DE LA RUE PLC PRELIMINARY STATEMENT
YEAR TO 26 MARCH 2011

KEY FINANCIALS

	2010/11	2009/10
	£m	£m
Revenue	**463.9**	561.1
Operating profit *	**40.4**	109.2
Profit before tax and exceptional items	**33.3**	104.1
Profit before tax	**72.8**	96.6
Headline earnings per share *	**24.0p**	76.2p
Basic earnings per share	**67.6p**	71.0p
Dividend per share	**42.3p**	42.3p

* Group operating profit and headline EPS are reported before net exceptional income of £39.5m in 2010/11 and an exceptional cost of £7.5m in 2009/10

Summary

- Operating profit of £40m, significantly below prior year, reflecting paper production issues and an unrelated reduction in banknote print volumes
- Following a comprehensive business review, an Improvement Plan has been formulated with a target operating profit in excess of £100m within three years
- Final dividend maintained at 28.2p, demonstrating the Board's confidence in the business and in delivering the Improvement Plan
- Exceptional gain of £55m from the sale of the Group's investment in Camelot
- UK Passport successfully launched on schedule in October 2010

Nicholas Brookes, Chairman, commented:

"The 2010/11 financial year has undoubtedly been a difficult one for De La Rue, our employees, customers and shareholders. We have dealt with a number of challenges including paper production issues, lower than expected banknote print volumes, changes in senior management and a takeover approach.

“De La Rue’s strengthened senior management team and its loyal, experienced and skilled employees will build on the Group’s fundamental strengths to put the business back on track.

“The Improvement Plan has a target to achieve an operating profit in excess of £100m within three years by both restoring revenue growth and delivering significant cost reduction. The Board is confident that this plan can be delivered and its decision to maintain the dividend reflects that confidence, and the strong fundamentals of the business.”

Tim Cobbold, Chief Executive, commented:

“Current trading is in line with the Board’s expectations with an encouraging order book profile and a good pipeline of opportunities.

“Whilst recognising the challenges ahead, I am confident that, given the strong fundamentals of De La Rue’s business, the commitment of its employees and a clear Improvement Plan, we will deliver the value that our shareholders expect.

“I am determined that De La Rue will become a more efficient, customer focused, innovative business which will be well placed to grow sustainably in the future.”

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24 May 2011

1 As the world’s largest integrated commercial security printer and papermaker, De La Rue is a trusted partner of governments, central banks, issuing authorities and commercial organisations around the world.

The Group is involved in the design and production of over 150 national currencies and a wide range of security documents including passports, driving licences, authentication labels and tax stamps. In addition, the Group manufactures sophisticated, high speed, cash sorting equipment.

De La Rue also offers a range of specialist services and software solutions including government identity schemes, product authentication systems and cash management processing solutions.

De La Rue employs approximately 4,000 people worldwide and is listed on the London Stock Exchange. For further information visit De La Rue's website at www.delarue.com

2 A presentation to analysts will take place at 9:00am on 24 May 2011 at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS.

DE LA RUE PLC PRELIMINARY STATEMENT
YEAR TO 26 MARCH 2011

SUMMARY OF GROUP RESULTS

The year was dominated by the paper production issues at one of the Group's facilities and an unrelated, but significant, reduction in banknote print volumes. These factors resulted in a reduction of 36 per cent in paper output while print volumes decreased by 24 per cent from the high levels experienced in the prior year. These issues are more fully described below.

Revenue fell by 17 per cent to £463.9m (2009/10: £561.1m) predominantly as a result of the lower paper and print volumes sold in the year representing £122m of the movement. Identity Systems (IDS) revenue increased by £31m following the completion of the implementation phase of the UK Passport contract. Security Products' revenue was down £12m mainly due to the flow through impact of lower internal component sales from the Holographics operation into the Currency business. During the year, favourable foreign exchange movements contributed £10m to revenue (2009/10: £27m).

Operating profit before exceptional items decreased by 63 per cent to £40.4m (2009/10: £109.2m) due to the volume shortfalls noted above as well as a less favourable product mix. These reductions were partly mitigated by an improved trading performance of £4m in Cash Processing Solutions (CPS), following the reorganisation of the business, and a favourable impact of foreign exchange of £6m (2009/10: £7m). Operating profit margins (before exceptional items) were 8.7 per cent (2009/10: 19.5 per cent).

There was an operating exceptional charge of £15.6m in the year (2009/10: £7.5m). This comprised costs of £29.0m arising from the paper production quality issues in addition to corporate costs of £2.6m relating to the takeover approach received at the end of 2010. These costs were partially offset by a one off curtailment gain of £16.0m arising from the closure of the defined benefit pension scheme to further accruals from 2013. In addition, a non operating exceptional profit of £55.1m has been recognised following the sale, for £77.6m, of the Group's investment in Camelot, the UK national lottery operator.

Profit before tax and exceptional items decreased by 68 per cent to £33.3m (2009/10: £104.1m) due to the trading issues noted above and in addition, there was no income in the year from associates (2009/10: £6.3m), following the sale of the Group's investment in Camelot. This was partly offset by lower external interest of £3.8m (2009/10: £5.1m) and pension interest charges of £3.3m (2009/10: £6.3m). Headline earnings per share decreased by 69 per cent to 24.0p (2009/10: 76.2p) while the basic earnings per share was 67.6p compared with 71.0p in 2009/10, representing a decrease of 5 per cent.

