DE LA RUE

2018/19 HALF YEAR RESULTS AND STRATEGY UPDATE

De La Rue plc (LSE: DLAR) (De La Rue, the "Group" or the "Company") announces its half year results for six months ended 29 September 2018 (the period or half year). The comparative period was six months ended 30 September 2017.

FINANCIAL HIGHLIGHTS

- Strong Group 12 month order book at September 2018 of £365m provides good visibility of revenue and profitability for H2, full year expectations unchanged
- Group revenues excluding paper† of £242.0m, 9% growth
- Adjusted operating profit (1) of £17.0m, primarily reflecting a less favourable mix of orders. IFRS operating profit was £10.1m, down 59%
- Adjusted basic EPS of 11.2p; IFRS basic EPS on continuing operations of 5.1p
- IAS 19 UK pension deficit reduced to £77.2m (31 March 2018: £87.6m)
- Net debt of £94.3m was above expectation due to timing of deliveries in the half year
- Interim dividend maintained at 8.3p

KEY FINANCIALS

	Reported H1 2018/19 £m	Reported H1 2017/18 £m	Change %	Excluding** paper† H1 2018/19 £m	Excluding** paper† H1 2017/18 £m	Change %
Revenue*	**257.6**	**244.7**	**+5%**	**242.0**	**221.7**	**+9%**
Currency	198.1	185.1	+7%	182.5	165.1	+11%
Identity Solutions	40.1	39.4	+2%	40.1	37.5	+7%
Product Authentication & Traceability	19.4	20.2	-4%	19.4	19.1	+2%
Adjusted operating profit(1)**	**17.0**	**26.6**	**-36%**	**17.0**	**24.7**	**-31%**
IFRS operating profit*	**10.1**	**24.6**	**-59%**	**10.1**	**22.7**	**-56%**
Adjusted EPS basic**(2)	11.2	16.6	-33%			
IFRS EPS basic(continuing)	5.1	14.8	-66%			
Dividend per share	8.3p	8.3p	-			

† Reported figures included in this release include the paper business results in H1 2017/18 as originally reported and in H1 2018/19 they include a benefit of £15.6m of revenue on non-novated contracts with nil profit margin. Figures reported on the "excluding paper" basis have been adjusted to exclude revenue from non-novated contracts in H1 2018/19. In H1 2017/18 "excluding paper" figures exclude the results of the paper business. In addition Security Feature sales, which would have previously been treated as internal, have been added back to present the comparative numbers in 2017/18 on a basis consistent with the IFRS accounting treatment applied in H1 2018/19.

* The impact of the adoption of IFRS15 (revenue from contracts with customers) has been a net increase in revenues of £1.0m in HY2018/19 and a net increase in cost of sales of £0.6m, resulting in an £0.4m increase in operating profits (both on an IFRS and adjusted basis). Prior year comparatives are not restated (see note 1 for more details).

** This is a non-IFRS measure. Amortisation of acquired intangible assets is a non-cash item while exceptional items are non-recurring in nature. By excluding these items from the adjusted operating profit and EPS metrics, the Directors are of the opinion that these measures give a more meaningful understanding of the underlying performance of the business. See note 15 for further explanations and reconciliation to the comparable IFRS measures

(1) Excludes exceptional item net charges of £6.6m (H1 2017/18: net charges of £1.8m) and amortisation of acquired intangible assets of £0.3m (H1 2017/18: £0.2m)

(2) Excludes exceptional items net of tax being net charges of £6.0m (H1 2017/18: net charges of £1.8m), amortisation of acquired intangible assets net of tax of £0.2m (H1 2017/18: £0.2m)

OPERATIONAL HIGHLIGHTS

- Order intake +30% year on year, benefited from the continued investment in R&D and sales
- Banknote print volumes +3% to 3.6bn notes
- Improved revenue visibility
  - Signed 3 year banknote contract with new customer Sveriges Riksbank
- Two new security features launched for ID – MyImage™ and Photocolour UV™
- Agreed UK passport preliminary transition timeline – expect to deliver two thirds of the contract's annualised revenue of c£40m and profit of c£8m in FY 2019/20
- Momentum in PA&T- securing two significant contracts paving the way for further expansion in the market. We expect the PA&T business to double in size within the next three years

STRATEGY UPDATE

- In the light of the UK passport decision, we have completed a detailed review of our strategy – which reaffirms the core elements but introduces a change in focus, primarily in Identity Solutions business:
- Optimise and Flex: continue to deliver cost savings and world class manufacturing across the Group
- Invest and build:
  - Redirect growth in the identity business on security features and components from prime systems integration
  - Continue to grow in Security Features, Polymer and Product Authentication
- Capital allocation priorities:
  - Organic growth investments – capital projects, investment in R&D and sales
  - Dividend payment – aim to at least maintain dividend per share in the short to medium term
  - Mergers and acquisitions – explore value enhancing opportunities
  - Leverage not exceeding 1.5x net debt/EBITDA

Martin Sutherland, Chief Executive Officer of De La Rue, commented:

"We continue to make progress in delivering against our strategic plan to transform the Group into a less capital intensive, more technology led business. We have seen good growth in Group revenue in the first half. We are pleased with the growing momentum in Product Authentication & Traceability, having recently secured two important tax stamp solutions contracts, which are both endorsements of our capabilities and excellent references for De La Rue in this fast growing market. These build on the orders secured in the last 12 months which include the five year contract with the Federal Tax Authority in the UAE. We expect our PA&T business to double in size within the next three years.

"Over the last six months we have conducted a thorough review of our strategy and market positions. In the light of the UK passport decision, we have concluded that we will refocus our identity business on the supply of higher margin security features and components. We believe we can continue to drive cost efficiencies across the Group and achieve growth in Security Features, Polymer and PA&T.

"We maintain a strong order book and pipeline which provides good visibility for the second half of this year and into next year. With good revenue coverage from the Group's 12 month order book of £365m and based on the orders planned for production and shipment in the second half, we are confident that we will meet our expectations for the full year."

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A conference call will take place at 9:00 am GMT on 27 November 2018, which is also accessible via webcast on www.delarue.com

Live conference call	UK Primary: 0844 800 3850	**Passcode: 589 423**
	International: +44 844 800 3850	
	UK Direct: +44 (0)20 7762 6301	
Archive conference call	UK free phone: 0800 032 9687	**Passcode: 3058 5641**
	UK Direct: +44 (0)20 7136 9233	
	Available from 28 November until 12 December 2018	

For the live webcast, please register at www.delarue.com where a replay will also be available subsequently.

About De La Rue

De La Rue's purpose is to enable every citizen to participate securely in the global economy. As a trusted partner of governments, central banks and commercial organisations, De La Rue provides products and services that underpin the integrity of trade, personal identity and the movement of goods.

As the world's largest designer and commercial printer of banknotes, De La Rue designs, manufactures and delivers banknotes, banknote substrates and security features to customers in a world where currency will continue to be a key part of the developing payments eco-system.

De La Rue is the world's largest commercial designer and printer of passports, delivering national and international identity tokens and software solutions for governments in a world that is increasingly focused on the importance of a legal and secure identity for every individual.

De La Rue also creates and delivers secure product identifiers and 'track and trace' software for governments and commercial customers alike to help to tackle the challenge of illicit or counterfeit goods and the collection of revenue and excise duties.

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

Cautionary note regarding forward-looking statements

These results include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond De La Rue's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods.

Other than in accordance with its legal or regulatory obligations, De La Rue does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

The Group reported good revenue growth in the first half of FY 2018/19, with adjusted operating profit in line with our previous guidance that the Group's performance is expected to be weighted towards the second half of the year. Order intake grew by 30% year on year in the first half and the Group's 12 month order book at 29 September 2018 was £365m (31 March 2018: £363m), providing good coverage for the rest of the year and the first half of next year.

We continue to make solid progress against our strategic plan of driving growth, having recently secured a number of new multi-year orders for Currency and Product Authentication & Traceability (PA&T), some of which are for delivery starting in FY 2019/20. These include two strategically important tax stamp solution contracts in Europe and the Middle East, paving the way for further expansion in the PA&T market. With the new orders secured in the last 12 months, which include the five year contract totalling £25m with the Federal Tax Authority in the UAE, we expect our PA&T business to double in size within the next three years.

On the back of the significant strategic progress we have made in the last three years and in the light of the challenge of losing the UK passport contract in FY 2019/20, we have conducted a detailed review of our strategy and market positions and have concluded that we will refocus our identity business on the supply of high margin security features and components. See the "Strategy Update" section for further details.

FINANCIAL RESULTS

Reported Group revenue grew by 5% to £257.6m (H1 2017/18: £244.7m). This includes £15.6m of "pass through" paper revenues and the benefit from the recognition of security feature sales to Portals De La Rue as external revenues. They were previously treated as internal revenues. These are offset by the loss of revenue from the paper business.

Excluding paper, Group revenues grew strongly by 9%, driven by growth across all segments.

The implementation of IFRS 15 increased revenue in the first half by £1.0m with a corresponding increase in cost of goods sold of £0.6m, resulting in a net increase in operating profits of £0.4m.

Adjusted operating profit of £17.0m was down 36% on a reported basis (H1 2017/18: £26.6m), and down 31% excluding paper, as the benefit of the growth in revenues was offset by lower margins in the Currency business due to mix of orders and continued investment in R&D and sales and marketing activities.

