PRESS RELEASE

DeLaRue

DE LA RUE PLC
PRELIMINARY STATEMENT
PERIOD TO 29 MARCH 2014

KEY FINANCIALS

	2013/14	2012/13*	*Change*
Revenue	**£513.3m**	£483.7m	*6%*
Underlying operating profit **	**£90.5m**	£63.2m	*43%*
Underlying profit before tax ***	**£77.3m**	£51.3m	*51%*
Reported profit before tax	**£59.8m**	£43.7m	*37%*
Underlying earnings per share ***	**60.7p**	38.5p	*58%*
Basic earnings per share	**47.3p**	37.4p	*26%*
Dividend per share	**42.3p**	42.3p	

* Restated to reflect the amendments to IAS 19R Employee Benefits

** Underlying operating profit is defined as operating profit before exceptional charges of £17.5m (2012/13: £7.6m). The IAS 19R administration charge (2013/14: £1.2m, 2012/13: £1.7m) has also been excluded above as we consider this to be useful to the users of the accounts given the importance of the Group's Improvement Plan operating profit target, which was stated before exceptional items and IAS 19R

*** Underlying profit before tax and EPS are reported before the exceptional charges noted above and exceptional tax credits of £4.2m (2012/13: £6.5m)

The Directors are of the opinion that these measures give a better indication of underlying performance

HEADLINES

- Underlying operating profit up 43% to £90.5m
- Improvement Plan delivers £20m in 2013/14, annual savings of £40m over the life of the Plan
- Banknote print volumes similar to prior year at 6.2bn notes
- Banknote paper volumes up 10% to 9,600 tonnes
- Modest net debt at £90m
- Year end 12 month order book of £218m
- Underlying EPS up 58% to 60.7p

Philip Rogerson, Chairman, commented:

"I am pleased to report a strong year of trading with underlying operating profit up 43 per cent at £90m despite a more challenging Currency market.

These results reflect the significant progress that De La Rue has made through implementing the three year Improvement Plan which has grown profits from £40m in 2010/11 to £90m in 2013/14. De La Rue is in fundamentally better shape today and with a culture of continuous improvement embedded in our business there will be further efficiencies ahead.

We entered the new financial year with a good order book albeit reflecting the recent more difficult pricing environment in the Currency market. The Board's expectations for 2014/15 remain unchanged."

Enquiries:

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A presentation to analysts will take place at 09:00 on 28 May 2014 at the Lincoln Centre, 18 Lincoln's Inn Fields, WC2A 3ED. There will be a simultaneous audio webcast of the meeting. For the live webcast, please register at www.delarue.com

28 May 2014

NOTES TO EDITORS

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

De La Rue also produces a wide range of other security products, including tax stamps, authentication labels and identity documents and manufactures high speed cash sorting and banknote inspection equipment.

De La Rue's Currency division provides customers with a full range of sophisticated products and services which are available either individually or as a whole. This includes design, production of security components, manufacture of paper and polymer substrates and printing of banknotes.

Within the Solutions division, a similar integrated offering from design to manufacture is available. In addition De La Rue offers a range of specialist services and software solutions including government identity schemes, product authentication systems and cash management processing solutions

In recent years De La Rue has been involved in the production of over 150 national currencies, and passports or identity systems for over 65 countries.

De La Rue employs approximately 4,000 people worldwide and is listed on the London Stock Exchange.

DE LA RUE PLC

PRELIMINARY STATEMENT - PERIOD TO 29 MARCH 2014

In 2013/14 De La Rue grew underlying operating profit by 43 per cent and revenue by 6 per cent. These results demonstrate the significant progress the Group has made by implementing its three year Improvement Plan which has seen profit grow from £40m in 2010/11 to £90m in 2013/14.

The Group's 12 month order book at 29 March 2014 was £218m, 5 per cent higher than the prior year end. The Currency business' order position was up 8 per cent reflecting some significant contract wins albeit at reduced contribution levels. These reduced contribution levels reflect the continuing overcapacity in the banknote paper market which has led to a more difficult pricing environment in the printed banknote market.

Amendments to the IAS 19 accounting standard are 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 as well as the recognition of the pension scheme administration costs in operating profit. The impact of IAS 19 in the current period has been to reduce underlying operating profit from £90.5m to £89.3m, comparatives have been restated as required by the standard.

