PRESS RELEASE

DeLaRue

DE LA RUE PLC

PRELIMINARY STATEMENT

PERIOD TO 28 MARCH 2015

KEY FINANCIALS

	2014/15	2013/14
Revenue	**£472.1m**	£513.3m
Underlying operating profit [1]	**£69.5m**	£89.3m
Underlying profit before tax [1]	**£57.7m**	£77.3m
Reported profit before tax	**£38.9m**	£59.8m
Underlying earnings per share [2]	**45.3p**	60.7p
Basic earnings per share	**34.0p**	47.3p
Dividend per share	**25.0p**	42.3p

HEADLINES

- Full year results in line with expectations
- Appointment of Martin Sutherland as new CEO
- New Bank of England 10 year print contract signed in October 2014
- Year end 12 month order book of £243m (2013/14: £307m)[3]
- Banknote print volumes up 5% to 6.5bn, banknote paper volumes down 2% to 9,400 tonnes
- Operational efficiencies yield additional £7m savings
- CPS returned to underlying profitability
- Final dividend of 16.7p per share, giving a total dividend for the year of 25.0p
- Clear Strategic Plan to deliver growth and improved profitability in the long term
- Significant investment in R&D and additional sales resources to develop the business, which will be more than covered by planned operational cost savings

1 Before net exceptional charges of £18.8m (2013/14: £17.5m)

2 Underlying EPS is reported before the net exceptional charges noted above and exceptional tax credits of £7.3m (2013/14: £4.2m)

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

3 Revised basis of calculation to include 12 months of estimated call-off orders for material contracts

Martin Sutherland, Chief Executive, commented:

“These results are in line with our revised expectations and include the benefit of further operational efficiencies. However, these have been outweighed by the impact of the challenging market conditions on revenue and operating profit across the Group.

“In my first seven months, I have strengthened the leadership team and restructured the organisation to better align the business with its strategic needs as well as initiating a number of actions to achieve substantial cost savings which will be largely reinvested in the business to drive growth.

“I have completed a review of the business and formulated a clear Strategic Plan to deliver growth and improved profitability in the long term through a greater focus on customers, innovation and delivery.”

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A presentation to analysts will take place at 09:00 on 27 May 2015 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 where a replay will also be available subsequently.

A video interview with Martin Sutherland, CEO, is available on the Investors page at http://www.delarue.com/ and on http://video.merchantcantos.com/

27 May 2015

NOTES TO EDITORS

De La Rue is a leading commercial banknote printer, security paper maker and provider of security products and software solutions and, as a trusted partner of governments, central banks and commercial organisations around the world, is at the forefront of the battle against the counterfeiter.

De La Rue, as the world’s largest commercial banknote printer, provides customers with a fully integrated range of sophisticated products and services which are available either individually or as a whole. This includes a leading design capability, production of innovative security components, manufacture of security paper and polymer substrates and sophisticated printing of banknotes, all contributing to trust in the integrity of currencies.

De La Rue is the world’s largest commercial passport manufacturer in an environment of increasing global concern over security at national boundaries and border control. De La Rue also produces a wide range of other security products, including tax stamps for governments who are seeking to combat illicit trade and collect excise duties. Other products include authentication labels, assuring purchasers of product validity, and government identity documents. In addition the Group manufactures high speed cash sorting and banknote inspection equipment.

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

De La Rue is listed on the London Stock Exchange (LON:DLAR). For further information visit www.delarue.com

DE LA RUE PLC

PRELIMINARY STATEMENT - PERIOD TO 28 MARCH 2015

The Group's results for 2014/15 reflect the challenging market conditions across all our businesses and hence are, as previously advised, below the level reported in the corresponding period. Within Currency, pricing pressures have continued which has resulted in lower margins, while in Identity Systems and Security Products, the level of new business has been lower than expected. Some mitigation of these conditions has been achieved through operational efficiencies which have realised further benefits of £7m in the period. The actions taken in Cash Processing Systems (CPS) during the year have returned this business to underlying profitability.

At 28 March 2015, the Group's 12 month closing order book, calculated on a revised basis to include estimated call-off orders for material contracts, was £243m (2013/14 restated: £307m). Pricing in recent tenders continues to reflect the ongoing challenging market conditions.

FINANCIAL RESULTS

As previously announced the Group's results have been impacted by the difficult market environment in Currency, Identity Systems and Security Products, with revenues falling to £472.1m (2013/14: £513.3m) and underlying operating profit (before exceptional items) down at £69.5m (2013/14: £89.3m). Underlying profit before tax was £57.7m (2013/14: £77.3m) and consequently, underlying earnings per share decreased to 45.3p (2013/14: 60.7p). Net exceptional charges, before tax, in the period totalled £18.8m (2013/14: £17.5m) predominantly relating to the invocation of guarantees along with further costs in respect of site relocation, restructuring and asset impairments (more fully described in note 3). As a result profit before tax was £38.9m (2013/14: £59.8m).

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £85.6m (2013/14: £99.1m). This represents a cash conversion ratio of 123 per cent (2013/14: 111 per cent). Net debt at 28 March 2015 was however, up £21.1m at £111.0m (2013/14: £89.9m).

