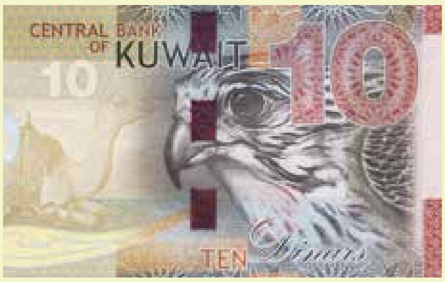
De La Rue plc
Interim Report 2015

Innovate
Deliver
Grow



De La Rue plc

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.

As the world's largest commercial banknote printer, De La Rue 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.

The Group 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)

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For further information visit www.delarue.com

Throughout this interim report, 'Group' and 'De La Rue' are used as a collective term to describe De La Rue plc and its subsidiary companies. 'Company' is a reference to De La Rue plc.

Front cover images

1 Active™ banknote security thread

2 Kuwait 10 dinar note – part of the new family of banknotes which won the International Association of Currency Affairs' 'Excellence in Currency' award for Best New Banknote Series for 2014

3 Cardinal bird appearing in clear window on the Trinidad and Tobago $50 commemorative polymer note

4 A machine reads tax stamps as part of a track and trace government revenue protection scheme

5 A DLR 7000 high speed note sorter

6 Governments rely on De La Rue's products and services to protect the identity of their citizens

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Key financials

Revenue
Half year 2015/16
£204.8m
Half year 2014/15: £214.9m

Underlying operating profit*
Half year 2015/16
£18.9m
Half year 2014/15: £26.6m

Underlying operating margin*
Half year 2015/16
9.2%
Half year 2014/15: 12.4%

Underlying profit before tax*
Half year 2015/16
£12.8m
Half year 2014/15: £20.6m

Reported profit before tax
Half year 2015/16
£19.6m
Half year 2014/15: £18.1m

Dividend per share
Half year 2015/16
8.3p
Half year 2014/15: 8.3p

Underlying earnings per share**
Half year 2015/16
9.5p
Half year 2014/15: 15.9p

Reported earnings per share
Half year 2015/16
19.2p
Half year 2014/15: 13.5p

*Before net exceptional income of £6.8m (H12014/15: £2.5m charge).

**Underlying EPS is calculated before the exceptional income/(charge) noted above and exceptional tax credits of £3.1m (H12014/15: £0.1m).

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

Headlines

Half year results slightly ahead of expectations – full year expectations unchanged

Group 12 month order book up 37% year-on-year at £405m, though market conditions remain volatile

Print and Paper volumes better than expected, benefited from large overspill contracts

Progress on Polymer marked by significant three-year contract

Launched first software solution for both Identity and Security Products, and secured first customers

Reorganisation complete with new CFO on board; functional structure in place to support delivery of strategy; net headcount reduction of 6%

Manufacturing footprint review near completion, expect more than £13m of annual savings from 2018/19, <£30m capex investment and £8m restructuring cost over next two years

'Root and branch' review initiated to address CPS poor performance

Interim dividend maintained at 8.3p

Interim statement

Martin Sutherland, Chief Executive, commented:

"De La Rue's half year performance has been better than expected. The Currency business has shown strength and resilience against the ongoing volatile market conditions. Identity and Security Products have also progressed well with the launch of the first digital solutions. However, the overall performance was dampened by the poor results in CPS. Our success in winning large overspill orders in the period has strengthened the Group's order book, which gives us confidence and visibility for our full year performance.

Implementation of the five year plan we set out in May is now well underway. We have restructured the business to support the delivery of the strategy and increased investment in product development and new technologies. Our review of the manufacturing footprint to improve efficiency and reduce costs is near completion and we will provide more details in the coming weeks. Whilst it will, of course, take time to deliver the full potential of the strategy, we are pleased with the progress made at this early stage."

De La Rue's half year results were slightly ahead of expectations in spite of challenging market conditions. We have made good early progress with the implementation of our strategy, including a reorganisation of the business. The Group has strengthened the 12 month order book to £405m as at the end of the period, with the Currency business' closing order book up 56% year-on-year.

During the period, there was modest revenue growth in the Currency business, which benefited from successful bids in large state overspill orders. However, overcapacity in the industry continues to put pressure on margins. Our manufacturing footprint review has progressed well and is expected to generate more than £13m of annual cost savings from FY19 with less than £30m of investment and £8m of restructuring costs. We will announce more details in the coming weeks.

The Identity business has performed as expected with lower revenue and margins due to a structural reduction in contribution from a large contract. Security Products has performed better than expected with higher volumes of good margin business. However, the performance in Cash Processing Solutions (CPS) has been poor and a 'root and branch' review is now underway.

Financial results

Group revenue fell by 5% to £204.8m (H12014/15: £214.9m) in the first half. Underlying operating profit reduced by 29% to £18.9m (H12014/15: £26.6m), primarily driven by the poor CPS performance and the reduced margins in Currency. Underlying profit before tax fell by 38% to £12.8m (H12014/15: £20.6m) and consequently, underlying earnings per share decreased by 40% to 9.5p (H12014/15: 15.9p). Exceptional net income in the period was £6.8m (H12014/15: exceptional charge of £2.5m), consisting of £9.5m gain from the sale of surplus land, £1.1m from surplus warranty provisions, less £3.8m expenses relating to site relocation and staff restructuring. This resulted in profit before tax of £19.6m (H12014/15: £18.1m), up 8% year-on-year.

