De La Rue plc
2017/18
Full Year Results

30 May 2018

DE LA RUE

2017/18 FULL YEAR RESULTS

De La Rue plc (LSE: DLAR) (De La Rue, the "Group" or the "Company") announces its full year results for 12 months ended 31 March 2018 (the period or full year). The comparative period was 12 months ended 25 March 2017.

FINANCIAL HIGHLIGHTS

- Group revenue +7% at £493.9m; adjusted operating profit*(1) -11% at £62.8m.
- Excluding the exited paper business, revenue +4% and adjusted operating profit*(1) +7%
- Adjusted EPS -9% to 42.9p; reported EPS +99% to 93.7p
- Net debt of £49.9m (25 March 2017: £120.9m), £71.0m lower than the prior year and the lowest in five years, reflecting the £60.3m cash proceeds from the paper transaction as well as better working capital management
- IAS 19 UK pension deficit on a pre-tax basis reduced to £87.6m (25 March 2017: £237.0m)
- Proposed final dividend of 16.7p; full year dividend unchanged at 25.0p
- Group 12 month order book at March 2018 excluding paper orders +6% to £363m (2016/17: £341m)

STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Another year of significant progress against our strategy to become a less capital intensive, more technology led business
- Completed sale of the paper business with a ten year guaranteed supply agreement which reduces the Group's exposure to the volatility of the paper market
- Polymer momentum has gathered pace
  - Volumes more than doubled to 810 tonnes
  - 24 issuing authorities across 50 denominations, representing more than half of the world's total polymer note issuers
- DLR Analytics™ launched in May 2017 now has 70 or nearly half of the world's central banks signed up, 1/3 of which are new to De La Rue
- Accelerating growth through further investment
  - R&D investment increased by 13% year on year – 33 patents filed and 46 patents granted
  - Enhanced our product offerings with two strategic partnerships – with Opalux for security features and with Optel for track and trace technology
  - Investment in sales and marketing drove growth momentum – international ID and PA&T order intake +117% and 97%, respectively
- De La Rue Authentication Solutions acquired in Jan 2017 ahead of plan
- Programme to become world class manufacturer continues

KEY FINANCIALS

	Including Paper			Excluding Paper		
	2017/18 £m	2016/17 £m	Change %	2017/18 £m	2016/17 £m	Change %
Revenue	**493.9**	**461.7**	**+7%**	**426.4**	**408.2**	**+4%**
Currency	371.8	349.5	+6%	312.0	305.9	+2%
Identity Solutions	82.0	80.6	+2%	76.4	73.2	+4%
Product Authentication & Traceability	40.1	31.6	+27%	38.0	29.1	+31%
Adjusted operating profit*(1)	**62.8**	**70.7**	**-11%**	**56.9**	**53.3**	**+7%**
Reported operating profit	**123.0**	**70.2**	**+75%**	**117.1**	**52.8**	**+121%**
EPS basic adjusted*(2)	42.9p	47.1p	-9%			
EPS basic reported	93.7p	47.2p	+99%			
Dividend per share	25.0p	25.0p	0%			

*	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 better understanding of the underlying performance of the business. “Reported” measures are on an IFRS basis. See note 13 for further explanations and reconciliation to the comparable IFRS measures
(1)	Excludes exceptional item net gains of £60.9m (2016/17: net charges of £0.4m) and amortisation of acquired intangible assets of £0.7m (2016/17: £0.1m)
(2)	Excludes exceptional item net gains of £60.9m (2016/17: net charges of £0.4m), amortisation of acquired intangible assets of £0.7m (2016/17: £0.1m) and related tax charges of £9.7m (2016/17: credit of £0.6m)
	Revenue and adjusted operating profit growth rates for the Identity Solutions and Product Authentication & Traceability reflect a change in allocation of results for these segments made in the year.

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

“Over the course of this year, De La Rue has achieved some significant milestones in delivering against our five year strategic plan to transform the Group into a less capital intensive, more technology led business. The Invest & Build product lines, namely Polymer, Security Features, Identity Solutions and Product Authentication & Traceability, now contribute more than a third of the Group’s revenue and over half of its operating profit.

“Solid growth in all segments has been offset by strategically focused increases in investment in R&D and sales, which will drive long term sustainable growth. While losing the new UK passport tender was disappointing, it does not change our goals, nor does it detract from the underlying performance of the Group which remains strong.

“The sale of the paper business and the associated long term paper supply agreement have reduced our exposure to the volatility of the oversupplied paper market, while securing the surety of supply for our print business. Through this, and good cash generation from the business, we have significantly strengthened our balance sheet with net debt now at its lowest in five years. The stronger balance sheet provides the Group with greater flexibility to allocate capital to deliver long term shareholder value.”

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A presentation to analysts will take place at 9:00 am BST on 30 May 2018 at The Lincoln Centre, 18 Lincoln’s Inn Fields, WC2A 3ED. The presentation will also be accessible via a conference call and a video webcast. Dial-ins for the conference call are below.

Live conference call	UK Primary: 0844 800 3850	**Passcode: 581 268**
	International: +44 844 800 3850	
	UK Direct: +44 (0)20 8996 3900	
Archive conference call	UK free phone: 0800 032 9687	**Passcode: 2427 1325**
	Available from 31 May until 14 June 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

This year the Group has made significant progress in our strategic plan to transform the business to a less capital intensive, more technology-led security product and service provider. The Group has limited its exposure to the volatility of the paper market through the sale of its paper business and gained supply certainty for its print business with a ten year agreement. The £60.3m cash proceeds from the transaction, coupled with the reduction in pension liabilities as a result of the pension indexation change, have significantly strengthened the Group's balance sheet. Net debt of £49.9m at the end of the period was the lowest in five years. The stronger balance sheet creates greater flexibility for the Group to allocate capital to deliver long term shareholder value.

Group revenue increased by 7% to £493.9m, with solid performance across all three segments. Adjusted operating profit was 11% lower at £62.8m. A significant reduction in the profitability of the paper business was the major factor causing the profit decline, with the write off of the UK passport bid costs as well as planned investments in R&D and sales being offset in part by additional margin from increased sales and certain provision and accrual releases, where we now have additional information as to the likelihood and amount of potential liabilities.

Excluding the exited paper business, Group revenue was up 4% to £426.4m and adjusted operating profit was up 7% to £56.9m.

Higher volumes in both Banknote Print and Paper were the main drivers for the good growth in Currency revenue. Momentum in Polymer has gathered pace, with sales volumes more than doubling to 810 tonnes, equating to c11% market share. In addition to the ten year contract to supply polymer substrate to the Bank of England, amounting to 25% of the volume for the new £20 notes in October, Polymer added 11 more customers and 22 denominations to its portfolio in the period. Including the notes on order, our polymer substrate has now been adopted by 24 issuing authorities across 50 denominations, representing nearly half of the world's polymer note issuers.

Identity Solutions (IDS) and Product Authentication & Traceability (PA&T) performed well, with revenue up 2% and 27%, respectively. Adjusted operating profit in IDS was 27% lower due to the write off of the UK passport bid costs. Excluding the write off, operating profit grew by 5%. Adjusted operating profit in PA&T also increased by 4%.

The Group's 12 month order book at the end of the period was up 6% to £363m (2016/17: £341m).