After paying a one off special pension contribution of £35.0m, the cash outflow from operations in the year was £20.3m (2009/10: inflow of £116.1m). Excluding this contribution cash generated from operations in the year was £14.7m. The reduction reflects the lower level of trading in the period and the paper production issues. The Group ended the year with net debt of £31.2m (2009/10: £11.0m). Interest cover remained good at 21.0 times (2009/10: 21.2 times).

PAPER PRODUCTION ISSUES

In July 2010 the Board commissioned an investigation by external lawyers into issues that had been brought to its attention internally. The investigation, which was completed in October 2010, found nothing of substance to support the matters raised other than in respect of some paper production issues where it was found that a small number of the many detailed specification parameters of some paper had fallen marginally short of specification. It was also established that certain paper specification test certificates had been deliberately falsified. The Board reported the findings of the investigation to the appropriate authorities, who are considering the matter, and is implementing a number of measures arising from the findings of the investigation.

Whilst the Board was satisfied that neither the physical security nor the security features in the paper were compromised, production and shipment of the affected banknote paper was immediately, and remains, suspended.

Discussions remain ongoing with the principal customer concerned and the authorities, and therefore there remains uncertainty as to the ultimate outcome of these issues, including their financial impact.

Supply of all other banknote paper and all the other activities of the Group, including banknote printing, were and remain unaffected. Every effort was made to keep customers well informed and the Board values their continuing support.

DIVIDENDS

The Board is recommending a final dividend of 28.2p per share (2009/10: 28.2p per share), subject to shareholders' approval. This will be paid on 4 August 2011 to shareholders on the register on 8 July 2011. Together with the interim dividend paid in January 2011, this will give a total dividend for the year of 42.3p (2009/10: 42.3p per share).

The Board's decision to maintain the dividend reflects its confidence in both the strong fundamentals of the business, including a robust cash flow and a strong balance sheet, and in its ability to recover from the setbacks of 2010/11.

IMPROVEMENT PLAN

An Improvement Plan has been formulated which has at its core the objective of leveraging the capabilities of the Group more effectively than it has done in the past and providing focus to its activities. This is a pragmatic plan and recognises that the business has fundamental strengths upon which De La Rue can build but that the Group must become more efficient and effective.

The target is to return the business to an operating profit in excess of £100m within a three year timeframe by restoring the growth in revenue to historic rates of around 4 per cent, although greater growth is expected in the current year. In addition c£30m of cost reductions are planned, accruing broadly evenly over the three years.

It is estimated that the Improvement Plan will incur exceptional charges in the region of £25m and related capital expenditure of approximately £20m, with the majority of the cash cost expected to arise in the first two years.

The Improvement Plan has four defining principles:

- Customer focus
  The Group will adopt a One De La Rue approach to strengthen sales capability and reach. Regional and country sales plans are being developed and executed
- Innovation
  De La Rue will accelerate product innovation and deploy new technologies to provide market leading security solutions and features. The Group will explore new partnerships to generate, within its market, new business streams to improve its competitive position and market access
- Professionalism
  Standardised processes and common systems, including IT, will be adopted in order to improve and develop the level of professionalism in the business
- Operational excellence
  De La Rue will reduce its cost base, improve quality and productivity, increase its market competitiveness and grow capacity through improved asset utilisation. Specific initiatives, which have already been started, include:
    - Operational process improvement – reducing waste and improving quality
    - Effective procurement
    - Optimisation of Group facilities

Reshaped organisation

The organisation will be reshaped in order to strengthen further the senior management team and allow De La Rue's capabilities to be used more effectively. This structure will ensure management focus on each element of the Improvement Plan as follows:

- A new Group wide supply chain function will target quality improvement and waste reduction. External recruitment to lead this area is well advanced

- The senior management of the three smaller 'Solutions' businesses, CPS, Security Products and IDS will be consolidated into a single business unit. This business will be led by Kevin Freeguard, previously responsible for CPS and Security Products, and will maximise the use of common capabilities, whilst retaining appropriate market insight

- The senior management of the Currency business will concentrate on serving the customer to deliver revenue growth whilst maximising the synergies between its sales resource and that of the Solutions business. The Holographics operation, previously a part of Security Products, will become part of the Currency business, upon which it depends. The Currency business will continue to be led by Keith Brown

- A new business development function will lead and accelerate the innovation within the Group and will be responsible for all (non IT) related product development, R&D and for exploring new business relationships and partnerships. This will be led by Constance Baroudel, previously Group Director of Strategic Marketing

- To drive the change effectively through the organisation James Thorburn, previously Managing Director of IDS, will lead a Business Transformation team

PEOPLE

De La Rue is fortunate to have experienced and loyal employees and the Board would like to take this opportunity to thank them all for their dedication and hard work.

BOARD CHANGES

As previously announced, the year has seen a number of changes to the Board. Victoria Jarman joined as a Non-executive Director on 22 April 2010 and Colin Child joined the Board on 1 June 2010 as Group Finance Director. Simon Webb left this role and the Board on 31 May 2010.

James Hussey resigned from the Board as Chief Executive on 12 August 2010. On the same date Nicholas Brookes was appointed Executive Chairman and Colin Child, Group Finance Director, took on the additional role of Chief Operating Officer, roles held until 1 January 2011 when Tim Cobbold was appointed Chief Executive.

