

De La Rue Holdings plc

(Company Number: 58025)

Directors' Report and Financial Statements

27 March 2004



De La Rue Holdings plc

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 27 March 2004.

Principal activities

The Company is a holding company with interests in the United Kingdom and overseas in currency and security printing, provision of branch cash automation and solutions to retail banks, manufacture of banking equipment and other ancillary activities. It also provides management services to all its subsidiaries.

Results and dividend

Profit on ordinary activities after taxation amounted to £54,106,000 (2003: £748,000 loss). There were no interim dividends proposed during the period (2003: nil). The Directors decided not to declare a final dividend (2003: nil). The retained profit for the year of £54,106,000 was transferred to reserves (2003: £748,000 loss transferred to reserves).

Review of business

The Company derives its income mainly through dividends from its subsidiaries and associated companies.

Future developments

The Company will continue to operate in accordance with its principal activities.

Payments to suppliers

The Company does not operate a standard code in respect of payment to suppliers. The Company agrees the terms and conditions under which business transactions with suppliers are conducted, including the terms of payment. It is the Company's policy that payments to suppliers are made promptly in accordance with these terms.

Directors

The names of the Directors holding office during the year were as follows:

I F R Much
C L Fluker
D G Young
G Roesch
G L Maundrell
J A Hussey
S A King
P Cosgrove (appointed 12 May 2003)

Post Balance Sheet Events

Mr LM Quinn was appointed a director on 29 March 2004 and Mr IFR Much resigned as a Director on 31 May 2004. Mr G Maundrell resigned as a Director on 30 July 2004 and Mr I Lowe was appointed on 10 August 2004.

De La Rue Holdings plc

Directors' Report (Continued)

Directors' interests

At 27 March 2004 no Directors or members of their families, as defined by the Companies Act 1985, held any beneficial interests in shares of any member of the De La Rue Group other than the ultimate parent undertaking, De La Rue plc. The holdings and share options of Mr I F R Much, Mr S A King and Mr L M Quinn in the ordinary shares of the ultimate parent undertaking are shown in that company's accounts.

The interests of the Directors in the ordinary shares of De La Rue plc are set out below.

	27 March 2004	30 March 2003
C L Fluker	14,249	6,483
J A Hussey	9,000	9,000
G L Maundrell	320	320
G Roesch	-	-
D G Young	7,122	2,170
P Cosgrove	19,000	-

Details of Directors' Share Options are as follows.

	30 March 2003	Exercised during year	Granted during year	Lapsed during year	27 March 2004	Exercise price range (pence)	Exercisable dates
<u>C L Fluker</u>							
Share Price Improvement Plan	64,200	-	-	36,600	27,600	506.42	Jun '04 - Jun '05*
Executive Share Options	64,600	-	56,300	7,000	113,900	237.33-934.00	Jul '98 - July '13
Sharesave Options	6,967	-	-	-	6,967	150.00-351.90	Mar '04-Sep '04
<u>J A Hussey</u>							
Share Price Improvement Plan	63,200	-	-	36,600	26,600	506.42	Jun '04 - Jun '05*
Executive Share Options	55,300	-	59,100	4,000	110,400	237.33-934.00	Jul '98 - July '13

De La Rue Holdings plc

Directors' Report (Continued)

	30 March 2003	Exercised during year	Granted during year	Lapsed during year	27 March 2004	Exercise price range (pence)	Exercisable dates
<u>G L Maundrell</u> Executive Share Options	102,300	-	56,300	-	158,600	237.33-522.30	Jul '04-July '13
Sharesave Options	2,148	-	-	-	2,148	244.50	Mar '06- Sep '06
<u>G Roesch</u> Share Price Improvement Plan	53,600	-	-	29,300	24,300	506.42	Jun '04 - Jun '05*
Executive Share Options	74,000	-	64,500	-	138,500	237.33-934.00	Jul '98-July '13
<u>D G Young</u> Share Price Improvement Plan	50,000	-	-	26,400	23,600	506.42	Jun '04 - Jun '05*
Executive Share Options	62,500	-	55,400	-	117,900	237.33-637.00	Dec '98- July '13
Sharesave Options	4,022	1,069	-	-	2,953	244.50 – 351.90	Mar '06 - Sep '06
<u>P Cosgrove</u> Executive Share Options	-	-	146,000	-	146,000	237.33 – 239.33	Jun '06 – July '13

* Outstanding options under the Share Price Improvement Plan lapsed on 25 June 2004 as the options did not meet the performance targets.