Adjusted basic earnings per share of 11.2p were 33% lower than prior year (H1 2017/18: 16.6p) as reduced adjusted operating profit was partially offset by a lower IAS 19 finance charges.

On an IFRS basis, operating profit of £10.1m was 59% lower than the prior year (H1 2017/18: £24.6m) reflecting higher net exceptional charges of £6.6m (H1 2017/18: £1.8m) in addition to the factors driving the lower adjusted operating profit levels. IFRS basic earnings per share were 66% lower at 5.1p (H1 2017/18: 14.8p) on lower reported earnings.

Cash generated from operating activities was an outflow of £19.7m (H1 2017/18: inflow £10.0m) resulting from lower operating profits and adverse working capital movements, including a one-off adverse movement following the sale of the Paper business and a significant build in trade receivable levels reflecting the timing of shipments through H1. Increased special pension contributions partially offset by an increase in the level of advanced payments received from customers. Net debt at 29 September 2018 increased to £94.3m.

STRATEGY UPDATE

In May 2015, we announced a five year plan to transform De La Rue into a less capital intensive, more technology led security product and services provider, with a more balanced business portfolio that will deliver growth and improve quality of earnings. Over the past three years, we have made good progress against our strategic objectives as listed below:

- Reorganised the business to a functional structure and streamlined the management team
- Sold the underperforming Cash Processing Solutions business
- Sold the paper business, reducing our exposure to the volatility of the paper market
- Reduced excess capacity and increased flexibility in our banknote print business
- Established a good position in the polymer market and we are building substantial growth momentum
- Invested in sales and R&D in order to deliver sustainable growth
- Acquired DuPont Authentication to build scale, increased differentiation and support growth in the brand protection market
- Reduced the UK pre-tax pension deficit substantially - £77.2m H1 2018/19 (2014/15: £234.1m), a reduction of £156.9m

On the back of this progress and in the light of the UK passport decision, we have conducted a detailed review of our strategy and market positions in the last six months. We have concluded that De La Rue remains a sound business with a strong foundation and long term growth potential. De La Rue

- enjoys leading positions in our chosen markets with high barriers to entry
- has a respected and trusted brand with longstanding customer relationships – 2/3 of our customers are LTAs or have long term relationships with De La Rue
- is an established innovator with world class design capability – 123 patents granted and 127 patents filed in the last four years; 14 international design awards in the last 10 years
- has long term growth potential – 2017-2022 CAGR: currency market +4%, Identity market +6%, brand protection market +9%, tax stamp market +12% (Source: The Future of Global Security Printing to 2022, Smithers Pira)

We have also concluded that the strategic goal of becoming a less capital intensive and more technology led business is the right one for the Group and that it will deliver value for our shareholders over the long term. We have made good progress against this goal, however a refinement of priorities is now needed to take advantage of growth opportunities and to deal with the challenge of losing the UK passport contract from FY 2019/20.

While physical security features will remain relevant in the markets in which we operate, features combined with digital elements to ensure authentication both online and offline will likely be the norm in the future. We will continue to focus on bringing together our expertise in security print and material science and digital technologies.

The section below outlines the key strategic priorities into which we will prioritise our capital investment and resource allocation in the next five years.

Opitmise & Flex

Driving down costs and improving efficiency continues to be one of our key strategic priorities. The review has highlighted a number of opportunities above and beyond our operational excellence programme. We are currently evaluating a number of initiatives across three main areas to improve efficiency and cut costs:

Corporate cost savings
Following the divestments of the Cash Processing Solutions business and the paper business, we are now a smaller but much stronger business with a better quality of earnings. We are streamlining our operations and realigning the size of certain functions with current business requirements. This includes right-sizing the senior and middle management team and reducing headcount.

Operational efficiency
We continue to focus on driving efficiency in three main areas: 1) supply chain efficiency – to achieve procurement savings through better managing the supplier base and terms of contracts; 2) cost of quality – improve quality management through inspection systems upgrade and process improvement; 3) operational excellence - increase efficiency through design for manufacture and better planning.

Manufacturing optimisation
As the manufacturing footprint restructuring programme launched in 2016 enters its final phase, we are developing a new plan which looks to create a manufacturer of the future, aligning it with our changing product portfolio as well as creating flexibility to meet ever-changing customer needs. Further details will be announced in due course.

Invest & Build

We will continue to invest and strive for technological innovation, aiming to invest at least 3% of the Group's revenue in R&D and product management, in line with the Group's expected growth rate.

The Invest & Build strategy continues to focus on the business lines that are exposed to high growth markets, namely Polymer, Security Features, Identity Solutions (IDS) and PA&T. The priorities for Polymer and Security Features remain unchanged, i.e. continue to build scale for Polymer and for Security Features to accelerate technology platform development and build capability ecosystem around core features. However, the priorities for IDS and PA&T have been refined to reflect the changing market dynamics.

Identity Solutions
Following the decision of the UK passport retender in April 2018, we have conducted a review of the cost base and competitiveness of our identity business. We have concluded that while the identity business has a strong foundation and good growth potential, the market dynamics have changed in the last 18 months and part of it, i.e. the solutions market

has consolidated. This change, coupled with our reduced market share post the UK passport contract in FY 2020/21, presents a challenge to our existing strategy of targeting end to end solutions sales.

Unlike the solutions market which is now concentrated, the identity components market remains fragmented and is largely available to commercial operators. There are strong synergies between identity components and the rest of the Group in terms of technology platforms and the markets they serve. To maximise these synergies and optimise capital investment, we have decided to refocus the identity business from solutions sales to high margin components. This means concentrating on physical security components such as polycarbonate, IP, and security features, where we can differentiate. Meanwhile, we will continue to assess all options that will deliver the most value to shareholders from this business.

Product Authentication & Traceability

We seek to expand in the large and versatile brand protection market. The rise of ecommerce has increased the focus on supply chain security and consumer engagement. The brand protection market is expected to grow at 9% per year to 2022. As both the customer base and supplier base are highly fragmented with no clear leadership and established buying behaviour, we see significant opportunities in this market.

We currently operate in the two largest segments of the brand protection market - product authentication (product focused) and product traceability (supply chain focused). We look to strengthen our position in this market by:

- using our extensive security features portfolio and Traceology® solution to drive expansion in the commercial product authentication (brand protection) market
- building on our government track and trace solution, DLR Certify™, to underpin growth in government revenue services (tax stamps)
- developing new market positioning and routes into brands by expanding into brand enhancement, i.e. integrating authentication with product packaging

Building on our existing product and service offering and leveraging our core strengths, we will develop some of these capabilities in house, and where necessary we will obtain through acquisitions and partnerships.

CAPITAL ALLOCATION PRIORITIES

The Board's capital allocation framework is designed to deliver increasing shareholder value, driven by the execution of the Group's strategy. The Group's capital allocation priorities are:

- Organic growth investments – capital projects, investment in R&D and sales
- Dividend payment – aim to at least maintain dividend per share in the short to medium term
- Mergers and acquisitions – explore value enhancing opportunities

The Board is committed to maintaining an efficient balance sheet, appropriate to the Group's medium term investment requirements. Accordingly, the Board has adopted a leverage policy not exceeding 1.5x net debt/EBITDA (excluding pension deficits). It intends to keep the Group's capital structure under regular review.

OPERATING REVIEWS

Currency

	Reported H1 2018/19	Reported H1 2017/18	Change	Excluding paper† H1 2018/19	Excluding paper† H1 2017/18	Change
Revenue (£m)	198.1	185.1	*+7%*	182.5	165.1	*+11%*
Adjusted operating profit* (£m)	6.5	16.6	*-61%*	6.5	16.1	*-60%*
Adjusted operating margin*	3.3%	9.0%	*-570bpts*	3.6%	9.8%	*-620bpts*
IFRS operating profit (£m)	2.3	16.5	*-86%*	n/a	n/a	
Banknote print volume (bn notes)	3.6	3.5	*+3%*			
Polymer volume (tonnes)	440	400	*+10%*			

* Excludes exceptional item charges of £4.2m primarily relating to the disposal of the paper business (H1 2017/18: net changes of £0.1m).

† Like for like performance adjusts for the impact on our results of exiting the paper business. In H1 2018/19 this excludes revenues from non-novated contracts relating to the paper business. In H1 2017/18 this excludes the results of the exited paper business, and also includes a grossing up of Security

Feature sales which were previously treated as internal sales and eliminated in our Group results, but are now recognised as sales to an external customer.

The Currency business comprises Banknote Print, Polymer and Security Features.

The Currency market continues to be buoyant even in the light of anticipated pricing pressures, reflecting both the long term growth trend as well as short term demands, driven by political and economic uncertainties in certain regions.

Excluding paper†, revenues grew by 11%, reflecting the underlying growth in banknote revenues on increased volumes, and strong sales in security features.

Excluding paper† adjusted operating profit declined by 60% in the first half compared to the prior year. This was driven by the mix of a higher volume of lower margin jobs shipping in the first half and the planned investment in R&D and sales and marketing activities.

Reported revenue was £198.1m, 7% higher than the prior year, which included the exited paper business. H1 2018/19 revenue includes the recognition of £15.6m of "pass through" paper revenues, where customer contracts have not yet been novated to Portals, and the benefit from the recognition of security features sales to Portals as external sales (previously all internal to the Group).

