



DE LA RUE

2021/22 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 25 September 2021 (the “period”, “H1 2021/22” or “half-year”). The comparative period was the six months ended 26 September 2020 (“H1 2020/21”).

H1 2021/22 highlights:

- Adjusted operating profit from our ongoing divisions up by 165.6% to £17.0m (H1 2020/21: £6.4m)
- Adjusted revenue for Authentication and Currency increased by 10.3% to £177.1m (H1 2020/21: £160.6m). IFRS revenue was £179.2m for the period (H1 2020/21: £182.6m)
- Group adjusted operating profit increased by 13.7% to £17.4m (H1 2020/21: £15.3m), demonstrating strong growth from Authentication and Currency that more than offset the cessation of the UK passport contract. IFRS operating profit to £13.8m (H1 2020/21: £4.6m)
- Turnaround Plan and cost reduction activities continue to strengthen performance versus H1 2019/20 and H1 2020/21, with minimal impact of COVID-19 due to the Group’s response
- Malta expansion announced, that will double Authentication production capacity and further enhance Currency manufacturing flexibility
- Currency 100% banknote capacity utilisation in H2 2021/22 across all print sites
- Polymer production volumes up by more than 90% versus H1 2020/21
- Positive operating cash flow of £25.8m (H1 2020/21: £3.3m), with net debt reduced by 16.1% to £43.9m (FY 2020/21: £52.3m). Full year net debt outlook in line with the Board’s expectations
- FY 2021/22 trading to date has been positive and the outlook continues to be in line with the Board’s expectations

Financial Summary	H1 2021/22 £m	H1 2020/21 ⁵ £m	Change %
Non-IFRS Financial Measures			
Adjusted Revenue*	179.2	177.6	0.9%
- Authentication	44.4	34.6	28.3%
- Currency	132.7	126.0	5.3%
- Identity Solutions ¹	2.1	17.0	(87.6)%
Adjusted operating expenses*²	(31.1)	(34.1)	8.8%
Adjusted operating profit*²	17.4	15.3	13.7%
Adjusted basic EPS (p)*³ – continuing operations	6.4p	6.5p	(1.5)%
	H1 2021/22 £m	FY 2020/21 £m	Change %
Net debt⁴	43.9	52.3	16.1%
Statutory Results			
	H1 2021/22 £m	H1 2020/21 £m	Change %
Revenue - continuing operations	179.2	182.6	(1.9)%
Gross Profit – continuing operations	48.5	49.4	(1.8)%
Operating profit – continuing operations	13.8	4.6	200.0%
Basic EPS (p) – continuing operations	4.9p	1.0p	390.0%

Footnotes:

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

1. Identity solutions in H1 2021/22 includes sales made under the Design and Supply Agreement (“DSA”) arrangement with HID Corporation Limited (“HID”) entered into following the sales of the International Identity Solutions business in October 2019. H1 2020/21 includes sales relating to the UK passport contract in addition to DSA sales.
2. Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £3.1m (H1 2020/21: £10.2m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 2020/21: £0.5m).
3. Adjusted basic EPS excludes post-tax exceptional items of £2.5m (H1 2020/21: £7.8m) and post-tax amortisation of acquired intangible assets £0.4m (H1 2020/21: £0.4m).
4. The definition of net debt can be found in note 8 to the financial statements.
5. The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of

goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

H1 2021/22 financial performance

- Adjusted revenue of £179.2m (H1 2020/21: £177.6m) reflects growth in Authentication and Currency which more than offset the expected loss of revenue from the UK Passport contract in the prior period. IFRS revenue (including “pass-through” revenue) of £179.2m (H1 2020/21: £182.6m) was impacted by the contracts covered by these arrangements having now completed.
- Authentication adjusted revenue growth of 28.3% reflecting the benefit of a full period of Ghana Revenue Authority contract and growth in Brand revenue.
- Currency adjusted revenue increase of 5.3% reflecting growth of Banknote and Polymer sales.
- Adjusted operating profit of £17.4m (H1 2020/21: £15.3m), includes a 165.6% growth in our two ongoing divisions to £17.0m (H1 2020/21: £6.4m) reflecting strong revenue growth and increased profitability more than offsetting the impact of the UK Passport contract cessation in FY 2020/21 which contributed the majority of Identity Solutions profit in H1 2020/21.
- IFRS operating profit of £13.8m (H1 2020/21: £4.6m) reflected the impact of lower net exceptional item charges of £3.1m compared to £10.2m in H1 2020/21 as the prior period included significant charges relating to the cessation of Banknote manufacturing at the Group’s Gateshead facility.
- Net debt at H1 2021/22 of £43.9m (FY 2020/21: £52.3m). Net debt at H1 2021/22 was lower than expected and less than at the end of FY 2020/21, as a result of the phasing of capital expenditure and strong operating cash flows of £25.8m. Full year net debt outlook is in line with the Board’s expectations.

Business update

- Authentication continues to deliver good volume growth and is on track to exit the year at an annualised revenue run rate of approximately £100m.
- Currency achieved 100% of available capacity in Banknotes in H1 2021/22 and expects full utilisation of Banknotes and Polymer capacity during H2 2021/22.
- Continued investment in manufacturing capabilities with an additional Polymer line in Westhoughton and the expansion of Malta facility to grow available production capacity for Currency and Authentication.
- We continue to monitor and work to mitigate headwinds in commodity and energy costs, and challenges in the supply chain.

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

“Our first half results have shown substantial improvement in the Group’s financial and operational performance. We continue to make progress in executing our Turnaround Plan, which is delivering both operating improvements and cost reductions. These, coupled with our increasing market competitiveness, have resulted in stronger adjusted operating profit and excellent cashflows generated from operating activities. The results from our two ongoing divisions, Authentication and Currency, have more than offset the cessation of the UK Passport contract last financial year.”

“We are continuing to invest in Authentication and Currency in line with our Turnaround Plan. In H1 2021/22, we announced a substantial expansion of our facility in Malta that will increase manufacturing capacity and flexibility for both divisions. We will achieve this additionally without exceeding the original total turnaround investment of £79.8m. Our Polymer expansion plans in the UK, which will see a doubling of production capacity, are on track, with the new production line being operational early in Q4 this financial year.”

“We continue to monitor and work to mitigate headwinds in commodity and energy costs, and challenges in the supply chain. The De La Rue team has additionally overcome some COVID-19 disruption in H1 2021/22, and I am pleased that we have performed strongly despite these challenges. As a result, and based on Group trading for FY 2021/22 to date continuing to be positive, the outlook for revenue, adjusted operating profit and net debt for the full year remain in line with the Board’s expectations.”

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A conference call will take place at 9:00 am on 24 November 2021, which is accessible via webcast on www.delarue.com. For the live webcast, please register at <https://webcasting.brmedia.co.uk/broadcast/6165b6cc4e29f55a94193491> where a replay will also be available subsequently.

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

BUSINESS UPDATE

In these results, we report on the financial performance of the Authentication, Currency and Identity Solutions divisions. To provide insight into the underlying performance of our business, we have reported revenue, gross margin and operating profit 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.

TURNAROUND PLAN

On 25 February 2020, we announced details of the Turnaround Plan (the "Turnaround Plan") for the Company and progress to date on the elements of the Turnaround Plan is set out immediately below:

Cost reduction

The Group's Turnaround Plan delivered a cumulative £36m of annualised cost out at the end of FY 2020/21. A further £7m of in-year savings due to the Turnaround Plan are expected in FY 2021/22.

Authentication

Authentication is focused on providing physical and digital solutions to authenticate products through the supply chain and to provide tracking of excisable goods to support compliance with government regulations. Working across the commercial and government sectors, we address consumer and Brand owner demand for protection against counterfeit goods. The Authentication division is on track to exit the year at an annualised revenue approximately £100m, reflecting the fact that more countries adopt tobacco tax stamp schemes to comply with the EU Tobacco Products Directive and the World Health Organisation ("WHO") Framework Convention on Tobacco Control ("FCTC").

