The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No.596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

DE LA RUE

2018/19 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 30 March 2019 (FY19, the period or full year). The comparative period was 12 months ended 31 March 2018 (FY18).

HEADLINES

- Performance excluding paper †
  - Revenue increased 12% to £516.6m
  - Adjusted operating profit* increased 6% to £60.1m

- Further strategic progress
  - Growth in Security Features and PA&T
  - PA&T growth accelerated with multiple contract wins; on track to double revenue within 3 years
  - Good progress on strategic review of ID business

- Next phase of the Group's transformation underway
  - Proposal on operating model reorganisation and transformation programme announced today
  - Divisional structure will optimise operations and provide future strategic options
  - Expected to deliver annual savings of in excess of £20m by FY22 partially mitigating increasing competitive pressures in Banknote Print

- Balance sheet reflects increased net debt and reduced pension deficit
  - Exceptional charge of £18.1m relating to a credit loss associated with the outstanding accounts receivable of a customer in Venezuela currently unable to transfer funds due to non-UK related sanctions
  - Net debt of £107.5m (31 March 2018: £49.9m) primarily due to an increase in gross accounts receivable of c£40m driven by the timing of revenue and the balance due from Venezuela.
  - IAS 19 UK defined benefit pension deficit reduced to £76.8m (2018: £87.6m)

- Proposed final dividend of 16.7p; full year dividend unchanged at 25.0p

- IFRS operating profit on reported basis was substantially lower as FY18 included the benefit of the £80.5m gain recorded on the change in indexation methodology on the UK defined pension scheme and FY19 included additional exceptional charges

	Excluding Paper†			Reported		
	FY19 £m	**FY18 £m**	**Change %**	**FY19 £m**	**FY18 £m**	**Change %**
Revenue	**516.6**	**461.4**	**+12%**	**564.8**	**493.9**	**+14%**
Currency	398.9	344.1	+16%	447.1	371.8	+20%
Identity Solutions	78.4	78.9	-1%	78.4	82.0	-4%
Product Authentication & Traceability	39.3	38.4	+2%	39.3	40.1	-2%
Adjusted operating profit*(1)	**60.1**	**56.9**	**+6%**	**n/a**	**n/a**	**n/a**
IFRS operating profit	**n/a**	**n/a**	**n/a**	**31.5**	**123.0**	**-74%**

EPS basic adjusted*(2)	42.9p	38.2p	+12%	n/a	n/a	n/a
EPS basic IFRS	n/a	n/a	n/a	18.8p	93.7p	-80%
Dividend per share	n/a	n/a	n/a	25.0p	25.0p	n/a

The impact of the adoption of IFRS15 (revenue from contracts with customers) has been a net increase in revenues of £12.2m in FY19 and a net increase in cost of sales of £5.3m, resulting in an £6.9m 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 better understanding of the underlying performance of the business. See note 13 for further explanations and reconciliation to the comparable IFRS measure

(1) Excludes exceptional item net charges of £27.9m (FY18: net gains of £60.9m) and amortisation of acquired intangible assets of £0.7m (FY18: £0.7m)

(2) Excludes exceptional item net charges of £27.9m (FY18: net gains of £60.9m) and related tax credit of £4.2m (FY18: tax charge of £9.7m) and amortisation of acquired intangible assets of £0.7m and related tax charge of £0.3m (FY18: amortisation of acquired intangible assets of £0.7m and related tax credit of £1.2m).

† Reported figures included in this release include the paper business results in FY18 as originally reported and in FY19 they include £48.2m of revenue on non-novated contracts relating to the disposal of the paper business with nil profit margin. Figures reported on the "excluding paper" basis have been adjusted to exclude revenue from non-novated contracts in FY19. In FY18 "excluding paper" figures exclude the results of the paper business and include pro-forma Security Feature sales of £35.0m, which were previously treated as internal, to present the comparative numbers in FY18 on a basis consistent with the IFRS accounting treatment applied in FY19. This is a change in presentation of FY18 results in this release compared to those previously reported in the release in May 2018. This change has been made to provide a more meaningful presentation of the underlying financial performance of the business during the period.

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

“De La Rue has delivered revenue and profit growth in a year of transition and progress for the company. Security Features revenue has increased by 38% year on year, while PA&T revenue is on track to double within three years. We are pleased to have won a number of contracts with strategically important customers including HMRC in the UK and the Kingdom of Saudi Arabia.

“The strategic review of our International Identity Business is ongoing, and we are making good progress.

“As we look ahead, the conclusion of the UK passport contract in 2020 and the growing competitive pressure in the banknote print market present some significant challenges for our business. To partially mitigate against this, today we have set out a three year cost reduction programme intended to deliver in excess of £20m in annual savings by FY22. In addition, we will be proposing a reorganisation of our business over the next twelve months designed to enhance our strategic focus and generate greater efficiencies.

“Together these initiatives will ensure we are best positioned to execute our growth plan and deliver long term shareholder value.”

Enquiries:

De La Rue plc		**+44 (0)1256 605 000**
Martin Sutherland	Chief Executive Officer	
Helen Willis	Chief Financial Officer	
Lili Huang	Head of Investor Relations	
Brunswick		**+44 (0)207 404 5959**
Azadeh Varzi		

Stuart Donnelly

A presentation to analysts will take place at 9:00 am BST on 30 May 2019 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 Freephone: 0800 783 0906	**Passcode: 507 767**
	International Direct: +44 1296 480 100	
	UK Direct: 01296 480 100	
Archive conference call	UK Freephone: 0800 032 9687	**Passcode: 7758 9246**
	UK Direct: 020 7136 9233	
	Available from 31 May until 13 June 2019	

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

The person responsible for the release of this announcement on behalf of the Company is Helen Willis (Chief Financial Officer).

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

Group revenue was up 12%, and adjusted operating profit increased by 6% excluding paper†. Strong momentum in Product Authentication & Traceability (PA&T) has driven order intake up. As a result, the Group's total order book increased by 20% to £554m, of which £288m (FY18: £363m) will be delivered within the next 12 months.

Performance in Currency reflected the higher volumes in Banknote Print, as well as good growth in Security Features. Banknote Print, which has benefited from strong overspill demand, has proven to be resilient in the past few years. However, we anticipate margin pressures going forwards as competition in the banknote print market intensifies when the overspill levels start to normalise.

We are proposing today a reorganisation that will create better strategic focus and greater efficiency, and a cost out programme that will deliver in excess of £20m annual savings by FY22. See further detail in the Strategic Update section on pages 5 to 7.

FINANCIAL RESULTS SUMMARY

Group revenue grew by 12% to £516.6m excluding paper† (FY18: £461.4m) and grew by 14% on a reported basis to £564.8m (FY18: £493.9m). Group revenue also benefited from the impact of the adoption of IFRS 15 (revenue from contracts with customers) with a net impact of £12.2m being recognised on an "over time basis" in FY19 whereas under IAS 18 the majority of this revenue would have been recognised in FY20 on final delivery to the customer. Excluding the impact of IFRS15, group revenue would have increased by 9% on an excluding paper† basis and 12% on a IFRS basis.

Adjusted operating profit excluding paper† increased by 6% to £60.1m (FY18: £56.9m). This growth of £3.2m was a driven by:

- £1.2m increase in Currency Operating profit reflecting a greater volume of jobs but with more complexity and lower margin
- £5.7m increase in Identity largely reflecting the fact that the prior year included the write off of bid costs of £3.7m in respect of the UK Passport bid, and FY19 included a non-recurring credit due to the release of a bad debt provision where the cash was received from the customer
- £3.7m decrease in PAT due to product investment for future growth and operating expenses, that is not expected to recur in 2020, relating to the new contracts

Overall, adjusted Operating profit excluding paper† was impacted by £6.9m benefit from IFRS 15 and a net non-recurring credit of £4.0m due to the release of an accrual relating to a dispute which arose out of the well-publicised events of 2010 concerning one of De La Rue's key customers, and the recognition of a net significant bad debt expense (excluding amounts relating to Venezuela). FY18 adjusted operating profit also benefited from a similar value of non-recurring credits from certain provision and accrual releases.