FINANCIAL RESULTS

Underlying operating profit (after IAS 19 adjustments) was up significantly at £89.3m (2012/13: £61.5m) reflecting the benefits of the Improvement Plan, increased paper and component volumes and a strong performance in Identity Systems offsetting a less favourable product mix in Currency and reduced volumes in CPS. The Improvement Plan realised savings of £20m in the period, bringing the annual savings under the Plan to £40m. The Group underlying operating profit margin improved to 17.4 per cent (2012/13: 12.7 per cent). Foreign exchange movements adversely impacted revenue by £3m but improved operating profit by £2m (2012/13: adverse £3m and £2m respectively).

Underlying profit before tax increased by 51 per cent to £77.3m (2012/13: £51.3m) despite higher net finance costs of £4.7m (2012/13: £3.6m) and IAS 19 finance charges of £7.3m (2012/13: £6.6m). Underlying earnings per share increased by 58 per cent to 60.7p (2012/13: 38.5p). Exceptional charges in the year totalled £17.5m (2012/13: £7.6m) predominantly due to asset impairments in relation to the CPS business and the cost of implementing the Improvement Plan. Basic earnings per share were 47.3p (2012/13: 37.4p).

The Group has generated a good underlying operating cash flow of £99.1m (2012/13: £73.0m). Net debt at 29 March 2014 remained modest at £89.9m, up £13.2m from the prior year end.

DIVIDEND

The Board is recommending a final dividend of 28.2p per share (2012/13: 28.2p per share). Together with the interim dividend paid in January 2014, this will give a total dividend for the year of 42.3p per share (2012/13: 42.3p per share). Subject to approval by shareholders, the final dividend will be paid on 1 August 2014 to shareholders on the register on 4 July 2014.

IMPROVEMENT PLAN

2013/14 was the final year of the three year Improvement Plan which provided a strong emphasis and focus on the key areas of customers, revenue growth and cost reduction and included a programme of investment to improve manufacturing capability, quality and efficiency. Although the benefits of the Improvement Plan have been achieved, its culture of continuous improvement has been embedded within the Group and will lead to further efficiency gains in the future.

Initiatives under the Improvement Plan have delivered the following:

- Country plans; firmly established throughout the business and are integral to the sales planning process
- Innovation; new industry leading technology centre fully operational with a good new product pipeline
- Process improvement; £19m of cost and efficiency savings delivered over the Plan
- Procurement; £14m of savings delivered over the Plan
- Facility optimisation; two facilities consolidated into existing footprint generating savings of £7m
- Standardisation; sales and operational planning process deployed

Although good progress continues to be made on revenue growth initiatives, we have yet to see their full benefit due to the more challenging market conditions.

STRATEGY

Central banks, governments and commercial organisations rely on our products and solutions to deliver security and maintain confidence when conducting their everyday transactions. With increasing globalisation and technological developments, the ability to buy things securely, to protect identity, revenues and brands, and to fight counterfeiting and illicit trade are of increasing importance. De La Rue offers a proven track record in innovation, sophisticated design capabilities and in the production and delivery of high quality products and services.

Our vision is to be the leading provider of secure products and services, touching the lives of everyone, every day. Our strategy supporting this vision is to be a lean, professional and innovative leader in the markets in which we operate.

We will achieve our vision by

- Building on long term mutually beneficial partnerships through a sustained focus on customers, innovation, professionalism and operational excellence
- Investing in our people, assets, processes and innovation, to ensure we have the technology and capacity to meet customer needs and maintain an industry leading position

In our Currency business we will

- Continue to invest in technology
- Grow Safeguard™, our polymer substrate offering
- Address opportunities across the whole market from state print works to central banks, with particular focus on the sale of security components such as threads and holographic stripes and patches
- Improve lead times through investing in continuous improvement and capability
- Deliver operational excellence in our supply chain by focusing on quality, cost and delivery

In our Solutions business we will focus on key growth areas

- Build on our position as the world's largest commercial producer of passports and address the growing market demand for ePassports
- Support governments in their efforts to collect tax revenues through the introduction of the latest product authentication software solutions

The successful execution of the strategy will provide shareholders with increasing value from each of our businesses and from the Group as a whole by delivering:

- Sustainable revenue growth over the longer term
- Improved profitability through continuous improvement
- Strong cash flows
- Increased returns to shareholders

OPERATING REVIEWS
Currency

	2013/14	2012/13	Change
Banknote print volume (bn notes)	**6.2**	6.3	*(2%)*
Banknote paper output ('000 tonnes)	**9.6**	8.7	*10%*
	£m	£m	
Revenue	**342.7**	298.1	*15%*
Underlying operating profit*	**62.0**	38.0	*63%*

*Segmental underlying operating profit is stated before exceptional items

Banknote print volume at 6.2bn notes was similar to the prior year (2012/13: 6.3bn). Paper output volume was up 10 per cent at 9,600 tonnes (2012/13: 8,700 tonnes) despite the continuing overcapacity in the banknote paper market.