DIVIDEND

In light of the difficult trading environment, and consistent with the reduction in the 2014/15 interim dividend, the Board is recommending a final dividend of 16.7p per share (2013/14: 28.2p per share). Together with the interim dividend paid in January 2015, this will give a total dividend for the year of 25.0p per share (2013/14: 42.3p per share). Subject to approval by shareholders, the final dividend will be paid on 3 August 2015 to shareholders on the register on 3 July 2015.

The Board is mindful of the importance of dividends to shareholders and will seek to maintain dividends at the 2014/15 level.

STRATEGY

During the past six months we have conducted a strategic review of the Group's businesses and assessed the outlook for the next five years. The review addressed matters such as our customers' changing requirements, a pragmatic appraisal of the Group's capabilities and composition, an assessment of the markets in which the Group operates and an analysis of our competitors. The review has reconfirmed the core strengths and assets of the Group including:

- Powerful brand reputation which engenders long standing customer relationships
- Leading market positions
- Widely recognised world leading design skills and capabilities
- A long history of product innovation
- A proven track record of delivering operational efficiencies

Having concluded this review we now have a clear Strategic Plan:

- The current integrated portfolio is beneficial and should be maintained
- A differential approach will be applied to products based on market growth opportunities
  - Where products are exposed to low growth markets – we will 'Optimise and Flex' our capabilities through modernisation, cost reduction and accessing flexible capacity
  - Where products are exposed to higher growth and more profitable markets – we will 'Invest and Build' in new capabilities, technologies and sales resources
- Outcome
  - Higher growth, technology led business
  - Improved and less volatile profitability

The Strategic Plan has recognised and confirmed that the Group derives significant benefit from its existing integrated portfolio of products which provide complementary security and authentication products and services. However, many of our markets have changed in recent years and are expected to continue to change. Some Currency customers are changing their approach to procurement, not just in adopting a more technical process but in some cases seeking to disaggregate banknotes into their constituent parts, with a growing emphasis on the supply of innovative security components. Our customers in the Identity market often require end-to-end solutions not just a physical token such as a passport or ID card.

In addition to identifying attractive growth opportunities the Strategic Plan will achieve improved profitability, more effective use of capital and reduce the Group's reliance on a small number of material contracts while reducing some of the volatility of the business. The Plan has identified initiatives that will deliver these objectives including seeking to establish longer term contractual commitments from customers, partnering with third parties to provide more flexible capacity to meet surges in demand and a more integrated approach to innovation.

At its core the Strategic Plan has focused our business into product lines and grouped them into those product lines where we will 'Optimise and Flex' and those where we will 'Invest and Build'.

Optimise and Flex: Currency Print, CPS and Currency Paper

As the world's largest commercial banknote printer and a major manufacturer of banknote paper we recognise that these activities are fundamental and core to our brand and also provide the platform from which the other product lines can deliver growth. CPS cash sorting and vault management complements Currency print and shares a common customer base. However, these markets are changing and provide useful but modest growth opportunities.

Accordingly, in Currency print, CPS and Currency paper we will optimise our operations and improve profitability and cash flow through ongoing operational excellence, reducing costs and optimising our production footprint. We will explore opportunities to partner with third parties to provide extra flexibility in our capacities and thereby reduce the impact of unpredictable orders and more efficiently meet short term fluctuations in order demand.

Invest and Build: Polymer, Components, Identity and Security Products

Our market position within Currency print and paper provides us with an enviable platform from which to capture the growth opportunities within the polymer, security components, Security Products and Identity product lines.

We have made good progress since we launched Safeguard®, our polymer substrate, and now have a number of reference customers. We expect demand for polymer substrate to grow at a materially faster rate than demand for paper and as one of only two manufacturers we believe we are well placed to capture this growth.

Within components we see a growing trend from our customers to stipulate specific components in their products. Given the highly technical nature of these components this trend is causing a value shift with an increasing proportion of the total value of a finished banknote residing in the component share and a corresponding decrease in the value share for print. We have an improving pipeline of new products and we intend to increase the level of investment in innovation in this area to ensure we capture an increased share of the growing market for this high margin product line.

The Identity market continues to grow with governments increasingly concerned about the authentication of the identity of their citizens and also control over the movement of people at their borders. We are already the largest commercial supplier of passports in the world but we see good opportunities to grow our market share in this area. This growth will arise from increased demand for security features within the passport or identity card and the trend towards governments seeking complete end-to-end solutions addressing personalisation, issuance and integration with other government systems.

As governments increasingly seek software solutions to authenticate products either for tax generation or, in the case of tobacco products for health reasons, we anticipate attractive growth prospects for our authentification products. We have considerable experience of producing the physical tax stamp and increasing experience of delivering an end-to-end service with software products and services.

A common theme across all 'Invest and Build' product lines is technology and innovation. We are well placed to capture the growth opportunities and will seek to build on our position through increased investment in innovation and our people and, where appropriate, through joint ventures and partnerships.

Implementation

We have formulated comprehensive and detailed implementation plans with clearly defined milestones and responsibilities assigned to the Executive Leadership Team. We have already redesigned the organisational structure of the Group to align it with our strategic priorities and needs.

