m at 29 March 2008 (2007 : £360.1m).

UK capital losses of £382m are carried forward at 29 March 2008.

On 12 March 2008, the Government announced the intention to phase out Industrial buildings allowances with effect from 1 April 2008. This change has not been reflected in these financial statements at 29 March 2008 because it is not substantially enacted at the balance sheet date. An estimate of the financial effect of this change, based on 29 March 2008 balances, is that it would reduce the deferred tax asset by £1.0m to £24.3m.

18 Trade and Other Payables

	2008 £m	2007 £m
Current liabilities		
Payments received on account	72.8	76.8
Trade payables	45.4	44.8
Amounts owed to associated companies	0.6	0.8
Social security and other taxation	4.8	9.9
Accrued expenses and deferred income	99.7	80.8
Other payables	22.0	25.6
	245.3	238.7
Non current liabilities		
Other payables	1.9	1.0
	1.9	1.0

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.

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.

	2008 £m	2007 £m
Current liabilities		
Unsecured bank loans and overdrafts	3.6	0.1
Finance leases	5.0	1.6
	8.6	1.7
Non current liabilities		
Unsecured bank loans repayable otherwise than by installments	1.5	1.6
Finance leases	3.5	8.5
	5.0	10.1

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payment 2008 £m	Interest 2008 £m	Present value of minimum lease payment 2008 £m	Future minimum lease payment 2007 £m	Interest 2007 £m	Present value of minimum lease payment 2007 £m
Less than one year	6.0	(1.0)	5.0	1.9	(0.3)	1.6
Between one and five years	3.7	(0.2)	3.5	9.4	(0.9)	8.5
More than five years	—	—	—	—	—	—
	9.7	(1.2)	8.5	11.3	(1.2)	10.1

Terms and debt repayment schedule	Currency	2008 Nominal interest rate £m	2008 Year of maturity	2008 Face value £m	2008 Carrying amount	2007 Face value £m	2007 Carrying amount
Unsecured bank facility	GBP	6.25%	2008	3.6	3.6	—	—
Unsecured bank facility	USD			—	—	0.1	0.1
Unsecured bank facility	EUR	3.00%	2011	1.5	1.5	—	—
Unsecured bank facility	MTL			—	—	1.6	1.6
Finance lease liabilities	GBP	5.80%	2011	6.9	6.9	10.1	10.1
Finance lease liabilities	USD	3.15%	2009	1.6	1.6	—	—
Total interest bearing liabilities				13.6	13.6	11.8	11.8

Notes to the Accounts

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19 Borrowings continued

	2008 £m
The Group has the following undrawn borrowing facilities:	
Floating rate:	
- Expiring within one year	–
- Expiring beyond one year	110.0
Fixed rate:	
- Expiring within one year	–
	110.0

As at 29 March 2008, the total of undrawn committed borrowing facilities maturing in more than two years was £100m (2007 : £100m).

20 Provisions for Liabilities and Charges

	Restructuring £m	Business disposals £m	warranty £m	Other £m	Total £m
At 1 April 2007	2.8	1.0	5.9	8.1	17.8
Exchange differences	–	–	0.3	0.1	0.4
Charge for the year	–	0.5	7.2	3.5	11.2
Utilised in year	(0.7)	–	(5.7)	(2.5)	(8.9)
Released in year	(0.1)	–	(0.4)	(0.1)	(0.6)
Reclassified from other payables	–	–	2.4	0.8	3.2
At 29 March 2008	2.0	1.5	9.7	9.9	23.1

Restructuring provisions relate to amounts set aside for various reorganisations within the Group, principally Cash Systems operations. Most of the utilisation of these provisions is likely within the next year.

Business disposal provisions represent amounts provided in respect of businesses previously disposed of by the Group.

Warranty provisions relate to present obligations for product warranties in Cash Systems and defective product provisions across Security Paper and Print.

There are no individually material provisions held within other provisions.

