

DE LA RUE PLC

PRELIMINARY STATEMENT

Year to 26 March 2005

KEY FINANCIALS

	2004/2005	2003/2004	Change
	£m	£m	
Sales	643.2	682.5	-5.8%
Profit before tax, exceptional items and goodwill amortisation*	66.5	58.7	+13.3%
Profit before tax	49.4	22.5	
Headline earnings per share*	26.0p	24.2p	+7.4%
Earnings per share	17.9p	6.8p	
Net cash flow	65.4	32.9	
Net cash at end of period	106.5	41.1	
Dividends per share	15.3p	14.2p	7.7%

*before exceptional charges of £15.7m (2003/2004 : £33.7m) and goodwill amortisation of £1.4m (2003/2004 : £2.5m)

HIGHLIGHTS

- Good trading performance in Currency, underpinned by a strong opening order book, favourable work mix and high levels of overspill throughout the year.
- Operational and strategic rationalisation in Cash Systems and Security Products making good progress.
- Net cash flow of £65.4m (2003/2004 : £32.9m), particularly enhanced by planned reductions in inventory and debtors.
- Increase in the final dividend of 8.2 per cent to 10.6 pence per share, bringing the full year dividend to 15.3 pence per share, an increase of 7.7 per cent in the year (2003/2004 : 14.2p).
- Intended return of capital of approximately £70m through a special dividend, equivalent to 38.0 pence per share accompanied by a corresponding share consolidation.

Nicholas Brookes, Chairman of De La Rue plc, commented:

"I am pleased to report an excellent full year performance in which management's focus on improving operational productivity resulted in a strong net cash inflow. Another strong year in the Currency division, together with the benefits derived from the reorganisation programmes across the Group, were key features of the results. We continue to implement our strategy of concentrating resources on our core activities, addressing under-performing businesses and putting in place the foundations for delivering improved productivity, competitiveness and shareholder value.

"The Board has announced its intention to pay a special dividend of approximately £70m accompanied by a share consolidation. We believe the combination of immediate reward together with progressive dividend growth is a clear demonstration of our commitment to shareholder value.

"Our key management focus going forward is to ensure that the operational changes we have initiated are successfully implemented to yield their full potential. The Group has good visibility for first half orders, particularly in the Currency activities although as previously anticipated we do not expect a repeat in 2005/2006 of all the favourable conditions we saw in Currency during 2004/2005. We remain confident of the outlook for the year."

For further information, please contact:

Leo Quinn	Group Chief Executive	+44 (0)1256 605303
Stephen King	Group Finance Director	+44 (0)1256 605303
Mark Fearon	Group Head of Corporate Affairs	+44 (0)1256 605303
Richard Mountain	Financial Dynamics	+44 (0) 207 269 7291

25 May 2005

Summary of Results

De La Rue is pleased to report a strong performance for the year ended 26 March 2005. Underlying profit before tax* increased by £7.8m to £66.5m (2003/2004 : £58.7m). Overall the Group's trading performance was strong with underlying operating profits of £54.6m an increase of £5.3m compared with last year (2003/2004 : £49.3m). This excellent performance was achieved notwithstanding a £9.1m adverse impact from foreign exchange (translation and transaction effects), in particular related to the increased weakness of the US Dollar, throughout the year. After charging exceptional items and goodwill amortisation, profit before tax was £49.4m (2003/2004 : £22.5m).

Headline earnings per share* increased by 7.4 per cent from 24.2p to 26.0p reflecting the improved trading performance. Basic earnings per share were 17.9p compared with 6.8p in 2003/2004 and includes the benefit from the disposal during the year of discontinued activities.

An excellent performance in both Currency and Security Products activities contributed to the strong operating result in the Security Paper and Print division, where underlying operating profits (before exceptional income of £1.2m and a goodwill amortisation credit of £0.5m) were up 7.5 per cent to £45.6m. This reflected the benefit of Currency orders delayed from the second half of the previous year, (when the majority of the Iraq order was processed), an improved work mix and continued high levels of overspill activity throughout the year. The successful implementation of the rationalisation programme in the Security Print business, initiated last year and completed in the second half of the current year, coupled with strong volumes of authentication labels and fiscal stamps, also contributed to an improved performance in the Security Products business.

In Cash Systems, underlying operating profits (before exceptional items of £25.8m and goodwill amortisation of £1.9m) of £9.2m were slightly ahead of last year, despite an adverse foreign exchange impact of £4.1m compared to 2003/2004. In December 2004, we announced a major reorganisation of the division, aimed at lowering the cost base and establishing a clear focus on improving manufacturing productivity. We are making good progress in implementing these actions.

Cash generation was again strong with net cash inflow from operating activities of £96.1m (2003/2004 : £92.1m). This particularly reflected reductions in inventory and debtors, partly offset by a reduction from last year's high level, of customer advance payments. The Group ended the year with net cash on the balance sheet of £106.5m compared with net cash of £41.1m last year.

