23 November 2022

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated by the Market Abuse Regulation (EU) No.596/2014, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"). Upon the publication of this announcement, the inside information is now considered to be in the public domain.

DE LA RUE

2022/23 HALF YEAR RESULTS

De La Rue plc (LSE: DLAR) ("De La Rue", the "Group" or the "Company") announces its half year results for the six months ended 24 September 2022 (the "period", "H1 23" or "half-year"). The comparative period was the six months ended 25 September 2021 ("H1 22").

Highlights:

- Adjusted operating profit in line with previous guidance given in July, at £9.3m (H1 22: £17.4m)
- IFRS operating loss of £12.6m (H1 22: operating profit £13.8m), after exceptional items charge of £21.4m
- Exceptional charges included £19.3m relating to Portals paper: £16.8m in relation to the termination of the Relationship Agreement ("RA") and £2.5m of non-cash additional expected credit loss provision on investments
- Exit of Portals going well: orders placed with 5 paper mills at lower aggregate cost. +£4m annual upside reiterated
- Authentication revenue rose 2.5% to £45.5m (H1 22: £44.4m); margin lower due to adverse sales mix and supply chain headwinds, but expected to recover full year to broadly flat versus FY22
- New Managing Director is restructuring Authentication, with renewed focus on sales growth and execution
- GRS in Qatar, Bahrain and Oman now delivering revenue; Australian passport contract extended to 2032
- Currency revenues reduced 12.3% to £116.4m (H1 22: £132.7m) due to subdued market. Margin percentages maintained if £3m Portals shortfall payment (as per previous guidance) excluded
- Second polymer line in Westhoughton built and fully operational within budget; positive outlook for growth
- Net debt increased by 21.1% to £86.5m (FY22: £71.4m); remains on track to full year guidance of £88-92m
- Existing bank facilities extended to 1 January 2025
- Nearing the end of the 3-year turnaround plan, which saved De La Rue and has significantly increased resilience
- Further efficiency actions expected to save an annualised £12m
- Company today outlines its plan for the next 3 years, and is well positioned for the future
- De La Rue expects to be free-cashflow generating, after pension payments, next financial year onwards
- Management guides full-year adjusted operating profit range of £30-33m versus analyst estimates of around £36m

Financial summary	H1 23 £m	H1 22 £m	Change %
Revenue	**164.3**	179.2	**-8.3**
Authentication	45.5	44.4	2.5
Currency	116.4	132.7	-12.3
Identity Solutions	2.4	2.1	14.3
Gross profit – continuing operations*	**41.8**	48.5	**-13.8**
Adjusted operating profit*[1]	**9.3**	17.4	**-46.6**
IFRS operating (loss)/ profit- continuing operations	**(12.6)**	13.8	**-191.3**
Adjusted basic EPS*[2] (p)	**2.0p**	6.4p	**-68.8**
IFRS basic EPS (p)	**(12.6)p**	4.9p	**-357.1**

	H1 23 £m	FY22 £m	Change %
Net debt	**86.5**	71.4	**21.1**

Clive Vacher, Chief Executive Officer of De La Rue, said:

"Over the course of the last two and a half years implementing De La Rue's Turnaround Plan, we have dealt with significant legacy issues, and created a company that is well positioned to weather the current operating environment. We have made good progress in addressing our pension deficit payments, saving £57m in cash. We have terminated our contract with Portals paper, removing a £119m obligation over six years, for just £16.7m. We have grown our Authentication division revenue by 22% and adjusted operating profit by over 50% in the space of two years. And, in the same timeframe, we have turned a loss-making Currency business into one that is profitable and increasingly stable. Our targeted investment programmes are proceeding well, with the second polymer line completed and operational within budget, and the near-doubling of our Malta factory proceeding at pace.

The first half of this financial year has been challenging, with a number of key headwinds. We continue to face supply chain inflation but have proactively managed this to less than half our initial cost-increase expectations. Our Brand business has been impacted by lower global PC sales and reduced Covid vaccine demand, and, in Currency, the whole market has been subdued as customers use stocks built up over Covid.

Today we have also set out our vision for the next three years, with value-generating plans across the Company, aimed at continuing growth in Authentication and solid returns on the investments made in Currency. We are reiterating that as part of this, next financial year, the Company will generate free cash flow and see an improved EBITDA."

In these results, we report on the financial performance of the Authentication and Currency divisions, together with the legacy activity of the Identity Solutions division. To provide insight into the underlying performance of our business, we have reported revenue, gross margin and operating loss on an IFRS and an adjusted basis for the Group. We have also reported gross profit, adjusted operating profit and adjusted controllable operating profit for the divisions. The non-IFRS financial measures section of this Interim Statement provides definitions of these non-IFRS financial measures and their reconciliation to the equivalent IFRS measure.

Footnotes:

***** These are non-IFRS measures. The definition and reconciliation of adjusted operating profit and adjusted basic EPS can be found in non-IFRS financial measures section of this Interim Statement.

1. Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £21.4m (H1 22: £3.1m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 22: £0.5m).
2. Adjusted basic EPS excludes post-tax exceptional items of £28.1m (H1 22: £2.5m) and post-tax amortisation of acquired intangible assets £0.4m (H1 22: £0.4m).
3. The definition of net debt can be found in note 8 to the financial statements.

Enquiries:

De La Rue plc	**+ 44 (0) 7990 337707**
Clive Vacher	Chief Executive Officer
Rob Harding	Chief Financial Officer
Louise Rich	Head of Investor Relations
Brunswick	**+ 44 (0) 207 404 5959**
Stuart Donnelly	
Ed Brown	

The person responsible for the release of this announcement on behalf of De La Rue for the purposes of MAR is Rob Bellhouse (Company Secretary).

A briefing to analysts will take place at 9:00 am on 23 November 2022, which will also be accessible via webcast. For the live webcast, please register at www.delarue.com/investors/results-and-reports where a replay will also be available subsequently.

De La Rue plc's LEI code is 213800DH741LZWIJXP78.

About De La Rue

De La Rue plc's purpose is to secure trust between people, businesses and governments. As a trusted partner of governments, central banks and commercial organisations seeking to secure their global supply chains and cash cycles, De La Rue provides highly secure physical and digital solutions that underpin the integrity of economies and trade.

De La Rue's Currency division provides market-leading end-to-end currency solutions, from finished banknotes to secure polymer substrate and banknote security features to over half the central banks and issuing authorities around the world.

Our Authentication division protects revenues and reputations through the provision of physical and digital solutions to governments and commercial organisations. We also manufacture financial documents and ID security components.

At the end of September 2022, De La Rue had 2,190 employees who work with organisations in more than 140 countries, leveraging the group's manufacturing facilities in the UK, US, Malta, Sri Lanka and Kenya.

De La Rue's shares are traded on the London Stock Exchange (LSE: DLAR). For further information please 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.

BUSINESS UPDATE

It is almost three years since we set out the Turnaround Plan, which saved De La Rue. Since that time, we have worked hard on implementation. In Currency, we more than doubled our capacity to manufacture polymer substrate within budget. Polymer substrate has grown from 3% to 5% of the banknote market with De La Rue's share now representing 34% of this now much larger market. At the same time we reduced the number of banknote print sites from five down to four. In Authentication we signed a number of significant contracts in the GRS space, capturing 100% of the GCC region and renewed the Microsoft contract for five years. At Group level, Malta is now transitioning into a 29,000m^2 state-of-the-art manufacturing site serving both divisions. By the end of FY22 we had made £36m of annualised savings and have since held payments to deal with the historic pension deficit to £15m per annum. We have also removed some legacy structural issues, consolidating the R&D teams into our Basingstoke site and transitioning to a divisional structure. These actions have made De La Rue a much more resilient business which can better weather the current market.

These actions have put the Group on a much firmer financial footing. We refinanced the business and these facilities now run to January 2025. We have grown operating profit from our Authentication and Currency divisions from £1.4m to £35.8m, and operating profit margins from 0.3% to 9.6% in the two years from FY20 to FY22. In Currency, divisional adjusted operating loss of £9.4m in FY20 has been transformed to a £19.5m profit by FY22 and the Authentication division has grown revenue by 22.4% and adjusted operating profit by 50.9% over the same period.

We currently find ourselves in a difficult economic environment, but the performance of the business for the six months to 24 September 2022 is a testament to how far we have come and how much more resilient the Group is now than it was three years ago.

We have continued to take action in the first half, being proactive in cost control and reduction as well as operational execution. These, together with those previous actions mentioned above, have enabled us to meet the operating profit guidance for the first half that we gave earlier in the year, leaving the business in a good place to meet the challenges of the second half and beyond. Notably, the Currency division has broken the historic trend of losses in a downcycle and remains profitable even in a very tough operating environment.

In the first half, actions taken included the termination of the Relationship Agreement ("RA") for the supply of banknote paper with Portals Paper and a continued strong focus on controlling input costs and on cost efficiency. We are rightsizing the Currency division for the softer conditions in the banknote market that currently prevail, and fresh leadership in the Authentication division has restructured the business to drive sales and growth opportunities. These current initiatives will provide additional savings of £12m per annum by the end of FY24, together with greater productivity.

We are also investing further in polycarbonate capacity, having de-risked this expansion by securing a five-year extension of the contract to produce ID data pages for the Australian passport. In addition, with the expiration of the non-compete agreement period following the sale of the ID business, we are now able to market any spare capacity.

However, we still have further to travel.

In FY24 our capital expenditure will drop substantially to around £15m per annum as the significant investments near completion, which have unlocked capacity in the key growth markets of polymer, security features, GRS, Brand and passport polycarbonates. With continued close management of working capital and cost, including the £12m savings mentioned above, despite the impact of increased financing costs, we expect De La Rue to be a free cash generating business on a sustainable basis, after pension payments. In addition, we expect to see an improved EBITDA, even if markets do not recover, based on the actions we have already taken and continue to take, together with growth in existing programmes. We also expect to secure annual cash and operating profit savings of at least £4m on banknote paper purchases. Allied to this, we will continue to drive further significant cultural change to give greater focus on sales in both divisions and support integrated product development teams to bring innovations to market more quickly and effectively.

Moving further out, by FY26 in Authentication we intend to retain our strong number 2 position in the growing GRS market and have signed additional schemes in new territories, with additional revenue streams achieved by expanding the range of products covered in existing territories. 65 countries have now signed up to the FCTC. While many have been slower to implement a tax stamp scheme than the WHO had originally hoped, as they struggle with the global economic crisis, their commitments remain.

In the ID space, there is a trend from traditional passports towards ones with highly secure polycarbonate data pages. We have a world-leading offering in this space and are currently supplying Australia and a number of other countries. We already know that strong demand next year will mean high utilisation of our second production line.

We would also expect to have developed the Microsoft relationship further, with a view to additional contract extensions. In addition, we plan for the rest of the Brand business to be significantly increased.

In Currency, we will be focusing on providing a return on the capital that we have invested in this division over the last three years. We know that periods of economic uncertainty and high inflation have historically driven demand for more banknotes. We are seeing encouraging signs that inflation is driving banknote demand in places. However, it is too soon to know if this is the start of a trend and we are therefore planning prudently in the short-term.

We expect that the polymer market continues to grow. We aim to bring game-changing polymer security features to market by then. The combination of the industry-leading quality of our polymer substrate and our unique security features creates differentiation and further barriers to entry. We will continue to optimise our banknote printing footprint and capacity according to the needs of both the market and our customers, including completion of our Malta expansion.

By 2028 if successful in our plans, De La Rue will be a transformed group. Legacy issues would be fully resolved, including the pension scheme deficit, though we are considering options for improving the overall position before the final deficit reduction payment is made in 2029.

As a normal course of business, the Board annually reviews how to deliver the highest value for shareholders, including evaluating possible corporate actions. The latest review, which was the subject of independent assessment, concluded that the greatest value generation comes with executing the existing strategy and retaining the current Group structure.

Authentication

Revenues in Authentication in H1 23 rose 2.5% to £45.5m (H1 22: £44.4m).

We saw strong volume demand for in ID data pages in the first half and were pleased in September 2022 to announce a five-year extension to the Australian passport contract to 2032, allowing us to expand production in Malta to meet increased volume demand here. Semiconductor availability for the data pages is improving. We have met our production requirements for the year to date, but we are monitoring this situation carefully as small gaps in supply remain.

The division benefitted from sales of the data pages for the Australian passport as well as the GRS tobacco contracts, with Bahrain, Oman and Qatar becoming fully operational and hence revenue-earning in the first half, making up for the tail off of revenues under the HMRC contract which ended in June. However, the Omani and Qatari contracts did not come onstream until the second quarter. The second half will see the full benefit of these contracts, which when taken together with the Australian data page contract, added £6m incremental revenue in the first half and will add an anticipated £13m to the full year.

Brand had a weaker first half, as the global economic slowdown impacted PC sales, with a 15% year-on-year slowdown in PC sales in the quarter to September 2022, according to IDC. In addition, volumes of COVID-19 vaccine labels have fallen away faster than anticipated and we did not see replacement volume as the O5 contract came to an end.