Tim brings a wealth of experience, including managing international businesses at the most senior level for more than 20 years. His experience is proving invaluable as the Group pursues its Improvement Plan and adopts a more modern and efficient approach which will not only help develop the De La Rue brand but ensure that the Group continues to meet the expectations of its international customer base.

OPERATIONAL REVIEWS

Currency

	2010/11	2009/10	*Change*
	£m	£m	
Revenue	**289.0**	411.2	*(30)%*
Operating profit before exceptional items	**28.5**	95.3	*(70)%*
Operating profit margin	**9.9%**	23.2%	
Banknote print volume (notes)	**5.9bn**	7.8bn	*(24)%*
Banknote paper output (tonnes)	**9,900**	15,500	*(36)%*

Banknote print volume at 5.9bn notes (2009/10: 7.8bn) were 24 per cent below the high level of the prior year due to a number of factors including the timing of orders, changes by customers to existing order volumes and tenders that were expected but not issued or not won. This reduction reflects the potential for short term order variability caused by the timing of a small number of key orders.

Paper volumes of 9,900 tonnes (2009/10: 15,500 tonnes) were down 36 per cent primarily as a result of the suspension of certain supplies following the paper production issues.

Revenue fell by 30 per cent to £289.0m (2009/10: £411.2m) reflecting the reduction in trading volumes. Operating profit at £28.5m (2009/10: £95.3m) was down 70 per cent, the result of the lower volumes and adverse product mix compared with the prior year. Consequently operating margins were 9.9 per cent (2009/10: 23.2 per cent) down 13 percentage points after offsetting productivity benefits and a favourable foreign

exchange impact (due to the continued weakness of sterling against the euro and the US dollar).
The year end order book, excluding currently suspended orders, was £155m (2009/10: £166m), with a greater weighting towards the first half than in the previous year. In addition enquiries are at a higher level than at this time last year and there is a good pipeline of opportunities.

The significant increase in worldwide cotton prices during the final quarter of the financial year had a limited impact. However, if prices remain at the current level, the impact in the 2011/12 financial year will be more significant.

Cash Processing Solutions

	2010/11	2009/10	*Change*
	£m	£m	
Revenue	**57.4**	56.9	*1%*
Operating profit / (loss) before exceptional items	**0.5**	(3.5)	-
Operating profit margin	**0.9%**	(6.2)%	

CPS has made steady progress during the year, returning to profit, despite continued challenging trading conditions and some delays in customer decision making. This progress is expected to continue in the new year.

Although revenue remained broadly unchanged, the business reported an increased operating profit of £0.5m (2009/10: loss £3.5m). This reflected the positive impact of both the restructuring in 2009/10 which delivered a significant reduction in the cost base and the rationalisation of the product range.

Sales of the large DLR 7000 banknote sorters progressed well across all market sectors and geographies leading to an improved product order book at the end of the year. Service revenues were maintained and remain an important source of income from the installed base.

Security Products

	2010/11	2009/10	*Change*
	£m	£m	
Revenue	**63.3**	74.9	*(15)%*
Operating profit	**9.0**	14.8	*(39)%*
Operating profit margin	**14.2%**	19.8%	

Security Products had a difficult year reporting reduced revenue of £63.3m (2009/10: £74.9m) and operating profits of £9.0m (2009/10: £14.8m). Performance was adversely impacted by the reduction in banknote print and paper volumes in the Currency business which it supplies, compounded by an adverse product mix within the Holographics business. Together these issues resulted, despite the execution of a cost reduction plan to mitigate the impact, in a 6 percentage point reduction in the operating profit margin.

Sales cycles in the market can be lengthy but during the year the Division achieved some important contract wins, including the first advanced tax stamp solution which includes newly developed track and trace software. In addition, enhanced operational standards were successfully implemented for Microsoft, one of the business' major customers.

Identity Systems

	2010/11	2009/10	*Change*
	£m	£m	
Revenue	**62.8**	32.0	*96%*
Operating profit	**2.4**	2.6	*(8)%*
Operating profit margin	**3.8%**	8.1%	

IDS reported increased revenue of £62.8m (2009/10: £32.0m). This increase is largely a result of the completion of the implementation phase of the UK Passport contract. Operating profit of £2.4m (2009/10: £2.6m) is after a £0.6m write down on an asset made obsolete following investment for the UK Passport. Excluding this write down, underlying profit would have been up 15 per cent.

During the year IDS successfully commenced production and issuance of the new UK Passport. This is one of the largest and most prestigious identity systems in the world with volumes of up to six million books on an annualised basis, worth £400m over 10 years.

The international part of the business performed satisfactorily, winning new contracts and implementing projects across the full product range, including an increasing number of electronic identity solutions.

INTEREST

The Group's net interest charge was £3.8m (2009/10: £5.1m), which reflects lower levels of debt in the first half of the year, following the cash receipts of £77.6m for the Group's investment in Camelot. In addition the IAS 19 (accounting for defined benefit pension plans) related finance item, arising from the difference between the interest on liabilities and the expected return on assets decreased to £3.3m (2009/10: £6.3m). The decrease is a result of higher than expected returns on the increased market valuation of pension assets at the 2009/10 year end and the additional scheme assets following the special contribution of £35m after the Camelot divestment noted above.