*before exceptional charges of £15.7m (2003/2004 : £33.7m) and goodwill amortisation of £1.4m (2003/2004 : £2.5m)

Returns to Shareholders

Subject to shareholders' approval, the Board is recommending an increased final dividend of 10.6p per share**, which will be paid on 5 August 2005 to shareholders on the register on 8 July 2005. Together with the increased interim dividend paid in January 2005, this will give a total dividend for the year of 15.3p, an overall increase of 7.7 per cent on last year.

The Board has also announced today its intention to return approximately £70m to shareholders, equivalent to 38.0 pence per share, through a special dividend accompanied by a share consolidation. The capital return is consistent with the Board's stated strategy to return surplus cash to shareholders. The Board also intends to seek shareholder approval for the renewal of its existing general authority to make market purchases of shares.

**The final dividend will be paid on the issued share capital before any consolidation arising from the special dividend.

In order to maintain comparability with historic earnings and dividend per share and with historic share prices, the special dividend will be accompanied by a share consolidation which will reduce the number of De La Rue shares in issue by 10 per cent, on a basis of 9 new shares for every 10 presently held. The payment of the special dividend is dependent on the approval of the consolidation at an Extraordinary General Meeting which will be held immediately after the Annual General Meeting on 28 July 2005.

We believe this combination of immediate reward and progressive dividend growth is a clear demonstration of our commitment to shareholder value.

Group Strategy

As we outlined at the interim results, the broad focus of De La Rue's activities going forward will be on those products and services, for which we can establish or maintain and build a strong competitive position. Our programme for operational and strategic rationalisation, announced at the interim results, is making good progress. We believe that by driving operational efficiency this provides the best route to deliver improved shareholder value. The Group's strong cash generative characteristics and ungeared balance sheet also give the Board scope to return surplus cash flow to shareholders through a combination of progressive dividends, and where appropriate, capital returns. The key management focus for 2005/2006 is to ensure that the operational changes we have initiated are successfully implemented to yield their full potential.

▪ Security Paper and Print

In Security Paper and Print our focus remains on maintaining our market share in Currency and sustaining our competitive advantage through an increased investment in R&D. In addition, we continue to drive productivity within the division through investment in automation.

During the year, we finalised the restructuring of the Security Products activities with the closure of the Peterborough and Byfleet sites and the related exit from low margin businesses, including UK personal cheques, export stamps and UK vouchers. At the same time we have increased our investment in sales and marketing for authentication labels, passports and fiscal stamps, further leveraging our core intellectual property.

▪ Cash Systems

In Cash Systems, we are implementing the restructuring actions outlined in December 2004. We have removed the divisional infrastructure and reorganised the division into focused Strategic Business Units, each with its own budget and direct accountability to the CEO. These comprise: Branch Teller Automation, Sorters; Original Equipment Manufacture (OEM) and Desktop Products. The planned closure of the Portsmouth manufacturing facility and relocation of associated manufacturing to lower cost economies is progressing well and we are on course to close the site by the end of 2005/2006. We intend to close the Eskilstuna OEM manufacturing site in Sweden and outsource assembly to a strategic partner in China. Consultation with the workforce of 139 has commenced and the site is planned for closure by the end of 2005/2006.

Action has also been taken to restructure our Portuguese ATM business following the anticipated loss of a significant portion of service revenue. A new management team is in place and, as a consequence of the actions taken, we expect the business to trade profitably in 2005/2006. The costs associated with these actions are included in the charges below.

It is now anticipated that these actions will result in annualised cost savings of approximately £9m by the end of 2006/2007, £1.0m more than previously expected. Total restructuring costs of £17.9m are anticipated, in line with our previously announced expectations. We have achieved £1.5m savings in the current year from these initiatives, which is expected to increase to an annualised run rate of £5m in 2005/2006, increasing to an annualised run rate of £9m in 2006/2007. Including the proposed closure of Eskilstuna, we are now targeting a total headcount reduction of 480 from these actions. During the year 180 people left the business.

▪ **Sale of Sequoia Voting Systems**

During the second half, we also successfully completed the sale of the Sequoia Voting Systems business for a consideration of £8.7m (US\$16m) resulting in an exceptional gain of £6.0m. Trading losses during this final year of ownership were lower than expected reflecting significantly reduced costs, the unwinding of stock levels and the earlier than anticipated sale.

▪ **Improving Productivity**

Improving operational productivity is central to achieving our strategy. During the year, we engaged the entire organisation in the Group's objectives, putting in place clear actions and a methodology to drive improved operational performance across all our businesses. We believe that in doing so we will unlock the potential to deliver higher levels of customer satisfaction and, ultimately, better financial returns.