21a Share Capital

	2008 £m	2007 £m
Authorised		
223,125,756 ordinary shares of 29 ¹⁶ / ₂₁ p each* (2007 : 239,063,310 ordinary shares of 27 ⁷ / ₉ p each)	66.4	66.4
Authorised, called up and fully paid		
149,842,853 ordinary shares of 29 ¹⁶ / ₂₁ p each (2007 : 160,827,386 ordinary shares of 27 ⁷ / ₉ p each)	44.6	44.7
	2008 '000	2007 '000
Allotments during the year		
Ordinary shares in issue at 31 March 2007	160,827	165,361
Shares bought back for cancellation	(610)	(4,935)
Issued under savings related share option schemes	295	338
Issued under US employee share purchase plan	54	63
Shares consolidated*	(10,723)	–
Ordinary shares in issue at 29 March 2008	149,843	160,827

*On 30 July 2007, the Group carried out a share consolidation of 14 new ordinary shares of 29¹⁶/₂₁p for every 15 ordinary shares of 27⁷/₉p in issue accompanied by the payment of a special dividend to all shareholders.

21b Share Based Payments

Share based payments

At 29 March 2008, De La Rue plc has a number of share based payment plans, which are described below. The 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 as 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	
	2008 £m	2007 £m	2008 £m	2007 £m
Employee share option plan and scheme	0.7	2.5	–	–
Deferred bonus and matching share plan	3.1	2.5	–	–
Savings related share option scheme	0.5	0.5	–	–
Matching shares scheme	–	–	–	–
US employee share purchase plan	0.1	0.1	–	–
Phantom share option plan and scheme	–	–	0.4	0.6
	4.4	5.6	0.4	0.6

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 plan	Matching shares scheme	US employee share purchase plan	Phantom share option plan
Dates of current year grants	n/a	6 June '07	27 Dec '07	n/a	n/a	n/a
Number of options granted	n/a	449,931	221,091 (3 yr) 78,894 (5 yr)	n/a	n/a	n/a
Exercise price	n/a	n/a	745.74	n/a	n/a	n/a
Contractual life (years)	n/a	3	3/5	n/a	n/a	n/a
Settlement	Shares	Shares	Shares	Shares	Shares	Cash
Vesting period (years)	n/a	3	3/5	n/a	n/a	3
Dividend yield	n/a	3.5%	3.5%	n/a	n/a	3.0%
Fair value per option at last grant date		£7.92 for deferred allocation	£1.85 for 3 year plan	n/a	n/a	remeasured at period end
		£5.52 for matching allocation	£1.99 for 5 year plan			

An expected volatility rate of 20 per cent has been used for grants in the period depending on grant date. 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 5.2 per cent depending on exact grant date and term of the option.

Reconciliations of option movements over the year to 29 March 2008 for each class of options are shown on pages 82 to 84.

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21b Share Based Payments continued

Executive Share Option Plan

The Executive Share Option Plan is open to senior executives around the Group. Options are 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 relates to the achievement over three years of a minimum of three per cent per annum earnings per share growth over the rate of increase in the retail price index. If this condition is not met at the end of the performance period the options will lapse. For grants of options before April 2004 retesting of the performance target will be allowed twice, on the fourth and fifth anniversaries of the grant date. A pre vesting forfeiture rate of 5 per cent per annum has been assumed. The Plan expired on 17 July 2006.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	2,783	337.28	4,113	312.22
Granted	–	–	–	–
Forfeited	(19)	407.42	(58)	354.54
Exercised	(906)	332.07	(1,165)	251.52
Expired	(786)	304.47	(107)	311.07
Outstanding at end of year	1,072	362.84	2,783	337.28
Exercisable at year end	696	338.76	227	223.19

The range of exercise prices for the share options outstanding at the end of the year is 237.33p–407.42p (2007 : 200.50p–407.42p). The remaining contractual life of the outstanding share options is up to 5 July 2015 (2007 : up to 5 July 2015).

Executive Share Option Scheme

The Company operates 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.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	894	496.62	1,627	507.30
Exercised	(229)	494.61	(477)	485.37
Expired	(545)	490.19	(256)	568.60
Outstanding at end of year	120	514.79	894	496.62
Exercisable at year end	120	514.79	615	496.62

The range of exercise prices for the share options outstanding at the end of the year is 482.33p–522.30p (2007 : 275.25p–522.30p). The remaining contractual life of the outstanding share options is 3 December 2011 (2007 : up to 3 December 2011).