The market price of De La Rue's ordinary shares on 27 March 2004 was 316.00 pence and the price range during the year was 182.50 pence to 338.00 pence.

De La Rue Holdings plc

Directors' Report (Continued)

Charitable and political donations

Charitable and educational contributions totalled £39,000 (2003: £15,000). There were no political donations.

Statement of Directors' responsibilities

The Companies Act 1985 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit and loss for that period. The Directors are responsible for ensuring that, in preparing the Company's financial statements, applicable accounting standards have been followed, appropriate accounting policies are consistently applied, are supported by reasonable and prudent judgements and estimates and are prepared on the going concern basis, unless they consider it inappropriate to do so.

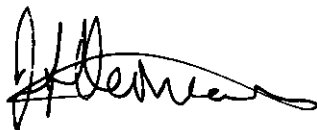
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Company and for preventing fraud and other material irregularities.

The Directors consider that in preparing the financial statements the Company has consistently applied appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Auditors

The Company's auditors, PricewaterhouseCoopers LLP, indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board on 18 October 2004



J F Hermans
Secretary

Registered Office:
De La Rue House
Jays Close
Viables
Basingstoke
Hants
RG22 4BS

De La Rue Holdings plc

Independent Auditors' Report to the Member of De La Rue Holdings plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report.

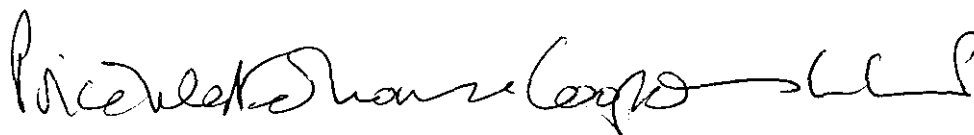
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 27 March 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 18 April 2004

De La Rue Holdings plc

Profit and Loss Account For the Year Ended 27 March 2004

	Note	2004 £'000	2003 £'000
Operating (expenditure)/ income	3,4	(1,886)	1,562
Income from shares in group undertakings		53,744	9,729
Income from shares in associated undertakings		7,221	8,938
Impairment of Group investments		-	(21,416)
Impairment of loans to Group undertakings		(4,567)	-
Operating profit/(loss) and profit/(loss) on ordinary activities before interest and taxation		54,512	(1,187)
Interest receivable and similar income	5	3,827	4,638
Interest payable and similar charges	6	(5,892)	(7,113)
Profit/(loss) on ordinary activities before taxation		52,447	(3,662)
Taxation on profit/(loss) on ordinary activities	7	1,659	2,914
Profit/(loss) on ordinary activities after taxation and retained profit/(loss) for the financial year	18	54,106	(748)

There is no difference between the results in the profit and loss account and the results on an historical cost basis.

Statement of Total Recognised Gains and Losses

	2004 £'000	2003 £'000
Retained loss for the financial year	54,106	(748)
Currency translation differences on foreign currency net investments	(1,921)	134
Total recognised losses relating to the year	52,185	(614)
Prior year adjustment	(50,096)	-
Total gains and losses recognised since last annual report	2,089	(614)

The prior year adjustment is explained in note 18.

The notes on pages 8 to 19 form part of these financial statements.