In addition we have initiated a culture change programme, a reduction of the Group cost base and a review of the manufacturing footprint. These will realise substantial cost savings which will be largely reinvested in the business to drive growth.

The Group is able to implement the Plan from its existing resources.

Outcome

The successful implementation of the strategy will result in a:

- Better mix of business
- Less volatile performance
- Lower customer concentration
- Higher quality earnings

Which will deliver growth and higher profits.

OPERATING REVIEWS

Currency

	2014/15	2013/14**	*Change*
Banknote print volume (bn notes)	**6.5**	6.2	*5%*
Banknote paper volume ('000 tonnes)	**9.4**	9.6	*(2%)*
	£m	£m	
Revenue	**317.9**	342.7	*(7%)*
Underlying operating profit*	**50.5**	61.0	*(17%)*

*Segmental operating profit is stated before exceptional items

**Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge

Market conditions in both print and paper were challenging throughout the period. Through adopting a more tactical approach to both pricing and the utilisation of spare capacity we have achieved satisfactory volumes. Banknote print volumes were up 5 per cent at 6.5bn notes (2013/14: 6.2bn), while paper volumes at 9,400 tonnes were marginally down reflecting the continuing overcapacity and high level of competition in the banknote paper market. The operational excellence, process improvement and asset care programmes have been maintained and the benefits have partially mitigated the impact of lower pricing.

Revenue decreased by 7 per cent to £317.9m (2013/14: £342.7m) largely caused by lower average print and paper prices, reflecting the challenging Currency market conditions and the continuing overcapacity in the paper market partly mitigated by increased revenues from sales of security components. Operating profit reduced to £50.5m (2013/14: £61.0m) as a result of the lower revenues, partly offset by further operational efficiencies and an improved margin on security components reflecting increased volumes and improved contractual arrangements.

Safeguard®, De La Rue's polymer substrate, is now in circulation in seven countries with a number of successful machine trials with state print works and other commercial banknote printers completed during the period. We continue to be encouraged by the progress made since the launch of Safeguard® and have a good pipeline of further opportunities.

At the period end the 12 month order book, calculated on a revised basis to include estimated call-off orders for material contracts, was £150m (2013/14 restated: £197m) This reflects volatility in short term market demand and a stance of seeking to maintain margins and avoid uneconomic volumes.

During the period, we were delighted to have been successful in winning the new 10 year Bank of England print contract. De La Rue has been printing sterling banknotes for this important and prestigious customer since 2003. The new contract commenced on 1 April 2015.

Two of De La Rue's Currency customers won the leading banknote design awards for notes issued in 2014. Trinidad and Tobago won the 2014 International Banknote Society 'Banknote of the Year Award' for its new commemorative $50 note printed on Safeguard®. Kuwait won the International Association of Currency Affairs 'Excellence in Currency Award' for Best New Banknote Series for 2014. De La Rue's banknote designs have won 14 of these leading annual awards since 2007.

Identity Systems

	2014/15	2013/14**	*Change*
	£m	£m	
Revenue	**69.0**	77.6	*(11%)*
Underlying operating profit*	**11.1**	21.9	*(49%)*

*Segmental operating profit is stated before exceptional items
**Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge

Identity Systems operating profit fell to £11.1m (2013/14: £21.9m) reflecting lower than expected tenders for new contracts in the International business and also, as previously announced, the corresponding period benefited from a larger than normal number of contract completions.

The trend towards ePassports from machine readable passports has been slower than expected. In addition a number of tenders for prospective orders have not been issued as early as originally anticipated. As authentication of individual identity and border security is a major concern for governments around the world, we will continue to focus on higher value, longer term ePassport and ID schemes and the development of our digital and service offering.

The UK Passport contract continues to perform well and successfully met all performance measures in a period of unusually high demand. During the period, the milestone of issuing the 20 millionth passport under this contract, which commenced in October 2010, was achieved.

Security Products

	2014/15	2013/14**	*Change*
	£m	£m	
Revenue	**39.6**	46.2	*(14%)*
Underlying operating profit*	**7.5**	10.6	*(29%)*

*Segmental operating profit is stated before exceptional items
**Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge

Operating profit decreased to £7.5m (2013/14: £10.6m) caused by lower volume call-offs on a number of mature market products. During the period, in addition to ongoing cost reduction initiatives, we further rationalised our manufacturing footprint with the closure of our Dulles facility, with its operations relocating into other existing sites.

The rate of adoption of new tax stamp schemes during the period has been disappointing. This has meant that contracts for tax stamps have not mitigated the expected declines in some of the other more mature product lines.

Cash Processing Solutions (CPS)

	2014/15	2013/14**	*Change*
	£m	£m	
Revenue	**50.7**	57.4	*(12%)*
Underlying operating profit/(loss)*	**0.4**	(4.2)	*110%*

*Segmental operating profit is stated before exceptional items
**Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge

As a result of the completion during the period of the restructuring programme, notwithstanding reduced large sorter and machine upgrades, CPS has moved back into an underlying profitable position reporting an operating profit of £0.4m (2013/14: operating loss £4.2m).

FINANCE CHARGE

The Group's net interest charge was £4.8m (2013/14: £4.7m) reflecting an increase in the 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 £7.0m (2013/14: £7.3m).