The Group's strong cash flow is an indication of the benefits of these focused actions. A working capital reduction of £27.4m, and in particular lower levels of inventory across all our operating businesses, were a direct result of our drive for productivity improvement.

Board Changes

As previously announced, Nicholas Brookes succeeded Sir Brandon Gough as non-executive Chairman after the Annual General Meeting on 22 July 2004. Leo Quinn was appointed as Group Chief Executive on 31 May 2004. In addition, Michael Jeffries became Chairman of the Remuneration Committee and the Company's senior independent non-executive director on 22 July 2004. Sir Jeremy Greenstock also joined the Board on 1 March 2005 as a non-executive director. Sir Jeremy, 61, is one of Britain's foremost diplomats, with a distinguished career spanning 35 years in a variety of high profile roles. His wealth of experience and high international standing will prove invaluable to De La Rue.

Associates

Profit from associates before interest and tax were lower at £9.4m (2003/2004 : £10m). The main associated company is Camelot, the UK lottery operator which reported an improved sales performance on the previous year, reflecting the introduction of new games and sales channels. Dividends received from associates of £5.6m were lower than last year's income of £7.2m. Profits and dividends were lower as a result of one-off income in the previous year.

Interest Charge

The Group's net interest income was £2.5m which was £3.1m higher than the previous year and reflected the Group's strong cash generation throughout the year.

Taxation

Excluding exceptional items and goodwill amortisation, the underlying effective tax rate was 28.0 per cent (2003/2004 : 26.2 per cent).

Exceptional Items

A summary of the main cash costs and non cash charges are set out below:

	Cash	Non Cash	Total
	£m	£m	£m
Reorganisation costs - Cash Systems	14.3	-	14.3
Reorganisation costs – Security Products	-	(0.8)	(0.8)
Income from investment previously impaired	(0.4)	-	(0.4)
Portuguese ATM business goodwill impairment	-	11.5	11.5
Profit on disposal of discontinued operations	(6.0)	(2.9)	(8.9)
Exceptional pre-tax costs	7.9	7.8	15.7

Reorganisation costs in Cash Systems relate to the restructuring announced at the interim results. A charge of £14.3m has been taken in 2004/2005 with the final element of £3.6m to be charged in 2005/2006 in line with the requirements of accounting standards.

The goodwill impairment of £11.5m relates to the Portuguese ATM business, acquired from Papelaco in 2002, which was written off in the first half. This arose from the loss of a significant amount of business from a key customer. Steps have now been taken to return the business to profitable trading in 2005/2006 and the costs associated with these actions are included in the restructuring costs outlined above.

Profit on disposal relates primarily to the disposal of Sequoia Voting Systems in March 2005.

Cash Flow and Borrowings

During the year net cash inflow from operating activities was £96.1m compared with £92.1m in 2003/2004. This included a significant cash inflow from inventory and debtors, partially offset by a reduction in advance payments. Capital expenditure of £20.5m was lower than last year due to phasing of expenditure between periods with the average of the last two years in line with depreciation and our expectations.

During the first half the Company completed the disposal of the freehold of its High Wycombe facility in the UK. This follows the previously announced restructuring of manufacturing facilities in Security Products, after which the company ceased production at the site last year. The sale of the Sequoia Voting business was completed in the second half for proceeds of US\$16m (£8.7m) of which US\$2m (£1.1m) is deferred until 30 June 2006. Total proceeds from asset disposals were £12.1m in cash.

The overall net cash flow was positive at £65.4m (2003/2004 : £32.9m), resulting in closing net cash of £106.5m at the year end compared with net cash of £41.1m at the start of the year.

Foreign Exchange

Principal exchange rates used in translating the Group's results

£	2004/2005 Average	2005 Year end	2003/2004 Average	2004 Year end	2002/2003 Average	2003 Year End
US dollar	1.84	1.87	1.69	1.81	1.54	1.57
Euro	1.47	1.44	1.44	1.50	1.56	1.46
Swedish Krona	13.35	13.13	13.19	13.87	14.26	13.43
\$						
Swedish Krona	7.26	7.02	7.80	7.66	9.26	8.55

When managing foreign exchange transactional risk, protection is taken in the foreign exchange markets whenever a business has a firm expectation of confirming a sale or purchase in a non-domestic currency unless it is impractical or uneconomical to do so. Translation of overseas earnings is not hedged. For the year ended 26 March 2005 adverse foreign exchange impacted the Group profits by £9.1m. Based on our budgeted exchange rates we expect further adverse impacts on 2005/2006 of approximately £7.0m.

UK Pension Scheme

The Group accounts for pensions in accordance with SSAP24, having deferred the introduction of FRS17 (Retirement Benefits) in accordance with the transitional measures set out by the Accounting Standards Board. The charge to the profit and loss account in respect of the UK pension scheme for 2004/2005 was £10.4m (2003/2004 : £9.9m).

