

De La Rue International Limited

(Registered Number: 720284)

Directors' Report and Financial Statements

31 March 2007

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De La Rue International Limited

Directors' Report

The Directors submit their report together with the audited financial statements of the Company for the period 26 March 2006 to 31 March 2007

BUSINESS REVIEW

The Company is a subsidiary of De La Rue plc

The Directors are pleased to report a profit on ordinary activities after taxation amounting to £39,210,000 (2006 £19,859,000 profit restated). The increase in profit in the year is due to a combination of revenue growth, improvements in operational productivity and absence of restructuring costs. The Directors do not recommend the payment of a dividend this year (2006 Nil) and as such the retained profit for the year of £39,210,000 was transferred to reserves (2006 £19,859,000 profit restated).

There were errors in the prior period accounts in respect of retirement benefit accounting and share based payment accounting. These have been corrected by way of a prior year restatement as detailed in note 1 (a) to the financial statements.

Principal activities

The Company carried on a worldwide business in security printing and manufacturing equipment for handling, sorting and processing documents of value.

Strategy and objectives

The Company is primarily a trading Company and as such its strategy is to concentrate on core activities and improve operational productivity. The cash generative nature of the core operations provides the opportunity to invest appropriately for growth in those core businesses. Following the restructuring actions of the past two years, Company strategy is progressing to focus on delivering key innovations to customers worldwide which add value to their businesses.

The Company is also a holding Company and as such its objective is to ensure that the carrying value of the investments is appropriate and that no impairment is required as well as ensuring that the investments maximise the Company's shareholder returns. The principal subsidiaries and associated Company are disclosed in notes 13 and 14 to these financial statements.

The strategies and objectives of the companies in which De La Rue International Limited holds an investment are set out in the published financial statements of its ultimate parent Company De La Rue plc a copy of which can be obtained from the Company Secretary of De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hants, RG22 4BS.

In summary the financial objectives of these companies is to generate shareholder returns through profit improvement and high levels of cash flow. This is achieved by building value through its people and demonstrating leadership in the workplace by ensuring that employees are empowered, involved and fairly rewarded thereby continually increasing value from each business. A key strategy is therefore to attract and retain top quality recruits, and to ensure that its employees develop and grow in their roles and meet new challenges as their careers progress.

Company performance

The Company manages its operations on a divisional basis.

De La Rue International Limited

Directors' Report (continued)

Security Paper and Print

Currency activities had another excellent year, with the banknote business operating at near capacity levels in the second half. The benefit of high volumes was partly offset by a less favourable work mix compared to the corresponding period last year.

Demand for the latest technology in anti-counterfeit solutions is still a key driver in the market. The proliferation of colour copying, scanning and printing technologies means that we continue to develop anti-counterfeit solutions such as wide threads, holographic devices and iridescent features. We also continue to develop and promote paper-making innovations which optimise the strength and soil resistance of paper and improve the lifespan of the banknotes.

The Security Products and Identity Systems businesses also performed well driven principally by strong demand for authentication labels and a strong increase in passport orders.

Cash Systems

In Cash Systems, underlying operating profits were ahead of last year reflecting both the full benefits of restructuring actions and increased sales volumes through the fixed cost base.

The Company has a branch in Berne, Switzerland, principally responsible for the design and development of cash handling products and solutions.

Outlook and Future Developments

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

Looking forward, the order book in Currency remains strong, providing good visibility for the majority of 2007/2008. In Cash Systems the focus will be the continued delivering of innovation and maintained market leadership in specific segments to expand and enhance the product portfolio of customers.

Key performance indicators

The Directors monitor and manage the performance of each investment against its published financial statements and against the KPIs of the De La Rue Group because the Company's Directors believe that analysis using key performance indicators (KPI's) specifically for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. Details of the group's KPI's, which includes the Company are set out in the Business Review section on pages 10 – 27 of the annual report of De La Rue plc, which does not form part of this report.

Principal risks and uncertainties

The Company operates in a changing economic and competitive environment that presents risks, many of which are driven by factors that cannot easily be controlled or predicted.