Reported adjusted operating profit of £6.5m was 61% lower than H1 2017/18, for the reasons noted above.

Based on orders planned for production and shipment in the second half, we expect to see an improved mix and enhanced margins in the remainder of the year.

At the end of September, the 12 month order book for Currency was £231m, representing a reduction of £41m from the year end.

Our proprietary cash cycle management software DLR Analytics™, which is being used by more than 70 central banks, has expanded its service offering with the launch of its forecasting functionality in June 2018. The new module provides a flexible approach to scenario planning, enabling central banks to forecast demand and better control their cash cycle, thus smoothing the demand peaks and troughs. Following its success at the Central Banking Awards in January 2018, De La Rue Analytics™ was awarded the 'Currency Technology Provider of the Year' at the Central Banking's FinTech and RegTech Global Awards which celebrate those leading in both the public and private sector for their work in financial and regulatory technology.

Banknote Print

Banknote Print performed strongly, with sales volumes at 3.6bn notes (H1 2017/18: 3.5bn). Revenue was up 11%, reflecting the higher volumes.

Printing of the Bank of England's new £20 notes is now underway following a successful production trial.

We continue to improve revenue visibility with the extension of two LTAs as well as the acquisition of a new LTA customer recently. De La Rue has had a presence in Kenya for over 25 years. We are investing in expanding and upgrading our site as part of the long term plan to become a regional hub for East Africa and the wider continent. In September 2018, we added a new customer - Sveriges Riksbank - to our banknote portfolio, winning a contract to produce the Swedish Krona for the next three years, with the option to extend by another four years. As the world's oldest central bank, Sveriges Riksbank is one of the very few in the developed world that outsources banknote printing. This award is both an endorsement of our capability, and an excellent reference for De La Rue.

Polymer

Polymer volumes increased by 10% to 440 tonnes (H1 2017/18: 400 tonnes) in the first half and it is expected to report a doubling of volumes for the full year. The trial of our Safeguard® substrate for the Bank of England's £20 note was completed successfully in August 2018 and production of the first order totalling 520 tonnes over two years has begun.

We have made solid progress in gaining market share in the first half of the year. Including the notes in order, our Safeguard® substrate is currently or will be adopted by 26 note issuing authorities across 60 denominations.

Security Features

Security thread revenues increased 16% on a like for like basis, benefiting from new contracts as well as higher volumes from existing customers.

Our banknote features launched in May 2018 - Ignite™ and PureImage™ - are gaining traction, securing the first customer for PureImage™ in September. During the period, we also released two more new features for identity documents - MyImage™ and Photocolour UV™. MyImage™ is a polycarbonate feature jointly developed by De La Rue and its strategic partner Opalux, which enables personalisation of passports and ID cards by using standard laser engraving systems, making it easier to integrate into existing processes. Photocolour UV™ is a print feature that combines the best of security design and the vibrant full colour UV inks to create a life-like 3D effect imagery.

Identity Solutions

	Reported H1 2018/19	Reported H1 2017/18	Change	Excluding paper† H1 2018/19	Excluding paper† H1 2017/18	Change
Revenue (£m)	40.1	39.4	*+2%*	40.1	37.5	*7%*
Adjusted operating profit* (£m)	6.9	5.4	*+28%*	6.9	4.4	*57%*
Adjusted operating margin*	17.2%	13.7%	*+350bpts*	17.2%	11.7%	*+550bpts*
IFRS operating profit (£m)	6.7	5.4	*+24%*	n/a	n/a	

*Excludes amortisation of acquired intangibles of £0.2m (H1 2017/18: £nil).
† Like for like performance adjusts for the impact on our results of exiting the paper business. In H1 2017/18 this excludes the results of the exited paper business.

Excluding paper†, Identity Solutions performed well, with revenue up 7% and adjusted operating profit up 57%. This was driven by good growth in international ID on increased volumes and improved margin on mix of business.

Reported revenues in Identity Solutions increased slightly at £40.1m (H1 2017/18: £39.4m). Reported adjusted operating profit increased by 28% to £6.9m.

Following on from last year's success, we have added three new contracts in the first half of the year: Malta ID cards, Qatar ePassport and Libya which is a new addition to our customer portfolio.

Following the conclusion of the UK passport retender in April 2019, we are in the process of agreeing a transition plan with Her Majesty's Passport Office. A preliminary timeline for service transfer has been agreed, starting from October 2019. Based on this timeline, the UK passport contract is expected to deliver around two thirds of its annualised revenue and profit in the financial year of FY19/20.

Product Authentication & Traceability

	Reported H1 2018/19	Reported H1 2017/18	Change	Excluding paper† H1 2018/19	Excluding paper† H1 2017/18	Change
Revenue (£m)	19.4	20.2	*-4%*	19.4	19.1	*+2%*
Adjusted operating profit* (£m)	3.6	4.6	*-22%*	3.6	4.2	*-14%*
Adjusted operating margin*	18.6%	22.8%	*-420bpts*	18.6%	22.0%	*-340bpts*
IFRS operating profit (£m)	3.4	4.2	*-19%*	n/a	n/a	

*Excludes exceptional item charges of £0.1m (H1 2017/18: net changes of £0.4m) and amortisation of acquired intangibles of £0.1m (H1 2017/18: £nilm).
† Like for like performance adjusts for the impact on our results of exiting the paper business. In H1 2017/18 this excludes the results of the exited paper business.

Excluding paper†, revenues increased by 2% on increased Microsoft sales being partially offset by a long term contract coming to an end in 2017/18. Adjusted operating profit was down 14% at £3.6m, primarily due to the continued investment in this area.

Reported revenue was 4% lower than prior year at £19.4m and reported adjusted operating profit decreased by 22%, in part due to the exit from the paper business, and on the reasons noted above.

Preparation work for the roll out of the UAE tax stamp contract, which begins in early 2019, continues. The contract has an initial five year term under a build, operate, transfer (BOT) model to implement a full Framework Convention to Tobacco Control (FCTC) compliant track and trace tax stamp solution for the Federal Tax Authority in the UAE.

Momentum in government revenue solutions (GRS) continues to build as we have recently been awarded a significant contract to deliver a digital tax stamp solution with full track and trace for tobacco and soft drinks and a code issuance contract for tobacco products. We are in the process of finalising the contract terms and will update the market in due course. With the new orders secured in the past 12 months, benefiting from the continuing investment in R&D and sales, we expect our PA&T business to double in size within the next three years.

Driven by regulations such as the World Health Organisation's FCTC (effective in September 2018) and EU's Tobacco Products Directive (EUTPD) (coming into force in May 2019), the GRS market is expected to grow by c12% per annum in the next five years. The regulations specify that tobacco manufacturers shall work with third party system providers to ensure full traceability and authentication of tobacco products. As one of the few tax stamp scheme providers that offer full track and trace solutions, De La Rue is well placed to respond to this opportunity.

During the period, we migrated the remaining security print line from Gateshead, UK to Malta as part of the footprint restructuring plan set out in 2015. Malta, as one of our centres of excellence for security printing, now has full capability to produce identity documents, secure labels, and banknotes.

FINANCE CHARGE

The Group's net interest charge of £1.9m (H1 2017/18: £2.5m), was lower than the prior half year due to the lower average net debt balance during the period.

The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets was £1.1m (H1 2017/18: £3.2m), the lower charge reflecting the substantial reduction in the pension deficit following the change in the indexation methodology which became effective in the second half of FY 2017/18. We expect this reduced run rate to continue.

The total Group net finance charge was £3.0m (H1 2017/18: £5.7m).

EXCEPTIONAL ITEMS

The exceptional items during the period were net charges of £6.6m (H1 2017/18: net charges of £1.8m).

These comprise site relocation and restructuring costs of £3.3m relating to the ongoing manufacturing footprint review and charges relating to the recently announced review of our cost base to deliver cost savings and £2.9m additional loss on disposal relating to the sale of the paper business due to finalisation of the disposal accounting post year end.

TAXATION

The net tax charge for the first half was £1.7m (H1 2017/18: £3.1m). The effective tax rate on continuing operations before exceptional items and the movement on acquired intangibles was 16.7% (H1 2017/18: 15.9%). The effective tax rate for FY 2018/19 is expected to remain at 15-16%.

Net tax credits relating to exceptional items in the period were £0.6m (H1 2017/18: £0.2m). A tax credit of £0.1m (H1 2017/18 £nil) was recorded in respect of amortisation of acquired intangibles.

CASH FLOW AND BORROWING

Cash generated from operations was an outflow of £19.7m for the half year (H1 2017/18: inflow £10.0m) and is stated after special pension contributions of £10.3m which are higher than £4.2m paid in H1 last year. There was a one off outflow following the disposal of the paper business (now Portals De La Rue) with £16m converted to third party working capital immediately following the disposal. This was partially offset by a cash inflow in the period from the new trading arrangement between the Group and Portals De La Rue. Trade receivables (excluding the amounts due from Portals De La Rue) increased by £37m resulting from the timing of shipments in the period. Advanced payments from customers increased by £16m.

Capital expenditure for the half year was £10.4m. Capital expenditure for FY 2018/19 is expected to be around £30m, ahead of the normal run rate of £25m excluding the paper business.

Net debt increased by £44.4m to £94.3m at the end of the period (30 March 2018: £49.9m) primarily driven by the adverse working capital movements.