Revenue grew by 15 per cent to £342.7m (2012/13: £298.1m) largely due to increased direct banknote paper and component sales. In addition the average price of banknotes sold was higher than in the corresponding period albeit below the historic average for this mix of work. Underlying operating profit improved by 63 per cent to £62.0m (2012/13: £38.0m) principally reflecting the benefits from the ongoing cost reduction programme together with the positive impact of the higher revenues.

At the year end, the Currency 12 month order book, excluding currently suspended orders, was up 8 per cent at £170m (2012/13: £158m). The level of early orders for 2015/16 is encouraging.

Solutions

	2013/14 £m	2012/13 £m	Change
Revenue:			
Cash Processing Solutions	**57.4**	61.2	*(6%)*
Security Products	**46.2**	45.1	*2%*
Identity Systems	**77.6**	84.4	*(8%)*
Total Solutions	**181.2**	190.7	*(5%)*
Underlying operating profit/(loss):*			
Cash Processing Solutions	**(4.1)**	-	
Security Products	**10.6**	8.9	*19%*
Identity Systems	**22.0**	16.3	*35%*
Total Solutions	**28.5**	25.2	*13%*

*Segmental underlying operating profit is stated before exceptional items

Cash Processing Solutions (CPS)

The CPS business performance was disappointing with revenues 6 per cent lower mainly reflecting reduced large sorter sales and a reduction in service revenue. The lower revenue and increased machine trial costs on prospective orders resulted in an underlying operating loss of £4.1m (2012/13: £nil). The business has a target of achieving breakeven in 2014/15.

The carrying value of the CPS intangible and tangible assets has been reviewed in the light of the poor trading performance of this business. This has resulted in a non-cash exceptional asset impairment charge of £14.2m (see note 3).

Security Products

Revenue grew by 2 per cent to £46.2m (2012/13: £45.1m) mainly due to increased passport and other security paper volumes. Underlying operating profit increased to £10.6m (2012/13: £8.9m) mainly reflecting the benefits of the Improvement Plan and the full year effect of reduced costs following the relocation of manufacturing from Dunstable to the Gateshead factory.

Identity Systems (IDS)

The Identity Systems business performed strongly throughout the year. Although revenue declined by 8 per cent to £77.6m (2012/13: £84.4m), largely as the corresponding period included one off sales in relation to the HM Passport Office regional office roll out project, underlying operating profit increased to £22.0m (2012/13: £16.3m). The increase in underlying operating profit reflects a strong performance across all operations largely generated by further operating efficiencies and within the International part of the business, an unusually high number of longer term contracts completed in the year.

Solutions Order Book

At the year end, the Solutions 12 month order book was £48m (2012/13: £49m). These figures exclude order volumes which have yet to be confirmed on committed contracts.

INTEREST

The Group's net interest charge increased to £4.7m (2012/13: £3.6m) predominantly reflecting the higher average level of net debt during the period. The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was £7.3m (2012/13: £6.6m).

EXCEPTIONAL ITEMS

During the period exceptional costs of £17.5m have been charged (2012/13: £7.6m).

The costs of implementing the Improvement Plan in the current financial year were £3.5m (2012/13: £7.6m). This brings the cumulative exceptional charges taken in respect of the Improvement Plan to a total of £35.2m and a cumulative cash cost to date of £29.0m.

In addition, £1.1m of charges were incurred in connection with the preparation of bids for the supply of products or services under multi year arrangements, £2.2m of charges with regard to the resolution of an overseas historic indirect tax liability, £1.0m of legal and professional fees incurred in relation to an aborted acquisition and £14.2m in respect of asset impairments in relation to the CPS business (see note 3 for details). These costs were partly offset by a gain on the sale of fixed assets of £4.5m. The 2013/14 net cash cost of exceptional items was £4.0m.

TAXATION

The net tax charge for the year was £11.9m (2012/13: £5.5m). The effective tax rate, before exceptional items, was 20.8 per cent (2012/13: 23.4 per cent), reflecting the reduction in the UK statutory tax rates and the benefit of the introduction of the UK patent box regime.

Tax credits relating to exceptional items arising in the period were £0.9m (2012/13: £2.1m). In addition there was an exceptional credit of £3.3m (2012/13: £4.4m) in respect of the determination of the tax treatment of prior year exceptional items, of which £1.7m credit related to discontinued operations.