De La Rue Holdings plc

Balance Sheet at 27 March 2004

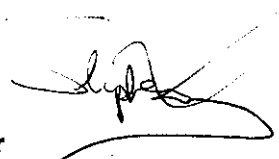
	Note	2004 £'000	2003 (restated) £'000
Fixed assets			
Tangible fixed assets	8	20,817	21,023
Investments	9	738,649	760,426
		759,466	781,449
Current assets			
Debtors - due within one year	12	7,474	9,635
Debtors - due after one year	12	348,832	363,645
Deferred taxation	13	4,464	4,476
Cash at bank and in hand		181,166	135,529
		541,936	513,285
Creditors – amounts falling due within one year	14	(120,986)	(150,251)
Net current assets		420,950	363,034
Total assets less current liabilities		1,180,416	1,144,483
Creditors – amounts due after one year	15	(850,392)	(869,140)
Provisions for liabilities and charges	16	(7,602)	(5,106)
Net assets		322,422	270,237
Capital and reserves			
Called up share capital	17	56,407	56,407
Share premium account	18	11,958	11,958
Other reserves	18	149,670	149,670
Revaluation reserve	18	66	66
Profit and loss account	18	104,321	52,136
Shareholders' funds	19	322,422	270,237

Approved by the Board of Directors on

18 October

2004

S King
Director



The notes on pages 8 to 19 form part of these financial statements.

De La Rue Holdings plc

Notes to the Financial Statements - 27 March 2004

1 Accounting policies

The principal accounting policies adopted by the Company are as follows:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the valuation of the Company's fixed asset investments, and in accordance with the Companies Act 1985 and applicable accounting standards. The accounts have been prepared as at 27 March 2004, being the last Saturday in March. The comparatives for the 2003 financial year are for the year ended 29 March 2003.

(b) Consolidation of subsidiaries

The financial statements contain information about De La Rue Holdings plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, De La Rue plc, a company registered in England and Wales.

(c) Associated Companies

An associated company is one in which the Company has a long-term investment and is in a position to exercise significant influence over the company in which the investment is made. Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary of another body corporate incorporated in the United Kingdom.

(d) Foreign currencies

Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate year end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included within the interest section of the profit and loss account except for exchange gains and losses associated with hedging loans that are taken to reserves.

(e) Tangible fixed assets and depreciation

Fixed assets are stated at cost or at valuation, less depreciation. No depreciation is provided on freehold land. Freehold and long leasehold buildings are depreciated at a rate of two per cent per annum. Other leasehold interests are depreciated over the unexpired period of the lease. A long leasehold is defined as one in which the remaining term of the lease is more than 50 years. The Directors have not adopted a policy of revaluing tangible fixed assets as permitted by FRS 15.

The Company's policy is to write off the cost or valuation of all other plant and equipment evenly over their estimated remaining useful life at rates which vary between 8 per cent and 50 per cent per annum. The principal annual rates of depreciation used are 10 per cent on fixtures and fittings and 33 per cent on tooling and computer equipment. No depreciation is provided for assets in the

De La Rue Holdings plc

Notes to the Financial Statements - 27 March 2004

course of construction.

1 Accounting policies (Continued)

(f) Leasing

Operating lease rentals are charged to the profit and loss account as incurred.

(g) Taxation

The charge for taxation is based on the profit for the year. The Company also accounts for deferred taxation in accordance with FRS 19 "Deferred Tax" which requires the recognition of deferred tax assets and liabilities on the balance sheet to the extent that they will more likely than not materialise.

(h) Investments

Investments are stated at valuation in the balance sheet, less provision for any permanent diminution in the value of the investment. Revaluation movements due to foreign exchange are transferred to the foreign exchange reserve and those due to changes in the currency value of the investment are taken to the revaluation reserve.

(i) Pensions

The costs of the Company's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. The pension costs are assessed in accordance with the advice of qualified actuaries. Actuarial surpluses and deficits are spread forward over the average remaining service lives of employees. The Company's post-retirement benefit schemes are accounted for in a similar manner to the pension schemes, as described above.

The costs of the Company's defined contribution schemes are charged to the profit and loss account as the contributions are made.

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

2 Directors' emoluments

Directors' emoluments are shown below. The emoluments for Mr I F R Much and Mr S A King, included in the amounts below, are fully disclosed by De La Rue plc the immediate and ultimate parent of the Group. Retirement benefits are accruing to four Directors under the Company's defined contribution and to six Directors under a defined benefit scheme.