Deferred Bonus and Matching Share Plan

The plan is open to senior executives around 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 that 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 ('TSR') against the companies in the FTSE Mid 250 excluding investment trusts. The performance conditions are described in more detail on page 50. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2008 Number of options '000	2007 Number of options '000
Options outstanding at start of year	1,005	547
Granted – deferred shares	181	202
Granted – matching shares	269	308
Forfeited	(8)	(52)
Outstanding at end of year	1,447	1,005
Exercisable at year end	–	–

The deferred and matching shares have been allocated based on a share price of 758.40p (2007 : 531.80p).

21b Share Based Payments continued

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 share price) to employees who agree to save between £5 and £250 per month over a period of three to 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 5.0 per cent has been assumed.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	1,875	366.00	2,142	304.50
Granted	300	745.74	415	540.74
Forfeited	(92)	371.29	(76)	323.10
Exercised	(295)	306.02	(592)	274.34
Expired	(10)	456.94	(14)	278.15
Outstanding at end of year	1,778	439.63	1,875	366.00
Exercisable at year end	31	346.20	54	334.49

The range of exercise prices for the share options outstanding at the end of the year is 258.90p–745.74p (2007 : 244.5p–541.0p). The remaining contractual life of the outstanding share options is 1 September 2013 (2007 : 1 September 2012).

Matching Shares Scheme

The Matching Shares Scheme was open to certain key executives. For every two shares lodged with a nominee or trustee for a two year period the executive will receive a further share (a 'matching share'). The award of the matching share is subject to a performance target based on the increase in the Company's earnings per share over a consecutive two year period exceeding inflation plus three per cent per annum.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	–	–	4	331.50
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	(4)	331.50
Outstanding at end of year	–	–	–	–
Exercisable at year end	–	–	–	–

Phantom Share Option Scheme

This scheme operates under similar rules to the Executive Share Option Plan but provides a payment in the form of cash rather than shares.

	2008 Number of options '000	2008 Weighted average exercise price pence per share	2007 Number of options '000	2007 Weighted average exercise price pence per share
Options outstanding at start of year	256	355.23	351	365.25
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	(117)	340.22	(83)	403.39
Expired	(46)	413.23	(12)	315.86
Outstanding at end of year	93	344.99	256	355.23
Exercisable at year end	73	328.24	114	380.50

The range of exercise prices for the share options outstanding at the end of the year is 297.33p–407.47p (2007 : 237.3p–522.3p). The remaining contractual life of the outstanding share options is up to 5 July 2015 (2007 : 5 July 2015).

Notes to the Accounts

continued

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 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 share either at the beginning or the end of the offering period, less a 15 per cent discount. In 2007/2008, 54,472 shares (2006/2007 : 63,756 shares) were allotted pursuant to the plan. It is estimated that 50,460 shares will be required to satisfy the Company's 2008/2009 obligations in respect of employee's savings under the plan as at 29 March 2008.

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 administer shares 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 26 March 2005 held 4.1 million ordinary shares due for release to participants of the ESOS and ESOP and this was reduced to 3,690,000 following the share consolidation in August 2005. The balance of the trust at 31 March 2007 was 1,744,151 ordinary shares and this was reduced following the transfer to option holders of 1,116,986 and a further share consolidation in July 2007, which reduced the remaining balance by 56,279 giving a closing balance at 29 March 2008 of 570,886 ordinary shares. The Trustee has 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 7. At 29 March 2008, a total of 3,062,835 ordinary shares has been transferred to option holders under the ESOP or ESOS.

22 Notes to Group Cash Flow Statement

	2008 £m	2007 £m
Analysis of net cash		
Cash at bank and in hand	49.9	40.3
Short term bank deposits	70.4	108.8
Bank overdrafts	(3.6)	(0.1)
Total cash and cash equivalents	116.7	149.0
Other debt due within one year	(5.0)	(1.6)
Borrowings due after one year	(5.0)	(10.1)
Net cash at end of period	106.7	137.3

23 Group Operating Leases

	2008 Property £m	2008 Plant and equipment £m	2007 Property £m	2007 Plant and equipment £m
Total commitments expiring				
– within one year	1.5	2.6	1.4	1.6
– between one and five years	8.9	4.9	9.9	2.0
– over five years	29.6	–	29.3	–
Total commitments	40.0	7.5	40.6	3.6

24 Disposal

During November 2007, the Group disposed of its shareholding in De La Rue Smurfit Limited.