The key risks facing the Company, its subsidiaries and associate investments are disclosed in the Business Review section, on pages 10 – 27 of the annual report of De La Rue plc, which does not form part of this report.

De La Rue International Limited

Directors' Report (continued)

Directors

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

C L Fluker
S A King
J F Hermans (alternate)
S Dasani (alternate)

Research and development

During the year a total of £13,468,000 was expensed to the profit and loss account in respect of research, development and design (2006 £4,371,000) Key innovations are disclosed in the Business Review section on pages 10 – 27 of the annual report of De La Rue plc

Payments to suppliers

Creditor days for the Company have been calculated at 39 days (2006 35 days) The Group's policy is to pay suppliers in accordance with agreed commercial terms, normally on the basis of monthly summary invoicing plus 60 days subject to local laws or other exceptions

Employees

Details of employee related costs can be found in note 5 to the financial statements on page 15 The Company follows the employment policies of the De La Rue Group, details of which are set out on pages 28 to 30 of the 2007 Annual Report which does not form part of this report The may be summarised as follows The Company aims to employ people of high quality and encourages creativity and initiative It recognises individual and team contributions and will give all employees the chance to develop their potential The Company promotes employee involvement through a policy of communication and consultation The Company newsletter, the intranet communications channel and more traditional house notices are further strengthened through quarterly briefings, a two-way communications programme designed to maximise dialogue

The Company offers equal opportunities in recruitment, training and promotion and in terms and conditions of employment, irrespective of gender, sexual orientation, religious beliefs, age, colour, ethnic or racial origin, nationality, disability or trade union membership If an employee becomes disabled when in the Company's employment, full support is given through the provision of special training, equipment or other resources to facilitate continued employment wherever possible All managers are required to ensure that all employees understand their responsibility for the active implementation of Company policy

The Company sustains strategic management development initiatives to enhance the commercial awareness of its managers and to improve both customer and shareholder value

Post Balance Sheet

The Company on 21 June 2007 gave notice to terminate the joint venture activity between Valora-Servicos de Apoio à Emissão Monetária SA with Banco de Portugal with effect from 31 December 2007

De La Rue International Limited

Directors' Report (continued)

Political and charitable contributions

Charitable and educational contributions totalled £62,000 (2006 £33,000) There were no political donations

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

PricewaterhouseCoopers LLP resigned as the Company's auditors on 23 March 2007 and confirmed to the Company that there were no circumstances connected with their resignation which they considered should be brought to the attention of shareholders or creditors KPMG Audit Plc was appointed by the Directors to fill the casual vacancy arising by reason of resignation of PricewaterhouseCoopers LLP A resolution to reappoint KPMG Audit Plc will be proposed at the Annual General Meeting of the Company

De La Rue International Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

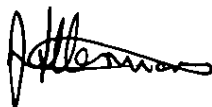
The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the Directors are required to

- 1 select suitable accounting policies and then apply them consistently,
- 2 make judgments and estimates that are reasonable and prudent,
- 3 state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 4 prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

By Order of the Board



J F Hermans
Secretary

30 January 2008

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

De La Rue International Limited

Independent Auditors' Report to the Members of De La Rue International Limited

We have audited the financial statements of De La Rue International Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

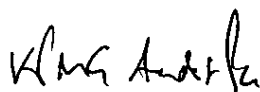
De La Rue International Limited

Independent Auditors' Report to the Members of De La Rue International Limited (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 January 2008

De La Rue International Limited

Profit and Loss Account For the Year Ended 31 March 2007

	<i>Note</i>	2007 £'000	2006 £'000 Restated*
Turnover	3	413,477	345,309
Operating profit	4,5	40,620	24,056
Non-operating items	6	-	(2,328)
Profit on ordinary activities before interest		40,620	21,728
Interest receivable and similar income	7	94	14
Interest payable and similar charges	8	(1,397)	(1,830)
Profit on ordinary activities before taxation		39,317	19,912
Taxation on profit on ordinary activities	9	(107)	(53)
Profit for the financial year	22	39,210	19,859

