Notes to the Accounts

1 Segmental analysis

	2004 Turnover £m	2004 Profit before tax £m	2004 Net assets £m	2003 Turnover £m	2003 (restated) Profit before tax £m	2003 (restated) Net assets £m
Continuing operations – before exceptionals						
Cash Systems	302.6	8.8	72.1	310.9	11.8	87.1
Security Paper and Print	303.6	39.0	81.6	248.5	29.4	102.5
Acquisitions	36.7	3.4	13.0			
	340.3	42.4	94.6	248.5	29.4	102.5
Voting Systems	44.2	(1.9)	(0.6)	25.2	(2.6)	10.1
Less inter-segment sales	(4.6)	–		(1.9)		
	682.5	49.3	166.1	582.7	38.6	199.7
Exceptional costs						
Cash Systems		(5.2)			(10.5)	
Security Paper and Print		(10.0)			(19.9)	
Voting Systems		–			(2.8)	
		(15.2)			(33.2)	
Goodwill amortisation						
Cash Systems		(8.7)			(19.3)	
Security Paper and Print		0.5			0.2	
Voting Systems		(13.0)			(0.5)	
		(21.2)			(19.6)	
	682.5	12.9	166.1	582.7	(14.2)	199.7
Associated companies (analysed below)		10.0	13.2		9.2	13.5
Non-operating items (note 4)		0.2			–	
Net interest including associates		(0.6)			0.9	
Profit before taxation		22.5			(4.1)	
Unallocated net assets/(liabilities)			(2.8)			7.6
Capital employed			176.5			220.8
Net funds			41.1			8.2
Net assets			217.6			229.0
Geographical area by operation						
United Kingdom and Ireland	406.1	9.7	58.1	320.0	(16.6)	80.9
Rest of Europe	232.8	20.7	61.7	216.5	14.5	67.0
The Americas	161.8	(18.3)	30.8	136.2	(15.6)	40.7
Rest of World	39.3	0.8	15.5	42.8	3.5	11.1
Less inter-area sales	(157.5)	–	–	(132.8)	–	–
	682.5	12.9	166.1	582.7	(14.2)	199.7

The profit before tax in 2004 is shown after reorganisation costs of £15.2m (2003 £31.9m) comprising UK and Ireland £9.5m (2003 £22.8m), Rest of Europe £4.3m (2003 £5.2m), Americas £1.4m (2003 £3.9m), Rest of World £Nil (2003 £Nil). Inter-area sales of £157.5m (2003 £132.8m) comprise: UK & Ireland £53.1m (2003 £51.4m), Rest of Europe £67.7m (2003 £53.3m), Americas £19.3m (2003 £6.0m), Rest of World £17.4m (2003 £22.1m).

1 Segmental analysis continued

	2004 Turnover £m	2004 Profit before tax £m	2004 Net assets £m	2003 Turnover £m	2003 (restated) Profit before tax £m	2003 (restated) Net assets £m
Geographical area by destination						
United Kingdom and Ireland	**83.1**			68.8		
Rest of Europe	**179.0**			174.7		
The Americas	**178.9**			173.0		
Rest of World	**241.5**			166.2		
	682.5			582.7		
Associated companies are analysed as follows:						
Security Paper and Print		**–**	**–**		–	0.2
Cash Systems		**–**	**–**		0.6	–
UK Lottery		**10.0**	**13.2**		8.6	13.3
		10.0	**13.2**		9.2	13.5
Geographical area by operation						
United Kingdom and Ireland		**10.0**	**13.2**		8.6	13.3
Rest of Europe		**–**	**(0.1)**		0.6	–
Rest of World		**–**	**0.1**		–	0.2
		10.0	**13.2**		9.2	13.5

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.

Following the announcement in November 2003 of the outcome of the strategic review of Global Services, that division has now been disbanded and actions to exit from a number of product areas are under way. All the businesses previously reported under Global Services, with the exception of Sequoia Voting Systems, are now included within Security Paper and Print above and comparatives restated. This has resulted in an increase of £34.7m to turnover within Security Paper and Print and an increase of £1.4m to operating profit. Sequoia Voting Systems is shown separately as a business segment.

2 Operating costs (excluding amortisation of goodwill)

	2004 £m	2003 (restated) £m
Cost of sales		
Continuing operations	**434.6**	387.4
Reorganisation costs	**13.0**	31.9
	447.6	419.3
Acquisitions	**25.3**	–
	472.9	419.3
Distribution costs		
Continuing operations	**21.6**	20.2
Administration and other expenses		
Continuing operations	**143.7**	136.5
Reorganisation costs	**2.2**	–
Loss on impairment of investments	**–**	1.3
Acquisitions	**8.0**	–
	648.4	577.3

Notes to the Accounts
continued

3 Operating profit

	2004 £m	2003 £m
Operating profit is stated after charging/(crediting) the following:		
Employee costs (note 24)	**226.5**	210.9
Depreciation of tangible fixed assets		
– purchased	**23.8**	28.6
– leased	**0.3**	–
Amortisation of goodwill and other intangible assets		
– exceptional	**18.7**	16.0
– non exceptional	**2.5**	4.8
Operating leases		
– hire of plant and machinery	**1.1**	1.0
– other	**7.6**	8.5
Auditors' remuneration		
– audit fees	**1.0**	0.8
– UK non audit-related fees	**0.2**	0.2
– overseas non audit-related fees	**0.1**	0.1
Research and development	**21.3**	25.7
Loss on impairment of investments	**–**	1.3
Reorganisation costs	**15.2**	31.9
Foreign exchange gain	**(0.3)**	–

In 2004, reorganisation costs of £15.2m comprised: £9.1m relating to the restructuring arising from the now disbanded Global Services division; £5.2m in respect of Cash Systems restructuring commenced in 2002/2003 and £0.9m from the closure of High Wycombe, which was commenced in 2002/2003.

£11.7m of reorganisation costs are carried forward within provisions for liabilities and charges.

The loss on impairment of investments of £1.3m in 2003 reflects full provision against the Group's investment in Valora-Services de Apoio a Emissao Monitaria SA. The amount represented full impairment of the Group's 25 per cent holding in the Company and was appropriate due to uncertainty over future cash flows.

