DE LA RUE PLC

PRELIMINARY STATEMENT

PERIOD TO 30 MARCH 2013

KEY FINANCIALS

	2012/13	2011/12	*Change*
Revenue	**£483.7m**	£528.3m	*(8%)*
Operating profit *	**£63.2m**	£63.1m	–
Operating profit margin *	**13.1%**	11.9%	
Underlying profit before tax *	**£59.1m**	£57.7m	*2%*
Reported profit before tax	**£51.5m**	£32.9m	*57%*
Headline earnings per share *	**44.4p**	43.5p	*2%*
Dividend per share	**42.3p**	42.3p	–

* Group operating profit and underlying profit before tax are reported before an exceptional charge of £7.6m in 2012/13 (2011/12: £24.8m). Headline EPS is reported before the exceptional charge and exceptional tax credits of £6.5m (2011/12: £13.2m). The Directors are of the opinion that these give a better indication of underlying performance

HEADLINES

- Improved operating margin secured largely through Improvement Plan cost savings
- Operating profit maintained on lower volumes
- Banknote print volumes similar at 6.3bn, paper volumes down 21%, as expected, to 8,700 tonnes reflecting challenging market conditions, historically low overspill and delayed orders as previously announced
- Modest net debt at £77m and good operating cash inflow of £40m
- Year end 12 month order book down at £207m (2011/12: £248m), but strong pipeline of order opportunities, up more than 10 per cent on prior year
- EPS 2% higher and final dividend unchanged at 28.2p
- Improvement Plan cost saving target for 2013/14 increased from £30m to £40m

Tim Cobbold, CEO, commented:

“De La Rue delivered an operating profit of £63m, in line with the prior year, despite a much more challenging banknote paper market, which has also had some impact in the printed banknote market.

Overall order intake reflected the difficult market conditions and an historically low level of overspill volume available to the commercial producers. It was also impacted by the previously announced delay to a number of important orders, some of which have since been received.

We continue to make good progress in cost reduction as part of the Improvement Plan and are now targeting annual savings of £40m, £10m higher than the original Improvement Plan target.

We enter the new financial year with increased cost savings identified and a strong pipeline of order opportunities, more than 10 per cent higher than at the same time last year. Whilst these opportunities must be secured for delivery in the year, the Board remains confident of achieving the 2013/14 Improvement Plan target of an operating profit in excess of £100m.”

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A presentation to analysts will take place at 09:00 on 29 May 2013 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, is available at www.delarue.com or http://video.merchantcantos.com/

29 May 2013

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.

The Group has in recent years 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 30 MARCH 2013

FINANCIAL RESULTS

Against a backdrop of a more challenging currency market, including delays in expected orders, the Group has reported an 8 per cent reduction in revenue to £483.7m (2011/12: £528.3m). This reduction primarily reflects lower trading volumes in the Currency business unit.

Operating profit before exceptional items was in line with the prior year at £63.2m (2011/12: £63.1m) with lower material costs and Improvement Plan savings offsetting the reduced trading volumes and a less favourable product mix. The Improvement Plan savings of £12m realised in the period bring the annual cost reductions under the Plan to £20m. As a result, the Group operating profit margin (before exceptional items) improved to 13.1 per cent (2011/12: 11.9 per cent). Foreign exchange movements adversely impacted revenue by £3m and operating profit by £2m (2011/12: £1m and £1m respectively).

Profit before tax and exceptional items increased by 2 per cent to £59.1m (2011/12: £57.7m) reflecting lower finance costs of £4.1m (2011/12: £5.4m). Headline earnings per share, before exceptional items, also increased by 2 per cent to 44.4p (2011/12: 43.5p). Exceptional charges in the year totalled £7.6m (2011/12: £24.8m) predominantly in relation to the ongoing implementation of the Improvement Plan. Basic earnings per share was 43.3p (2011/12: 31.8p).

De La Rue has continued its track record of good cash generation with net cash of £40.4m generated from operations. At the year end, the Group had a modest level of net debt of £76.7m (2011/12: £24.8m). Interest cover, before exceptional items, remained strong at 18 times (2011/12: 15 times).

DIVIDEND

The Board is recommending a final dividend of 28.2p per share (2011/12: 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 2013, this will give a total dividend for the year of 42.3p per share (2011/12: 42.3p per share). Subject to approval by shareholders, the final dividend will be paid on 1 August 2013 to shareholders on the register on 5 July 2013.

