DE LA RUE PLC

PRELIMINARY STATEMENT

PERIOD TO 31 MARCH 2012

KEY FINANCIALS

	2011/12	2010/11	
	£m	£m	*Change*
Revenue	**528.3**	463.9	*14%*
Operating profit *	**63.1**	40.4	*56%*
Underlying profit before tax *	**57.7**	33.3	*73%*
Reported profit before tax	**32.9**	72.8	*(55%)*
Headline earnings per share *	**43.5p**	24.0p	*81%*
Dividend per share	**42.3p**	42.3p	–

* Group operating profit, underlying profit before tax and headline EPS are reported before an exceptional operating charge of £24.8m in 2011/12 and net exceptional income of £39.5m in 2010/11 (representing exceptional operating charges of £15.6m and exceptional non operating profit of £55.1m) as the Directors are of the opinion that these give a better indication of underlying performance.

Headlines

- Revenue up £64m to £528m, with strong performance in both the Currency and Solutions businesses
- Operating profit up £23m to £63m, due to improved trading, mix and initial benefits from the Improvement Plan
- Headline EPS up 81% to 43.5p
- Final dividend of 28.2p making a total of 42.3p for the year
- Strong operating cash inflow of £78m, net debt low at £25m
- Banknote print volumes up 8% to 6.4bn, paper volumes up 11% to 11,000 tonnes
- Year end order book up 14% to £248m
- Improvement Plan on track to achieve a target 2013/14 operating profit in excess of £100m

Nicholas Brookes, Chairman, commented:

"I am pleased to report that De La Rue has made excellent progress in the past financial year, achieving strong growth in revenue and profit. As I leave De La Rue, I am confident that, with a strong management team and a clear plan for improvement, the business is well placed for the future."

Tim Cobbold, Chief Executive, commented:

"De La Rue has made good progress in the first year of the Improvement Plan, demonstrating both the fundamental strengths of the business and its capacity to improve. While recognising there is still much to do, I am confident that with the momentum we have established, we are on track to achieve our target of a 2013/14 operating profit in excess of £100m.

With a good order book and a strong pipeline of opportunities, the Board's expectation for the current year remains unchanged."

Enquiries:

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A presentation to analysts will take place at 09:00 on 29 May 2012 at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. There will be a simultaneous audio webcast of the meeting. For the live webcast, please register at www.delarue.com

An interview with Tim Cobbold, Chief Executive of De La Rue is available on the Group's website www.delarue.com or on www.cantos.com

29 May 2012

NOTES TO EDITORS

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

In the past five years alone, the Group has been involved in the design or production of over 150 national currencies. De La Rue also produces 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 and inspection 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

DE LA RUE PLC

PRELIMINARY STATEMENT - PERIOD TO 31 MARCH 2012

De La Rue has achieved strong growth in revenue and operating profit during 2011/12 as well as making good progress in implementing the first phases of the Improvement Plan. The Plan is on track and we remain confident that the Group will achieve its target of a 2013/14 operating profit in excess of £100m.

Group revenue increased by 14 per cent to £528.3m (2010/11: £463.9m) with strong performances in both the Currency and Solutions business units. Operating profit (before exceptional items) was up 56 per cent to £63.1m (2010/11: £40.4m), as a result of revenue increases, an improved Currency product mix and the initial benefits of the Improvement Plan. Group operating profit margin (before exceptional items) was 11.9 per cent (2010/11: 8.7 per cent).

Profit before tax and exceptional items increased by 73 per cent to £57.7m (2010/11: £33.3m) reflecting the trading improvement noted above and lower finance costs of £5.4m (2010/11: £7.1m). Headline earnings per share, before exceptional items, increased by 81 per cent to 43.5p (2010/11: 24.0p).

Exceptional charges in the year totalled £24.8m (2010/11: £15.6m) predominantly in relation to the implementation of the Improvement Plan. This includes the costs of site transfers as well as business reorganisation and restructuring. In 2010/11, a non operating exceptional profit of £55.1m was recognised relating to the sale of the Group's investment in Camelot, the UK national lottery operator. Basic earnings per share was 31.8p (2010/11: 67.6p including the non operating exceptional profit).

Cash inflow from operations was £78.4m reflecting the improved trading performance. At the year end, the Group net debt was £24.8m (2010/11: £31.2m). Interest cover, before exceptional items, remained strong at 15 times (2010/11: 11 times).