In 2003, reorganisation costs of £10.5m were in respect of Cash Systems restructuring as a result of the CSI acquisition. Reorganisation costs of £18.6m were for the closure of High Wycombe, completed in June 2003. Reorganisation costs of £2.8m were in respect of the closure of Sequoia's Exeter plant.

Non-audit related fees comprised taxation services of £0.1m (2003 £0.2m) and further assurance services of £0.2m (2003 £0.1m).

4 Profit on disposal of fixed assets

The profit on disposal of fixed assets of £0.2m (2003 nil) arises from:

- Profit on the disposal of the Singapore factory (£0.9m);
- Profit on the disposal of the High Wycombe factory (£0.9m);
- Profit on sale of other property assets (£1.0m); offset in part by;
- Loss on disposal of £2.6m arising from the sale of the IMW property assets announced in August for a net consideration of £6.4m.

5 Net interest (payable)/receivable

	2004 £m	2003 £m
Interest payable on bank loans and overdrafts, and on other loans repayable within five years	(2.4)	(2.0)
Interest receivable	1.8	2.5
	(0.6)	0.5

6 Taxation

	2004 £m	2003 £m
Tax on profit on ordinary activities		
United Kingdom		
Current tax		
Corporation tax at 30 per cent (2003 30 per cent)	8.4	6.6
Adjustments in respect of prior years	(4.0)	(0.8)
	4.4	5.8
Double taxation relief	(0.5)	(0.7)
	3.9	5.1
Overseas tax	4.0	6.5
Adjustments in respect of prior years	0.3	(0.6)
	4.3	5.9
Tax on share of associates' profits	2.9	1.9
	11.1	12.9
Deferred tax		
Origination and reversal of timing differences	2.7	(0.4)
Adjustments in respect of prior years	1.2	(0.8)
Tax on share of associates' profits	–	0.8
	3.9	(0.4)
Total tax charge excluding exceptionals	15.0	12.5
Exceptional items	(5.0)	(10.0)
Total tax charge after exceptionals	10.0	2.5

The effective rate remains below the UK nominal rate of 30 per cent. A summary reconciliation is shown below.

	2004 £m	2003 (restated) £m
Profit before tax on ordinary activities before exceptional items	56.2	45.1
Expected tax charge at 30 per cent	16.9	13.5
Rate adjustments relating to overseas profits	(1.6)	(2.8)
Overseas dividends	1.5	0.2
Disallowables and other items	(2.0)	3.4
Adjustments in respect of prior years	(3.7)	(1.4)
Current tax charge (excluding exceptional items)	11.1	12.9

Notes to the Accounts
continued

7 Earnings per share

	2004	2003 (restated)
Basic	6.8p	(4.0)p
Fully diluted	6.8p	(4.0)p

Earnings per share are based on the profit for the year attributable to ordinary shareholders of £12.1m (2003 loss of £7.3m) as shown in the Group Profit and Loss Account. The weighted average number of ordinary shares used in the calculations is 177,032,098 (2003 183,656,364) for basic earnings per share and 177,453,669 (2003 184,714,858) for diluted earnings per share after adjusting for dilutive share options.

Reconciliation of earnings per share	pence per share	pence per share (restated)
As calculated under FRS 14	6.8	(4.0)
Loss on impairment of investments	–	0.7
Profit/(loss) on the disposal of fixed assets and assets held for resale	(0.1)	0.2
Amortisation of goodwill	11.7	10.4
Headline earnings per share as defined by the IIMR	18.4	7.3
Reorganisation costs	5.8	11.9
Headline earnings per share before items shown above	24.2	19.2

The Institute of Investment Management and Research (IIMR) has published Statement of Investment Practice No. 1 entitled “The Definition of Headline Earnings”. The headline 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 as calculated according to the definition of the IIMR’s headline earnings include the underlying tax effects.

The Directors are of the opinion that the publication of the IIMR’s headline earnings figure is useful to readers of interim statements and annual accounts.

8 Dividends

	2004 £m	2003 £m
Ordinary shares		
Interim	7.8	7.9
Final proposed	17.4	16.7
Overprovision in prior year	(0.4)	–
	24.8	24.6
Net dividend per ordinary share	pence	pence
Interim	4.4	4.4
Final proposed	9.8	9.2
	14.2	13.6

The above charge excludes £0.7m of dividends in respect of shares held within the Employee Share Ownership Trust.

9 Intangible assets

Group	Goodwill £m	Negative goodwill £m	Distribution rights £m	Total £m
Cost or valuation				
At 30 March 2003	78.7	(1.7)	2.9	79.9
Exchange adjustments	(6.8)	–	(0.1)	(6.9)
Additions	(2.6)	0.1	–	(2.5)
At 27 March 2004	69.3	(1.6)	2.8	70.5
Amortisation				
At 30 March 2003	22.9	(0.3)	2.7	25.3
Exchange adjustments	(4.3)	–	(0.1)	(4.4)
Provision for the year	21.7	(0.5)	0.2	21.4
At 27 March 2004	40.3	(0.8)	2.8	42.3
Net book value				
At 30 March 2003	55.8	(1.4)	0.2	54.6
At 27 March 2004	29.0	(0.8)	–	28.2

Goodwill amortisation all relates to continuing businesses.

In the light of the increasingly competitive market being faced by the Sequoia Voting Systems business, the full carrying value of goodwill relating to the Company has been impaired by an exceptional charge of £12.6m.

As a result of trading experienced since the acquisition of ATS Money Systems, the full carrying value of goodwill relating to the Company has been impaired by an exceptional charge of £6.1m.

Goodwill adjustments include £(4.0)m for purchase price and £1.3m for stock relating to the acquisition of the banking automation business from Papelaco which have been identified as part of the fair value adjustments in the first full year after acquisition.