Margins for the first half have been adversely impacted by the changing mix in the division and supply chain pressures, leading to a 44.3% fall in adjusted operating profit to £4.9m (H1 22: £8.8m).

Dave Sharratt joined De La Rue in September 2022 as Managing Director, Authentication. Dave is putting a greater focus on targeted sales growth and execution to build on contracts such as the recently onboarded schemes in Qatar, Bahrain and Oman. The restructuring of the division will be fully actioned and implemented in H2 23, with benefit seen in the second half and substantial savings in FY24 onwards.

Currency

Revenue in the first half of £116.4m (H1 22: £132.7m) was 12.3% down on that for the comparable period last year. As expected, we witnessed a post-COVID-19 lull in demand, with banknote volumes significantly down, a trend that was seen across the banknote printing market.

Our second polymer line at Westhoughton, which more than doubles our polymer substrate manufacturing capacity, is now fully operational. As we have already said, we expect polymer volumes to continue to rise from their current level of around 5% of the banknote market to over 7.5% by 2028. However, there will continue to be some drag on margins in this area of the business until we are operating at full capacity.

Counterbalancing this is the freedom to operate which the removal of our relationship with Portals brings. First half cost of sales in the division were impacted by a final volume shortfall payment under the old Portals paper supply contract of £3m. With the termination of this contract in July 2022, this cost will not be seen in future. Further details of the termination of the RA with Portals, together with the benefits that this brings De La Rue, are set out below. In addition, the impact of subdued banknote demand has also been partially mitigated by closely aligning headcount to conditions and continued manufacturing footprint optimisation.

As noted above, the Currency division has broken the historic trend of losses in a downcycle. Adjusted operating profit from this division in H1 23 was £4.3m (H1 22: £8.2m), 47.6% lower than the equivalent period last year. Once the final one-off volume shortfall payment of £3m to Portals is taken into account, margins in the first half have held up on a like-for-like basis.

The current market is subdued as inflation, pressure on government finances caused by the cost-of-living crisis and, in some cases, access to foreign exchange delay new banknote contracts and central banks work through the stock built up at the start of the COVID-19 pandemic.

Our 12 month order book stands at £177.7m (26 March 2022: £163.5m) at 16 November 2022 and our total order book at £179.7m at the same date (26 March 2022: £170.8m). As mentioned above, we are rightsizing the Currency division for the softer conditions in the banknote market that currently prevail. We are doing this in a manner that when the market rebounds, we can flex back up with maximum efficiency. We are also refining the divisional organisation, to capture more share of the current market and build greater certainty about order timings.

There are some tentative indications of the market returning, as high inflation has begun to drive orders from some countries, but it is too soon to call a return to normality and are therefore planning prudently.

Cost control

Like many businesses, De La Rue has seen input prices increase exacerbated by Russia's invasion of Ukraine. However, adjusted operating expenses rose by just 4.5% to £32.5m in H1 23 (H1 22: £31.1m). This was achieved through strict control of costs in all areas, including fixing our UK energy costs at well below the level of the Government winter price cap through to the first half of FY25, limiting annual salary increases to fair but affordable levels, negotiating with suppliers and reviewing overheads in all areas to ensure maximum efficiency.

However, cost of sales was impacted by raw material inflation, in particular in those areas involving products derived from oil such as polypropylene, as well as by the Portals paper volume payment referenced above.

Overall, our actions on cost mitigation, through a combination of realignment, dual sourcing and management of existing suppliers, have reduced our potential supply chain risks to around £4.5m from around £10.5m at the start of the year. We continue to focus on this area, and wherever contractually possible we pass those costs on to customers. However, the subdued nature of the banknote printing market at present has limited the opportunities for passing on price increases.

However, we need to adapt now while the challenges to revenue continue and are enacting additional savings of £12m annualised by the end of FY24, accompanied by greater productivity.

Portals agreement termination

One key element in our cost control strategy was achieved in July 2022 when we reached a settlement to terminate our long-term supply agreement with Portals Paper Limited related to the supply of banknote, proofing and security paper. This terminated the RA that was due to run to 2028 and which was entered into at the time of the sale of the Portals paper-making business in 2018. Under this agreement, De La Rue purchased banknote, proofing and security paper from Portals, subject to a minimum annual volume guarantee.

Under the settlement terms, De La Rue has been released from all obligations under the RA and is free to purchase banknote and security paper from any supplier worldwide. De La Rue has paid Portals the amounts due under the

normal RA arrangements in respect of confirmed orders placed up to the end of July 2022. In addition, De La Rue agreed to pay a total of £16.7m in cash to terminate the RA.
The initial £1.7m termination payment was made on 31 October 2022 and the remainder is due according to the following schedule:

- £7.5m on or before 31 December 2022
- £7.5m on or before 7 April 2023

The termination payment, together with associated legal costs, has been classed as an exceptional charge of £16.8m in H1 23.

The termination of the agreement with Portals marked an important further step in the resolution of legacy issues within De La Rue. It also allows us to pursue our strategy of converting banknote issuers to using polymer substrate without a consequent financial penalty accruing to De La Rue as a result. With the continued worldwide transition to polymer banknotes, the guaranteed minimum volumes that the Group was committed to purchase under the agreement were significantly in excess of De La Rue's annual requirements. In FY21 and FY22 volume related shortfall payments to Portals under their agreement averaged £3.3m per year, a trend that would become worse as the proportion of notes printed on polymer increased.

Without this settlement, in the remaining period of the RA, De La Rue would have been committed to paying Portals a total of approximately £119m in fixed charges, profit contribution and volume shortfall payments. This is in addition to the cost of the paper procured. Importantly, it will mean that, going forward, De La Rue will only pay for the actual volumes of paper the Company requires, significantly de-risking it from exposure to paper banknote market volume fluctuations.

In addition, we are now able to sell all banknote security features, including the advanced features developed in collaboration with Portals, freely to customers, through any other paper supplier.

The settlement discussions included an agreement to cut off paper orders after the first four months of FY23 at a much lower volume than would be proportionate for the full year. Therefore, the associated volume shortfall costs, and the allocation of fixed costs to lower paper volumes, reduced adjusted operating profit in the first half by £3m. This amount will be recovered in H2 through the cessation of fixed cost payments to Portals, and no further shortfall payments will be due.

The Company is in the process of conducting a tender process for its future paper requirements, with the aim of establishing a suite of contracted suppliers for future supply from the start of the next financial year. We have engaged with a suite of suppliers and have achieved savings over the cost we would have received from Portals in five orders placed, leaving us on track to achieve the £4m annual cash savings that we set out in July 2022. Within this process we are looking to find suppliers around the world, with the aim as far as practicable of establishing localised and sustainable supply routes into each of our sites.

Management has assessed the recoverability of the other financial assets on the balance sheet as at 24 September 2022 and as a result an expected credit loss was also recorded in exceptional items in H1 23 of £2.5m, reflecting the uncertainty of recoverability resulting from the termination of the Portals RA and the winding down of the Portals Overton paper mill on the UK Portals business (see note 4 to the Condensed Financial Statements).

Responsible business update

With our business purpose of securing trust between people, businesses and governments, we continue to strive to operate in all areas of our business in a way that improves the world around us: for our customers, our employees and the wider communities in which we work.

We have recently had confirmation from the Science Based Targets Initiative's ("SBTi") Target Validation Team that De La Rue's scope 1 and 2 target ambition is within a 1.5°C trajectory, consistent with the more testing target level of the Paris Agreement. Under SBTi we have committed to reduce absolute scope 1 and 2 GHG emissions 46.2% by FY30 from a FY20 base year. De La Rue has also committed to reduce absolute scope 3 GHG emissions 46.2% within the same timeframe. In the first two years of the assessment period, up to the end of FY22, we have already reduced GHG emissions by 23% by comparison with the base year and are working hard to achieve the more challenging task of the remaining amount.

Our work in responsible business was rewarded by being nominated as one of Europe's Climate Leaders in the FT Statista survey for the second year in a row, coming at 41st position out of 400 companies. In addition, we gained a Silver Medal in the 2022 EcoVadis Sustainability Assessment Report, after achieving well above-average results in

all four audited areas: Environment; Labour & Human Rights; Ethics; and Sustainable Procurement. Having earned a spot in the Top 25% of Companies assessed by EcoVadis, De La Rue continues to demonstrate its commitment to the United Nations Global Compact (UNGC) principles.

Bank refinancing

Following the successful capital equity raise and bank refinancing on 7 July 2020, the Group has access to an RCF cash drawdown component of up to £175m and a bond and guarantee facilities of at least £100m with an extended maturity of 1 January 2025 following the recently signed extension. The continued access to these borrowing facilities is subject to quarterly covenant testing which looks back over a rolling 12-month period. In each covenant test in FY22 and FY23 so far, the Group has met its covenant ratios and this is forecasted to continue over the Going Concern assessment period through to December 2023 based of the Group's latest view for the FY23 base budget.

At 24 September 2022, the Group had drawn down £111.5m of the £150m cash element of the RCF available at that date, leaving £38.5m of undrawn committed borrowing facilities available to the Group. The Group has, after 24 September 2022, elected to convert £25m of the unutilised bond and guarantee component to the RCF tranche to increase available cash headroom.

The terms of the extended Facilities are as follows:

- Maturity date of 1 January 2025;
- An up-front arrangement fee of 25 basis points payable in November 2022;
- An increase in Margin of 25 basis points;
- Further arrangement fees of 95 basis points payable between June and December 2023 on the commitments under this facility on the dates those fees would be due; and
- No change in covenant tests.

Pension fund

In March 2022 payments of £15m per annum, payable quarterly in arrears were agreed under the Recovery Plan until 31 March 2029, following an April 2021 actuarial valuation of £119.5m on the trustees' formal funding measure. An informal actuarial estimate of the scheme at 4 October 2022 gave a deficit of c£92m on the same funding measure.

Additional contingent contributions in exceptional circumstances will become payable by way of an acceleration of the contributions due in later years, where either the ratio of consolidated net debt to EBITDA is equal to or greater than 2.5x in FY23, or the Company or any of its subsidiaries take any action which will cause material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme. The sale of either one of the Group's ongoing divisions would constitute such an exceptional circumstance.

In May 2022 the trustees entered into a partial pensioner buy-in contract for a proportion of pension scheme members. The premium paid to the insurer by the pension scheme was £319m.

At 24 September 2022 a net liability of £36.8m (26 March 2022: net asset of £29.8m) was recognised in the balance sheet on an IAS 19 basis. The movement over the period was mostly due to losses on assets, including the impact of purchasing the buy-in contract as a premium was paid over the value of the IAS19 liabilities being insured and inflation experience on the liabilities, due to actual inflation being higher than previously assumed.

The pension scheme holds Liability Driven Investment ("LDI") to provide a hedge of 80% of the movement in liabilities arising from changes in interest rates and inflation. During the recent period of volatility in financial markets, the trustees agreed to disinvest certain assets to meet collateral calls for the LDI provider. This allowed the scheme to retain its hedging level, reducing the future volatility of the funding position of the scheme. In addition, no additional cash contributions from De La Rue were required in response to this volatility.

De La Rue has recently instigated a move to a 'sole Trustee' model that will facilitate the pursuit of wider strategic options and efficiencies for the pension fund.

General meeting

In response to a request by one of our shareholders, Crystal Amber, for the Company's Chairman, Kevin Loosemore, to resign with immediate effect, De La Rue has called a general meeting on 2 December 2022. At that meeting there will be one resolution, which is to re-elect Kevin Loosemore as a Director of the Company and Chairman of the Board. The Board unanimously and unequivocally recommends that all Shareholders vote in favour of the Resolution.

The Board has engaged with Crystal Amber on a number of occasions and so is disappointed that it has chosen to pursue this course of action. However, the Board has concluded that it is in the Company's best interests to bring this matter to a conclusion in short order. This way, the Board and the Company can continue to deliver, without unnecessary distraction, its strategy for the long-term benefit of its Shareholders as a whole.

Outlook

Due to the unpredictability of the external environment, particularly when it comes to timing of customer orders, the potential range of outcomes for adjusted operating profit this year is larger than normal. For this reason, we think it is prudent to guide to a full year adjusted operating profit in the range of £30-33m. With the careful management of working capital and cash, we are leaving our end-of-year net debt expectations unchanged, in the £88-92m range.

In Authentication, while we saw slower growth in the first half, with our renewed focus on revenue and margin improvement, we expect the performance of the Authentication business to improve in the second half, to give adjusted operating profit for FY23 for this division broadly in line with that achieved last year.

In Currency, we are responding to a downcycle that is affecting the industry as a whole, but due to our actions taken over the last three years this business is, and will continue to be, profitable, delivering on our 2020 commitment that Currency will be profitable in downcycles and make more money in better times.

Our supply change headwinds are reducing due to our actions but remain a challenge in today's environment.

We have a compelling, value generating vision for the next three years and have positioned the company for positive growth when markets recover. As we have explained above, in FY24 we expect De La Rue to be a free cash generating business on a sustainable basis, after pension payments and to see an improved EBITDA.