The Group has a revolving credit facility of £275m which expires in December 2021. At the period end the covenant tests were as follows: EBIT/net interest payable 13.8 times (covenant of ≥4.0 times), net debt/EBITDA 1.37 times (covenant of ≤3.0 times).

PENSION DEFICIT AND FUNDING

The valuation of the Group's UK defined benefit pension scheme (the "Scheme") under IAS 19 indicated a pre-tax deficit at 29 September 2018 of £77.2m (31 March 2018: £87.6m; 30 September 2017: £189.1m). The decrease since year end was primarily driven by an increase in the discount rate assumption used in the valuation, in addition to the impact of the £10.3m of special pension funding payments made in the half.

The charge to operating profit in respect of the Scheme in the period was £0.8m (H1 2017/18: £1.1m). In addition, under IAS 19 there was a finance charge of £1.1m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (H1 2017/18: £3.2m).

Cash contributions to the Scheme, agreed in June 2016, will be £20.5m for FY 2018/19, of which £10.3m has already been paid in the first half. The triennial funding valuation was initiated on 5 April 2018. The results are yet to be finalised by the Trustees and the Company will be engaging with the Trustees on future funding arrangements.

SENIOR MANAGEMENT CHANGES

On 19 July 2018, the Group appointed Helen Willis as Chief Financial Officer and subsequently as an Executive Director of the Company effective on expiry of the AGM on 26 July 2018. Helen is a qualified accountant and has a wealth of finance experience, with her latest role as Chief Financial Officer of Premier Farnell PLC. Helen joined De La Rue as Interim Chief Financial Officer on 16 April 2018.

DIVIDEND

The Board proposes to leave the dividend unchanged and is recommending an interim dividend of 8.3p per share. The interim dividend will be paid on 3 January 2019 to shareholders on the register on 7 December 2018.

OUTLOOK

The Board is encouraged by the strong order book position at the end of the first half, which provides good visibility of revenue and profitability for the rest of the year. Based on the orders planned for production and shipment in the second half, the Board is confident that the business will meet its expectation for the full year.

- **ends** -

Martin Sutherland
Chief Executive Officer

Helen Willis
Chief Financial Officer

27 November 2018

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 2018 Annual Report, the principal risks include breach of legal and regulatory requirements, failure to win or renew a material contract, capacity change, product security, mergers and acquisitions, pension fund deficit, failure to maintain and exploit competitive and technologically advanced products and services, failure to adopt performance driven culture, failure to secure strategic partnerships to address key issues, information security risk, loss of a key site, health safety or environmental failure, quality management failure, supply chain failure, and unpredictability in the timing and size of substantial contract awards. 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 2018 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 4 to 22 of the strategic report in the 2018 Annual Report. In addition, pages 111 to 113 of the 2018 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 33 of the 2018 Annual Report. As described on page 33 of the 2018 Annual Report, the Group meets its funding requirements through cash generated from operations and a revolving credit facility which expires in December 2021.

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 2018 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.

Statement of Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules ("DTR") of the United Kingdom's Financial Conduct Authority ("FCA").

The DTR require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the Interim report, unless the United Kingdom's FCA agrees otherwise.

The Directors confirm that to the best of their knowledge the condensed set of financial statements, which have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, as required by DTR 4.2 and in particular include a fair review of:

- the important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated set of financial statements as required by DTR 4.2.7R;
- the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- related party transactions that have taken place in the first half of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the Group during the first half of the current financial year as required by DTR 4.2.8R.

The Board
The Board of Directors of De La Rue plc at 31 March 2018 and their respective responsibilities can be found on page 98 of the De La Rue plc Annual Report 2018. Since that date the following changes have taken place:

- On 19 July 2018, the Company announced the appointment of Helen Willis as Chief Financial Officer with immediate effect and as an Executive Director of the Company to take effect on expiry of the Company's Annual General Meeting on 26 July 2018.

For and on behalf of the Board

Philip Rogerson
Chairman
27 November 2018

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 period ending 29 September 2018 which comprises the 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

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 Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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 United Kingdom. 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 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 period ending 29 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Reading, UK
27 November 2018

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT - UNAUDITED
FOR THE HALF YEAR ENDED 29 SEPTEMBER 2018

	Notes	**2018/19 Half Year £m**	2017/18 Half Year £m	2017/18 Full Year £m
Revenue	2	**257.6**	244.7	493.9
Operating expenses – ordinary		**(240.9)**	(218.3)	(431.8)
Operating (expenses)/income – exceptional	4	**(6.6)**	(1.8)	60.9
Total operating expenses		**(247.5)**	(220.1)	(370.9)
Operating profit		**10.1**	24.6	123.0
Comprising:				
Adjusted operating profit	2	**17.0**	26.6	62.8
Amortisation of acquired intangible assets		**(0.3)**	(0.2)	(0.7)
Exceptional items	4	**(6.6)**	(1.8)	60.9
Profit before interest and taxation		**10.1**	24.6	123.0
Interest income		**0.4**	-	-
Interest expense		**(2.3)**	(2.5)	(3.8)
Net retirement benefit obligation finance cost		**(1.1)**	(3.2)	(5.6)
Net finance expense		**(3.0)**	(5.7)	(9.4)
Profit before taxation		**7.1**	18.9	113.6
Comprising:				
Adjusted profit before tax		**14.0**	20.9	53.4
Amortisation of acquired intangible assets		**(0.3)**	(0.2)	(0.7)
Exceptional items	4	**(6.6)**	(1.8)	60.9
Taxation		**(1.7)**	(3.1)	(16.8)
Profit for the period from continuing operations		**5.4**	15.8	96.8
Comprising:				
Adjusted profit for the period		**11.6**	17.6	45.1
Amortisation of acquired intangible assets		**(0.2)**	(0.2)	0.5
Expense from the period on exceptional items – net of tax	4	**(6.0)**	(1.6)	51.2
Loss from discontinued operations	3	**(0.5)**	(0.4)	(1.8)
Profit for the period		**4.9**	15.4	95.0
Profit attributed to equity shareholders of the Company				
Profit for the period from continuing operations		**5.2**	15.1	95.4
Loss for the period from discontinued operations		**(0.5)**	(0.4)	(1.8)
Total profit attributable to equity shareholders of the Company		**4.7**	14.7	93.6
Profit attributed to non-controlling interests				
Profit for the period from continuing operations		**0.2**	0.7	1.4
Total profit attributable to non-controlling interests		**0.2**	0.7	1.4
Profit for the period		**4.9**	15.4	95.0

Profit for the period attributable to the Company's equity holders:			
Earnings per ordinary share			
Basic			
Basic EPS continuing operations	**5.1p**	14.8p	93.7p
Basic EPS discontinued operations	**(0.5p)**	(0.4p)	(1.8p)
Total basic earnings per share	**4.6p**	14.4p	91.9p
Diluted			
Diluted EPS continuing operations	**5.1p**	14.7p	92.8p
Diluted EPS discontinued operations	**(0.5p)**	(0.4p)	(1.8p)
Total diluted earnings per share	**4.6p**	14.3p	91.0p

GROUP CONDENSED CONSOLIDATED INTERIM
STATEMENT OF COMPREHENSIVE (LOSS)/INCOME - UNAUDITED
FOR THE HALF YEAR ENDED 29 SEPTEMBER 2018

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Profit for the financial period	**4.9**	15.4	95.0
Other comprehensive income			
Items that are not reclassified subsequently to income statement:			
Re-measurement gains on retirement benefit obligations	**1.2**	47.7	61.5
Tax related to re-measurement of net defined benefit liability	**-**	(8.2)	(10.4)
Items that may be reclassified subsequently to income statement:			
Foreign currency translation difference for foreign operations	**0.7**	1.1	(0.1)
Change in fair value of cash flow hedges	**0.4**	(1.3)	(1.9)
Change in fair value of cash flow hedges transferred to income statement	**0.5**	(2.6)	(1.2)
Change in fair value of cash flow hedges transferred to non-current assets	**-**	0.1	0.2
Income tax relating to components of other comprehensive income	**(0.2)**	0.6	0.4
Other movements	**0.6**	-	0.4
Other comprehensive income for the period, net of tax	**3.2**	37.4	48.9
Total comprehensive income for the period	**8.1**	52.8	143.9
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company	**7.9**	52.1	142.5
Non-controlling interests	**0.2**	0.7	1.4
	8.1	52.8	143.9