IFRS operating profit on a reported basis was £31.5m and substantially lower than FY18 (FY18: £123.0m) primarily because of the impact of the gain in the prior period relating to the change in indexation methodology on the UK pension scheme, as well as the recording in FY19 of an £18m credit loss associated with the accounts receivable balance of a customer in Venezuela. IFRS operating profit also included the benefit of the £6.9m from the adoption of IFRS 15 as referred to above.

In accordance with the Group's policy, the credit loss relating to the customer in Venezuela has been recorded in exceptional items due to the circumstances surrounding the ability of the customer to pay and the size and non-recurring nature. Revenue and standard margin recognised under IFRS 15 when the original sales were recorded, have remained in the income statement in adjusted operating profit, as at the point of recognition collectability issues were not anticipated.

Basic Adjusted EPS excluding paper† was up 12% at 42.9p as compared to the prior year figure of 38.2p.

IFRS, basic EPS was down 80% at 18.8p (FY18: 93.7p) due to the impact of the gain on the change in indexation methodology on the pension scheme in FY18 and additional exceptional charges in FY19.

Cash generated from operating activities was an outflow of £4.6m (FY18 inflow of £73.5m). Net debt increased to £107.5m from £49.9m at 31 March 2018. Further commentary on cashflow and net debt is provided in the Cashflow and Borrowings section below.

STRATEGIC 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, as well as reduce volatility in the business. The main priorities were:

- Divesting non-core business
- Reducing our exposure to the volatility of the paper market
- Improving predictability and competitiveness in Banknote Print
- Diversifying revenue by growing Polymer, Security Features and PA&T
- Reducing our pension deficit

We have made good progress against these priorities making De La Rue a very different business today than it was four years ago:

- Divested the underperforming CPS business
- Sold the Paper business, removing exposure to an over supplied market whilst maintaining surety of supply of a key raw material.
- Grew Polymer, Security Features and PA&T revenue

The strategic review of our International Identity Business is ongoing and we are making good progress.

Our pension deficit has been reduced by £157.3m since 2015.

Proposed group reorganisation and transformation

The shape of our business today is materially different to four years ago. We are now embarking on the next phase of transformation of the Group into a technology led security product and service provider. Our business is now focused on two clear markets: Currency and Authentication. We are announcing a proposal to realign the Group operating model into two divisions focused on:

- **Authentication**: encompassing our Security Features, ID Security Components and Product Authentication product lines, focused on the supply of products and services to authenticate goods as genuine and to assure tax revenues
- **Currency**: encompassing our Banknote Print and Polymer product lines, focused on the provision of finished banknotes and advanced Banknote substrate into central banks and state print works

The market dynamics of these two divisions are different, in terms of the solutions that customers seek, customer buying behaviours and the competitive landscape. This in turn offers very different opportunities for De La Rue in terms of the growth rates and margin opportunities available to us in each sector. By aligning the Group structure into two divisions focused on our chosen markets, we will not only optimise the operations of each division to the market dynamics they face, but we will also give ourselves future strategic options.

We are mindful of our consultation obligations and we expect to finalise our proposals within weeks. This is expected to include a reduction in corporate overheads and manufacturing optimisation.

Authentication

This division is focused on a high growth market which is growing in both the commercial and government sectors. In the commercial sector there is consumer demand for protection against counterfeit goods, particularly in the context of more and more retail moving online. Meanwhile brand owners are seeking new and innovative ways of not only protecting their consumers against counterfeit but also better connecting with them. Governments have a desire to frustrate illicit trade, partly to protect citizens from dangerous goods, but also to raise taxes. We are seeing a structural shift in the Government Revenues Solutions (GRS) market due to more and more countries adopting the World Health Organisations Framework Convention on Tobacco Control into law.

The investments we have made over recent years in software capabilities, ongoing service provision and R&D focused on IP generation all underpin our solutions in this market where innovation is a key differentiator. Investment of c£2m in our Certify platform in FY19 is an investment in our core capability in order to deliver current and future GRS contracts efficiently.

In April 2019, we signed a joint development and collaboration agreement with the First Research Institute of the Ministry of Public Security in China to co-develop identity security features and components for the Chinese domestic market, laying a good foundation for the shifting of focus in our ID strategy. In May, we also entered into a commercial partnership with China Electronics Import & Export Corporation (CEIEC), a system integrator, to explore the global identity market. These agreements provide a platform to explore long term interesting opportunities.

Combining differentiated security features with digital and service offerings is also important in this market. Government customers want to understand the provenance of product retailed in their country to ensure appropriate duties have been paid. For our recently won contracts with UAE, KSA and HMRC we have enhanced our track and trace software product focused on tax collection (DLR Certify™) by adding new modules to expand its functionality. We are also exploring new frontier technologies such as blockchain as part of our brand protection solutions for customers looking for better ways to ensure supply chain integrity.

Currency

The currency market continues to grow but remains unpredictable due to the volatile nature of overspill and customers' irregular buying patterns. Cash remains the preeminent payment mechanism around the world due to its inclusivity, resilience, anonymity and low cost of use for both consumers and retailers. However, alternative payment mechanisms continue to erode share of cash transactions in some countries. Normalisation of overspill volumes from recent levels means there is currently over capacity in the industry leading to pricing pressure.

The priority for this division is to maintain our leading market position in banknote print, continuing to grow our market share in polymer, whilst remaining competitive by improving efficiency, optimising capacity and cutting costs.

With overspill volumes expected to reduce year on year (driven in part by Venezuela) we will now, as first set out in 2015, complete the programme to match our banknote print capacity with an estimated long-term average demand of circa 6bn notes per annum. This includes access to one print line at Debden under our agreement with the Bank of England.

OPERATING REVIEWS
(the following Operating Reviews reflect the current segmental structure)

Currency

	Excluding Paper†			Reported		
	FY19	FY18	Change	FY19	FY18	Change
Revenue (£m)	398.9	344.1	*16%*	447.1	371.8	*+20%*
Adjusted operating profit* (£m)	41.7	40.5	*+3%*	n/a	n/a	*n/a*
Adjusted operating margin*	10.4%	11.8%	*-140bpts*	n/a	n/a	*n/a*
IFRS operating profit (£m)	n/a	n/a	n/a	21.0	30.7	-32%
IFRS operating margin	n/a	n/a	n/a	4.7%	8.3%	*-360bpts*

Banknote print volume (bn notes)	7.5	7.3	*+3%*	7.5	7.3	*+3%*
Polymer volume (tonnes)	998	810	*+23%*	998	810	*+23%*

*Excludes exceptional item charges of £20.7m (FY18: net charges of £14.4m).

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

Excluding paper†, the Currency business delivered 16% growth in revenue to £398.9m (FY18: £344.1m), benefiting from strong growth across all Currency product lines. Adjusted operating profit on an excluding paper basis† was up 3% to £41.7m (FY18: £40.5m). The Currency business operating margin reduced year on year due to mix with more complex and lower margin jobs this year and continuing competitive pressures.

On a reported basis, revenue was up 20% and IFRS operating profit was 32% lower than FY18 driven by the loss of operating profits from the paper business following the disposal on 29 March 2018, the impact of the reduced margins, alongside increased exceptional charges with £18m credit loss associated with the accounts receivable balance of a customer in Venezuela in FY19, exceeding the exceptional items in FY18 of £14.4m relating to the Portals disposal.

Adjusted and IFRS operating profit were also impacted by a net non recurring credit of £2.3m due to the release of an accrual relating to a dispute which arose out of the well-publicised events of 2010 concerning one of De La Rue's key customers, and the recognition of a significant bad debt expense (excluding amounts relating to Venezuela).

Currency revenues benefited from the impact of the adoption of IFRS 15 (revenue from contracts with customers) with a net additional amount of £11.9m being recognised on an "over time basis" in FY19 whereas under IAS 18 the majority of this revenue would have been recognised in FY20 on final delivery to the customer. The operating profit impact was £6.6m on both an adjusted and IFRS basis. Excluding the impact of IFRS15 Currency revenues would have been up 13% excluding paper† and 17% on an IFRS basis. Adjusted operating profit would have been £35.1m, lower by 13% compared to FY18.

At the year end, the 12 month order book for Currency was £202m (FY18: £272m) and total order book was £289m.(it should be noted that the total order book figure excludes future year orders for the Bank of England Contract)

Security features
On an excluding paper† basis Security features revenue grew by 38% year on year, with volumes growing 24% to 4.7m square metres this year. Typically sales of new security features can take 2 or more years, therefore we are really pleased with the early traction with Ignite™ and PureImage™, the banknote features launched in May 2018, with our first customer for PureImage™ secured in September 2018.