FINANCIAL RESULTS AND OPERATIONAL OVERVIEW

We provide here a summary of the De La Rue results on a statutory basis combined with several non-IFRS financial measures, which the Board believes are used widely by certain investors to understand the financial performance of the business. Further details on non-IFRS financial measures can be found later in this document.

	H1 23 £m	H1 22 £m	Change %
Group revenue	**164.3**	179.2	**-8.3%**
- Authentication	**45.5**	44.4	**2.5%**
- Currency	**116.4**	132.7	**-12.3%**
- Identity Solutions	**2.4**	2.1	**14.3%**
Gross profit	**41.8**	48.5	**-13.8%**
Operating (loss)/profit – continuing operations	**(12.6)**	13.8	**-191.3%**
Adjusted operating profit*	**9.3**	17.4	**-46.6%**

* Non-IFRS financial measures

REVENUE

Group revenue decreased by 8.3% to £164.3m (H1 22: £179.2m) as a 2.5% growth in Authentication was offset by a 12.3% reduction in Currency.

Revenue and other divisional results are discussed in more detail below.

Authentication

The Authentication division provides physical and digital solutions to governments and commercial organisations. We also manufacture financial documents and ID security components.

	H1 23	H1 22	Change
Non-IFRS Financial Measures			
Adjusted operating profit[1] (£m)	**4.9**	8.8	**-44.3%**
Adjusted operating margin[1]	**10.8%**	19.8%	**(900) bpts**
Adjusted controllable operating profit[1,2] (£m)	**9.4**	12.6	**-25.4%**
Adjusted controllable operating profit margin[1]	**20.7%**	28.4%	**(770) bpts**
Statutory Results			
Revenue (£m)	**45.5**	44.4	**2.5%**
Gross profit (£m)	**15.7**	17.4	**-9.8%**
Gross Profit margin	**34.5%**	39.2%	**(470) bpts**
Operating profit (£m)	**3.9**	8.0	**-51.3%**
Operating margin	**8.6%**	18.0%	**(940) bpts**

[1] Excludes exceptional item charges of £0.5m (H1 22: net charges of £0.3m) and amortisation of acquired intangibles of £0.5m (H1 22: £0.5m).
[2] Adjusted controllable operating profit is defined in the non-IFRS financial measures section of this Interim Statement.

Revenues in Authentication in H1 23 rose 2.5% to £45.5m (H1 22: £44.4m). The division benefitted from strong demand in the ID business, in particular for ID data pages for Australian and German passports.

The GRS tobacco contracts with Bahrain, Oman and Qatar which became fully operational and hence revenue-earning in the first half, compensated for the tail off of revenues under the HMRC contract which ended in June 2022. The Omani and Qatari contracts however did not come onstream until the second quarter.

Brand saw a fall in the volume of labels, as the global economic slowdown impacted PC sales, with a 15% year-on-year slowdown in PC sales in the quarter to September 2022 according to IDC. In addition, volumes of COVID-19 vaccine labels have fallen away faster than anticipated and the O5 contract completed.

IFRS operating profit of £3.9m (H1 22: £8.0m) and adjusted operating profit of £4.9m (H1 22: £8.8m) reflected both the change in product mix, and an element of supply chain cost increases.

Adjusted controllable operating profit was £9.4m (H1 22: £12.6m). This represents a controllable operating profit margin of 20.7% (H1 22: 28.4%).

Currency

The Currency division provides market-leading, end-to-end currency solutions, from finished banknotes to secure polymer substrate and banknote security features to over half the central banks and issuing authorities around the world.

	H1 23	H1 22	Change
Non-IFRS Financial Measures			
Adjusted operating profit[1] (£m)	**4.3**	8.2	**-47.6%**
Adjusted operating margin[1]	**3.7%**	6.2%	***(250) bpts***
Adjusted controllable operating profit [1,2] (£m)	**15.7**	19.6	**-19.9%**
Adjusted controllable operating profit margin[1]	**13.5%**	14.8%	***(130) bpts***
Statutory Results			
Revenue (£m)	**116.4**	132.7	**-12.3%**
Gross profit (£m)	**25.8**	31.1	**-17.0%**
Gross Profit margin	**22.2%**	23.4%	**(120) bpts**
Operating profit/(loss) (£m)	**(16.5)**	6.1	**-370.5%**
Operating margin	**-14.2%**	4.6%	***(1880) bpts***

[1] Excludes exceptional item net charges of £20.8m (H1 22: net charges of £2.1m).
[2] Adjusted controllable operating profit is defined in the non-IFRS financial measures section of this Interim Statement.

Currency revenue in the first half of £116.4m (H1 22: £132.7m) was 12.3% down on that for the comparable period last year. As expected, we witnessed a post-COVID-19 lull in demand, with banknote volumes significantly down.

As at 16 November 2022, the 12-month order book for Currency was £177.7m (26 March 2022: £163.5m) and the total order book for Currency was £179.7m (26 March 2022: £170.8m).

Gross profit margin fell by 120 basis points to 22.2% (H1 22: 23.4%), driven by lower revenues, a certain degree of raw material inflation, our polymer manufacturing at Westhoughton operating at less than full capacity as the new second line ramps up production and the final volume-shortfall-related payments under the Portals contract of £3.0m. With the termination of the paper supply contract with Portals, this payment will not recur in the second half.

The lower gross profit led to a reduction in adjusted operating profit to £4.3m (H1 22: £8.2m), though our focus on cost mitigation initiatives led to a reduction in divisional overheads compared with H1 22. IFRS operating loss of £16.5m (H1 22: profit of £6.1m) was also impacted by the £20.8m in exceptional charges including a £16.8m charge in relation to the termination of the agreement with Portals Paper, £2.5m recognition of expected credit loss provision on Portals Paper loan notes and preference shares held and £1.5m in relation to redundancies.

Adjusted controllable operating profit was £15.7m (H1 22: £19.6m). This represents a controllable operating profit margin of 13.5% (H1 22: 14.8%).

FINANCE CHARGE

The Group's net interest charge was £4.4m (H1 22: £3.0m), excluding IAS 19 related amounts and interest due on loan notes and preference shares received as part of the consideration for the Portals paper disposal.

The IAS 19 related finance income/charge, which represents the difference between the interest on pension liabilities and assets was a credit of £0.5m (H1 22: charge £0.2m), due the opening pension valuation on an IAS 19 basis as of 26 March 2022 being a net surplus of £29.8m.

The financing charge associated with lease liabilities recorded under IFRS 16 in H1 23 was £0.3m (H1 22: £0.3m).

The total Group net finance charge was £3.3m (H1 22: £2.9m).

EXCEPTIONAL ITEMS

Exceptional net charge in the period was £21.4m (H1 22: £3.1m), before taxation and included:

- £16.8m (H1 22: £nil) of contract termination costs related to the Portals Paper Limited agreement to supply minimum banknote, proofing and security paper. The contract was extinguished on 26 July 2022. Further details are given within the Business Update above;

- £2.5m (H1 22: £0.3m) of recognition of an expected credit loss provision on other financial assets;

- £0.3m (H1 22: £1.5m) of restructuring charges related to cessation of banknote production at our Gateshead facility primarily relating to the costs of relocating assets to different Group manufacturing locations. This relocation of assets will continue into FY 23 as the Group continues its expansion of the manufacturing facilities in Malta;

- £1.8m (H1 22: £1.1m) of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling, selling and commercial functions; and

- £nil (H1 22: £0.2m) of pension underpin costs relating to legal fees incurred in the rectification of certain discrepancies identified in the Scheme rule.

The cash flow impact of exceptional items in H1 23 was £0.9m (H1 22: £2.8m).

Note 4 ‘Exceptional Items’ includes further information on the above.

TAXATION

The total tax charge (including exceptional items) in respect of continuing operations for the first half was £7.9m (H1 22: £0.3m).

The tax charge in the period of £7.9m (H1 22: £0.3m) comprised of:

- £1.3m charge (H1 22: £1.0m charge) on adjusted profits;
- £0.1m credit (H1 22: £0.1m credit) on the amortisation of acquired intangibles; and
- £6.7m net tax charge (H1 22: £0.6m credit) on exceptional items, which is described in more detail in note 4 to the condensed financial statements.

The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 22.9% (H1 22: 6.8%). Excluding the impact of the increase in the UK tax rate from 19% to 25% from April 2023 on deferred tax balances, the total tax charge (including exceptional items) in respect of continuing operations for the first half was £8.5m (H1 22: £1.8m) and the effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 28.5% (H1 22: 17.1%).

The effective tax rate for FY23 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 20-22%.

A tax credit of £0.1m (H1 22: £0.1m) was recorded in respect of the amortisation of acquired intangibles.

EARNINGS PER SHARE

IFRS basic earnings per share ("EPS") decreased to a loss per share of 12.6p (H1 22: earnings per share 4.9p) reflecting a loss in H1 23 compared to profit in H1 22. The weighted average share numbers in H1 23 was 195.3m (H1 22: 195.2m).

The adjusted basic EPS decreased to 2.0p (H1 22: 6.4p), reflecting the decrease in earnings.

CASH FLOW AND BORROWINGS

Cash flow from operating activities was a net outflow of £2.5m (H1 22: inflow of £26.7m). There was an outflow from profit before tax in the period of £15.7m (H1 22: inflow £11.4m).

The inflow from working capital of £6.2m (H1 22: inflow £14.1m) included:

- an outflow of £10.8m from a decrease in trade and other receivables and contract assets, including a decrease trade receivables and an increase in accrued income;
- an outflow of £2.5m from an increase in inventory; and
- offset by an inflow of £19.5m in trade and other payables including the £16.7m of accruals for the RA termination payments as well as down-payments receipts from customers, which were partly offset by a reduction in advanced customer payments.

Cash outflow from investing activities was £7.4m (H1 22: outflow £13.1m), primarily on the purchase of property, plant and equipment (£5.9m) and spend on software intangibles and development assets capitalised (£5.3m), which was partly offset by the grants received (£3.4m).

Cashflows from financing activities were a net inflow of £11.0m (H1 22: outflow of £13.2m) and included £16.5m of drawdown of borrowing and £4.4m of interest paid, including advanced payment guarantee fees.

As a result, Group net debt increased to £86.5m at 24 September 2022, from £71.4m at 26 March 2022. This was as a result of the net outflows in both operating and investing activities, together with interest paid.

The Group has Bank facilities of £275m including an RCF cash drawdown component of up to £175m and bond and guarantee facilities of a minimum of £100m, with a maturity date of 1 January 2025 following the recently signed extension. The Group can convert (in blocks of £25m) up to £50m of the undrawn RCF cash component to the bond and guarantee component if required and can elect to convert this back (in blocks of £25m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised. At the period end, the covenant tests were EBIT/net interest payable 4.5 times (covenant of ≥3 times in this financial year), net debt/EBITDA 2.10 times (covenant of ≤3.0 times). The covenant tests use earlier accounting standards and exclude adjustments, including IFRS 16.

PENSION DEFICIT

The valuation of the Group's UK defined benefit pension Scheme (the "Scheme") on an IAS 19 basis at 24 September 2022 is a net liability of £36.8m (26 March 2022: net surplus £29.8m).

The movement in the IAS 19 valuation from a net surplus at 26 March 2022 was mainly as a result of losses on assets, as well as inflation experience on liabilities (due to actual inflation being higher than assumed). The discount rate assumption increased from 2.85% to 5.30%.

The charge to adjusted operating profit in respect of the Scheme in the period was £0.8m (H1 22: £0.6m). Under IAS 19 there was a finance credit of £0.5m (H1 22: £0.2m charge) arising from the difference between the interest cost on liabilities and the interest income on scheme assets, the credit being driven by the fact the scheme was in an IAS 19 net surplus at the 26 March 2022 of £29.8m.

On 24 May 2022, the Trustees of the Main Scheme entered into a partial pensioner buy-in contract for a proportion of pension members. In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The premium paid to the insurer was £319.0m. As at 24 September 2022, the value of the buy-in contract was £216.3m. The impact of the partial pensioner buy-in has been recognised as a loss on the scheme assets.

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 applicable.

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 and regulatory, information risks and financial risks (currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk).

The principal risks and uncertainties are reviewed and updated at least quarterly. Currently we expect the key risks for the remaining six months of the financial year to include:

- bribery and corruption;
- quality management and delivery failure;
- macroeconomic and geo-political environment;
- loss of a key site or process;
- sustainability and climate change;
- breach of information security (loss of data and ransomware);
- failure of a key supplier to deliver;
- breach of security – product security;
- sanctions; and
- COVID-19.

The principal risks remain in line with the Annual Report and Accounts for FY22, however, the Group continues to monitor and work to mitigate headwinds in commodity and energy costs and challenges in the supply chain.

The Group has not experienced any specific impact from the war in Ukraine, other than the global economic conditions.

A copy of the Annual Report and Accounts for the year ended 26 March 2022, is available on the Company's website www.delarue.com.

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 1 to 17 of the Strategic report in the FY22 Annual Report. In addition, pages 124 to 132 of the FY22 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. Increases in the SONIA rates driven by recent macro-economic pressures have naturally reduced interest cover headroom and this has been a key consideration over the going concern period under review.