STRATEGY

In May 2011 the Group announced the three year Improvement Plan, and focus on this will remain the priority for the business until the conclusion of the 2013/14 financial year. In the year to March 2013 we continued to build on De La Rue's fundamental strengths and on addressing the opportunities for improvement in many parts of the business. As is reported below, significant progress, particularly on process improvement and cost reduction, has been delivered and will continue in the 2013/14 financial year.

We are, however, well advanced in developing the Group strategy for the period following completion of the Improvement Plan and expect to be able to share conclusions with investors during the later part of the financial year. The strategy will build further on the Group's fundamental strengths of brand, market access, innovation and geographic reach and will also leverage leaner operating capability, further cost reduction opportunities and enhanced R&D performance post the Improvement Plan.

DELIVERING THE IMPROVEMENT PLAN

We have continued to make good progress on the implementation of the Plan, the benefits of which have become more important in the increasingly challenging currency market. The improvements generated through the revenue initiatives have helped in part to mitigate these challenges. The cost reduction programme is ahead of schedule and is now expected to exceed our original target by £10m and deliver annual savings of £40m by the end of the Plan. We have identified further cost reduction opportunities that will be pursued in the periods beyond 2013/14.

The Plan includes an investment programme to improve manufacturing capability, quality and efficiency with capital expenditure in the period of £37.1m, bringing the cumulative spend in the first two years of the Plan to £69.2m. Over the three years of the Plan we expect to have invested c£100m. This ongoing programme will give the Group greater flexibility and improve its competitive position, allowing it to respond better to market opportunities.

Revenue growth

Customer focus and innovation are two key elements of the Improvement Plan designed to generate sustainable long term growth. Both aspects are now well established and have considerable momentum throughout the organisation.

Country plans

- These are now an established part of our sales planning process and are in use throughout the business. They ensure that the Group's sales activities are coordinated as well as providing a strategic perspective on the opportunities in a country or region. As a result we have combined sales responsibilities in a number of territories

Innovation

- R&D has become a key focus for the business and this year more qualified ideas have progressed through the development process. We expect the level of investment in R&D to increase to ensure we have a strong pipeline of new technologies, solutions and security features
- Construction of the new technology centre is well advanced and will be completed on schedule during the summer
- The development of Safeguard™, our polymer banknote substrate, and related security features, has been a priority. Three polymer note orders have been received during the year from both banknote and substrate customers and the first banknote produced on the Safeguard™ substrate, the Fiji $5, entered circulation in 2013
- We have established several promising technical partnerships to accelerate the rate of idea generation and development and to access technologies new to the industry
- Insight™, the next generation of Optiks™, was launched in the year and we were honoured to receive the Queen's Award for Enterprise Innovation this year for the Optiks™ product. This is the twelfth time De La Rue has received a Queen's Award

Cost reduction

The Improvement Plan included targeted cost reductions of £30m (excluding movements in cotton comber pricing) from process improvement, procurement and facility optimisation. Excellent progress has been made in all areas, and with the experience gained from these initiatives we have now identified opportunities for further savings primarily in process improvement and procurement. Based on current volume expectations, these opportunities are targeted to generate an additional £10m of annual cost reductions by the end of the Plan.

Facility optimisation

- The relocation of operations from the Stroudley Road and Dunstable factories into the Westhoughton and Gateshead facilities respectively is now complete. This consolidation is generating savings of £6m per annum and we are already benefiting from improvements in the operating performance of the transferred processes in their new locations

Procurement

- A strong procurement team has been established and is proving effective at generating cost reductions in the supply chain by deploying skills and techniques developed outside the industry
- As a result the procurement cost reduction target has been raised by 25 per cent to £15m per annum
- Supplier quality improvement and relationship management programmes have been introduced, we believe for the first time in the industry. These have already been successful in driving quality improvement, accelerating innovation and delivering cost reduction in the supply base

Process improvement

- Significant investment programmes, particularly in Westhoughton and Gateshead, are well underway and proceeding to plan. These, combined with a continued focus on lean manufacturing, are providing enhanced capability and capacity, reduced cost and improved quality as more up to date technologies are introduced
- Excellent progress continues to be made in establishing a continuous improvement culture and in creating an industry leading supply chain with the operational flexibility to meet the variability in demand which is a feature of this 'lumpy' market. A key element of this flexibility has been the negotiation of new labour agreements in some facilities with discussions ongoing in others. These have been complemented by new, flatter management structures where responsibilities and accountabilities are much clearer
- The strengthened quality team remains focused on implementing world class systems and processes, introducing proven tools and techniques from other industries. This has already delivered a significant improvement in all quality measures, both external and internal. These initiatives have been supported with investment in new, industry leading environmentally controlled quality laboratories and equipment
- The Improvement Plan anticipated an investment programme of c£100m over the three year period to facilitate quality and productivity improvements. The investment programme is proceeding well with capital expenditure of £37m in the year and tangible benefits already being delivered

OPERATING REVIEWS

From the start of the 2012/13 financial year the Holographics operation, previously included in Security Products, became part of the Currency business on which it largely depends and comparatives have been re-presented accordingly.