EXCEPTIONAL ITEMS

The results for the year include the following items:

- An exceptional operating gain of £16.0m arising as a result of the previously announced closure, to future accrual, of the Group's defined benefit pension schemes

- Exceptional operating charges of £29.0m relating to the paper production quality issues referred to above. These include the write off of inventories and trade receivables together with other costs relating to the investigation and rectification of these matters. Provision has not been made for the potential cost of resolutions or for potential fines from regulatory authorities (as more fully described in note 8: Contingent liabilities). The nature and extent of these resolutions will be the subject of ongoing discussions, the outcome of which cannot be estimated reliably at present

- Corporate costs of £2.6m incurred in relation to the engagement of legal and professional advisors following a takeover approach for the Group

- A non operating gain of £55.1m on the sale of the Group's investment in Camelot, the UK national lottery operator. The sale was completed on 8 July 2010

TAXATION

The net tax charge for the year was £5.4m (2009/10: £26.2m). The effective tax rate pre exceptional items, was 27.0 per cent, broadly in line with the previous year's rate. A credit of £3.6m (2009/10: £2.4m) arises on the exceptional charges noted above.

CASH FLOW AND BORROWINGS

Cash outflow from operations was £20.3m (2009/10: inflow of £116.1m) after a one off special pension contribution of £35.0m (2009/10: nil). Increased inventory reflected the ramp up of the UK Passport contract as well as higher closing banknote stock volumes while increased debtors reflected the timing of sales around the 2010/11 year end. Advance payments of £54.6m (2009/10: £44.0m) benefited from some large receipts immediately prior to the year end.

Capital expenditure of £30.7m (2009/10: £33.1m) was higher than depreciation, reflecting the phasing of investment expenditure between years predominantly within the IDS and Currency operations.

The Group ended the year with net debt of £31.2m (2009/10: £11.0m) largely reflecting the reduced trading noted above. The gross cash receipt of £77.6m for the Group's investment in Camelot was offset by special pension contributions totalling £42.5m, and dividend payments of £42.1m.

The Group utilises a £175m revolving credit facility which expires in September 2013. Key financial covenants on this facility are unchanged and require that the interest cover be greater than four times and the net debt to EBITDA ratio be less than three times.

UK PENSION SCHEME

Pension deficit and funding

During 2010/11, special funding payments of £42.5m were made to the Group's pension fund, comprising the scheduled contribution of £7.5m and a one off special contribution of £35m following the sale of the Group's investment in Camelot. Part of the scheduled contribution for 2010/11 was paid in the prior year.

IAS 19 – Employee Benefits
The valuation of the UK pension scheme under IAS 19 principles indicates a scheme deficit pre tax at 26 March 2011 of £100.5m (March 2010: £124.8m). This significant decrease in deficit during the year was due to the Group's special (£35m) and ongoing special contributions (£7.5m) along with the growth in the underlying stock market. This has been partly offset by the reduction, from 5.8 per cent to 5.6 per cent, in the bond discount rate used to value the scheme liabilities. The charge to operating profits in respect of the UK pension scheme for 2010/11 was £7.6m (2009/10: £4.5m). In addition, under IAS 19 there was a finance charge of £3.3m arising from the difference between the expected return on assets and the interest on liabilities (2009/10: £6.3m).

OUTLOOK

De La Rue's strengthened senior management team and its loyal, experienced and skilled employees will build on the Group's fundamental strengths to put the business back on track to deliver the value shareholders expect.

Current trading is in line with the Board's expectations with an encouraging order book profile and a good pipeline of opportunities.

The Improvement Plan has a target to achieve an operating profit in excess of £100m within three years by both restoring revenue growth and delivering significant cost reduction. The Board is confident that this plan can be delivered.

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GROUP INCOME STATEMENT

For the year ended 26 March 2011

	Notes	2011 £m	2010 £m
Revenue		**463.9**	561.1
Operating expenses - ordinary		**(423.5)**	(451.9)
Operating expenses - exceptional	3	**(15.6)**	(7.5)
Total operating expenses		**(439.1)**	(459.4)
Operating profit		**24.8**	101.7
Comprising:			
Operating profit before exceptional items		**40.4**	109.2
Exceptional items	3	**(15.6)**	(7.5)
Profit on sale of associated undertaking	3	**55.1**	-
Share of profits of associated companies after taxation		**-**	6.3
Profit before interest and taxation		**79.9**	108.0
Interest income		**0.9**	0.3
Interest expense		**(4.7)**	(5.4)
Retirement benefit obligation finance income		**35.7**	26.4
Retirement benefit obligation finance cost		**(39.0)**	(32.7)
Net finance cost		**(7.1)**	(11.4)
Profit before taxation		**72.8**	96.6
Comprising:			
Profit before tax and exceptional items		**33.3**	104.1
Exceptional items		**39.5**	(7.5)
Taxation	4	**(5.4)**	(26.2)
Comprising:			
Tax on profit before tax and exceptional items	4	**(9.0)**	(28.6)
Tax on exceptional items	4	**3.6**	2.4
Profit for the year		**67.4**	70.4
Comprising:			
Profit for the year before exceptional items		**24.3**	75.5
Profit/(loss) for the year on exceptional items		**43.1**	(5.1)
Profit attributable to equity shareholders of the Company		**66.9**	69.9
Profit attributable to non controlling interests		**0.5**	0.5
		67.4	70.4