Following the successful capital equity raise and bank refinancing on 7 July 2020, the Group has access to an RCF cash drawdown component of up to £175m and a bond and guarantee facilities of £100m with an extended maturity of 1 January 2025, which was extended on 17 November 2022. The continued access to these borrowing facilities is subject to quarterly covenant testing which look back over a rolling 12-month period. These covenant tests, as discussed below, are calculated based on adjusted EBIT/net interest and adjusted EBITDA/net debt and have been referred to as EBIT/net interest and EBITDA/net debt hereafter. In each covenant test in FY22 and FY23 so far, the Group has met its covenant ratios and this is forecasted to continue over the Going Concern assessment period through to 23 December 2023 based on the Group's latest view for the FY23 and FY24 base forecasts.

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 23 December 2023, the going concern period, and this includes the following quarters: Q3 & Q4 FY23 and Q1, Q2 & Q3 FY24.

This base case forecast position assumes Currency continues to benefit from on-going polymer growth, protects market share in existing market spaces and gains from more competitive tendering due to the termination of the Portals relationship agreement in July 2022 whilst maintaining a flexible print model with continuing tight cost control

and increasing efficiencies divisionally. Authentication revenue and operating profit growth is driven by annualization of existing contracts won; all within the backdrop of tight cost control.

Covenants are calculated on a rolling 12-month basis each quarter and therefore for all quarters until Q2 of FY24 (being 30 September 2023) and Q3 of FY24 (being 23 December 2023), a portion of the EBITDA/ EBIT has already been earned, reducing the risk of a potential covenant breach. Taking this into account, along with the forecasts reviewed and the recent increase in interest rates, it is considered that the EBIT/Interest payable covenant for the rolling 12 months is the most sensitive, rather than liquidity or the net debt/ EBITDA covenant over this period. The Directors have therefore completed a severe but plausible downside scenario to determine the level of headroom which would remain in this event. Management have modelled potential downsides including the failure to secure early enough in the going concern period, and then subsequently deliver, two material Currency contracts. Further to this, management included other revenue and margin reductions below the base forecasts through the going concern period along with SONIA rate rises up to 5%.

Management considers that given the longer-term nature of its Authentication contracts, the revenue risk is mainly around the Currency division. It is noted that as at 16 November 2022 the 12-month order book for Currency stands at £177.7m (26 March 2022: £163.5m). Our total order book was £179.7m at the same date in 2021 (26 March 2022: £170.8m).

Looking further ahead to Q1 – Q3 FY24 (being the quarters ending 24 June 2023, 30 September 2023 and 23 December 2023) in the going concern period, management's forecast includes achieving savings from terminating the Portals agreement, delivering on current cost out initiatives, growth from existing Authentication contracts and securing certain key Currency contracts. These Currency contracts are with counterparties where the Group has a historic trading relationship. Whilst management are confident based on the current status of negotiations and trading history that these contracts will be secured, in the event the contracts failed to materialise, or commence after the going concern period, a risk exists that the Group would not be in compliance with its EBIT/Net Interest covenant without further mitigating actions being taken.

In this scenario, management would look to replace the revenues and EBIT lost with alternative contracts for which tender opportunities exist. Management have modelled a scenario whereby these key Currency contracts are not won or fall outside the going concern period and the Group is not able to secure alternative contracts given this is outside of management's control. In this severe but plausible scenario, management have identified further cost saving initiatives that they could implement. Whilst management are confident in the cost saving mitigations identified, they recognise the timing of achieving these to mitigate the loss of key contracts is uncertain.

The base forecasts prepared by management indicate that the Group can continue to operate within its EBIT/Net Interest banking covenant ratio. However, the nature of the severe but plausible downside scenario, specifically the risk that key Currency contracts are not won or fall outside the going concern period and the Group is not able to secure alternative contracts given this is outside of management's control, would mean that without sufficient cost mitigation the Group would breach the EBIT/Net Interest covenant. Therefore, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above, management is confident in its ability to secure and deliver key contracts in line with the assumed quarterly phasing as well as executing the planned cost saving initiatives modelled within the base forecast.

These financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

A copy of the 2022 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.

Related Party Transactions

Details of the related party transactions that have taken place in the first six months of the current financial year are provided in note 13 to the Condensed Consolidated Interim Financial Statements. None of these have materially affected the financial position or the performance of the Group during that period, and there have been no changes during the first six months of the financial year in the related party transactions described in the last annual report that could materially affect the financial position or performance of the Group.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

- the Condensed Consolidated Interim Financial Statements, which have been prepared in accordance with UK adopted IAS 34 '*Interim Financial Reporting*', give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole;

- the interim management report includes a fair review of the information required by:

a) **DTR 4.2.7R** of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

b) **DTR 4.2.8R** of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes during the first six months of the financial year in the related party transactions described in the last annual report that could materially affect the financial position or performance of the entity.

The Board of Directors of De La Rue plc at 26 March 2022 and their respective responsibilities can be found on pages 52 and 53 of the De La Rue plc Annual Report 2022. Since the year end there have been the following changes to the Board:

- Maria da Cunha, Independent Non-Executive Director retired – 27 July 2022
- Mark Hoad, Independent Non-Executive Director appointed – 28 September 2022

For and on behalf of the Board

Kevin Loosemore
Chairman
23 November 2022

INDEPENDENT REVIEW REPORT TO DE LA RUE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 24 September 2022 which comprises the Group condensed consolidated interim income statement, the Group condensed consolidated interim statement of comprehensive income/(loss), the Group condensed consolidated interim balance sheet, the Group condensed consolidated interim statement of changes in equity, the Group condensed consolidated interim statement of cash flows, and the notes to the condensed consolidated interim financial statements. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 24 September 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Material uncertainty related to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, we draw attention to note 1 in the condensed set of financial statements, which indicates that in the severe but plausible downside scenario, if key Currency contracts are not won or fall outside the going concern period, and the Group is not able to secure alternative contracts, without sufficient and timely cost mitigation the Group would breach the adjusted EBIT/Net Interest covenant on the Group's Revolving Credit Facility.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

The responsibilities of the directors with respect to going concern are described in the relevant section of this report.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern (including the material uncertainty set out in note 1) and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including the material uncertainty related to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Reading
23 November 2022

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT - UNAUDITED

FOR THE HALF YEAR ENDED 24 SEPTEMBER 2022

	Note	H1 23 £m	H1 22 £m
Revenue from customer contracts	**2**	**164.3**	179.2
Cost of sales		**(122.5)**	(130.7)
Gross Profit		**41.8**	48.5
Adjusted operating expenses		**(32.5)**	(31.1)
Adjusted operating profit		**9.3**	17.4
Adjusted items[1]:			
- Amortisation of acquired intangible assets		**(0.5)**	(0.5)
- Net exceptional items – expected credit loss	**4**	**(2.5)**	(0.3)
- Net exceptional items	**4**	**(18.9)**	(2.8)
- Net exceptional items - Total	**4**	**(21.4)**	(3.1)
Operating (loss)/profit		**(12.6)**	13.8
Interest income		**0.6**	0.3
Interest expense		**(4.4)**	(3.0)
Net retirement benefit obligation finance income/(charge)		**0.5**	(0.2)
Net finance expense		**(3.3)**	(2.9)
(Loss)/profit before taxation from continuing operations		**(15.9)**	10.9
Taxation	**5**	**(7.9)**	(0.3)
(Loss)/profit for the period from continuing operations		**(23.8)**	10.6
Profit from discontinued operations	**3**	**0.2**	0.5
(Loss)/profit for the period		**(23.6)**	11.1
Attributable to:			
- Owners of the parent		**(24.4)**	10.0
- Non-controlling interests	**12**	**0.8**	1.1
(Loss)/profit for the period		**(23.6)**	11.1
Earnings per ordinary share			
Basic			
Basic EPS continuing operations	**6**	**(12.6)p**	4.9p
Basic EPS discontinued operations	**6**	**0.1p**	0.3p
Total Basic earnings per share	**6**	**(12.5)p**	5.2p
Diluted			
Diluted EPS continuing operations	**6**	**(12.6)p**	4.9p
Diluted EPS discontinued operations	**6**	**0.1p**	0.3p
Total Diluted earnings per share	**6**	**(12.5)p**	5.2p

[1] For adjusting items, the cash flow impact of exceptional items can be found in note 4 and there was no cash flow impact for the amortisation of acquired intangible assets.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME/(LOSS) – UNAUDITED

FOR THE HALF YEAR ENDED 24 SEPTEMBER 2022

	H1 23 £m	H1 22 £m
(Loss)/profit for the financial period	**(23.6)**	11.1
Other comprehensive (expense)/income:		
Items that are not reclassified subsequently to income statement:		
Re-measurement (losses)/gains on retirement benefit obligations	**(74.0)**	11.3
Tax related to remeasurement of net defined benefit liability	**16.9**	(2.2)
Items that may be reclassified subsequently to income statement:		
Foreign currency translation difference for foreign operations	**7.0**	(0.3)
Foreign currency translation difference for foreign operations – non-controlling interests	**0.6**	-
Change in fair value of cash flow hedges	**(1.9)**	0.2
Change in fair value of cash flow hedges transferred to income statement	**0.8**	0.2
Tax related to cash flow hedge movements	**0.4**	-
Income tax relating to components of other comprehensive income	**-**	0.1
Other comprehensive (loss)/income for the period, net of tax	**(50.2)**	9.3
Total comprehensive (loss)/income for the period	**(73.8)**	20.4
Total comprehensive (loss)/income for the period attributable to:		
Equity shareholders of the Company	**(74.6)**	19.3
Non-controlling interests	**0.8**	1.1
	(73.8)	20.4

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AT 24 SEPTEMBER 2022

	Notes	H1 23 (unaudited) £m	FY 22 (audited) £m
ASSETS			
Non-current assets			
Property, plant and equipment		**100.5**	102.7
Intangible assets		**42.8**	37.5
Right-of use assets		**12.8**	12.9
Retirement benefit obligations	**9**	**-**	31.6
Other financial assets	**10**	**5.4**	7.4
Deferred tax assets		**22.0**	11.2
Derivative financial instruments	**7**	**0.1**	0.1
		183.6	203.4
Current assets			
Inventories		**53.9**	50.1
Trade and other receivables		**86.7**	89.0
Contract assets		**14.9**	8.0
Current tax assets		**0.5**	0.4
Derivative financial instruments	**7**	**12.3**	3.3
Cash and cash equivalents		**25.7**	24.3
		194.0	175.1
Total assets		**377.6**	378.5
LIABILITIES			
Current liabilities			
Trade and other payables		**(89.0)**	(80.0)
Current tax liabilities		**(14.2)**	(13.9)
Derivative financial liabilities	**7**	**(15.6)**	(4.8)
Lease liabilities		**(3.1)**	(2.7)
Provisions for liabilities and charges	**11**	**(5.3)**	(5.9)
		(127.2)	(107.3)
Non-current liabilities			
Borrowings		**(109.9)**	(92.6)
Retirement benefit obligations	**9**	**(36.8)**	(1.8)
Deferred tax liabilities		**(2.0)**	(2.4)
Derivative financial instruments	**7**	**(0.2)**	-
Lease liabilities		**(11.0)**	(11.5)
Other non-current liabilities		**(1.1)**	(1.1)
		(161.0)	(109.4)
Total liabilities		**(288.2)**	(216.7)
Net assets		**89.4**	161.8
EQUITY			
Share capital		**88.8**	88.8
Share premium account		**42.3**	42.2
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**(1.2)**	(0.5)
Cumulative translation adjustment		**11.2**	4.2
Other reserves		**(31.9)**	(31.9)
Retained earnings		**(45.1)**	35.1
Total equity attributable to shareholders of the Company		**70.0**	143.8
Non-controlling interests	**12**	**19.4**	18.0
Total Equity		**89.4**	161.8

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE HALF YEAR ENDED 24 SEPTEMBER 2022

	Attributable to equity shareholders							Non-controlling interests	Total equity
	Share capital	Share premium account	Capital redemption reserve	Hedge reserve	Cumulative translation adjustment	Other reserves	Retained reserves		
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 27 March 2021	**88.8**	**42.2**	**5.9**	**(0.8)**	**5.7**	**(31.9)**	**(14.9)**	**16.4**	**111.4**
Profit for the period	-	-	-	-	-	-	10.0	1.1	11.1
Other comprehensive income, net of tax	-	-	-	0.5	(0.3)	-	9.1	-	9.3
Total comprehensive income	-	-	-	0.5	(0.3)	-	19.1	1.1	20.4
Transactions with owners of the company recognised directly in equity:									
Employee share scheme – value of services provided	-	-	-	-	-	-	1.4	-	1.4
Share capital issued	-	-	-	-	-	-	-	0.2	0.2
Dividends declared	-	-	-	-	-	-	-	(0.2)	(0.2)
Balance at 25 September 2021	**88.8**	**42.2**	**5.9**	**(0.3)**	**5.4**	**(31.9)**	**5.6**	**17.5**	**133.2**
Profit for the period	-	-	-	-	-	-	11.5	1.1	12.6
Other comprehensive income, net of tax	-	-	-	(0.2)	(1.2)	-	18.0	0.1	16.7
Total comprehensive income	-	-	-	(0.2)	(1.2)	-	29.5	1.2	29.3
Transactions with owners of the company recognised directly in equity:									
Employee share scheme – value of services provided	-	-	-	-	-	-	0.3	-	0.3
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	(0.3)	-	(0.3)
Dividends paid	-	-	-	-	-	-	-	(0.7)	(0.7)
Balance at 26 March 2022	**88.8**	**42.2**	**5.9**	**(0.5)**	**4.2**	**(31.9)**	**35.1**	**18.0**	**161.8**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(24.4)**	**0.8**	**(23.6)**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(0.7)**	**7.0**	**-**	**(57.1)**	**0.6**	**(50.2)**
Total comprehensive income	**-**	**-**	**-**	**(0.7)**	**7.0**	**-**	**(81.5)**	**1.4**	**(73.8)**
Transactions with owners of the company recognised directly in equity:									
Employee share scheme – value of services provided	**-**	**-**	**-**	**-**	**-**	**-**	**1.0**	**-**	**1.0**
Share capital issued	**-**	**0.1**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**
Other – unclaimed dividends	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Balance at 24 September 2022	**88.8**	**42.3**	**5.9**	**(1.2)**	**11.2**	**(31.9)**	**(45.1)**	**19.4**	**89.4**

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.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Continued) - UNAUDITED

FOR THE HALF YEAR ENDED 24 SEPTEMBER 2022

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.