FINANCIAL RESULTS

Group revenue grew by 7% to £493.9m (2016/17: £461.7m) and adjusted operating profit was down 11% at £62.8m (2016/17: £70.7m). Adjusted profit before tax was 9% lower than last year at £53.4m (2016/17: £58.7m). Adjusted basic earnings per share were 9% lower at 42.9p (2016/17: 47.1p).

On a reported basis, operating profit was £123.0m, a 75% increase on the prior year (2016/17: £70.2m). Exceptional net gains were £60.9m (2016/17: net charges of £0.4m) and there was £0.7m amortisation of acquired intangible assets (2016/17: £0.1m). Profit before tax was £113.6m (2016/17: £58.2m). Reported basic earnings per share were 99% higher at 93.7p (2016/17: 47.2p).

Cash generated from operating activities was £73.5m (2016/17: £64.3m), reflecting good working capital management. Working capital cash flow improved by £17.8m due to structural changes and a focus on inventory management. Net debt at 31 March 2018 was reduced to £49.9m, £87.5m lower than the half year and £71.0m lower than the prior year, primarily due to the £60.3m cash proceeds from the sale of the paper business. Capex for the year was £24.7m, including £4.8m capitalised intangibles.

STRATEGIC PROGRESS

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, as well as reduce volatility in the business. We identified the main priorities as:

- Divesting non-core business
- Reducing our exposure to the volatility of the paper market
- Improving predictability and competiveness in Banknote Print
- Diversifying revenue by growing Polymer, Security Features, IDS, and PA&T
- Strengthening financial position by improving cash flow and reducing pension deficit
- Fostering a dynamic, high performing culture

We are now three years into our five year plan and despite some headwinds along the way such as the ending of a material security feature contract at the end of 2015, 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 Portals De La Rue, 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 polymer which is building substantial growth momentum
- Invested in sales and R&D for sustainable growth – we are on track to double our R&D investment which is up 74% since FY14/15
- Acquired DuPont Authentication to build scale, increase differentiation and support growth in the brand protection market
- Reduced net debt by more than 50% despite this acquisition – net debt at the year end is now £49.9m (2014/15: £111.0m)
- Reduced the UK pre-tax pension deficit substantially - £87.6m FY17/18 (2014/15: £236.7m)
- Launched agent transition plan – moving away from agent-led sales model to a more direct approach

Excluding the paper business, Group revenue and operating profit have been growing at CAGR 3% and 4%, respectively over these three years, in spite of the loss of the material security features contract. We have made good progress on diversifying our revenue streams and improving business mix over the last three years. Excluding the forthmentioned contract, revenue and profit of the Invest & Build businesses (Polymer, Security Features, IDS and PA&T) have been growing at CAGR 8% and 14% a year, respectively. The four product lines now contribute more than a third of the Group's revenue and half of its operating profit.

Our business is characterised by the lumpiness of large contracts. The risk of being too dependent on few large contracts was identified in 2015. We are derisking by growing the number of key accounts, thus reducing the impact to the Group when a major contract ends. The number of contracts with revenue over £10m has doubled from FY14/15, reducing the customer concentration risk.

Details of the progress we made against our strategic objectives in FY17/18 are shown below.

Deliver operational excellence

Reducing our exposure to the paper market was one of our top strategic priorities. The sale of Portals De La Rue to EPIRIS Fund II and a ten year supply agreement have reduced our exposure to the volatility of the oversupplied paper market, as well as secured paper supply for our print business over the long term. The capital investment related to the paper business can now be released. This, combined with the cash proceeds from the transaction, gives us greater flexibility in allocating capital in order to generate better returns and drive sustainable growth.

During the year, we have reassessed our supply chain management and launched a procurement transformation programme which looks to upskill the team and to change and improve processes, and build strategic partnerships with our key suppliers. We are making progress in driving efficiency in our manufacturing, but recognise that there is more to do in meeting our goal of being a world class manufacturer. We are planning to roll out monitoring and note inspection systems into all sites in the next 18 months in order to improve quality and reduce wastage. In addition, the newly established Advanced Manufacturing Engineering function is looking to reduce time to market for new products. In the meantime, we are exploring opportunities of automating certain processes to improve operational efficiency.

The manufacturing footprint restructuring programme to optimise our banknote print capacity has now completed its second year. While machine upgrades are still ongoing in Kenya and Sri Lanka which has caused some disruption, our manufacturing capability and efficiency will be improved by the end of the restructuring programme with a standardised footprint and common practices. This, combined with reliable outsourcing partners, will give us greater flexibility in dealing with the demand peaks and troughs.

At the corporate level, the finance transformation programme is progressing, but slower than we anticipated. Half of the sites have now migrated to the new SAP system. The programme will continue in the coming year, which will drive efficiency and improve decision making once complete.

Invest for growth

We continue to invest in Product Management, R&D and Sales, with R&D investment up 13% in FY17/18. We are on track to double our R&D investment which is up 74% since 2015. The investments and improved focus in R&D have increased the number of patents filed and granted to 33 and 46, respectively. In addition to the six new products launched last year, the Group introduced two more in May 2018 - Ignite™ and PureImage™. We launched more products in the last two years than the previous five years.

DLR Analytics™, our cash cycle management software launched in May 2017, has gained significant traction in the market – 70 or nearly half of the world's central banks have now signed up, one third of which are new to De La Rue. New functionality is being added to strengthen the offering and drive further uptake. DLR Analytics™ helps central banks to better understand their cash cycle and forecast demand, which in turn helps us to better understand their needs, building stronger relationships as well as generating new opportunities.

We have enhanced our product offering and extended our market reach through the technology and commercial partnerships with two Canadian technology firms – Opalux and Optel Group. We are working with security features company Opalux to put personalisable security features into identity products. Optel is a market leader in track and trace technology which is used for supply chain management, brand protection, and regulatory compliance in a number of industries, including pharmaceutical and health care. We will closely collaborate on product development and sales.

We continue to invest in sales and marketing in the growth areas, particularly in IDS and PA&T. Since the restructuring of the business in 2016, investment in sales in these two segments was up 79% and 47%, respectively. Given the typical 18-24 months sales cycle of public services contracts, early signs of returns on this investment have just started to emerge. Order intake in IDS (excluding UK passport contract) increased by 117% and in PA&T by 97% in FY17/18, including some long term contracts. Implementation of these contracts is expected to start in FY18/19, which will generate stable revenue and profit from FY19/20 onwards.

We have also upgraded our manufacturing capability by adding a polycarbonate line for identity products and a new security print line for product authentication, both of which are now operational.

Strengthen balance sheet

During the year, we have put more focus on managing working capital and this has had a positive impact. Inventory and trade debtors, excluding the exited paper business, reduced by £13m and £10m, respectively.

The £60.3m cash proceeds from the sale of 90% interest of our paper business completed on 29 March 2018 has further reduced our net debt at the year end to £49.9m (25 March 2017: £120.9m), the lowest in five years.

In November 2017, we announced that the Group's pension trustee had decided to change indexation linked to future pension increases from RPI to CPI for our UK defined benefit pension scheme. This change has significantly reduced the pension liabilities and the corresponding deficit by £80.5m. The UK pre-tax pension deficit at the year end was £87.6m, substantially lower than the £237.0m a year ago.

Drive culture change

Our culture underpins every aspect of our business. It's the strategic priority that enables all the others to be delivered effectively.