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 For the Year Ended 31 March 2007

	2007 £'000	2006 £'000 Restated*
Profit for the financial year	39,210	19,859
Currency translation differences	(145)	-
Total recognised gains and losses relating to the year	39,065	19,859
Prior year adjustments*	15,749	
Total gains and losses recognised since last financial statements	54,814	

* See note 1

The notes on pages 10 to 27 form part of these financial statements

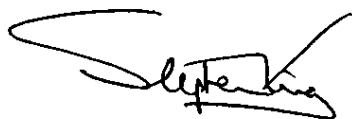
De La Rue International Limited

Balance Sheet at 31 March 2007

	Note	2007 £'000	2006 £'000 Restated*
Fixed assets			
Intangible assets	10	1,845	2,472
Tangible assets	11	74,541	69,658
Investments	12	10,019	10,920
		86,405	83,050
Current assets			
Stocks	15	33,555	27,973
Debtors - due within one year	16	80,351	57,337
Debtors - due after one year	16	631,623	700,895
Cash at bank and in hand		36,719	147,426
		782,248	933,631
Creditors – amounts falling due within one year	17	(202,536)	(236,187)
Net current assets		579,712	697,444
Total assets less current liabilities		666,117	780,494
Creditors – amounts falling due after more than one year	18	(418,951)	(570,457)
Provisions for liabilities and charges	19	(9,070)	(11,006)
Net assets		238,096	199,031
Capital and reserves			
Called up share capital	20	152,000	152,000
Profit and loss account	22	86,096	47,031
Equity shareholders' funds	23	238,096	199,031

Approved by the Board on 30 January 2008

S A King
Director



*See note 1

The notes on pages 10 to 27 form part of these financial statements

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

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 and in accordance with applicable UK accounting standards. The accounts have been prepared as at 31 March 2007, being the last Saturday in March. The comparatives for the 2006 financial year are for the year ended 25 March 2006.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the De La Rue Group.

In the period ended 25 March 2006, the Company fully adopted FRS 17 (retirement benefits) and as permitted under this accounting standard, elected to take the multi employer exemption as it was unable to identify its share of the assets and liabilities of the scheme. The adoption of this standard should have resulted in the reversal of the provision and cost previously recognised under SSAP 24, however in error this provision and cost remained in the 2006 closing balance sheet and profit and loss account respectively.

This has been corrected by way of a prior year restatement. The effect of this restatement is to increase profit for the period ended 25 March 2006 by £387,000 and to decrease provisions for liabilities and charges as at 25 March 2006 by £17,949,000.

Also in the period ended 25 March 2006, the Company fully adopted FRS 20. The adoption of this standard should have resulted in the recognition of a share-based payment expense, however in error no expense was recorded in the 2006 profit and loss account. This error has been corrected by way of a prior period restatement. There is no net effect of this restatement as the reduction to profit for the period ended 26 March 2006 of £1,300,000 is offset an equal and opposite adjustment to the profit and loss account reserve.

A further loss of £900,000 is reported as part of the prior year adjustment in respect of the cumulative effect of share-based payments made subsequent to 7 November 2002 but not vested as at the date of the Company's transition to FRS 20. There is no net effect to the comparative opening profit and loss account reserve as the cumulative share based payment expense of £900,000 is offset by a £900,000 adjustment to profit and loss account reserve.

(b) Consolidation of subsidiaries

The financial statements contain information about De La Rue International Limited as an individual company and do not contain consolidated financial information as the parent of a group of companies. 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 ultimate parent, De La Rue plc, a company registered in England and Wales. References to "Group" mean to De La Rue plc and its subsidiaries.

(c) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account, except those arising on long term foreign currency borrowings used to finance or hedge foreign currency investments which are taken directly to

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

shareholders' equity

1 Accounting policies (Continued)

Translation of the results of foreign branches

The assets and liabilities of the foreign branch denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Income and expenses within the income statement of the branch are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and all resulting exchange differences are recognised as a separate component of equity.