Earnings per share attributable to the Company's equity holders			
Basic	5	**67.6p**	71.0p
Diluted	5	**67.2p**	70.5p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 26 March 2011

	2011 £m	2010 £m
Profit for the financial year	**67.4**	70.4
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(1.3)**	0.1
Actuarial losses on retirement benefit obligations	**(31.0)**	(72.3)
Effective portion of change in fair value of cash flow hedges, net of amounts recycled to the Income Statement	**6.8**	6.6
Income tax relating to components of other comprehensive income	**5.3**	21.4
Other comprehensive income for the year, net of tax	**(20.2)**	(44.2)
Comprehensive income for the year	**47.2**	26.2
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**46.7**	25.7
Non controlling interests	**0.5**	0.5
	47.2	26.2

GROUP BALANCE SHEET

At 26 March 2011

	2011 £m	2010 £m
Assets		
Non current assets		
Property, plant and equipment	**162.0**	165.6
Intangible assets	**23.3**	19.3
Investments in associates and joint ventures	**0.1**	0.1
Deferred tax assets	**27.8**	36.5
Derivative financial instruments	**0.3**	0.8
	213.5	222.3
Current assets		
Inventories	**67.5**	61.0
Trade and other receivables	**89.7**	76.5
Current tax assets	**6.7**	3.9
Derivative financial instruments	**15.5**	20.4
Cash and cash equivalents	**32.6**	41.6
Non current assets held for sale	**-**	20.5
	212.0	223.9
Total assets	**425.5**	446.2
Liabilities		
Current liabilities		
Borrowings	**(63.8)**	(51.7)
Trade and other payables	**(164.4)**	(164.2)
Current tax liabilities	**(33.1)**	(34.5)
Derivative financial instruments	**(13.5)**	(24.7)
Provisions for other liabilities and charges	**(27.0)**	(26.1)
	(301.8)	(301.2)
Non-current liabilities		
Borrowings	**-**	(0.9)
Retirement benefit obligations	**(102.9)**	(127.1)
Deferred tax liabilities	**(1.0)**	(0.3)
Derivative financial instruments	**(0.6)**	(2.1)
Other non current liabilities	**(2.4)**	(5.1)
	(106.9)	(135.5)
Total liabilities	**(408.7)**	(436.7)
Net assets	**16.8**	9.5
Equity		
Share capital	**45.6**	45.5
Share premium account	**29.1**	28.4
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**1.0**	(3.9)
Cumulative translation adjustment	**2.5**	3.8
Other reserves	**(83.8)**	(83.8)
Retained earnings	**13.0**	10.4
Total equity attributable to shareholders of the Company	**13.3**	6.3
Non controlling interests	**3.5**	3.2
Total equity	**16.8**	9.5

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 26 March 2011

	Attributable to equity shareholders							Non controlling interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 28 March 2009	45.0	26.5	5.9	(8.6)	3.7	(83.8)	29.0	2.9	20.6
Comprehensive income for the year	–	–	–	4.7	0.1	–	20.9	0.5	26.2
Share capital issued	0.5	1.9	–	–	–	–	–	–	2.4
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	1.5	–	1.5
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	–	–	–	(40.9)	(0.2)	(41.1)
Balance at 27 March 2010	45.5	28.4	5.9	(3.9)	3.8	(83.8)	10.4	3.2	9.5
Comprehensive income for the year	–	–	–	4.9	(1.3)	–	43.1	0.5	47.2
Share capital issued	0.1	0.7	–	–	–	–	–	–	0.8
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	1.9	–	1.9
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	(41.9)	(0.2)	(42.1)
Balance at 26 March 2011	**45.6**	**29.1**	**5.9**	**1.0**	**2.5**	**(83.8)**	**13.0**	**3.5**	**16.8**

GROUP CASH FLOW STATEMENT

For the year ended 26 March 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Profit before tax		**72.8**	96.6
Adjustments for:			
Finance income and expense		**7.1**	11.4
Depreciation and amortisation		**24.4**	23.0
(Increase)/decrease in inventory		**(7.9)**	4.3
(Increase)/decrease in trade and other receivables		**(11.6)**	16.6
Decrease in trade and other payables		**(9.9)**	(9.9)
Decrease in reorganisation provisions		**(1.4)**	(5.0)
Special pension fund contributions		**(42.5)**	(17.0)
Loss on disposal of property, plant and equipment		**1.4**	0.9
Share of income from associates after tax		**–**	(6.3)
Non operating exceptional items	3	**(55.1)**	–
Other non cash movements		**2.4**	1.5
Cash generated from operating activities		**(20.3)**	116.1
Tax received/(paid)		**4.8**	(21.0)
Net cash flows from operating activities		**(15.5)**	95.1
Cash flows from investing activities			
Disposal of subsidiary undertakings		**–**	(1.0)
Net proceeds from sale of investment in associate		**75.4**	–
Purchases of property, plant, equipment and software intangibles		**(30.7)**	(33.1)
Development assets capitalised		**(4.3)**	(2.3)
Proceeds from sale of property, plant and equipment		**0.3**	0.5
Loans made to associates		**–**	(0.6)
Dividends received from associates		**–**	6.8
Net cash flows from investing activities		**40.7**	(29.7)
Net cash inflow before financing activities		**25.2**	65.4
Cash flows from financing activities			
Proceeds from issue of share capital		**0.8**	2.4
Proceeds from /(repayments of) borrowings		**6.0**	(32.9)
Finance lease principal payments		**(0.2)**	(3.1)
Interest received		**0.9**	0.4
Interest paid		**(4.5)**	(3.7)
Dividends paid to shareholders		**(41.9)**	(40.4)
Dividends paid to non controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**(39.1)**	(77.5)
Net decrease in cash and cash equivalents in the year		**(13.9)**	(12.1)
Cash and cash equivalents at the beginning of the year		**37.8**	50.1
Exchange rate effects		**(0.5)**	(0.2)
Cash and cash equivalents at the end of the year		**23.4**	37.8
Cash and cash equivalents consist of:			
Cash at bank and in hand	7	**31.9**	35.1
Short term bank deposits	7	**0.7**	6.5
Bank overdrafts	7	**(9.2)**	(3.8)
	7	**23.4**	37.8