DIVIDEND

The Board is recommending a final dividend of 28.2p per share (2010/11: 28.2p per share), reflecting its continuing confidence in both the strength of the business and in delivering the Improvement Plan. Together with the interim dividend paid in January 2012, this will give a total dividend for the year of 42.3p per share (2010/11: 42.3p per share).
Subject to approval by shareholders, the final dividend will be paid on 2 August 2012 to shareholders on the register on 6 July 2012.

DELIVERING THE IMPROVEMENT PLAN

De La Rue is focused on delivering the Improvement Plan that we announced in May 2011. The Plan has a target to return the business to a 2013/14 operating profit in excess of £100m through a combination of revenue growth and a reduction in operating costs. This will ensure that De La Rue is a more focused, effective and efficient business, allowing it to capitalise better on its fundamental strengths and to generate value for all stakeholders in the future.

The fundamental strengths of De La Rue - brand and reputation, long standing customer relationships, technology and design, robust market growth and a high margin and cash generative business model - provide the platform for the Plan. During the past year, in addition to executing the Plan we have focused on reinforcing and leveraging these strengths.

Good progress has been made in the first year of the Plan which contributed approximately £8m to the reported operating profit mainly as a result of actions in process improvement and procurement. Importantly, good momentum has also been established in the initiatives to generate revenue growth and accelerate innovation.

In order to implement the Plan effectively we have made significant changes to the structure and organisation of the Group establishing a functional organisation which supports the four pillars of the Plan:

Customer Focus

The new Currency and Solutions business unit teams now share common marketing and pipeline management processes and have together created more than 40 country plans. Each country plan identifies the strategic long term goal in that country as well as the near term tactical opportunities. This approach has already generated encouraging new business opportunities.

Innovation

A new Group wide business development function now drives our innovation agenda. Relationships have been established with leading academic institutions and industry to improve the pipeline of ideas and access to research and early stage technologies. We are investing in a new, industry leading, technical centre at our facility in Overton which will provide the research and development facilities to further accelerate innovation.

Professionalism

The significant level of change in the past year has been managed by the business transformation team which is now focussing on the continued improvement of the processes and systems deployed in the business. This will ultimately lead to a revision to the IT infrastructure in the Group.

Operational Excellence

A new Group Supply Chain function has been established to focus on operational excellence. This includes central manufacturing, design, quality and procurement functions in order to drive process improvement and to reduce cost.

Industry best practice quality processes and systems, utilising proven approaches and techniques from outside the industry have been introduced and are already improving quality performance.

The teams in the manufacturing facilities have been focussed on excellence in workplace management and on waste reduction. Good progress has been made with significant reductions in production set up times and waste levels, in some cases by as much as 50 per cent.

The central procurement team has, through consolidating the supply base and placing a greater focus on all constituents of cost, negotiated annualised savings of c£10m, of which c£5m has already been delivered in 2011/12.

A review of the Group's manufacturing facilities was completed in August 2011. The conclusion was to relocate the Dunstable operation to our Gateshead facility and to transfer the Basingstoke based Holographics activity to our facility in Westhoughton. The consolidation of these facilities has commenced and will generate annual savings of c£6m when complete.

OPERATING REVIEWS

Following the reorganisation, the Group has two business units, Currency and Solutions. Currency is a single operating unit. Solutions consists of three operating units: Cash Processing Solutions, Security Products and Identity Systems. These operating units have been disclosed as separate reportable segments as they are the components that the Board and senior management monitor regularly in making decisions about operating matters such as allocating resources to the businesses and assessing performance.

Currency

	2011/12	2010/11	*Change*
Banknote print volume (bn notes)	**6.4**	5.9	*8%*
Banknote paper output (‘000 tonnes)	**11.0**	9.9	*11%*
	£m	£m	
Revenue	**332.6**	289.0	*15%*
Operating profit before exceptional items	**45.3**	28.5	*59%*

Banknote print volumes at 6.4bn notes (2010/11: 5.9bn) were 8 per cent higher reflecting the good opening order book and the strong order intake during the year. Paper output volumes of 11,000 tonnes (2010/11: 9,900 tonnes) were up 11 per cent primarily reflecting the internal print volumes, as well as additional external sales.