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £61.1m (H12014/15: £25.4m). Net debt at 26 September 2015 was £103.3m down £7.7m since the year end mainly due to favourable working capital movement.

Dividend

An interim dividend of 8.3p has been declared for the half year ended 26 September 2015 (H12014/15: 8.3p), payable on 6 January 2016 to shareholders on the register on 4 December 2015.

Strategic progress

In May 2015, we set out a clear strategic plan to revitalise and continue to grow the De La Rue business in the next five years. We stated that we would Optimise and Flex the businesses that are facing downward pressure on pricing, and Invest and Build the businesses that are operating in high growth markets. In the past six months, we have put in place the foundation for delivering our strategy by restructuring the business by function. Whilst it will take time to deliver the full potential of the strategy, we are making good progress at this early stage.

Optimise and Flex

As the key part of our Optimise and Flex strategy, we have undertaken an extensive review of our Print business. The key objectives of the review are to restructure the manufacturing footprint to deliver optimum capability and capacity in order to reduce costs and improve efficiency. The restructuring will require less than £30m of capital investment and incur £8m of restructuring costs over the next two years. Approximately one half of this capital investment is incremental to the normal run rate. It will deliver more than £13m per annum of cost savings from FY19 and will also reduce excess print capacity. A separate announcement on the footprint review will be made in the coming weeks.

We continue to improve efficiency and productivity in both Print and Paper through our ongoing operational excellence programme, which has yielded a further £3m cost savings in the first half.

Invest and Build

In order to capture high growth opportunities, we continue to invest in product development and new technologies. R&D investment in the first half increased by £2m. Our renewed focus on security features and innovation resulted in the doubling of patent applications in the first half compared with the full year 2014/15.

We aim to continue to increase our Polymer market share and have achieved good momentum in the first half, marked by a significant three-year contract with a large customer. We will continue to invest in developing new security features for polymer substrate. As one of only two polymer providers in the world, and the only one with integrated manufacturing and print capability, we are well placed to grow this business.

Identity and Security Products have also progressed well, with the launch of the first digital solutions for each of their respective markets. We have reorganised our sales force for Identity to maximise internal synergies, as well as refocused our efforts on a smaller number of market opportunities to improve further our track record for Security Products.

Operating reviews

Currency

	Half year 2015/16	Half year 2014/15	Change
Banknote print volume (bn notes)	**2.7**	2.7	0%
Banknote paper volume ('000 tonnes)	**4.9**	4.5	9%

	£m	£m	Change
Revenue	**139.8**	136.8	2%
Operating profit*	**13.9**	17.2	(19%)

*Segmental operating profit is stated before exceptional items

Banknote Print volume was maintained at 2.7bn notes (H12014/15: 2.7bn), while paper volume was up 9% year-on-year at 4,900 tonnes. The better than expected volumes were predominantly due to our success in winning large overspill orders.

Revenue increased by 2% to £139.8m (H12014/15: £136.8m), reflecting a favourable exchange movement as well as the higher volume but lower pricing in Paper. Operating profit reduced to £13.9m (H12014/15: £17.2m), primarily driven by the shift in business mix caused by the reduced volume from an important contract. As expected, this contract will conclude in the second half of the year.

Polymer has demonstrated encouraging momentum in the first half. We won a three-year contract with a value of c£25m with a large customer. In addition, the first family of banknotes on our Polymer substrate Safeguard® was launched successfully with the Maldives Monetary Authority on 1 November. De La Rue now supplies Polymer banknotes to 11 note issuing authorities, including all three note issuing Scottish banks.

In Banknote Print, extensive trials with the Bank of England on the new £5 banknote were completed in October and production is now underway.

In order to increase flexibility and access to surge capacity in Banknote Print, we continued to work on building external partnerships. In the first half, we successfully outsourced printing of 500m banknotes to third parties.

At the period end the 12 month order book for Currency, on a like for like basis, was up 56% at £318m (H12014/15: £204m). The significant increase was predominantly driven by large overspill orders.

Identity Systems

	Half year 2015/16 £m	Half year 2014/15 £m	Change
Revenue	**31.5**	34.0	(7%)
Operating profit*	**4.6**	5.9	(22%)

*Segmental operating profit is stated before exceptional items

Revenue fell by 7% to £31.5m (H12014/15: £34.0m) while operating profit fell to £4.6m (H12014/15: £5.9m). This was primarily due to structural reduction in contribution from a large contract and the timing of order closure from a number of customers.

In July, we launched our first software solution for the Identity market DLR Identify™. This web based platform, combined with three newly launched physical security features SkyLight™, Continuous Bio-Data Page™, and Spectrum™ provides a full identity management solution to our clients. We continue to optimise our supply chain and have established a laminates partnership with Dai Nippon. On 3 November HM Passport Office announced a new UK passport design which was developed in conjunction with De La Rue.