Currency

	2012/13	2011/12 (re-presented)	*Change*
Banknote print volume (bn notes)	**6.3**	6.4	*(2%)*
Banknote paper output ('000 tonnes)	**8.7**	11.0	*(21%)*
	£m	£m	
Revenue	**298.1**	340.6	*(12%)*
Operating profit before exceptional items	**38.0**	45.5	*(16%)*

Banknote print volume at 6.3bn notes was similar to the prior year (2011/12: 6.4bn) notwithstanding delayed orders and lower overspill volumes in the market. Paper output volume was, as expected, down 21 per cent at 8,700 tonnes (2011/12: 11,000 tonnes) primarily reflecting more challenging market conditions as a result of excess market capacity.

Revenue decreased by 12 per cent to £298.1m (2011/12: £340.6m) with operating profit down 16 per cent at £38.0m (2011/12: £45.5m). These results reflect the reduced paper and component volumes, a less favourable product mix and pricing pressure in the currency market as a whole. These adverse factors have been mitigated in part by the further benefits of the Improvement Plan and lower raw material and component costs, most notably on cotton, which had a favourable impact of £6m compared with 2011/12.

Order intake in the period was lower than originally expected, reflecting delays in a number of important contracts, lower overspill and the challenging currency market. At the year end, the Currency 12 month order book, excluding currently suspended orders, was down 14 per cent at £158m (2011/12: £183m). However, the pipeline of order opportunities is strong, more than 10 per cent higher than the prior year, with an increased level of overspill prospects compared with the low level experienced in 2012/13. We expect that an appropriate proportion of this pipeline will be converted into orders for delivery in 2013/14.

Solutions

	2012/13	2011/12 (re-presented)	*Change*
	£m	£m	
Revenue:			
Cash Processing Solutions	**61.2**	65.7	*(7%)*
Security Products	**45.1**	51.4	*(12%)*
Identity Systems	**84.4**	75.2	*12%*
Total Solutions	**190.7**	192.3	*(1%)*
Operating profit before exceptional items:			
Cash Processing Solutions	**-**	2.0	*(100%)*
Security Products	**8.9**	7.1	*25%*
Identity Systems	**16.3**	8.5	*92%*
Total Solutions	**25.2**	17.6	*43%*

Cash Processing Solutions (CPS)

The decreased revenue and operating profit mainly reflect reduced second half volumes and in particular customer related delays in large sorter installations straddling the period end. Service revenues were slightly lower than the prior year but remain an important source of income. The first two DLR 9000 single note inspection machines are now in operation in the Gateshead Currency print facility, with a further machine planned for 2013/14. The level of customer enquiries for this new product has been encouraging.

Security Products

Revenues were adversely affected by reduced volumes but this was more than offset by an improved product mix and the benefits of the Improvement Plan. Notably, the project to move the Dunstable operation into the Gateshead factory was successfully completed ahead of schedule.

To meet the customer need for a flexible solution, in a market that we expect to grow strongly, a significantly enhanced tax stamp track and trace solution is being developed. This project is well advanced and the solution is expected to be available to customers during the 2013/14 financial year.

Identity Systems (IDS)

The Identity Systems operation has performed strongly throughout the year, reflecting increased revenues and operating profit within the international part of the business. Performance on the underlying UK ePassport contract remained strong, benefiting from further process improvements within the Improvement Plan. In addition the roll out of a local print solution to Her Majesty's Passport Office's seven UK regional issuing offices was completed. During the period the business achieved the notable milestone of producing the ten millionth UK ePassport since the contract commenced.

Solutions Order Book

At the year end, the Solutions 12 month order book was £49m (2011/12: £65m). These figures exclude order volumes which have yet to be confirmed on committed contracts.

INTEREST

The Group's net interest charge was £3.6m, down on the prior year (2011/12: £4.1m). The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and the expected return on assets, has reduced to £0.5m (2011/12: £1.3m) as a result of the lower discount rate used to calculate the interest charge.