Revenue increased by 15 per cent to £332.6m (2010/11: £289.0m) reflecting the increase in volumes noted above while operating profit at £45.3m (2010/11: £28.5m) was up 59 per cent. Operating margins improved to 13.6 per cent (2010/11: 9.9 per cent).

The increase in operating profit reflects the higher volumes, an improved product mix compared with the prior year and the benefits of the Improvement Plan. However, some of the gains were offset by increased raw material and component costs, most notably on cotton which had an adverse impact of £9m compared with 2010/11. Cotton prices peaked around February 2011 and have declined since then but currently remain above recent historic levels.

At the year end, the Currency 12 month order book, excluding currently suspended orders, was up 18 per cent at £183m (2010/11: £155m). However, as anticipated the external market for banknote paper is becoming more challenging, with some downward pricing pressure, as additional capacity has been brought on stream by some of our competitors.

Solutions

	2011/12 **£m**	2010/11 £m	*Change*
Revenue:			
Cash Processing Solutions	**65.7**	57.4	*14%*
Security Products	**65.4**	63.3	*3%*
Identity Systems	**75.2**	62.8	*20%*
Total Solutions	**206.3**	183.5	*12%*
Operating profit before exceptional items:			
Cash Processing Solutions	**2.0**	0.5	*300%*
Security Products	**7.3**	9.0	*(19%)*
Identity Systems	**8.5**	2.4	*254%*
Total Solutions	**17.8**	11.9	*50%*

Cash Processing Solutions (CPS)

Following the recent restructuring programme the performance in CPS continues to improve. Increased volumes of the large DLR 7000 banknote sorter, which processes, sorts and validates up to 2,000 notes a minute, combined with the maintenance of good service revenue have underpinned the 14 per cent increase in revenue. Operating margins have benefited from the restructuring of the business and the improved economies of scale flowing from the higher volumes.

Security Products

As expected, Security Products has had a challenging year with flat revenue and reduced operating profit resulting from a combination of continued lower Holographic internal and external component sales, and lower demand for brand licensing products. A number of the revenue and cost saving initiatives under the Improvement Plan, including site relocations, will enhance the performance of this operation.

Identity Systems (IDS)

The IDS team has completed the transition on the UK Passport contract from the implementation phase in the prior year to full production and service in the current year. Revenue and profit levels predominantly reflect this successful ramp up to full scale production volumes for the year as whole. The business has delivered over seven million passports to date under this contract and also supported a successful repatriation of the Foreign & Commonwealth Office passport issuance service.

The international part of IDS performed in line with expectations, continuing to implement a wide range of projects across the globe.

Solutions Order Book

At the year end, the Solutions 12 month order book was up 5 per cent at £65m (2010/11: £62m). These figures exclude order volumes which have yet to be confirmed on committed contracts.

INTEREST

The Group's net interest charge was £4.1m, marginally up on the prior year (2010/11: £3.8m). The IAS19 related finance cost, which represents the difference between the interest on pension liabilities and the expected return on assets, has reduced to £1.3m (2010/11: £3.3m) as a result of an additional £35m special contribution made in 2010/11.

EXCEPTIONAL ITEMS

Exceptional costs of £24.8m have been incurred in 2011/12 mainly in connection with the closure of three sites and the relocation of manufacturing activity, including £11.3m in staff compensation, £1.1m of fixed asset impairment charges, £8.8m for site exit costs and £2.9m in other associated reorganisation costs. The exceptional charge also includes additional costs of £0.7m associated with the paper quality issue that arose in 2010/11.

Exceptional costs relating to the Improvement Plan were originally estimated at c£25m. With the experience and knowledge gained from implementing the first phases of the Plan we now expect the total exceptional costs of the Plan to be up to £10m higher over the next two years.

The £15.6m exceptional operating charges reported in 2010/11 comprised £29.0m of costs relating to the paper production quality issues and £2.6m of corporate costs incurred in relation to a takeover approach for the Group. These were offset by a £16.0m exceptional curtailment gain on the closure of the defined benefit pension scheme. In addition, in 2010/11 the Group also reported a non operating exceptional profit of £55.1m on the sale of the Group's investment in Camelot.