Extracts from the Operational Reviews

SECURITY PAPER AND PRINT	2004/2005 £m	2003/2004 £m	Change £m
Sales	317.9	340.3	(22.4)
Underlying operating profit*	45.6	42.4	3.2

*before exceptional income of £1.2m (2003/2004 : £10.0m charge) and amortisation of negative goodwill of £0.5m (2003/2004 : £0.5m)

Currency

The Currency business had another excellent year, despite reduced volumes in both banknote printing and paper, following the completion of the exceptional Iraq order in 2003/04. Banknote printing volumes were down 8 per cent (2003/2004 : increase of 14%), the reduction having been significantly mitigated by the benefit of high backlog orders, improved work mix and a high level of overspill. Banknote paper volumes were down 15 per cent (2003/2004 : increase of 38%), but benefited from both improved manufacturing efficiency and increased orders for high specification paper, requiring more sophisticated banknote threads. The former Bank of England works at Debden continued to perform in line with our expectations.

The Currency business ended the year with a strong order book which provides good visibility for the first half year.

Security Products

The Security Products business, in particular, performed well. Completion of its manufacturing rationalisation in the second half, the exit from unprofitable activities and the volume benefits of increased sales and marketing investment in authentication labels, fiscal stamps and passports all contributed to improved results.

CASH SYSTEMS	2004/2005 £m	2003/2004 £m	Change £m
Sales	302.2	302.6	(0.4)
Underlying operating profit*	9.2	8.8	0.4

* before exceptional items of £25.8m (2003/2004 : £11.3m) and goodwill amortisation of £1.9m (2003/2004 : £2.6m)

Cash Systems' full year revenues of £302.2m were ahead of last year, excluding adverse translational exchange differences of £10.7m. Underlying operating profits of £9.2m were in line with our expectations and 4.5 per cent ahead of last year's result, primarily driven by savings from the ongoing cost reduction programmes. This was achieved despite significantly adverse foreign exchange impacts, in particular relating to transaction differences between the US\$ and the Swedish Krona, of approximately £4.1m. Operating cash flow was strong and substantially ahead of last year, driven by favourable working capital management.

Teller automation revenues continue to be the major driver of product sales and service revenues in the division. Volumes for Teller Cash Dispensers declined throughout the mature continental European markets. However, we saw volume growth in the Teller Cash Recycler markets in both Europe and North America, despite increased competition from new entrants. The North American market, where our products are well suited, continues to be the principal focus for growth. During the year both the USA and Canada grew in line with our expectations, and as we continue to see potential for further penetration in these markets going forward, we will be increasing our marketing investment.

Sorter volumes were significantly down on last year in what is becoming an increasingly competitive environment. The unit's new management team is actively working to reduce the cost base of the business, while maintaining product development, in order to capitalise particularly on growth from emerging markets such as India, Russia and Brazil. The business remains a core part of our Currency offering to Central Banks.

The OEM and Desktop Products businesses performed in line with our expectations for these mature businesses. Our focus continues to be to drive productivity improvements and lower our structural cost base in order to deliver products at competitive prices.

Sequoia Voting Systems

Following the strategic review in December 2004, we announced our intention to exit the business by the year end and this was done through the sale of the business to Smartmatic Corporation, a US based device networking and election systems company. The business had revenues of £23.1m (2003/2004 : £44.2m) and made an operating loss of £0.2m in the year (2003/2004 : £(1.9)m).

International Financial Reporting Standards (IFRS)

These are the final set of results which the Group will report under UK GAAP.

The Group will be reporting under IFRS for the year ended 25 March 2006, starting with the interim results to September 2005. A thorough review of all relevant standards has been undertaken in order to assess the likely impact, and the restatement of the results for 2004/2005 is nearing completion. A full communication of this restatement will be presented in July.

To aid understanding of the transition to IFRS, a summary of the key areas of impact are set out below. These IFRS adjustments are unaudited and may change as the Group finalises its analysis of the effect of IFRS.

The adoption of IFRS in the Group accounts represents an accounting change only and will not affect the operations or cash flows of the Group.

The Group has adopted IAS39 (Financial Instruments : Recognition and Measurement) from 27 March 2005 and adjustments to prior periods will not include any effects of that standard.