EXCEPTIONAL ITEMS

Exceptional costs of £7.6m were incurred in 2012/13 in connection with the ongoing costs of implementing the Improvement Plan (2011/12: £24.8m). This brings the cumulative exceptional charges taken in respect of the Improvement Plan to a total of £31.7m. The cash cost of exceptional items in the period was £17.3m (2011/12: £3.7m) bringing the cumulative cash cost under the Improvement Plan to date to £21.0m.

The £7.6m exceptional operating charge reported in 2012/13 (2011/12: £24.8m) comprised £0.8m (2011/12: £11.3m) in staff compensation, £0.2m (2011/12: £1.1m) of fixed asset impairment charges, £4.3m (2011/12: £8.8m) for site exit costs and £2.3m (2011/12: £2.9m) in other associated reorganisation costs. The exceptional charge in 2011/12 also included additional costs of £0.7m associated with the paper quality issue that arose in 2010/11.

TAXATION

The net tax charge for the year was £7.4m (2011/12: £0.7m). The effective tax rate, before exceptional items, was 23.5 per cent (2011/12: 24.1 per cent), predominantly reflecting the reduction in the UK statutory tax rates.

A credit of £2.1m (2011/12: £6.2m) arises on the exceptional items noted above. In addition there was an exceptional credit of £4.4m (2011/12: £7.0m) in respect of the determination of the tax treatment of prior year exceptional items.

CASH FLOW AND BORROWINGS

Cash inflow from operations was £40.4m (2011/12: £78.4m) primarily reflecting the high level of cash spend on exceptional items and an increase in year end working capital. The movement in working capital predominantly reflects an increase in trade debtors resulting from the timing of shipments around the year end. Advance payments increased to £42.7m (2011/12: £40.9m).

Capital expenditure of £37.1m (2011/12: £32.1m) was higher than depreciation, reflecting expenditure on Improvement Plan projects.

The Group ended the year with modest net debt of £76.7m (2011/12: £24.8m).

During the period the Group renewed and increased its revolving credit facility from £175m to £200m. The key financial covenants on this facility, which expires in December 2016, remain unchanged and require that the ratio of EBIT to net interest payable be greater than four times and the net debt to EBITDA ratio be less than three times. At the year end the specific bank covenant tests were as follows: EBIT/Net interest payable of 16.1 times, Net debt/EBITDA of 0.97 times.

UK PENSION SCHEME

Pension deficit and funding

During 2012/13, special funding payments of £16.2m were made to the Group's defined benefit pension fund (closed to new members in 2010 and future accrual from April 2013). The Group's latest formal (triennial) funding valuation of the UK defined benefit pension scheme took place on 5 April 2012 and identified the scheme had a deficit of £180m (5 April 2009: £204m deficit). The arrangements in respect of the special funding payments remain unchanged and are expected to eliminate the deficit in line with the original timetable by 2022.

IAS 19 – Employee Benefits

The valuation of the UK pension scheme under IAS 19 principles indicates a scheme deficit pre tax at 30 March 2013 of £166.7m (31 March 2012: £143.3m) an increase of £23.4m. This change primarily reflects increased scheme liabilities resulting from increased longevity assumptions and reduced discount rates applied to the scheme valuation being partly offset by asset growth. The charge to operating profit in respect of the UK pension scheme for 2012/13 was £7.8m (2011/12: £7.8m). In addition, under IAS 19 there was a finance charge of £0.5m arising from the difference between the expected return on assets and the interest on liabilities (2011/12: £1.3m).

Amendments to the IAS 19 accounting standard will be effective for the 2013/14 financial year. This requires the replacement of the expected return on assets and interest charge on pension scheme liabilities with a net financing cost based on the discount rate. IAS 19 requires retrospective adoption and therefore prior periods will be restated.

The Group estimates the impact of the change, had it been effective in 2012/13, would have been to increase operating costs by £1.4m, increase the net interest expense by £6.2m, with compensating adjustments in other comprehensive income leaving equity unchanged. This would therefore, reduce profit after tax by £7.6m, and reduce headline and basic EPS by 7.6p.

The estimated impact for the 2013/14 year is to reduce operating profits by £1.7m (the Improvement Plan operating profit target will be impacted by the same amount) and increase the net interest expense by £6.7m and hence reduce headline and basic EPS by 8.4p.

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 is proud of the quality of its employees who are relied upon by customers around the world for their knowledge, dedication and expertise. In a period of ongoing change they have continued to meet the needs of our customers and embrace the necessary changes in the business and the Board thank them for their contribution and support.

BOARD CHANGES

Sir Julian Horn-Smith, who was appointed a Non-executive Director of the Company on 1 September 2009, stepped down as a Director on 31 December 2012 owing to his other business commitments. The Board would like to thank Julian for his wise counsel and significant contribution to the business.