	2004 £'000	2003 £'000
Aggregate emoluments	2,974	1,406
Company contributions to defined contribution pension scheme	363	222
Company contributions to defined benefit scheme	155	36

Highest paid Director:

	2004 £'000	2003 £'000
Emoluments	910	509
Company contributions to defined contribution pension scheme	184	194
Defined benefit pension scheme: accrued pension at end of year	9	7

The highest paid Director did not exercise any share options during the year.

3 Operating income/(costs)

	2004 £'000	2003 £'000
Administrative expenses	(16,859)	(9,066)
Management fee income	14,973	10,628
	(1,886)	1,562

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

4 Operating profit/(loss)

	2004 £'000	2003 £'000
Operating profit/(loss) is stated after charging the following:		
Staff costs		
- Wages and salaries	6,435	5,609
- Social security costs	702	653
- Other pension costs	2,429	347
Depreciation of tangible fixed assets		
- purchased	654	780
Auditors' remuneration		
- audit fees	241	224
- non-audit related fees	-	-
Directors' emoluments (see note 2)	2,974	1,406
Write off of investments	-	21,416
Impairment of loans to Group undertakings	4,567	-
(Profit)/loss on sale of fixed assets	(60)	9

5 Interest receivable and similar income

	2004 £'000	2003 £'000
Interest receivable from Group undertakings	1,809	2,938
External interest receivable	1,224	1,700
Foreign exchange gain on translation of Group loans	794	-
	3,827	4,638

6 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on bank loans and other borrowings repayable within 5 years	2,073	3,683
Interest payable to Group undertakings	3,819	3,430
	5,892	7,113

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

7 Taxation on (loss)/profit on ordinary activities

	2004 £'000	2003 £'000
Current tax		
UK corporation tax at 30% (2003: 30%)	5,782	630
Adjustments in respect of prior years	(6,933)	-
	(1,151)	630
Double taxation relief	(535)	(780)
	(1,686)	(150)
Deferred tax		
Origination and reversal of timing difference	27	(2,164)
Adjustment in respect of prior years	-	(600)
	27	(2,764)
Total tax charge on ordinary activities	(1,659)	(2,914)

The effective rate remains below the UK nominal rate of 30%. A summary reconciliation is shown below.

	2004 £'000	2003 £'000
Profit/(Loss) on ordinary activities before taxation	52,404	(3,662)
Expected tax (credit)/charge at 30%	15,734	(1,099)
Income from shares in Group undertakings	(14,102)	-
Income from shares in associated undertakings	(2,166)	(2,681)
Overseas dividends	(291)	(498)
Disallowables and other items	2,496	6,866
Profit on disposal of investments	-	26
Current – prior years	(6,933)	-
Group relief surrendered for nil consideration	-	(2,764)
Tax charge relating to other UK subsidiaries	3,576	-
Current tax charge	(1,686)	(150)

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

8 Tangible fixed assets

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 30 March 2003	24,583	3,702	28,285
Additions	-	448	448
Disposals	-	-	-
At 27 March 2004	24,583	4,150	28,733
Accumulated depreciation			
At 30 March 2003	5,294	1,968	7,262
Provision for the year	485	169	654
Disposals	-	-	-
At 27 March 2004	5,779	2,137	7,916
Net book value			
At 29 March 2003	19,289	1,734	21,023
At 27 March 2004	18,804	2,013	20,817
		2004	2003
		£'000	£'000
Land and buildings comprise			
Net book value			
Freehold		3,355	3,427
Long leasehold		15,449	15,862
		18,804	19,289

There is no material difference between the historical cost and the revalued amount of assets held. As stated in the accounting policies, it is not the Group policy to revalue assets, and as such, the transitional provisions of FRS 15 are being applied. There have been no subsequent valuations since 1988/9.

Included within the cost or valuation of land and buildings is an amount of £2.4m of capitalised interest (2003: £2.4m).