Banknote Print
Banknote Print volume increased by 3% to 7.5bn notes (FY18: 7.3bn), and revenue was up 12%. The higher volumes were supported by higher overspill demand in particular from Venezuela.

As previously announced, the formation of the joint venture between De La Rue and the Government of Kenya was completed on 18 April 2019. De La Rue retains a 60% stake in the joint venture and will continue to manage and control the day to day operations. The move has further strengthened our ties with the country and secured our position as a regional supply hub for security printing .

Polymer
Total Polymer volumes increased in the year by 23% to 998 tonnes, 667 tonnes of which related to direct sales of Polymer substrate to our customers. Including the notes on order, our Safeguard® substrate is currently, or will be, adopted by 26 note issuing authorities across 61 denominations (FY18: 24 note issuing authorities and 50 denominations).

We continue to differentiate and we have been investing in developing special materials that can be embedded into the polymer substrate, as well as design and security features that make our polymer note stand out. Illuminate™, a new design feature launched in December 2018 in the Mauritius 200 Rupee, is one of the latest innovations designed to complement our Safeguard® substrate.

Identity Solutions

	Excluding Paper†			Reported		
	FY19	**FY18**	**Change**	**FY19**	**FY18**	**Change**
Revenue (£m)	78.4	78.9	*-1%*	78.4	82.0	*-4%*
Adjusted operating profit* (£m)	12.7	7.0	*+81%*	n/a	n/a	*n/a*
Adjusted operating margin*	16.2%	8.9%	*+730bpts*	n/a	n/a	*n/a*
IFRS operating profit	n/a	n/a	*n/a*	12.2	7.5	*+63%*
IFRS operating margin	n/a	n/a	*n/a*	15.6%	9.1%	*+650bpts*

*Excludes amortisation of acquired intangible assets of £0.5m (2017/18: £0.6m).

Excluding paper†, revenues were largely flat year on year, as lower volumes in our International ID business were offset by increased UK Passport volumes following a spike in demand at the end of the year. Adjusted operating margin increased by 730bpts in the year, or by 200bpts excluding the write off of the UK passport bid costs of £3.7m in the prior year, driven by the timing and mix of contracts within this business.

On a reported basis, revenue was 4% lower and IFRS operating profit was 63% higher than the prior year in line with the growth in adjusted operating profits.

Adjusted and IFRS operating profit also benefited from the release of a credit loss provision of £1.7m which was recorded in a previous year no longer required as the customer settled the amount.

Identity Solutions revenue benefited from £0.3m recognised in the year relating to IFRS 15. This revenue has been recognised on an "over time basis" in FY19 which is different to the previous timing of recognition under IAS 18.

In May 2019 we agreed an exit plan from the UK Passport Contract and now have a clear timeline for the service transfer to the new supplier. We are currently in joint consultation with the new supplier and our employees who may be affected by the changes, and this consultation process will conclude by the end of September. Operations for UK Passport production will have concluded by end March 2020.

Product Authentication & Traceability

	Excluding Paper†			Reported		
	FY19	**FY18**	**Change**	**FY19**	**FY18**	**Change**
Revenue (£m)	39.3	38.4	*+2%*	39.3	40.1	*-2%*
Adjusted operating profit* (£m)	5.7	9.4	*-39%*	n/a	n/a	*n/a*
Adjusted operating margin*	14.5%	24.5%	*-1000bpts*	n/a	n/a	*n/a*
IFRS operating profit	n/a	n/a	*n/a*	3.4	7.7	*-56%*
IFRS operating margin	n/a	n/a	*n/a*	8.7%	19.2%	*-1050bpts*

*Excludes exceptional items charges of £2.1m (FY18: £1.6m) and amortisation of acquired intangible assets of £0.2m (FY18: £0.1m).

PA&T performed in line with our expectations. Revenue increased by 2% on increased volumes. Adjusted operating profit excluding paper† for PA&T was 39% lower due to £1.2m of upfront operating expenses associated with the tax stamp projects in the UAE and the Kingdom of Saudi Arabia, as well as a £1.9m impact of the move of our PA&T manufacture from Gateshead to Malta in the first half of the year. We anticipate that the operating margin of this business will improve going forwards as the upfront costs are not repeated, and as the new manufacturing site gets fully established and optimised.

On a reported basis, revenue declined by 2% and IFRS operating profit was 56% lower due to the loss of operating profits for the paper business and higher exceptional item charges in FY19 as compared to FY18.

The Digital Tax Stamp system being rolled out for the Federal Tax Authority of the UAE is now in operation and excisable tobacco products carrying the stamp and digital code are being imported into the Emirates. The system will deliver a scheme fully compliant with the World Health Organisation's Framework Convention on Tobacco Control (FCTC).

Momentum in government revenue solutions (GRS) has gathered pace. In February 2019, we were awarded a five year contract by Her Majesty's Revenue and Customs to implement a track and trace system for all tobacco products sold in the UK to comply with the requirements of the EU Tobacco Products Directive (EUTPD), a first digital only contract for PA&T. Also in support of the EUTPD we secured contracts to supply more than 3.5 billion tax stamps each year to be applied on tobacco products sold in the UK, France, Austria, Sweden, Finland and Cyprus. Continuing our work to help governments secure excise revenues and meet regulatory requirements De La Rue signed a five year contract with the General Authority of Zakat and Tax (GAZT) in The Kingdom of Saudi Arabia to implement and operate a digital tax stamp solution for all tobacco products and soft drinks sold in the Kingdom.

Strong momentum in GRS, together with steady growth in brand protection, will drive our PA&T business to double revenue in the next three years.

FINANCE CHARGE

The Group's net interest charge was £4.4m (comprising a gross interest expense of £4.5m and gross interest income of £0.1m) (FY18: £3.8m) excluding IAS 19 finance charge and interest income due from the loan notes and preference shares obtained as part of the disposal of Portals paper. Net interest expense in FY19 (excluding IAS19 finance charge and interest and preference share interest income) was higher than FY18 as the prior period benefited from the release of accruals for potential interest charges relating to tax liabilities, the impact of which was offset by lower interest charges on borrowings due to the lower average level of net debt during the current period as compared to prior period.

The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets was £2.1m (FY18: £5.6m). The lower charge reflects the substantial reduction in the pension deficit following the change in indexation methodology which occurred in the second half of FY18, the benefit of which has been in place for whole of FY19.

Interest due on the loan notes and preference shares held in Mooreco Limited (obtained as part of the considered for the Portals paper disposal) amounted to £0.5m in FY19 (FY18: £nil). The loan notes and preference shares are included in the balance sheet as Other Financial Assets.

The total Group net finance charge is £6.0m (FY18: £9.4m).

EXCEPTIONAL ITEMS

The exceptional items during the period resulted in a net charge of £27.9m (FY18: net gain of £60.9m). The most significant of which are listed below:

- £18.1m credit loss provision associated with the accounts receivable of a customer in Venezuela currently unable to transfer funds due to non UK related sanctions. In accordance with the Group's policy, the credit loss relating to the customer in Venezuela has been recorded in exceptional items due to its size and non-recurring nature.
- £4.8m site relocation and restructuring costs including £1.9m net charges in relation to the completion of the manufacturing footprint review announced in 2015 and costs of £1.3m relating to the finalisation of the finance system upgrade. In addition, costs of £1.6m were incurred in the period following a review of our cost base as reported in HY19.
- £2.6m additional loss on disposal net of transaction costs relating to the sale of the paper business due to finalisation of the disposal accounting post year end and the final estimates of associated transaction costs now being known.

- £1.7m charge relating to the initial estimate of the impact of the equalisation of pension benefits between men and women, relating to Guaranteed Minimum Payments.

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 £4.8m (FY18: £16.8m). The effective tax rate on continuing operations before exceptional items and the movement on acquired intangibles was 16.1% (FY18: 15.5%). The effective tax rate for FY20 is expected to be 15-16%.

There was a net tax credit relating to exceptional items in the period of £4.2m (FY18: tax charge of £9.7m).