Following the completion of the business reorganisation at the end of 2016, we continue to refresh our workforce, adding new skills and capabilities. Today, the senior leadership team and the sales force are unrecognisable from their composition in 2015, with over 40% joining the business in the past two years. This has professionalised the leadership team and added solutions sales skills. Our strong emphasis on performance has seen people's objectives aligned with the Group's strategy.

We are also supporting a drive towards a more diverse workforce – more aligned with the cultural and ethnic diversity of our customers. We launched an inclusion and diversity strategy last year, encouraging inclusivity through changes in recruitment practices and training programmes.

In addition, we are moving away from the agent-led sales model towards a more direct approach, with locally-based sales teams who understand the local markets and cultures, working out of regional hubs. We have already opened hubs in Dubai and Miami and are close to doing the same in Kuala Lumpur.

OPERATING REVIEWS

Currency

	Including Paper			Excluding Paper		
	2017/18	**2016/17**	**Change**	**2017/18**	**2016/17**	**Change**
Revenue (£m)	371.8	349.5	*+6%*	312.0	305.9	*+2%*
Adjusted operating profit* (£m)	45.1	50.3	*-10%*	40.5	36.4	*+11%*
Adjusted operating margin*	12.1%	14.4%	*-230bpts*	13.0%	11.9%	*+110bpts*
Banknote print volume (bn notes)	7.3	7.1	*+3%*			
Banknote paper volume (tonnes)	12,200	11,700	*+4%*			
Polymer volume (tonnes)	810	380	*+113%*			

*Excludes exceptional item charges of £14.4m (2016/17: net gains of £1.9m).

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

The Currency business delivered 6% growth in revenue to £371.8m (2016/17: £349.5m), benefiting from the high volumes from Banknote Print, Banknote Paper as well as Polymer. A significant reduction in the paper business was the major factor causing the profit decline which was offset in part by additional margin from increased sales and certain provision and accrual releases, where we have additional information as to the likelihood and amounts of potential liabilities. Adjusted operating profit was £45.1m (2016/17: £50.3m).

Excluding the exited paper business, revenue was up 2% to £312.0m and operating profit was 11% higher at £40.5m.

Banknote Print
Banknote Print volume increased by 3% to 7.3bn notes (2016/17: 7.1bn), and revenue was up 5%, reflecting both the higher volume and higher average price. The manufacturing footprint programme completed its second year, with refurbishment of banknote print lines in Kenya and Sri Lanka progressing slower than expected. A new varnishing line which makes finished banknotes more durable has been added to the Kenya factory, providing more operational flexibility in line with other sites. In 2017/18, we outsourced the printing of 115m banknotes and are expecting the outsource volume to increase in the current financial year. Separately, a plan to roll out quality control systems, including note inspection machines, to improve quality and reduce cost is now in place.

Banknote Paper
Banknote Paper revenue grew by 4%, driven by the higher volume of 12,200 tonnes (2016/17: 11,700 tonnes). However job mix, higher raw material costs and production issues resulted in operating profit being substantially lower than the prior year. Banknote Paper, as part of Portals De La Rue, was sold on 29 March 2018.

Polymer
Polymer more than doubled in volume to 810 tonnes (2016/17: 380 tonnes) in the year. In January 2018, we helped Botswana transition its 10 Pula note from paper to polymer, which was also designed and printed by De La Rue. Following the award of the milestone contract in October 2017 to supply polymer substrate for the Bank of England's new £20 note, we also secured a contract to provide polymer substrate to the state print works of a West African country.

Security features
Security thread volumes were up 23% year on year. There was good uptake on Kinetic StarChrome™ launched in 2014 with multiple wins, including the Macedonia 2000 Denar and the Bangladesh 100 and 500 Taka. We also secured the first order of Starchrome Portrait™, one of the four new features launched in May last year. In addition, we have further strengthened our product portfolio through the launch of two new features in May 2018 – Ignite™ and PureImage™.

A number of joint development projects with customers and partners are underway, including the personalisable security feature for identity products with Opalux, which is expected to launch within the current financial year.

At the year end, the 12 month order book for Currency excluding paper orders was £272m (2016/17: £265m).

Identity Solutions

	Including Paper			Excluding Paper		
	2017/18	2016/17	Change	2017/18	2016/17	Change
Revenue (£m)	82.0	80.6	*+2%*	76.4	73.2	*4%*
Adjusted operating profit* (£m)	8.3	11.4	*-27%*	7.1	8.9	*-20%*
Adjusted operating margin*	10.1%	14.1%	*-400bpts*	9.3%	12.2%	*-290bpts*

*Excludes exceptional items charges of £0.2m (2016/17: £nil) and amortisation of acquired intangible assets of £0.6m (2016/17: £nil).

Identity Solutions performed as expected, with revenue up 2% to £82.0m (2016/17: £80.6m). After the £3.7m write off of the bid costs associated to the failed UK passport retender, adjusted operating profit was 27% lower than the prior year. Excluding the bid costs, operating profit was up 5%.

Excluding the exited paper business, revenue was up 4% to £76.4m and operating profit was 20% lower at £7.1m, or 21% higher excluding the bid costs.

We have made good progress in our core markets as countries are switching from Machine Readable Passport to ePassport. During the year, we helped Kenya to launch its first polycarbonate ePassport with production starting in January 2018. It was the first adoption amongst the East Africa Community members. The momentum continued with two new wins in East Africa to transition to ePassport, as well as a new eID end-to-end solution with the Government of Malta.

The project with Note Printing Australia to design and develop the polycarbonate datapage for Australia's next generation passport due to be launched in 2020 is progressing well.

The failure to win the UK passport retender will not affect the financial performance of this segment in the next 18 months as we will continue to fulfil our existing ten year contract with Her Majesty's Passport Office and assist with transitioning to the new supplier. We are reassessing our capabilities and cost base in order to remain competitive in this market.

Product Authentication & Traceability

	Including Paper			Excluding Paper		
	2017/18	2016/17	Change	2017/18	2016/17	Change
Revenue (£m)	40.1	31.6	*+27%*	38.0	29.1	*+31%*
Adjusted operating profit* (£m)	9.4	9.0	*+4%*	9.3	8.0	*+16%*
Adjusted operating margin*	23.4%	28.5%	*-510bpts*	24.5%	27.5%	*-300bpts*

*Excludes exceptional items charges of £1.6m (2016/17: £0.9m) and amortisation of acquired intangible assets of £0.1m (2016/17: £0.1m).

PA&T continued to perform well. Revenue increased by 27% to £40.1m (2016/17: £31.6m), driven by De La Rue Authentication Solutions (DAS, previously DuPont Authentication). Adjusted operating profit in the period was up 4% to £9.4m (2016/17: £9.0m). Increased investment in sales and R&D, particularly software solutions, resulted in a lower margin.

Excluding the exited paper business, revenue was up 31% to £38.0m and operating profit was 16% higher at £9.3m.

We made good progress in the government revenue services area, winning a contract with an initial five year term under a build, operate, transfer model to implement a full FCTC compliant track and trace tax stamp solution for the Federal Tax Authority in the UAE. The scheme is expected to roll out in early 2019, initially applying to tobacco products to support the government in combating tax evasion and commercial fraud. Successful implementation will give us an excellent reference in the region.