CASH FLOW AND BORROWINGS

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £99.1m (2012/13: £73.0m). This represents a cash conversion ratio (underlying operating cash flow divided by underlying operating profit) of 111 per cent (2012/13: 119 per cent).

Cash expenditure on items such as capital investment, special pension contributions, dividends and tax totalled £112.3m. After allowing for the underlying operating cash flow income of £99.1m this resulted in an increase in net debt to £89.9m (2012/13: £76.7m).

The Group utilises a £200m revolving credit facility which expires in December 2016. The key financial covenants on this facility, which the Group has operated well within throughout the period, 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 18.0 times, Net debt/EBITDA of 0.83 times.

UK PENSION SCHEME

Pension deficit and funding

During 2013/14, special funding payments of £11.5m 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 that the scheme had a deficit of £180m. The special funding arrangements 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 29 March 2014 of £165.6m broadly unchanged from the prior year (30 March 2013: £166.7m). The charge to operating profit in respect of the UK defined benefit pension scheme for 2013/14 was £1.2m (2012/13: £1.7m). In addition, under IAS 19 there was a finance charge of £7.3m arising from the difference between the expected return on assets and the interest on liabilities (2012/13: £6.6m).

Amendments to the IAS 19 accounting standard are 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 have been restated. The impact of the change has been to increase operating costs by £1.2m (2012/13: £1.7m), increase the net interest expense by £6.7m (2012/13: £6.1m) and reduce taxation by £1.8m (2012/13: £1.9m), with compensating adjustments in other comprehensive income leaving equity unchanged. This has reduced profit after tax by £6.1m (2012/13: £5.9m), and reduced underlying and basic EPS by 6.1p (2012/13: 5.9p).

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 remain a vital part of its success. The results this year clearly demonstrate their dedication and hard work and the Board would like to thank everyone for their contribution in the past twelve months.

BOARD CHANGES

Tim Cobbold resigned from the Board as Chief Executive on 29 March 2014 and the Board would like to record its appreciation of Tim's significant contribution over the past three years.

On the same date Philip Rogerson assumed executive responsibilities until a new Chief Executive joins the Board. Philip now chairs De La Rue's Executive Committee and is being supported by Colin Child, Group Finance Director, who was appointed Chief Operating Officer on a similar temporary basis. The Board's Nomination Committee is well advanced in the search to identify a suitable candidate for the role.

OUTLOOK

While current market conditions remain challenging, the fundamental strengths of the business provide a strong foundation from which to deliver enhanced shareholder value.

De La Rue entered the new financial year with a good order book albeit reflecting the recent more difficult pricing environment in the Currency market. The Board's expectations for 2014/15 remain unchanged.

-ends-

GROUP INCOME STATEMENT

For the period ended 29 March 2014

	Notes	2014 £m	2013* £m
Revenue		**513.3**	483.7
Operating expenses – ordinary		**(424.0)**	(422.2)
Operating expenses – exceptional	3	**(17.5)**	(7.6)
Total operating expenses		**(441.5)**	(429.8)
Operating profit		**71.8**	53.9
Comprising:			
Underlying operating profit before IAS 19R		**90.5**	63.2
Defined benefit pension administration costs (IAS 19R)**		**(1.2)**	(1.7)
Exceptional items	3	**(17.5)**	(7.6)
Profit before interest and taxation		**71.8**	53.9
Interest income		**0.2**	0.2
Interest expense		**(4.9)**	(3.8)
Retirement benefit obligation net finance cost		**(7.3)**	(6.6)
Net finance expense		**(12.0)**	(10.2)
Profit before taxation		**59.8**	43.7
Comprising:			
Underlying profit before tax		**77.3**	51.3
Exceptional items		**(17.5)**	(7.6)
Taxation	4	**(11.9)**	(5.5)
Profit for the year		**47.9**	38.2
Comprising:			
Underlying profit for the year		**61.2**	39.3
Loss for the year on exceptional items		**(13.3)**	(1.1)
Profit attributable to equity shareholders of the Company		**47.3**	37.2
Profit attributable to non-controlling interests		**0.6**	1.0
		47.9	38.2

Profit for the year attributable to the Company's equity holders		2014 £m	2013* £m
Earnings per share			
Basic	5	**47.3p**	37.4p
Diluted	5	**47.0p**	36.9p

*Restated to reflect the amendments to IAS 19R Employee benefits (IAS 19R) – see note 1

**The impact of IAS 19R on operating profit has been separately disclosed above as we consider this to be useful to the users of the accounts given the importance of the Group's Improvement Plan operating profit target, which was stated before exceptional items and IAS 19R