10 Tangible assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	In course of construction £m	Total £m
Cost or valuation					
At 30 March 2003	81.2	212.7	56.7	4.0	354.6
Exchange adjustments	(1.2)	(4.1)	(1.6)	(0.5)	(7.4)
Acquisitions	–	10.0	–	–	10.0
Additions	0.5	12.2	3.4	18.1	34.2
Transfers from assets in the course of construction	1.2	8.3	1.8	(11.3)	–
Disposals	(25.1)	(8.1)	(6.5)	–	(39.7)
At 27 March 2004	56.6	231.0	53.8	10.3	351.7
Representing					
Valuation in 1988/89	3.7	–	–	–	3.7
Cost	52.9	231.0	53.8	10.3	348.0
	56.6	231.0	53.8	10.3	351.7
Accumulated depreciation					
At 30 March 2003	21.1	128.1	42.0	–	191.2
Exchange adjustments	(0.3)	(3.4)	(0.9)	–	(4.6)
Provision for the year	1.2	17.6	5.3	–	24.1
Disposals	(9.8)	(7.3)	(6.3)	–	(23.4)
At 27 March 2004	12.2	135.0	40.1	–	187.3
Net book value					
At 30 March 2003	60.1	84.6	14.7	4.0	163.4
At 27 March 2004	44.4	96.0	13.7	10.3	164.4

Included in the above are leased assets as follows:

Plant and machinery	cost	£23.3m (2003 £2.3m)
	net book value	£19.6m (2003 £Nil)

10 Tangible assets continued

Included in the cost or valuation of land and buildings is an amount of £2.4m of capitalised interest (2003 £2.4m).

As stated in the accounting policies, it is not Group policy to revalue fixed assets and, as such, the transitional provisions of FRS 15 are being applied. There have been no subsequent valuations since 1988/89.

Land and buildings comprise	2004 Group £m	2003 Group £m
Net book value		
Freehold	28.3	43.2
Long leasehold	15.0	15.6
Short leasehold	1.1	1.3
	44.4	60.1
Historical cost of land and buildings		
Cost	54.5	79.1
Accumulated depreciation	(11.9)	(20.8)
	42.6	58.3

11 Investments	2004 Group £m	2003 Group restated £m	2004 Company £m	2003 Company restated £m
Investments comprise				
Investment in associated companies	13.2	13.5	–	–
Cost of shares in Group companies	–	–	151.6	151.6
Other investments	0.2	0.2	–	–
	13.4	13.7	151.6	151.6

Associates are analysed in further detail below.

In prior years, 5.1m own shares with a nominal value of £1.3m were purchased at an average price of 414 pence to satisfy potential obligations under various share option schemes for executive Directors and senior employees and for sharesave schemes for all employees. The Group has decided to adopt the requirements of Urgent Issues Task Force Abstract 38 and show the cost of own shares purchased (£21.1m) as a deduction from shareholders' funds. Prior year comparatives have been restated to reflect the change in accounting policy. The market value of own shares at 27 March 2004 was £16.1m (2003 £9.4m).

Associates	Cost of shares £m	Share of retained profit £m	Total £m
At 30 March 2003	11.1	2.4	13.5
Exchange adjustments	(0.1)	(0.1)	(0.2)
Share of associated companies' profit after taxation	–	7.1	7.1
Less share of associated companies' dividends	–	(7.2)	(7.2)
At 27 March 2004	11.0	2.2	13.2

11 Investments continued

Group's share of aggregate associates and Camelot Group plc	Total associates 2004 £m	Camelot Group 2004 £m	Total associates 2003 £m	Camelot Group 2003 £m
Turnover	**933.1**	**923.1**	916.7	915.3
Profit before tax	**10.0**	**10.0**	9.6	9.0
Taxation	**(2.9)**	**(2.9)**	(2.7)	(2.7)
Profit after tax	**7.1**	**7.1**	6.9	6.3
Fixed assets	**38.2**	**23.6**	43.6	24.1
Current assets	**49.7**	**42.5**	53.9	46.0
Liabilities due within one year	**(59.6)**	**(51.9)**	(71.4)	(56.3)
Liabilities due after one year or more	**(7.1)**	**(3.5)**	(3.5)	(3.5)
Net assets	**21.2**	**10.7**	22.6	10.3

The above figures are not proportionately consolidated within the Group's accounts.

12 Stocks

	2004 Group £m	2003 Group £m
Raw materials	**18.4**	26.3
Work in progress	**34.5**	25.7
Finished goods	**46.8**	47.2
	99.7	99.2

The replacement cost of stocks is not materially different from original cost.

13 Debtors

	2004 Group £m	2003 Group £m	2004 Company £m	2003 Company £m
Amounts due within one year				
Trade debtors	**89.4**	97.8	**–**	–
Amounts owed by Group undertakings	**–**	–	**31.0**	50.6
Amounts due from associated companies	**0.1**	0.3	**–**	–
Other debtors	**16.5**	11.2	**–**	–
Taxation	**1.8**	–	**–**	–
Prepayments and accrued income	**8.5**	9.2	**–**	–
	116.3	118.5	**31.0**	50.6
Amounts due after more than one year				
Other debtors	**0.2**	0.5	**–**	–
Prepayments and accrued income	**0.1**	0.1	**–**	–
	0.3	0.6	**–**	–
	116.6	119.1	**31.0**	50.6

Notes to the Accounts
continued

14 Deferred taxation

	2004 Group £m	2003 Group £m
Provided		
Timing differences between capital allowances and depreciation	**4.2**	1.1
Pension provisions	**(5.2)**	(5.7)
Tax losses	**(7.0)**	(15.2)
Other short term timing differences	**(23.2)**	(15.6)
At 27 March 2004	**(31.2)**	(35.4)
Comprising:		
Assets	**(33.1)**	(37.2)
Liabilities	**1.9**	1.8
At 27 March 2004	**(31.2)**	(35.4)

Where there is no intention at the balance sheet date to distribute the profits of overseas subsidiary and associated companies, no deferred tax is provided for liabilities which might arise on distributions by those companies.

A deferred tax asset has not been recognised on tax losses of £5.9m (2003 £5.4m) because there is insufficient evidence to suggest that it will be recoverable.

As at 29 March 2003 and 27 March 2004, there were no unprovided deferred tax liabilities.