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.

Other reserves

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.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a "cash box" structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue's turnaround plan, which was first announced by the Company earlier that year. The cashbox completed on 7 July 2020 and consisted of a firm placing, placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of 44 152/175p, at a price of 110p per share (giving gross proceeds of £100m). A "cash box" structure was used in such a way that merger relief was available under Companies Act 2006, section 612 and thus no share premium needed to be recorded and instead an 'other reserve' of £51.9m was recorded. This section applies to shares which are issued to acquire non-equity shares (such as the Preference Shares) issued as part of the same arrangement. The Group recorded share capital equal to the aggregate nominal value of the ordinary shares issued (£40.8m) and merger reserve equal to the difference between the total proceeds net of costs and share capital. As the cash proceeds received by De La Rue plc were loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 24 September 2022. This judgement might be revised in future periods, subject to certain internal transactions enabling the settlement of intercompany positions.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE HALF YEAR ENDED 24 SEPTEMBER 2022

	H1 23 £m	H1 22 £m
Cash flows from operating activities		
(Loss)/profit before tax – continuing operations	**(15.9)**	10.9
Profit before tax – discontinued operations	**0.2**	0.5
(Loss)/profit before tax – total	**(15.7)**	11.4
Adjustments for:		
Finance income and expenses	**4.0**	2.9
Depreciation of property, plant and equipment	**6.0**	5.8
Depreciation of right-of-use assets	**1.2**	1.2
Amortisation of intangible assets	**2.5**	2.3
Gain on sale of property, plant and equipment	**(0.2)**	(0.4)
Impairment of property, plant and equipment and intangible assets and accelerated depreciation charges	**-**	(0.3)
Share-based payment expense	**1.1**	1.5
Pension Recovery Plan and administration cost payments[1]	**(8.4)**	(8.1)
Decrease in provisions	**(0.7)**	(4.0)
Non-cash credit loss provision – other financial assets	**2.5**	(0.3)
Non-cash credit loss provision – other	**-**	(0.5)
Other non-cash movements	**(1.0)**	1.1
Cash (used in)/generated from operation before working capital	**(8.7)**	12.6
Changes in working capital:		
(Increase)/decrease in inventory	**(2.5)**	4.0
(Increase)/decrease in trade and other receivables and contract assets	**(10.8)**	50.1
Decrease/(increase) in trade and other payables[2]	**19.5**	(40.0)
	6.2	14.1
Cash (used in)/generated from operating activities	**(2.5)**	26.7
Net tax paid	**(0.3)**	(0.9)
Net cash flows from operating activities	**(2.8)**	25.8
Cash flows from investing activities:		
Purchases of property, plant and equipment - gross	**(5.9)**	(9.6)
Purchases of property, plant and equipment - grants received	**3.4**	-
Purchase of software intangibles and development assets capitalised	**(5.3)**	(4.0)
Proceeds from the sale of property, plant and equipment	**0.4**	0.4
Receipt of research and development tax credit	**-**	0.1
Interest received	**-**	-
Net cash flows from investing activities	**(7.4)**	(13.1)
Net cash flows before financing activities	**(10.2)**	12.7
Cash flows from financing activities:		
Net draw down/(repayment) of borrowings	**16.5**	(9.0)
Lease liability payments	**(1.1)**	(1.2)
Interest paid	**(4.4)**	(3.0)
Net cash flows from financing activities	**11.0**	(13.2)
Net increase/(decrease) in cash and cash equivalent in the period	**0.8**	(0.5)
Cash and cash equivalents at the beginning of the period	**24.3**	25.7
Exchange rate effects	**0.6**	(0.1)
Cash and cash equivalents at the end of the period	**25.7**	25.1
Cash and cash equivalents consist of:		
Cash at bank and in hand	**25.7**	25.1

[1] The £8.4m of pension payments includes £7.5m payable under the Recovery Plan, agreed in May 2020, and a further £0.9m relating to payments made by the Group towards the administration costs of running the scheme. [2] This includes a £16.7m movement in accruals relating to the termination of the Portals RA (note 4).

1 Corporate information, basis of preparation and changes to the Group's accounting policies

Corporate Information
De La Rue plc is a public limited company, incorporated and domiciled in the UK, whose shares are publicly traded. The registered office is located at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.The Group has two principal segments Currency and Authentication. In Currency we design, manufacture and deliver bank notes, polymer substrate and security features around the world. In Authentication, we supply products and services to governments and Brands to assure tax revenues and authenticate goods as genuine.

These unaudited Condensed Consolidated Interim Financial Statements of De La Rue plc and its subsidiaries ("Group") for the half-year ended 24 September 2022 were authorised for issue in accordance with a resolution of the Directors on 23 November 2022.

These Condensed Consolidated Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 26 March 2022 were approved by the Board of Directors on 24 May 2022 and delivered to the Registrar of Companies. The auditor has reported on the 26 March 2022 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section498 (2) or (3) of the Companies Act 2006.

Basis of preparation
These Condensed Consolidated Interim Financial Statements for the half-year ended 24 September 2022 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use in the UK and should be read in conjunction with the Annual Report and Accounts for the year ended 26 March 2022. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The annual financial statements of the Group for the year ended 25 March 2023 will be prepared in accordance with UK-adopted International Accounting Standards ('IFRS') in accordance with the requirements of the Companies Act 2006.

Going concern
In line with IAS 1 "Presentation of financial statements", and the FRC guidance on "risk management, internal control and related financial and business reporting", management has taken into account all available information about the future for a period of at least, but not limited to,12 months from the end of the reporting period for the Condensed Consolidated Interim Financial Statements when assessing the Group's ability to continue as a 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 1 to 17 of the Strategic report in the FY22 Annual Report. In addition, pages 124 to 132 of the FY22 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. Increases in the SONIA rates driven by recent macro-economic pressures have naturally reduced interest cover headroom and this has been a key consideration over the going concern period under review.

Following the successful capital equity raise and bank refinancing on 7 July 2020, the Group has access to an RCF cash drawdown component of up to £175m and a bond and guarantee facilities of £100m with an extended maturity of 1 January 2025, which was extended on 17 November 2022. The continued access to these borrowing facilities is subject to quarterly covenant testing which look back over a rolling 12-month period. These covenant tests, as discussed below, are calculated based on adjusted EBIT/net interest and adjusted EBITDA/net debt and have been referred to as EBIT/net interest and EBITDA/net debt hereafter. In each covenant test in FY22 and FY23 so far, the Group has met its covenant ratios and this is forecasted to continue over the Going Concern assessment period through to 23 December 2023 based on the Group's latest view for the FY23 and FY24 base forecasts.

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 23 December 2023, the going concern period, and this includes the following quarters: Q3 & Q4 FY23 and Q1, Q2 & Q3 FY24.

This base case forecast position assumes Currency continues to benefit from on-going polymer growth, protects market share in existing market spaces and gains from more competitive tendering due to the termination of the

Portals relationship agreement in July 2022 whilst maintaining a flexible print model with continuing tight cost control and increasing efficiencies divisionally. Authentication revenue and operating profit growth is driven by annualization of existing contracts won; all within the backdrop of tight cost control.

Covenants are calculated on a rolling 12-month basis each quarter and therefore for all quarters until Q2 of FY24 (being 30 September 2023) and Q3 of FY24 (being 23 December 2023), a portion of the EBITDA/ EBIT has already been earned, reducing the risk of a potential covenant breach. Taking this into account, along with the forecasts reviewed and the recent increase in interest rates, it is considered that the EBIT/Interest payable covenant for the rolling 12 months is the most sensitive, rather than liquidity or the net debt/ EBITDA covenant over this period. The Directors have therefore completed a severe but plausible downside scenario to determine the level of headroom which would remain in this event. Management have modelled potential downsides including the failure to secure early enough in the going concern period, and then subsequently deliver, two material Currency contracts. Further to this, management included other revenue and margin reductions below the base forecasts through the going concern period along with SONIA rate rises up to 5%.

Management considers that given the longer-term nature of its Authentication contracts, the revenue risk is mainly around the Currency division. It is noted that as at 16 November 2022 the 12-month order book for Currency stands at £177.7m (26 March 2022: £163.5m). Our total order book was £179.7m at the same date in 2021 (26 March 2022: £170.8m).

Looking further ahead to Q1 – Q3 FY24 (being the quarters ending 24 June 2023, 30 September 2023 and 23 December 2023) in the going concern period, management's forecast includes achieving savings from terminating the Portals agreement, delivering on current cost out initiatives, growth from existing Authentication contracts and securing certain key Currency contracts. These Currency contracts are with counterparties where the Group has a historic trading relationship. Whilst management are confident based on the current status of negotiations and trading history that these contracts will be secured, in the event the contracts failed to materialise, or commence after the going concern period, a risk exists that the Group would not be in compliance with its EBIT/Net Interest covenant without further mitigating actions being taken.

In this scenario, management would look to replace the revenues and EBIT lost with alternative contracts for which tender opportunities exist. Management have modelled a scenario whereby these key Currency contracts are not won or fall outside the going concern period and the Group is not able to secure alternative contracts given this is outside of management's control. In this severe but plausible scenario, management have identified further cost saving initiatives that they could implement. Whilst management are confident in the cost saving mitigations identified, they recognise the timing of achieving these to mitigate the loss of key contracts is uncertain.

The base forecasts prepared by management indicate that the Group can continue to operate within its EBIT/Net Interest banking covenant ratio. However, the nature of the severe but plausible downside scenario, specifically the risk that key Currency contracts are not won or fall outside the going concern period and the Group is not able to secure alternative contracts given this is outside of management's control, would mean that without sufficient cost mitigation the Group would breach the EBIT/Net Interest covenant. Therefore, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above, management is confident in its ability to secure and deliver key contracts in line with the assumed quarterly phasing as well as executing the planned cost saving initiatives modelled within the base forecast.

These financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Critical estimates, assumptions and judgements

In preparing these Condensed Consolidated Interim Financial Statements, the Group has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. The Group regularly reviews these estimates and updates them as required. The Group has reviewed its critical accounting estimates, assumptions and judgements and identified no new critical accounting estimates, assumptions and judgements in the period.

Critical accounting estimates, assumptions and judgements set out on pages 110 to 112 of the Group's Annual Report and Accounts for the year ended 26 March 2022. These remain relevant to these Condensed Consolidated Interim Financial Statements, with the exception of that disclosed below.

Amendments to the critical accounting estimate included in the FY22 Annual Report and Accounts.

Recoverability of other financial assets
Other financial assets comprise securities interests held in companies in the Portals International Limited group following the Portals paper business disposal in 2018, in addition to a further amount of £0.9m of loan notes which was subscribed for pursuant to a pre-emptive offer in November 2021. The Group also purchased cotton banknote paper under the RA, until its termination in July 2022.

Management has carefully assessed the recoverability of the other financial assets on the balance sheet as at 24 September 2022 based on information available to them and performed probability weighted modelling against three scenarios determining that an expected credit loss provision of £2.5m (see note 4 exceptional items for further details) is required. Management has considered the following factors in determining which probabilities to be assigned to each scenario:

1) The public announcements from the Portals group relating to the wind down of the Overton paper mill and its sale of assets.
2) The latest available financial position of Portals International Limited group as presented in its 2021 consolidated financial statements.
3) The statements made publicly about Portals' plans to improve financial performance over time including the acquisition of Fedrigoni.

This provision accounts for the risk that the full amounts due will not be recovered rather than the instruments being credit impaired.

Management notes that if factors change again in the future, this may alter the judgements made as to the probabilities to be assigned to each scenario in the modelling, resulting in a revision to the value of expected credit loss provision to be recognised.

