

DE LA RUE INVESTMENTS LIMITED
(Registered Number: 2527386)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 1997



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 1997.

PRINCIPAL ACTIVITY

The Company is a holding company.

RESULTS AND DIVIDENDS

The profit for the year was £5,697,000 (1996 : £23,146,000). The Directors do not recommend the payment of a dividend (1996 : £16,908,985). The retained profit of £5,697,000 has been transferred to reserves.

FUTURE DEVELOPMENTS

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

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 1997 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 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			
	31 March 1997	1 April 1996	31 March 1997	Granted	1 April 1996	31 March 1997	Granted	Exercised	1 April 1996
SA Field	3,727	2,602	25,900	14,500	11,400	3,654	3,654	2,715	2,715

Savings related share options can be exercised at prices ranging from 203.23p to 637p at various dates until August 2002. Executive share options can be exercised from now until July 2006 at prices ranging from 275p to 934p.

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:

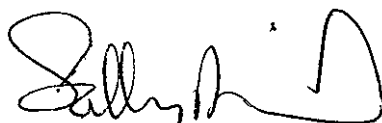
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

AUDITORS

The auditors, Price Waterhouse, having indicated their willingness to continue in office and as permitted by S386 of the Companies Act 1985, shall remain as auditors of the Company until the Company shall otherwise determine in a General Meeting.

By order of the Board



Sally Field
Secretary

14/10/1997

Registered Office:
6 Agar Street
London
WC2N 4DE

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF DE LA RUE INVESTMENTS LIMITED

We have audited the financial statements on pages 4 to 8 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

20 October 1997

DE LA RUE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997

	1997 £'000	1996 £'000
Administration expenses	—	(58)
Operating result/loss (Note 2)	-	(58)
Income from shares in group undertakings	92	21,136
Interest receivable (Note 3)	<u>5,605</u>	<u>6,295</u>
Profit on ordinary activities before taxation	5,697	27,373
Taxation relating to income from shares in group undertakings	—	(4,227)
Profit on ordinary activities for the financial year after taxation	5,697	23,146
Equity dividends paid in the year	—	(16,909)
Retained profit for the financial year transferred to reserves	<u>5,697</u>	<u>6,237</u>

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 8 form part of these financial statements.

DE LA RUE INVESTMENTS LIMITED

BALANCE SHEET AT 31 MARCH 1997

	1997 £'000	1996 £'000
FIXED ASSETS		
Investments (Note 4)	426,346	426,230
CURRENT ASSETS		
Debtors - due after one year (Note 5)	114,292	111,909
CREDITORS : Amounts payable within one year (Note 6)	<u>(116)</u>	<u>-</u>
NET CURRENT ASSETS	114,176	111,909
CREDITORS : Amounts payable after one year		
Amounts owed to the ultimate parent undertaking	<u>(432,754)</u>	<u>(436,068)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>107,768</u>	<u>102,071</u>
CAPITAL AND RESERVES		
Called up share capital (Note 7)	95,000	95,000
Profit and loss account (Note 8)	<u>12,768</u>	<u>7,071</u>
EQUITY SHAREHOLDERS' FUNDS (Note 9)	<u>107,768</u>	<u>102,071</u>



S A Field
DIRECTOR

14/10/1997

The notes on pages 6 to 8 form part of these financial statements.

DE LA RUE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997

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) Consolidation of subsidiary

The Company's subsidiaries make up financial statements to 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 9).

(3) Taxation

Provision for UK corporation tax on profits of the Company is made in the accounts of the ultimate parent company.

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 OPERATING RESULT/LOSS

No Director received any emoluments in their capacity as a Director of the Company (1996 : £Nil). There are no persons employed by the Company (1996 : Nil).

The auditors' remuneration is borne by the ultimate parent undertaking. Included in the operating loss for the year is £Nil of non-audit fees paid to the auditors (1996: £58,000).

3 INTEREST RECEIVABLE

	1997 £'000	1996 £'000
Interest receivable from Group undertakings	5,605	6,295

DE LA RUE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

4 INVESTMENTS

	£'000
At 1 April 1996	426,230
Additions	<u>116</u>
At 31 March 1997	<u>426,346</u>

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

	1997 £'000	1996 £'000
Amounts due after one year:		
Amounts owed by group undertakings	114,292	111,909
	<u>114,292</u>	<u>111,909</u>

6 CREDITORS

	1997 £'000	1996 £'000
Amounts payable within one year:		
Other creditors	116	-
	<u>116</u>	<u>-</u>

DE LA RUE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

7 CALLED UP SHARE CAPITAL

1997 and 1996
£

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

8 RESERVES

£'000

Profit and loss account	
At 1 April 1996	7,071
Profit for the financial year	<u>5,697</u>
At 31 March 1997	<u>12,768</u>

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

1997 1996
£'000 £'000

Profit for the financial year	5,697	23,146
Dividends paid	-	(16,909)
Opening shareholders' funds	<u>102,071</u>	<u>95,834</u>
Closing shareholders' funds	<u>107,768</u>	<u>102,071</u>

10 ULTIMATE PARENT UNDERTAKING AND CASH FLOW STATEMENT

The ultimate parent undertaking is De La Rue plc which is 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, 6 Agar Street, London WC2N 4DE.

A statement on cash flow has been omitted as the Company has taken advantage of the dispensation available to companies for which a cash flow statement is disclosed in the consolidated accounts of the ultimate parent undertaking.