(d) Turnover

Turnover represents sales of manufactured products and services which fall within the Company's ordinary trading activities. This excludes VAT and other sales taxes.

Revenue is recognised in the income statement to the extent that it is probable that the economic benefits associated with the transaction will flow into the Company and the amount can be reliably measured. In practice this means that revenue is recognised when goods or services are supplied to external customers in accordance with the terms of sale.

When goods are supplied, this is when the significant risks and rewards of ownership are transferred to the buyer.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less that transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

(e) Goodwill amortisation

Upon the acquisition of a business, fair values that reflect the conditions at the date of acquisition are attributed to the identifiable net assets acquired. When the consideration paid for a business exceeds such net assets, the difference is treated as goodwill and is capitalised and amortised over an appropriate period not exceeding 20 years. For acquisitions prior to 1 April 1998 all goodwill is eliminated in the Company balance sheet against reserves. On disposal of a business the profit or loss on disposal is determined, after including the attributable amount of purchased goodwill to the extent that this has not been amortised through the profit and loss account. Negative goodwill is capitalised and amortised through the profit and loss account over the estimated life to which the goodwill relates.

(f) Other intangible assets

Distribution rights are amortised over their useful economic lives as determined by the life of the products to which they relate.

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

1 Accounting policies (Continued)

(g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation of fixed assets is calculated on a straight line basis at rates sufficient to write down the assets over their expected useful lives.

The principal annual rates of depreciation are as follows:

Leasehold properties with less than 50 years unexpired	Written off over life of lease
Plant and equipment	Ranging from 8% to 33 %
Fixtures and fittings	10%

(h) Government grants

Government grants received in respect of property, plant and equipment are recognised in the profit and loss account over the expected useful economic lives of the assets to which they relate. To the extent that recognition in the profit and loss account of part or all of a grant that has been received is deferred, the amount deferred is classified as deferred income.

(i) Leases

Operating lease rentals are charged to the profit and loss account as incurred. Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over their useful lives. The corresponding liabilities are recorded as a creditor and the interest elements of the finance lease rentals are charged to the profit and loss account.

(j) Research and development

Product research and development expenditure is written off in the year in which it is incurred.

(k) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(l) Stocks

Stocks and work in progress are valued at the lower of cost, including relevant production overheads, and net realisable value.

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

1 Accounting policies (Continued)

(m) Retirement benefits

The pension rights of De La Rue International Limited employees are dealt with through a self administered scheme, the assets of which are held independently of the Company's finances. The scheme is a defined benefit scheme that is funded partly by contributions from members and partly by contributions from De La Rue plc and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with FRS 17, De La International Limited accounts for its contributions as though it were a defined contribution scheme, where contributions payable to the scheme in respect of the accounting period are charged to the profit and loss account. This is because the underlying assets and liabilities of the scheme cover De La Rue plc and a number of its subsidiaries and it cannot be split between each subsidiary on a consistent and reasonable basis. Full details of the scheme and its deficits (measured on an IAS 19 basis) can be found in Note 23 to the consolidated financial statements of De La Rue plc.

(n) Share based payments

De La Rue International Limited participates in various equity settled and cash settled option schemes that are operated by its ultimate parent entity De La Rue plc. For the equity settled schemes, services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholder's funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. The share based payment expense incurred is recharged by De La Rue plc to the Company via an intercompany loan account. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 20 has been applied to share settled share options granted after 7 November 2002.

For cash settled share options, the services received from employees are measured at the fair value of options outstanding and recognised in the profit and loss account on a straight-line basis over the vesting period. The grant of cash settled share based payments by De La Rue plc to employees of the Company are initially recognised as a capital contribution and disclosed as other contributed equity. De La Rue plc recharges this expense to the Company via the intercompany account.

(o) Investments

Investments are stated at cost or valuation in the balance sheet, less provision for any impairment 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.