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 29 March 2014

	2014 £m	2013* £m
Profit for the year	**47.9**	38.2
Other comprehensive income		
Items that are not reclassified subsequently to profit or loss:		
Remeasurement losses on retirement benefit obligations	**(2.1)**	(29.5)
Tax related to remeasurement of net defined benefit liability	**(4.7)**	5.6
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	**(2.5)**	1.0
Change in fair value of cash flow hedges	**(4.2)**	(0.9)
Change in fair value of cash flow hedges transferred to profit or loss	**0.6**	2.1
Income tax relating to components of other comprehensive income	**0.2**	(0.1)
Other comprehensive income for the year, net of tax	**(12.7)**	(21.8)
Comprehensive income for the year, net of tax	**35.2**	16.4
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**34.6**	15.4
Non-controlling interests	**0.6**	1.0
	35.2	16.4

*Restated to reflect the amendments to IAS 19R Employee benefits – see note 1

GROUP BALANCE SHEET

At 29 March 2014

	2014 £m	2013 £m
Assets		
Non-current assets		
Property, plant and equipment	**184.3**	179.7
Intangible assets	**18.1**	26.0
Investments in associates and joint ventures	**0.1**	0.1
Deferred tax assets	**37.5**	45.5
Derivative financial assets	**0.4**	–
	240.4	251.3
Current assets		
Inventories	**77.1**	73.4
Trade and other receivables	**105.0**	89.2
Current tax assets	**0.2**	0.3
Derivative financial assets	**2.3**	4.9
Cash and cash equivalents	**57.9**	24.8
	242.5	192.6
Total assets	**482.9**	443.9
Liabilities		
Current liabilities		
Borrowings	**(147.8)**	(101.5)
Trade and other payables	**(170.9)**	(167.4)
Current tax liabilities	**(27.6)**	(29.1)
Derivative financial liabilities	**(5.8)**	(3.9)
Provisions for liabilities and charges	**(21.1)**	(26.0)
	(373.2)	(327.9)
Non-current liabilities		
Retirement benefit obligations	**(168.0)**	(169.1)
Deferred tax liabilities	**(1.3)**	(2.8)
Derivative financial liabilities	**(1.5)**	(1.2)
Provisions for liabilities and charges	**(2.1)**	(4.5)
Other non-current liabilities	**(7.2)**	(5.0)
	(180.1)	(182.6)
Total liabilities	**(553.3)**	(510.5)
Net liabilities	**(70.4)**	(66.6)
Equity		
Share capital	**46.3**	45.8
Share premium account	**35.3**	31.9
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**(3.2)**	(0.3)
Cumulative translation adjustment	**(3.4)**	(0.4)
Other reserves	**(83.8)**	(83.8)
Retained earnings	**(72.6)**	(70.4)
Total equity attributable to shareholders of the Company	**(75.5)**	(71.3)
Non-controlling interests	**5.1**	4.7
Total equity	**(70.4)**	(66.6)

GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 29 March 2014

	Attributable to equity shareholders							Non-controlling interests	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 31 March 2012	45.7	30.7	5.9	(1.2)	(1.4)	(83.8)	(45.4)	3.9	(45.6)
Profit for the year	–	–	–	–	–	–	37.2	1.0	38.2
Other comprehensive income for the year, net of tax	–	–	–	0.9	1.0	–	(23.7)	–	(21.8)
Total comprehensive income for the year	–	–	–	0.9	1.0	–	13.5	1.0	16.4
Transactions with owners of the Company recognised directly in equity:									
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)
Profit for the year	–	–	–	–	–	–	47.3	0.6	47.9
Other comprehensive income for the year, net of tax	–	–	–	(2.9)	(3.0)	–	(6.8)	–	(12.7)
Total comprehensive income for the year	–	–	–	(2.9)	(3.0)	–	40.5	0.6	35.2
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.5	3.4	–	–	–	–	–	–	3.9
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(0.2)	–	(0.2)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.3)	–	(0.3)
Dividends paid	–	–	–	–	–	–	(42.2)	(0.2)	(42.4)
Balance at 29 March 2014	**46.3**	**35.3**	**5.9**	**(3.2)**	**(3.4)**	**(83.8)**	**(72.6)**	**5.1**	(70.4)