TAXATION

The net tax charge for the year was £0.7m (2010/11: £5.4m). The effective tax rate pre exceptional items, was 24.1 per cent (2010/11: 27.0 per cent), predominantly reflecting the drop in the UK statutory tax rates. A credit of £6.2m (2010/11: £1.1m) arises on the exceptional items noted above. In addition there was also an exceptional tax credit of £7.0m in respect of the determination of the tax treatment of prior year exceptional items (2010/11: £2.5m prior year credit).

CASH FLOW AND BORROWINGS

Cash inflow from operations was £78.4m reflecting the strong trading as well as an improved working capital position (2010/11: outflow of £20.3m after a one off special pension contribution of £35.0m). The value of inventory was broadly unchanged, but the Group benefited from positive movements on trade debtors and other payables. Advance payments were £40.9m (2010/11: £54.6m) with the prior year balance benefiting from some large receipts immediately prior to the 2010/11 year end.

Capital expenditure of £32.1m (2010/11: £30.7m) was higher than depreciation, but lower than previously forecast mainly reflecting the phasing of cash spend on planned Improvement Plan projects.

The Group ended the year with net debt of £24.8m (2010/11: £31.2m), lower than previously forecast, largely reflecting the positive trading noted above combined with a tax refund received in the year and the cash phasing on committed capital expenditure projects.

The Group utilises a £175m revolving credit facility which expires in September 2013. Key financial covenants on this facility 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 2011/12, special funding payments of £23.1m were made to the Group's pension fund. The Group's latest formal (triennial) funding valuation of the UK defined benefit pension scheme took place on 5 April 2009 and identified the scheme had a deficit of £204m (5 April 2006: £56m deficit). A new valuation as at 5 April 2012 has commenced.

IAS 19 – Employee Benefits

The valuation of the UK pension scheme under IAS 19 principles indicates a scheme deficit pre tax at 31 March 2012 of £143.3m (26 March 2011: £100.5m) an increase of £42.8m since the previous year end despite the ongoing special contributions of £23.1m paid during the year. This change primarily reflects the increase in the projected value of scheme liabilities following the reduction in the discount rate from 5.6 per cent to 4.8 per cent. The charge to operating profits in respect of the UK pension scheme for 2011/12 was £7.8m (2010/11: £7.6m). In addition, under IAS 19 there was a finance charge of £1.3m arising from the difference between the expected return on assets and the interest on liabilities (2010/11: £3.3m).

2010 PAPER PRODUCTION ISSUES

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 (described more fully in note 8).

PEOPLE

De La Rue's employees have again demonstrated their loyalty and commitment to the business and understanding of the case for change. The Board would like to express their thanks and appreciation to everyone for their contribution and positive attitude during a time of significant change.

BOARD CHANGES

As previously announced, Nicholas Brookes will retire as Chairman and as a Non-executive Director following the Annual General Meeting on 26 July 2012. He has served on the Board of De La Rue since March 1997, including as senior Non-executive Director for four years before he became Chairman in July 2004. As Chairman, he has overseen considerable change within the Company and the Board would like to thank him for his enormous contribution to the Group as a whole and wish him well in his retirement.

Philip Rogerson joined as a Non-executive Director on 1 March 2012 and will succeed Nicholas Brookes as Chairman on his retirement. Philip is a highly experienced chairman and non-executive director with considerable international experience and well proven leadership skills.

OUTLOOK

With a good order book and pipeline of opportunities, and notwithstanding the more challenging market for banknote paper, the Board's expectation for the current financial year remains unchanged.

The Improvement Plan is on track to achieve a target 2013/14 operating profit in excess of £100m through both restoring revenue growth and delivering significant cost reductions.

-ends-

GROUP INCOME STATEMENT

For the period ended 31 March 2012

	Notes	2012 £m	2011 £m
Revenue		**528.3**	463.9
Operating expenses – ordinary		**(465.2)**	(423.5)
Operating expenses – exceptional	3	**(24.8)**	(15.6)
Total operating expenses		**(490.0)**	(439.1)
Operating profit		**38.3**	24.8
Comprising:			
Operating profit before exceptional items		**63.1**	40.4
Exceptional items	3	**(24.8)**	(15.6)
Profit on sale of associated undertaking	3	**–**	55.1
Profit before interest and taxation		**38.3**	79.9
Interest income		**0.3**	0.9
Interest expense		**(4.4)**	(4.7)
Retirement benefit obligation finance income		**39.4**	35.7
Retirement benefit obligation finance cost		**(40.7)**	(39.0)
Net finance expense		**(5.4)**	(7.1)
Profit before taxation		**32.9**	72.8
Comprising:			
Profit before tax and exceptional items		**57.7**	33.3
Exceptional items		**(24.8)**	39.5
Taxation	4	**(0.7)**	(5.4)
Profit for the year		**32.2**	67.4
Comprising:			
Profit for the year before exceptional items		**43.8**	24.3
(Loss)/profit for the year on exceptional items		**(11.6)**	43.1
Profit attributable to equity shareholders of the Company		**31.6**	66.9
Profit attributable to non controlling interests		**0.6**	0.5
		32.2	67.4