EXCEPTIONAL ITEMS

During the period exceptional items, summarised below, totalling £18.8m net, have been charged (2013/14: £17.5m net – see note 3 for details).

Site relocation and restructuring costs in 2014/15 were £4.7m net (2013/14: £3.5m net). Relocation costs were incurred in connection with the transfer of operations from our Dulles facility into other existing sites. In addition, restructuring costs have been incurred on the reorganisation of CPS and certain operations within Currency.

As previously announced, the Group has had unresolved issues since 2010 with a major customer regarding banknote paper production contracts. In April 2015, the Group was advised that guarantees, which have been in place since the contracts were entered into, with a value of £13.3m, had been invoked by the customer concerned. As this cost related to a matter pre-existing at the balance sheet date it has been accounted for as an adjusting post-balance sheet event. The Board considers this to be a material step towards resolution of this issue and discussions continue with this important customer. The warranty provision relating to this matter, previously charged as an exceptional item, has been reviewed resulting in a £3.0m release.

Following an impairment review of capitalised development costs, £3.8m of intangible assets within Security Products were identified as having a carrying value in excess of the recoverable amount. The amounts written off represent the first generation of software that is no longer being marketed as it has been superseded by an enhanced software product.

The net cash cost of exceptional items paid in the year (excluding the £13.3m above, which was paid in April 2015) was £6.6m of which £1.6m related to prior periods.

Net tax credits relating to exceptional items arising in the period were £2.6m (2013/14: £0.9m).

In respect of the 2015/16 financial year, an exceptional gain of c£9m will be recognised on the disposal of surplus land (see note 9).

TAXATION

The net tax charge for the year was £3.8m (2013/14: £11.9m). The effective tax rate, before exceptional items, was 19.3 per cent (2013/14: 20.8 per cent), predominantly reflecting the reduction in the UK statutory tax rates.

Net tax credits relating to exceptional items arising in the period were £2.6m (2013/14: £0.9m). In addition there was an exceptional credit of £4.7m (2013/14: £3.3m) in respect of the determination of the tax treatment of prior year exceptional items, of which £4.5m credit related to tax matters retained by the Group following the disposal of a discontinued operation a number of years ago.

CASH FLOW AND BORROWINGS

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £85.6m (2013/14: £99.1m). This represents a cash conversion ratio (underlying operating cash flow divided by underlying operating profit) of 123 per cent (2013/14: 111 per cent).

Net debt increased by £21.1m to £111.0m (2013/14: £89.9m) mainly reflecting the reduced operating cash flow, continued capital expenditure, special pension contributions in line with the agreed deficit funding arrangement and dividend payments.

To provide finance for future growth and investment the Group has increased its revolving credit facility by £50m to £250m and extended the term by three years to December 2019, the financial covenants remain unchanged. The covenants 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 period end the specific bank covenant tests were as follows: EBIT/net interest payable of 13.5 times, net debt/EBITDA of 1.23 times.

PENSION SCHEME

Pension deficit and funding

During 2014/15, special funding payments of £18.6m (including scheme administration fees) were made to the Group's UK defined benefit pension scheme (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. A new valuation as at 5 April 2015 has commenced. The Group has agreed, with the scheme Trustees and the Pensions Regulator, deficit funding payments to the scheme of £18.2m in 2015/16, rising by 4 per cent per annum. The special funding arrangements, agreed in 2012, remain unchanged and are aimed to eliminate the deficit by 2022.

Recognition of the current deficit in accordance with IFRS results in the negative net assets shown on the Group balance sheet.

The valuation of the pension scheme under IAS 19 principles indicates a pre-tax scheme deficit at 28 March 2015 of £236.7m (29 March 2014: £168.0m). The increase of £68.7m is largely a reflection of the significant decrease in the discount rate used to project the value of the scheme liabilities (3.2 per cent in 2014/15 compared with 4.5 per cent in the prior year). The increase has been partly mitigated by a reduction in the RPI inflation rate, returns on scheme assets and Group funding contributions.

In common with other final salary schemes, the scheme valuation is very sensitive to any movement in the discount rate, with a 0.25 per cent increase in discount rate resulting in a £56m decrease in liabilities or vice versa, and hence the deficit would reduce should interest and discount rates increase in the future.

The charge to operating profit in respect of the UK defined benefit pension scheme for 2014/15 was £1.1m (2013/14: £1.2m). In addition, under IAS 19 there was a finance charge of £7.0m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (2013/14: £7.3m).

PEOPLE
De La Rue benefits enormously from its experienced and loyal employees and the Board would like to thank everyone involved in the business for their contribution and hard work.

BOARD CHANGES
On 13 October 2014 Martin Sutherland joined the Company as Chief Executive and Philip Rogerson returned to his Non-executive role and Colin Child reverted to Chief Financial Officer.

Two of our Non-executive Directors, Warren East, who has served for over eight years, and Gill Rider, who has served for nine years, have informed the Board of their intention to stand down after the Company's AGM on 23 July 2015. The Board would like to thank each of them for their significant and valuable contribution to the business, and to wish them well for the future.

Two new Non-executive Directors, Sabri Challah and Maria da Cunha will join the Board after the AGM on 23 July 2015, and we are delighted to welcome them.