We will continue to focus on higher value, longer term ePassport and ID schemes and the development of our digital and service offering as border security becomes an increasing concern for governments.

Security Products

	Half year 2015/16 £m	Half year 2014/15 £m	Change
Revenue	**19.6**	20.8	(6%)
Operating profit*	**5.1**	4.5	13%

*Segmental operating profit is stated before exceptional items

Revenue was down marginally to £19.6m (H12014/15: £20.8m), while operating profit increased by 13% to £5.1m (H12014/15: £4.5m), chiefly due to cost savings from the closure of the Dulles facility.

In April, we launched our first digital solution for the security products market, DLR Certify™. The system enables customers to authenticate and validate their products and therefore protect revenues. The first order was successfully delivered in November.

Cash Processing Solutions

	Half year 2015/16 £m	Half year 2014/15 £m	Change
Revenue	**16.1**	25.5	(37%)
Operating profit*	**(4.7)**	(1.0)	(370%)

*Segmental operating profit is stated before exceptional items

CPS performance was poor, with revenue down 37% to £16.1m (H12014/15: £25.5m) and an operating loss of £4.7m (H12014/15: £1.0m). Sales volume was adversely impacted by increased pricing pressure in the market.

We have initiated a 'root and branch' review which will complete by the end of this financial year.

Interest
The Group's net interest charge was unchanged at £2.4m (H12014/15: £2.4m). The IAS19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was £3.7m (H12014/15: £3.6m).

Exceptional items
Net exceptional income in the period was £6.8m, predominantly from the gain of £9.5m on the sale of surplus land in Overton. Surplus warranty provisions of £1.1m (previously charged as exceptional items) were released in the period. Restructuring costs of £3.8m were incurred in the period as part of the redesign of the organisation structure. The cash cost of exceptional items was £10.8m in the period predominantly due to the invocation of guarantees provided for as a post balance sheet event in 2014/15 and the settlement of restructuring charges. Tax credits relating to exceptional items arising in the period were £0.6m.

Pension scheme
Pension deficit
The valuation of the pension scheme under IAS19 indicates a scheme pre tax deficit at 26 September 2015 of £212.4m (2014/15 full year: £236.7m). The decrease of £24.3m since the year end reflects an increase in the discount rate used to value the scheme liabilities partly offset by lower asset values as a result of a fall in equity values. In common with other final salary schemes, the scheme valuation is very sensitive to any movement in the discount rate and hence the deficit would reduce should interest and discount rates increase in the future.

Recognition of the current deficit in accordance with IFRS results in the negative net assets shown on the balance sheet. The results of the latest triennial funding valuation as at April 2015 are still to be concluded. The special funding arrangements, agreed in 2012, remain unchanged and are aimed to eliminate the deficit by 2022.

Board changes
On 10 August 2015, Jitesh Sodha was appointed Chief Financial Officer and an Executive Director of the Company to replace Colin Child, who stepped down from the Board at the conclusion of the Annual General Meeting. We would like to thank Colin for his contribution to the business.

Jitesh brings to the Company strong financial skills and commercial experience gained as CFO of a number of international businesses. He is a qualified Chartered Management Accountant.

We are pleased to welcome Maria Da Cunha and Sabri Challah as Non-executive Directors with effect from 23 July 2015 and we would like to thank Gill Rider and Warren East, who have retired from the Board as Non-executive Directors after serving nine and eight years respectively.

Outlook
The Board is encouraged by the increased order book, the good progress made at this early stage of the strategy implementation and the resilience of the Currency business. It remains confident of the Group's prospects for the year.

Despite the conclusion of an important contract, our expectations for next year remain unchanged.

Martin Sutherland
Chief Executive

Jitesh Sodha
Chief Financial Officer

24 November 2015

Directors' report

Principal risks and uncertainties
Throughout its global operations De La Rue faces various risks, both internal and external, which could have a material impact on the Group's performance. The Group manages the risks inherent in its operations in order to mitigate exposure to all forms of risks, where practical, and to transfer risk to insurers, where cost effective.

The Group analyses the risks that it faces under the following broad headings: strategic risks (technological revolution, strategy implementation, changes to the market environment and economic conditions), operational risks, legal/regulatory, information risks and financial risks (currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk).

As described in the 2015 Annual Report, the principal risks include failure to innovate, timing of contract awards and political factors, loss of a key customer or contract, product security, product integrity, reputational damage, supplier failure, health and safety failure, environmental breach, loss of a key site, contract issues, breach of competition regulations, loss of core IT systems, information security and actions of its employees and third parties. These risks, along with the risk management systems and processes used to manage them remain unchanged since the Annual Report was published.

The main risks and uncertainties faced by the Group for the remaining six months of the year and the risk management systems and processes used to manage them are unchanged from those described further in the 2015 Annual Report, a copy of which is available on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 6 to 23 of the strategic report in the 2015 Annual Report. In addition, pages 87 to 90 of the 2015 Annual Report include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its liquidity position and borrowing facilities are described on page 18 of the 2015 Annual Report. As described on page 18 of the 2015 Annual Report, the Group meets its funding requirements through cash generated from operations and a revolving credit facility which expires in December 2019.