The movement on deferred tax is explained as follows:

At 30 March 2003	**(35.4)**
Amount charged to profit and loss (note 6)	3.9
On acquisition of Debden Security Printing Limited	1.3
Deferred tax on exceptional items	(2.3)
Amount credited to statement of total recognised gains and losses for revaluation of foreign exchange balances	1.7
Goodwill on fair value adjustments to the assets purchased on the acquisition of the banking automation business of Papelaco	(0.4)
At 27 March 2004	**(31.2)**

15 Creditors

	2004 Group £m	2003 Group £m	2004 Company £m	2003 Company £m
Amounts falling due within one year				
Bank loans and overdrafts	**4.8**	0.5	**98.4**	92.8
Obligations under finance leases	**3.5**	–	**–**	–
Short-term borrowings	**8.3**	0.5	**98.4**	92.8
Payments received on account	**33.1**	16.6	**–**	–
Trade creditors	**31.3**	39.2	**–**	–
Amounts owed to associated companies	**0.1**	0.4	**–**	–
Other short-term creditors	**17.2**	22.1	**–**	–
Proposed dividends	**18.0**	17.7	**17.7**	17.0
Taxation	**7.1**	22.4	**–**	–
Social security and other taxation	**12.8**	8.9	**–**	–
Accruals and deferred income	**94.9**	81.0	**–**	–
Other creditors	**214.5**	208.3	**17.7**	17.0

16 Creditors

	2004 Group £m	2003 Group £m	2004 Company £m	2003 Company £m
Amounts falling due after more than one year				
Bank loans repayable otherwise than by instalments				
Between one and two years	–	15.9	–	15.9
Between two and five years	19.3	26.8	–	–
Obligations under finance leases				
Between one and two years	3.6	–	–	–
Between two and five years	10.6	–	–	–
Over five years	2.6	–	–	–
Long-term borrowings	36.1	42.7	–	15.9
Amounts owed to Group companies	–	–	2.6	–
Other long-term creditors	0.6	3.5	0.1	0.9
Taxation	12.9	1.4	–	–
Accruals and deferred income	0.1	–	–	–
Other creditors	13.6	4.9	2.7	0.9

As at 27 March 2004, the total of undrawn committed borrowing facilities maturing in more than two years was £46.0m.

The finance lease obligation is repayable quarterly in advance and interest is accrued at Libor plus 45 basis points.

17 Provisions for liabilities and charges

	Pensions and similar obligations £m	Deferred taxation £m	Other £m	Total £m
Group				
At 30 March 2003	21.4	1.8	30.0	53.2
Exchange adjustment	(0.3)	(0.1)	(0.4)	(0.8)
At acquisition	–	1.3	–	1.3
Provided in year	11.0	0.6	26.2	37.8
Utilised in year	(12.6)	–	(23.6)	(36.2)
Released in year	–	–	(0.8)	(0.8)
Disposed in year	–	–	(4.1)	(4.1)
Adjustments	–	(0.4)	–	(0.4)
Transfers between categories and from other creditors	1.6	(1.3)	0.5	0.8
At 27 March 2004	21.1	1.9	27.8	50.8

As at 27 March 2004 other provisions principally comprise:

- Reorganisation provisions of £11.7m (2003 £14.0m). During the year, Cash Systems provided a further £5.2m in respect of reorganisations, utilised £10.9m (including a balance from prior years), leaving a balance of £0.7m carried forward. In addition, the Group provided £9.1m for the reorganisation arising from the strategic review of the now disbanded Global Services division announced at the half year, of which £0.6m has been utilised, leaving £8.5m carried forward.
- Disposal provisions of £5.4m (2003 £5.5m), none of which are individually material. During the year, £0.1m of these provisions were utilised.
- A provision of £2.9m (2003 £2.0m), retained to cover the cost of Delarunarians (those employees and ex-employees who have achieved 37 years' service and qualify for free medical cover, plus a monthly allowance). £0.3m of this provision was utilised in the year, and £1.2m was transferred from other creditors.

There are no other individually material provisions within other provisions for liabilities and charges.

Notes to the Accounts
continued

18 Share capital and reserves

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Group							
At 30 March 2003	45.4	12.5	1.8	3.5	(83.8)	264.5	243.9
Prior year adjustment	–	–	–	–	–	(19.1)	(19.1)
At 30 March 2003 (restated)	45.4	12.5	1.8	3.5	(83.8)	245.4	224.8
Share capital issued	0.4	2.1	–	–	–	–	2.5
Currency translation	–	–	–	–	–	(0.5)	(0.5)
Loss for the financial year	–	–	–	–	–	(12.7)	(12.7)
At 27 March 2004	45.8	14.6	1.8	3.5	(83.8)	232.2	214.1
Company							
At 30 March 2003	45.4	12.5	–	3.5	–	88.4	149.8
Prior year adjustment	–	–	–	–	–	(19.1)	(19.1)
At 30 March 2003 (restated)	45.4	12.5	–	3.5	–	69.3	130.7
Share capital issued	0.4	2.1	–	–	–	–	2.5
Loss for the financial year before dividends	–	–	–	–	–	(2.9)	(2.9)
Dividends proposed	–	–	–	–	–	(24.8)	(24.8)
At 27 March 2004	45.8	14.6	–	3.5	–	41.6	105.5

Reserves are wholly attributable to equity shareholders.

As permitted by Section 230 of the Companies Act 1985, De La Rue plc has not presented its own profit and loss account. The amount of the Group profit for the financial year dealt with in the accounts of the Company was a loss of £2.9m.

As at 27 March 2004, £740.4m (2003 £740.4m) of goodwill has been eliminated against reserves in respect of acquisitions made prior to 31 March 1998.

The prior year adjustment relates to the adoption of UITF Abstract 38 explained under accounting policies.

19 Share capital

	2004 £m	2003 £m
Authorised		
265,625,900 ordinary shares of 25p each	66.4	66.4
Allotted, called up and fully paid		
183,069,986 (2003 181,766,898) ordinary shares of 25p each	45.8	45.4

Allotments during the year	2004 '000	2003 '000
Ordinary shares in issue at 30 March 2003	181,767	195,243
Issued under savings related share option scheme	1,002	118
Issued under executive share option schemes	182	269
Issued under US employee share purchase plan	107	–
Issued under the matching shares scheme	12	–
Shares bought back for cancellation	–	(13,863)
Ordinary shares in issue at 27 March 2004	183,070	181,767

Contingent rights to the allotment of shares	2004 '000	2003 '000
Savings related share option scheme		
Options over ordinary shares outstanding at 30 March 2003	3,293	3,175
New options granted during year	1,033	903
Options exercised during the year	(1,002)	(118)
Options lapsed during the year	(802)	(667)
Savings related share options outstanding at 27 March 2004	2,522	3,293

At 27 March 2004 there was a total of 1,236 participants holding options under the savings-related share option scheme which are exercisable at various dates up to 31 August 2009 at prices ranging between 150p and 434.1p.