On brand protection, DAS exceeded management's expectations in the first year post acquisition, with revenue and operating profit ahead of plan. Operating costs of £3m were in line with plan and the business benefited from the investment and sales synergy of being part of the Group.

To enhance our product and service offering, we have partnered with Canadian firm Optel Group, one of the leaders in track and trace technology being used in pharmaceutical and health care industries, the most mature and regulated brand protection market. The two groups will closely collaborate on product development and sales to accelerate growth.

FINANCE CHARGE

The Group's net interest charge was £3.8m (2016/17: £4.6m). The reduction was due to a release of accruals for potential interest charges relating to tax liabilities. The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets was £5.6m (2016/17: £7.4m), reflecting the substantial reduction in the pension deficit. The total Group net finance charge is £9.4m (2016/17: £12.0m).

EXCEPTIONAL ITEMS

The exceptional items during the period were a net gain of £60.9m (2016/17: net charges of £0.4m). These comprise:

- £80.5m gain on revaluation of pension scheme deficit following the change in indexation method from RPI and CPI. In addition, costs of £1m associated to the change was incurred
- £9.3m impairment loss relating to the disposal of paper business. This represented the difference between the carrying value of the assets and liabilities of the disposal group and the fair value less costs to sell in accordance with IFRS 5
- £5.1m charges relating to the paper disposal, including £4.2m professional advisor and other transaction related fees and £0.9m loss relating to the early close out of some derivatives prior to the sale
- £4.0m site relocation and restructuring costs including £1.8 net charges of the manufacturing footprint review and £2.2m costs relating to the upgrade of the finance system
- £0.2m costs relating to the acquisition of DuPont Authentication Inc in January 2017

See further details of the exceptional items in note 4 of this statement.

TAXATION

The net tax charge in respect of continuing operations for the year was £16.8m (2016/17: £8.7m). The effective tax rate on continuing operations before exceptional items and the movement on acquired intangibles was 15.5% (2016/17: 15.8%). The effective tax rate for FY18/19 is expected to be 15-16%.

Net tax charges relating to exceptional items in the period was £9.7m (2016/17: tax credit of £0.6m).

CASH FLOW AND BORROWING

The Group delivered strong cash flows in the year with cash generated from operating activities of £73.5m, 14% higher than the prior year (2016/17: £64.3m). The lower profit in the year was compensated by the significant improvement in working capital as a result of successful inventory management and strong cash collections from debtors. Inventory and trade debtors, excluding the paper business, were £13m and £10m lower than the prior year. Cash generated from operating activities also included special pension funding payment of £13.5m.

Capital expenditure for the year was lower than expected at £24.7m (2016/17: £26.1m), including £4.8m capitalised intangibles. Capital expenditure for FY18/19 is expected to be around £30m, ahead of the normal runrate of £25m excluding the paper business.

Net debt reduced by £71.0m to £49.9m at the year end (25 March 2017: £120.9m). The reduction was primarily driven by the £60.3m cash proceeds from the paper transaction and strong working capital management.

The Group increased its revolving credit facility from £250m to £275m with the introduction of a new lending bank. The facility expires in December 2021. At the period end the specific covenant tests were as follows: EBIT/net interest payable 14.0 times (covenant of ≥4.0 times), net debt/EBITDA 0.66 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 indicates a pre-tax deficit at 31 March 2018 of £87.6m (25 March 2017: £237.0m). The decrease reflected the change of indexation linked to future pension increase from RPI to CPI effective from April 2018, as well as revisions in the long term inflation rate and demographic assumptions, which were partly offset by the decrease in discount rate.

The charge to operating profit in respect of the Scheme in the period was £2.3m (2016/17: £1.5m). In addition, under IAS 19 there was a finance charge of £5.6m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (2016/17: £7.4m).

A new triennial review of the Scheme's valuation and the funding plan started in April 2018. The existing funding plan agreed in June 2016 will remain in place until the review is concluded. Cash contribution to the Scheme for the FY18/19 will be £20.5m.

SENIOR MANAGEMENT CHANGES

Following the resignation of Jitesh Sodha on 20 March 2018, the Group has appointed Helen Willis as Interim Chief Financial Officer to help with the year end reporting and to oversee the ongoing change programme in the Finance area. Helen has extensive financial experience, with her latest role as Chief Financial Officer of Premier Farnell PLC. A search for a permanent CFO is underway.

DIVIDEND

The Board is recommending a final dividend of 16.7p per share (2016/17: 16.7p per share). This, together with the 8.3p paid in January 2018, would make a full year dividend of 25.0p per share. Subject to shareholders' approval, the final dividend will be paid on 3 August 2018 to shareholders on the register on 6 July 2018.

OUTLOOK

The strong 12 month order book gives good revenue coverage for the year ahead. Profit for FY18/19 is expected to be in line with last year as we continue to invest in R&D and sales to drive long term sustainable growth.

- ends -

Martin Sutherland
Chief Executive Officer

Helen Willis
Interim Chief Financial Officer

30 May 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 2017 Annual Report, the principal risks include breach of legal and regulatory requirements, failure to win or renew a material contract, 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.

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 2 to 49 of the strategic report in the 2017 Annual Report. In addition, pages 124 to 132 of the 2017 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 39 of the 2017 Annual Report. As described on page 39 of the 2017 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 2017/18 full year 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 2017 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

Each of the Directors confirms that, to the best of their knowledge:

- The preliminary financial information, which has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company on a consolidated and individual basis; and
- The preliminary announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks that it faces.

For and on behalf of the Board

Philip Rogerson
Chairman
30 May 2018

GROUP INCOME STATEMENT

For the period ended 31 March 2018

	Notes	2018 £m	(Restated) 2017 £m
Revenue		**493.9**	461.7
Operating expenses – ordinary		**(431.8)**	(391.1)
Operating expenses – exceptional	4	**60.9**	(0.4)
Total operating expenses		**(370.9)**	(391.5)
Operating profit		**123.0**	70.2
Comprising:			
Adjusted operating profit*		**62.8**	70.7
Amortisation of acquired intangible assets		**(0.7)**	(0.1)
Exceptional items	4	**60.9**	(0.4)
Profit before interest and taxation		**123.0**	70.2
Interest income		**-**	-
Interest expense		**(3.8)**	(4.6)
Retirement benefit obligation net finance expense		**(5.6)**	(7.4)
Net finance expense		**(9.4)**	(12.0)
Profit before taxation		**113.6**	58.2
Comprising:			
Adjusted profit before tax*		**53.4**	58.7
Amortisation of acquired intangible assets		**(0.7)**	(0.1)
Exceptional items		**60.9**	(0.4)
Taxation	5	**(16.8)**	(8.7)
Profit for the year from continuing operations		**96.8**	49.5
Comprising:			
Adjusted profit for the year*		**45.1**	49.4
Amortisation of acquired intangible assets		**0.5**	(0.1)
Profit/(loss) for the year on exceptional items		**51.2**	0.2
Loss from discontinued operations		**(1.8)**	(6.4)
Profit for the year		**95.0**	43.1
Profit attributable to equity shareholders of the Company			
Profit for the year from continuing operations		**95.4**	47.9
Profit/(Loss) for the year from discontinuing operations		**(1.8)**	(6.4)
Total profit attributable to equity shareholders of the Company		**93.6**	41.5
Profit attributable to non-controlling interests			
Profit for the year from continuing operations		**1.4**	1.6
Profit for the year from discontinuing operations		**-**	-
Total profit attributable to non-controlling interests		**1.4**	1.6
		95.0	43.1

*This is a non IFRS measure. See note 14 for further explanations and reconciliation to the comparable IFRS measure.