The Group's updated forecasts and projections, which cover a period of more than twelve months from the date of the interim statement, taking into account reasonably possible changes in normal trading performance, show that the Group should be able to operate within its currently available facilities. The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business. As a consequence and notwithstanding the net liability position being reported in the consolidated balance sheet, which has primarily arisen due to the value of the deficit in the retirement benefit obligations, the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed interim financial statements.

A copy of the 2015 Annual Report is available at www.delarue.com or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Responsibility Statement of the Directors in respect of the Interim Statement
We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU;
- the Interim Management Statement includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statement; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions to those described in the last Annual Report that could do so.

The Board
The Board of Directors of De La Rue plc at 28 March 2015 and their respective responsibilities can be found on pages 28 and 29 of the De La Rue plc Annual Report 2015. Since that date the following changes have taken place:

- Colin Child retired as Chief Financial Officer on 23 July 2015 and was succeeded by Jitesh Sodha who joined the Company on 10 August 2015
- Warren East and Gill Rider retired as Non-executive Directors at the conclusion of the AGM on 23 July 2015
- Sabri Challah and Maria da Cunha were appointed as Non-executive Directors on 23 July 2015

For and on behalf of the Board

Philip Rogerson
Chairman
24 November 2015

Auditors' independent review report to De La Rue plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 26 September 2015 which comprises Group condensed consolidated Interim Income Statement, the Group condensed consolidated interim statement of comprehensive income, the Group condensed consolidated interim balance sheet, the Group condensed consolidated interim statement of cash flows, the Group condensed consolidated interim statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 26 September 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Ian Bone
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf,
London, E14 5GL
24 November 2015

Group condensed consolidated interim income statement – unaudited

For the half year ended 26 September 2015

	Notes	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Revenue	2	**204.8**	214.9	472.1
Operating expenses - ordinary		**(185.9)**	(188.3)	(402.6)
Operating income/(expenses) - exceptional	3	**6.8**	(2.5)	(18.8)
Total operating expenses		**(179.1)**	(190.8)	(421.4)
Operating profit		**25.7**	24.1	50.7
Comprising:				
Underlying operating profit	2	**18.9**	26.6	69.5
Exceptional items	3	**6.8**	(2.5)	(18.8)
Profit before interest and taxation		**25.7**	24.1	50.7
Interest income		**0.1**	0.1	0.2
Interest expense		**(2.5)**	(2.5)	(5.0)
Net retirement benefit obligation finance cost		**(3.7)**	(3.6)	(7.0)
Net finance expense		**(6.1)**	(6.0)	(11.8)
Profit before taxation		**19.6**	18.1	38.9
Comprising:				
Underlying profit before tax		**12.8**	20.6	57.7
Exceptional items		**6.8**	(2.5)	(18.8)
Taxation – UK	4	**(1.4)**	(2.4)	(4.9)
– Overseas	4	**2.0**	(1.5)	1.1
Total taxation		**0.6**	(3.9)	(3.8)
Comprising:				
Underlying tax on profit before tax		**(2.5)**	(4.0)	(11.1)
Tax on exceptional items	3	**3.1**	0.1	7.3
Profit for the period		**20.2**	14.2	35.1
Comprising:				
Underlying profit for the period		**10.3**	16.6	46.6
Profit/(loss) for the period on exceptional items	3	**9.9**	(2.4)	(11.5)
Profit attributable to equity shareholders of the Company		**19.4**	13.6	34.3
Profit attributable to non-controlling interests		**0.8**	0.6	0.8
		20.2	14.2	35.1
Basic earnings per ordinary share	5	**19.2p**	13.5p	34.0p
Diluted earnings per ordinary share	5	**18.8p**	13.4p	33.4p

Group condensed consolidated interim statement of comprehensive income – unaudited

For the half year ended 26 September 2015

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Profit for the financial period	**20.2**	14.2	35.1
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Re-measurement gains/(losses) on retirement benefit obligations	**20.1**	(35.3)	(79.1)
Tax related to remeasurement of net defined benefit liability	**(4.0)**	7.1	16.0
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference for foreign operations	**(2.1)**	(3.6)	(10.4)
Change in fair value of cash flow hedges	**(0.5)**	(2.7)	(7.3)
Change in fair value of cash flow hedges transferred to profit or loss	**2.8**	3.3	6.9
Income tax relating to components of other comprehensive income	**(0.5)**	(0.1)	(0.1)
Other comprehensive income for the period, net of tax	**15.8**	(31.3)	(74.0)
Total comprehensive income for the period	**36.0**	(17.1)	(38.9)
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company	**35.2**	(17.7)	(39.7)
Non-controlling interests	**0.8**	0.6	0.8
	36.0	(17.1)	(38.9)