Management has prepared a sensitivity analysis, after excluding a fully provided for scenario, by increasing the weighting applied to the scenario which results in the largest remaining expected credit loss being incurred by 20% with an equivalent 20% decrease to the scenario giving rise to the lowest remaining expected credit loss and the impact on the overall level of provision was £0.3m.

Accounting for the extension of the factory site in Malta
On 9 September 2021 the Group signed an Agreement with Malta Enterprise (“ME”) where ME finances the construction, civil works and M&E installations to be carried out at the premises located in Malta. The premises included land, the demolition of an existing building and a rebuild to the Group’s specifications. On 14 September 2021 the Company signed a lease for the premises for an initial term of 20 years. The Group is managing the construction of the new buildings for the lessor to the pre-agreed specifications.

Management have made a judgement as to whether the Company has control of the site during the construction period. If the Group has the right to control the use of the identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. It was determined that control exists only after the build is completed and site becomes operational.

As per the agreement, there are three separate units with the different start-up dates Authentication and Currency. Therefore, the lease will be recognised as these units become operational. The lease costs will be allocated to the division to which they relate to based on area. However, if the cost relates to the total site, then it is divided based on the percentage split of the area, with 27% of the total sqm occupied by Authentication and 73% by Currency. The first block is currently scheduled to be completed at the beginning of 2023.

COVID-19
The Annual Report for the period ended 26 March 2022 included an assessment of the potential impact of COVID-19 on the financial position of the Group as at March 2022. The directors still consider this assessment to be appropriate for the H1 23 financial statements based on the current position.

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of these Condensed Consolidated Interim Financial Statements to 24 September 2022 are consistent with those applied by the Group in its consolidated financial statements as at, and for the period ended, 26 March 2022, as required by the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

During the period, the following new and amended IFRS became effective for the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on these Condensed Consolidated Interim Financial Statements of the Group.

Effective for periods commencing after 1 January 2022:

- Annual Improvements to IFRS Standards 2018-2020 include relevant amendments clarifying capitalisation of transaction fees/inclusion of specific fees in modification/extinguishment test with IFRS 9 “Financial Instruments”. Other improvements in IFRS 1(“First time adoption”) and IAS 41 (“Agriculture”) are not applicable to the Group.

- Amendments to IFRS 3 “Business Combinations”, changes references to the current conceptual framework.

- Amendments to IAS 16 “Property, plant and equipment”, prohibits entities from deducting any proceeds of sale produced while bringing the asset to its location and condition necessary for operation.

- Amendments to IAS 37 “Provisions, Contingent assets and liabilities” – guidance on costs in fulfilling onerous contracts.

Effective for periods commencing after 1 January 2023, all subject to UK endorsement:

- Amendments to IAS 1 “Presentation of financial statements” aims to provide guidance on the application of materiality judgements to policy disclosures.

- Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors” provides clarifications around the definition of accounting estimates and further clarification around the difference between policy changes and estimates.

- Amendments to IAS 12 “Income Taxes” covering temporary timing differences for deferred tax on the recognition of asset and liabilities from a single transaction.

- Amendments to IFRS 17 “Insurance contracts”, covering recognition and measurement, presentation and disclosure.

Effective for periods commencing after 1 January 2024, all subject to UK endorsement:

- Amendments to IFRS 16 “Leases” relating to lease liabilities in a sale and leaseback.

- Amendments to IAS 1 “Presentation of financial statements” is presentational and relates to the classification of liabilities between current and non-current.

The impact of the amendments and interpretations listed above are not expected to a have a material impact on the Consolidated Financial Statements.

2 Segmental analysis

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

The Group's segments are:

- **Currency** – provides Banknote print, Polymer and Security features;
- **Authentication** – provides physical and digital solutions to authenticate products through the supply chain and to provide tracking of exercisable goods to support compliance with government regulators. Working across the commercial and government sectors the division addresses consumer and Brand owner demand for protection against counterfeit goods; and
- **Identity Solutions** – includes minimal non-core activity in H1 23 and primarily relates to sales under the DSA arrangement with HID following the sale of the International Identity Solutions business in October 2019.

Inter-segmental transactions are eliminated upon consolidation.

The segment note is focused on the three divisions, which reflects what has been reported to the Chief Operating Decision Maker and this is in line with the commentary in the front half on the financial performance. The commentary in the front half relating to the future strategy only refers to the Currency and Authentication divisions.

H1 23	**Currency**	**Authentication**	**Identity Solutions**	**Unallocated Central**	**Total of Continuing operations**
	£m	**£m**	**£m**	**£m**	**£m**
Total revenue from contracts with customers	**116.4**	**45.5**	**2.4**	**-**	**164.3**
Less: Inter-segment revenue	**-**	**-**	**-**	**-**	**-**
Revenue from contracts with customers	**116.4**	**45.5**	**2.4**	**-**	**164.3**
Cost of sales	**(90.6)**	**(29.8)**	**(2.1)**	**-**	**(122.5)**
Gross profit	**25.8**	**15.7**	**0.3**	**-**	**41.8**
Adjusted operating expenses	**(21.5)**	**(10.8)**	**(0.2)**	**-**	**(32.5)**
Adjusted operating profit	**4.3**	**4.9**	**0.1**	**-**	**9.3**
Adjusted items:					
• Amortisation of acquired intangible assets	**-**	**(0.5)**	**-**	**-**	**(0.5)**
• Net exceptionals	**(20.8)**	**(0.5)**	**-**	**(0.1)**	**(21.4)**
Operating (loss)/profit	**(16.5)**	**3.9**	**0.1**	**(0.1)**	**(12.6)**
Interest income	**0.5**	**-**	**-**	**0.1**	**0.6**
Interest expense	**(0.5)**	**-**	**-**	**(3.9)**	**(4.4)**
Net retirement obligation finance credit	**-**	**-**	**-**	**0.5**	**0.5**
Net finance expense	**-**	**-**	**-**	**(3.3)**	**(3.3)**
(Loss)/profit before taxation	**(16.5)**	**3.9**	**0.1**	**(3.4)**	**(15.9)**
Capital expenditure on property, plant and equipment	**(4.0)**	**(1.9)**	**-**	**-**	**(5.9)**
Capital expenditure on intangible assets	**(0.6)**	**(4.7)**	**-**	**-**	**(5.3)**
Depreciation of property, plant and equipment and right-of-use assets	**(5.4)**	**(1.3)**	**-**	**(0.5)**	**(7.2)**
Amortisation of intangible assets	**(0.6)**	**(1.5)**	**-**	**(0.4)**	**(2.5)**

H1 22	**Currency**	**Authentication**	**Identity Solutions**	**Unallocated Central**	**Total of Continuing operations**
	£m	**£m**	**£m**	**£m**	**£m**
Total revenue from contracts with customers	132.7	44.4	2.1	-	179.2
Less: Inter-segment revenue	-	-	-	-	-
Revenue from contracts with customers	132.7	44.4	2.1	-	179.2
Cost of sales	(101.6)	(27.0)	(2.1)	-	(130.7)
Gross profit	31.1	17.4	-	-	48.5
Adjusted operating expenses	(22.9)	(8.6)	0.4	-	(31.1)
Adjusted operating profit	8.2	8.8	0.4	-	17.4
Adjusted items:					
• Amortisation of acquired intangible assets	-	(0.5)	-	-	(0.5)
• Net exceptionals	(2.1)	(0.3)	-	(0.7)	(3.1)
Operating profit/(loss)	6.1	8.0	0.4	(0.7)	13.8
Interest income	0.3	-	-	-	0.3
Interest expense	(0.4)	-	-	(2.6)	(3.0)
Net retirement obligation finance expense	-	-	-	(0.2)	(0.2)
Net finance expense	(0.1)	-	-	(2.8)	(2.9)
Profit/(loss) before taxation	6.0	8.0	0.4	(3.5)	10.9
Capital expenditure on property, plant and equipment	(8.9)	(0.7)	-	-	(9.6)
Capital expenditure on intangible assets	(0.3)	(3.7)	-	-	(4.0)
Depreciation of property, plant and equipment and right-of-use assets	(5.3)	(1.1)	-	(0.6)	(7.0)
Amortisation of intangible assets	(0.7)	(1.3)		(0.3)	(2.3)

	Currency	Authentication	Identity Solutions	Unallocated Central	Total of Continuing operations
	£m	£m	£m	£m	£m
H1 23					
Segment assets	**195.9**	**79.5**	**15.1**	**87.1**	**377.6**
Segment liabilities	**(63.6)**	**(15.9)**	**(3.5)**	**(205.2)**	**(288.2)**
FY22					
Segment assets	203.1	65.7	13.3	96.4	378.5
Segment liabilities	(53.0)	(13.4)	(3.1)	(147.2)	(216.7)

Revenue from contracts with customers:

Timing of revenue recognition across the Group's revenue from contracts with customers is as follows:

H1 23	**Currency**	**Authentication**	**Identity Solutions**	**Total of Continuing operations**
	£m	**£m**	**£m**	**£m**
Timing of revenue recognition:				
Point of time	**97.6**	**38.7**	**2.4**	**138.7**
Over time	**18.8**	**6.8**	**-**	**25.6**
	116.4	**45.5**	**2.4**	**164.3**

H1 22	Currency	Authentication	Identity Solutions	Total of Continuing operations
	£m	£m	£m	£m
Timing of revenue recognition:				
Point of time	113.6	38.3	2.1	154.0
Over time	19.1	6.1	-	25.2
	132.7	44.4	2.1	179.2

Geographic analysis of revenue

	H1 23	H1 22
	£m	£m
Middle East and Africa	**68.6**	74.6
Asia	**18.7**	24.5
UK	**33.5**	40.4
The Americas	**10.2**	22.3
Rest of Europe	**28.9**	16.3
Rest of World	**4.4**	1.1
	164.3	179.2

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 gain on discontinued operations in the period of £0.2m (net of associated tax credits) (H1 22: £0.5m) related to foreign exchange gains in the period, offset by ongoing administrative costs from a foreign subsidiary in Brazil, where operations have been discontinued.

4 Exceptional Items

	H1 23	H1 22
	£m	£m
Termination of Relationship Agreement with Portals Paper Limited	**(16.8)**	-
Site relocation and restructuring	**(2.1)**	(2.6)
Pension underpin costs	**-**	(0.2)
	(18.9)	(2.8)
Recognition of expected credit loss provision on other financial assets	**(2.5)**	(0.3)
Exceptional items in operating profit	**(21.4)**	(3.1)
Tax (charge)/credit on exceptional items	**(6.7)**	0.6
Net exceptionals	**(28.1)**	(2.5)

The cash flow impact of exceptional items in H1 23 was £0.9m (H1 22: £2.8m).

Termination of Relationship Agreement with Portals Paper Limited
On the 26 July 2022, the Group reached a settlement to terminate its long-term supply agreement with Portals Paper Limited ("Portals"), related to the supply of banknote, proofing and security paper (the "Relationship Agreement" or "RA"). As a result of this termination, £16.8m (H1 22: £nil) was recorded as an exceptional item in the period, being the agreed settlement together with associated legal costs. This is further described below.

Background
In March 2018, De La Rue sold the Portals paper-making business to a private equity backed management buyout and entered into the RA for a period of 10 years. Under this agreement, De La Rue has purchased banknote, proofing and security paper from Portals, subject to a minimum annual volume guarantee, and Portals has purchased security features from De La Rue, with no guarantee of volume.

Settlement arrangements
Under the settlement terms, De La Rue is released from all obligations under the RA is free to purchase banknote and security paper from any supplier worldwide. De La Rue agreed to pay Portals the amounts due under the normal RA arrangements in respect of confirmed orders placed up to the end of July 2022, and a total of £16.7m in cash to terminate the RA.

The £16.7m and the associated legal costs are classed as an exceptional charge in the period, and payment is due according to the following schedule: £1.7m on or before 31 October 2022, £7.5m on or before 31 December 2022 and £7.5m on or before 7 April 2023.

With the termination of the RA, De La Rue is not liable to pay any more volume-related shortfall payments. These payments have averaged £3.3m annually for each of the past two financial years and totalled £3.0m in H1 23.

De La Rue retains its existing equity and loan note interests in the Portals group of companies and its rights in respect of those interests remain unaffected by this settlement.

Following the termination of the RA, De La Rue will be able to sell all banknote security features freely to customers, through any other paper supplier. This includes the advanced features developed in collaboration with Portals. Strategically, this settlement supports De La Rue's goal to convert more of its print customers to polymer banknotes, as, in doing so, there will no longer be an offsetting payment for lower paper volumes.

Site relocation and restructuring costs
Site relocation and restructuring costs in H1 23 of £2.1m (H1 22: £2.6m) included:

- the recognition of £0.3m (H1 22: £1.5m) of restructuring charges related to cessation of banknote production at our Gateshead facility primarily relating to the costs of relocating assets to different Group manufacturing locations. This relocation of assets will continue in FY23 as the Group continues its expansion of the manufacturing facilities in Malta.

- a further £1.8m (H1 22: £1.1m) of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling, selling and commercial functions.