The traditional tax stamp market covering tobacco and alcohol has evolved to include digital solutions and tobacco track-and-trace. The combined physical and digital solutions provided by the Group support governments to protect tax revenue and to comply with intergovernmental policies and international treaties.

We have seen good H1 year-on-year growth in Authentication revenue of 28.3%, with minor reduction in volumes and revenue, compared to H2 2020/21, due to variable recovery rates during H1 2021/22 in countries in which we operate from the COVID-19 pandemic.

During FY 2021/22 to date, Authentication secured a new Government Revenue Solutions (GRS) contract and an extension of an existing contract, as previously announced in our 2021 AGM statement. Both schemes follow the same model as our current tax stamp solutions in the Gulf Cooperation Council area. Our contract with the Ghana Revenue Authority is now fully operational and contributed to GRS growth in H1 2021/22. Our wins in Brand protection, including the Tier 1 companies in the technology and healthcare sectors, have delivered good revenue growth during H1 2021/22.

GRS performed well in H1 2021/22 contributing significantly to the year-on-year growth. We expect the Group's new contracts to deliver growth in volumes and revenue in H2 2021/22 compared to H1 2021/22. However, there remains some uncertainty regarding the recovery path from the COVID-19 pandemic and the local timescales to launch new schemes in countries where we are contracted to provide solutions.

Currency

The Currency division is focused on improving profitability of banknote production, protecting and growing the Group's paper security feature position, converting the world to polymer and being the market leader, and investing in R&D in polymer security features.

H1 2021/22 profitability for the division has improved year-on-year through growth in new customers and improved product mix, as well as the continued delivery of cost reductions and manufacturing efficiencies. The strong ongoing global demand for cash has continued in H1 2021/22 as central banks sought to maintain high stock levels during the COVID-19 pandemic. Our available capacity has been fully utilised in H1 2021/22 and we expect to utilise 100% of our remaining available banknote and polymer capacity for FY 2021/22. We expect order patterns to normalise to pre-COVID-19 pandemic levels in H2 2021/22 and continue to see growth in global demand for cash despite digital payments impacting the absolute demand in countries such as the UK.

De La Rue has established a leading position in polymer, with the number of circulating polymer banknote denominations more than tripling since the first banknote was introduced on SAFEGUARD® in 2013. Since the start of 2020 there have been 25 new polymer banknotes issued on SAFEGUARD®, representing one-third of the circulating and commemorative SAFEGUARD® notes issued to date. We saw a polymer production volume increase of more than 90% year-on-year in H1 2021/22 and expect full year-on-year growth of around 70% FY 2020/21 to FY 2021/22, with further year-on-year increases in FY 2022/23. Furthermore, SAFEGUARD® security features, such as Argentum™ ink and De La Rue-originated holograms are growing in popularity as more higher value banknotes convert to polymer.

De La Rue was awarded the majority polymer substrate supply for the Bank of England £5, £10 and £50 denominations from July 2021 resulting in De La Rue having contracts with the Bank of England for all polymer denominations on SAFEGUARD®. Approximately 4% of the world's banknotes by volume, and 14% by denomination are being issued on polymer. A cornerstone of

the Company's strategy is investing in, and supporting customers with, the significant trend of transition from paper to polymer notes.

We are investing significantly in the expansion of our current facilities in Westhoughton to meet the growing demand for polymer. The new polymer line, now installed, is the largest in the industry and will be fully commissioned during H2 2021/22, in time to meet increasing customer requirements. The new line will more than double our current polymer production capacity and will create 70 new jobs at the site.

New paper security feature sales also continue, with new banknotes containing KINETIC STARCHROME® and PUREIMAGE™ issued into circulation this financial year, and further notes with IGNITE®, NEXUS™ and KINETIC STARCHROME® due to issue in FY 2022/23. Sales this year include the first IGNITE® thread for a circulating banknote printed by a state print work.

In H1 2021/22 we completed the installation of new capacity and capability at our Debden site following agreement with the Bank of England to extend our contract for a further five years to 2028. In September 2021 we announced our plans to grow our capability and production capacity in Malta, as discussed below. These combined actions will improve the flexibility of our banknote printing capacity and will drive efficiency and sustainability in our operational footprint through the modernisation of our operations.