The principal areas of impact are:

Profit and Loss Account

- Accounting for share options (IFRS2) - requires a charge to be recognised based on the fair value of each share option grant, which is likely to lead to an additional charge of approximately £1.8m to operating profits.
- Research and development costs (IAS38) - development costs will be capitalised provided certain criteria are met leading to a small net credit to operating profits, after increased amortisation.
- Pensions (IAS 19) – no significant change to the operating profit charge. The total charge will now include an operating charge and a finance charge (within interest) the latter representing the difference between the expected return on assets and the interest on scheme liabilities. This element will be hard to predict. Experience gains and losses will be charged or credited to SORIE (Statement of Recognised Income & Expenses).
- Goodwill (IAS38) - goodwill will no longer be amortised through the Profit and Loss account but an annual impairment review needs to be carried out. Amortisation of goodwill included in the results for 2004/2005 was £1.4m.
- Associates (IAS28) – the Group's share of profits from associates must now be shown after tax within the Group's profit before tax, rather than showing the tax charge of associates within the Group's overall taxation charge. The tax charge on associate profits in 2004/2005 was £3.0m. The impact will be to reduce the disclosed profit before tax, with no change to profit after tax.

Balance Sheet

- Pensions (IAS19) – the deficit will be recognised on the balance sheet leading to a reduction in net assets of approximately £65m.
- Dividends (IAS10) – dividends proposed after the balance sheet date are not accrued under IFRS but accounted for when declared. This has a one-off impact of increasing net assets by the final dividend of approximately £19m.
- Financial Instruments (IAS 39) – our internal procedures have been changed and we expect to account for all significant currency hedges under 'hedge accounting'. There are some embedded

derivatives within Currency division and some increased volatility potential, but these are not expected to have a material impact on results or net assets.

Overall, the transition to IFRS is not expected to have a material impact on Group earnings.

Outlook

The Group has good visibility for first half orders, particularly in the Currency activities although as previously anticipated we do not expect a repeat in 2005/2006 of all the favourable conditions we saw in Currency during 2004/2005. We remain confident of the outlook for the year.

-ends-

Notes to Editors

1. De La Rue is the world's largest commercial security printer and papermaker, involved in the production of over 150 national currencies and a wide range of security documents such as passports, fiscal stamps, travellers cheques and authentication labels. The Company is a leading provider of cash handling equipment and software solutions to banks and retailers worldwide, helping them to reduce the cost of handling cash. De La Rue employs over 6,200 people across 31 countries and has an ongoing turnover of approximately £650m. De La Rue is a member of the FTSE 250. Its ordinary shares are listed with the UK Listing Authority and trade on the market for listed securities on the London Stock Exchange under the symbol DLAR. For further information visit De La Rue's website at www.delarue.com.
2. A presentation to analysts will take place at 9:00am today at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS
3. High resolution photographs are available to the media free of charge at <http://www.newscast.co.uk/> (+44 (0) 207 608 1000).
4. De La Rue Financial Calendar:

2005/2006	
Ex-dividend date	6 July 2005
Record date	8 July 2005
Annual Report issued	17 June 2005
IFRS Announcement	13 July 2005
Annual General Meeting	28 July 2005
Payment of 2004 final dividend	5 August 2005
2005 Interim Results	29 November 2005

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 26 MARCH 2005

Notes	2005 £m Before Exceptionals	2005 £m Exceptional Items	2005 £m Total	2004 £m Before Exceptionals	2004 £m Exceptional Items	2004 £m Total
Turnover						
Continuing operations	620.1		620.1	638.3		638.3
Discontinued operations	23.1		23.1	44.2		44.2
1	643.2		643.2	682.5		682.5
Operating profit						
Continuing operations	54.8		54.8	51.2		51.2
Reorganisation costs		(13.5)	(13.5)		(15.2)	(15.2)
Income from investments previously impaired		0.4	0.4		-	-
	54.8	(13.1)	41.7	51.2	(15.2)	36.0
Discontinued operations	(0.2)		(0.2)	(1.9)		(1.9)
Operating profit before goodwill amortisation	54.6	(13.1)	41.5	49.3	(15.2)	34.1
Goodwill amortisation	(1.4)	(11.5)	(12.9)	(2.5)	(18.7)	(21.2)
1,2	53.2	(24.6)	28.6	46.8	(33.9)	12.9
Group operating profit						
Share of operating profits of associated companies	9.4		9.4	10.0		10.0
Total operating profit	62.6	(24.6)	38.0	56.8	(33.9)	22.9
Profit on the disposal of discontinued operations	-	8.9	8.9	-	-	-
Profit on disposal of fixed assets	-		-	-	0.2	0.2
Non-operating items	-	8.9	8.9	-	0.2	0.2
Profit on ordinary activities before interest	62.6	(15.7)	46.9	56.8	(33.7)	23.1
Net interest: Group	2.5		2.5	(0.6)		(0.6)
Profit on ordinary activities before taxation	65.1	(15.7)	49.4	56.2	(33.7)	22.5
3	(18.4)	2.5	(15.9)	(15.0)	5.0	(10.0)
Profit on ordinary activities after taxation	46.7	(13.2)	33.5	41.2	(28.7)	12.5
Equity minority interests	(1.6)		(1.6)	(0.4)		(0.4)
Profit for the financial year	45.1	(13.2)	31.9	40.8	(28.7)	12.1
Dividends	(27.4)		(27.4)	(24.8)		(24.8)
Transferred to/(from) reserves	17.7	(13.2)	4.5	16.0	(28.7)	(12.7)
4	25.3p	(7.4)p	17.9p	23.0p	(16.2)p	6.8p
4	25.2p	(7.4)p	17.8p	23.0p	(16.2)p	6.8p
4	26.0p	(6.2)p	19.8p	24.2p	(5.8)p	18.4p
Dividends per ordinary share			15.3p			14.2p