Profit for the year attributable to the Company's equity holders			
Earnings per share			
Basic	5	**31.8p**	67.6p
Diluted	5	**31.5p**	67.2p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2012

	2012 £m	2011 £m
Profit for the financial year	**32.2**	67.4
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(3.9)**	(1.3)
Net actuarial losses on retirement benefit obligations	**(63.6)**	(31.0)
Change in fair value of cash flow hedges	**(0.8)**	1.2
Change in fair value of cash flow hedges transferred to the Income Statement	**(2.5)**	5.9
Ineffective portion of change in fair value of cash flow hedges transferred to the Income Statement	**0.3**	(0.3)
Income tax relating to components of other comprehensive income	**13.5**	5.3
Other comprehensive income for the year, net of tax	**(57.0)**	(20.2)
Comprehensive income for the year	**(24.8)**	47.2
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**(25.4)**	46.7
Non controlling interests	**0.6**	0.5
	(24.8)	47.2

GROUP BALANCE SHEET

At 31 March 2012

	2012 £m	2011 £m
Assets		
Non current assets		
Property, plant and equipment	**160.9**	162.0
Intangible assets	**24.2**	23.3
Investments in associates and joint ventures	**0.1**	0.1
Deferred tax assets	**40.4**	27.8
Derivative financial instruments	**–**	0.3
	225.6	213.5
Current assets		
Inventories	**68.6**	67.5
Trade and other receivables	**83.6**	89.7
Current tax assets	**0.6**	6.7
Derivative financial instruments	**5.9**	15.5
Cash and cash equivalents	**24.0**	32.6
	182.7	212.0
Total assets	**408.3**	425.5
Liabilities		
Current liabilities		
Borrowings	**(48.8)**	(63.8)
Trade and other payables	**(170.2)**	(164.4)
Current tax liabilities	**(33.6)**	(33.1)
Derivative financial instruments	**(5.6)**	(13.5)
Provisions for other liabilities and charges	**(40.2)**	(27.0)
	(298.4)	(301.8)
Non current liabilities		
Retirement benefit obligations	**(145.6)**	(102.9)
Deferred tax liabilities	**(1.3)**	(1.0)
Derivative financial instruments	**(0.9)**	(0.6)
Provisions for other liabilities and charges	**(6.9)**	–
Other non current liabilities	**(0.8)**	(2.4)
	(155.5)	(106.9)
Total liabilities	**(453.9)**	(408.7)
Net (liabilities)/assets	**(45.6)**	16.8
Equity		
Share capital	**45.7**	45.6
Share premium account	**30.7**	29.1
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**(1.2)**	1.0
Cumulative translation adjustment	**(1.4)**	2.5
Other reserves	**(83.8)**	(83.8)
Retained earnings	**(45.4)**	13.0
Total equity attributable to shareholders of the Company	**(49.5)**	13.3
Non controlling interests	**3.9**	3.5
Total equity	**(45.6)**	16.8

GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2012

	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 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
Comprehensive income for the year	–	–	–	(2.2)	(3.9)	–	(19.3)	0.6	(24.8)
Share capital issued	0.1	1.6	–	–	–	–	–	–	1.7
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	2.5	–	2.5
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.4	–	0.4
Dividends paid	–	–	–	–	–	–	(42.0)	(0.2)	(42.2)
Balance at 31 March 2012	**45.7**	**30.7**	**5.9**	**(1.2)**	**(1.4)**	**(83.8)**	**(45.4)**	**3.9**	**(45.6)**