19 Share capital continued

Executive Share Option Scheme	2004 '000	2003 '000
Options over ordinary shares outstanding at 30 March 2003	**4,012**	4,707
New options granted during year	**–**	–
Options exercised during year	**(182)**	(256)
Options lapsed during year	**(300)**	(439)
Executive share options outstanding at 27 March 2004	**3,530**	4,012

At 27 March 2004 there was a total of 213 participants holding options under the executive share option scheme which are exercisable at various dates up to 3 December 2011 at prices ranging between 187.84p and 1005p.

Share Price Improvement Plan	2004 '000	2003 '000
Options over ordinary shares outstanding at 30 March 2003	**1,211**	3,418
New options granted during year	**–**	–
Options lapsed during year	**(708)**	(2,207)
Share Price Improvement Plan options outstanding at 27 March 2004	**503**	1,211

At 27 March 2004 there were 21 senior key employees holding options under the Share Price Improvement Plan which are exercisable up to 25 June 2005 at 506.42p.

Executive Share Option Plan	2004 '000	2003 '000
Options over ordinary shares outstanding at 30 March 2003	**1,318**	–
New options granted during year	**1,737**	1,393
Options lapsed during year	**(65)**	(75)
Executive Share Option Plan options outstanding at 27 March 2004	**2,990**	1,318

At 27 March 2004 there was a total of 123 participants holding options under the executive share option plan which are exercisable at various dates up to 25 September 2013 at prices ranging between 200.5p and 319.17p.

Matching Shares Scheme	2004 '000	2003 '000
Options over matching shares outstanding at 30 March 2003	**–**	–
New matching shares options granted during year	**6**	–
Options lapsed during year	**–**	–
Matching Shares Scheme options outstanding at 27 March 2004	**6**	–

At 27 March 2004 there was a total of 2 key executives holding options under the Matching Shares Scheme. The participants subscribed for 11,649 Retained Shares at 275.25p on 14 August 2003. Retained Shares must be held in trust for two years from the date of subscription and a performance condition satisfied before qualifying for Matching Shares at a ratio of one Matching Share to every two Retained Shares.

US Employee Share Purchase Plan

De La Rue operates a US Employee Share Purchase Plan for US employees. Under the Plan, employees have an option to purchase De La Rue plc shares at the end of each 12-month savings period at a price which is the lower of the market value of a De La Rue plc share either at the beginning or end of the offering period, less a 15 per cent discount. In 2003/2004, 107,223 shares (2002/2003 0 shares) were allotted pursuant to the Plan. It is estimated that 102,000 shares will be required to satisfy the Company's 2004/2005 obligations in respect of employees' savings under the Plan as at 27 March 2004.

Market Share Purchase of Shares by Trustees

(a) De La Rue Employee Share Ownership Trust

The De La Rue Employee Share Ownership Trust was established to administer shares granted under the various De La Rue Executive Share Option Schemes (ESOS), the De La Rue Share Price Improvement Plan (SPIP) and the De La Rue Executive Share Option Plan (ESOP) to executive directors and senior employees. Bachmann Trust Company Limited is Trustee. The Trustee currently holds 4.1 million shares until due for release to participants of the Schemes and the Plans. The Trustee has agreed to waive dividends on these shares except for 0.0001 per cent per share and accordingly such shareholding is not included in the Company's EPS calculation referred to in note 7. At 27 March 2004 no shares have been transferred to option holders under the SPIP, ESOP or ESOS. The circumstances under which the shares are released in relation to the SPIP are set out in the Remuneration Report of the Board.

19 Share capital continued

(b) De La Rue Qualifying Employee Share Ownership Trust (the "QUEST")
The QUEST was established on 30 March 2000 to administer shares granted under the De La Rue Sharesave Scheme ("the Scheme") to employees and Directors of the Company and its subsidiaries. The QUEST currently holds one million shares to be distributed on maturity of savings-related share option schemes. The QUEST has waived all rights to receive dividends payable on its registered shareholding except for 0.0001p per share and accordingly such shareholding is not included in the Company's EPS calculation referred to in note 7. The future operation of the QUEST is being reviewed following recent changes to legislation.

(c) The Group has decided to adopt the requirements of Urgent Issues Task Force (UITF) Abstract 38 and show the cost of own shares purchased as a deduction from shareholders' funds (see Accounting Policies on pages 42 and 43).

20 Notes to Group Cash Flow Statement	**2004 £m**	2003 (restated) £m
a **Reconciliation of operating profit/(loss) to net cash inflow from operating activities**		
Operating profit/(loss)	**12.9**	(14.2)
Depreciation and amortisation	**45.3**	49.4
(Increase)/decrease in stocks	**(3.8)**	8.6
Decrease in debtors	**10.2**	15.9
Increase/(decrease) in creditors	**30.0**	(9.8)
(Decrease)/increase in reorganisation provisions	**(2.5)**	7.4
Other items	**–**	1.8
Net cash inflow from operating activities	**92.1**	59.1
b **Returns on investments and servicing of finance**		
Interest received	**2.0**	4.2
Interest paid	**(2.4)**	(3.8)
Dividends paid to minority shareholders	**(1.1)**	(1.5)
Net cash outflow from returns on investments and servicing of finance	**(1.5)**	(1.1)
c **Capital expenditure and financial investment**		
Purchase of tangible fixed assets	**(33.3)**	(20.7)
Purchase of intangible fixed assets	**–**	(0.6)
Sale of tangible fixed assets	**1.5**	1.7
Sale of investments	**–**	15.9
Net cash outflow for capital expenditure and financial investment	**(31.8)**	(3.7)
d **Acquisitions and disposals**		
Purchase of subsidiary undertakings	**(0.9)**	(33.6)
Net (overdraft)/cash acquired with subsidiary undertakings (note 22)	**(9.8)**	0.2
Sale of subsidiary undertakings (note 22)	**6.4**	–
Net cash sold with subsidiary undertakings (note 22)	**(0.8)**	–
Net cash outflow from acquisitions and disposals	**(5.1)**	(33.4)
e **Management of liquid resources**		
Net (increase)/decrease in short-term deposits	**(30.3)**	28.2
f **Financing**		
Debt due within one year:		
Loans raised	**7.9**	–
Loans repaid	**–**	(7.0)
Debt due beyond one year:		
Loans raised	**17.1**	24.1
Loans repaid	**(19.0)**	(5.0)
Capital element of finance lease rental repayments	**(0.9)**	(0.7)
Share repurchase	**–**	(38.0)
Share capital issued	**2.5**	1.1
Net cash inflow/(outflow) from financing	**7.6**	(25.5)