Profit for the year attributable to the Company's equity holders	Notes	**2018 £m**	2017 £m
Earnings per share			
Basic	6		
Basic EPS continuing operations		**93.7p**	47.2p
Basic EPS discontinued operations		**(1.8p)**	(6.3p)
Total basic earnings per share		**91.9p**	40.9p
Diluted	6		
Diluted EPS continuing operations		**92.8p**	46.6p
Diluted EPS discontinued operations		**(1.8p)**	(6.2p)
Total diluted earnings per share		**91.0p**	40.4p
Adjusted earnings per share			
Basic			
Basic EPS continuing operations		**42.9p**	47.1p
Basic EPS discontinued operations		**n/a**	n/a
Total basic earnings per share		**n/a**	n/a
Diluted			
Diluted EPS continuing operations		**42.5p**	46.5p
Diluted EPS discontinued operations		**n/a**	n/a
Total diluted earnings per share		**n/a**	n/a

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2018

	2018 £m	2017 £m
Profit for the year	**95.0**	43.1
Other comprehensive income		
Items that are not reclassified subsequently to profit or loss:		
Remeasurement losses on retirement benefit obligations	**61.5**	(25.2)
Tax related to remeasurement of net defined benefit liability	**(10.4)**	2.3
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	**(0.1)**	2.6
Change in fair value of cash flow hedges	**(1.9)**	7.8
Other movements	**0.4**	-
Change in fair value of cash flow hedges transferred to profit or loss	**(1.2)**	(8.0)
Change in fair value of cash flow hedges transferred to non-current assets	**0.2**	(0.2)
Income tax relating to components of other comprehensive income	**0.4**	0.2
Other comprehensive income for the year, net of tax	**48.9**	(20.5)
Total comprehensive income for the year	**143.9**	22.6
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**142.5**	21.0
Non-controlling interests	**1.4**	1.6
	143.9	22.6

GROUP BALANCE SHEET

At 31 March 2018

	2018 £m	Restated 2017 £m
Assets		
Non-current assets		
Property, plant and equipment	**112.8**	167.2
Intangible assets	**29.5**	31.3
Trade investment	**6.6**	-
Investments in associates and joint ventures	**0.1**	0.1
Deferred tax assets	**19.8**	43.7
Derivative financial assets	**0.2**	0.6
	169.0	242.9
Current assets		
Inventories	**37.0**	67.8
Trade and other receivables	**99.1**	109.7
Current tax assets	**4.6**	-
Derivative financial assets	**3.4**	15.3
Cash and cash equivalents	**15.5**	15.4
	159.6	208.2
Total assets	**328.6**	451.1
Liabilities		
Current liabilities		
Borrowings	**(63.9)**	(136.3)
Trade and other payables	**(167.1)**	(175.1)
Current tax liabilities	**(13.3)**	(15.8)
Derivative financial liabilities	**(4.3)**	(7.7)
Provisions for liabilities and charges	**(4.1)**	(10.4)
	(252.7)	(345.3)
Non-current liabilities		
Retirement benefit obligations	**(89.6)**	(239.4)
Deferred tax liabilities	**(3.0)**	(5.3)
Derivative financial liabilities	**(0.1)**	(0.6)
Provisions for liabilities and charges	**(3.9)**	(2.0)
Other non-current liabilities	**-**	(1.3)
	(96.6)	(248.6)
Total liabilities	**(349.3)**	(593.9)
Net liabilities	**(20.7)**	(142.8)
Equity		
Share capital	**47.1**	46.8
Share premium account	**38.4**	36.7
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**(0.5)**	2.0
Cumulative translation adjustment	**7.2**	7.3
Other reserves	**(83.8)**	(83.8)
Retained earnings	**(43.9)**	(165.6)
Total equity attributable to shareholders of the Company	**(29.6)**	(150.7)
Non-controlling interests	**8.9**	7.9

Total equity	**(20.7)**	(142.8)

GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2018

	Attributable to equity shareholders							Non-controlling interests	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 26 March 2016 – as previously reported	46.6	35.7	5.9	2.3	(12.3)	(83.8)	(146.6)	6.6	(145.6)
Prior period adjustment	-	-	-	-	-	-	2.2	-	2.2
Reclassification of historical cumulative translation adjustment	–	–	–	–	17.0	–	(17.0)	–	–
Balance at 26 March 2016 - restated	46.6	35.7	5.9	2.3	4.7	(83.8)	(161.4)	6.6	143.4
Profit for the year	–	–	–	–	-	-	41.5	1.6	43.1
Other comprehensive income for the year, net of tax	–	–	–	(0.3)	2.6	–	(22.8)	–	(20.5)
Total comprehensive income for the year	–	–	–	(0.3)	2.6	–	18.7	1.6	22.6
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.2	1.0	–	–	–	–	–	–	1.2
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	1.5	–	1.5
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	1.0	–	1.0
Dividends paid	–	–	–	–	–	–	(25.4)	(0.3)	(25.7)
Balance at 25 March 2017	46.8	36.7	5.9	2.0	7.3	(83.8)	(165.6)	7.9	(142.8)
Profit for the year							93.6	1.4	95.0
Other comprehensive income for the year, net of tax				(2.5)	(0.1)		51.5		48.9
Total comprehensive income for the year				(2.5)	(0.1)		145.1	1.4	143.9
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.3	1.7	–	–	–	–	–	–	2.0
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	2.2	–	2.2
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.2)	–	(0.2)
Dividends paid							(25.4)	(0.4)	(25.8)
Balance at 31 March 2018	**47.1**	**38.4**	**5.9**	**(0.5)**	**7.2**	**(83.8)**	**(43.9)**	**8.9**	**(20.7)**

GROUP CASH FLOW STATEMENT

For the period ended 31 March 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Profit before tax*		**110.6**	51.8
Adjustments for:			
Finance income and expense		**9.4**	12.0
Depreciation		**21.9**	24.3
Amortisation		**3.3**	2.5
Decrease in inventory		**13.3**	3.4
Decrease/(increase) trade and other receivables		**21.0**	(4.6)
(Decrease)/increase in trade and other payables		**(16.5)**	(11.9)
(Decrease)/increase in reorganisation provisions		**(6.2)**	(3.6)
Non-cash gain on the defined benefit pension indexation change		**(80.5)**	-
Special pension fund contributions		**(13.5)**	(14.6)
Loss/(profit) on disposal of property, plant, equipment and software intangibles		**-**	1.4
Impairment of disposal group		**9.3**	-
Share based payment expense		**2.2**	0.9
Loss in disposal of discontinued operations		**-**	4.1
Other non-cash movements		**(0.8)**	(1.4)
Cash generated from operating activities		**73.5**	64.3
Tax paid		**(10.1)**	(5.7)
Net cash flows from operating activities		**63.4**	58.6
Cash flows from investing activities			
Proceeds from sale of discontinued operations		**3.0**	2.1
Transaction costs relating to sale of discontinued operations		**-**	(2.5)
Proceeds from the sale of subsidiary (net of cash disposed)		**55.8**	-
Purchases of property, plant, equipment and software intangibles		**(19.9)**	(24.0)
Development assets capitalised		**(4.8)**	(2.1)
Advanced payment – no trading		**5.0**	-
Acquisition of subsidiary (net of cash acquired)		**(1.1)**	(17.9)
Proceeds from sale of property, plant and equipment		**-**	0.2
Net cash flows from investing activities		**38.0**	(44.2)
Net cash flows before financing activities		**101.4**	14.4
Cash flows from financing activities			
Proceeds from issue of share capital		**2.0**	1.2
(Repayments of)/proceeds from borrowings		**(67.0)**	(12.4)
Interest paid		**(5.4)**	(4.2)
Payment of revolving credit facility fees		**(1.0)**	-
Dividends paid to shareholders		**(25.4)**	(25.4)
Dividends paid to non-controlling interests		**(0.4)**	(0.3)
Net cash flows from financing activities		**(97.2)**	(41.1)
Net (decrease)/increase in cash and cash equivalents in the year		**4.2**	(26.7)
Cash and cash equivalents at the beginning of the year		**11.2**	37.9
Exchange rate effects		**(0.2)**	-
Cash and cash equivalents at the end of the year		**15.2**	11.2
Cash and cash equivalents consist of:			
Cash at bank and in hand	8	**15.2**	13.2