GROUP CASH FLOW STATEMENT

For the period ended 31 March 2012

	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Profit before tax		**32.9**	72.8
Adjustments for:			
Finance income and expense		**5.4**	7.1
Depreciation and amortisation		**26.6**	24.4
Increase in inventory		**(2.1)**	(7.9)
Decrease/(Increase) in trade and other receivables		**6.6**	(11.6)
Increase/(decrease) in trade and other payables		**11.6**	(9.9)
Increase/(decrease) in reorganisation provisions		**17.3**	(1.4)
Special pension fund contributions		**(23.1)**	(42.5)
Loss on disposal of property, plant, equipment and software intangibles		**3.0**	1.4
Non operating exceptional items	3	**–**	(55.1)
Other non cash movements		**0.2**	2.4
Cash generated from operating activities		**78.4**	(20.3)
Tax received		**7.1**	4.8
Net cash flows from operating activities		**85.5**	(15.5)
Cash flows from investing activities			
Net proceeds from sale of investment in associate		**–**	75.4
Purchases of property, plant, equipment and software intangibles		**(32.1)**	(30.7)
Development assets capitalised		**(3.7)**	(4.3)
Proceeds from sale of property, plant and equipment		**0.4**	0.3
Net cash flows from investing activities		**(35.4)**	40.7
Net cash inflow before financing activities		**50.1**	25.2
Cash flows from financing activities			
Proceeds from issue of share capital		**1.7**	0.8
(Repayments of)/proceeds from borrowings		**(7.3)**	6.0
Finance lease principal payments		**–**	(0.2)
Interest received		**0.3**	0.9
Interest paid		**(3.5)**	(4.5)
Dividends paid to shareholders		**(42.0)**	(41.9)
Dividends paid to non controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**(51.0)**	(39.1)
Net decrease in cash and cash equivalents in the year		**(0.9)**	(13.9)
Cash and cash equivalents at the beginning of the year		**23.4**	37.8
Exchange rate effects		**–**	(0.5)
Cash and cash equivalents at the end of the year		**22.5**	23.4
Cash and cash equivalents consist of:			
Cash at bank and in hand	7	**24.0**	31.9
Short term bank deposits	7	**–**	0.7
Bank overdrafts	7	**(1.5)**	(9.2)
	7	**22.5**	23.4

1 Basis of preparation and accounting policies

The preliminary announcement for the period ended 31 March 2012 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively “IFRS”) as adopted by the European Union (EU) at 31 March 2012. Details of the accounting policies applied are those set out in De La Rue plc’s Annual Report 2011.

During the period the Group has adopted a number of revised and amended standards and interpretations, none of which has had a material impact on the Group’s net cash flows, financial position, total comprehensive income or earnings per share.

The financial information set out above does not constitute the Group's statutory accounts for the periods ended 31 March 2012 or 26 March 2011. The financial information for the period ended 31 March 2012 is derived from the statutory accounts for the period ended 31 March 2012 which will be delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 31 March 2012; 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.

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 has two business units, Currency and Solutions. Currency is a single operating unit. Solutions consists of three operating units: Cash Processing Solutions, Security Products and Identity Systems. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at an operating unit level and there are therefore four reportable segments. The principal financial information reviewed by the Board, 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
- Solutions
  - Cash Processing Solutions – primarily focused on the production of large banknote sorters and authentication machines for central banks, complimenting the Currency business
  - Security Products – produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps
  - Identity Systems – involved in the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes

2012	Currency	Solutions			Exceptional items	Total
		Cash Processing Solutions	Security Products	Identity Systems		
	£m	£m	£m	£m	£m	£m
Total revenue	**332.6**	**65.7**	**65.4**	**75.2**	**–**	**538.9**
Less: Inter segment revenue	**(0.6)**	**–**	**(10.0)**	**–**	**–**	**(10.6)**
Revenue	**332.0**	**65.7**	**55.4**	**75.2**	**–**	**528.3**
Operating profit before exceptional items	**45.3**	**2.0**	**7.3**	**8.5**	**–**	**63.1**
Exceptional items – operating (note 3)	**(6.5)**	**–**	**(14.3)**	**–**	**(4.0)**	**(24.8)**
Operating profit/(loss)	**38.8**	**2.0**	**(7.0)**	**8.5**	**(4.0)**	**38.3**
Net interest expense						**(4.1)**
Retirement benefit obligations net finance expense						**(1.3)**
Profit before taxation						**32.9**
Segment assets	**194.8**	**40.7**	**22.7**	**48.6**	**–**	**306.8**
Unallocated assets						**101.5**
Total assets						**408.3**
Segment liabilities	**(101.0)**	**(25.4)**	**(13.3)**	**(27.0)**	**–**	**(166.7)**
Unallocated liabilities						**(287.2)**
Total liabilities						**(453.9)**
Capital expenditure on property, plant and equipment	**25.4**	**0.9**	**2.0**	**2.8**	**–**	**31.1**
Capital expenditure on intangible assets	**1.6**	**2.1**	**–**	**0.4**	**–**	**4.1**
Depreciation of property, plant and equipment	**15.9**	**1.9**	**3.3**	**3.0**	**–**	**24.1**
Amortisation of intangible assets	**0.9**	**0.5**	**–**	**1.1**	**–**	**2.5**