MALTA INVESTMENT

In September 2021, we announced a major upgrade to the Group's facilities in Malta increasing our 14,000 square-metre factory to become a 29,000 square-metre, state-of-the-art, manufacturing site. This investment is supported by Malta's economic development agency, Malta Enterprise and the Government of Malta.

This project is a progression of our Turnaround Plan and will be delivered within the expected £79.8m total net investment for the Turnaround Plan. Approximately 100 new jobs will be created in Malta due to this investment, as the expansion will be delivered progressively, with the majority of the work targeted for completion by the end of FY 2023/24.

The new facility will be larger, more modern and more energy efficient than our current facility, while improving the capability, flexibility and efficiency of De La Rue's overall footprint. In line with the growth expectations of the Turnaround Plan and beyond, it will double the capacity for tax stamps and Brand protection labels for the Group's Authentication division and grow our capability and production capacity for the Group's Currency division. It will also enable De La Rue's manufacturing to be fully integrated with the Company's traceability software platforms.

COVID-19 UPDATE

In 2018, as part of the ongoing business continuity and risk planning activities of De La Rue, the company drew up a general pandemic Business Continuity Plan, which has proved effective in the response to the COVID-19 pandemic.

The Group has implemented actions to mitigate the impact of COVID-19, including steps to protect its employees in line with guidance from Governments, and while there remains considerable uncertainty in relation to the COVID-19 pandemic (including its duration, extent and ultimate impact), the Board believes that the Group's operations will continue to experience only limited disruption due to the COVID-19 pandemic.

Since July 2021, the Group has begun to re-align the handling of the COVID-19 pandemic response from an incident management, to a recovery outlook. We are now focussing on the effective mitigation of COVID-19 as a business-as-usual task, rather than an ongoing incident, to ensure a longevity of compliance. This has included adapting Group recovery planning from the goal of returning to a pre-COVID-19 pandemic situation, to living with control measures to effectively control infections and safeguard business continuity. The Group continues to use scientifically proven, effective mitigation measures such as face coverings, increased ventilation, sanitation and social distancing.

A continued focus of the company throughout this period has been the combatting of outbreaks with targeted PCR testing where necessary, as well as the continued promotion of vaccination campaigns. The Group notes that in all operating countries, employee vaccination rates far exceed the national averages.

Up to H1 2021/22, all our UK, Malta and Kenya sites and our facilities in the United States continued to operate with limited disruption and remained fully operational. Operations at our site in Sri Lanka were disrupted, but remained functional, between April to September 2021 due to two waves of the Delta COVID-19 variant.

The Group continues to monitor and work to mitigate headwinds in commodity and energy costs and challenges in the supply chain.

BREXIT

Starting in 2018, we undertook extensive preparations for Brexit across the Group with a regular fortnightly/monthly cadence of reviews and updates, which ceased in May 2021 due to minimal operational, supply chain and other functional disruption experienced in the first five months of the UK-EU Trade Cooperation Agreement.

The risk of operational or supply chain disruptions to either Authentication or Currency divisions due to Brexit are not expected to increase in the coming financial year.

The Group continues to seek opportunities to minimise the administration involved and mitigate tariff and duty outlays and costs for the Group including making applications for designated customs warehousing arrangements and inward processing relief for manufacturing processes where appropriate.

OUTLOOK

We have a target of returning the Company to a strong financial position and an operating platform which will deliver sustainable growth with increased operating margins and strong cash generation in the medium term. Following an initial period of cash outflow to fund the Turnaround Plan, we continue to aim for the Group to be generating positive cash flow capable of supporting sustainable cash dividends to shareholders by the end of the Turnaround Plan in FY 2022/23.

Trading for FY 2021/22 to date has been positive, with the outlook for revenue (going forwards, adjusted and IFRS revenue are expected to be the same due to no ongoing pass-through contracts), adjusted operating profit and net debt for the full year in line with the Board's expectations.