Short term bank deposits	8	**0.3**	2.2
Bank overdrafts	8	**(0.3)**	(4.2)
	8	**15.2**	11.2

*Profit before tax includes continuing and discontinued operations.

1 Basis of preparation and accounting policies

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 31 March 2018 or 25 March 2017. The financial information for the period ended 31 March 2018 is derived from the statutory accounts for the period ended 31 March 2018 which will be delivered to the registrar of companies. The auditor has reported on the accounts for the period ended 31 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 31 March 2018 has been prepared consistently with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union (EU) at 31 March 2018. Details of the accounting policies applied are those set out in De La Rue plc's annual report 2017.

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 31 March 2018.

During the period a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

Forthcoming accounting standards

IFRS 15 Revenue from Contracts with Customers (effective for the year ending 30 March 2019) provides a single, principles based, five step model to be applied to all sales contracts. The Group continues to assess the impact of the new standard. The group has undertaken a diagnostic evaluation of the impact of IFRS 15 on the way that revenue is currently recognised and is in the process of finalising the impact analysis. Based on this preliminary assessment the group does not anticipate a material impact from the adoption of the new standard. The revenue in the Currency segment is primarily derived from the supply of goods and whilst the group will be required to recognise revenue against other performance obligations such as design and storage, the relative values of these amounts are not anticipated to be material to the group. Within ID and PAT, current revenue recognition policies will not change materially when the standard is implemented.

IFRS 16 Leases was issued by the IASB in January 2016 (effective for the year ending 28 March 2020, not yet endorsed by the EU) 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. IFRS 16 is not expected at the current time to have a significant impact on the results of the group. The Group continues to assess the impact of the new standard.

IFRS 9 Financial Instruments was issued by the IASB in July 2014. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial instruments and hedge accounting, and is required to be adopted by 29 March 2019. The Group continues to assess the impact of the new standard.

Prior period adjustments

During the period the following period adjustments have been made:

1) A restatement of £3.8m credit relating 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 prior period. The impact on the financial statements at 25 March 2017 is a decrease in the loss for the year from discontinued operations of £1.6m and an increase in brought forward retained earnings as at 26 March 2016 by £2.2m;
2) The historical CTA position has been reviewed in the year and we consider it appropriate to move an amount of £17.0m from CTA to net earnings relating to foreign exchange on non CPS subsidiary companies that left the group in periods before 2010.
3) During the year the purchase price accounting for the Group's acquisition of Du Pont Authentication (subsequently renamed to De La Rue Solutions Inc) has been completed. This has resulted to a change in net assets recognised on the acquisition. Goodwill recognised on acquisition has decreased by £0.8m intellectual property intangibles have decreased by £0.9m, Customer relationship intangibles recognised on acquisition have increased by £2.3m and Trade name intangibles have decreased by £0.1m. Deferred tax liabilities have been recognised on acquisition have increased by £0.4m.

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, banknote paper 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
- Product Authentication and Traceability (previously Security Products) – produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps

Inter-segmental transactions are eliminated upon consolidation.

On 29 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.

2018	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/(loss)	**45.1**	**8.3**	**9.4**	–	**62.8**
Amortisation of acquired intangible assets	–	**(0.6)**	**(0.1)**	–	**(0.7)**
Exceptional items – operating (note 4, 3)	**(14.4)**	**(0.2)**	**(1.6)**	**77.1**	**60.9**
Operating profit/(loss)	**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/(loss) before taxation	**30.7**	**7.5**	**7.7**	**67.7**	**113.6**
Segment assets					
Segment liabilities					
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**

2017	Currency	Identity Solutions	Product Authentication and Traceability	Unallocated	Total
	£m	£m	£m	£m	£m
Total revenue	350.6	80.6	34.6	–	465.8
Less: inter-segment revenue	(1.1)	–	(3.0)	–	(4.1)
Revenue	349.5	80.6	31.6	–	461.7
Adjusted operating profit/(loss)	50.3	11.4	9.0	–	70.7
Amortisation of acquired intangible assets	–	–	(0.1)	–	(0.1)
Exceptional items – operating (note 4, 3)	1.9	–	(0.9)	(1.4)	(0.4)
Operating profit/(loss)	52.2	11.4	8.0	(1.4)	70.2
Net interest expense	–	–	–	(4.6)	(4.6)
Retirement benefit obligations net finance expense	–	–	–	(7.4)	(7.4)
Profit/(loss) before taxation					58.2
Segment assets	243.4	46.3	23.1	137.9	450.7
Segment liabilities	(113.0)	(30.3)	(10.4)	(443.6)	(597.3)
Capital expenditure on property, plant and equipment	13.1	4.5	2.6	3.3	23.5
Capital expenditure on intangible assets	2.1	0.6	0.1	–	2.8
Depreciation of property, plant and equipment	17.6	3.3	1.5	1.9	24.3
Impairment of property, plant and equipment	–	–	–	–	–
Amortisation of intangible assets	1.7	0.6	0.2	–	2.5
Impairment of intangible assets	–	–	–	–	–

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 agreement, De La Rue received £2.1m upon completion of the transaction. During the current year a deferred consideration payment of £0.8m has been received which was payable on the first anniversary of the transaction in addition to £0.9m relating to a closing working capital adjustment. In addition a further £1.4m has been received in the current year related to additional consideration received 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 payable on the second anniversary of the transaction. 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 in the period from discontinued operations primarily relates to costs incurred on a loss making contract which relates to the CPS business and which had to be retained post disposal. These costs were offset by the receipt of £1.4m of contingent consideration received.

No pension liability transferred as part of the disposal.

Results of the discontinued operation including the disposal group held for sale

	2018 £m	(Restated) 2017 £m
Revenue	–	4.9
Operating expenses	**(4.4)**	(7.2)
Operating loss	**(4.4)**	(2.3)
Gain/(loss) on disposal of discontinued operations	**1.4**	(4.1)
Loss before taxation from discontinued operations	**(3.0)**	(6.4)
Taxation	**1.2**	-
Loss from discontinued operations	**(1.8)**	(6.4)

The tax on discontinued operations for 2016/17 has been restated to reflect the release of uncertain tax provisions relating to the CPS business. Prior to restatement the tax charge in 2016/17 was £1.6m.