2 Directors' emoluments

Directors' emoluments for Mr S A King are disclosed in the accounts of the ultimate parent undertaking, De La Rue plc, and those of Miss C L Fluker are disclosed in the accounts of the immediate parent company De La Rue Holdings plc. No other Director received emoluments in his capacity as a Director of the Company.

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

3 Turnover

Turnover by business segment is analysed below

	2007 £'000	2006 £'000
Security Paper and Print	336,291	287,644
Cash Systems	77,186	57,665
	413,477	345,309

Turnover by geographical market is analysed below

	2007 £'000	2006 £'000
United Kingdom	57,583	72,345
Rest of Europe	61,295	40,229
Rest of World	294,599	232,735
	413,477	345,309

The Company's business is based in the UK. The majority of net assets of the Company are located in the UK. The Company has taken advantage of the exemption for segmental reporting contained in SSAP 25 as segmental information is given in the consolidated financial statements of the ultimate parent undertaking, De La Rue plc.

4 Operating costs

	2007 £'000	2006 £'000 Restated*
Cost of sales	312,395	273,538
Distribution costs	16,226	11,426
Administrative expenses	44,236	36,289
	372,857	321,253

*See note 1

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

5 Operating profit

	2007 £'000	2006 £'000 Restated*
Operating profit is stated after the following amounts have been charged/(credited)		
Staff costs		
- Wages and salaries	85,047	85,226
- Social security costs	5,163	4,944
- Other pension costs	7,478	6,961
- Share based payment expense	3,909	1,300
Amortisation of goodwill and other intangible fixed assets	627	627
Depreciation of tangible fixed assets		
- purchased	10,934	10,761
- leased	2,919	3,004
Auditors' remuneration		
- audit fees	122	-
Operating leases		
- hire of plant and machinery	402	261
- other	2,184	2,106
Research and development	13,468	4,371
Profit/(loss) on sale of fixed assets	(252)	329
Exceptional items charged/(credited) to operating profit		
Reorganisation costs (charged to cost of sales)	-	2,819
Reversal of impairment in Portuguese JV (credited to administration costs)	-	(444)

Auditors' remuneration in the comparative year was borne by the immediate parent undertaking
*See note 1

6 Non-operating items

	2007 £'000	2006 £'000
Impairment of investment in subsidiary undertaking	-	(2,328)
	-	(2,328)

7 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest receivable from Group undertakings	94	14
	94	14

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

8 Interest payable and similar charges

	2007 £'000	2006 £'000
Interest paid to Group undertakings	755	1,080
Finance lease interest in respect of plant and machinery	642	700
Other interest payable	-	50
	1,397	1,830

9 Taxation on profit on ordinary activities

	2007 £'000	2006 £'000
UK corporation tax		
Current tax on income for the period	107	53
	107	53

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%, 2006 30 %). The differences are explained below

	2007 £'000	2006 £'000 Restated*
Current tax reconciliation		
Profit on ordinary activities before taxation	39,317	19,912
Expected tax charge at 30%	11,795	5,974
Effects of		
Transfer of liability to De La Rue Holdings plc	(11,688)	(5,921)
Total current tax charge	107	53

*See note 1

Subsequent to the adoption of an agreement between the Company and De La Rue Holdings plc, the latter will meet all UK corporate tax liabilities relating to the profits of the Company, so long as it remains a member of the Group

There is a deferred tax liability reflected in the financial statements of the immediate parent company

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

following the arrangements mentioned in Accounting Policy Note 1(k)

10 Intangible assets

	Goodwill £'000	Intellectual Property Rights £'000	Distribution Rights £'000	Total £'000
Cost or valuation				
At 26 March 2006	5,440	1,047	314	6,801
Additions	-	-	-	-
At 31 March 2007	5,440	1,047	314	6,801
Amortisation				
At 26 March 2006	3,805	210	314	4,329
Provision for the year	575	52	-	627
At 31 March 2007	4,380	262	314	4,956
Net book value				
At 26 March 2006	1,635	837	-	2,472
At 31 March 2007	1,060	785	-	1,845