Group condensed consolidated interim balance sheet – unaudited

At 26 September 2015

	Notes	**2015/16 Half year £m**	2014/15 Half year £m	2014/15 Full year £m
ASSETS				
Non-current assets				
Property, plant and equipment		**175.3**	180.3	179.3
Intangible assets		**16.8**	19.8	16.6
Investments in associates		**0.1**	0.1	0.1
Deferred tax assets		**43.2**	43.0	47.7
Derivative financial instruments	7	**0.5**	0.3	0.3
		235.9	243.5	244.0
Current assets				
Inventories		**83.0**	91.6	71.2
Trade and other receivables		**82.7**	91.3	105.4
Current tax assets		**1.1**	0.4	2.2
Derivative financial instruments	7	**6.1**	5.3	7.8
Cash and cash equivalents	8	**52.4**	32.5	30.8
		225.3	221.1	217.4
Total assets		**461.2**	464.6	461.4
LIABILITIES				
Current Liabilities				
Borrowings	8	**(155.7)**	(159.3)	(141.8)
Trade and other payables		**(179.1)**	(158.7)	(159.1)
Current tax liabilities		**(17.2)**	(26.3)	(19.6)
Derivative financial instruments	7	**(7.9)**	(9.4)	(12.0)
Provisions for liabilities and charges		**(9.9)**	(21.6)	(26.6)
		(369.8)	(375.3)	(359.1)
Non-current liabilities				
Retirement benefit obligations	9	**(212.4)**	(199.6)	(236.7)
Deferred tax liabilities		**(1.5)**	(1.5)	(1.1)
Derivative financial instruments	7	**(1.0)**	(0.3)	(1.0)
Provisions for liabilities and charges		**(1.6)**	(0.5)	(3.5)
Other non-current liabilities		**(1.0)**	(5.3)	(6.9)
		(217.5)	(207.2)	(249.2)
Total liabilities		**(587.3)**	(582.5)	(608.3)
Net liabilities		**(126.1)**	(117.9)	(146.9)
EQUITY				
Ordinary share capital		**46.6**	46.5	46.5
Share premium account		**35.6**	35.4	35.5
Capital redemption reserve		**5.9**	5.9	5.9
Hedge reserve		**(1.7)**	(2.7)	(3.5)
Cumulative translation adjustment		**(15.9)**	(7.0)	(13.8)
Other reserves		**(83.8)**	(83.8)	(83.8)
Retained earnings		**(119.3)**	(117.6)	(139.4)
Total equity attributable to shareholders of the Company		**(132.6)**	(123.3)	(152.6)
Non-controlling interests		**6.5**	5.4	5.7
Total equity		**(126.1)**	(117.9)	(146.9)

Group condensed consolidated interim statement of cash flows – unaudited

For the half year ended 26 September 2015

	Notes	**2015/16 Half year £m**	2014/15 Half year £m	2014/15 Full year £m
Cash flows from operating activities				
Profit before tax		**19.6**	18.1	38.9
Adjustments for:				
Finance income and expense		**6.1**	6.0	11.9
Depreciation and amortisation		**12.9**	12.4	24.8
(Increase)/decrease in inventories		**(12.5)**	(15.1)	5.7
Decrease in trade and other receivables		**19.4**	15.0	0.1
Decrease/(increase) in trade and other payables		**9.2**	(13.5)	(5.4)
Decrease in reorganisation provisions		**(3.2)**	(0.2)	(0.3)
Special pension fund contribution		**(8.4)**	(7.7)	(18.6)
(Gain)/loss on disposal of property, plant and equipment		**(9.4)**	0.4	2.2
Asset impairment		**–**	–	3.8
Other non-cash movements		**(3.6)**	(0.8)	0.5
Cash generated from operations		**30.1**	14.6	63.6
Tax paid		**(1.0)**	(5.1)	(9.3)
Net cash flows from operating activities		**29.1**	9.5	54.3
Cash flows from investing activities				
Purchases of property, plant and equipment (PP&E) & software intangibles		**(10.8)**	(13.1)	(28.8)
Development expenditure capitalised		**(0.9)**	(2.6)	(5.1)
Proceeds from sale of PP&E		**9.7**	0.1	0.2
Net cash flows from investing activities		**(2.0)**	(15.6)	(33.7)
Net cash flows before financing activities		**27.1**	(6.1)	20.6
Cash flows from financing activities				
Proceeds from issue of share capital		**0.1**	0.3	0.4
Proceeds from borrowing		**14.1**	10.3	(6.8)
Interest received		**0.1**	0.1	0.2
Interest paid		**(1.8)**	(2.2)	(4.8)
Dividends paid to shareholders		**(16.9)**	(28.5)	(36.8)
Dividends paid to non-controlling interests		**–**	(0.3)	(0.2)
Net cash flows from financing activities		**(4.4)**	(20.3)	(48.0)
Net increase/(decrease) in cash and cash equivalents in the period		**22.7**	(26.4)	(27.4)
Cash and cash equivalents at the beginning of the year		**28.9**	56.2	56.2
Exchange rate effects		**(0.7)**	0.1	0.1
Cash and cash equivalents at the end of the period	8	**50.9**	29.9	28.9
Cash and cash equivalents consist of:				
Cash at bank and in hand		**50.2**	30.2	28.6
Short term bank deposits		**2.2**	2.3	2.2
Bank overdrafts		**(1.5)**	(2.6)	(1.9)
	8	**50.9**	29.9	28.9