A reconciliation between earnings per share, as calculated according to Financial Reporting Standard No 14 "Earnings per Share" (FRS 14) issued by the Accounting Standards Board, earnings per share, as calculated according to the definition of headline earnings in Statement of Investment practice No 1 "The Definition of Headline Earnings" issued by the Institute of Investment Management and Research, and headline earnings per share as disclosed above is shown in note 4.

GROUP BALANCE SHEET
AT 26 MARCH 2005

	2005 £m	2004 £m
Fixed assets		
Intangible assets	15.4	28.2
Tangible assets	154.6	164.4
Investments: Associates	14.0	13.2
Other investments	0.3	0.2
	184.3	206.0
Current assets		
Stocks	73.8	99.7
Debtors	89.8	116.6
Deferred taxation	30.8	33.1
Cash at bank and in hand	140.7	85.5
	335.1	334.9
Creditors: amounts falling due within one year		
Short term borrowings	(17.8)	(8.3)
Other creditors	(194.2)	(214.5)
Net current assets	123.1	112.1
Total assets less current liabilities	307.4	318.1
Creditors: amounts falling due after more than one year		
Long term borrowings	(16.4)	(36.1)
Other creditors	(12.8)	(13.6)
Provisions for liabilities and charges	(49.8)	(50.8)
	228.4	217.6
Capital and reserves		
Called up share capital	46.1	45.8
Share Premium	17.0	14.6
Revaluation reserve	1.8	1.8
Capital redemption reserve	3.5	3.5
Other reserve	(83.8)	(83.8)
Profit and loss account	240.1	232.2
Equity Shareholders' funds	224.7	214.1
Equity minority interests	3.7	3.5
	228.4	217.6

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 26 MARCH 2005**

Notes	2005 £m	2004 £m
5a Net cash inflow from operating activities	96.1	92.1
Dividends received from associated companies	5.6	7.2
5b Returns on investments and servicing of finance	2.1	(1.5)
Taxation	(7.6)	(11.2)
5c Capital expenditure and financial investment	(13.0)	(31.8)
5d Acquisitions and disposals	5.0	(5.1)
Equity dividends paid	(25.8)	(24.1)
Net cash inflow before use of liquid resources and financing	62.4	25.6
5e Management of liquid resources	(42.9)	(30.3)
5f Financing	(21.6)	7.6
(Decrease)/increase in cash in the period	(2.1)	2.9
Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash in the period	(2.1)	2.9
Cash outflow from increase in liquid resources	42.9	30.3
Cash outflow/(inflow) from decrease/(increase) in debt	24.3	(5.1)
Change in net funds resulting from cash flows	65.1	28.1
Translation difference	0.3	4.8
Movement in net funds in the period	65.4	32.9
Net funds at start of period	41.1	8.2
Net funds at end of period	106.5	41.1
Analysis of net funds		
Cash	40.3	28.0
Liquid resources	100.4	57.5
Overdrafts	(14.4)	(1.0)
Other debt due within one year	(3.4)	(7.3)
Other debt due after one year	(16.4)	(36.1)
Net funds at end of period	106.5	41.1

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 26 MARCH 2005**

		2005 £m	2004 £m
Profit for the financial year:	Group	25.5	5.0
	Associates	6.4	7.1
		31.9	12.1
Currency translation differences on foreign currency net investments		3.4	(0.5)
Total recognised gains for the year		35.3	11.6

There is no material difference between the reported profit shown in the consolidated profit and loss account and the profit for the relevant periods restated on an historical cost basis.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 26 MARCH 2005**

	2005 £m	2004 £m
Profit for the financial year	31.9	12.1
Dividends	(27.4)	(24.8)
	4.5	(12.7)
Share capital issued	2.7	2.5
Currency translation differences on foreign currency net investments	3.4	(0.5)
Net increase/(decrease) in shareholders' funds	10.6	(10.7)
Opening shareholders' funds	214.1	224.8
Closing shareholders' funds	224.7	214.1