11 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Total £'000
Cost or valuation					
At 26 March 2006	4,939	194,815	13,767	3,098	216,619
Transfer to Group Companies	-	(770)	-	-	(770)
Transfers from assets in the course of construction	-	481	63	(544)	-
Additions	84	10,332	42	8,865	19,323
Disposals	-	(4,537)	(90)	-	(4,627)
At 31 March 2007	5,023	200,321	13,782	11,419	230,545
Accumulated depreciation					
At 26 March 2006	530	134,701	11,730	-	146,961
Transfer to Group Companies	-	(481)	-	-	(481)
Provision for the year	253	13,371	229	-	13,853
Disposals	-	(4,243)	(86)	-	(4,329)
At 31 March 2007	783	143,348	11,873	-	156,004
Net book value					
At 26 March 2006	4,409	60,114	2,037	3,098	69,658
At 31 March 2007	4,240	56,973	1,909	11,419	74,541

The net book value of plant and machinery held under finance leases at 31 March 2007 was £9,634,000 (2006 £8,285,000) Depreciation charged during the year amounted to £2,919,000 (2006 £3,004,000)

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

12 Investments

	£'000
At cost on 26 March 2006	10,920
Repayment of capital	(901)
At cost on 31 March 2007	<u>10,019</u>

The reduction in the value of investments reflects a partial repayment of capital by De La Rue Automatizacao on 3 July 2006

13 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 De La Rue International Limited

Name of Subsidiary	Country of Registration or Incorporation	Class of shares	Nature of business	Proportion of nominal value of issued shares held by the Company
Currency Systems International UK Holding Company Limited	UK	Ordinary	Cash Systems	100%
De La Rue Global Services (Pty) Limited	South Africa	Ordinary	Security Printing	100%
De La Rue Systems – Automatizacao, S A	Portugal	Ordinary	Cash Systems	100%
De La Rue Mexico S A, de C V	Mexico	Ordinary	Security printing	100%

14 Associated undertakings

The Company has investments in an associated undertaking, as set out in the table below
This associate has a 31 March year-end

Name of Associated undertaking	Country of registration or Incorporation	Nature of business	Class of shares	Interest of De La Rue International Limited
Valora-Servicos de Apoio à Emissão Monetária SA	Portugal	Currency printing	Ordinary	25%

The Company on 21 June 2007 gave notice to terminate the joint venture activity between Valora-Servicos de Apoio à Emissão Monetária SA with Banco de Portugal with effect from 31 December 2007

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

15 Stocks

	2007 £'000	2006 £'000
Raw materials	7,467	4,229
Work-in-progress	11,528	8,800
Finished goods and spares	14,103	14,832
Goods in transit	457	112
	33,555	27,973

16 Debtors - amounts due within one year

	2007 £'000	2006 £'000
Trade debtors	40,959	34,497
Amounts owed by Group undertakings	34,631	14,094
Other debtors	2,966	3,858
Prepayments and accrued income	1,795	4,888
	80,351	57,337

Debtors - amounts due after one year

	2007 £'000	2006 £'000
Amounts owed by Group undertakings	631,595	700,866
Other debtors	28	29
	631,623	700,895

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

17 Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Bank loans and overdrafts	34,891	132,682
Payments received on account	65,971	29,558
Trade creditors	20,202	14,279
Amounts owed to Group undertakings	32,572	23,050
Other creditors	14,025	3,653
Taxation and social security	1,708	2,073
Accruals and deferred income	31,606	29,130
Obligations under finance leases	1,561	1,762
	202,536	236,187

Amounts owed to Group undertakings are unsecured and interest free

18 Creditors - amounts falling due after more than one year

	2007 £'000	2006 £'000 Restated *
Amounts owed to Group undertakings	404,485	559,312
Other creditors	803	321
Accruals and deferred income	5,116	12
Obligations under finance leases		
Between one and two years	8,547	5,266
Between two and five years	-	5,546
Over five years	-	-
	418,951	570,457

*See note 1

The finance lease obligation is repayable quarterly in advance and interest is accrued at LIBOR plus 45 basis points