2011	Currency	Solutions			Exceptional items	Total
		Cash Processing Solutions	Security Products	Identity Systems		
	£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	(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

Unallocated assets principally comprise deferred tax assets of £40.4m (2010/11: £27.8m), cash and cash equivalents of £24.0m (2010/11: £32.6m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £5.9m (2010/11: £15.5m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £145.6m (2010/11: £102.9m), borrowings of £48.8m (2010/11: £63.8m), current tax liabilities of £33.6m (2010/11: £33.1m) and derivative financial instrument liabilities of £6.5m (2010/11: £14.1m) as well as deferred tax liabilities and centrally held accruals and provisions.

3 Exceptional items

	2012 £m	2011 £m
Site relocation and restructuring	**(24.1)**	–
Curtailment gain on closure of defined benefit scheme to further accrual	**–**	16.0
Costs relating to paper production quality issues	**(0.7)**	(29.0)
Corporate costs	**–**	(2.6)
Exceptional items in operating profit	**(24.8)**	(15.6)
Profit on sale of associated undertaking	**–**	55.1
Total exceptional items	**(24.8)**	39.5
Tax credit on exceptional items	**13.2**	3.6

Exceptional costs of £24.8m have been incurred in 2011/12 mainly in connection with the closure of three sites and the relocation of manufacturing activity including £11.3m in staff compensation, £1.1m of fixed asset impairment charges, £8.8m for site exit costs and £2.9m in associated reorganisation costs. The exceptional charge also includes additional costs (reported under the Currency segment) of £0.7m associated with the paper quality issue that arose in 2010/11.

Exceptional costs in the prior year related to the following:

- A curtailment gain following the closure of the defined benefit pension scheme to further accruals from 2013

- An exceptional charge relating to the paper production quality issues incurred in the year ended 26 March 2011 of £29.0m included production and rectification costs of £19.9m, a £0.9m impairment of receivables, legal costs of £3.5m and other costs of £4.7m mainly relating to losses on derivatives related to sales and purchase contracts rendered ineffective by the cancellation of shipments. 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. The issue is more fully described in note 8: Contingent liabilities

- Corporate costs 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.

Tax credits relating to exceptional items arising in the year were £6.2m (2010/11: £1.1m). In addition, there was an exceptional credit of £7.0m (2010/11: £2.5m) in respect of the determination of the tax treatment of prior year exceptional items.

4 Taxation

	2012 £m	2011 £m
Consolidated Income Statement		
Current tax:		
UK Corporation tax:		
– Current tax	**7.6**	0.7
– Adjustment in respect of prior years	**(6.8)**	(4.2)
	0.8	(3.5)
Overseas tax charges:		
– Current year	**3.7**	2.9
– Adjustment in respect of prior years	**1.0**	3.4
	4.7	6.3
Total current income tax expense	**5.5**	2.8
Deferred tax:		
– Origination and reversal of temporary differences, UK	**(6.3)**	3.3
– Origination and reversal of temporary differences, Overseas	**1.5**	(0.7)
Total deferred tax (credit)/expense	**(4.8)**	2.6
Total income tax expense in the consolidated Income Statement	**0.7**	5.4
Attributable to:		
– Ordinary activities	**13.9**	9.0
– Exceptional items	**(13.2)**	(3.6)
Consolidated Statement of Comprehensive Income:		
– On pension actuarial adjustments	**(12.7)**	(7.7)
– On cash flow hedges	**(0.8)**	1.9
– On foreign exchange on quasi equity balances	**–**	0.5
Income tax credit reported within comprehensive income	**(13.5)**	(5.3)
Consolidated Statement of Changes in Equity:		
– On share options	**(0.4)**	0.5
Income tax (credit)/expense reported within equity	**(0.4)**	0.5