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

	£m
Property, plant and equipment	(2.6)
Inventory	(1.1)
Trade debtors	(1.4)
Trade creditors	0.4
Other current assets and liabilities	1.0
Taxation	0.4
Minority interest creditor	2.6
Cash	(1.9)
Net assets and liabilities disposed	(2.6)
Consideration received, satisfied in cash	(4.0)
Cash disposed of	1.9
Net cash flow	(2.1)

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 retirement benefit £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)

	UK defined benefit pension £m	Overseas defined retirement benefit £m	Gross Defined benefit pension £m	Deferred tax £m	Net defined benefit pension £m
At 26 March 2006	(115.0)	(4.6)	(119.6)	35.8	(83.8)
Current service cost included in operating profit	(9.8)	(0.7)	(10.5)	3.1	(7.4)
Net finance income/(cost)	1.8	–	1.8	(0.5)	1.3
Actuarial gains and losses arising over the year	3.0	0.5	3.5	(1.0)	2.5
Cash contributions and benefits paid	15.7	1.0	16.7	(5.0)	11.7
At 31 March 2007	(104.3)	(3.8)	(108.1)	32.4	(75.7)

Notes to the Accounts

continued

25 Retirement Benefit Obligations continued

	2008 UK £m	2008 Overseas £m	2008 Total £m	2007 UK £m	2007 Overseas £m	2007 Total £m
Amounts recognised in the consolidated balance sheet:						
Fair value of plan assets	507.4	15.8	523.2	524.4	13.2	537.6
Present value of funded obligations	(522.4)	(18.7)	(541.1)	(622.6)	(15.6)	(638.2)
Funded defined benefit pension plans	(15.0)	(2.9)	(17.9)	(98.2)	(2.4)	(100.6)
Present value of unfunded obligations	(5.7)	(1.7)	(7.4)	(6.1)	(1.4)	(7.5)
Net liability	(20.7)	(4.6)	(25.3)	(104.3)	(3.8)	(108.1)
Amounts recognised in the consolidated income statement:						
Included in employee benefits expense:						
Current service cost	(10.0)	(0.8)	(10.8)	(9.8)	(0.7)	(10.5)
Included in net finance cost:						
Expected return on plan assets	33.7	0.5	34.2	31.8	0.6	32.4
Interest cost	(33.3)	(0.6)	(33.9)	(30.0)	(0.6)	(30.6)
	0.4	(0.1)	0.3	1.8	–	1.8
Total recognised in the consolidated income statement	(9.6)	(0.9)	(10.5)	(8.0)	(0.7)	(8.7)
Actual return on plan assets	(9.9)	0.5	(9.4)	22.2	0.6	22.8
Amounts recognised in the statement of recognised income and expense:						
Actuarial losses on plan assets	(43.6)	–	(43.6)	(9.6)	–	(9.6)
Actuarial gains on defined benefit pension obligations	117.0	0.1	117.1	12.6	0.5	13.1
Amounts recognised in the statement of recognised income and expense	73.4	0.1	73.5	3.0	0.5	3.5
Major categories of plan assets as a percentage of total plan assets:						
	2008 UK %	2008 Overseas %	2008 Total %	2007 UK %	2007 Overseas %	2007 Total %
Equities	55.2	–	53.6	59.5	–	58.0
Bonds	17.1	–	16.5	18.7	–	18.2
Gilts	26.4	–	25.6	19.3	–	18.8
Other	1.3	100.0	4.3	2.5	100.0	5.0

Other 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.

25 Retirement Benefit Obligations continued

Principal actuarial assumptions:	2008 UK %	2008 Overseas %	2007 UK %	2007 Overseas %
Future salary increases	4.10	3.10	4.00	3.00
Future pension increases – past service	3.60	1.50	3.20	1.50
Future pension increases – future service	3.40	1.50	3.00	1.50
Discount rate	6.80	5.70	5.30	4.90
Inflation rate	3.50	2.80	3.10	2.40
Expected return on plan assets:				
Equities	7.75	–	7.75	–
Bonds	6.30	–	5.00	–
Gilts	4.60	–	4.75	–
Other	5.25	4.10	5.00	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, the largest plan, are based on tables issued by the Continuous Mortality Investigation Bureau. At 29 March 2008 and 31 March 2007 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 (2007 : 20.2 years).