GROUP CASH FLOW STATEMENT

For the period ended 29 March 2014

	Notes	2014 £m	2013* £m
Cash flows from operating activities			
Profit before tax		**59.8**	43.7
Adjustments for:			
Finance income and expense		**12.0**	10.2
Depreciation and amortisation		**28.3**	26.3
Increase in inventory		**(6.1)**	(4.1)
Increase in trade and other receivables		**(11.5)**	(6.9)
Decrease in trade and other payables		**(0.9)**	(3.8)
Decrease in reorganisation provisions		**(6.0)**	(10.4)
Special pension fund contributions		**(11.5)**	(16.2)
(Profit)/loss on disposal of property, plant, equipment and software intangibles		**(4.0)**	0.3
Asset impairment		**14.2**	–
Other non-cash movements		**(0.4)**	1.3
Cash generated from operating activities		**73.9**	40.4
Tax paid		**(11.2)**	(7.5)
Net cash flows from operating activities		**62.7**	32.9
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles		**(34.9)**	(37.1)
Development assets capitalised		**(4.7)**	(3.7)
Proceeds from sale of property, plant and equipment		**8.1**	0.2
Net cash flows from investing activities		**(31.5)**	(40.6)
Net cash flows before financing activities		**31.2**	(7.7)
Cash flows from financing activities			
Proceeds from issue of share capital		**3.8**	1.3
Proceeds from borrowings		**47.2**	50.9
Interest received		**0.2**	0.2
Interest paid		**(4.6)**	(3.5)
Dividends paid to shareholders		**(42.2)**	(42.1)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**4.2**	6.6
Net increase/(decrease) in cash and cash equivalents in the year		**35.4**	(1.1)
Cash and cash equivalents at the beginning of the year		**21.7**	22.5
Exchange rate effects		**(0.9)**	0.3
Cash and cash equivalents at the end of the year		**56.2**	21.7
Cash and cash equivalents consist of:			
Cash at bank and in hand	7	**55.7**	24.8
Short term bank deposits	7	**2.2**	–
Bank overdrafts	7	**(1.7)**	(3.1)
	7	**56.2**	21.7

*Restated to reflect the amendments to IAS 19R Employee benefits – see note 1

1 Basis of preparation and accounting policies

The preliminary announcement for the period ended 29 March 2014 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively “IFRS”) as adopted by the European Union (EU) at 29 March 2014. Details of the accounting policies applied are those set out in De La Rue plc’s annual report 2013.

During the period a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group’s net cash flows, financial position, total comprehensive income or earnings per share, other than IAS 19 - Employee benefits, which requires retrospective adoption and therefore prior periods have been restated.

As a result of IAS 19 (2011) the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit scheme. Under IAS 19 (2011) the Group determines the net interest income for the period on the net defined asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset at the beginning of the annual period, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. In addition, pension administration charges are now charged against operating profit.

The impact of the change has been to increase operating costs by £1.2m (2012/13: £1.7m), increase the net interest expense by £6.7m (2012/13: £6.1m) and reduce taxation by £1.8m (2012/13: £1.9m), with compensating adjustments in other comprehensive income leaving equity unchanged. This has reduced profit after tax by £6.1m (2012/13: £5.9m), and reduced underlying and basic EPS by 6.1p (2012/13: 5.9p).

A number of other new and amended IFRS were issued during the year which do not become effective until after 29 March 2014. None of these are likely to have a material impact on the Group for the 2014/15 year.

The financial information set out above does not constitute the Group’s statutory accounts for the periods ended 29 March 2014 or 30 March 2013. The financial information for the period ended 29 March 2014 is derived from the statutory accounts for the period ended 29 March 2014 which will be delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 29 March 2014; 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 underlying operating profit, measured on an IFRS basis.

The Group’s segments are:

- Currency - provides banknote paper, printed banknotes and banknote security components
- 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

Inter-segmental transactions are carried out on an arms length basis and eliminated upon consolidation.

2014	Currency	Solutions: Cash Processing Solutions	Solutions: Security Products	Solutions: Identity Systems	Unallocated	Total
	£m	£m	£m	£m	£m	£m
Total revenue	342.7	57.4	46.2	77.6	–	523.9
Less: inter-segment revenue	(1.9)	(4.2)	(4.5)	–	–	(10.6)
Revenue	340.8	53.2	41.7	77.6	–	513.3
Underlying operating profit	62.0	(4.1)	10.6	22.0	–	90.5
Defined benefit pension administration cost					(1.2)	(1.2)
Exceptional items – operating (note 3)	0.5	(16.9)	1.3	–	(2.4)	(17.5)
Operating profit/(loss)	62.5	(21.0)	11.9	22.0	(3.6)	71.8
Net interest expense					(4.7)	(4.7)
Retirement benefit obligations net finance expense					(7.3)	(7.3)
Profit before taxation						59.8
Segment assets	247.7	35.6	26.4	39.8	133.4	482.9
Segment liabilities	(133.0)	(11.4)	(7.7)	(21.9)	(379.3)	(553.3)
Capital expenditure on property, plant and equipment	35.2	0.6	1.4	1.7	–	38.9
Capital expenditure on intangible assets	1.9	2.5	2.2	0.1	–	6.7
Depreciation of property, plant and equipment	17.1	1.3	2.0	3.4	–	23.8
Impairment of property, plant and equipment	–	3.6	–	–	–	3.6
Amortisation of intangible assets	1.3	2.7	–	0.5	–	4.5
Impairment of intangible assets	–	10.6	–	–	–	10.6