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 26 per cent as follows:

	2012			2011		
	Before exceptionals £m	**Exceptional items £m**	**Total £m**	Before exceptionals £m	Exceptional items £m	Total £m
Profit before tax	**57.7**	**(24.8)**	**32.9**	33.3	39.5	72.8
Tax calculated at UK tax rate of 26 per cent (2011: 28 per cent)	**15.0**	**(6.4)**	**8.6**	9.3	11.1	20.4
Effects of overseas taxation	**(1.3)**	**–**	**(1.3)**	(1.4)	–	(1.4)
Non taxable disposal of Camelot	**–**	**–**	**–**	–	(15.4)	(15.4)
Expenses not deductible for tax purposes	**1.2**	**0.5**	**1.7**	1.2	1.5	2.7
Increase in/(usage of) unutilised tax losses	**0.1**	**(0.3)**	**(0.2)**	(0.7)	1.7	1.0
Adjustments in respect of prior years	**(0.7)**	**(7.0)**	**(7.7)**	0.7	(2.5)	(1.8)
Change in UK tax rate	**(0.4)**	**–**	**(0.4)**	(0.1)	–	(0.1)
Tax charge/(credit)	**13.9**	**(13.2)**	**0.7**	9.0	(3.6)	5.4

The underlying effective tax rate excluding one-off items was 24.1 per cent (2010/11: 27.0 per cent).

5 Earnings per share

	2012 pence per share	2011 pence per share
Total operations		
Basic earnings per share	**31.8**	67.6
Diluted earnings per share	**31.5**	67.2
Headline		
Basic earnings per share	**43.5**	24.0
Diluted earnings per share	**43.1**	23.9

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 per share, before exceptional items, is useful to readers of the accounts as it gives 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	**2012 £m**	2011 £m
Earnings for basic and diluted earnings per share	**31.6**	66.9
Exceptional items	**24.8**	(39.5)
Less: Tax on exceptional items	**(13.2)**	(3.6)
Earnings for headline earnings per share	**43.2**	23.8

Weighted average number of ordinary shares	**2012 Number m**	2011 Number m
For basic earnings per share	**99.3**	99.0
Dilutive effect of share options	**0.9**	0.6
For diluted earnings per share	**100.2**	99.6

6 Equity dividends

	2012 £m	2011 £m
Final dividend for the year ended 26 March 2011 of 28.2p paid on 4 August 2011	**28.0**	–
Interim dividend for the period ended 24 September 2011 of 14.1p paid on 6 January 2012	**14.0**	–
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 12 January 2011	**–**	14.0
	42.0	41.9

A final dividend per equity share of 28.2p has been proposed for the period ended 31 March 2012, payable on 2 August 2012. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

7 Analysis of net debt

	2012 £m	2011 £m
Cash at bank and in hand	**24.0**	31.9
Short term bank deposits	**–**	0.7
Bank overdrafts	**(1.5)**	(9.2)
Total cash and cash equivalents	**22.5**	23.4
Borrowings due within one year	**(47.3)**	(54.6)
Borrowings due after one year	**–**	–
Net debt	**(24.8)**	(31.2)

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. The Group provides guarantees and performance bonds which are issued in the ordinary course of business. In the event that a guarantee or bond is called provision may be required subject to the particular circumstances, including an assessment of its recoverability.

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 has implemented 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 trade receivables and other costs relating to the investigation, production 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 31 March 2012, being the last Saturday in March. The comparatives for the 2010/11 financial year are for the period ended 26 March 2011.

10 Statutory accounts

Statutory accounts for the period ended 31 March 2012 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:

	2011/12		2010/11	
	Avg	**Year End**	**Avg**	**Year End**
US dollar	1.60	1.60	1.55	1.61
Euro	1.16	1.20	1.17	1.14

12 De La Rue financial calendar : 2012/13

Ex dividend date for 2011/12 final dividend	4 July 2012
Record date for final dividend	6 July 2012
Annual General Meeting	26 July 2012
Payment of 2011/12 final dividend	2 August 2012