CASH FLOW AND BORROWINGS

Cash generated from operating activities was an outflow of £4.6m (FY18 inflow of £73.5m). The outflow in the current year was primarily driven by:

- An adverse working capital movement:
  - increased trade receivables primarily due to the phasing of revenue in the current year (negative impact £19m) and the impact of uncollected balances relating to sales to Venezuela (negative impact £18m);
  - a build in accrued income relating to revenue recognised over time under IFRS15 (impact £9m);
  - the impact of a build in inventory relating to the PA&T segment ahead of the anticipated growth in FY20 £4.7m;
  - The impact of the above adverse working capital movements was partially offset by higher receipts of advanced payments in the year (positive impact £16m).
- The overall adverse working capital impact of transactions with Portals was £17m, made up of:
  - The one-off impact of the £16m paid to Portals in H1 FY19 relating to the payment of previously intercompany balances which were converted to third party working capital following the sale and paid in H1 FY19;
  - The impact of an initial build of receivables due from Portals on direct sales of Security Features (negative impact £12m), offset by the impact of payables to Portals for finished banknote paper (positive impact £11m);
- Higher special pension funding payments of £20.5m as compared to £13.5m in FY18

Cash outflow from investing activities was £24.5m and was related to spend on capital expenditure and development assets as we invest in the business. Cashflows from investing activities in FY18 were an inflow of £38.0m as capital expenditure spend was more than offset by the sales proceeds of the Paper Business (£55.8m) and the receipt of £5.0m received in advance of the completion of the new Kenya JV which was announced in April 2019.

Cashflows from financing activities were a net cash inflow of £27.2m as dividend payments of £25.7m were more than offset by net cash proceeds on the draw down on the revolving credit facility of £53.5m.

Net debt increased to £107.5m from £49.9m at 31 March 2018 driven by the factors referred to above.

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 12.9 times (covenant of ≥4.0 times), net debt/EBITDA 1.46 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 deficit at 30 March 2018 of £76.8m (31 March 2018: £87.6m). The decrease reflects positive asset performance in the year, the impact of higher special funding contributions of £20.5m compared to £13.5m in FY18, the benefit of which was partially offset by an increase in the gross liability position due to a lower discount rate used at 30 March 2019 as compared to 31 March 2018 and the impact of recording the £1.7m additional liability relating to the GMP adjustment.

The charge to operating profit in respect of the Scheme in the period was £2.7m (FY18: £2.3m). In addition, under IAS 19 there was a finance charge of £2.1m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (FY18: £5.6m).

A 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 FY19 were £20.5m and will rise by 4% in FY20.

DIVIDEND

The Board is recommending a final dividend of 16.7p per share (FY18: 16.7p per share). This, together with the 8.3p paid in January 2019, would make a full year dividend of 25.0p per share. Subject to shareholders' approval, the final dividend will be paid on 2 August 2019 to shareholders on the register on 5 July 2019.

OUTLOOK

The banknote print market is anticipated to become increasingly competitive as the strong demand driven by overspill in the last few years starts to normalise. This will create some significant headwinds for the Group in the year ahead. While Group revenue is expected to be broadly in line with FY19 as strong growth in PA&T will offset the weakness in Currency, margin will be impacted by the competitive pressures in banknote print. The anticipated margin decline in banknote print is expected to be partially mitigated by the growth in PA&T as well as the early benefit of the cost reduction programme. Overall, the Board expects operating profit for FY20 to be somewhat lower than the current year.

Martin Sutherland
Chief Executive Officer

Helen Willis
Chief Financial Officer

30 May 2019

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, 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 41 of the strategic report in the 2018 Annual Report. In addition, pages 128 to 136 of the FY18 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 FY19 financial 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

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 2019

GROUP INCOME STATEMENT

for the period ended 30 March 2019

	Notes	**2019 £m**	2018 £m
Revenue from customer contracts	2	**564.8**	493.9
Operating expenses – ordinary		**(505.4)**	(431.8)
Operating (expenses)/income – exceptional	4,5	**(27.9)**	60.9
Total operating expenses		**(533.3)**	(370.9)
Operating profit		**31.5**	123.0
Comprising:			
Adjusted operating profit		**60.1**	62.8
Amortisation of acquired intangible assets		**(0.7)**	(0.7)
Net exceptional items	4 ,5	**(27.9)**	60.9

Profit before interest and taxation		**31.5**	123.0
Interest income		**0.6**	-
Interest expense		**(4.5)**	(3.8)
Retirement benefit obligation net finance expense		**(2.1)**	(5.6)
Net finance expense		**(6.0)**	(9.4)
Profit before taxation		**25.5**	113.6
Taxation	5	**(4.8)**	(16.8)
Profit from continuing operations		**20.7**	96.8
Loss from discontinued operations	3	**(2.4)**	(1.8)
Profit for the year		**18.3**	95.0
Attributable to:			
-Owners of the parent		**17.0**	93.6
-Non-controlling interests		**1.3**	1.4
Profit for the year		**18.3**	95.0

Earnings per ordinary share			
Basic	6		
Basic EPS continuing operations		**18.8p**	93.7p
Basic EPS discontinued operations		**(2.3p)**	(1.8p)
Total Basic Earnings per share		**16.5p**	91.9p
Diluted	6		
Diluted EPS continuing operations		**18.8p**	92.8p
Diluted EPS discontinued operations		**(2.3p)**	(1.8p)
Total Diluted Earnings per share		**16.5p**	91.0p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 March 2019

	2019 £m	2018 £m
Profit for the year	**18.3**	95.0
Other comprehensive income		
Items that are not reclassified subsequently to profit or loss:		
Remeasurement (losses)/gains on retirement benefit obligations	**(4.8)**	61.5
Tax related to remeasurement of net defined benefit liability	**1.5**	(10.4)
Other movements	**0.7**	-
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	**(0.9)**	(0.1)
Change in fair value of cash flow hedges	**(2.6)**	(1.9)
Other movements	**-**	0.4
Change in fair value of cash flow hedges transferred to profit or loss	**0.4**	(1.2)
Change in fair value of cash flow hedges transferred to non-current assets	**-**	0.2
Income tax relating to components of other comprehensive income	**0.7**	0.4
Other comprehensive income for the year, net of tax	**(5.0)**	48.9
Total comprehensive income for the year	**13.3**	143.9
Comprehensive income for the year attributable to:		
Equity shareholders of the Company	**12.0**	142.5
Non-controlling interests	**1.3**	1.4
	13.3	143.9

GROUP BALANCE SHEET

At 30 March 2019

	2019 £m	2018 £m
Assets		
Non-current assets		
Property, plant and equipment	**115.0**	112.8
Intangible assets	**33.3**	29.5
Other financial assets	**7.3**	6.6
Investments in associates and joint ventures	**-**	0.1
Deferred tax assets	**18.4**	19.8
Derivative financial assets	**0.2**	0.2
	174.2	169.0
Current assets		
Inventories	**42.3**	37.0
Trade and other receivables	**114.4**	99.1
Contract assets	**24.9**	-
Current tax assets	**3.3**	4.6
Derivative financial assets	**4.0**	3.4
Cash and cash equivalents	**12.2**	15.5
	201.1	159.6
Total assets	**375.3**	328.6
Liabilities		
Current liabilities		
Borrowings	**(118.7)**	(63.9)
Trade and other payables	**(175.0)**	(167.1)
Contract liabilities	**(6.0)**	-
Current tax liabilities	**(11.7)**	(13.3)
Derivative financial liabilities	**(6.7)**	(4.3)
Provisions for liabilities and charges	**(3.5)**	(4.1)
	(321.6)	(252.7)
Non-current liabilities		
Retirement benefit obligations	**(78.6)**	(89.6)
Deferred tax liabilities	**(3.4)**	(3.0)
Derivative financial liabilities	**(0.2)**	(0.1)
Provisions for liabilities and charges	**(0.7)**	(3.9)
	(82.9)	(96.6)
Total liabilities	**(404.5)**	(349.3)
Net liabilities	**(29.2)**	(20.7)
Share capital	**47.7**	47.1
Share premium account	**42.1**	38.4
Capital redemption reserve	**5.9**	5.9
Hedge reserve	**(2.5)**	(0.5)
Cumulative translation adjustment	**5.0**	7.2
Other reserves	**(83.8)**	(83.8)
Retained earnings	**(53.5)**	(43.9)
Total equity attributable to shareholders of the Company	**(39.1)**	(29.6)
Non-controlling interests	**9.9**	8.9