1 Basis of preparation and accounting policies

The preliminary announcement for the year ended 26 March 2011 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively "IFRSs") as adopted by the European Union (EU) at 26 March 2011. Details of the accounting policies applied are those set out in De La Rue plc's Annual Report 2010, as updated for the following changes in accounting policies:

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards, which is effective for accounting periods beginning on or after 1 July 2009, simplifies the structure of IFRS 1 without making any technical changes
- Amendments to IFRS 2, Group Cash-Settled Share-based Payments Transactions, which is effective for accounting periods beginning on or after 1 January 2010, provides a clear basis to determine the classification of share-based payment awards in both consolidated and separate Financial Statements
- IFRS 3 (Revised), Business Combinations, which is effective for accounting periods beginning on or after 1 July 2009, harmonises business combination accounting with US GAAP. The standard continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through profit or loss; goodwill and non controlling interests may be calculated on a gross or net basis; and all transaction costs, which under previous practice were treated as part of the cost of a business combination, are to be expensed
- IAS 27, Consolidated and Separate Financial Statements, which is effective for accounting periods beginning on or after 1 July 2009, requires the effects of all transactions with non-controlling interests where there is no change in control to be recorded in equity. Such transactions will no longer result in goodwill or gains and losses
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement, for Eligible Hedged Items, which is effective for accounting periods beginning on or after 1 July 2009, clarifies how to apply the principles that determine whether a hedged risk or portion of cash flows is eligible for designation
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, which is effective for accounting periods beginning on or after 1 July 2009, clarifies which currency exposures qualify for hedge accounting; which entity within a group can hold the hedging instrument; and how to determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when an investment in a foreign operation is disposed of
- Amendment to IAS 32, Financial Instruments: Presentation, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 February 2010, addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer

The financial information set out above does not constitute the company's statutory accounts for the periods ended 26 March 2011 or 27 March 2010. The financial information for the period ended 27 March 2010 is derived from the statutory accounts for the period ended 27 March 2010 which have been delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 27 March 2010; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for the period ended 26 March 2011 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

These consolidated financial statements have been prepared on the going concern basis and using the historical cost convention, modified for certain items carried at fair value, as stated in the Group's accounting policies.

2 Segmental analysis

The Group's international operations are managed and reported internally on a divisional basis that reflects the different characteristics of each business. These Divisions have been disclosed as reportable segments because they are the components that the Board monitors regularly in making decisions about operating matters such as allocating resources to businesses and assessing performance. The principal financial information reviewed by the Board, which is the Group's Chief Operating Decision Maker, is revenue and operating profit before exceptional items, measured on an IFRS basis. The Group's segments are:

- Currency - provides banknote paper, printed banknotes and banknote security features
- Cash Processing Solutions - primarily focused on the production of large sorters for central banks, complementing the Currency business
- Security Products - produces security documents, including authentication labels and tax stamps
- Identity Systems - involved in the production of passports, including ePassports, together with other secure identity products

2011	Currency	Cash Processing Solutions	Security Products	Identity Systems	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Total revenue	289.0	57.4	63.3	62.8	–	472.5
Less: Inter segment revenue	(0.6)	–	(8.0)	–	–	(8.6)
Revenue	288.4	57.4	55.3	62.8	–	463.9
Operating profit before exceptional items	28.5	0.5	9.0	2.4	–	40.4
Exceptional items – operating (note 3)	(29.0)	–	–	–	13.4	(15.6)
Operating profit/(loss)	(0.5)	0.5	9.0	2.4	13.4	24.8
Profit on sale of associated undertaking						55.1
Net interest expense						(3.8)
Retirement benefit obligations net finance expense						(3.3)
Profit before taxation						72.8
Segment assets	197.1	35.3	23.9	53.7	–	310.0
Unallocated assets						115.5
Total assets						425.5
Segment liabilities	(106.2)	(22.6)	(10.8)	(28.2)	–	(167.8)
Unallocated liabilities						(240.9)
Total liabilities						(408.7)
Capital expenditure on property, plant and equipment	6.1	0.8	1.7	14.6	–	23.2
Capital expenditure on intangible assets	2.3	2.7	–	2.0	–	7.0
Depreciation of property, plant and equipment	15.8	2.1	2.4	2.9	–	23.2
Amortisation of intangible assets	0.4	0.6	–	0.2	–	1.2