20 Notes to Group Cash Flow Statement continued

	At 29 March 2003 £m	Cash flow £m	Exchange movement £m	At 27 March 2004 £m
g **Analysis of net funds**				
Cash at bank and in hand	51.4	33.7	0.4	85.5
Less liquid resources	(27.2)	(30.3)	–	(57.5)
Overdrafts	(0.5)	(0.5)	–	(1.0)
Cash – Group Cash Flow Statement	23.7	2.9	0.4	27.0
Liquid resources	27.2	30.3	–	57.5
Debt due within one year, excluding bank overdrafts	–	(7.3)	–	(7.3)
Debt due after one year	(42.7)	2.2	4.4	(36.1)
	(42.7)	(5.1)	4.4	(43.4)
Net funds	8.2	28.1	4.8	41.1

21 Group operating leases

	2004 Land and buildings £m	2003 Land and buildings £m	2004 Other £m	2003 Other £m
Annual commitments expiring				
Within one year	0.8	1.1	1.5	1.1
Between one and two years	1.7	0.5	1.1	1.0
Between two and five years	1.3	1.2	0.8	2.0
Over five years	1.5	1.7	–	–
Payments to be made during next year	5.3	4.5	3.4	4.1

Notes to the Accounts
continued

22 Acquisition and disposal

Acquisition
On 30 March 2003 the Group acquired the Bank of England's banknote printing operations, Debden Security Printing Limited for total consideration including expenses of £9.5m. The business has been integrated into the continuing operations of the Group.

The provisional fair values attributed to Debden on the date of acquisition were as follows:

	Debden Security Printing Limited		
	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to the Group £m
Tangible fixed assets	9.5	0.5	10.0
Stock	2.7	0.2	2.9
Trade debtors	1.5	–	1.5
Trade creditors	(1.8)	–	(1.8)
Other current assets and liabilities	(0.6)	–	(0.6)
Debt	(1.2)	–	(1.2)
Deferred taxation	(1.3)	–	(1.3)
Net assets acquired	8.8	0.7	9.5
Consideration			
Acquisition costs paid			0.9
Loan acquired			8.6
Total consideration			9.5

The business purchased has been accounted for using the acquisition method. The loan acquired of £8.6m was repaid shortly after acquisition. This, together with £1.2m net debt acquired, is shown in note 20 (d) as net overdrafts acquired.

Disposal
During the year the Group disposed of its entire shareholding in IMW Immobilien AG. The Group had retained its shareholding in IMW (formerly Garny AG) following earlier disposals and the remaining investment represented the related property portfolio. The net assets disposed, loss on disposal and consideration are summarised as follows:

	£m
Tangible fixed assets	11.7
Cash	0.8
Provisions for liabilities and charges	(4.1)
Other current assets and liabilities	(0.1)
Net assets disposed	8.3
Loss on disposal	(2.6)
Total	5.7
Comprising:	
Cash proceeds	6.4
Disposal costs accrued	(0.7)
Total	5.7

Operating cash flows in respect of businesses disposed in the year were not material.

23 Pensions and other post-retirement benefits

The Group operates pension plans throughout the world covering the majority of employees. These plans are devised in accordance with local conditions and practices in the country concerned. The assets of the Group's plans are generally held in separately administered trusts or are insured.

A provision of £21.1m (2003 £21.4m) is included in provisions for liabilities and charges, to cover the excess of the accumulated pension costs (£18.6m) and other post-retirement benefits (£2.5m) over the amounts funded.

The total pension cost for the Group was £13.1m (2003 £4.2m), of which £11.8m relates to plans in the United Kingdom and the United States which cover 81 per cent of employees within schemes. Included within the total pension cost is £0.9m for defined contribution arrangements in the USA.

An actuarial valuation of the UK scheme was carried out as at 6 April 2003 by AON Limited, independent consulting actuaries. The valuation showed that the scheme had a deficit of £40m at that date. The increase in the pension cost is largely as a result of this valuation. The scheme is valued formally every three years, the next valuation being as at April 2006.

Information on the defined benefit scheme operated in the UK is as follows:

Last valuation date	6 April 2003
Main assumptions	
Investment return p.a.	6.3%
Salary increases p.a.	3.75%
Pension increases p.a.	3%
Market valuation of investments at last valuation date	£361.9m
Level of funding, being the actuarial value of assets expressed as a percentage of the accrued service liabilities	90%

	2003/04 £m	2002/03 £m
Regular pension cost	**7.4**	8.0
Variation from regular cost	**2.5**	(6.1)
Net pension cost for 2003	**9.9**	1.9

The contributions to the UK plan are assessed in accordance with advice from AON Limited, using the Projected Unit Method. This method aims for a stable and regular pension cost for current and expected future employees over their anticipated period of employment. The deficit of assets relative to liabilities is spread over the average expected remaining service lives of current employees, assessed as 13 years, using the level percentage of salary method.

Other post-retirement benefits of £0.2m were utilised in the year (2003 £0.2m). These benefits relate mainly to healthcare and life assurance for beneficiaries in the United States. The benefits are covered by an unfunded defined benefit scheme and a provision is carried in the balance sheet for the accumulated liabilities. These were assessed in accordance with independent actuarial advice as at 31 March 1997 using the projected unit credit method. The assumed discount rate was 7.25 per cent p.a. and annual healthcare costs were assumed to increase by 7.0 per cent p.a.

The Group continues to report pension costs in accordance with SSAP 24. However, the Group is following the extended transitional arrangements under which additional disclosure on retirement benefits is required in the notes to the financial statements under FRS 17. The standard requires pension deficits and surpluses, to the extent that these are considered recoverable, to be recognised in full. Annual service costs and net financial income or expense on the assets and liabilities of the schemes will be recognised through the profit and loss account. Other fluctuations in the value of the surplus will be recognised in the Statement of Recognised Gains and Losses.

The Group operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out at 6 April 2003 by a qualified independent actuary, and the valuation results have been updated to 27 March 2004 in accordance with the FRS. The Group also operates a number of minor defined contribution programmes in the UK and overseas as well as minor defined benefit arrangements overseas. The latest valuations for the defined benefit arrangements have been updated 27 March 2004 by local actuaries. The latest valuation for the US Scheme was prepared as at 1 January 2003.