Total equity	**(29.2)**	(20.7)

GROUP STATEMENT OF CHANGES IN EQUITY

For the period ended 30 March 2019

	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 25 March 2017 – as previously reported	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 as previously reported	47.1	38.4	5.9	(0.5)	7.2	(83.8)	(43.9)	8.9	(20.7)
Accounting policy restatements (see note 1):									
IFRS 15	-	-	-	-	-	-	0.3	-	0.3
IFRS 9							(0.8)		(0.8)
Balance at 1 April 2018 (restated)	47.1	38.4	5.9	(0.5)	7.2	(83.8)	(44.4)	8.9	(21.2)
Profit for the year	-	-	-	-	-	-	17.0	1.3	18.3
Other comprehensive income for the year, net of tax	-	-	-	(2.0)	(0.4)	-	(2.6)	-	(5.0)
Other movements	-	-	-	-	(1.8)	-	1.6	0.2	-
Total comprehensive income for the year	-	-	-	(2.0)	(2.2)	-	16.0	1.5	13.3
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.6	3.7	–	–	–	–	–	–	4.3
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	0.9	–	0.9
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.3)	–	(0.3)
Dividends paid	-	-	-	-	-	-	(25.7)	(0.5)	(26.2)
Balance at 30 March 2019	**47.7**	**42.1**	**5.9**	**(2.5)**	**5.0**	**(83.8)**	**(53.5)**	**9.9**	**(29.2)**

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.

GROUP CASH FLOW STATEMENT
For the period ended 30 March 2019

	Notes	**2019 £m**	2018 £m
Cash flows from operating activities			
Profit before tax*		**22.8**	110.6
Adjustments for:			
Finance income and expense		**6.0**	9.4
Depreciation		**16.7**	21.9
Amortisation		**3.2**	3.3
(Increase)/decrease in inventory		**(7.3)**	13.3
(Increase)/decrease trade and other receivables		**(67.3)**	21.0
Increase/(decrease) in trade and other payables		**14.7**	(16.5)
(Decrease) in reorganisation provisions		**(2.0)**	(6.2)
Non-cash gain on the defined benefit pension indexation change		**-**	(80.5)
Special pension fund contributions		**(20.5)**	(13.5)
Share based payments expense		**0.7**	2.2
Add back of non-cash GMP pension liability adjustment		**1.7**	-
Impairment of disposal group		**-**	9.3
Loss on disposal of subsidiary		**3.0**	-
Add back of non-cash credit loss provision for Venezuela		**18.1**	-
Add back of non-cash net credit loss provision		**4.4**	-
Other non-cash movements		**1.2**	(0.8)
Cash generated from operating activities		**(4.6)**	73.5
Tax paid		**(2.0)**	(10.1)
Net cash flows from operating activities		**(6.6)**	63.4
Cash flows from investing activities			
Proceeds from sale of discontinued operations		**-**	3.0
Proceeds from the sale of subsidiary (net of cash disposed)		**0.2**	55.8
Purchases of property, plant, equipment		**(18.9)**	(19.9)
Purchases of software intangibles and development assets capitalised		**(6.5)**	(4.8)
Advanced payment – non-trading		**-**	5.0
Acquisition of subsidiary (net of cash acquired)		**-**	(1.1)
Other investing		**0.7**	-
Net cash flows from investing activities		**(24.5)**	38.0
Net cash flows before financing activities		**(31.1)**	101.4

Cash flows from financing activities			
Proceeds from issue of share capital		**4.3**	2.0
(Net drawdown)/proceeds from borrowings		**53.5**	(67.0)
Interest paid		**(4.4)**	(5.4)
Payment of revolving credit facility fees		**-**	(1.0)
Dividends paid to shareholders		**(25.7)**	(25.4)
Dividends paid to non-controlling interests		**(0.5)**	(0.4)
Net cash flows from financing activities		**27.2**	(97.2)
Net (decrease)/increase in cash and cash equivalents in the year		**(3.9)**	4.2
Cash and cash equivalents at the beginning of the year		**15.2**	11.2
Exchange rate effects		**-**	(0.2)
Cash and cash equivalents at the end of the year		**11.3**	15.2
Cash and cash equivalents consist of:			
Cash at bank and in hand	8	**12.2**	15.2
Short term bank deposits	8	**-**	0.3
Bank overdrafts	8	**(0.9)**	(0.3)
	8	**11.3**	15.2

*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 30 March 2019 or 31 March 2018 but is derived from those accounts. Statutory accounts for the period ended 31 March 2018 have been delivered to the registrar of companies and those for 30 March 2019 will be delivered in due course. The auditor has reported on the accounts for the periods ended 30 March 2019 and 31 March 2018; their reports were (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

Changes in accounting policies

In the current period, the following new and amended IFRSs became effective for the Group:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements to IFRSs 2014-2015 Cycle
- IFRIC 22 'Foreign currency transactions and advance consideration'
- Amendments to IFRS 2, 'Share-based payments', on clarifying how to account for certain types of share-based payment transactions

The impact of the adoption of IFRS 9 and IFRS 15 is set out below. The main effect of applying these standards has been:

- IFRS 15 – earlier recognition of revenue from the currency segment contracts; and
- IFRS 9 – an increase in impairment losses recognised on financial assets

The other amendments have not had an impact on the amounts recognised in the current or prior periods and are not expected to significantly impact future periods. There are no other standards or amendments in addition to those listed above that are likely to impact the group on adoption.

The preliminary announcement for the period ended 30 March 2019 has been prepared consistently with International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") as adopted by the European Union (EU) at 30 March 2019. Details of the accounting policies applied are those set out in De La Rue plc's annual report 2018 with the exception of IFRS9 and IFRS15.

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 30 March 2019.

Adoption of IFRS 9 "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 and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurements – IFRS9 includes three measurement basis: Amortised cost, fair value through profit and loss (FVPL) and fair value through other comprehensive income (FVOCI). Under IAS 39 the Group classified certain assets as 'held to maturity'. The 'held to maturity' investments related to Loan Notes, Preference Shares and Ordinary Shares received as part consideration for the disposal of the Portals De La Rue paper business. The group has reviewed the terms and nature of these instruments and concluded that the objective is to receive solely principle and interest on specified dates (SPPI). Therefore, as the option is not being taken to designate these as fair value through the profit and loss account, they will be accounted for on an Amortised cost basis and presented as "other financial assets". Consequently, whilst the category of classification will change, there is no impact on the measurement of amounts recorded on the balance sheet as at 1 April 2018. The Group does not hold assets classified as 'available for sale'.

Derivative and hedging – as permitted by IFRS9, the Group has continued to apply the requirements of IAS 39 at the current time.

Impairment of financial assets – IFRS9 introduces an 'expected loss' model for the accounting for credit losses. The Group is following the simplified approach in calculating Expected credit loss "ECL" as its trade receivables and contract assets arise from contracts under the scope of IFRS15 without a significant financing component.

The Group has calculated the ECL by segmenting and sub-segmenting its Trade Receivable balances into different segments. This allows for the segmentation of the total Accounts Receivable balance in groupings with a similar risk of credit loss being incurred and the ECL is calculated by applying the expected loss rate to each segment. The rate applied is based on the Groups historical experience of credit losses, in addition to available knowledge of potential future credit risk and is based on available data such as country credit ratings, and historic payment experiences with particular customer profiles.

The total accounts receivable balance is segmented as follows:

- Firstly: by Banks and Government Departments (group 1) or Non Bank / Government Departments (group 2); then
- Secondly: For each of the above groups by age of receivable; and
- Thirdly: For Government Departments (group 1) by sovereign country credit rating; For non-bank/government departments (group 2) by the absence or presence of a defined written payment agreement.

At March 2019 an amounts of £1m has been calculated for the ECL (in addition to any specific ECL amounts recorded) with the equivalent number for March 2018 being £0.8m.

The Group has chosen to apply the “modified retrospective” approach to adoption and as such the FY18 amount was adjusted through opening reserves (as a cumulative catch up) such that the P&L impact of IFRS9 in the FY19 accounts is £0.2m.

Comparatives have not been re-stated.