History of experience gains and losses:	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of plan assets	523.2	537.6	525.1	453.0
Present value of defined benefit pension obligations	(548.5)	(645.7)	(644.7)	(572.9)
Net liability	(25.3)	(108.1)	(119.6)	(119.9)
Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	57.2	(16.3)	(19.8)	(22.1)
Experience gains arising on defined benefit obligations:				
Amount (£m)	0.3	16.2	–	4.9
Percentage of present value of defined benefit obligations	–0.1%	–2.5%	–	–0.9%
Experience (losses)/gains arising on plan assets:				
Amount (£m)	(43.6)	(9.6)	55.3	11.3
Percentage of plan assets	–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 29 March 2008. The plan is valued formally every three years, the next valuation being as at April 2009.

Notes to the Accounts

continued

25 Retirement Benefit Obligations continued

	2008 £m	2007 £m
Changes in the fair value of UK plan assets:		
At 1 April 2007/26 March 2006	524.4	510.0
Expected return on plan assets	33.7	31.8
Actuarial losses	(43.6)	(9.6)
Employer contributions	20.0	15.3
Plan participant contributions	3.2	3.0
Claims from insurance policy	0.5	0.4
Benefits paid	(27.2)	(24.1)
Plan administration and investment management expenses	(2.4)	(1.9)
Life assurance premiums	(0.5)	(0.5)
Transfers	(0.7)	–
At 29 March 2008/31 March 2007	507.4	524.4

The Group expects to contribute around £20.0m to its material defined benefit pension plans in 2009.

	2008 £m	2007 £m
Changes in the fair value of UK defined benefit pension obligations:		
At 1 April 2007/26 March 2006	(628.7)	(625.0)
Current service cost	(10.0)	(9.8)
Interest cost	(33.3)	(30.0)
Actuarial gains	117.0	12.6
Plan participant contributions	(3.2)	(3.0)
Benefits paid	27.2	24.1
Plan administration and investment management expenses	2.4	1.9
Life assurance premiums	0.5	0.5
At 29 March 2008/31 March 2007	(528.1)	(628.7)

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.

(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 £3.0m (2007 : £3.0m).

26 Employees

	2008	2007
Average number of employees		
United Kingdom and Ireland	2,327	2,291
Rest of Europe	1,982	2,004
The Americas	914	914
Rest of World	1,051	877
	6,274	6,086
Average number of employees		
Cash Systems	3,114	3,015
Security Paper and Print	3,160	3,071
	6,274	6,086

26 Employees continued

	2008 £m	2007 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	198.1	192.2
Social security costs	15.2	16.0
Share incentive schemes	5.2	5.1
Sharesave schemes	0.5	0.5
Pension costs	13.8	13.5
	232.8	227.3

27 Capital Commitments

	2008 £m	2007 £m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	5.0	13.6
	5.0	13.6

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 following associated companies: Fidink (33.3%) and Valora-Servicos de Apoio a Emissao Monetaria SA (25%).

On 31 December 2007, the Group disposed of its entire holding in Valora-Servicos de Apoio a Emissao Monetaria SA (25%) to Banco de Portugal for £1.7m.

The Group's trading activities with these companies include £9.9m (2007 : £8.9m) for the purchase of ink and other consumables. In 2007 the Group's trading activities also included £0.2m for the provision of management services and £0.2m for the sale of ink, paper and plates. At the balance sheet date there was a payable balance of £0.6m with Fidink. At March 2007, there were trade receivables and trade payables with associated companies of £0.2m and £0.8m respectively.

Key Management Compensation	2008 £'000	2007 £'000
Salaries and other short term employee benefits	4,005.0	3,490.0
Termination benefits	75.7	150.6
Retirement benefits:		
– defined contribution	6.0	1.8
– defined benefit	367.3	640.7
Share-based payments	2,223.0	1,395.0
	6,677.0	5,678.1

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.