Rupert Middleton, Chief Operating Officer, will also join the Board as an Executive Director after the AGM, and we are looking forward to benefiting from his great experience.

As previously announced, Colin Child, Chief Financial Officer, has informed the Board of his intention to step down from the Board after the AGM on 23 July 2015. Colin joined the Company as Chief Financial Officer in June 2010, and in the five years he has served in that role has also acted as Chief Operating Officer for two separate periods of six months. He will leave with the thanks of the Board, and the acknowledgement of his willingness to take on extra responsibilities in times of need. We expect to make an announcement about Colin's successor in the near future.

OUTLOOK
As anticipated in September 2014, the difficult market conditions have continued into the new financial year. More recently however, the weakness of the euro against sterling has given the euro zone suppliers a commercial advantage putting some further pressure on the Group's profitability.

With the completion of the recent strategic review, the Group has a clear plan to deliver growth and improved profitability in the long term. The Board is confident that the Strategic Plan can be delivered and yield benefits for shareholders, employees and customers.

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GROUP INCOME STATEMENT

For the period ended 28 March 2015

	Notes	2015 £m	2014 £m
Revenue		**472.1**	513.3
Operating expenses – ordinary		**(402.6)**	(424.0)
Operating expenses – exceptional	3	**(18.8)**	(17.5)
Total operating expenses		**(421.4)**	(441.5)
Operating profit		**50.7**	71.8
Comprising:			
Underlying operating profit		**69.5**	89.3
Exceptional items	3	**(18.8)**	(17.5)
Profit before interest and taxation		**50.7**	71.8
Interest income		**0.2**	0.2
Interest expense		**(5.0)**	(4.9)
Net retirement benefit obligation finance cost		**(7.0)**	(7.3)
Net finance expense		**(11.8)**	(12.0)
Profit before taxation		**38.9**	59.8
Comprising:			
Underlying profit before tax		**57.7**	77.3
Exceptional items		**(18.8)**	(17.5)
Taxation	4	**(3.8)**	(11.9)
Profit for the year		**35.1**	47.9
Comprising:			
Underlying profit for the year		**46.6**	61.2
Loss for the year on exceptional items		**(11.5)**	(13.3)
Profit attributable to equity shareholders of the Company		**34.3**	47.3
Profit attributable to non-controlling interests		**0.8**	0.6
		35.1	47.9

Profit for the year attributable to the Company's equity holders		2015 £m	2014 £m
Earnings per share			
Basic	5	**34.0p**	47.3p
Diluted	5	**33.4p**	47.0p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 28 March 2015

	2015 £m	2014 £m
Profit for the year	**35.1**	47.9
Other comprehensive income		
Items that are not reclassified subsequently to profit or loss:		
Remeasurement losses on retirement benefit obligations	**(79.1)**	(2.1)
Tax related to remeasurement of net defined benefit liability	**16.0**	(4.7)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	**(10.4)**	(2.5)
Change in fair value of cash flow hedges	**(7.3)**	(4.2)
Change in fair value of cash flow hedges transferred to profit or loss	**6.9**	0.6
Income tax relating to components of other comprehensive income	**(0.1)**	0.2
Other comprehensive income for the year, net of tax	**(74.0)**	(12.7)
Total comprehensive income for the year	**(38.9)**	35.2
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**(39.7)**	34.6
Non-controlling interests	**0.8**	0.6
	(38.9)	35.2

GROUP BALANCE SHEET

At 28 March 2015

	2015 £m	2014 £m
Assets		
Non-current assets		
Property, plant and equipment	**179.3**	184.3
Intangible assets	**16.6**	18.1
Investments in associates and joint ventures	**0.1**	0.1
Deferred tax assets	**47.7**	37.5
Derivative financial assets	**0.3**	0.4
	244.0	240.4
Current assets		
Inventories	**71.2**	77.1
Trade and other receivables	**105.4**	105.0
Current tax assets	**2.2**	0.2
Derivative financial assets	**7.8**	2.3
Cash and cash equivalents	**30.8**	57.9
	217.4	242.5
Total assets	**461.4**	482.9
Liabilities		
Current liabilities		
Borrowings	**(141.8)**	(147.8)
Trade and other payables	**(159.1)**	(170.9)
Current tax liabilities	**(19.6)**	(27.6)
Derivative financial liabilities	**(12.0)**	(5.8)
Provisions for liabilities and charges	**(26.6)**	(21.1)
	(359.1)	(373.2)
Non-current liabilities		
Retirement benefit obligations	**(236.7)**	(168.0)
Deferred tax liabilities	**(1.1)**	(1.3)
Derivative financial liabilities	**(1.0)**	(1.5)
Provisions for liabilities and charges	**(3.5)**	(2.1)
Other non-current liabilities	**(6.9)**	(7.2)
	(249.2)	(180.1)
Total liabilities	**(608.3)**	(553.3)
Net liabilities	**(146.9)**	(70.4)
Equity		
Share capital	**46.5**	46.3
Share premium account	**35.5**	35.3
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**(3.5)**	(3.2)
Cumulative translation adjustment	**(13.8)**	(3.4)
Other reserves	**(83.8)**	(83.8)
Retained earnings	**(139.4)**	(72.6)
Total equity attributable to shareholders of the Company	**(152.6)**	(75.5)
Non-controlling interests	**5.7**	5.1
Total equity	**(146.9)**	(70.4)

GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 28 March 2015

	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 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)
Profit for the year	–	–	–	–	–	–	34.3	0.8	35.1
Other comprehensive income for the year, net of tax	–	–	–	(0.3)	(10.4)	–	(63.3)	–	(74.0)
Total comprehensive income for the year	–	–	–	(0.3)	(10.4)	–	(29.0)	0.8	(38.9)
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.2	0.2	–	–	–	–	–	–	0.4
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(0.5)	–	(0.5)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	(36.8)	(0.2)	(37.0)
Balance at 28 March 2015	**46.5**	**35.5**	**5.9**	**(3.5)**	**(13.8)**	**(83.8)**	**(139.4)**	**5.7**	**(146.9)**

GROUP CASH FLOW STATEMENT

For the period ended 28 March 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Profit before tax		**38.9**	59.8
Adjustments for:			
Finance income and expense		**11.9**	12.0
Depreciation and amortisation		**24.8**	28.3
Decrease/(increase) in inventory		**5.7**	(6.1)
Decrease/(increase) in trade and other receivables		**0.1**	(11.5)
Decrease in trade and other payables		**(5.4)**	(0.9)
Decrease in reorganisation provisions		**(0.3)**	(6.0)
Special pension fund contributions		**(18.6)**	(11.5)
Loss/(profit) on disposal of property, plant, equipment and software intangibles		**2.2**	(4.0)
Asset impairment		**3.8**	14.2
Other non-cash movements		**0.5**	(0.4)
Cash generated from operating activities		**63.6**	73.9
Tax paid		**(9.3)**	(11.2)
Net cash flows from operating activities		**54.3**	62.7
Cash flows from investing activities			
Purchases of property, plant, equipment and software intangibles		**(28.8)**	(34.9)
Development assets capitalised		**(5.1)**	(4.7)
Proceeds from sale of property, plant and equipment		**0.2**	8.1
Net cash flows from investing activities		**(33.7)**	(31.5)
Net cash flows before financing activities		**20.6**	31.2
Cash flows from financing activities			
Proceeds from issue of share capital		**0.4**	3.8
(Repayments of)/proceeds from borrowings		**(6.8)**	47.2
Interest received		**0.2**	0.2
Interest paid		**(4.8)**	(4.6)
Dividends paid to shareholders		**(36.8)**	(42.2)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Net cash flows from financing activities		**(48.0)**	4.2
Net (decrease)/increase in cash and cash equivalents in the year		**(27.4)**	35.4
Cash and cash equivalents at the beginning of the year		**56.2**	21.7
Exchange rate effects		**0.1**	(0.9)
Cash and cash equivalents at the end of the year		**28.9**	56.2
Cash and cash equivalents consist of:			
Cash at bank and in hand	7	**28.6**	55.7
Short term bank deposits	7	**2.2**	2.2
Bank overdrafts	7	**(1.9)**	(1.7)
	7	**28.9**	56.2

1 Basis of preparation and accounting policies

The preliminary announcement for the period ended 28 March 2015 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union (EU) at 28 March 2015. Details of the accounting policies applied are those set out in De La Rue plc's annual report 2014.

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.

A number of other new and amended IFRS were issued during the year, which do not become effective until after 29 March 2015. The Group has yet to assess the significance of the impact of IFRS 15, Revenue Recognition, on the Group. Otherwise, none of the new or amended IFRSs are expected to have a material impact on the Group for the 2015/16 year.

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended 29 March 2014.

The financial information set out above does not constitute the Group's statutory accounts for the periods ended 28 March 2015 or 29 March 2014. The financial information for the period ended 28 March 2015 is derived from the statutory accounts for the period ended 28 March 2015 which will be delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 28 March 2015; 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 four main business units; Currency, Identity Systems, Security Products and Cash Processing Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this 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 printed banknotes, banknote paper and polymer substrates and banknote security components
- Identity Systems – involved in the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes
- Security Products – produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps
- Cash Processing Solutions – primarily focused on the production of large banknote sorters and authentication machines for central banks, complimenting the Currency business

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

2015	Currency	Identity Systems	Security Products	Cash Processing Solutions	Unallocated	Total
	£m	£m	£m	£m	£m	£m
Total revenue	317.9	69.0	39.6	50.7	–	477.2
Less: inter-segment revenue	(0.8)	–	(2.9)	(1.4)	–	(5.1)
Revenue	317.1	69.0	36.7	49.3	–	472.1
Underlying operating profit	50.5	11.1	7.5	0.4	–	69.5
Exceptional items – operating (note 3)	(10.7)	–	(6.2)	(1.9)	–	(18.8)
Operating profit/(loss)	39.0	11.1	2.1	(1.5)	–	50.7
Net interest expense					(4.8)	(4.8)
Retirement benefit obligations net finance expense					(7.0)	(7.0)
Profit before taxation						38.9
Segment assets	241.7	38.8	19.8	33.1	128.0	461.4
Segment liabilities	(128.8)	(21.6)	(9.1)	(11.1)	(437.7)	(608.3)
Capital expenditure on property, plant and equipment	19.6	0.9	1.0	0.0	1.8	23.3
Capital expenditure on intangible assets	3.8	0.6	0.9	1.0	–	6.3
Depreciation of property, plant and equipment	17.3	2.7	1.6	–	1.4	23.0
Amortisation of intangible assets	1.3	0.4	–	0.1	–	1.8
Impairment of intangible assets	–	–	3.8	–	–	3.8