Group condensed consolidated interim statement of changes in equity – unaudited

For the half year ended 26 September 2015

	Attributable to equity shareholders							Non–controlling interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 29 March 2014	46.3	35.3	5.9	(3.2)	(3.4)	(83.8)	(72.6)	5.1	(70.4)
Profit for the period	–	–	–	–	–	–	13.6	0.6	14.2
Other comprehensive income, net of tax	–	–	–	0.5	(3.6)	–	(28.2)	–	(31.3)
Total comprehensive income	–	–	–	0.5	(3.6)	–	(14.6)	0.6	(17.1)
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.2	0.1	–	–	–	–	–	–	0.3
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(1.0)	–	(1.0)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.9)	–	(0.9)
Dividends paid	–	–	–	–	–	–	(28.5)	(0.3)	(28.8)
Balance at 27 September 2014	46.5	35.4	5.9	(2.7)	(7.0)	(83.8)	(117.6)	5.4	(117.9)
Profit for the period	–	–	–	–	–	–	20.7	0.2	20.9
Other comprehensive income, net of tax	–	–	–	(0.8)	(6.8)	–	(35.1)	–	(42.7)
Total comprehensive income	–	–	–	(0.8)	(6.8)	–	(14.4)	0.2	(21.8)
Transactions with owners of the company recognised directly in equity:									
Share capital issued	–	0.1	–	–	–	–	–	–	0.1
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	0.5	–	0.5
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.4	–	0.4
Dividends paid	–	–	–	–	–	–	(8.3)	0.1	(8.2)
Balance at 28 March 2015	46.5	35.5	5.9	(3.5)	(13.8)	(83.8)	(139.4)	5.7	(146.9)
Profit for the period	–	–	–	–	–	–	19.4	0.8	20.2
Other comprehensive income, net of tax	–	–	–	1.8	(2.1)	–	16.1	–	15.8
Total comprehensive income	–	–	–	1.8	(2.1)	–	35.5	0.8	36.0
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.1	0.1	–	–	–	–	–	–	0.2
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	1.7	–	1.7
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.2)	–	(0.2)
Dividends paid	–	–	–	–	–	–	(16.9)	–	(16.9)
Balance at 26 September 2015	**46.6**	**35.6**	**5.9**	**(1.7)**	**(15.9)**	**(83.8)**	**(119.3)**	**6.5**	**(126.1)**

Notes to the condensed consolidated interim financial statements – unaudited

1 Basis of preparation and accounting policies

This statement is the condensed consolidated financial information of the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities as at and for the half year ended 26 September 2015. It has been prepared in accordance with the requirements of IAS34 Interim Financial Reporting as adopted by the European Union.

The condensed consolidated interim financial statements have been prepared as at 26 September 2015, being the last Saturday in September. The comparatives for 2014/15 financial year are for the half year ended 27 September 2014 and the full year ended 28 March 2015. The condensed consolidated financial statements were approved by the Board of Directors on 24 November 2015.

The condensed consolidated financial statements do not constitute financial statements as defined in section 434 of the Companies Act 2006 and do not include all of the information and disclosures required for the full annual financial statements. They should be read in conjunction with the Group's Annual Report 2015 which is available on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS or at www.delarue.com

The comparative figures for the financial period ended 28 March 2015 are not the Company's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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.

The half yearly results for the current and comparative periods are unaudited. The auditors have carried out a review of the interim statement 2015/16 and their report is set out on page 10.

These condensed financial statements have been prepared using the same accounting policies as used in the preparation of the Group's annual financial statements for the period ended 28 March 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

During the period the Group has adopted a number of amended standards and interpretations, none of which has had an impact on the Groups net cash flows, financial position, total comprehensive income or earnings per share.

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 28 March 2015.

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 an operating unit level and there are therefore four reportable segments. The principal financial information reviewed by the Board, is revenue and operating profit before exceptional items, measured on an IFRS basis.

The Group's segments are:

- Currency – provides banknote paper, printed banknotes and banknote security features
- 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, complementing the Currency business