Andrew Stevens (former CEO of Cobham plc) joined as a Non-executive Director of the Company on 2 January 2013, bringing extensive international experience in the technology and engineering sectors, having spent over thirty years operating across the globe.

Sir Jeremy Greenstock, who was appointed a Non-executive Director of the Company on 1 March 2005, and has served as the Senior Independent Director since January 2010, has decided to retire from the Board following the Annual General Meeting in July 2013. Jeremy has made an invaluable contribution during his time on the Board and the Group has benefited greatly from his sound advice and international experience. The Board thanks Jeremy for his commitment and guidance and wishes him well.

Warren East will become the Senior Independent Director with effect from 25 July 2013.

OUTLOOK

We enter the new financial year with increased cost savings identified and a strong pipeline of order opportunities, more than 10 per cent higher than at the same time last year. Whilst these opportunities must be secured for delivery in the year, the Board remains confident of achieving the 2013/14 Improvement Plan target of an operating profit in excess of £100m (excluding the impact of IAS 19).

-ends-

GROUP INCOME STATEMENT

For the period ended 30 March 2013

	Notes	2013 £m	2012 £m
Revenue		**483.7**	528.3
Operating expenses – ordinary		**(420.5)**	(465.2)
Operating expenses – exceptional	3	**(7.6)**	(24.8)
Total operating expenses		**(428.1)**	(490.0)
Operating profit		**55.6**	38.3
Comprising:			
Operating profit before exceptional items		**63.2**	63.1
Exceptional items	3	**(7.6)**	(24.8)
Profit before interest and taxation		**55.6**	38.3
Interest income		**0.2**	0.3
Interest expense		**(3.8)**	(4.4)
Retirement benefit obligation finance income		**39.3**	39.4
Retirement benefit obligation finance cost		**(39.8)**	(40.7)
Net finance expense		**(4.1)**	(5.4)
Profit before taxation		**51.5**	32.9
Comprising:			
Profit before tax and exceptional items		**59.1**	57.7
Exceptional items		**(7.6)**	(24.8)
Taxation	4	**(7.4)**	(0.7)
Profit for the year		**44.1**	32.2
Comprising:			
Profit for the year before exceptional items		**45.2**	43.8
Loss for the year on exceptional items		**(1.1)**	(11.6)
Profit attributable to equity shareholders of the Company		**43.1**	31.6
Profit attributable to non controlling interests		**1.0**	0.6
		44.1	32.2

Profit for the year attributable to the Company's equity holders		2013 £m	2012 £m
Earnings per share			
Basic	5	**43.3p**	31.8p
Diluted	5	**42.8p**	31.5p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 March 2013

	2013 £m	2012 £m
Profit for the financial year	**44.1**	32.2
Other comprehensive income		
Foreign currency translation differences for foreign operations	**1.0**	(3.9)
Net actuarial losses on retirement benefit obligations	**(37.3)**	(63.6)
Change in fair value of cash flow hedges	**(0.9)**	(0.8)
Change in fair value of cash flow hedges transferred to the income statement	**2.1**	(2.5)
Ineffective portion of change in fair value of cash flow hedges transferred to the income statement	**–**	0.3
Income tax relating to components of other comprehensive income	**7.4**	13.5
Other comprehensive income for the year, net of tax	**(27.7)**	(57.0)
Comprehensive income for the year	**16.4**	(24.8)
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**15.4**	(25.4)
Non controlling interests	**1.0**	0.6
	16.4	(24.8)

GROUP BALANCE SHEET

At 30 March 2013

	2013 £m	2012 £m
Assets		
Non current assets		
Property, plant and equipment	**179.7**	160.9
Intangible assets	**26.0**	24.2
Investments in associates and joint ventures	**0.1**	0.1
Deferred tax assets	**45.5**	40.4
	251.3	225.6
Current assets		
Inventories	**73.4**	68.6
Trade and other receivables	**89.2**	83.6
Current tax assets	**0.3**	0.6
Derivative financial instruments	**4.9**	5.9
Cash and cash equivalents	**24.8**	24.0
	192.6	182.7
Total assets	**443.9**	408.3
Liabilities		
Current liabilities		
Borrowings	**(101.5)**	(48.8)
Trade and other payables	**(167.4)**	(170.2)
Current tax liabilities	**(29.1)**	(33.6)
Derivative financial instruments	**(3.9)**	(5.6)
Provisions for other liabilities and charges	**(26.0)**	(40.2)
	(327.9)	(298.4)
Non current liabilities		
Retirement benefit obligations	**(169.1)**	(145.6)
Deferred tax liabilities	**(2.8)**	(1.3)
Derivative financial instruments	**(1.2)**	(0.9)
Provisions for other liabilities and charges	**(4.5)**	(6.9)
Other non current liabilities	**(5.0)**	(0.8)
	(182.6)	(155.5)
Total liabilities	**(510.5)**	(453.9)
Net liabilities	**(66.6)**	(45.6)
Equity		
Share capital	**45.8**	45.7
Share premium account	**31.9**	30.7
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**(0.3)**	(1.2)
Cumulative translation adjustment	**(0.4)**	(1.4)
Other reserves	**(83.8)**	(83.8)
Retained earnings	**(70.4)**	(45.4)
Total equity attributable to shareholders of the Company	**(71.3)**	(49.5)
Non controlling interests	**4.7**	3.9
Total equity	**(66.6)**	(45.6)

GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 30 March 2013

	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 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)
Comprehensive income for the year	–	–	–	0.9	1.0	–	13.5	1.0	16.4
Share capital issued	0.1	1.2	–	–	–	–	–	–	1.3
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	3.0	–	3.0
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.6	–	0.6
Dividends paid	–	–	–	–	–	–	(42.1)	(0.2)	(42.3)
Balance at 30 March 2013	**45.8**	**31.9**	**5.9**	**(0.3)**	**(0.4)**	**(83.8)**	**(70.4)**	**4.7**	**(66.6)**

GROUP CASH FLOW STATEMENT

For the period ended 30 March 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Profit before tax		**51.5**	32.9
Adjustments for:			
Finance income and expense		**4.1**	5.4
Depreciation and amortisation		**26.3**	26.6
Increase in inventory		**(4.1)**	(2.1)
(Increase)/decrease in trade and other receivables		**(6.9)**	6.6
(Decrease)/increase in trade and other payables		**(3.8)**	11.6
(Decrease)/increase in reorganisation provisions		**(10.4)**	17.3
Special pension fund contributions		**(16.2)**	(23.1)
Loss on disposal of property, plant, equipment and software intangibles		**0.3**	3.0
Other non cash movements		**(0.4)**	0.2
Cash generated from operating activities		**40.4**	78.4
Tax (paid)/received		**(7.5)**	7.1
Net cash flows from operating activities		**32.9**	85.5
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles		**(37.1)**	(32.1)
Development assets capitalised		**(3.7)**	(3.7)
Proceeds from sale of property, plant and equipment		**0.2**	0.4
Net cash flows from investing activities		**(40.6)**	(35.4)
Net cash (outflow)/inflow before financing activities		**(7.7)**	50.1
Cash flows from financing activities			
Proceeds from issue of share capital		**1.3**	1.7
Proceeds from/(repayments of) borrowings		**50.9**	(7.3)
Interest received		**0.2**	0.3
Interest paid		**(3.5)**	(3.5)
Dividends paid to shareholders		**(42.1)**	(42.0)
Dividends paid to non controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**6.6**	(51.0)
Net decrease in cash and cash equivalents in the year		**(1.1)**	(0.9)
Cash and cash equivalents at the beginning of the year		**22.5**	23.4
Exchange rate effects		**0.3**	–
Cash and cash equivalents at the end of the year		**21.7**	22.5
Cash and cash equivalents consist of:			
Cash at bank and in hand	7	**24.8**	24.0
Bank overdrafts	7	**(3.1)**	(1.5)
	7	**21.7**	22.5

1 Basis of preparation and accounting policies

The preliminary announcement for the period ended 30 March 2013 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union (EU) at 30 March 2013. Details of the accounting policies applied are those set out in De La Rue plc's Annual Report 2012.

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 30 March 2013 or 31 March 2012. The financial information for the period ended 30 March 2013 is derived from the statutory accounts for the period ended 30 March 2013 which will be delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 30 March 2013; 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 Holographics operation, previously part of Security Products, became part of the Currency business on which it largely depends from the first day of the 2012/13 financial year and comparatives have been re-presented accordingly.