2010	Currency	Cash Processing Solutions	Security Products	Identity Systems	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Total revenue	411.2	56.9	74.9	32.0	–	575.0
Less: Inter segment revenue	(1.1)	–	(12.8)	–	–	(13.9)
Revenue	410.1	56.9	62.1	32.0	–	561.1
Operating profit before exceptional items	95.3	(3.5)	14.8	2.6	–	109.2
Exceptional items – operating (note 3)	–	(7.5)	–	–	–	(7.5)
Operating profit	95.3	(11.0)	14.8	2.6	–	101.7
Share of profits of associated companies after taxation						6.3
Net interest expense						(5.1)
Retirement benefit obligations net finance expense						(6.3)
Profit before taxation						96.6
Segment assets	194.4	39.5	24.9	30.2	–	289.0
Unallocated assets						157.2
Total assets						446.2
Segment liabilities	(120.3)	(20.9)	(13.4)	(14.6)	–	(169.2)
Unallocated liabilities						(267.5)
Total liabilities						(436.7)
Capital expenditure on property, plant and equipment	31.5	1.7	0.9	7.2	–	41.3
Capital expenditure on intangible assets	3.2	–	0.2	0.7	–	4.1
Depreciation of property, plant and equipment	14.4	2.7	2.3	0.8	–	20.2
Amortisation of intangible assets	1.5	1.0	0.1	0.2	–	2.8

Unallocated assets principally comprise centrally managed property, plant and equipment, associates and other investments, deferred tax assets, current tax assets, derivative financial instrument assets and cash and cash equivalents which are used as part of the Group's financing offset arrangements. Unallocated liabilities comprise borrowings, derivative financial instrument liabilities, current and non current tax liabilities, deferred tax liabilities, retirement benefit obligations, and centrally held accruals and provisions.

3 Exceptional items

	2011 £m	2010 £m
Curtailment gain on closure of defined benefit scheme to further accrual	**16.0**	–
Costs relating to paper production quality issues	**(29.0)**	–
Corporate costs	**(2.6)**	–
Reorganisation of CPS	**–**	(4.8)
Legacy overseas indirect tax	**–**	(2.7)
Exceptional items in operating profit	**(15.6)**	(7.5)
Profit on sale of associated undertaking	**55.1**	–
Total exceptional items	**39.5**	(7.5)
Tax on exceptional items	**3.6**	2.4

The curtailment gain is a result of the closure, to further accruals from 2013, of the defined benefit pension scheme and the freeze in pensionable salary increases from the current year. These changes result in a reduction in the pension liabilities.

The Group has identified paper production quality and certification issues as more fully described in note 8: Contingent liabilities. Provision has been made for the costs associated with the issues identified at this stage and which include the write off of inventories and trade receivables and other costs relating to the investigation and rectification of these matters. Provision has not been made for the potential costs of resolutions or for potential fines from regulatory authorities. The nature and extent of these resolutions and potential fines will be the subject of ongoing discussion, the outcome of which cannot be estimated reliably at present.

Corporate costs of £2.6m were incurred in relation to the engagement of legal and professional advisors following a takeover approach for the Group.

The profit arising on the sale of an associated undertaking is in respect of the sale of the Group's share in Camelot, the UK national lottery operator, which was completed on 8 July 2010. The gain shown represents the consideration received of £77.6m, net of expenses and the cost of investment.

Exceptional charges of £7.5m in the prior year represent the resolution of a legacy overseas indirect tax issue and the reorganisation of CPS. Reorganisation costs principally comprised redundancy charges and rationalisation of products and site capabilities.

Tax credits relating to exceptional items arising in the year were £1.1m (2010: £1.0m). In addition, there was also an exceptional tax credit of £2.5m in respect of the determination of the tax treatment of prior year exceptional items (2010: £1.4m prior year credit).

4 Taxation

	2011 £m	2010 £m
Consolidated Income Statement		
Current tax:		
UK Corporation tax:		
– Current tax	0.7	19.5
– Adjustment in respect of prior years	(4.2)	(4.3)
	(3.5)	15.2
Overseas tax charges:		
– Current year	2.9	5.2
– Adjustment in respect of prior years	3.4	(0.7)
	6.3	4.5
Total current income tax expense	2.8	19.7
Deferred tax:		
– Origination and reversal of temporary differences, UK	3.3	6.1
– Origination and reversal of temporary differences, Overseas	(0.7)	0.4
Total deferred tax expense	2.6	6.5
Total income tax expense in the consolidated Income Statement	5.4	26.2
Consolidated Statement of Comprehensive Income:		
– On pension actuarial adjustments	(7.7)	(20.3)
– On cash flow hedges	1.9	1.9
– On foreign exchange on quasi equity balances	0.5	(3.0)
Income tax credit reported within comprehensive income	(5.3)	(21.4)
Consolidated Statement of Changes in Equity:		
– On share options	0.5	0.1
Income tax credit reported within equity	0.5	0.1

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 28 per cent as follows:

	2011			2010		
	Before exceptionals £m	**Exceptional items £m**	**Total £m**	Before exceptionals £m	Exceptional items £m	Total £m
Profit before tax	**33.3**	**39.5**	**72.8**	104.1	(7.5)	96.6
Tax calculated at UK tax rate of 28 per cent	**9.3**	**11.1**	**20.4**	29.1	(2.1)	27.0
Effects of overseas taxation	**(1.4)**	**–**	**(1.4)**	(1.9)	–	(1.9)
Non taxable disposal of Camelot	**–**	**(15.4)**	**(15.4)**	–	–	–
Expenses not deductible for tax purposes	**1.2**	**1.5**	**2.7**	1.1	1.1	2.2
Adjustment for tax on profits of associate	**–**	**–**	**–**	(1.8)	–	(1.8)
(Utilisation)/increase in unutilised tax losses	**(0.7)**	**1.7**	**1.0**	(0.2)	–	(0.2)
Adjustments in respect of prior years	**0.7**	**(2.5)**	**(1.8)**	2.3	(1.4)	0.9
Change in UK tax rate	**(0.1)**	**–**	**(0.1)**	–	–	–
Tax charge/(credit)	**9.0**	**(3.6)**	**5.4**	28.6	(2.4)	26.2

The underlying effective tax rate excluding one-off items was 27.0 per cent (2010: 27.5 per cent).

5 Earnings per share

	2011 pence per share	2010 pence per share
Total operations		
Basic earnings per share	**67.6**	71.0
Diluted earnings per share	**67.2**	70.5
Headline		
Basic earnings per share	**24.0**	76.2
Diluted earnings per share	**23.9**	75.7

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of all dilutive potential ordinary shares.

The Directors are of the opinion that the publication of the headline earnings is useful to readers of the accounts as they give an indication of underlying business performance.

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

Earnings	**2011 £m**	2010 £m
Earnings for basic and diluted earnings per share	**66.9**	69.9
(Less) / add: Exceptional items	**(39.5)**	7.5
Less: Tax on exceptional items	**(3.6)**	(2.4)
Earnings for headline earnings per share	**23.8**	75.0

Weighted average number of ordinary shares	**2011 Number m**	2010 Number m
For basic earnings per share	**99.0**	98.4
Dilutive effect of share options	**0.6**	0.7
For diluted earnings per share	**99.6**	99.1

6 Equity dividends

	2011 £m	2010 £m
Final dividend for the year ended 27 March 2010 of 28.2p paid on 5 August 2010	**27.9**	–
Interim dividend for the period ended 25 September 2010 of 14.1p paid on 11 January 2011	**14.0**	–
Final dividend for the year ended 28 March 2009 of 27.4p paid on 31 July 2009	–	27.0
Interim dividend for the period ended 26 September 2009 of 14.1p paid on 13 January 2010	–	13.9
	41.9	40.9

A final dividend per equity share of 28.2p has been proposed for the year ended 26 March 2011, payable on 4 August 2011. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

7 Group cash flow statement

	2011 £m	2010 £m
Analysis of net cash		
Cash at bank and in hand	**31.9**	35.1
Short term bank deposits	**0.7**	6.5
Bank overdrafts	**(9.2)**	(3.8)
Total cash and cash equivalents	**23.4**	37.8
Borrowings due within one year	**(54.6)**	(47.9)
Borrowings due after one year	**–**	(0.9)
Net debt	**(31.2)**	(11.0)

8 Contingent liabilities

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters. While the outcome of litigation and other disputes can never be predicted with certainty, having regard to legal advice received and the insurance arrangements of the Company and its subsidiaries, the Directors believe that adequate provision has been made to cover these matters.

In July 2010 the Board commissioned an investigation by external lawyers into issues that had been brought to its attention internally. The investigation, which was completed in October 2010, found nothing of substance to support the matters raised other than in respect of some paper production issues where it was found that a small number of the many detailed specification parameters of some paper had fallen marginally short of specification. It was also established that certain paper specification test certificates had been deliberately falsified. The Board reported the findings of the investigation to the appropriate authorities, who are considering the matter, and is implementing a number of measures arising from the findings of the investigation.

Provision, as described in note 3: Exceptional items, has been made for the costs associated with the paper production issues identified at this stage including the write off of inventories and trade receivables and other costs relating to the investigation and rectification of these matters.

Provision has not been made for the potential cost of resolutions or for potential fines from regulatory authorities. The nature and extent of these resolutions will be the subject of ongoing discussions, the outcome of which cannot be estimated reliably at present. The timing, response and outcome of the consideration by the authorities of the reported findings of the investigation is also uncertain and the financial consequences, if any, cannot be estimated reliably at present.

9 Dates

The consolidated accounts have been prepared as at 26 March 2011, being the last Saturday in March. The comparatives for the 2009/10 financial year are for the year ended 27 March 2010.

10 Statutory accounts

Statutory accounts for the year ended 26 March 2011 will be made available to shareholders for subsequent approval at the Annual General Meeting and copies will be available from the Company Secretary at De La Rue plc, De La Rue House, Jays Close, Viables, Hampshire, RG22 4BS.

11 Foreign Exchange

Principal exchange rates used in translating the Group's results:

	2010/11		**2009/10**	
	Avg	**Year End**	**Avg**	**Year End**
US dollar	1.55	1.61	1.58	1.49
Euro	1.17	1.14	1.13	1.11

12 De La Rue Financial Calendar: 2011/12

Ex dividend date	6 July 2011
Record date (ordinary dividend)	8 July 2011
Annual General Meeting	21 July 2011
Payment of 2010/11 final dividend	4 August 2011
2011/12 Interim Results	November 2011