Pension underpin costs
Pension underpin costs of £nil (H1 22: £0.2m) relate to legal fees 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 continue to assess this.

Recognition of expected credit loss provision on other financial assets
Other financial assets comprise securities interests held in the Portals International Limited group which were received as part of the consideration for the paper disposal in 2018. The amount presented on the balance sheet within other financial assets as at 24 September 2022 includes the original principal received and accrued interest amounts.

In accordance with IFRS 9, management has assessed the recoverability of the carrying value on the balance sheet and recorded an additional expected credit loss provision of £2.5m (H1 22: £0.3m) in relation to the movement in interest receivable which has been recorded in exceptional items consistent with the original recognition as part of the loss on disposal.

Taxation relating to exceptional items
The net tax charge within exceptional items in the period was £6.7m (H1 22: tax credit £0.6m).

Included in the exceptional tax items is a deferred tax charge of £3.9m relating to the derecognition of a deferred tax asset in relation to restricted interest amounts in prior years that were recognised based on sufficient taxable temporary differences available. The asset was originally recognised because the defined benefit pension was in a surplus position which led to a deferred tax liability relating to pensions in the UK, and under IAS any potential deferred tax assets must be recognised against this deferred tax liability. At 24 September 2022, these amounts of interest are not expected to be fully utilised in the foreseeable future, and furthermore as the previous pension surplus has been revised to an accounting deficit, the group is now in a larger net deferred tax asset position and as such the amounts relating to restricted interest are currently not able to be recognised and as such form part of the exceptional tax charge.

During H1 23 the pension moved from a surplus to a deficit position, which meant that the deferred tax asset on the UK restricted UK tax interest amounts is no longer required to be recognised. As the majority of the deferred tax in relation to the pension movements is recognised directly in the Statement of Comprehensive Income, to recognise movements in the recognition and derecognition of this asset as an operating item would distort the Operating Effective Tax Rate and therefore considered to be unhelpful for users of the accounts. This movement and any future creation or unwind of this asset is therefore considered to be an exceptional item for financial reporting purposes where possible.

Exceptional items also included a tax charge in respect of additional expected utilisation of tax credits in Malta of £6.2m, as they are now expected to be surrendered for capital grants in cash after future capital expenditure has been incurred in Malta.

The balance of £3.4m credit within exceptional tax items relates to the tax impact on the exceptional costs before tax.

5 Taxation

The tax charge in the period of £7.9m (H1 22: £0.3m) comprised of:

- £1.3m charge (H1 22: £1.0m charge) on adjusted profits;
- £0.1m credit (H1 22: £0.1m credit) on the amortisation of acquired intangibles; and
- £6.7m net tax charge (H1 22: £0.6m credit) on exceptional items, which is described in more detail in note 4 above.

The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 22.9% (H1 22: 6.8%). Excluding the impact of the increase in the UK tax rate from 19% to 25% from April 2023 on deferred tax balances, the effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 28.5% (H1 22: 17.1%).

The effective tax rate for FY23 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 20-22%.

The overall tax rate is determined using the statutory tax rates and forecasted profits in the UK and all other territories. A weighted average rate is generated for each of the UK and the other territories, with these rates then applied to the actual profits for the half year along with adjustments specific to the relevant period (such as known tax rate changes substantively enacted during the period). This gives rise to a tax charge for the period of £1.3m (H1 22: £1.0m) on a non-IFRS basis. In addition, a tax credit of £0.1m (H1 22: £0.1m) in relation to the tax on the amortisation of acquired intangibles and a tax charge of £6.7m (H1 22: tax credit £0.6m) on exceptional items recognised in the period, as described in note 4, result in an overall tax credit on continuing operations for the period of £7.9m (H1 22: £0.3m) on an IFRS basis.

The Group is disputing a number of tax assessments received from the tax authority of countries in which the Group operates. The disputed tax assessments are at various stages in the local appeal process, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice) and is appealing previous judgments and communicating with the tax authority in relation to the disputed tax assessments. The Group's expected outcome of the disputed tax assessments is held within the relevant provisions in this H1 22 Interim Statement.

The deferred tax asset balance for the period moved from £11.2m at the start of the period to £22.0m at the end of the period. Most of the increase in the balance relates to the movement of the UK defined benefit pension scheme from a surplus to a deficit position during the year. The closing position mainly comprises deferred tax on UK tax losses of £9.9m and £8.7m related to the pension deficit balance. Current forecasts indicate that the net deferred tax asset position will be reversed within the next three years.

6 Earnings per share

Earnings per share	**H1 23** **pence per share**	H1 22 pence per share
Basic earnings per share – continuing operations	**(12.6)**	4.9
Basic earnings per share – discontinued operations	**0.1**	0.3
Basic earnings per share – total	**(12.5)**	5.2
Diluted earnings per share – continuing operations	**(12.6)**	4.9
Diluted earnings per share – discontinued operations	**0.1**	0.3
Diluted earnings per share – total	**(12.5)**	5.2
Adjusted earnings per share		
Basic earnings per share – continuing operations	**2.0**	6.4
Diluted earnings per share – continuing operations[1]	**2.0**	6.3
Number of shares (m)		
Weighted average number of shares	**195.3**	195.2
Dilutive effect of shares	**0.4**	2.7
	195.7	197.9

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the period of £24.4m, the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33.

Earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares. 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. Adjusted earnings per share excludes discontinued operations.

Reconciliation of the earnings used in the calculations are set out below:

	H1 23	H1 22
	£m	£m
Earnings for basic earnings per share - Total	**(24.4)**	10.0
Add: Earnings for basic earnings per share – discontinued operations	**(0.2)**	(0.5)
Earnings for basic earnings per share – continuing operations	**(24.6)**	9.5
Add: amortisation of acquired intangibles	**0.5**	0.5
Add: exceptional items (excluding non-controlling interests)	**21.4**	3.1
Less: tax on amortisation of acquired intangibles	**(0.1)**	(0.1)
Less: tax on exceptional items	**6.7**	(0.6)
Earnings for adjusted earnings per share	**3.9**	12.4

7 Financial instruments

Carrying amounts versus the fair value

		Total fair value H1 23	**Carrying amount H1 23**	Total fair value FY 22	Carrying amount FY 22
		£m	**£m**	£m	£m
Financial assets					
Trade and other receivables[1]	Level 3	**81.0**	**81.0**	83.4	83.4
Contract assets	Level 3	**14.9**	**14.9**	8.0	8.0
Other financial assets[2]	Level 3	**5.2**	**5.2**	7.2	7.2
Cash and cash equivalents	Level 1	**25.7**	**25.7**	24.3	24.3
Derivative financial instruments:					
• Forward exchange contracts designated as cash flow hedges	Level 2	**4.3**	**4.3**	1.3	1.3
• Short duration swap contracts designated as fair value hedges	Level 2	**0.2**	**0.2**	-	-
• Foreign exchange fair value hedges – other economic hedges	Level 2	**1.0**	**1.0**	0.9	0.9
• Embedded derivatives	Level 2	**6.9**	**6.9**	1.2	1.2
Total financial assets		**139.2**	**139.2**	126.3	126.3
Financial liabilities					
Unsecured bank loans and overdrafts[3]	Level 2	**(112.2)**	**(112.2)**	(95.7)	(95.7)
Trade and other payables[4]	Level 3	**(66.2)**	**(66.2)**	(62.9)	(62.9)
Derivative financial instruments:					
• Forward exchange contracts designated as cash flow hedges	Level 2	**(6.1)**	**(6.1)**	(1.8)	(1.8)
• Short duration swap contracts designated as fair value hedges	Level 2	**(0.5)**	**(0.5)**	-	-
• Foreign exchange fair value hedges – other economic hedges	Level 2	**(9.2)**	**(9.2)**	(2.9)	(2.9)
• Embedded derivatives	Level 2	**-**	**-**	(0.1)	(0.1)
Total financial liabilities		**(194.2)**	**(194.2)**	(163.4)	(163.4)

1 Excludes prepayments of £5.3m (FY22: £2.9m), RDEC of £0.1m (FY22: £2.7m) and advance payments of £0.3m (FY22: £nil).
2 Excludes ordinary shares of £0.2m (FY22: £0.2m) which are accounted for as fair value through profit and loss.
3 Excludes unamortised pre-paid loan arrangement fees.
4 Excludes social security amounts, contract liabilities and payments on account.

Contract assets have increased from £8.0m at FY22 to £14.9m at H1 23 reflecting increases in deliveries to customers just before the period end.

Fair Value measurement for derivative financial instruments

Fair value is calculated based on the future principal and interest cash flows, discontinued at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates. There has been no movement between levels during the current or prior periods.

Determination of fair values for non-derivative financial assets and liabilities
Non-derivative assets at fair value through profit and loss are measured at fair value and changes therein, including any interest, are recognised in profit and loss. Directly attributable transaction costs are recognised in profit and loss as incurred.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

8 Analysis of net debt

The analysis below provides a reconciliation between the opening and closing positions for liabilities arising from financing activities together with movements in cash and cash equivalents:

	At 27 March 2022 £m	**Cash flow £m**	**Foreign exchange and other £m**	**At 24 September 2022 £m**
Borrowings	**(95.7)**	**(16.5)**	**-**	**(112.2)**
Cash and cash equivalents	**24.3**	**0.8**	**0.6**	**25.7**
Net Debt	**(71.4)**	**(15.7)**	**0.6**	**(86.5)**

	At 27 March 2021 £m	Cash flow £m	Foreign exchange and other £m	At 26 March 2022 £m
Borrowings	(78.0)	(17.0)	(0.7)	(95.7)
Cash and cash equivalents	25.7	(1.6)	0.2	24.3
Net Debt	(52.3)	(18.6)	(0.5)	(71.4)

Net debt above is presented excluding unamortised capitalised transaction costs in relation to the debt refinancing in June 2020 of £2.3m (FY22: £3.1m). Net debt also excludes £14.1m (FY22: £14.2m) of lease liabilities.

The Group has Bank facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which at 24 September 2022 were are due to mature in December 2023. The Group can convert (in blocks of £25.0m) up to £50.0m of the undrawn RCF cash component to the bond and guarantee component if required and can elect to convert this back (again in blocks of £25.0m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised.

The drawdowns on the RCF facility are typically rolled over on terms of between one and three months. However, as the Group has the intention and ability to continue to roll forward the drawdowns under the facility, the amount borrowed has been presented as long-term.

As at 24 September 2022, the Group had a total of undrawn committed borrowing facilities, all maturing in more than one year, of £38.5m (26 March 2022: £55.0m, all maturing in more than one year).

The Group has, after 24 September 2022, elected to convert £25m of the unutilised bond and guarantee component to the RCF tranche to increase available cash headroom.

9 Retirement benefit obligations

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

	H1 23	FY 22
	£m	£m
UK retirement benefit (liability)/surplus	**(34.8)**	31.6
Overseas retirement benefit (liability)	**(2.0)**	(1.8)
Retirement benefit liability/surplus	**(36.8)**	29.8
Reported in:		
Non-current assets	**-**	31.6
Non-current liabilities	**(36.8)**	(1.8)
	(36.8)	29.8

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

	H1 23	FY 22
	£m	£m
Amounts recognised in the Consolidated Balance Sheet:		
Fair value of plan assets	**666.3**	988.7
Present value of funded obligations	**(697.8)**	(952.8)
Funded defined benefit pension plans	**(31.5)**	35.9
Present value of unfunded obligations	**(5.3)**	(6.1)
Net (liability)/asset	**(36.8)**	29.8

	H1 23	H1 22
	£m	£m
Amounts recognised in the Consolidated Income Statement:		
Included in employee benefit expense:		
Administrative expenses	**(0.8)**	(0.6)
Included in net finance cost:		
Net retirement benefit obligation finance credit/(charge)	**0.5**	(0.2)
Total recognised in the Consolidated Income Statement charge	**(0.3)**	(0.8)

Principal actuarial assumptions:

	H1 23	FY 22
	UK	UK
	%	%
Discount rate	**5.30**	2.85
Inflation rate - CPI	**3.00**	3.10
Inflation rate - RPI	**3.40**	3.50

The table below provides the sensitivity of the liability in the scheme to changes in various assumptions:

Assumption change	**Approximate impact on liability**
0.25% decrease in discount rate	Increase in liability of c £21m
0.25% increase in discount rate	Decrease in liability of c £20m
0.25% increase in CPI inflation rate	Increase in liability of c £9m
Increasing life expectancy by one year	Increase in liability of c £25m

The liability sensitivities have been derived using the duration of the scheme based on the membership profile as at 5 April 2021 and assumptions chosen for H1 23. The sensitivity analysis does not allow for changes in scheme membership since the 2021 actuarial valuation or the impact of the Scheme or Group's risk management activities in respect of interest rate and inflation risk on the valuation of the Scheme assets.

At 24 September 2022 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2021 (FY 22: CMI_2021) with a smoothing parameter of 7.5 and a long-term future improvement trend of 1.25% per annum.