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET - UNAUDITED

AT 29 SEPTEMBER 2018

	Notes	**2018/19 Half Year £m**	(restated) 2017/18 Half Year £m	(restated) 2017/18 Full Year £m
ASSETS				
Non-current assets				
Property, plant and equipment		**110.9**	164.5	112.8
Intangible assets		**31.1**	28.1	29.5
Investments in associates		**-**	0.1	0.1
Deferred tax assets		**18.0**	36.3	19.8
Derivative financial instruments	8	**-**	0.2	0.2
Trade Investment		**7.0**	-	6.6
		167.0	229.2	169.0
Current assets				
Inventories		**40.6**	73.2	34.1
Trade and other receivables		**157.7**	133.9	102.3
Current tax assets		**2.6**	-	4.6
Derivative financial instruments	8	**5.4**	7.6	3.4
Cash and cash equivalents		**9.8**	9.0	15.5
		216.1	223.7	159.9
Total assets		**383.1**	452.9	328.9
LIABILITIES				
Current liabilities				
Borrowings		**(102.9)**	(144.7)	(63.9)
Trade and other payables		**(201.8)**	(181.6)	(167.1)
Current tax liabilities		**(13.1)**	(13.2)	(13.3)
Derivative financial instruments	8	**(5.0)**	(6.2)	(4.3)
Provisions for liabilities and charges		**(2.6)**	(11.8)	(4.1)
		(325.4)	(357.5)	(252.7)
Non-current liabilities				
Retirement benefit obligations	10	**(79.3)**	(191.4)	(89.6)
Deferred tax liabilities		**(3.1)**	(4.9)	(3.0)
Derivative financial instruments	8	**-**	(0.1)	(0.1)
Provisions for liabilities and charges		**(2.2)**	(1.3)	(3.9)
Other non-current liabilities		**-**	(3.7)	-
		(84.6)	(201.4)	(96.6)
Total liabilities		**(410.0)**	(558.9)	(349.3)
Net assets/liabilities		**(26.9)**	(106.0)	(20.4)
EQUITY				
Ordinary share capital		**47.4**	46.9	47.1
Share premium account		**39.9**	36.8	38.4
Capital redemption reserve		**5.9**	5.9	5.9
Hedge reserve	8	**0.2**	(1.2)	(0.5)
Cumulative translation adjustment		**6.4**	8.4	7.2
Other reserves		**(83.8)**	(83.8)	(83.8)
Retained earnings		**(52.0)**	(127.6)	(43.6)
Total equity attributable to shareholders of the Company		**(36.0)**	(114.6)	(29.3)
Non-controlling interests		**9.1**	8.6	8.9
Total equity		**(26.9)**	(106.0)	(20.4)

GROUP CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE HALF YEAR ENDED 29 SEPTEMBER 2018

	Notes	**2018/19 Half Year £m**	2017/18 Half Year £m	2017/18 Full Year £m
Cash flows from operating activities				
Profit before tax*		**6.2**	18.5	110.6
Adjustments for:				
Finance income and expense		**3.0**	5.7	9.4
Depreciation		**8.4**	11.9	21.9
Amortisation		**1.9**	1.5	3.3
(Increase)/decrease in inventories		**(3.8)**	(5.6)	13.3
(Increase) in trade and other receivables		**(61.4)**	(26.1)	21.0
Increase/(decrease) in trade and other payables		**35.1**	7.5	(16.5)
(Decrease)/increase in provisions		**(3.2)**	0.8	(6.2)
Non-cash gain on the defined benefit pension indexation change		**-**	-	(80.5)
Special pension fund contribution		**(10.3)**	(4.2)	(13.5)
Impairment of disposal group		**-**	-	9.3
Share based payment expense		**0.5**	-	2.2
Loss on disposal of business		**2.9**	-	-
Other non-cash movements		**1.0**	-	(0.8)
Cash generated from operations		**(19.7)**	10.0	73.5
Tax received/(paid)		**2.0**	(5.5)	(10.1)
Net cash flows from operating activities		**(17.7)**	4.5	63.4
Cash flows from investing activities				
Proceeds from sale of discontinued operation		**-**	1.6	3.0
Proceeds from the sale of subsidiary (net of cash disposed)		**0.2**	-	55.8
Purchases of property, plant and equipment and software intangibles		**(7.9)**	(3.9)	(19.9)
Advanced payment – non trading		**-**	5.0	5.0
Development expenditure capitalised		**(2.5)**	(2.0)	(4.8)
Proceeds from sale of property, plant and equipment		**0.7**	-	-
Acquisition of subsidiary		**-**	(1.0)	(1.1)
Net cash flows from investing activities		**(9.5)**	(0.3)	38.0
Net cash flows before financing activities		**(27.2)**	4.2	101.4
Cash flows from financing activities				
Proceeds from issue of share capital		**1.8**	0.2	2.0
Net drawdown/(repayment) of borrowings		**34.0**	14.0	(67.0)
Payment of facility fees		**-**	(1.1)	(1.0)
Interest paid		**(2.0)**	(2.7)	(5.4)
Dividends paid to shareholders		**(17.1)**	(17.0)	(25.4)
Dividends paid to non-controlling interests		**-**	-	(0.4)
Net cash flows from financing activities		**16.7**	(6.6)	(97.2)
Net (decrease)/increase in cash and cash equivalents in the period		**(10.5)**	(2.4)	4.2
Cash and cash equivalents at the beginning of the period		**15.2**	11.2	11.2
Exchange rate effects		**-**	(0.1)	(0.2)
Cash and cash equivalents at the end of the period	9	**4.7**	8.7	15.2
Cash and cash equivalents consist of:				
Cash at bank and in hand		**9.8**	9.0	15.2
Short term deposits		**-**	-	0.3
Bank overdrafts		**(5.1)**	(0.3)	(0.3)

*Profit before tax includes continuing and discontinued operations.

GROUP CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE HALF YEAR ENDED 29 SEPTEMBER 2018

	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 25 March 2017 (restated)	46.8	36.7	5.9	2.0	7.3	(83.8)	(165.6)	7.9	(142.8)
Profit for the period	-	-	-	-	-	-	14.7	0.7	15.4
Other comprehensive income, net of tax	-	-	-	(3.2)	1.1	-	39.5	-	37.4
Total comprehensive income	-	-	-	(3.2)	1.1	-	54.2	0.7	52.8
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	-	-	-	-	-	-	0.9	-	0.9
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	(0.1)	-	(0.1)
Dividends paid	-	-	-	-	-	-	(17.0)	-	(17.0)
Balance at 30 September 2017 (restated)	**46.9**	**36.8**	**5.9**	**(1.2)**	**8.4**	**(83.8)**	**(127.6)**	**8.6**	**(106.0)**
Profit for the period	-	-	-	-	-	-	78.9	0.7	79.6
Other comprehensive income, net of tax	-	-	-	0.7	(1.2)	-	12.0	-	11.5
Total comprehensive income	-	-	-	0.7	(1.2)	-	90.9	0.7	91.1
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.2	1.6	-	-	-	-	-	-	1.8
Employee share scheme:									
- value of services provided	-	-	-	-	-	-	1.3	-	1.3
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	(0.1)	-	(0.1)
Dividends paid	-	-	-	-	-	-	(8.4)	(0.4)	(8.8)
Balance at 31 March 2018 as previously reported	**47.1**	**38.4**	**5.9**	**(0.5)**	**7.2**	**(83.8)**	**(43.9)**	**8.9**	**(20.7)**
Accounting policy restatement (see note 1)	-	-	-	-	-	-	0.3	-	0.3
Balance at 31 March 2018 (restated)	**47.1**	**38.4**	**5.9**	**(0.5)**	**7.2**	**(83.8)**	**(43.6)**	**8.9**	**(20.4)**
Profit for the period	-	-	-	-	-	-	4.9	0.2	5.1
Other comprehensive income, net of tax	-	-	-	0.7	0.7	-	1.8	-	3.2
Total comprehensive income	-	-	-	0.7	0.7	-	6.7	0.2	8.3
Transactions with owners of the company recognised directly in equity:	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	(1.5)	-	1.5	-	-
Share capital issued	0.3	1.5	-	-	-	-	-	-	1.8
Employee share scheme:	-	-	-	-	-	-	0.5	-	0.5
- value of services provided	-	-	-	-	-	-	-	-	-
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(17.1)	-	(17.1)
Balance at 30 September 2018	**47.4**	**39.9**	**5.9**	**0.2**	**6.4**	**(83.8)**	**(52.0)**	**9.1**	**(26.9)**

Share premium account

This reserve arises from the issuance of shares for consideration in excess of their nominal value.

Capital redemption reserve

This reserve represents the nominal value of shares redeemed by the Company.

Hedge reserve

This reserve records the portion of any gain or loss on hedging instruments that are determined to be effective cash flow hedges. When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. If a forecast transaction is no longer expected to occur, the gain or loss on the related hedging instrument previously recognised in equity is transferred to the income statement.

Other reserve

On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

Cumulative translation adjustment (CTA)

This reserve records cumulative exchange differences arising from the translation of the financial statements of foreign entities since transition to IFRS. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. This reserve also records the effect of hedging net investments in foreign operations.

During the period an amount of £1.5m has been reclassified to the cumulative translation adjustment reserve from retained earnings.

Balances as at 25 March 2017 and 30 September 2017 have been restated, for further details see note 1.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

1 ***Statement of compliance***

These consolidated financial statements have been prepared on the going concern basis and using the historical cost convention, modified for certain items carried at fair value, as stated in the Group's accounting policies.

The financial information set out above does not constitute the Group's statutory accounts for the periods ended 29 September 2018 or 30 September 2017. The interim condensed consolidated financial statements for the period ended 29 September 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Group's annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 30 March 2018 which are prepared in accordance with IFRS, as adopted by the European Union. The auditor has reported on the accounts for the period ended 30 March 2018; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies

The preliminary announcement for the period ended 29 September 2018 has been prepared consistently with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union (EU) at 29 September 2018. Details of the accounting policies applied are those set out in De La Rue plc's annual report 2018.