Adoption of IFRS 15 “Revenue from Contracts with Customers” during the period.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. It also requires identifying the performance obligations in the contract and allocating a transaction price to those obligations.

The new standard introduces a 5-step model to account for revenue and it provides additional guidance in areas where the previous IFRS’s did not provide specific guidance.

- Step 1 – Identify the contract
- 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 Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (1 April 2018). Accordingly, the information presented for FY18 has not been restated and is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The cumulative impact of adoption of IFRS 15 has been recognised as an increase/ decrease to retained earnings with a corresponding decrease/ increase in net assets at 1 April 2018 as detailed in the table below:

Impact on the Balance Sheet as previously reported at 31 March 2018:			
	As at 1 April 2018 £m	Impact of IFRS15 £m	As at 1 April 2018 restated for IFRS15 £m
Inventory	37.0	(2.9)	34.1
Contract Assets		3.2	3.2
Total impact on net assets		**0.3**	
Impact on retained earnings:			
Banknote contracts with enforceable right to payment		0.4	
IDS contracts with multiple performance obligations		(0.1)	
Sales commissions		-	
Total impact on retained earnings		**0.3**	

All contract liabilities (presented as deferred income in FY18) have been released to revenue in the year.

The following summarises the impacts of adopting IFRS 15 on the Group’s balance sheet as at 30 March 2019 and its statement of comprehensive income for the period then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 30 March 2019.

The impact on the income statement for the period to 30 March 2019			
	Pre the impact of IFRS15	Impact of IFRS15 £m	As reported post adoption of IFRS15
Revenue	552.6	12.2	564.8
Operating expenses	(528.1)	(5.3)	(533.3)
IFRS operating profit	**24.5**	**6.9**	**31.5**
Adjusted operating profit	**53.2**	**6.9**	**60.1**
IFRS basic and diluted EPS		5.0p	
Adjusted basic and diluted EPS		5.0p	

Under IAS 18, revenue for the currency segment was recognised on final delivery of the goods, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.

Under IFRS 15, revenue for the currency segment is recognised over time for contract where the product is bespoke and has no alternative use and an enforceable right to payment exists. This means on certain contracts revenue will be recognised before the goods are delivered. Therefore, on certain contracts, revenue in the currency segment is recognised sooner under IFRS 15 than under IAS 18. The impacts of these changes in FY19 for the currency segment are:

- an increase in revenue by £11.9 m,
- associated increase in operating costs by £5.3 m
- an increase in contract assets by £11.6m
- a decrease in inventories by £5.3m

The impact on the IDS segment was not material, with an increase in revenue of £0.3m reflecting the recognition of revenue over time, using the input method with revenue recognised based on costs incurred to date as a proportion of total costs.

Based on the current customer contracts in the PA&T segment, no adjustments was required for revenue on application of IFRS 15. The following table provides information for the current period (under IFRS 15) about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service /segment	**Nature and timing of satisfaction of performance obligations**	**Revenue recognition under IFRS 15**	**Revenue recognition under IAS 18**
Currency segment: Supply of banknotes	The Group has determined that for certain banknote contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured.	Revenue for certain banknote contracts with enforceable right to payment will be recognised over time for banknotes produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method with	Revenue was recognised when the banknotes were dispatched from the Group's warehouse, or when they were delivered to the customer's specified location (depending on contractual delivery

	This is because under those contracts, currency products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. For other banknote contracts, where customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer. If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.	revenue recognised based on costs incurred to date as a proportion of total costs.. Revenue for other banknote contracts, where customers do not take control of the goods until they are completed is recognised based on contractual terms which will determine when control has passed to the customer. This might include recognition of revenue on inventory placed in to storage for the customer so long as it is demonstrated that control of the product has passed to the customer. This is case where an enforceable right to payment under the contract cannot be demonstrated.	terms) or when they were placed into storage (meeting the bill and hold criteria for revenue recognition) which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.]
Currency segment: Supply of banknotes along with other services	In addition to the supply of banknotes, which is a separate performance obligation (see above), additional and separate performance obligations such as design and storage services have been identified in such contracts which meet the over time criteria.	The transaction price attributable to the additional performance obligations is deemed to be immaterial. Accordingly, no separate transaction price will be attributed to these performance obligations; instead, the consideration in the contract will be entirely allocated to the single performance obligation of supplying currency.	No transaction price was attributed to the satisfaction of the additional performance obligations.
IDS segment: IDS contracts including supply of passports, hardware and software and other services.	Multiple performance obligations have been identified in some IDS contracts including supply of passports, hardware and software services. For contracts where an enforceable right to payment exist, the customer is considered to control all of the work in progress as the products	Revenue will be allocated to the performance obligations identified and revenue will be recognised over time as control of the contract deliverables is passed to the customer. Revenue is recognised progressively based on the cost-to-cost method.	Revenue was recognised when the products were dispatched from the Group's warehouse, or when they were delivered to the customer's specified location (depending on contractual delivery

	are being manufactured or installed and the services as they are delivered. Hence, these performance obligations meet the over time criteria for revenue recognition. For other IDS contracts, where customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer. In addition to the above, additional and separate performance obligations such as design, training and shipping and consultancy services have been identified in such contracts which also meet the overtime criteria. If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.	Revenue for other IDS contracts, where customers do not take control of the goods until they are completed is recognised on formal acceptance by the customer.	terms) or on completion of milestones, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.

The following table sets out the treatment of costs to obtain a contract with a customer as well as costs of fulfilment incurred in satisfaction of the performance obligations.

Type of costs	**Revenue recognition under IFRS 15**	**Revenue recognition under IAS 18**
Costs to obtain a contract: sales commissions	Management expects that incremental commission fees paid to intermediaries as a result of obtaining long term sales contracts are recoverable. The Group therefore capitalises them as contract costs. Capitalised commission fees are amortised when the related revenues are recognised. The Group applies the practical expedient in paragraph 94 of IFRS 15 and therefore recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have	Costs to obtain a contract such as commission fees were expensed when they were incurred.

	recognised is one year or less. All commissions included at 1 April 2018 and at 30 March 2019 have been determined to have an amortisation period of less than one year.	

Warranties

All warranties are considered of a standard nature and as such are accounted for under IAS 37 and not IFRS15

IFRS 16 "leases"

IFRS 16 *Leases* ('IFRS 16') was issued by the IASB in January 2016 and it is applicable for the Group for the financial year starting 1st April 2019. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases* ('IAS 17'), IFRIC 4 *Determining whether an Arrangement contains a lease* ('IFRIC 4'), SIC – 15 *Operating Leases – Incentives* ('SIC – 15'), and SIC – 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease* ('SIC – 27').

IFRS 16 introduces a single, on-balance sheet, lease accounting model for lessees. The Group will recognise a right-of-use ('ROU') asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This will result in a substantial number of leases being recorded on the balance sheet, as the distinction between operating and finance leases is removed. There are exemptions for short-term leases and leases of low-value items which permit such leases to be excluded from the balance sheet and the lease payments to be recognised as an expense on a straight-line basis over the term of the lease.

Previously, the Group recognised operating lease payments as an expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. As noted above, the Group will now recognise new assets and liabilities for its operating leases. The nature of expenses will now change because the Group will recognise a depreciation charge for ROU assets and interest expense on lease liabilities. The interest expense will be front loaded, resulting in a higher total charge to the income statement in the initial years of a lease.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability and the onerous nature of any leases will be recognised by impairing the associated ROU asset.

The Group plans to adopt IFRS 16 using the modified retrospective (with the asset recalculated) method. Under this method, the ROU asset will be measured as if the Group had always followed IFRS 16 but using the discount rate as at the transition date (31 March 2019). The lease liability will be calculated based on the net present value of lease payments. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to retained earnings as at 31 March 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1st April 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group is currently undertaking a detailed assessment of the impact of IFRS 16 on the income statement and balance sheet.

2 Segmental analysis

The continuing operations of the Group have three main operating units: Currency, Identity Solu
Product Authentication and Traceability. The Board, which is the Group's Chief Operating Decisic
monitors the performance of the Group at this level and there are therefore three reportable segm
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 banknot
features
- **Identity Solutions** – involved in the provision of passport, ePassport, national ID and eID, drivir
and voter registration schemes
- **Product Authentication and Traceability (previously Security Products)** – produces
documents, including authentication labels, brand licensing products, government documents,
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
business are included within the currency segment until the date of disposal in the prior period.