Amounts owed to Group undertakings are unsecured and interest free These amounts are repayable in more than 5 year

A total of £6.5m for Government grants received in respect of property, plant and equipment is included within accruals and deferred income falling due within one year (£1.4m) and falling due after more than one year (£5.1m) Grant receipts are recognised in the profit and loss account over the expected useful economic lives of the assets to which they relate

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

19 Provisions for liabilities and charges

	Total £'000
	Restated*
At 26 March 2006	11,006
Provided in year	7,173
Utilised in year	(6,540)
Released in year	(2,569)
At 31 March 2007	<u>9,070</u>

*See note 1

As at 31 March 2007 other provisions principally include

Reorganisation provisions of £3,865,000 (2006 £4,417,000) Cash Systems provided for a further £1,527,000 in respect of reorganisations and utilised £2,156,000, leaving a balance of £3,001,000 carried forward Security Products utilised £712,000 of its provision and released £805,000 in the year, leaving £336,000 carried forward Debden provided a further £105,000 in respect of reorganisations and utilised £24,000 during the year leaving £528,000 carried forward

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

20 Called up share capital

	2007	2006
Authorised		
152,000,000 Ordinary shares of £1 each	£152,000,000	£152,000,000
29,000 Redeemable preference shares of SFr 1,000 each	Swf 29,000,000	Swf 29,000,000
	2007	2006
	£'000	£'000
Allotted, called up and fully paid		
152,000,000 Ordinary shares of £1 each	152,000	152,000

On 31 March 1996, 29,000 SF1,000 preference shares were redeemed at a premium of SF537 93 each

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

21 Share Based Payments

At 31 March 2007, De La Rue International Limited has two share based payment plans, which are described below. These plans have been accounted for in accordance with the fair value recognition provisions of FRS 20 'Share Based Payments' which means that FRS 20 has been applied to all grants of employee share based payments granted after 7 November 2002 that had not vested at 1 January 2005 and cash settled awards outstanding at 1 January 2005.

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

	Expenses recognised for the year		Liability at end of year	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Executive share option plan	1,577	632	-	-
Deferred bonus and matching share plan	1,079	441	-	-
Savings related share option plan	1,253	227	-	-
	3,909	1,300	-	-

Reconciliations of option movements over the year to 31 March 2007 for each class of options are shown below.

Executive Share Option Plan

The Executive Share Option Plan is open to senior executives of the Company. 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 earning per share growth target. The performance condition relates to the achievement over three years of three per cent per annum earnings per share growth over the rate of increase in the retail price index. 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.

	2007 Number of Options	2007 Weighted average exercise price per share	2006 Number of Options	2006 Weighted average exercise price per share
	'000		'000	
Options outstanding at start of year	2,499	312.22	2,862	300.03
Granted	-	-	458	407.42
Forfeited	(57)	354.54	(55)	313.57
Exercised	(808)	251.52	(484)	293.50
Expired	(95)	311.07	(282)	309.28
Outstanding at end of year	1,539	337.28	2,499	312.22
Exercisable at year end	80	223.19	-	200.50

The range of exercise prices for the share options outstanding at the end of the year is 200.5p – 407.4p.

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

21 Share Based Payments (continued)

(2006 200 5p – 407 4p)

The remaining contractual life of the outstanding share options is set up to 5 July 2015 (2006 up to July 2015)

Deferred Bonus and Matching Share Plan

The plan is open to senior executives of the Company. 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 test (TSR) against the companies in the FTSE Mid 250 excluding investment trusts. The TSR performance condition has been incorporated into the Monte Carlo simulation model used to estimate the fair value of these options.