During the period a number of amendments to IFRS became effective and were adopted by the Group, the impact of IFRS15 and IFRS9 are set out below. The other amendments have not have an impact on the Group's 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 period ended 29 September 2018 with the exception of the adoption of IFRS9, IFRS15, IFRS2 amendment and IFRIC22.

Adoption of IFRS15 "Revenue from Contracts with Customers" during the period

IFRS 15 "Revenue from Contracts with Customers" is effective for the current year. It supersedes IAS 18 "Revenue" and IAS 11 "construction contracts" and replaces all existing IFRS revenue recognition requirements. The new framework focuses on the performance obligations in the contract and allocating a transaction price to those obligations. The new model is a control model, rather than the previous accounting under IAS18 which focused on a risk and reward model. The new standard introduces a 5-step model to account for revenue and it does provide additional guidance in areas where the previous IFRS's did not provide specific guidance. IFRS 15 sets out a 5-step model for recognition of revenue:

Step 1 – Identify the contract(s)
Step 2 – Identify the separate performance obligations in the contract
Step 3 – Determine the transaction price
Step 4 – Allocate the transaction price to the performance obligations
Step 5 – Recognise revenue when (or as) each performance obligation is satisfied.

The adoption of IFRS 15 has resulted in the following areas where revenue recognition will be different for certain customer contracts:

	Change	Impact
Banknote contracts with an enforceable right to payment	Revenue will be recognised over time for banknotes produced by the company to the specification of the customer create an asset with no alternate use to the group and where the contract creates an enforceable right to payment. The input method based on costs incurred will be used to determine the value of revenue earned at period end.	Revenue recognition will be accelerated to be recognised over the period that the banknotes are produced.
Banknote contracts with multiple performance obligations	Revenue would be allocated over the various performance obligations for example, design, storage, and not concentrated on just the supply of the banknote	The Group has reviewed the value attributable to the additional performance obligations and these are deemed to be immaterial. There will therefore be no impact.
ID contracts with multiple performance obligations eg; supply of passports, supply of hardware and software, service arrangements	For certain identity contracts with multiple performance obligations, where the group creates an asset that the customer controls as the asset is created, revenue will be allocated over the various performance elements and revenue will be recognised over time. Either the input or output method will be used depending up the nature of the performance obligations included in each contract.	The amount of revenue recognised for each performance element will change and the timing of the recognition may be accelerated for some performance obligations.
Sales commissions	Sales commissions payable on the signature of long term sales contracts will be capitalised and amortised on a systematic basis instead of being expensed when incurred.	Recognition of some sales commissions in the Income Statement will be delayed. However, given the period of amortisation for most capitalised commissions will be less than 12 months the Group considers that most commission payments will be subject to the practical expedient.

The new standard has been adopted from 1st April 2018 and has applied the modified retrospective approach on uncompleted contracts at the date of transition. Comparatives for 2017 have not been restated and the cumulative impact of adoption has been recognised as an increase to retained earnings with a corresponding increase in net assets at 1 April 2018 as detailed below. Inventory, accrued income and project WIP balances have been restated in the 31 March 2018 balance sheet. As listed in the table above, standard has impacted the Currency and IDS segments. However, based on the nature of customer contracts applicable to the PA&T segment, no adjustments to revenue recognition are required at the current time to apply IFRS15.

The impact on net assets as previously reported at 1 April 2018 is shown below:

Net assets – impact against previously stated amounts

Decrease in inventories	(2.9)
Increase in accounts receivable	3.3
Total impact at 1 April 2018	**0.3**

The impact on retained earnings is shown below:

Retained earnings

Banknote contracts with enforceable right to payment	0.4
ID contracts with multiple Performance Obligations	(0.1)
Sales commissions	-
Total impact at 1 April 2018	**0.3**

The impact on current year profit from the adoption of IFRS15 was a net increase in revenue of £1.0m with a net increase in operating costs of £0.6m, resulting in an increase in operating profit of £0.4m. The impact on basic and diluted EPS was approximately 0.4 pence. The impact on the currency segment was an increase in the half year of £0.8m due to the change in timing of revenue recognition due to recording revenue over time (the associated impact on operating costs was £0.3m). The impact on the IDS segment was an increase in revenue of £0.2m with an associated impact on cost of goods sold of £0.3m reflecting the time of recognition of revenue and costs on contracts with multiple performance obligations which are now being accounted based on revenue over time on the cost to cost basis.

Adoption of IFRS9 "Financial Instruments" during the period

IFRS 9 financial Instrument was issued by the IASB in July 2014. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial instrument and hedge accounting. Changes for the Group in respect of measurement and impairment are summarised below. There are no changes in classification applicable to the Group.

As required by IFRS 9, the Group used the simplified approach in calculating Expected credit loss "ECL" for trade receivables and contract assets that did not contain a significant financing component. The Group applied the practical expedient to calculate ECL using a provision matrix. In practice, Group use a provision matrix to calculate their current impairment allowances. However, to comply with the IFRS 9 requirements, Group would need to consider how current and forward-looking information might affect their customers' historical default rates and, consequently, how the information would affect their current expectations and estimates of ECLs. Application of the ECL model has resulted in an additional provision against Trade Receivables of £0.4m in the Statement of Financial Position as at 29 September 2018. As permitted by IFRS 9, no additional provision was recorded as at 31 March 2018 and no restatement of the comparatives has been recorded as the impact was immaterial.

The adoption of IFRS 9 has not resulted in any amendments in the measurement of the Group's forward contract cash flow hedges.

As permitted by IFRS 9, the comparatives have not been re-stated.

Forthcoming accounting standards

IFRS 16 Leases was issued by the IASB in January 2016 (effective for the year ending 28 March 2020) replaces IAS 17. Under the new standard all it requires lessees to recognise a lease liability and a right of use asset for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Interest expense on the lease liability and depreciation on the right of use asset will be recognised in the income statement, resulting in a higher total charge to the income statement in the initial years of a lease. The Group continues to assess the impact of the new standard.

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Prior period adjustments recorded in the 31 March 2018 year end results and impact on 29 September 2018 results

In the 31 March 2018 results the following prior period adjustments were made:

1) A restatement of £3.8m credit to tax on discontinued operations to reflect the release of uncertain tax provisions relating to the CPS business which should have been recorded in the previous period. The impact on the financial statements at 25 March 2017 was a decrease in the loss for the year from discounted operations of £1.6m and an increase in brought forward retained earnings as at 26 March 2016 of £2.2m. This has no impact on the comparative income statement in H1 2018/19, however retained earnings as at 30 September 2017 has been increased by £3.8m and current tax liabilities decreased by the same amount.
2) The historical Cumulative Translation Adjustment ("CTA") position was reviewed in the prior year and an adjustment was made to move £17.0m from CTA to net earnings related to foreign exchange on non CPS subsidiary companies that left the group in periods before 2010. As this adjustment was made to the financial statements as at 26 March 2016, it has impacted the 25 March 2017 and 30 September comparatives disclosed in the H1 2018/19 results. The impact has been to change the CTA reserve as at 25 March 2017 from a deficit of £8.6m to a credit of £8.4m with an equal and opposite impact on the Income Statement reserve.
3) In the 31 March 2018 year end results the purchase price accounting for the Group's acquisition of Du Pont Authentication (subsequently renamed to De La Rue Authentication Solutions Inc) was completed. This resulted in a change in the values of acquired intangible assets and consequently to an increase in the amortisation of acquired intangibles. The amortisation of acquired intangibles as originally reported in the H1 2017/18 results was £0.2m and with the updated values of acquired intangibles this would have increase to £0.4m. The increase is not considered material and consequently the comparative figures for H1 2017/18 in this release have not been restated.

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2 Segmental analysis

The continuing operations of the Group have three main operating units: Currency, Identity Solutions and Product Authentication and Traceability. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and adjusted operating profit.

The Group's segments are:

- Currency – provides printed banknotes, and polymer substrates and banknote security features
- Identity Solutions – involved in the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes and associated software and services
- Product Authentication and Traceability (previously Security Products) – produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps and associated software and services

On 30 March 2018, the Group disposed of the Portals De La Rue paper business. The results of the paper business are included within the currency segment until the date of disposal in the 2018 full year numbers below.

2018/19 Half Year	Currency	Identity Solutions	Product Authentication and Traceability	Unallocated	Total
	£m	£m	£m	£m	£m
Revenue	198.1	40.1	19.4	-	257.6
Adjusted operating profit	6.5	6.9	3.6	-	17.0
Amortisation of acquired intangible assets	-	(0.2)	(0.1)	-	(0.3)
Exceptional items – operating (note 4)	(4.2)	-	(0.1)	(2.3)	(6.6)
Operating profit/(loss)	2.3	6.7	3.4	(2.3)	10.1
Net interest expense	-	-	-	(1.9)	(1.9)
Retirement benefit obligations net finance expense	-	-	-	(1.1)	(1.1)
Profit/(loss) before taxation	2.3	6.7	3.4	(5.3)	7.1
Segment assets	199.0	58.3	32.7	93.1	383.1
Segment liabilities	(111.5)	(40.7)	(10.5)	(247.5)	(410.0)
Capital expenditure on property, plant and equipment	(3.0)	(0.2)	(2.2)	(2.5)	(7.9)
Capital expenditure on intangible assets					
Depreciation of property, plant and equipment	(5.0)	(2.2)	(0.5)	(0.7)	(8.4)
Amortisation of intangible assets	-	(0.3)	(0.1)	(1.5)	(1.9)

Unallocated assets principally comprise deferred tax assets of £18.0m, cash and cash equivalents of £9.8m which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £5.4m as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £79.3m, borrowings of £99.0m, current tax liabilities of £13.1m and derivative financial instrument liabilities of £5.0m as well as deferred tax liabilities and centrally held accruals and provisions.