Gain/(loss) on disposal of discontinued operations

	2018 £m	2017 £m
Amounts paid/payable by purchaser	**1.4**	4.4
Disposal costs paid/accrued	–	(4.2)
Reserves recycled on disposal	–	(4.5)
Net assets and liabilities disposed	–	0.2
Total gain/(loss) on disposal	**1.4**	(4.1)

Accumulated foreign currency translation gains and losses within the disposal group held for sale
The Group has accumulate foreign currency translation gains and losses in relation to the entities included within the disposal group. IAS 21 requires recycling of these foreign currency translation gains or losses, which have previously been taken direct to reserves, through the income statement at the point of disposal. This amount was recycled in 2016/17.

4. Exceptional items

	2018 £m	2017 £m
Gain on revaluation of measurement of pension scheme deficit	**80.5**	–
Costs associated with the indexation change on the pension scheme	**(1.0)**	–
Site relocation and restructuring	**(4.0)**	(0.2)
Sale of land	**–**	0.2
Warranty provisions	**–**	0.5
Acquisition related	**(0.2)**	(0.9)
Costs associated with disposal of subsidiary	**(5.1)**	–
Impairment of disposal group	**(9.3)**	–
Exceptional items in operating profit	**60.9**	(0.4)
Tax (charge)/credit on exceptional items	**(9.7)**	0.6

Gain on revaluation of pension scheme deficit

In November 2017 the Trustee of the Defined Benefit Scheme decided to change indexation of future increases to the Defined Benefit 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 which has been recorded within exceptional items. The directors continue to assess any residual impact from this change.

In addition costs of £1.0m have been incurred relating to professional advisor and other costs directly related to the indexation change.

Site relocation and restructuring costs

Site relocation and restructuring costs in 2017/18 included net charges of £1.8m (2016/17: £0.2m net) relating to the manufacturing footprint review announced in December 2015. The charges include staff compensation payments and costs incurred training employees on new machinery and technology. In addition 'dual running' fixed costs incurred for the period when the Group was running both the new PA&T manufacturing facility in Malta and old facility in Gateshead whilst the transition was completed have been recorded as exceptional items. The net charges of £1.8m are after deduction of £1.1m of grant income received which as this amount was in relation to restructuring items, it has been recognised in exceptional items. In addition costs of £2.2m have been incurred relating to the upgrade of our finance systems and processes. These costs include staff compensation payments and consultancy fees in addition to employee salary costs where those employees are working solely on this project and their previous roles have been back filled.

Sale of land

The gain in 2016/17 related to several individually small land sales.

Warranty provisions

Surplus warranty provisions of £0.5m were credited to exceptional items in 2016/17 consistent to where the cost of the original provisions was presented in the Annual Report.

Acquisition related

Costs of £0.2m have been incurred during the year relating to the acquisition of DuPont Authentication Inc in January 2017. Costs in 2016/17 relating to the acquisition were also incurred relating to £0.5m of professional advisor fees. In addition an amount of £0.4m was recorded in exceptional items relating to the 'unwind' of the fair value adjustment to acquired inventory recognised on the opening day balance sheet as the related inventory was fully sold by year end. The Directors considered that this non-cash item was distortive to underlying profit levels compared to the expected cost of inventories recognised as an expense for this subsidiary going forward.

Costs associated with disposal of subsidiary

Costs of £4.2m have been incurred relating to professional advisor and other transaction related fees. In addition a loss of £0.9m was incurred relating to the early close out of some derivatives prior to the sale.

Impairment of disposal group

In December 2017 the Group committed to a plan to sell the Group's Paper business, and accordingly presented the Paper business' assets and liabilities as a disposal group held for sale. Depreciation of property plant and equipment also ceased from the point the assets and liabilities were transferred into the disposal group. In accordance with IFRS5, prior to sale the disposal group's carrying value was compared to its fair value less costs to sell the resulting Impairment loss of £9.3m has been included in exceptional items. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

Disposal of paper business

On 26 March 2018 prior to the external sale, the Group transferred the trade and assets of the paper business into a newly created wholly owned subsidiary Portals De La Rue Limited. The Group completed the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. Under the terms of the agreement De La Rue received £60.3m cash upon completion of the transaction plus £6.6m in loan notes issued by the purchaser. An additional £3.0m is estimated as being receivable relating to a closing working capital adjustment. Management believe the transaction provides an opportunity to create greater long term value for shareholders and enables the Group to focus on their strategy of driving growth organically and through partnerships and acquisitions. As part of the transaction Portals De La Rue Limited will supply security paper to meet the Group's anticipated internal requirements with pre agreed volumes and price mechanisms for the next 10 years. The Group has entered into a relationship agreement with Portals De La Rue which provides guaranteed supply to meet our paper needs going forward.

No pension liability transferred as part of the disposal.

The Group's Paper business does not meet the IFRS 5 definition of a discontinued operation and as such its results have been included within continuing operations.

The carrying amounts of assets and liabilities as at the date of sale (29 March 2018) post impairment of the disposal group were:

	2018 £m
Property, plant and equipment	**36.6**
Inventories	**16.1**
Trade and other receivables	**29.8**
Cash and cash equivalents	**4.6**
Total assets	**87.1**
Trade and other payables	**(19.2)**
Total liabilities	**(19.2)**
Net assets	**67.9**

The gain/(loss) on disposal on the sale of the subsidiary was:

	2018 £m
Total net consideration received/receivable:	
Cash	**60.3**
Loan notes	**6.6**
Estimated recompense clause provision	**(2.0)**
Estimated working capital adjustment	**3.0**
Total disposal consideration	**67.9**
Net assets and liabilities disposed	**(67.9)**
Gain/(loss) on disposal group	**–**

Disposal consideration includes an estimate for total amounts payable under the recompense contract provision of £2.0m. As part of the sale of the paper business the company agreed to compensate the buyer, within certain limits, in the event of certain commercial outcomes arsing which were prejudicial to the buyer. An amount of £2m has been recorded at the balance sheet date to reflect the risk weighted exposure to the Company from within the overall range possible outcomes.

Taxation relating to exceptional items
Tax charges relating to exceptional items arising in the period were £9.7m (2016/17: tax credit of £0.6m). In addition there was an exceptional tax credit of 0.3m in the year in respect of the determination of the tax treatment of a prior year exceptional item.

