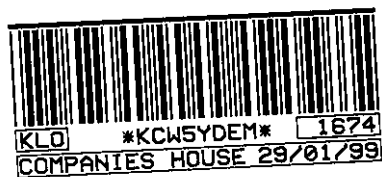


De La Rue Investments Limited
(Registered Number: 2527386)

Directors' Report And Financial Statements

31 March 1998



De La Rue Investments Limited

Directors' Report

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 March 1998.

Principal Activity

The Company is a holding company.

Results And Dividends

The loss for the year after taxation was £214,152,000 (1997: £5,697,000 profit). A dividend of £15,000,000 was paid during the period (1997: £Nil). The resulting retained loss of £229,152,000 has been transferred from reserves.

Directors

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

S A Field
R G Laing

Directors' Interests

At 31 March 1998 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 group other than the ultimate parent undertaking, De La Rue plc. The holdings of R G Laing in the ordinary shares of the ultimate parent undertaking are as shown in that company's financial statements. The holdings of the other Director are as follows:

	Own & Family Interest		Executive Share Option Scheme				Savings Related Share Option Scheme			
	1 April 1997	31 March 1998	1 April 1997	Granted	Exercised	31 March 1998	1 April 1997	Granted	Exercised	31 March 1998
SA Field	3,727	3,759	25,900	25,400	-	51,300	3,654	-	-	3,654

During the year Ms Field was granted a further 25,400 options under the De La Rue plc Executive Share Option Scheme, at an exercise price of 365.67p. These mature in July 2000 and expire in July 2007.

No options lapsed during the year and none were exercised.

At 31 March 1998 options under the Savings Related Share Option Scheme are exercisable at various dates up to August 2002 at 472p. Those under the Executive Share Option Scheme are exercisable at various dates up to July 2007 at prices ranging between 365.67p and 934p.

The middle market price of the ordinary shares on 31 March 1998 was 284p and the price range during the year was 280p to 561p.

De La Rue Investments Limited

Directors' Report (Continued)

Statement Of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



SA Field
Secretary

28 January 1999

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

PricewaterhouseCoopers
No 1 London Bridge
London SE1 9QL
Telephone +44 (0) 171 939 3000
Facsimile +44 (0) 171 403 5265
Direct phone +44 (0) 171 939 4408
Direct fax +44 (0) 171 939 5080

Auditors' Report To The Members Of De La Rue Investments Limited

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

Basis of 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.

Opinions

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

 1999

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

De La Rue Investments Limited

Profit And Loss Account For The Year Ended 31 March 1998

	<i>Note</i>	1998 £'000	1997 £'000
Operating profit	2	-	-
Income from shares in group undertakings		46	92
Interest receivable	3	6,514	5,605
Amounts written off investments		(220,712)	-
(Loss)/Profit on ordinary activities before taxation		(214,152)	5,697
(Loss)/Profit on ordinary activities for the financial year after taxation		(214,152)	5,697
Equity dividends		(15,000)	-
Retained (loss)/profit for the financial year transferred (from)/to reserves		(229,152)	5,697

Statement Of Total Recognised Gains And Losses

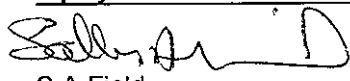
There were no recognised gains and losses apart from those shown in the above profit and loss account.

The notes on pages 6 to 9 form part of these financial statements.

De La Rue Investments Limited

Balance Sheet At 31 March 1998

	<i>Note</i>	1998 £'000	1997 £'000
Fixed Assets			
Investments	4	205,804	426,346
Current Assets			
Debtors - due after one year	5	116,785	114,292
Creditors : Amounts Payable Within One Year	6	-	(116)
Net Current Assets		116,785	114,176
Total assets less current liabilities		322,589	540,522
Creditors : Amounts payable after one year			
Amounts owed to group undertakings		(443,973)	(432,754)
		(121,384)	107,768
Capital And Reserves			
Called up share capital	7	95,000	95,000
Profit and loss account	8	(216,384)	12,768
Equity Shareholders' Funds	9	(121,384)	107,768


 S A Field
 Director
 28 January 1999

The notes on pages 6 to 9 form part of these financial statements.

De La Rue Investments Limited

Notes To The Financial Statements - 31 March 1998

1 Accounting Policies

(1) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Consolidated financial statements

The Company's subsidiaries prepare financial statements for the year ending 31 March each year. Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of another body corporate incorporated in the United Kingdom (see Note 10).

(3) Taxation

Provision for UK corporation tax on profits of the Company is made in the financial statements of the ultimate parent company, De La Rue plc.

The ultimate parent company also makes provision under the liability method for deferred taxation relating to the Company arising from all timing differences which are not expected to continue for the foreseeable future.

2 Directors' Emoluments and Auditors' Remuneration

No Director received any emoluments in their capacity as a Director of the Company (1997 : £Nil).

There are no persons employed by the Company (1997 : Nil).

The auditors' remuneration is borne by the ultimate parent undertaking.

3 Interest Receivable

	1998 £'000	1997 £'000
Interest receivable from Group undertakings	6,514	5,605

De La Rue Investments Limited

Notes To The Financial Statements - 31 March 1998

4 Investments

	Investments in subsidiaries £'000
Cost	
At 1 April 1997	426,346
Acquisitions	170
At 31 March 1998	426,516
Provision for diminution in value	
At 1 April 1997	-
Amounts written off in year	(220,712)
At 31 March 1998	(220,712)
Net book value	
At 31 March 1998	205,804
At 1 April 1997	426,346

The company's subsidiary investments are summarised as follows:

Subsidiary	Ownership	Country of registration	Trade
De La Rue Scandinavia Limited	100%	United Kingdom	Holding Company
Portals Group plc	100%	United Kingdom	Holding Company
Harrison & Sons Limited	100%	United Kingdom	Security Printers

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

5 Debtors

	1998 £'000	1997 £'000
Amounts due after one year:		
Amounts owed by group undertakings	116,785	114,292

6 Creditors

	1998 £'000	1997 £'000
Amounts payable within one year:		
Other creditors	-	116

De La Rue Investments Limited

Notes To The Financial Statements - 31 March 1998

7 Called Up Share Capital

	1998 and 1997 £
Authorised:	
Ordinary shares of £1 each	95,000,000
Allotted, called up and fully paid:	
Ordinary shares of £1 each	95,000,000

8 Reserves

	£'000
Profit and loss account	
At 1 April 1997	12,768
Loss for the financial year transferred from reserves	(229,152)
At 31 March 1998	(216,384)

9 Reconciliation Of Movements In Shareholders' Funds

	1998 £'000	1997 £'000
(Loss)/profit for the financial year	(214,152)	5,697
Dividends paid	(15,000)	-
Opening shareholders' funds	107,768	102,071
Closing shareholders' funds	(121,384)	107,768

A dividend of £15 million was declared and settled on 31 March 1998. Subsequent to this, the directors have reviewed the carrying value of the investments held by the company, taking into account events since that date. As a result of this review, the directors have concluded that, looking forward, it will be necessary to write down certain investments. These write downs have been reflected within these accounts.

De La Rue Investments Limited

Notes To The Financial Statements - 31 March 1998

10 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 (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 plc group of investees of the De La Rue plc group.

11 Immediate and Ultimate Parent Undertaking

The immediate and ultimate parent undertaking of the company is De La Rue plc which is registered in England. 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 Secretary, De La Rue plc, De La Rue House, Jays Close, Viables, Basingstoke, Hants, RG22 4BS.