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2018 Full Year	Currency	Identity Solutions	Product Authentication and Traceability	Unallocated	Total
	£m	£m		£m	£m
Total revenue	372.0	82.0	40.1	-	494.1
Less: inter-segment revenue	(0.2)	-	-	-	(0.2)
Revenue	371.8	82.0	40.1	-	493.9
Adjusted operating profit	45.1	8.3	9.4	-	62.8
Amortisation of acquired intangible assets	-	(0.6)	(0.1)	-	(0.7)
Exceptional items – operating (note 4)	(14.4)	(0.2)	(1.6)	77.1	60.9
Operating profit	30.7	7.5	7.7	77.1	123.0
Net interest expense	-	-	-	(3.8)	(3.8)
Retirement benefit obligations net finance expense	-	-	-	(5.6)	(5.6)
Profit before taxation	30.7	7.5	7.7	67.7	113.6
Segment assets	160.8	58.4	25.4	84.0	328.6
Segment liabilities	(89.4)	(41.1)	(7.6)	(211.3)	(349.3)
Capital expenditure on property, plant and equipment	6.2	1.4	7.2	5.1	19.9
Capital expenditure on intangible assets	1.5	0.4	1.0	1.9	4.8
Depreciation of property, plant and equipment	13.7	5.0	1.5	1.7	21.9
Amortisation of intangible assets	2.3	0.6	0.1	0.3	3.3
Impairment of disposal group	9.3	-	-	-	9.3

Unallocated assets principally comprise deferred tax assets of £19.8m, cash and cash equivalents of £15.5m which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £3.6m as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £89.7m, borrowings of £63.9m, current tax liabilities of £13.3m and derivative financial instrument liabilities of £4.5m as well as deferred tax liabilities and centrally held accruals and provisions.

2017/18 Half Year	Currency	Identity Solutions	Product Authentication and Traceability	Unallocated	Total
	£m	£m		£m	£m
Total revenue	185.3	39.4	20.2	(0.2)	244.7
Less: inter-segment revenue	-	-	-	-	-
Revenue	185.3	39.4	20.2	(0.2)	244.7
Adjusted operating profit	16.6	5.4	4.6	-	26.6
Amortisation of acquired intangible assets	-	-	-	(0.2)	(0.2)
Exceptional items – operating (note 4)	(0.1)	-	(0.4)	(1.3)	(1.8)
Operating profit/(loss)	16.5	5.4	4.2	(1.5)	24.6
Net interest expense	(0.2)	-	-	(2.3)	(2.5)
Retirement benefit obligations net finance expense	-	-	-	(3.2)	(3.2)
Profit/(loss) before taxation	16.3	5.4	4.2	(7.0)	18.9
Segment assets	256.8	48.3	24.8	123.0	452.9
Segment liabilities	(109.6)	(37.4)	(9.6)	(406.1)	(562.7)
Capital expenditure	2.4	0.1	2.2	1.2	5.8
Depreciation of property, plant and equipment	7.8	2.5	0.8	0.8	11.9
Amortisation of intangible assets	-	-	0.2	1.3	1.5

3 Discontinued operations

The Group completed the sale of the entire issued share capital of Cash Processing Solutions Limited and related subsidiaries (together 'CPS') to CPS Topco Limited, a company owned by Privet Capital on 22 May 2016.

Under the terms of the CPS sale agreement, De La Rue received £2.1m upon completion of the transaction. During FY18, a deferred consideration payment of £0.8m was received. In addition to £0.9m relating to a closing working capital adjustment and a further £1.4m was received in relation to additional consideration for the sale of CPS for which a receivable was not recorded to the likelihood of this being paid. A further deferred consideration amount of £0.8m is due and included on the Group balance sheet. The Group is entitled to further contingent consideration following the sale of up to £6m if certain performance related and event driven milestones are achieved by CPS.

The loss on discontinued operations in the period, of £0.4m (comprising net charges of £0.9m and £0.5m associated to tax credits), relates to the reassessment of the provision associated with a loss making CPS contract that was not novated post disposal and other costs associated with the winding down of remaining activity related to CPS (net of associated tax credits).

In addition during the year there has been a release of a historical provision for post-retirement benefits (net of associated tax credits), following an updated valuation. The release of this provision has been recorded in reserves rather than discontinued operations in the income statement as the release is considered to be consistent with that of an actuarial gain.

4 Exceptional Items

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Gain on revaluation of measurement of pension scheme deficit	**-**	-	80.5
Costs associated with the indexation charge on the pension scheme	**-**	-	(1.0)
Site relocation and restructuring	**(3.3)**	(1.8)	(4.0)
Costs associated with disposal of subsidiary	**(0.4)**		(5.1)
Impairment of disposal group	**-**	-	(9.3)
Acquisition related	**-**	-	(0.2)

Loss on disposal	**(2.9)**	-	-
Total exceptional items – (charge)/credit	**(6.6)**	(1.8)	60.9
Exceptional items – tax credit/(charge)	**0.6**	0.2	(9.7)

5 Taxation

- A tax charge of 16.7% (H1 2017/18: 15.9%, Full Year 2017/18: 15.5%) 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 and tax on the movement of acquired intangibles giving rise to tax for the period of £2.3m. This is offset by tax credits of £0.1m in relation to the tax on the movement of acquired intangibles and £0.6m on exceptional items recognised in the period as described in note 4, resulting in an overall tax charge on continuing operations for the period of £1.7m.

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6 Earnings per share

	2018/19 Half Year pence per share	2017/18 Half Year pence per share	2017/18 Full Year pence per share
Earnings per share			
Basic earnings per share from continuing operations	**5.1**	14.8	93.7
Diluted earnings per share from continuing operations	**5.1**	14.7	92.8
Basic earnings per share from discontinued operations	**(0.5)**	(0.4)	(1.8)
Diluted earnings per share from discontinued operations	**(0.5)**	(0.4)	(1.8)
Basic earnings per share – total	**4.6**	14.4	91.9
Diluted earnings per share – total	**4.6**	14.3	91.0
Adjusted earnings per share			
Basic earnings per share from continuing operations	**11.2**	16.6	42.9
Diluted earnings per share from continuing operations	**11.1**	16.4	42.5

Earnings per share is calculating by dividing the profit attributable to equity shareholders by the weighted average number of shares. The weighted average number of ordinary shares used in the calculations for earnings per share is 102.6m (H1 2017/18: 101.8m; FY 2017/18: 101.9m) for basic earnings per share and 103.2m (H1 2017/18: 102.9m; FY 2017/18: 102.8m) for diluted earnings per share after adjusting for dilutive impact of share options.

The Directors are of the opinion that the publication of the adjusted 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:

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Earnings for basic earnings per share – Total	**4.7**	14.7	93.6
Add: Earnings for basic earnings per share - discontinued operations	**0.5**	0.4	1.8
Earnings for basic earnings per share – continuing operations	**5.2**	15.1	95.4
Add: amortisation of acquired intangibles	**0.3**	0.2	0.7
Add: exceptional items	**6.6**	1.8	(60.9)
Less: tax on amortisation of acquired intangibles	**(0.1)**	-	(1.2)
Less: tax on exceptional items	**(0.6)**	(0.2)	9.7
Earnings for adjusted earnings per share	**11.4**	16.9	43.7

Adjusted earnings per share excludes discontinued operations

7 Equity dividends

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Final dividend for the year ended 25 March 2017 of 16.7p paid on 30 June 2017	**-**	17.0	17.0
Interim dividend for the period ended 30 September 2017 of 8.3p paid on 03 January 2018	**-**	-	8.4
Final dividend for the year ended 30 March 2018 of 16.7p paid on 03 August 2018	**17.1**	-	-
	17.1	17.0	25.4

8 Financial Instruments
Carrying amounts versus the fair value

Financial assets	Total fair value Sep 2018 £m	Carrying amount Sep 2018 £m	(Restated) Total fair value Mar 2018 £m	(Restated) Carrying amount Mar 2018 £m
Trade and other receivables[1]	**151.6**	**151.6**	117.2	117.2
Cash and cash equivalents	**9.8**	**9.8**	9.0	9.0
Derivative financial instruments:				
- Forward exchange contracts designated as cash flow hedges[4]	**1.9**	**1.9**	1.6	1.6
- Short duration swap contracts designated as fair value hedges[4]	**0.1**	**0.1**	0.2	0.2
- Foreign exchange fair value hedges - other economic hedges[4]	**1.5**	**1.5**	1.9	1.9
- Embedded derivatives[4]	**1.9**	**1.9**	4.1	4.1
Total financial assets	**166.8**	**166.8**	134.0	134.0

Financial liabilities	Total fair value Sep 2018 £m	Carrying amount Sep 2018 £m	(Restated) Total fair value Mar 2018 £m	(Restated) Carrying amount Mar 2018 £m
Unsecured bank loans and overdraft[2]	**(104.1)**	**(104.1)**	(146.4)	(146.4)
Trade and other payables[3]	**(186.0)**	**(186.0)**	(165.3)	(165.3)
Derivative financial instruments:				
- Forward exchange contracts designated as cash flow hedges[4]	**(1.6)**	**(1.6)**	(2.9)	(2.9)
- Short duration swap contracts designated as fair value hedges[4]	**(0.5)**	**(0.5)**	(0.1)	(0.1)
- Foreign exchange fair value hedges - other economic hedges[4]	**(2.5)**	**(2.5)**	(2.3)	(2.3)
- Embedded derivatives[4]	**(0.5)**	**(0.5)**	(0.9)	(0.9)
- Interest rate swaps[4]	**-**	**-**	(0.1)	(0.1)
Total financial liabilities	**(301.3)**	**(301.3)**	(316.3)	(316.3)

(1) Excludes prepayments. March 2018 figures have been restated for the impact of IFRS 15
(2) Excludes unamortised pre-paid loan arrangement fees
(3) Excludes deferred income and taxation
(4) Level 2 valuations

Fair Value measurement for derivative financial instruments

Fair value is calculated based on the future principal and interest cash flows, discontinued at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation 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. There has been no movement between levels during the current or prior periods.