NOTES TO THE PRELIMINARY STATEMENT

1 SEGMENTAL ANALYSIS

	2005 Turnover	2005 Profit before tax	2005 Net assets	2004 Turnover	2004 Profit before tax	2004 Net assets
	£m	£m	£m	£m	£m	£m
Continuing operations – before exceptionals						
Cash Systems	302.2	9.2	19.0	302.6	8.8	72.1
Security Paper & Print	317.9	45.6	91.7	340.3	42.4	94.6
Less inter-segment sales	-			(4.6)		
	620.1	54.8	110.7	638.3	51.2	166.7
Discontinued operations						
Voting Systems	23.1	(0.2)	-	44.2	(1.9)	(0.6)
	643.2	54.6	110.7	682.5	49.3	166.1
Exceptional costs						
Cash Systems		(14.3)			(5.2)	
Security Paper & Print		1.2			(10.0)	
	-	(13.1)		-	(15.2)	-
Goodwill amortisation						
Cash Systems		(13.4)			(8.7)	
Security Paper & Print		0.5			0.5	
Voting Systems		-			(13.0)	
	-	(12.9)	-	-	(21.2)	-
	643.2	28.6	110.7	682.5	12.9	166.1
Associated companies (analysed below)		9.4	14.1		10.0	13.2
Non-operating items		8.9			0.2	
Net interest including associates		2.5			(0.6)	
Profit before taxation		<u>49.4</u>			<u>22.5</u>	
Unallocated net assets			(2.9)			(2.8)
Capital employed			121.9			176.5
Net funds			106.5			41.1
Net assets			<u>228.4</u>			<u>217.6</u>
Geographical area by operation						
United Kingdom and Ireland	380.4	13.5	43.5	406.1	9.7	58.1
Rest of Europe	247.9	7.3	31.9	232.8	20.7	61.7
The Americas	142.5	3.2	21.8	161.8	(18.3)	30.8
Rest of world	47.3	4.6	13.5	39.3	0.8	15.5
Less inter-area sales	(174.9)			(157.5)		
	643.2	28.6	110.7	682.5	12.9	166.1

The profit before tax in 2005 is shown after exceptional costs of £13.1m (2004: £15.2m) comprising UK and Ireland £6.1m (2004: £9.5m), Rest of Europe £5.1m (2004: £4.3m), Americas £1.9m (2004: £1.4m), Rest of World £Nil (2004: £Nil).

Inter-area sales of £174.9m (2004: £157.5m) comprise: UK & Ireland £59.9m (2004: £53.1m), Rest of Europe £90.2m (2004: £67.7m), Americas £11.7m (2004: £19.3m), Rest of World £13.1m (2004: £17.4m).

Geographical area by destination

United Kingdom and Ireland	70.0	83.1
Rest of Europe	182.2	179.0
The Americas	176.7	178.9
Rest of world	214.3	241.5

643.2

682.5

Associated companies are analysed as follows:

Security Paper and Print	-	0.1	-	-
UK lottery	9.4	14.0	10.0	13.2
	9.4	14.1	10.0	13.2

Geographical area by operation

United Kingdom and Ireland	9.4	14.0	10.0	13.2
Rest of Europe	-	(0.1)	-	(0.1)
Rest of world	-	0.2	-	0.1
	9.4	14.1	10.0	13.2

The Group's cash and borrowings are managed centrally and therefore interest is not attributable to individual classes of business or geographical segments.

Unallocated net assets and liabilities, which consist of assets and liabilities relating to non-divisional operations, are controlled centrally and cannot be allocated meaningfully to individual classes of business or geographical segments.

2 OPERATING COSTS EXCLUDING AMORTISATION OF GOODWILL**2005
£m**2004
£m

Cost of sales		
Continuing operations	419.2	428.4
Reorganisation costs	13.5	13.0
	432.7	441.4
Discontinued operations	12.6	31.5
	445.3	472.9
Distribution costs		
Continuing operations	29.4	21.4
Discontinued operations		0.2
	29.4	21.6
Administration and other expenses		
Continuing operations	116.7	137.3
Reorganisation costs	-	2.2
Income from investments previously impaired	(0.4)	-
	116.3	139.5
Discontinued operations	10.7	14.4
	127.0	153.9
	601.7	648.4

3 TAXATION

	2005 £m	2004 £m
Tax on profit on ordinary activities		
United Kingdom		
Current tax		
Corporation tax at 30% (2004: 30%)	5.0	6.5
Adjustments in respect of prior years	-	(4.0)
	5.0	2.5
Double taxation relief	(0.2)	(0.5)
	4.8	2.0
Overseas tax	5.1	3.2
Adjustments in respect of prior years	1.3	0.3
	6.4	3.5
Tax on share of associates	2.6	2.9
	13.8	8.4
Deferred tax		
Origination and reversal of timing difference	4.2	0.4
Adjustments in respect of prior years	(2.5)	1.2
Tax on share of associates	0.4	-
	2.1	1.6
Total tax charge	15.9	10.0

The net exceptional tax credit included within the above totalled £2.5m of which £2.5m is included within deferred tax (2004: £5.0m credit, of which £2.3m was included within deferred tax).