9 Investments

	Investments in Subsidiaries £'000	Investments in associated Companies £'000	Other Investments £'000	Total £'000
Cost/Valuation				
At 30 March 2003	749,211	10,998	217	760,426
Additions	68	-	-	68
Provisions	-	-	(68)	(68)
Effect of foreign exchange movements	(21,777)	-	-	(21,777)
At 27 March 2004	727,502	10,998	149	738,649

De La Rue Holdings plc

Notes to the Financial Statements - 27 March 2004

9 Investments (continued)

During the course of the year, the Group's investment in De La Rue Smurfit Limited was transferred to the Company from De La Rue Overseas Limited.

In the opinion of the Directors the value of investments in subsidiary undertakings is not less than that shown in the balance sheet.

10 Subsidiary undertakings

The following information deals only with those subsidiaries that, in the opinion of the Directors, principally affected the profit or the amount of assets of the Company and its directly held subsidiaries.

Name of Subsidiary	Country of Registration or Incorporation	Class of shares	Proportion of nominal value of issued shares held by the Company
De La Rue Overseas Limited	England	Ordinary	100%
De La Rue International Limited	England	Ordinary	100%
De La Rue Investments Limited	England	Ordinary	100%
Bradbury Wilkinson Holdings Limited	England	Ordinary	100%
De La Rue Systems Imports Pty Ltd	Australia	Ordinary	100%
De La Rue Systems Limited	Hong Kong	Ordinary	100%
De La Rue Systems Asia Pacific Pte Ltd	Singapore	Ordinary	100%
De La Rue Inc	USA	Common	100%
De La Rue Cash Systems Inc	Canada	Preference	100%
Portals Property Limited	England	Ordinary	100%
De La Rue BV	Holland	Ordinary	100%
De La Rue Smurfit Limited	Ireland	Ordinary	50%
Thomas De La Rue and Company (Ireland) Limited	Ireland	Ordinary	100%

11 Associated companies

The company has investments in associated companies, as set out in the table below.

This associate has a 31 March year-end.

Name of Associated undertaking	Country of registration or incorporation	Class of shares	Nature of Business	Interest of De La Rue Holdings Limited
Camelot Group plc	United Kingdom	Ordinary	Lottery Operator	20.0%

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

12 Debtors

	2004 £'000	2003 £'000
Amounts due within one year		
Trade debtors	-	190
Amounts owed by Group undertakings	7,292	7,631
Other debtors	182	1,286
Prepayments and accrued income	-	528
	7,474	9,635
Amounts due after one year		
Amounts owed by Group undertakings	348,832	363,581
Other debtors	-	64
	348,832	363,645

13 Deferred taxation

	2004 £'000	2003 £'000
Provided		
Timing differences between capital allowances and depreciation	5,558	3,730
Miscellaneous timing differences	(10,022)	(8,206)
At 29 March 2003 and 27 March 2004	(4,464)	(4,476)
Comprising:		
Assets	(4,464)	(4,476)
Liabilities	-	-
At 29 March 2003 and 27 March 2004	(4,464)	(4,476)

The movement on the deferred taxation account is explained as follows:

	£'000
At 30 March 2003	(4,476)
Amount charged to the profit and loss account for the year	27
Amount transferred from Group companies	(15)
At 27 March 2004	(4,464)

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

14 Creditors - amounts due within one year

	2004 £'000	2003 £'000
Bank loans	3,793	-
Overdrafts	73,910	106,230
Short term borrowings	77,703	106,230
Trade creditors	703	959
Amounts due to Group undertakings	30,109	30,374
Taxation	3,310	7,732
Other short term creditors	4,950	2,923
Accruals and deferred income	4,211	2,033
	120,986	150,251

There are no significant borrowings which are secured against the assets of the Group.

15 Creditors - amounts due after one year

	2004 £'000	2003 (restated) £'000
Bank Loans due:		
Between two and five years	19,337	26,806
Long term borrowings	19,337	26,806
Amounts owed to Group undertakings	831,055	842,334
Other creditors	831,055	842,334
	850,392	869,140

16 Provisions for liabilities and charges

	Pensions & similar obligations £'000	Other £'000	Total £'000
At 30 March 2003	1,030	4,076	5,106
Provided in year	1,109	225	1,334
Utilised in year	-	(38)	(38)
Transfer to trade debtors provision and from other creditors	-	1,200	1,200
At 27 March 2004	2,139	5,463	7,602

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

16 Provisions for liabilities and charges (continued)

Other provisions include £2,892,000 (2003: £2,012,000) to cover the costs of Delarunarians (those employees and ex-employees who have achieved 37 years' service and qualify for free medical cover plus a monthly allowance) and £1,836,000 of disposal provisions (2003: £2,064,000).