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

2013	Currency	Solutions			Exceptional Items	Total
		Cash Processing Solutions	Security Products	Identity Systems		
	£m	£m	£m	£m	£m	£m
Total revenue	298.1	61.2	45.1	84.4	–	488.8
Less: Inter segment revenue	(1.9)	–	(3.2)	–	–	(5.1)
Revenue	296.2	61.2	41.9	84.4	–	483.7
Operating profit before exceptional items	38.0	–	8.9	16.3	–	63.2
Exceptional items – operating	(1.8)	–	(2.1)	–	(3.7)	(7.6)
Operating profit/(loss)	36.2	–	6.8	16.3	(3.7)	55.6
Net interest expense						(3.6)
Retirement benefit obligations net finance expense						(0.5)
Profit before taxation						51.5
Segment assets	220.8	21.8	45.5	49.3	–	337.4
Unallocated assets						106.5
Total assets						443.9
Segment liabilities	(112.2)	(8.9)	(23.8)	(21.9)	–	(166.8)
Unallocated liabilities						(343.7)
Total liabilities						(510.5)
Capital expenditure on property, plant and equipment	33.3	1.7	6.8	0.4	–	42.2
Capital expenditure on intangible assets	3.1	1.0	–	0.1	–	4.2
Depreciation of property, plant and equipment	17.6	1.8	0.9	3.1	–	23.4
Amortisation of intangible assets	1.3	1.0	–	0.6	–	2.9

2012	Currency (re-presented)	Solutions: Cash Processing Solutions	Solutions: Security Products (re-presented)	Solutions: Identity Systems	Exceptional Items	Total
	£m	£m	£m	£m	£m	£m
Total revenue	340.6	65.7	51.4	75.2	–	532.9
Less: Inter segment revenue	(1.6)	–	(3.0)	–	–	(4.6)
Revenue	339.0	65.7	48.4	75.2	–	528.3
Operating profit before exceptional items	45.5	2.0	7.1	8.5	–	63.1
Exceptional items – operating	(11.8)	–	(9.0)	–	(4.0)	(24.8)
Operating profit/(loss)	33.7	2.0	(1.9)	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	200.2	40.7	17.3	48.6	–	306.8
Unallocated assets						101.5
Total assets						408.3
Segment liabilities	(103.3)	(25.4)	(11.0)	(27.0)	–	(166.7)
Unallocated liabilities						(287.2)
Total liabilities						(453.9)
Capital expenditure on property, plant and equipment	25.8	0.9	1.6	2.8	–	31.1
Capital expenditure on intangible assets	1.6	2.1	–	0.4	–	4.1
Depreciation of property, plant and equipment	17.3	1.9	1.9	3.0	–	24.1
Amortisation of intangible assets	0.9	0.5	–	1.1	–	2.5

Unallocated assets principally comprise deferred tax assets of £45.5m (2011/12: £40.4m), cash and cash equivalents of £24.8m (2011/12: £24.0m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £4.9m (2011/12: £5.9m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £169.1m (2011/12: £145.6m), borrowings of £101.5m (2011/12: £48.8m), current tax liabilities of £29.1m (2011/12: £33.6m) and derivative financial instrument liabilities of £5.1m (2011/12: £6.5m) as well as deferred tax liabilities and centrally held accruals and provisions.

3 Exceptional items

	2013 £m	2012 £m
Site relocation and restructuring	**(7.6)**	(24.1)
Costs relating to paper production quality issues	**–**	(0.7)
Total exceptional items	**(7.6)**	(24.8)
Tax credit on exceptional items	**6.5**	13.2

Exceptional costs of £7.6m have been incurred in 2012/13 in connection with the ongoing costs of implementing the Improvement Plan (2011/12: £24.8m). This brings the cumulative exceptional charges taken in respect of the Improvement Plan to a total of £31.7m. The cash cost of exceptional items in the period was £17.3m (2011/12: £3.7m) bringing the cumulative cash cost under the Improvement Plan to date of £21.0m.

The £7.6m exceptional operating charge reported in 2012/13 (2011/12: £24.8m) comprised £0.8m (2011/12: £11.3m) in staff compensation, £0.2m (2011/12: £1.1m) of fixed asset impairment charges, £4.3m (2011/12: £8.8m) for site exit costs and £2.3m (2011/12: £2.9m) in other associated reorganisation costs. The exceptional charge in 2011/12 also included additional costs (reported under the Currency segment) of £0.7m associated with the paper quality issue that arose in 2010/11.

Tax credits relating to exceptional items arising in the period were £2.1m (2011/12: £6.2m). In addition there was an exceptional credit of £4.4m (2011/12: £7.0m) in respect of the determination of the tax treatment of prior year exceptional items.