FINANCIAL RESULTS OVERVIEW

REVENUE

Group adjusted revenue increased by 0.9% to £179.2m (H1 2020/21: £177.6m) as good growth in Currency and Authentication more than offset by lower Identity Solutions revenue following the cessation of the UK Passport contract in the prior period.

Authentication revenue saw good year-on-year growth of 28.3% to £44.4m (H1 2020/21: £34.6m) reflecting the benefit of a new contract with the Ghana Revenue Authority contract which was signed towards the end of H1 2020/21 in addition to growth of existing GRS and Brand revenue.

Currency adjusted revenue increased by 5.3% to £132.7m (H1 2020/21: £126.0m) due to a stronger mix of products as a result of polymer conversion in Banknotes and growth in direct Polymer substrate sales, partially offset by lower Security features volumes.

As expected, adjusted revenue for **Identity Solutions** declined in H1 2021/22 to £2.1m (H1 2020/21: £17.0m), primarily due to the impact of the cessation of the UK Passport contract in the prior period.

Group IFRS revenue declined by 1.9% to £179.2m (H1 2020/21: £182.6m) and was impacted by lower pass-through revenue on non-novated paper and Identity Solutions contracts as these have now concluded.

The H1 2020/21 results have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

GROSS PROFIT

Gross profit decreased by £0.9m to £48.5m (H1 2020/21: £49.4m), reflecting a 28.0% growth of £6.8m in Currency due mainly to production efficiencies and margin mix relating to polymer conversions, a 26.1% growth of £3.6m in Authentication gross profitability due to increased volumes, offset by a £10.6m lower Identity Solutions profitability following the UK Passport contract cessation in FY 2020/21.

OPERATING PROFIT AND OPERATING COSTS

IFRS operating profit of £13.8m (H1 2020/21: £4.6m) was lower than adjusted operating profit due to the recognition of net exceptional item charges of £3.1m (discussed below) and amortisation of acquired intangible assets of £0.5m.

Adjusted operating profit in H1 2021/22 was £17.4m (H1 2020/21: £15.3m) and reflected:

- **Authentication** profit of £8.8m (H1 2020/21: £3.9m) reflecting mainly the increase in gross profit due to higher revenue combined with lower overheads as a percentage of revenue, due to the benefit of the cost-out initiatives completed in FY 2020/21;
- **Currency** profit of £8.2m (H1 2020/21: £2.5m) resulting from a higher gross margin owing to improved production efficiencies on higher revenue and reduced overheads due to the benefit of the cost-out initiatives completed in FY 2020/21, and;
- **Identity Solutions** profit of £0.4m (H1 2020/21: £8.9m), which was minimal following the cessation of the UK Passport contract in FY 2020/21.

Adjusted operating expenses excluding the impact of exceptional items and amortisation of acquired intangibles decreased by £3.0m to £31.1m (H1 2020/21: £34.1m), reflecting the benefit of our cost reduction initiatives completed in FY 2020/21 and the impact of the cessation of the UK Passport contract.

Adjusted operating profit of our two ongoing divisions grew by 165.6% to £17.0m (H1 2020/21: £6.4m).

FINANCE CHARGE

The Group's net interest charge was £3.0m (H1 2020/21: £3.3m), 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 charge of £0.2m (H1 2020/21: credit of £0.8m), due the opening pension valuation on an IAS 19 basis as of 27 March 2021 being a net deficit of £18.5m.

The financing charge associated with lease liabilities recorded under IFRS 16 in H1 2021/22 was £0.3m (H1 2020/21 £0.3m).

Interest due on the loan notes and preference shares obtained as part of the consideration for the Portals paper disposal amounted to £0.3m and is stated net of allowance for expected credit losses, which have been recorded in accordance with IFRS 9 (H1 2020/21: £0.4m). The loan notes and preference shares are included in the balance sheet as Other Financial Assets.

The total Group net finance charge was £2.9m (H1 2020/21: £2.1m).