Details of post-retirement benefit scheme assets and liabilities of the Group at 27 March 2004, valued in accordance with FRS 17, are set out below.

The financial assumptions used are:			**2003/04**			2002/03			2001/02
	UK %	**USA %**	**Other %**	UK %	USA %	Other %	UK %	USA %	Other %
Discount rate	**5.5**	**6.0**	**6.0**	5.6	7.0	6.8	6.2	7.0	6.8
Inflation rate	**3.0**	**–**	**2.7**	2.6	–	2.8	2.9	–	2.8
Rate of increase in pension payment	**3.0**	**–**	**1.0**	3.0	–	–	3.2	–	–
Rate of increase in salaries	**4.3**	**–**	**3.3**	3.9	–	4.5	4.2	–	4.5

23 Pensions and other post-retirement benefits continued

The assets in the scheme, and the expected rates of return were:

Long-term rate of return expected at 27 March 2004	Expected return on assets at 27 March 2004 UK %	USA %	Other %	Expected return on assets at 29 March 2003 UK %	USA %	Other %	Expected return on assets at 30 March 2002 UK %	USA %	Other %
Equities	**8.6**	**–**	**–**	8.9	–	–	7.7	–	–
Bonds	**4.7**	**–**	**–**	4.6	–	–	5.3	–	–
Other	**3.0**	**7.0**	**6.3**	2.6	7.0	–	2.9	7.0	–

	Value at 27 March 2004 UK £m	USA £m	Other £m	Total £m	Value at 29 March 2003 UK £m	USA £m	Other £m	Total £m	Value at 30 March 2002 UK £m	USA £m	Other £m	Total £m
Equities	**272.3**	**–**	**–**	**272.3**	223.4	–	–	223.4	321.6	–	–	321.6
Bonds	**129.1**	**–**	**–**	**129.1**	124.9	–	–	124.9	129.4	–	–	129.4
Other	**8.0**	**1.3**	**0.7**	**10.0**	5.7	1.4	0.4	7.5	3.0	1.6	–	4.6
	409.4	**1.3**	**0.7**	**411.4**	354.0	1.4	0.4	355.8	454.0	1.6	–	455.6

The following amounts at 27 March 2004 and 29 March 2003 were measured in accordance with the requirements of FRS 17:

	27 March 2004 UK £m	USA £m	Other £m	Total £m	29 March 2003 UK £m	USA £m	Other £m	Total £m
Total market value of assets	**409.4**	**1.3**	**0.7**	**411.4**	354.0	1.4	0.4	355.8
Present value of liabilities	**(496.6)**	**(1.4)**	**(2.7)**	**(500.7)**	(441.9)	(2.0)	(2.5)	(446.4)
Deficit	**(87.2)**	**(0.1)**	**(2.0)**	**(89.3)**	(87.9)	(0.6)	(2.1)	(90.6)
Related deferred tax asset	**26.2**	**0.0**	**0.5**	**26.7**	26.4	0.2	0.7	27.3
Net pension liability	**(61.0)**	**(0.1)**	**(1.5)**	**(62.6)**	(61.5)	(0.4)	(1.4)	(63.3)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 27 March 2004 would be as follows:

	27 March 2004 Group £m	29 March (restated) 2003 Group £m
Net assets		
Net assets including SSAP 24 pension liability	**217.6**	229.0
SSAP 24 provision (net of deferred tax)	**15.9**	15.8
Pension liability under FRS 17	**(62.6)**	(63.3)
Net assets including FRS 17 pension liability	**170.9**	181.5
Reserves		
Profit and loss reserve including SSAP 24 pension liability	**232.2**	245.4
SSAP 24 provision (net of deferred tax)	**15.9**	15.8
Pension liability under FRS 17	**(62.6)**	(63.3)
Profit and loss reserve including FRS 17 pension liability	**185.5**	197.9

23 Pensions and other post-retirement benefits continued

The following amounts would have been recognised in the performance statements in the years to 27 March 2004 and 29 March 2003 under the requirements of FRS 17:

Analysis of amount charged to operating profit	**2003/04 Group £m**	2002/03 Group £m
Operating cost		
Current service cost	**(9.9)**	(10.9)
Past service cost	**(1.6)**	–
Gains/(losses) due to settlements/curtailments	**0.3**	(0.2)
Financing cost		
Expected return on assets	**25.5**	32.1
Interest on liabilities	**(24.5)**	(23.9)
Net charge	**(10.2)**	(2.9)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2003/04 Group £m**	2002/03 Group £m
Actual return less expected return on pension scheme assets	**39.4**	(115.1)
Experience losses arising on pension scheme liabilities	**(13.1)**	(24.9)
Changes in financial assumptions underlying pension scheme liabilities	**(27.4)**	(14.6)
Currency gains arising on pension schemes	**0.2**	–
Actuarial loss recognised in STRGL	**(0.9)**	(154.6)

Movement in surplus during the year	**Group £m**	Group £m
Surplus/(deficit) in the scheme at the beginning of the year	**(90.6)**	63.6
Movement in the year:		
Current service cost	**(9.9)**	(10.9)
Past service cost	**(1.6)**	–
Employer contributions	**12.4**	3.3
Other finance income	**1.0**	8.2
Settlements/curtailments	**0.3**	(0.2)
Actuarial loss recognised in STRGL	**(0.9)**	(154.6)
Deficit in the scheme at the end of the year	**(89.3)**	(90.6)

History of experience gains and losses which would have been recognised under FRS 17:

	2004	2003
Actual return less expected return on pension scheme assets		
Amount (£m)	**39.4**	(115.1)
Percentage of pension scheme assets	**9.6%**	(32.3%)
Experience losses arising on pension scheme liabilities		
Amount (£m)	**(13.1)**	(24.9)
Percentage of pension scheme liabilities	**2.6%**	5.6%
Actuarial loss recognised in STRGL		
Amount (£m)	**(0.9)**	(154.6)
Percentage of pension scheme liabilities	**0.2%**	34.6%

Notes to the Accounts
continued

24 Employees

	2004	2003
Average number of employees		
United Kingdom and Ireland	**2,773**	2,736
Rest of Europe	**2,402**	2,278
The Americas	**1,065**	1,134
Rest of World	**601**	641
	6,841	6,789

	2004 £m	2003 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**195.5**	189.4
Social security costs	**17.9**	17.3
Pension costs	**13.1**	4.2
	226.5	210.9

Details of Directors' emoluments are set out in the Remuneration Report on pages 31 to 36.