2014	Currency	Identity Systems	Security Products	Cash Processing Solutions	Unallocated	Total
	£m	£m	£m	£m	£m	£m
Total revenue	342.7	77.6	46.2	57.4	–	523.9
Less: inter-segment revenue	(1.9)	–	(4.5)	(4.2)	–	(10.6)
Revenue	340.8	77.6	41.7	53.2	–	513.3
Underlying operating profit/(loss)	61.0	21.9	10.6	(4.2)	–	89.3
Exceptional items – operating (note 3)	0.5	–	1.3	(16.9)	(2.4)	(17.5)
Operating profit/(loss)	61.5	21.9	11.9	(21.1)	(2.4)	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	39.8	26.4	35.6	133.4	482.9
Segment liabilities	(133.0)	(21.9)	(7.7)	(11.4)	(379.3)	(553.3)
Capital expenditure on property, plant and equipment	35.2	1.7	1.4	0.6	–	38.9
Capital expenditure on intangible assets	1.9	0.1	2.2	2.5	–	6.7
Depreciation of property, plant and equipment	17.1	3.4	2.0	1.3	–	23.8
Impairment of property, plant and equipment	–	–	–	3.6	–	3.6
Amortisation of intangible assets	1.3	0.5	–	2.7	–	4.5
Impairment of intangible assets	–	–	–	10.6	–	10.6

Unallocated assets principally comprise deferred tax assets of £47.7m (2013/14: £37.5m), cash and cash equivalents of £30.8m (2013/14: £57.9m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £8.1m (2013/14: £2.7m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £236.7m (2013/14: £168.0m), borrowings of £141.8m (2013/14: £147.8m), current tax liabilities of £19.6m (2013/14: £27.6m) and derivative financial instrument liabilities of £13.0m (2013/14: £7.3m) as well as deferred tax liabilities and centrally held accruals and provisions.

3 Exceptional items

	2015 £m	2014 £m
Site relocation and restructuring	**(4.7)**	(3.5)
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
Invocation of guarantees	**(13.3)**	–
Warranty provisions	**3.0**	–
Asset impairment	**(3.8)**	(14.2)
Total exceptional items	**(18.8)**	(17.5)
Tax credit on exceptional items	**7.3**	4.2

Site relocation and restructuring costs in 2014/15 were £4.7m net (2013/14: £3.5m net). Relocation costs were incurred in connection with the transfer of operations from our Dulles facility into other existing sites. In addition, restructuring costs have been incurred on the reorganisation of CPS and certain operations within Currency.

The £4.7m net exceptional operating charge in respect of site relocation and restructuring (2013/14: £3.5m) comprised £4.3m (2013/14: £1.5m) in staff compensation, £1.9m (2013/14: £3.1m) for site exit costs and £0.4m (2013/14: £2.7m) in other associated reorganisation costs offset by credits on existing provisions of £1.2m (2013/14: £nil) in staff compensation and £0.7m (2013/14: £3.8m) for site exit costs. The £4.7m charge was split between the operating segments as follows; Currency £0.4m, Security Products £2.4m and CPS £1.9m.

As previously announced, the Group has had unresolved issues since 2010 with a major customer regarding bank note paper production contracts. In April 2015, the Group was advised that guarantees, which have been in place since the contracts were entered into, with a value of £13.3m, had been invoked by the customer concerned. As this cost related to a matter pre-existing at the balance sheet date it has been accounted for as an adjusting post-balance sheet event. The Board considers this to be a material step towards resolution of this issue and discussions continue with this important customer. The warranty provision relating to this matter, previously charged as an exceptional item, has been reviewed resulting in a £3.0m release.

Following an impairment review of capitalised development costs, £3.8m of intangible assets within Security Products were identified as having a carrying value in excess of the recoverable amount. The amounts written off represent the first generation of software that is no longer being marketed as it has been superseded by an enhanced software product.

The net cash cost of exceptional items paid in the year (excluding the £13.3m above, which was paid in April 2015) was £6.6m of which £1.6m related to prior periods.

In addition the following exceptional items were incurred in the prior year; £1.1m of charges 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 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.

Net tax credits relating to exceptional items arising in the period were £2.6m (2013/14: £0.9m). In addition there was an exceptional credit of £4.7m (2013/14: £3.3m) in respect of the determination of the tax treatment of prior year exceptional items, of which £4.5m credit related to tax matters retained by the Group following the disposal of a discontinued operation a number of years ago.