Forward exchange contracts used for hedging
The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Interest rate swaps
Interest rate swaps are measured by reference to third party bank confirmations and discounted cash flows using the yield curves in effect at the balance sheet date.

Embedded derivatives
The fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts and using quoted forward foreign exchange rates at the balance sheet date.

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9 Analysis of net debt

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Cash at bank and in hand	**9.8**	9.0	15.2
Short term bank deposits	**-**	-	0.3
Bank overdrafts	**(5.1)**	(0.3)	(0.3)
Cash and cash equivalents	**4.7**	8.7	15.2
Other debt due within one year	**(99.0)**	(146.1)	(65.1)
Net debt at end of period	**(94.3)**	(137.4)	(49.9)

The Group has a revolving credit facility of £275m. As the drawdown 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 2021.

As at 29 September 2018, the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £176m (30 September 2017: £129m, 31 March 2018: £210m, all maturing in more than one year). The amount of loans drawn on the £275m facility is £99m.

Net debt above is presented excluding unamortised pre-paid borrowing fees of £1.2m.

10 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.

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
UK retirement benefit obligations	**(77.2)**	(189.1)	(87.6)
Overseas retirement benefit obligations	**(2.1)**	(2.3)	(2.0)
Retirement benefit obligations	**(79.3)**	(191.4)	(89.6)

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

Amounts recognised in the consolidated Balance Sheet:			
Fair value of plan assets	**952.5**	964.7	980.0
Present value of funded obligations	**(1,023.5)**	(1,147.2)	(1,061.1)
Funded defined benefit pension plans	**(71.0)**	(182.5)	(81.1)

Present value of unfunded obligations	**(6.2)**	(6.6)	(6.5)
Net liability	**(77.2)**	(189.1)	(87.6)
Amounts recognised in the consolidated Income Statement:			
Included in employee benefits expense:			
Administrative expenses	**0.8**	1.1	2.3
Included in net finance cost:			
Net retirement benefit obligation finance cost	**1.1**	3.2	5.6
Total recognised in the consolidated Income Statement	**1.9**	4.3	7.9

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10 Retirement benefit obligations (continued)

Principal actuarial assumptions:	**2018/19 Half Year UK %**	2017/18 Half Year UK %	2017/18 Full Year UK %
Future pension increases – past service	**3.25**	3.60	3.20
Discount rate	**2.85**	2.70	2.65
Inflation rate – RPI	**3.15**	3.10	3.10
Inflation rate – CPI	**2.05**	2.0	2.0

At 29 September 2018 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2017 and a long term rate of 1.25 per cent per annum.

The Group's formal triennial valuation of the UK defined benefit scheme (the "Scheme") was finalised in June 2016. The underlying funding deficit was valued at £252m. The Group agreed a revised funding plan with the Trustee to eliminate the deficit over a period of 12 years from 31 March 2016. A new triennial review of the Scheme's valuation was initiated in April 2018. The review is ongoing and the Company is engaging with the Trustees on funding arrangements. The existing funding plan agreed in June 2016 will remain in place until the review is concluded.

The cash contributions to the Scheme of £10.3m (in addition to the regular contributions outside of the revised funding plan) have been made in the half year and by the end of the full year these will amount to £20.5m. From 2019 to 2022 cash contributions will rise from £20.5m by 4% per annum. They will be frozen at £23.0m per year between 2023 and 2028. The Group will continue to pay annual fees of around £1.6m for managing the Scheme in addition to the cash contributions.

In November 2017 the Trustee of the Scheme decided to change indexation of future increases to the Scheme benefits from the Retail Prices Index ('RPI') to the Consumer Prices Index ('CPI'), effective from April 2018. The decision was made following a request from the Company and a detailed legal review upon which the Trustee concluded that CPI is currently a more suitable index for the calculation of annual increases in the Scheme. This change led to a past service credit of £80.5m reported in the 31 March 2018 full year results which was recorded within exceptional items. The directors continue to assess any residual impact from this change.

On 26th October 2018, a landmark pension case involving the Lloyds Banking Group's defined benefit pension schemes was handed down by the High Court. The judgement brings some clarity to defined benefit pension schemes in general and requires schemes to equalise pension benefits between men and women relating to Guaranteed Minimum Pensions (or "GMP"). Based on our preliminary assessment, we estimate the impact of this in relation to the Scheme could be to increase obligations by approximately £2m. We expect this to be recognised as a cost in the Income Statement in our full year results.

11 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 £12.1m (H1 2017/18: £17.0m) for the purchase of ink and other consumables on an arms length basis. At the balance sheet date there was £2.4m (H1 2017/18: £5.1m) owing to this company.

12 Contingent assets and 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. De La Rue currently has certain ongoing taxation assessments which are provided for where the company considers it probable that an outflow of economic benefits will occur and the amount can be reliably measured. Where the company considers that the chance of an outflow of economic benefits in relation to the assessment is remote no provision is recorded and no disclosure is given.

As part of the sale of the CPS business the company gave certain warranties which were usual for a transaction of this nature. The buyer has indicated that it intends to claim under certain of these warranties but as insufficient evidence has been received to establish whether the claim has any merit no amount has been provided for at this stage.

During 2017 an employee at the Paper Mill in Bathford suffered a serious injury. The investigation by the enforcing authorities is ongoing. At the date of the statement of financial position no amounts have been provided in respect of this matter. It is not practicable to provide an estimate of the financial effect and there is uncertainty relating to the amount or timing of any outflow.

The group also provides guarantees and performance bonds which are issued in the ordinary course of business. In the event that a guarantee bond is called, provision may be required subject to the particular circumstances including an assessment of its recoverability.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

13 Capital commitments

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
The following commitments existed at the balance sheet date:			
Contracted but not provided for in the accounts	**588.0**	10.5	630.4

Included in the table above is an amount in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018.

As part of the transaction Portals De La Rue will supply security paper to meet the Group's anticipated internal requirements with pre agreed volumes and price mechanisms for the next 10 years. Based on the terms of the agreement the Group has a capital commitment of appropriately £566.0m over the next 10 years.

14 De La Rue financial calendar: 2018/19

Ex dividend date for interim dividend	6 December 2018
Record date for interim dividend	7 December 2018
Payment of interim dividend	3 January 2019
Financial year end	30 March 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

15 Non-IFRS Financial measures

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business and use these internally for assessing the business performance. The Directors are of the opinion that these measures give a better understanding of the underlying performance of the business. Amortisation of acquired intangible assets is a non-cash item and by excluding this from the adjusted operating profit metrics this is deemed to be a more meaningful metric of the contribution from the underlying business. The measures the Group uses along with appropriate reconciliations where applicable are shown below.

Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Operating profit from continuing operations on an IFRS basis	**10.1**	24.6	123.0
- Amortisation of intangible assets	**0.3**	0.2	0.7
- Exceptional items – operating	**6.6**	1.8	(60.9)
Adjusted operating profit from continuing operations	**17.0**	26.6	62.8

Adjusted basic earnings per share

	2018/19 Half Year £m	2017/18 Half Year £m	2017/18 Full Year £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**5.2**	15.1	95.4
- Amortisation of intangible assets	**0.3**	0.2	0.7
- Exceptional items – operating	**6.6**	1.8	(60.9)
- Tax on amortisation of acquired intangibles	**(0.1)**		(1.2)
- Tax on exceptional items	**(0.6)**	(0.2)	9.7
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**11.4**	16.9	43.7
Weighted average number of ordinary shares for basic earnings	**102.6**	101.8	101.9

	2018/19 Half Year Pence per share	2017/18 Half Year Pence per share	2017/18 Full Year Pence per share
Basic earnings per ordinary share continuing operations on an IFRS basis	**5.1**	14.8	93.7
Adjusted basic per ordinary share for continuing operations	**11.2**	16.6	42.9

Excluding paper figures

Figures reported on the “excluding paper” basis have been adjusted to exclude revenue from non-novated contracts in H1 2018/19. In H1 2017/18 “excluding paper” figures exclude the results of the paper business. In addition Security Feature sales, which would have previously been treated as internal, have been added back to present the comparative numbers in 2017/18 on a basis consistent with the IFRS accounting treatment applied in H1 2018/19.