2019	Currency	Identity Solutions	Product Authentication and Traceability	Unallocated	Total
	£m	£m		£m	£m
Total revenue from contracts with customers	**447.5**	**78.4**	**39.3**	**-**	**565.2**
Less: inter-segment revenue	**(0.4)**	–	–	–	**(0.4)**
Revenue from contracts with customers	**447.1**	**78.4**	**39.3**	**-**	**564.8**
Timing of revenue recognition:					
Point in time	**435.2**	**78.1**	**39.3**	**-**	**552.6**
Over time	**11.9**	**0.3**	**-**	**-**	**12.2**
Operating profit/(loss)	**21.0**	**12.2**	**3.4**	**(5.1)**	**31.5**
Net interest expense	**(0.7)**	–	–	**(3.8)**	**(4.4)**
Interest income	**0.6**				**0.6**
Retirement benefit obligations net finance expense	–	–	–	**(2.1)**	**(2.1)**
Profit/(loss) before taxation	**20.9**	**12.2**	**3.4**	**(11.0)**	**25.5**
Segment assets	**195.0**	**59.1**	**34.0**	**87.2**	**375.3**
Segment liabilities	**(84.3)**	**(47.1)**	**(7.2)**	**(265.9)**	**(404.5)**
Capital expenditure on property, plant and equipment	**11.2**	**-**	**4.2**	**3.5**	**18.9**
Capital expenditure on intangible assets	**1.4**	**2.9**	**2.0**	**0.2**	**6.5**
Depreciation of property, plant and equipment	**10.4**	**3.8**	**0.9**	**1.6**	**16.7**
Amortisation of intangible assets	**2.2**	**0.5**	**0.5**	**-**	**3.2**

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**
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	**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**

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.

The loss on discontinued operations in the period, of £2.4m (comprising net charges of £2.8m and £0.4m associated to tax credits), relates to costs 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, receivables due from CPS totalling £1.4m have been provided for in the year as these are now not expected to be received. Refer to note 9 for further details.

In addition, during the year there has been a £0.6m 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

	2019 £m	2018 £m
Site relocation and restructuring costs	**(4.8)**	(4.0)
Costs associated with disposal of subsidiary	**-**	(5.1)
Impairment of disposal group	**-**	(9.3)
Loss on disposal net of transaction costs	**(2.6)**	-
Acquisition related	**(0.2)**	(0.2)
Guaranteed minimum pension adjustment	**(1.7)**	-
Gain on revaluation of measurement of pension scheme deficit	**-**	80.5
Pension underpin costs	**(0.5)**	-
Venezuela Credit loss provision	**(18.1)**	-
Costs associated with the indexation change on the pension scheme	**-**	(1.0)
Exceptional items in operating profit	**(27.9)**	60.9
Tax (charge)/credit on exceptional items	**4.2**	(9.7)

Site relocation and restructuring costs

Site relocation and restructuring costs in FY19 included: Net charges of £1.9m (FY18: £1.8m) relating to the completion of the manufacturing footprint review announced in December 2015 comprising staff compensation payments, 'dual running' costs for the period in FY19 when the Group was running both the new PA&T manufacturing facility in Malta and the old facility in Gateshead and the impairment of certain assets which are no longer expected to be used for their original useful lives.

£1.3m (FY18: £2.2m) relating to the finalisation of the upgrade of our finance systems and processes which included staff compensation payments, personnel costs for individuals solely employed to work on the project and consultancy fees.

£1.6m of staff compensation payments was incurred in relation to the review of our cost base which was announced HY19.

Impairment of disposal group and loss on disposal

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. 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.

In the current period an additional loss on disposal of £2.6m net of transaction costs has been recorded due to finalisation of the disposal accounting post year end on confirmation of the final working capital adjustment and update of the estimated liability under the recompense clause.

Acquisition costs

Additional costs of £0.2m were incurred in the period relating to staff retention payments fell due relating to the acquisition of De La Rue Authentication Solutions Inc.

Pension underpin costs

Legal fees of £0.5m have been incurred in the rectification of certain discrepancies identified in the Scheme's rules. The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they are continuing to assess this.

Costs associated with disposal of subsidiary

In FY18 costs of £5.1m were incurred on the disposal of the Paper business.

Guaranteed minimum payment adjustment

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 Payment (or "GMP"). This has resulted in an increase of £1.7m to our obligation in the period which is accounted for in the income statement as a past service costs but presented within exceptional items. The estimate was performed based on method C2 (under the terminology of the High Court Judgement), which compares each member's accumulated benefits, with interest, to the same benefits if the member were the 'opposite sex' and ensuring the higher of the two accumulated amounts has been paid in each year.

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 was recorded within exceptional items in the prior period. The directors continue to assess any residual impact from this change. In addition, in the prior year costs of £1.0m have been incurred relating to professional advisor and other costs directly related to the indexation change.

Accounts Receivable Credit Loss

£18.1m credit loss associated with the outstanding accounts receivable of a customer in Venezuela currently unable to transfer funds due to non-UK related sanctions. In accordance with the Group's policy, the credit loss relating to the customer in Venezuela has been recorded in exceptional items due to its size and non-recurring nature.

Taxation relating to exceptional items
Tax charges relating to exceptional items arising in the period were £4.2m (FY18: tax credit of £9.7m).

5 Taxation

	2019 £m	2018 £m
Consolidated income statement		
Current tax:		
UK corporation tax:		
– Current tax	**3.8**	6.8
– Adjustment in respect of prior years	**(0.3)**	(1.7)
	3.5	5.1
Overseas tax charges:		
– Current year	**2.2**	2.9
– Adjustment in respect of prior years	**(0.3)**	(1.4)
	1.9	1.5
Total current income tax charge	**5.4**	6.6
Deferred tax:		
– Origination and reversal of temporary differences, UK	**(1.6)**	10.6
– Origination and reversal of temporary differences, overseas	**0.6**	(1.6)
Total deferred tax (credit)	**(1.0)**	9.0
Income tax expense reported in the consolidated income statement in respect of continuing operations	**4.8**	16.8
Income tax expense/(credit) in respect of discontinued operations (note 3)	**(0.4)**	**(1.2)**
Total income tax charge in the consolidated income statement	**4.4**	15.6
Tax on continuing operations attributable to:		
– Ordinary activities	**8.7**	8.3
– Amortisation of acquired intangible assets	**0.3**	**(1.2)**
– Exceptional items	**(4.2)**	9.7
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**(1.5)**	10.4
– On cash flow hedges	**(0.2)**	(0.5)
– On foreign exchange on quasi-equity balances	**(0.5)**	0.1
Income tax (credit)/charge reported within comprehensive income	**(2.2)**	10.0
Consolidated statement of changes in equity:		
– On share options	**0.3**	0.2
Income tax charge reported within equity	**0.3**	0.2

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

	2019				2018			
	Before exceptional items £m	**Exceptional items £m**	**Movement on acquired intangibles £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	**Movement on acquired intangibles £m**	Total £m
Profit before tax	**54.2**	**(28.0)**	**(0.7)**	**25.6**	53.4	60.9	**(0.7)**	113.6
Tax calculated at UK tax rate of 19 per cent (2016/17: 20 per cent)	**10.3**	**(5.3)**	**(0.1)**	**4.9**	11.7	(0.1)	**(0.1)**	21.6
Effects of overseas taxation	**(1.1)**	–	–	**(1.1)**	(0.1)	–	–	0.5
(Credits)/charges not allowable for tax purposes	**(0.6)**	**1.6**	–	**1.0**	(1.8)	(0.5)	–	0.6
(Utilisation)/increase in unrecognised tax losses	**-**	**-**	–	**-**	(0.1)	–	–	(1.3)
Adjustments in respect of prior years	**-**	**(1.1)**	**0.4**	**(0.7)**	(1.8)	(0.3)		(2.1)
Change in UK tax rate	**0.1**	**0.6**	**-**	**0.7**	0.1	(1.5)	(1.1)	(2.5)
Tax charge/(credit)	**8.7**	**(4.2)**	**0.3**	**4.8**	8.3	9.7	(1.2)	16.8

The underlying effective tax rate was 16.1% (FY18: 15.5%).