4 Taxation

	2013 £m	2012 £m
Consolidated income statement		
Current tax:		
UK corporation tax:		
– Current tax	**8.2**	7.6
– Adjustment in respect of prior years	**(3.8)**	(6.8)
	4.4	0.8
Overseas tax charges:		
– Current year	**3.9**	3.7
– Adjustment in respect of prior years	**(1.0)**	1.0
	2.9	4.7
Total current income tax expense	**7.3**	5.5
Deferred tax:		
– Origination and reversal of temporary differences, UK	**(1.2)**	(6.3)
– Origination and reversal of temporary differences, Overseas	**1.3**	1.5
Total deferred tax expense/(credit)	**0.1**	(4.8)
Total income tax expense in the consolidated income statement	**7.4**	0.7
Attributable to:		
– Ordinary activities	**13.9**	13.9
– Exceptional items	**(6.5)**	(13.2)

Consolidated statement of comprehensive income:		
– On pension actuarial adjustments	**(7.5)**	(12.7)
– On cash flow hedges	**0.3**	(0.8)
– On foreign exchange on quasi equity balances	**(0.2)**	–
Income tax credit reported within comprehensive income	**(7.4)**	(13.5)

Consolidated statement of changes in equity:		
– On share options	**(0.6)**	(0.4)
Income tax credit reported within equity	**(0.6)**	(0.4)

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 24 per cent as follows:

	2013 Before exceptional items £m	2013 Exceptional items £m	2013 Total £m	2012 Before exceptional items £m	2012 Exceptional items £m	2012 Total £m
Profit before tax	**59.1**	**(7.6)**	**51.5**	57.7	(24.8)	32.9
Tax calculated at UK tax rate of 24 per cent (2012: 26 per cent)	**14.2**	**(1.8)**	**12.4**	15.0	(6.4)	8.6
Effects of overseas taxation	**(0.7)**	**–**	**(0.7)**	(1.3)	–	(1.3)
Expenses/(credits) not allowable for tax purposes	**1.3**	**(0.3)**	**1.0**	1.2	0.5	1.7
Increase in/(usage of) unutilised tax losses	**0.3**	**–**	**0.3**	0.1	(0.3)	(0.2)
Adjustments in respect of prior years	**(1.1)**	**(4.4)**	**(5.5)**	(0.7)	(7.0)	(7.7)
Change in UK tax rate	**(0.1)**	**–**	**(0.1)**	(0.4)	–	(0.4)
Tax charge/(credit)	**13.9**	**(6.5)**	**7.4**	13.9	(13.2)	0.7

The underlying effective tax rate excluding exceptional items was 23.5 per cent (2011/12: 24.1 per cent).

5 Earnings per share

	2013 pence per share	2012 pence per share
Total operations		
Basic earnings per share	**43.3**	31.8
Diluted earnings per share	**42.8**	31.5
Headline		
Basic earnings per share	**44.4**	43.5
Diluted earnings per share	**43.9**	43.1

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	**2013 £m**	2012 £m
Earnings for basic and diluted earnings per share	**43.1**	31.6
Exceptional items	**7.6**	24.8
Less: Tax on exceptional items	**(6.5)**	(13.2)
Earnings for headline earnings per share	**44.2**	43.2

Weighted average number of ordinary shares	**2013 Number m**	2012 Number m
For basic earnings per share	**99.6**	99.3
Dilutive effect of share options	**1.1**	0.9
For diluted earnings per share	**100.7**	100.2

6 Equity dividends

	2013 £m	2012 £m
Final dividend for the period ended 31 March 2012 of 28.2p paid on 2 August 2012	**28.1**	–
Interim dividend for the period ended 29 September 2012 of 14.1p paid on 9 January 2013	**14.0**	–
Final dividend for the period 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
	42.1	42.0

A final dividend per equity share of 28.2p has been proposed for the period ended 30 March 2013, payable on 1 August 2013. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

7 Analysis of net debt

	2013 £m	2012 £m
Cash at bank and in hand	**24.8**	24.0
Bank overdrafts	**(3.1)**	(1.5)
Total cash and cash equivalents	**21.7**	22.5
Borrowings due within one year	**(98.4)**	(47.3)
Net debt	**(76.7)**	(24.8)

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 has been made in prior years 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 30 March 2013, being the last Saturday in March. The comparatives for the 2011/12 financial year are for the period ended 31 March 2012.

10 Statutory accounts

Statutory accounts for the period ended 30 March 2013 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:

	2012/13		2011/12	
	Avg	**Year End**	**Avg**	**Year End**
US dollar	1.58	1.52	1.60	1.60
Euro	1.22	1.18	1.16	1.20

12 De La Rue financial calendar : 2013/14

Ex-dividend date for 2012/13 final dividend	3 July 2013
Record date for final dividend	5 July 2013
Annual General Meeting	25 July 2013
Payment of 2012/13 final dividend	1 August 2013