2013*	Currency	Solutions: Cash Processing Solutions	Solutions: Security Products	Solutions: Identity Systems	Unallocated	Total
	£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
Underlying operating profit	38.0	–	8.9	16.3	–	63.2
Defined benefit pension administration cost					(1.7)	(1.7)
Exceptional items – operating (note 3)	(1.8)	–	(2.1)	–	(3.7)	(7.6)
Operating profit/(loss)	36.2	–	6.8	16.3	(5.4)	53.9
Net interest expense					(3.6)	(3.6)
Retirement benefit obligations net finance expense					(6.6)	(6.6)
Profit before taxation						43.7
Segment assets	220.8	49.3	21.8	45.5	106.5	443.9
Segment liabilities	(112.2)	(21.9)	(8.9)	(23.8)	(343.7)	(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

*Restated to reflect the amendments to IAS 19R Employee benefits – see note 1

Unallocated assets principally comprise deferred tax assets of £37.5m (2012/13: £45.5m), cash and cash equivalents of £57.9m (2012/13: £24.8m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £2.7m (2012/13: £4.9m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £168.0m (2012/13: £169.1m), borrowings of £147.8m (2012/13: £101.5m), current tax liabilities of £27.6m (2012/13: £29.1m) and derivative financial instrument liabilities of £7.3m (2012/13: £5.1m) as well as deferred tax liabilities and centrally held accruals and provisions.

3 Exceptional items

	2014 £m	2013 £m
Site relocation and restructuring	**(3.5)**	(7.6)
Legacy indirect tax issue	**(2.2)**	–
Multi year contract bid costs	**(1.1)**	–
Professional fees on aborted acquisition	**(1.0)**	–
Gain on sale of fixed assets	**4.5**	–
CPS asset impairment	**(14.2)**	–
Total exceptional items	**(17.5)**	(7.6)
Tax credit on exceptional items	**4.2**	6.5

Exceptional costs of £3.5m have been incurred in 2013/14 in connection with the ongoing costs of implementing the Improvement Plan (2012/13: £7.6m). This brings the cumulative exceptional charges taken in respect of the Improvement Plan to a total of £35.2m.

In addition, £1.1m of charges were incurred in connection with the preparation of bids for the supply of products or services under multi year arrangements, £2.2m of charges with regard to the resolution of an overseas historic indirect tax liability, £1.0m of legal and professional fees incurred in relation to an aborted acquisition and £14.2m in relation to tangible and intangible asset impairments. These costs were partly offset by a gain on sale of fixed assets in the year of £4.5m. The net cash cost of exceptional items in the year was £4.0m.

Following a detailed review of the individual cash generating units (CGU's) within the CPS business and the performance of the business as a whole, impairment charges of £14.2m (£7.4m; development intangibles, £3.2m; goodwill intangibles and £3.6m; tangible assets) have been recognised. This is a consequence of lower expectations of future trading performance, informed by the poor trading result reported in the current financial year. These lower expectations, and hence lower forecast cash inflows, reflect the benefit of the targeted breakeven plan for 2014/15 but also recognise the continuing challenging environment for CPS.

The £3.5m exceptional operating charge with respect to the Improvement Plan reported in 2013/14 (2012/13: £7.6m) comprised £1.5m (2012/13: £0.8m) in staff compensation, £nil (2012/13: £0.2m) of accelerated depreciation on property, plant and equipment, £0.7m credit (2012/13: £4.3m charge) for site exit costs and £2.7m (2012/13: £2.3m) in other associated reorganisation costs.

Tax credits relating to exceptional items arising in the period were £0.9m (2012/13: £2.1m). In addition there was an exceptional credit of £3.3m (2012/13: £4.4m) in respect of the determination of the tax treatment of prior year exceptional items, of which £1.7m credit related to discontinued operations.