2 Segmental analysis continued

Analysis by operating segment

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Revenue by operating segment			
Currency	**139.8**	136.8	317.9
Identity Systems	**31.5**	34.0	69.0
Security Products	**19.6**	20.8	39.6
Cash Processing Solutions	**16.1**	25.5	50.7
Eliminations	**(2.2)**	(2.2)	(5.1)
	204.8	214.9	472.1
Operating profit by operating segment			
Currency	**13.9**	17.2	50.5
Identity Systems	**4.6**	5.9	11.1
Security Products	**5.1**	4.5	7.5
Cash Processing Solutions	**(4.7)**	(1.0)	0.4
Operating profit before exceptional items	**18.9**	26.6	69.5
Exceptional items – Currency	**(2.1)**	–	(10.7)
Exceptional items – Security Products	**(0.2)**	(1.6)	(6.2)
Exceptional items – Cash Processing Systems	**(0.7)**	(0.9)	(1.9)
Exceptional items – unallocated	**9.8**	–	–
Operating profit	**25.7**	24.1	50.7
Net finance expense	**(2.4)**	(2.4)	(4.8)
Retirement benefit obligations net finance expense	**(3.7)**	(3.6)	(7.0)
Profit before taxation	**19.6**	18.1	38.9
Assets by operating segment			
Currency	**230.4**	252.0	241.7
Identity Systems	**39.7**	37.5	38.8
Security Products	**19.8**	23.6	19.8
Cash Processing Solutions	**32.8**	34.8	33.1
Unallocated assets	**138.5**	116.7	128.0
	461.2	464.6	461.4
Liabilities by operating segment			
Currency	**(128.5)**	(120.7)	(128.8)
Identity Systems	**(22.0)**	(20.3)	(21.6)
Security Products	**(6.6)**	(8.9)	(9.1)
Cash Processing Solutions	**(10.8)**	(11.5)	(11.1)
Unallocated liabilities	**(419.4)**	(421.1)	(437.7)
	(587.3)	(582.5)	(608.3)

3 Exceptional items

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Site relocation and restructuring	**(3.8)**	(2.5)	(4.7)
Invocation of guarantees	**–**	–	(13.3)
Warranty provisions	**1.1**	–	3.0
Sale of land	**9.5**	–	–
Asset impairment	**–**	–	(3.8)
Total exceptional items	**6.8**	(2.5)	(18.8)
Exceptional items – tax	**3.1**	0.1	7.3

Net exceptional income in the period was £6.8m (H12014/15: £2.5m charge, Full Year 2014/15: £18.8m charge) predominantly in relation to the gain on the sale of surplus land in Overton. Surplus warranty provisions of £1.1m (previously charged as exceptional items) have been released in the period. Restructuring costs of £3.8m were incurred in the period as part of the redesign of the organisation structure and the optimisation of manufacturing capabilities. The cash cost of exceptional items in the period was £10.8m (H12014/15: £2.7m) predominantly reflecting the invocation of guarantees provided for as a post balance sheet event in 2014/15 and settlement of restructuring charges.

Tax credits relating to exceptional items arising in the period were £0.6m (H12014/15: £0.1m, Full Year 2014/15: £2.6m). There was a prior year tax credit of £2.5m recognised for exceptional items in the period (H12014/15: £nil, Full Year 2014/15: £4.7m). Included within the prior year exceptional movement is £2.6m credits relating to tax matters retained by the Group following the disposal of a discontinued operation a number of years ago (H12014/15: £nil, Full Year 2014/15: £4.5m).

4 Taxation

A tax charge of 19.1% (H12014/15: 19.3%, Full Year 2014/15: 19.3%) has been provided based on management's best estimate of the effective rate of tax for the year arising on the profits before exceptional items giving rise to tax for the period of £2.5m. This is offset by tax credits of £3.1m on exceptional items recognised in the period as described in note 3, resulting in an overall tax credit for the period of £0.6m.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 26 September 2015 (which has been calculated based on the rate of 20% substantively enacted at the balance sheet date).

5 Earnings per share

	2015/16 Half year pence per share	2014/15 Half year pence per share	2014/15 Full year pence per share
Earnings per share			
Basic earnings per share	**19.2**	13.5	34.0
Diluted earnings per share	**18.8**	13.4	33.4
Underlying earnings per share			
Basic earnings per share	**9.5**	15.9	45.3
Diluted earnings per share	**9.2**	15.8	44.7

Earnings per share are based on the profit for the period attributable to equity shareholders as shown in the Group condensed consolidated income statement. The weighted average number of ordinary shares used in the calculations is 101,235,799 (H12014/15: 100,887,825) for basic earnings per share and 102,988,888 (H12014/15: 101,249,385) for diluted earnings per share after adjusting for dilutive share options.

The Directors are of the opinion that the publication of the underlying earnings per share is useful as it gives a better indication of underlying business performance.

Reconciliations of the earnings used in the calculations are set out below.

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Earnings for basic earnings per share	**19.4**	13.6	34.3
Exceptional items (excluding non-controlling interests)	**(6.7)**	2.5	18.8
Tax on exceptional items	**(3.1)**	(0.1)	(7.3)
Earnings for underlying earnings per share	**9.6**	16.0	45.8

6 Equity dividends

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Final dividend for the year ended 29 March 2014 of 28.2p paid on 1 August 2014	–	28.5	28.5
Interim dividend for the period ended 27 September 2014 of 8.3p paid on 7 January 2015	–	–	8.3
Final dividend for the year ended 28 March 2015 of 16.7p paid on 1 August 2015	16.9	–	–
	16.9	**28.5**	36.8

The Directors declared a dividend of 8.3p per share for the half year ended 26 September 2015 which will be paid on 6 January 2016 and will utilise £8.4m of shareholders' funds. In accordance with IFRS the interim dividend has not been accrued in these condensed consolidated interim financial statements.