4 Taxation

	2015 £m	2014 £m
Consolidated income statement		
Current tax:		
UK corporation tax:		
– Current tax	**7.1**	12.4
– Adjustment in respect of prior years	**(2.8)**	(0.7)
	4.3	11.7
Overseas tax charges:		
– Current year	**3.6**	3.6
– Adjustment in respect of prior years	**(4.5)**	(2.9)
	(0.9)	0.7
Total current income tax charge	**3.4**	12.4
Deferred tax:		
– Origination and reversal of temporary differences, UK	**0.6**	0.9
– Origination and reversal of temporary differences, overseas	**(0.2)**	(1.4)
Total deferred tax charge/(credit)	**0.4**	(0.5)
Total income tax charge in the consolidated income statement	**3.8**	11.9
Attributable to:		
– Ordinary activities	**11.1**	16.1
– Exceptional items	**(7.3)**	(4.2)

Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**(16.0)**	4.7
– On cash flow hedges	**(0.1)**	(0.7)
– On foreign exchange on quasi-equity balances	**0.2**	0.5
Income tax (credit)/charge reported within comprehensive income	**(15.9)**	4.5

Consolidated statement of changes in equity:		
– On share options	**0.5**	0.3
Income tax charge reported within equity	**0.5**	0.3

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 21 per cent as follows:

	2015			2014		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Profit before tax	**57.7**	**(18.8)**	**38.9**	77.3	(17.5)	59.8
Tax calculated at UK tax rate of 21 per cent (2013/14: 23 per cent)	**12.1**	**(3.9)**	**8.2**	17.8	(4.0)	13.8
Effects of overseas taxation	**(1.5)**	**–**	**(1.5)**	(1.8)	–	(1.8)
Charges not allowable for tax purposes	**1.2**	**0.9**	**2.1**	0.6	1.3	1.9
Increase in unutilised tax losses	**1.1**	**0.4**	**1.5**	0.5	1.7	2.2
Adjustments in respect of prior years	**(1.6)**	**(4.7)**	**(6.3)**	(0.1)	(3.3)	(3.4)
Change in UK tax rate	**(0.2)**	**–**	**(0.2)**	(0.9)	0.1	(0.8)
Tax charge/(credit)	**11.1**	**(7.3)**	**3.8**	16.1	(4.2)	11.9

The underlying effective tax rate excluding exceptional items was 19.3 per cent (2013/14: 20.8 per cent).

5 Earnings per share

	2015 pence per share	2014 pence per share
Total operations		
Basic earnings per share	**34.0**	47.3
Diluted earnings per share	**33.4**	47.0
Underlying		
Basic earnings per share	**45.3**	60.7
Diluted earnings per share	**44.7**	60.2

Basic earnings per share is calculated by dividing the profit attributable to equity 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 the dilutive effect of share options.

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	2015 £m	2014 £m
Earnings for basic and diluted earnings per share	**34.3**	47.3
Exceptional items	**18.8**	17.5
Less: Tax on exceptional items	**(7.3)**	(4.2)
Earnings for underlying earnings per share	**45.8**	60.6

Weighted average number of ordinary shares	2015 Number m	2014 Number m
For basic earnings per share	**101.0**	99.9
Dilutive effect of share options	**1.5**	0.7
For diluted earnings per share	**102.5**	100.6

6 Equity dividends

	2015 £m	2014 £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 29 March 2014 of 28.2p paid on 1 August 2014	**28.5**	–
Interim dividend for the period ended 27 September 2014 of 8.3p paid on 7 January 2015	**8.3**	–
	36.8	42.2

A final dividend per equity share of 16.7p has been proposed for the period ended 28 March 2015. If approved by shareholders the dividend will be payable on 3 August 2015 to ordinary shareholders on the register at 3 July 2015. In accordance with IFRS accounting requirements this dividend has not been accrued in these consolidated financial statements.

7 Analysis of net debt

	2015 £m	2014 £m
Cash at bank and in hand	**28.6**	55.7
Short term bank deposits	**2.2**	2.2
Bank overdrafts	**(1.9)**	(1.7)
Total cash and cash equivalents	**28.9**	56.2
Borrowings due within one year	**(139.9)**	(146.1)
Net debt	**(111.0)**	(89.9)

8 Contingent liabilities

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters from which, in the ordinary course of business, contingent liabilities can arise. While the outcome of litigation, disputes and investigations by regulatory authorities 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 also 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.

9 Events since the balance sheet date

Since the year end the following material events have occurred:

Adjusting event

In April 2015, the Group was advised that guarantees with a value of £13.3m had been invoked, see note 3 for further details.

Non-adjusting event

In April 2015, the Group completed the disposal of surplus land at Overton following receipt of local government planning approval. The proceeds of £9.6m have been received and a gain arising on disposal of c£9m will be reported as an exceptional item in 2015/16.

10 Dates

The consolidated accounts have been prepared as at 28 March 2015, being the last Saturday in March. The comparatives for the 2013/14 financial year are for the period ended 29 March 2014.

11 Statutory accounts

Statutory accounts for the period ended 28 March 2015 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.

12 Foreign exchange

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

	2014/15		2013/14	
	Average	**Year End**	Average	Year End
US dollar	1.61	1.49	1.59	1.66
Euro	1.28	1.37	1.19	1.21

13 De La Rue financial calendar : 2015/16

Ex-dividend date for 2014/15 final dividend	2 July 2015
Record date for final dividend	3 July 2015
Annual General Meeting	23 July 2015
Payment of 2014/15 final dividend	3 August 2015