5 Taxation

	2018 £m	Restated 2017 £m
Consolidated income statement		
Current tax:		
UK corporation tax:		
– Current tax	**6.8**	8.4
– Adjustment in respect of prior years	**(1.7)**	(0.6)
	5.1	7.8
Overseas tax charges:		
– Current year	**2.9**	3.7
– Adjustment in respect of prior years	**(1.4)**	(1.8)

	1.5	1.9
Total current income tax charge	**6.6**	9.7
Deferred tax:		
– Origination and reversal of temporary differences, UK	**10.6**	(0.7)
– Origination and reversal of temporary differences, overseas	**(1.6)**	(0.3)
Total deferred tax (credit)	**9.0**	(1.0)
Income tax expense reported in the consolidated income statement in respect of continuing operations	**16.8**	8.7
Income tax expense/(credit) in respect of discontinued operations (note 3)	**(1.2)**	**–**
Total income tax charge in the consolidated income statement	**15.6**	8.7
Tax on continuing operations attributable to:		
– Ordinary activities	**8.3**	9.3
– Amortisation of acquired intangible assets	**(1.2)**	**–**
– Exceptional items	**9.7**	(0.6)
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**10.4**	(2.3)
– On cash flow hedges	**(0.5)**	(0.1)
– On foreign exchange on quasi-equity balances	**0.1**	(0.1)
Income tax (credit)/charge reported within comprehensive income	**10.0**	(2.5)
Consolidated statement of changes in equity:		
– On share options	**0.2**	(1.0)
Income tax charge reported within equity	**0.2**	(1.0)

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 19 % as follows:

	2018				2017		
	Before exceptional items £m	**Exceptional items £m**	**Movement on acquired intangibles £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Profit before tax	**53.4**	**60.9**	**(0.7)**	**113.6**	58.7	(0.4)	58.3
Tax calculated at UK tax rate of 19 per cent (2016/17: 20 per cent)	**10.1**	**11.6**	**(0.1)**	**21.6**	11.7	(0.1)	11.6
Effects of overseas taxation	**0.5**	–	–	**0.5**	(0.1)	–	(0.1)
(Credits)/charges not allowable for tax purposes	**(0.1)**	**0.7**	–	**0.6**	(1.8)	(0.5)	(2.3)
(Utilisation)/increase in unrecognised tax losses	**(0.5)**	**(0.8)**	–	**(1.3)**	(0.1)	–	(0.1)
Adjustments in respect of prior years	**(1.8)**	**(0.3)**		**(2.1)**	(0.1)	–	(0.1)
Change in UK tax rate	**0.1**	**(1.5)**	**(1.1)**	**(2.5)**	(0.3)	–	(0.3)
Tax charge/(credit)	**8.3**	**9.7**	**(1.2)**	**16.8**	9.3	(0.6)	8.7

The underlying effective tax rate was 15.5% (2016/17: 15.8%).

6 Earnings per share

	2018 Continuing operations pence per share	2018 Discontinued operations pence per share	2018 Total pence per share	2017 Continuing operations pence per share	2017 Discontinued operations pence per share	2017 Total pence per share
Earnings per share						
Basic earnings per share	**93.7**	**(1.8)**	**91.9**	47.2	(6.3)	40.9
Diluted earnings per share	**92.8**	**(1.8)**	**91.0**	46.6	(6.2)	40.4
Adjusted earnings per share						
Basic earnings per share	**42.9**	**n/a**	**n/a**	47.1	n/a	n/a
Diluted earnings per share	**42.5**	**n/a**	**n/a**	46.5	n/a	n/a

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of the dilutive effect of share options.

The Directors are of the opinion that the publication of the underlying earnings per share, before exceptional items, is useful to readers of the accounts as it gives an indication of underlying business performance.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

Earnings	2018 Continuing operations £m	2018 Discontinued operations £m	2018 Total £m	2017 Continuing operations £m	2017 Discontinued operations £m	2017 Total £m
Earnings for basic and diluted earnings per share	**95.4**	**(1.8)**	**93.6**	47.9	(4.2)	43.7
Amortisation of acquired intangible assets	**0.7**	**–**	**0.7**	0.1	–	0.1
Exceptional items	**(60.9)**	**–**	**(60.9)**	0.4		0.4
Less: tax on amortisation of acquired intangibles	**(1.2)**	**–**	**(1.2)**	–	–	–
Less: tax on exceptional items	**9.7**	**–**	**9.7**	(0.6)	–	(0.6)
Earnings for adjusted earnings per share	**43.7**	**(1.8)**	**41.9**	47.8	(4.2)	43.6

Weighted average number of ordinary shares	**2018 Number m**	2017 Number m
For basic earnings per share	**101.9**	101.6
Dilutive effect of share options	**0.9**	1.2
For diluted earnings per share	**102.8**	102.8

7 Equity dividends

	2018 £m	2017 £m
Final dividend for the period ended 26 March 2016 of 16.7p paid on 3 August 2016	–	16.9
Interim dividend for the period ended 24 September 2016 of 8.3p paid on 11 January 2017	–	8.5
Final dividend for the year ended 25 March 2017 of 16.7p paid on 30 June 2017	**17.0**	–
Interim dividend for the period ended 30 September 2017 of 8.3p paid on 3 January 2018	**8.4**	–
	25.4	25.4

A final dividend per equity share of 16.7p has been proposed for the period ended 31 March 2018. If approved by shareholders the dividend will be paid on 3 August 2018 to ordinary shareholders on the register at 6 July 2018.

8 Analysis of net debt

	2018 £m	2017 £m
Cash at bank and in hand	**15.2**	13.2
Short term bank deposits	**0.3**	2.2
Bank overdrafts	**(0.3)**	(4.2)
Total cash and cash equivalents	**15.2**	11.2
Borrowings due within one year	**(65.1)**	(132.1)
Net debt	**(49.9)**	(120.9)

9 Contingent liabilities

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

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.

10 Dates

The consolidated accounts have been prepared as at 31 March 2018, being the last Saturday in March. The comparatives for the 2016/17 financial year are for the period ended 25 March 2017.

11 Statutory accounts

Statutory accounts for the period ended 31 March 2018 will be made available to shareholders for subsequent approval at the Annual General Meeting and copies will be available from the Company Secretary at De La Rue plc, De La Rue House, Jays Close, Viables, Hampshire, RG22 4BS.

12 Foreign exchange

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

	2017/18		2016/17	
	Average	**Year End**	Average	Year End
US dollar	1.33	1.41	1.32	1.25
Euro	1.13	1.14	1.20	1.16

13 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. 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 £m	2017 £m
Operating profit from continuing operations on an IFRS basis	**123.0**	70.2
– Amortisation of acquired intangible assets	**0.7**	0.1
– Exceptional items – operating	**(60.9)**	0.4
Adjusted operating profit from continuing operations	**62.8**	70.7

Adjusted earnings per share
Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average number of ordinary shares dual share in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average number of ordinary shares in issue.

	2018 £m	2017 £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**95.4**	47.9
– Amortisation of acquired intangible assets	**0.7**	0.1
– Exceptional items	**(60.9)**	0.4
– Tax on amortisation of acquired intangibles	**(1.2)**	-
– Tax on exceptional items	**9.7**	(0.6)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**43.7**	47.8
Weighted average number of ordinary shares for basic earnings	**101.9**	101.6

	2018 pence per share	2017 pence per share
Earnings per ordinary share continuing operations on an IFRS basis	**93.7p**	47.2p
Adjusted earnings per ordinary share for continuing operations	**42.9p**	47.1p

Return on capital employed (ROCE)
Return of capital employed is the ratio of the operating profit before exceptional items and adjusting items over capital employed, where capital employed equals net assets, excluding pensions, tax interest and long term liabilities.

Cash conversion
Cash conversion is the ratio of adjusted operating cash flow divided by the adjusted operating profit.

14 De La Rue financial calendar 2017/18

Ex-dividend date for 2017/18 final dividend	5 July 2018
Record date for final dividend	6 July 2018
Annual General Meeting	26 July 2018
Payment of 2017/18 final dividend	3 August 2018