On 2 March 2022, the Trustee and the Company agreed the terms for a schedule of contributions and a recovery plan, setting out a programme for clearing the UK Pension Scheme deficit (the "Recovery Plan"). The last actuarial valuation of the UK Pension Scheme was at 5 April 2021, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £119.5m.

The £119.5m deficit is addressed by payments of £15m per annum (payable quarterly in arrears) under the Recovery Plan payable from the year ending 5 April 2022 until 31 March 2029. Additional contingent contributions in exceptional circumstances will become payable by way of an acceleration of the contributions due in later years where: (i) the leverage ratio (consolidated net debt: EBITDA) is equal to or greater than 2.5x in FY23, up to a maximum of £4m in the financial year and /or (ii) the Company or any of its subsidiaries take any action which will cause material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme of £8m (£8m in FY23) over the period up to March 2023.

On 24 May 2022, the Trustees of the Main Scheme entered into a partial pensioner buy-in contract for a proportion of pension members. In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The premium paid to the insurer was £319.0m. As at 24 September 2022, the value of the buy-in contract was £216.3m. The impact of the partial pensioner buy-in has been recognised as a loss on the scheme assets.

10 Other financial assets

	H1 23 £m	FY22 £m
Opening balance	**7.4**	8.8
Interest accrued in the period	**0.5**	0.8
Additional investment in loan notes in the Portals International Limited group	**-**	0.9
Expected credit loss (reported in exceptionals)	**(2.5)**	(3.1)
Closing balance	**5.4**	7.4

In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the other financial assets.

Management has assessed the recoverability of the other financial assets on the balance sheet as at 24 September 2022 and as a result an expected credit loss was recorded in the period of £2.5m, reflecting the uncertainty of recoverability resulting from the termination of the Portals RA and the winding down of the Portals Overton paper mill on the UK Portals business (note 4).

11 Provisions for liabilities and charges

	Restructuring	Warranty	Other	Total
	£m	£m	£m	£m
At 26 March 2022	0.4	1.4	4.1	5.9
Charge for the period	1.5	0.6	-	2.1
Utilised in the period	(0.5)	-	-	(0.5)
Released in the period	-	(0.2)	(2.1)	(2.3)
Exchange differences	-	-	0.1	0.1
At 24 September 2022	**1.4**	**1.8**	**2.1**	**5.3**
Expected to be utilised within 1 year	**1.4**	**1.8**	**2.1**	**5.3**

Restructuring provisions
Restructuring provisions as at 24 September 2022 related to redundancy and other employee related termination costs for a Group site relating to a change in working patterns. This was substantially utilised in the period. The remaining provision as at 24 September 2022 is expected to be utilised in FY23.

Warranty provisions
Warranty provisions relate to present obligations for defective products. The provisions are management judgements based on information currently available, past history and experience of the products sold. However, it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

The Group measures warranty provisions at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date, discounted where the time value of money is considered material. These estimates take account of available information, historical experience and the likelihood of different possible outcomes. Both the amount and the maturity of these liabilities could be different from those estimated.

Other provisions
Other provisions comprise a number of liabilities with varying expected utilisation rates. This included a small number of onerous contract provisions (£1.1m), employee related liabilities (£0.8m) and other liabilities (£0.1m) arising through the Group's normal operations.

Onerous contract provisions arise where the unavoidable costs under a contract exceed the economic benefits expected to be received under it. Unavoidable costs represent the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs to fulfil a contract include those that directly relate to the contract, including incremental costs and allocation of production overheads. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

12 Non-controlling interests

The Group has three subsidiaries with material non-controlling interests:

- De La Rue Buck Press Limited, whose country of incorporation is Ghana;
- De La Rue Lanka Currency and Security Print (Private) Limited, whose country of incorporation is Sri Lanka; and
- De La Rue Kenya EPZ Limited, whose country of incorporation and operation is Kenya.

The accumulated non-controlling interest of the subsidiary at the end of the reporting period is shown in the Group balance sheet. The following table summarises the key information relating to these subsidiaries, before intra-group eliminations.

	Ghana	**Sri Lanka**	**Kenya**	Ghana	Sri Lanka	Kenya
Non-controlling interest percentage	**51%**	**40%**	**40%**	51%	40%	40%
	H1 23 £m	**H1 23 £m**	**H1 23 £m**	FY 22 £m	FY 22 £m	FY 22 £m
Non-current assets	**-**	**8.4**	**5.9**	-	9.4	5.8
Current assets	**11.3**	**28.6**	**24.7**	5.8	22.6	25.1
Non-current liabilities	**-**	**(0.3)**	**(0.4)**	-	(0.3)	(0.1)
Current liabilities	**(8.7)**	**(8.2)**	**(13.1)**	(5.1)	(3.8)	(14.2)
Net assets (100%)	**2.6**	**28.5**	**17.1**	0.7	27.9	16.6
	H1 23 £m	**H1 23 £m**	**H1 23 £m**	H1 22 £m	H1 22 £m	H1 22 £m
Revenue	**7.0**	**13.3**	**10.8**	6.1	12.6	15.1
Profit for the period	**0.6**	**0.5**	**0.5**	0.3	1.3	1.2
Profit allocated to non-controlling interest	**0.3**	**0.2**	**0.3**	0.2	0.5	0.4
Dividends declared by non-controlling interest	**-**	**-**	**-**	-	-	0.2
Cash flows from operating activities	**(0.9)**	**1.7**	**0.1**	(1.0)	0.3	1.0
Cash flows from investing activities	**-**	**(0.1)**	**(0.2)**	-	(0.2)	-
Cash flows from financing activities	**-**	**-**	**-**	0.3	-	(0.2)
Net (decrease)/increase in cash and cash equivalents	**(0.9)**	**1.6**	**(0.1)**	(0.7)	0.1	0.8

13 Related party transactions

During the period the Group traded on an arm's length basis with the associated company Fidink (33.3% owned). The Group's trading activities with Fidink in the period comprise £12.5m (H1 22: £14.0m) for the purchase of ink and other consumables on an arm's length basis. At the balance sheet date there was £4.5m (H1 22: £4.0m) owing to this company.

The value of the Group's investment in associate is not material and hence not disclosed on the face of the balance sheet.

14 Contingent assets and liabilities

In June 2019 De La Rue International Limited terminated its agency agreement and sales consultancy agreement with Pastoriza SRL, a company which provided agency and sales consultancy services to the Group in the Dominican Republic from 2016 to 2019. Pastoriza disputed the termination and commenced a commercial lawsuit in the Dominican Republic for a claimed amount of approximately US$8m (plus monthly interest) which was dismissed by the Court in December 2020. Pastoriza appealed the decision, but the Court of Appeal dismissed the appeal in May 2021. Pastoriza then appealed to the Supreme Court, which also dismissed the appeal in July 2022. We have now had confirmation from the Court that Pastoriza has not lodged an appeal with the Constitutional Court (which would have been the final possible forum for this litigation) and it is now too late to do so, therefore the litigation is now at an end.

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

15 Capital and other commitments

	H1 23 **£m**	H1 22 £m	FY 22 £m
Capital expenditure contracted but not provided:			
Property, plant and equipment	**19.8**	7.7	10.6
Other commitments	**-**	394.9	364.2
	19.8	402.6	374.8

Other commitments in the table above in H1 22 and FY22 were amounts in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. As part of the transaction, Portals De La Rue Limited supplied paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes. The termination of the RA with Portals in the period resulted in these commitments being extinguished (note 4).

16 De La Rue Financial Calendar: FY23

Financial year end **25 March 2023**

17 Subsequent events

Banking Facilities

Following the successful capital equity raise and bank refinancing on 7 July 2020, the Group has access to an RCF cash drawdown component of up to £175m and bond and guarantee facilities of at least £100m Subsequent to the interim balance sheet, the existing banking facility was extended until 1 January 2025 with 25 basis point increase in margin. The continued access to these borrowing facilities is subject to quarterly covenant testing which looks back over a rolling 12-month period. In each covenant test in FY22 and FY23 so far, the Group has met its covenant ratios and this is forecasted to continue over the Going Concern assessment period through to December 2023 based of the Group's latest view for the FY23 base budget.

At 24 September 2022, the Group had drawn down £111.5m of the £150m cash element of the RCF available at that date, leaving £38.5m of undrawn committed borrowing facilities available to the Group. The Group has, after 24 September 2022, elected to convert £25m of the unutilised bond and guarantee component to the RCF tranche to increase available cash headroom.

The terms of the extended Facilities are as follows:

- Maturity date of 1 January 2025;
- An up-front arrangement fee of 25 basis points payable in November 2022;
- An increase in Margin of 25 basis points;
- Further arrangement fees payable between June and December 2023 of 95 basis points on the commitments under this facility on the dates those fees would be due; and
- No change in covenant tests.

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, as they are not considered to be representative of underlying business performance. The measures the Group uses, along with appropriate reconciliations to the equivalent IFRS measures where applicable, are shown in the following tables.

The Group's policy on classification of exceptional items is also set out below:

The Directors consider items of income and expenditure which are 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 GMPs, 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.

A Adjusted revenue

Adjusted revenue excluded "pass-through" revenue relating to non-novated contracts following the paper and international identity solutions business sales. There has been no "pass-through" revenue in FY 22 or HY 23 and therefore this non-IFRS is no longer used by the Group.

B Adjusted operating profit from continuing operations

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

	H1 23 **£m**	H1 22 £m
Operating (loss)/profit from continuing operations on an IFRS basis	**(12.6)**	13.8
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**21.4**	3.1
Adjusted operating profit from continuing operations	**9.3**	17.4

C Adjusted basic earnings per share

Adjusted earnings are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations. Adjusted earnings per share has been calculated by dividing adjusted earnings for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	H1 23 **£m**	H1 22 £m
(Loss)/profit attributable to equity shareholders of the Company	**(24.4)**	10.0
Exclude: discontinued operations	**(0.2)**	(0.5)
(Loss)/profit attributable to equity shareholders of the Company from continuing operations an IFRS basis	**(24.6)**	9.5
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**21.4**	3.1
Tax on amortisation of acquired intangible assets	**(0.1)**	(0.1)
Tax on exceptional items	**6.7**	(0.6)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**3.9**	12.4
Weighted average number of ordinary shares for basic earnings	**195.3**	195.2

Continuing operations	H1 23 pence per share	H1 22 pence per share
Basic earnings per ordinary share on an IFRS basis	**(12.6)**	4.9
Basic adjusted earnings per ordinary share	**2.0**	6.4
Diluted adjusted earnings per ordinary share[1]	**2.0**	6.3

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the period (£24.4m), the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33.

D Net debt

Net debt is a non-IFRS measure. See note 8 for details of how net debt is calculated.

E Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items. The adjusted EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period. The EBITDA margin on an IFRS basis is a percentage against the reported revenue. The Group's covenant test uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	H1 23 £m	H1 22 £m
(Loss)/profit for the period	**(23.6)**	11.1
Add back:		
(Profit) on discontinued operations	**(0.2)**	(0.5)
Taxation	**7.9**	0.3
Net finance expenses	**3.3**	2.9
(Loss)/profit before interest and taxation from continuing operations (Operating (loss)/profit)	**(12.6)**	13.8
Add back:		
Depreciation of property, plant and equipment and right-of-use assets	**7.2**	7.0
Amortisation of intangible assets	**2.5**	2.3
EBITDA	**(2.9)**	23.1
Exceptional items	**21.4**	3.1
Adjusted EBITDA	**18.5**	26.2
Revenue £m	**164.3**	179.2
EBITDA margin	**(1.8)%**	12.9%
Adjusted EBITDA margin	**11.3%**	14.6%

F Adjusted controllable operating profit by division

Adjusted controllable operating profit represents earnings from continuing operations of the on-going divisions adjusted to exclude exceptional items and amortisation of acquired intangible assets and costs relating to the enabling functions such as Finance, IT and Legal that are deemed to be attributable only to the on-going two divisional structure model. Key reporting metrics for monitoring the divisional performance are linked to gross profit and controllable profit (being adjusted operating profit before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall business key Turnaround Plan objectives.

H1 23	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Central £m**	**Total of continuing operations £m**
Operating (loss)/profit on IFRS basis	**(16.5)**	**3.9**	**0.1**	**(0.1)**	**(12.6)**
Amortisation of acquired intangibles	**-**	**0.5**	**-**	**-**	**0.5**
Net exceptional items	**20.8**	**0.5**	**-**	**0.1**	**21.4**
Adjusted operating profit	**4.3**	**4.9**	**0.1**	**-**	**9.3**
Enabling function overheads	**11.4**	**4.5**	**-**	**(15.9)**	**-**
Adjusted controllable operating profit/(loss)	**15.7**	**9.4**	**0.1**	**(15.9)**	**9.3**

H1 22	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	6.1	8.0	0.4	(0.7)	13.8
Amortisation of acquired intangibles	-	0.5	-	-	0.5
Net exceptional items	2.1	0.3	-	0.7	3.1
Adjusted operating profit	8.2	8.8	0.4	-	17.4
Enabling function overheads	11.4	3.8	-	(15.2)	-
Adjusted controllable operating profit/(loss)	19.6	12.6	0.4	(15.2)	17.4