The current tax charge for the year is lower than the standard rate of taxation in the UK of 30% (2004: higher). A summary reconciliation is shown below.

	2005 £m	2004 £m
Profit on ordinary activities before tax	49.4	22.5
Expected tax charge at 30%	14.8	6.8
Rate adjustments relating to overseas profits	(2.3)	(1.6)
Overseas dividends	0.1	1.5
Disallowables & other items	(0.1)	5.4
Adjustments in respect of prior years	1.3	(3.7)
Current tax charge	13.8	8.4

4 EARNINGS PER SHARE	2005	2004
Basic	17.9p	6.8p
Diluted	17.8p	6.8p

Earnings per share are based on the profit for the year attributable to ordinary shareholders of £31.9m (2004: profit of £12.1m) as shown in the Group profit and loss account. The weighted average number of ordinary shares used in the calculations is 178,325,990 (2004: 177,032,098) for basic earnings per share and 179,400,038 (2004: 177,453,669) for diluted earnings per share after adjusting for share options.

	pence per share	pence per share
Reconciliation of earnings per share		
As calculated under FRS 14	17.9	6.8
Income from investments previously impaired	(0.2)	-
Profit on the disposal of discontinued operations	(5.0)	-
Profit on the disposal of fixed assets and assets held for resale	-	(0.1)
Amortisation of goodwill	7.1	11.7
Earnings per share as defined by the IIMR	19.8	18.4
Reorganisation costs	6.2	5.8
Headline earnings per share before items shown above	26.0	24.2

The Institute of Investment Management and Research (IIMR) has published Statement of Investment Practice No. 1 entitled "The Definition of Headline Earnings". The IIMR earnings per share shown above have been calculated according to the definition set out in the IIMR's statement. The reconciling items between earnings per share as calculated according to FRS 14 and headline earnings per share include the underlying tax effects.

The directors are of the opinion that the publication of the IIMR's earnings figure and the headline earnings is useful to readers of interim statements and annual accounts as they give a more meaningful indication of underlying business performance.

5 NOTES TO GROUP CASH FLOW STATEMENT	2005 £m	2004 £m
a Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	28.6	12.9
Depreciation and amortisation	40.0	45.3
Decrease/(increase) in stocks	25.5	(3.8)
Decrease in debtors	22.7	10.2
(Decrease)/increase in creditors	(20.8)	30.0
Decrease in reorganisation provisions	(0.9)	(2.5)
Other items	1.0	-

Net cash inflow from operating activities	96.1	92.1
b Returns on investments and servicing of finance		
Interest received	5.7	2.0
Interest paid	(3.1)	(2.4)
Dividends paid to minority shareholders	(0.5)	(1.1)
Net cash inflow/(outflow) from returns on investments and servicing of finance	2.1	(1.5)
c Capital expenditure and financial investment		
Purchase of tangible fixed assets	(20.5)	(33.3)
Sale of tangible fixed assets	7.1	1.5
Income from investments	0.4	-
Net cash outflow for capital expenditure and financial investment	(13.0)	(31.8)
d Acquisitions and disposals		
Purchase of minority interests	(2.2)	(0.9)
Net (overdraft)/cash acquired with subsidiary undertakings	-	(9.8)
Sale of subsidiary undertakings	7.2	6.4
Net cash sold with subsidiary undertakings	-	(0.8)
Net cash inflow/(outflow) from acquisitions and disposals	5.0	(5.1)
e Management of liquid resources		
Net increase in short term deposits	(42.9)	(30.3)
f Financing		
Debt due within one year:		
Loans raised	1.1	7.9
Loans repaid	(3.8)	-
Debt due beyond one year:		
Loans raised	2.0	17.1
Loans repaid	(19.3)	(19.0)
Capital element of finance lease rental repayments	(4.3)	(0.9)
Share capital issued	2.7	2.5
Net cash (outflow)/inflow from financing	(21.6)	7.6

- 6 The consolidated accounts have been prepared as at 26 March 2005, being the last Saturday in March. The comparatives for the 2004 financial year are for the year ended 27 March 2004.
- 7 This statement has been prepared in accordance with the guidelines published by the Accounting Standards Board.
- 8 The financial information set out above (Group profit and loss account, Group balance sheet, Group cash flow statement, Group statement of total recognised gains and losses and notes

thereto) and extracts from the financial review do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

Statutory accounts for the year ended 26 March 2005 will be posted to shareholders on 22 June 2005 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. The report of the auditors on these accounts is unqualified and does not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985. Statutory accounts for the year ended 27 March 2004 have been delivered to the Registrar of Companies.