4 Taxation

	2014 £m	2013* £m
Consolidated income statement		
Current tax:		
UK corporation tax:		
– Current tax	**12.4**	8.2
– Adjustment in respect of prior years	**(0.7)**	(3.8)
	11.7	4.4
Overseas tax charges:		
– Current year	**3.6**	3.9
– Adjustment in respect of prior years	**(2.9)**	(1.0)
	0.7	2.9
Total current income tax expense	**12.4**	7.3
Deferred tax:		
– Origination and reversal of temporary differences, UK	**0.9**	(3.1)
– Origination and reversal of temporary differences, overseas	**(1.4)**	1.3
Total deferred tax credit	**(0.5)**	(1.8)
Total income tax expense in the consolidated income statement	**11.9**	5.5
Attributable to:		
– Ordinary activities	**16.1**	12.0
– Exceptional items	**(4.2)**	(6.5)

Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**4.7**	(5.6)
– On cash flow hedges	**(0.7)**	0.3
– On foreign exchange on quasi-equity balances	**0.5**	(0.2)
Income tax expense/(credit) reported within comprehensive income	**4.5**	(5.5)

Consolidated statement of changes in equity:		
– On share options	**0.3**	(0.6)
Income tax expense/(credit) reported within equity	**0.3**	(0.6)

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 23 per cent as follows:

	2014			2013*		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Profit before tax	**77.3**	**(17.5)**	**59.8**	51.3	(7.6)	43.7
Tax calculated at UK tax rate of 23 per cent (2013: 24 per cent)	**17.8**	**(4.0)**	**13.8**	12.3	(1.8)	10.5
Effects of overseas taxation	**(1.8)**	–	**(1.8)**	(0.7)	–	(0.7)
Expenses/(credits) not allowable for tax purposes	**0.6**	**1.3**	**1.9**	1.3	(0.3)	1.0
Increase in unutilised tax losses	**0.5**	**1.7**	**2.2**	0.3	–	0.3
Adjustments in respect of prior years	**(0.1)**	**(3.3)**	**(3.4)**	(1.1)	(4.4)	(5.5)
Change in UK tax rate	**(0.9)**	**0.1**	**(0.8)**	(0.1)	–	(0.1)
Tax expense/(credit)	**16.1**	**(4.2)**	**11.9**	12.0	(6.5)	5.5

*Restated to reflect the amendments to IAS 19R Employee benefits – see note 1

The underlying effective tax rate excluding exceptional items was 20.8 per cent (2012/13: 23.4 per cent).

5 Earnings per share

	2014 pence per share	2013* pence per share
Total operations		
Basic earnings per share	**47.3**	37.4
Diluted earnings per share	**47.0**	36.9
Underlying		
Basic earnings per share	**60.7**	38.5
Diluted earnings per share	**60.2**	38.0

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 underlying 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	2014 £m	2013* £m
Earnings for basic and diluted earnings per share	**47.3**	37.2
Exceptional items	**17.5**	7.6
Less: Tax on exceptional items	**(4.2)**	(6.5)
Earnings for underlying earnings per share	**60.6**	38.3

Weighted average number of ordinary shares	2014 Number m	2013 Number m
For basic earnings per share	**99.9**	99.6
Dilutive effect of share options	**0.7**	1.1
For diluted earnings per share	**100.6**	100.7

*Restated to reflect the amendments to IAS 19R Employee benefits – see note 1

6 Equity dividends

	2014 £m	2013 £m
Final dividend for the period ended 30 March 2013 of 28.2p paid on 1 August 2013	**28.1**	–
Interim dividend for the period ended 28 September 2013 of 14.1p paid on 8 January 2014	**14.1**	–
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
	42.2	42.1

A final dividend per equity share of 28.2p has been proposed for the period ended 29 March 2014, payable on 1 August 2014. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

7 Analysis of net debt

	2014 £m	2013 £m
Cash at bank and in hand	**55.7**	24.8
Short term bank deposits	**2.2**	–
Bank overdrafts	**(1.7)**	(3.1)
Total cash and cash equivalents	**56.2**	21.7
Borrowings due within one year	**(146.1)**	(98.4)
Net debt	**(89.9)**	(76.7)

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 29 March 2014, being the last Saturday in March. The comparatives for the 2012/13 financial year are for the period ended 30 March 2013.

10 Statutory accounts

Statutory accounts for the period ended 29 March 2014 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:

	2013/14		2012/13	
	Average	**Year End**	Average	Year End
US dollar	1.59	1.66	1.58	1.52
Euro	1.19	1.21	1.22	1.18

12 De La Rue financial calendar : 2014/15

Ex-dividend date for 2013/14 final dividend	2 July 2014
Record date for final dividend	4 July 2014
Annual General Meeting	24 July 2014
Payment of 2013/14 final dividend	1 August 2014