6 Earnings per share

	2019 Full year pence per share	2018 Full year pence per share
Earnings per share		
Basic earnings per share from continuing operations	**18.8**	93.7
Diluted earnings per share from continuing operations	**18.8**	92.8
Basic earnings per share from discontinued operations	**(2.3)**	(1.8)
Diluted earnings per share from discontinued operations	**(2.3)**	(1.8)
Basic earnings per share - Total	**16.5**	91.9

Diluted earnings per share - Total	**16.5**	91.0
Adjusted earnings per share – excluding paper		
Basic earnings per share from continuing operations	**42.9**	38.2

Earnings per share is calculated 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 102.9m (FY18: 101.9m) for basic earnings per share and 103.2m (FY18: 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:

	2019 £m	2018 £m
Earnings for basic earnings per share – Total	**17.0**	93.6
Add: Earnings for basic earnings per share - discontinued operations	**2.4**	1.8
Earnings for basic earnings per share – continuing operations	**19.4**	95.4
Add: Amortisation of acquired intangibles	**0.7**	0.7
Add: Exceptional items (excluding non-controlling interests)	**27.9**	(60.9)
Add: tax on amortisation of acquired intangibles	**0.3**	(1.2)
Less: Tax on exceptional items	**(4.2)**	9.7
Earnings for adjusted earnings per share	**44.1**	43.7

Adjusted earnings per share excludes discontinued operations.

7 Equity dividends

	2019 £m	2018 £m
Final dividend for the period 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
Final dividend for the period ended 30 March 2018 of 16.7p paid on 3 August 2018	**17.1**	-
Interim dividend for the period ended 29 September 2018 of 8.3p paid on 3 January 2019	**8.6**	-
	25.7	25.4

A final dividend per equity share of 16.7p has been proposed for the period ended 30 March 2019. If approved by shareholders the dividend will be paid on 2 August 2019 to ordinary shareholders on the register at 5 July 2019.

8 Analysis of net debt

	2019 £m	2018 £m
Cash at bank and in hand	**12.2**	15.2
Short term bank deposits	**-**	0.3
Bank overdrafts	**(0.9)**	(0.3)
Total cash and cash equivalents	**11.3**	15.2
Borrowings due within one year	**(118.8)**	(65.1)
Net debt	**(107.5)**	(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 30 March 2019 the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £156.5m (31 March 2018: £210m, all maturing in more than one year). The amount of loans drawn on the £275m facility is £118.5m.

Net debt above is presented excluding unamortised pre-paid borrowing fees of £1.0m (FY18: £1.5m).

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. 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. Specifically, there is one tax assessment where no provision has been made on the basis that the management does not consider that the chance of an outflow of economic benefits is probable. In the possible event that there was an adverse outcome this could result in a material outflow.

As part of the sale of the CPS business the company gave certain warranties which were usual for a transaction of this nature. In February 2018 the buyer made a claim under the warranties, which De La Rue has been defending. The parties are in constructive discussions concerning a settlement, which is anticipated to be finalised in the coming months. No amount has been provided for this claim but outstanding amounts from CPS have been written down as detailed in note 3

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 30 March 2019, being the last Saturday in March. The comparatives for the 2017/18 financial year are for the period ended 31 March 2018.

11 Statutory accounts

Statutory accounts for the period ended 30 March 2019 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:

	2019		2018	
	Average	**Year End**	Average	Year End
US dollar	1.32	1.31	1.33	1.41
Euro	1.13	1.17	1.13	1.14

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. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of acquired intangibles. Exceptional items are excluded as they are not considered to be representative of underlying business performance. 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 to the equivalent IFRS measures where applicable are shown in the following tables.

The Groups policy on classification of exceptional items is also set out below:
The Directors consider items of income and expenditure which are both material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the Guaranteed Minimum Payments, and non recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations. All exceptional items are included in the appropriate income statement category to which they relate. Adjusted measures are also presented on an excluding paper basis. The Directors considered that this provides a more meaningful presentation of the underling financial performance of the business during the period.

			18/19 £m					17/18 £m			
	Currency	ID	PA&T	Un-allocated	Portals Pass Through	**Group**	Currency	ID	PA&T	Unallocated	**Group**
Revenue											
Reported	398.8	78.4	39.3	-	48.2	**564.8**	371.8	82.0	40.1	-	**493.9**
Paper	-	-	-		-	**-**	(59.8)	(5.6)	(2.1)	-	**(67.5)**
Portals Pass through Revenue	-	-	-	-	(48.2)	**(48.2)**	-	-	-	-	**-**
Security Features Sales (previously internal)	-	-	-	-	-	**-**	32.1	2.5	0.4	-	**35.0**
Revenue Excluding Paper	398.9	78.4	39.3	-	-	**516.6**	344.1	78.9	38.4	-	**461.4**
Operating Profit											
IFRS Operating Profit	21.0	12.2	3.4	(5.1)	-	**31.5**	30.7	7.5	7.7	77.1	**123.0**
Less Exceptional Item	20.7	-	2.1	5.1	-	**27.9**	14.4	0.2	1.6	(77.1)	**(60.9)**
Add Amortisation of acquired Intangibles	-	0.5	0.2	-	-	**0.7**	-	0.6	0.1	-	**0.7**
Adjusted Operating Profit Including Paper	41.7	12.7	5.7	-	-	**60.1**	45.1	8.3	9.4	-	**62.8**
Paper Operating Profit	-	-	-	-	-	**-**	(4.6)	(1.3)	-	-	**(5.9)**
Adjusted Operating Profit Excluding Paper	41.7	12.7	5.7	-	-	**60.1**	40.5	7.0	9.4	-	**56.9**

On 29th March 2018 the Group disposed of the Paper business to Epiris (referred to as 'Portals' elsewhere in this report).

Previously the Paper business supplied paper to and purchased security features from other companies within the Group (the results of which were eliminated on consolidation) and also sold paper directly to third parties, generating external revenue and margin in our currency and ID businesses.

Post the disposal, certain of these third party paper contracts were not able to novate to Portals and the group now maintains the sale to the customer but purchases the paper from Portals at nil margin.
Separately, the group supplies thread to Portals (generating external revenue and margin), who use this to manufacture bank note paper, some of which is sold to De La Rue, with the group using this in the manufacture of currency bank notes then sold to third parties.

Reported figures included in this release include the paper business results in FY18 as originally reported and in FY19 they include £48.2m 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 FY19.
FY18 "excluding paper" figures exclude the results of the paper business (being external revenue and margin on paper sales to third parties). In addition, Security Feature sales of £35.0m, which would have previously been treated as internal, have been added back to present the comparative numbers in FY18 on a basis consistent with the IFRS accounting treatment applied in FY19. The FY18 security features sales of £35m is a calculated number based on FY18 volumes sold intercompany to the paper division approximated to the value of the pricing in the Portals relationship agreement.

This is a change in presentation of FY18 results in this release compared to those previously reported in the FY18 release in May 2018. This change has been made to provide a more meaningful presentation of the financial performance of the business during the period.

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 basic number of ordinary shares 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.

	2019 £m	2018 Including Paper £m	2018 Excluding Paper [1] £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**19.4**	95.4	101.8
– Amortisation of acquired intangible assets	**0.7**	0.7	0.7
– Exceptional items	**27.9**	(60.9)	(75.3)
– Tax on amortisation of acquired intangibles	**0.3**	(1.2)	(1.2)
– Tax on exceptional items	**(4.2)**	9.7	12.9
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**44.1**	43.7	38.9
Weighted average number of ordinary shares for basic earnings	**102.9**	101.9	101.9

	2019 pence per share	2018 pence per Share including paper	2018 pence per Share excluding paper [1]
Earnings per ordinary share continuing operations on an IFRS basis	**18.8p**	93.7p	n/a
Adjusted earnings per ordinary share for continuing operations	**42.9p**	n/a	38.2p

(1) 2018 excluding paper numbers have been adjusted to add back £14.4m of exceptional costs that related to the Paper disposal and a £3.2m associated tax charge that would have been incurred on the higher exceptionals total number of £75.3m. In addition the £5.9m paper profit made in FY18 has also been excluded along with an estimated tax charge thereon of £1.1m (assumed at UK tax rate of 19%) to give a comparative adjusted EPS metric from continuing operations excluding paper.