7 Financial instruments

Carrying amounts versus fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Total fair value Sep 2015 £m	Carrying amount Sep 2015 £m	Total fair value Mar 2015 £m	Carrying amount Mar 2015 £m
Financial assets				
Derivative financial instruments:				
– Forward exchange contracts designated as cash flow hedges	**2.1**	**2.1**	3.3	3.3
– Short duration swap contracts designated as fair value hedges	**0.4**	**0.4**	0.1	0.1
– Foreign exchange fair value hedges - other economic hedges	**0.6**	**0.6**	2.0	2.0
– Embedded derivatives	**3.5**	**3.5**	2.7	2.7
Total financial assets	**6.6**	**6.6**	8.1	8.1
Financial liabilities				
Derivative financial instruments:				
– Interest rate swaps	**(0.2)**	**(0.2)**	–	–
– Forward exchange contracts designated as cash flow hedges	**(4.4)**	**(4.4)**	(7.7)	(7.7)
– Short duration swap contracts designated as fair value hedges	**(0.2)**	**(0.2)**	(0.2)	(0.2)
– Foreign exchange fair value hedges - other economic hedges	**(3.3)**	**(3.3)**	(3.4)	(3.4)
– Embedded derivatives	**(0.8)**	**(0.8)**	(1.7)	(1.7)
Total financial liabilities	**(8.9)**	**(8.9)**	(13.0)	(13.0)

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates. The financial assets and liabilities detailed in the above table are level 2 valuations. The details of how the fair value of each class of financial instrument is determined are covered on pages 89 and 90 of the Group's Annual Report 2015.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's Annual Report 2015.

8 Analysis of net debt

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Cash at bank and in hand	**50.2**	30.2	28.6
Short term bank deposits	**2.2**	2.3	2.2
Bank overdrafts	**(1.5)**	(2.6)	(1.9)
Cash and cash equivalents	**50.9**	29.9	28.9
Other debt due within one year	**(154.2)**	(156.7)	(139.9)
Borrowings due after one year	**–**	–	–
Net debt at end of period	**(103.3)**	(126.8)	(111.0)

The Group has a revolving credit facility of £250m. As the draw downs on this facility are typically rolled over on terms of between one and three months the borrowings are disclosed as a current liability. This is notwithstanding the long term nature of this facility which expires in December 2019.

As at 26 September 2015, the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £95.8m (27 September 2014: £43.3m, 28 March 2015: £110.1m, all maturing in more than one year). The amount of loans drawn on the £250m facility is £154.2m.

9 Retirement benefit obligations

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

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
UK retirement benefit obligations	**(209.8)**	(197.3)	(234.1)
Overseas retirement benefit obligations	**(2.6)**	(2.3)	(2.6)
Retirement benefit obligations	**(212.4)**	(199.6)	(236.7)

The majority of the Group's retirement benefit obligations are in the UK:

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
Amounts recognised in the consolidated Balance Sheet:			
Fair value of plan assets	**825.7**	813.2	891.6
Present value of funded obligations	**(1,028.1)**	(1,002.7)	(1,117.6)
Funded defined benefit pension plans	**(202.4)**	(189.5)	(226.0)
Present value of unfunded obligations	**(7.4)**	(7.8)	(8.1)
Net liability	**(209.8)**	(197.3)	(234.1)
Amounts recognised in the consolidated Income Statement:			
Included in employee benefits expense:			
Administrative expenses	**(0.5)**	(0.5)	(1.1)
Included in net finance cost:			
Net retirement benefit obligation finance cost	**(3.7)**	(3.6)	(7.0)
Total recognised in the consolidated Income Statement	**(4.2)**	(4.1)	(8.1)

9 Retirement benefit obligations continued

	2015/16 Half year UK %	2014/15 Half year UK %	2014/15 Full year UK %
Principal actuarial assumptions:			
Future salary increases	**–**	–	–
Future pension increases – past service	**3.60**	3.70	3.60
Discount rate	**3.80**	4.00	3.20
Inflation rate	**3.20**	3.30	3.10

The mortality assumptions used to assess the defined benefit obligation for the UK plan are based on tables issued by the Continuous Mortality Investigation Bureau. At 26 September 2015 mortality assumptions were based on the SAPS All lives tables, with future improvements in line with the CMI model, CMI_2011 and a long term rate of 1.0% per annum. This assumption is unchanged from that used as at 28 March 2015 and 27 September 2014.

Recognition of the current deficit in accordance with IFRS results in the negative net assets shown on the balance sheet. The arrangements in respect of the annual special pension funding payments remain unchanged and are aimed to eliminate the deficit by 2022.

10 Related party transactions

During the year the Group traded on an arms length basis with the associated company Fidink (33.3% owned). The Group's trading activities with Fidink in the period comprise £13.1m for the purchase of ink and other consumables on an arms length basis. At the balance sheet date there was £6.4m (2014/15: £nil) owing to this company.

11 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.

12 Capital commitments

	2015/16 Half year £m	2014/15 Half year £m	2014/15 Full year £m
The following commitments existed at the balance sheet date:			
Contracted but not provided for in the accounts	**2.9**	8.4	4.4

13 De La Rue financial calendar: 2015/16

Ex dividend date for interim dividend	3 December 2015
Record date for interim dividend	4 December 2015
Payment of interim dividend	6 January 2016
Financial year end	26 March 2016

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