There are no other material provisions within other provisions for liabilities and charges.

17 Called up share capital

	27 March 2004 £'000	29 March 2003 £'000
Authorised:		
274,000,000 Ordinary shares of 25p each	68,500	68,500
Allotted, issued and fully paid:		
225,628,982 Ordinary shares of 25p each	56,407	56,407

18 Reserves

	Share Premium Account	Other Reserves	Revaluation Reserve	Profit and loss account (restated)	Total
	£'000	£'000	£'000	£'000	£'000
At 29 March 2003 as previously reported	11,958	149,670	66	102,232	263,926
Prior year adjustment	-	-	-	(50,096)	(50,096)
At 29 March 2003 (restated)	11,958	149,670	66	52,136	213,830
Retained profit for the year	-	-	-	54,106	54,106
Currency translation	-	-	-	(1,921)	(1,921)
At 27 March 2004	11,958	149,670	66	104,321	266,015

The prior year adjustment relates to an investment in De La Rue Inc which was purchased from another Group company in 2000/01. It has been determined that an additional consideration of £50,096,000 should be made for this investment to reflect fair value so the impairment provision against this investment (which had been reversed) should be reinstated.

The effect of the adjustment is to decrease retained reserves by £50,096,000 and to increase intercompany creditors by a corresponding amount.

De La Rue Holdings plc
Notes to the Financial Statements - 27 March 2004

19 Reconciliation of movements in shareholders' funds

	2004	2003 (restated)
	£'000	£'000
Profit/(loss) for the financial year transferred to reserves	54,106	(748)
Other recognised gains relating to the year (net)	(1,921)	134
Net increase/(reduction) in shareholders' funds	52,185	(614)
Opening shareholders' funds (restated)	270,237	270,851
Closing shareholders' funds	322,422	270,237

20 Particulars of employees

	2004 Number	2003 Number
The average number of persons employed by the Company during the year was:		
United Kingdom (administration)	82	82

21 Pension costs

The Company is a participating employer in one of the De La Rue Group pension schemes. The principal schemes are of the defined benefit type with assets held in separate trustee administered funds. Total pension costs were £2,429,000 (2003: £347,000). A provision of £2,139,000 (2003: £1,030,000) is held on the balance sheet representing the difference between the contributions to the schemes and the amount charged in the financial statements. Details of the latest actuarial valuations and the assumptions underlying them are contained in the financial statements of De La Rue plc.

Financial Reporting Standard 17 (FRS 17) basis

Whilst the Company continues to account for pension costs in accordance with SSAP 24 "Accounting for pension costs", under FRS 17 "Retirement benefits" certain transitional disclosures are required.

The employees of the Company participate in one of the De La Rue plc group pension schemes. The contributions to the UK scheme are assessed in accordance with advice of AON Consulting, independent consulting actuaries, using the Defined Accrued Benefits Method. The Company is unable to identify the share of the underlying assets and liabilities of the Group scheme that relates to its business and is permitted under FRS 17 to treat this scheme as a defined contribution scheme. Full disclosures relating to the Group's pension scheme are contained in the consolidated financial statements of De La Rue plc.

22 Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of De La Rue plc and is included in the consolidated

De La Rue Holdings plc

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financial statements of De La Rue plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the De La Rue Group or investees of the De La Rue Group.

23 Immediate and ultimate parent undertaking

The immediate and ultimate parent undertaking of the Company is De La Rue plc which is registered in England and Wales. The De La Rue plc Group is the only Group of which the Company is a member and for which Group accounts are prepared. Copies of the Group accounts are available from the Company Secretary of De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hants, RG22 4BS. References to "Group" means to the Company and its subsidiaries and to De La Rue plc.