25 Capital commitments

	2004 Group £m	2003 Group £m
The following commitments existed at the balance sheet date:		
Contracted but not provided for in the accounts	**3.8**	6.3
Authorised but not contracted	**0.3**	1.0
	4.1	7.3

26 Contingent liabilities

There are contingent liabilities, arising in the ordinary course of business, in respect of litigation and guarantees in various countries, for which the Directors believe adequate provisions have been made in the accounts. Pursuant to the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland, the Company has guaranteed the liabilities of certain of its Irish subsidiaries and as a result such subsidiaries have been exempted from the provisions of Section 17 Companies (Amendment) Act 1986 of the Republic of Ireland.

27 Related party transactions

During the year the Group traded with the following associated companies:
Fidink (33.3 per cent), Valora-Servicos de Apoio a Emissao Monitaria SA (25 per cent), Nigerian Security and Minting Company (25 per cent), and Royal Mint Services (50 per cent).

The Group's trading activities with these companies include £6.6m for the purchase of ink and other consumables; £0.4m for the provision of management services, £1.5m for the purchase of banknotes; £2.6m for the sale of paper; £10.7m for the sale of banknotes; £0.3m for the sale of machinery and consumables and £0.4m for commission costs. At the balance sheet date there were £0.1m creditor and £0.1m debtor balances with these companies.

28 Derivatives and other financial instruments

The narrative disclosures required by FRS 13, Derivatives and Financial Instruments, are set out in this section; and in the Accounting Policies; in the Treasury Operations, Foreign Exchange and Borrowing Facilities Interest charge and Exchange paragraphs of the Financial Review on pages 16 and 17. Numerical disclosures are set out below. The use of financial instruments to manage interest rate and currency risk is subject to Board approval and will not create additional financial exposures over and above those arising from our normal activity.

Short-term debtors and creditors have been omitted from these disclosures as permitted by FRS 13.

Currency analysis of net assets

While continuing to focus on the management of cash flow, the Group will, where practicable, seek to limit translation exposures to major currencies by hedging between 75 per cent and 100 per cent of underlying net assets.

Fair value of financial assets and liabilities

Market values have been used to determine the fair values of the Group's financial assets.

There is no significant difference between book value and fair values of the Group's financial assets and liabilities with the exception of the US$25m interest rate swap which on a mark to market basis has a net liability of £0.3m unprovided for.

Interest rate risk profile of financial liabilities

With the Group currently holding relatively low levels of debt, and being in a net cash position at year end, decisions on interest rate hedging management for major borrowings will be taken on a case by case basis and subject to Board approval.

The Group's financial liabilities comprise short-term borrowings of £8.3m (note 15); long-term borrowings of £36.1m (note 16); other long-term creditors of £13.6m (note 16) and provisions for other liabilities and charges of £27.8m (note 17).

Currency	2004 Total £m	2004 Floating £m	2004 Fixed £m	2004 Interest free £m	2003 Total £m	2003 Floating £m	2003 Fixed £m	2003 Interest free £m
Sterling	48.7	18.6	–	30.1	17.8	–	–	17.8
US dollar	23.3	7.3	13.8	2.2	43.8	22.3	15.9	5.6
Eurozone	8.6	0.6	–	8.0	9.2	0.2	–	9.0
Other	5.2	4.1	–	1.1	7.3	4.8	–	2.5
	85.8	30.6	13.8	41.4	78.1	27.3	15.9	34.9

Floating rate financial liabilities bear interest rates based on relevant national LIBOR equivalents. Drawings under major committed facilities are at no more than 0.45% above LIBOR.

The Group entered into an interest rate swap in October 2002 to fix the interest rate on US$25m of financial liabilities at 3.0 per cent until September 2005.

The Group intends to maintain significant undrawn available committed facilities. Borrowings under these facilities at 27 March 2004 and the current facility maturity pattern were as follows:

	Total facilities £m	Drawings £m	Undrawn £m
Within one year	77.9	6.7	71.2
Between one and two years	16.3	2.9	13.4
Between two and five years	73.9	27.9	46.0
More than five years	4.1	4.1	–
	172.2	41.6	130.6

An analysis of the Group's total financial liabilities maturity profile is set out below:

	2004 £m	2003 £m
Within one year	30.5	30.4
Between one and two years	13.8	18.1
Between two and five years	37.4	29.6
More than five years	4.1	–
	85.8	78.1

28 Derivatives and other financial instruments continued

Interest rate risk profile of financial assets

The Group's financial assets comprise cash and deposits together with other investments as per note 11.

Composition of the Group's cash and deposits is set out below:

Cash and deposits	2004 £m	2003 £m
Sterling	57.4	16.6
US dollar	10.2	12.1
Eurozone	12.2	14.4
Other	5.7	8.3
	85.5	51.4

All cash and deposits are of a floating rate nature and earn interest based on the relevant national LIBID equivalents and are recoverable within one year.

Hedging future transactions

Whenever a Group company transacts in non local currency it is policy to take protection in the foreign exchange market unless it is impracticable or uneconomic to do so. Transactions undertaken will be accounted for at these contract rates.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments (forward foreign currency contracts) used as hedges at the beginning and end of the year.

All gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions.

	Unrecognised		
	Gains £m	Losses £m	Total net Gains/Losses £m
Gains and losses on hedges at 30 March 2003	**2.4**	**(0.8)**	**1.6**
Arising in previous years included in 2003/04 income	(1.0)	0.6	(0.4)
Gains and losses not included in 2003/04 income			
Arising before 30 March 2003	**1.4**	**(0.2)**	**1.2**
Arising in 2003/04	2.9	(1.1)	1.8
Gains and losses on hedges at 27 March 2004	**4.3**	**(1.3)**	**3.0**
Of which:			
Gains and losses expected to be included in 2004/05 income	1.7	(1.1)	0.6
Gains and losses expected to be included in 2005/06 income or later	2.6	(0.2)	2.4

Longer term foreign exchange contracts have been entered into to hedge the longer term sales and purchasing contracts. As a result, a proportion of foreign exchange hedges extend beyond the end of 2004 into 2005 and 2006.