	2007 Number of options '000	2006 Number of options '000
Options outstanding at start of year	284	-
Granted – deferred shares	99	129
Granted – matching shares	127	155
Expired	(99)	-
Outstanding at end of year	411	284
Exercisable at year end	-	-

The deferred and matching shares have been allocated based on a share price of 531 8p (2006 386 13p)

Savings Related Share Option Scheme

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

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

21 Share Based Payments (continued)

	2007	2007	2006	2006
	Number of	Weighted	Number of	Weighted
	Options	average	Options	average
		exercise		exercise
		price		price
	'000	per share	'000	per share
Options outstanding at start of year	1,606	304 50	2,033	273 39
Granted	312	540 74	497	357 00
Forfeited	(57)	323 10	(140)	275 25
Exercised	(444)	274 34	(712)	364 61
Expired	(11)	278 15	(72)	417 07
Outstanding at end of year	1,406	366 00	1,606	304 50
Exercisable at year end	40	334 49	35	261 00

The range of exercise prices for the share options outstanding at the end of the year is 244 5p – 541 0p (2006 244 5p – 434 1p) The weighted average remaining contractual life of the outstanding share options is 1 September 2012 (2006 1 September 2011)

22 Reserves

	Profit And Loss Account 2007 £'000 Restated*
At the beginning of the period as originally presented	29,082
Restatement in respect of retirement benefit accounting	17,949
At the beginning of the period restated	47,031
Currency translation	(145)
Profit for the financial year	39,210
At the end of the period	86,096

*See note 1

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

23 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000 Restated*
Profit for the financial year	39,210	19,859
Other recognised gains relating to the year (net)	(145)	-
Share based payments expense	3,909	1,300
Capital contribution in respect of share based payment expense	(3,909)	-
Net increase in shareholders' funds	39,065	21,159
Opening shareholders' funds as originally presented	181,082	160,310
Restatement in respect of retirement benefit accounting	17,949	17,562
Restatement in respect of share based payments *	-	-
Opening shareholder's funds (restated)	199,031	177,872
Closing shareholders' funds	238,096	199,031

*See note 1

24 Particulars of employees

	2007 Number	2006 Number
The average number of persons employed by the Company during the year was		
United Kingdom	1,960	2,032
Rest of the World	92	55
	2,052	2,087

25 Contingent liabilities

There were contingent liabilities at the balance sheet date in respect of

	2007 £'000	2006 £'000
Guarantees to banks and others		
On behalf of other Group undertakings	6,469	3,637

26 Capital commitments

	2007 £'000	2006 £'000
The following capital commitments existed at the balance sheet date		
Contracted but not provided for in the financial statements	8,539	7,389

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

27 Leases

	2007 £'000	2006 £'000
Annual commitments under operating leases are		
Land and buildings		
Leases expiring		
Within one year	683	700
Between one and two years	148	-
Between two and five years	442	20
After five years	445	855
<hr/>		
Others		
Leases expiring		
Within one year	62	181
Between one and two years	24	86
Between two and five years	23	99
After five years	18	-
<hr/>		

28 Pension costs

The Company is a participating employee in one of the De La Rue Group pension schemes. The scheme is of the defined benefit type with assets held in separate trustee administered funds. The contributions to the 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.

The Group's last formal (triennial) funding valuation of the Company's defined benefit pension scheme took place on 6 April 2006 and identified the Scheme to have a deficit of £56.0m (6 April 2003: £(39.0)m).

An increase in member contributions of 1.0 per cent per annum equivalent to £0.4m, achieved through two 0.5 per cent increases, effective June 2007 and June 2008 has been agreed. The Group has also agreed with the Trustee to pay down this deficit over a period of six years, subject to reassessment of the existence of the deficit at the next triennial valuation, and the first payment of £7.0m was made into the Scheme in March 2007.

Total pension costs were £7,478,000 (2006: £6,961,000 cost restated).

De La Rue International Limited

Notes to the Financial Statements – 31 March 2007

29 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 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. 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. Reference to "Group" means De La Rue plc and its subsidiaries.

30 Immediate and ultimate parent undertaking

The immediate parent undertaking of the Company is De La Rue Holdings plc and the ultimate parent undertaking is De La Rue plc, both of which are registered in England and Wales. The De La Rue Group is the only Group of which the Company is a member and for which Group financial statements are prepared. Copies of the Group financial statements are available from the Secretary, De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.