EXCEPTIONAL ITEMS

Exceptional net charge in the period was £3.1m (H1 2020/21: £10.2m), before taxation and included:

- £1.5m (H1 2020/21: £8.1m) 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 2022/23 as the Group continues its expansion of the manufacturing facilities in Malta;
- £1.1m (H1 2020/21: £1.2m) of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling, selling and commercial functions;
- £0.2m (H1 2020/21: £0.4m) of pension underpin costs relating to legal fees incurred in the rectification of certain discrepancies identified in the Scheme rule; and
- £0.3m (H1 2020/21: £nil) of recognition of an expected credit loss provision on other financial assets.

The cash flow impact of exceptional items in H1 2021/22 was £2.8m (H1 2020/21: £12.9m).

Please see note 4 'Exceptional Items' below for more details.

TAXATION

The net tax charge in respect of continuing operations for the first half was £0.3m (H1 2020/21: tax credit £0.5m). The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 6.8% (H1 2020/21: 15.5%). This includes the impact of the increase in the UK tax rate from 19% to 25% from April 2023, enacted during the period. It has been estimated that the increase in the UK tax rate has increased the value of net deferred tax balances carried forward by approximately £1.6m, of which a credit of £1.5m has been recognised within the Income Statement and £0.1m recognised within Other Comprehensive Income. Excluding the impact of the increase in the UK tax rate, the net tax charge in respect of continuing operations for the first half was £1.8m, and the effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 17.1%.

The effective tax rate for FY 2021/22 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 16-18%, excluding the impact of the UK rate change.

Net tax credits relating to exceptional items in the period were £0.6m (H1 2020/21: £2.4m). A tax credit of £0.1m (H1 2020/21: £0.1m) was recorded in respect of the amortisation of acquired intangibles.

EARNINGS PER SHARE

IFRS basic earnings per share ("EPS") increased by 390.0% to 4.9p (H1 2020/21: 1.0p) reflecting higher profits in H1 2021/22 compared to H1 2020/21, offset by the higher weighted average share numbers (H1 2021/22: 195.2m, H1 2020/21: 149.6m) post the equity raise. The adjusted basic EPS decreased by 1.5% to 6.4p (H1 2020/21: 6.5p), reflecting the higher weighted average number of shares.

CASH FLOW AND BORROWINGS

Cash flow from operating activities increased by £22.5m to £25.8m (H1 2020/21: inflow of £3.3m). The inflow in the period included:

- An inflow from profit before tax of £11.4m (H1 2020/21: £2.4m); and
- An inflow from working capital of £14.1m (H1 2020/21: outflow £3.4m) due to:
 - an inflow of £50.1m from a decrease in trade and other receivables and contract assets reflecting strong cash collections of trade balances and the return of a significant cash collateral balance,
 - an inflow of £4.0m from a decrease in inventory,
 - offset by an outflow of £40.0m from a decrease in trade and other payables reflecting the impact of the timing of trade creditor payments, a reduction in advanced customer payments and payment of year-end accruals.

Cash outflow from investing activities was £13.1m (H1 2020/21: outflow £5.8m), primarily on the purchase of property, plant and equipment (£9.6m) and spend on software intangibles and development assets capitalised (£4.0m).

Cashflows from financing activities were a net outflow of £13.2m (H1 2020/21: inflow of £9.4m) included £9.0m of repayment of borrowing and £3.0m of interest paid, including advanced payment guarantee fees.

As a result, Group net debt decreased to £43.9m at 25 September 2021, from £52.3m at 27 March 2021. Net debt at the half year was lower than expected, and less than at the end of the financial year 2020/21. This was as a result of both the phasing of capital expenditure and strong cash collections. The outlook for net debt for the full year is in line with the Board's expectations.

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, which currently are due to mature in December 2023. 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 7.1 times (covenant of ≥ 2.8 times in this financial year), net debt/EBITDA 0.83 times (covenant of ≤ 3.0 times). The covenant tests use earlier accounting standards and exclude adjustments, including IFRS 16.

PENSION SURPLUS AND FUNDING

The valuation of the Group's UK defined benefit pension Scheme (the "Scheme") on an IAS 19 basis at 25 September 2021 is a net surplus of £0.3m (27 March 2021: £18.5m deficit).

The movement in the IAS 19 valuation from a net deficit at 27 March 2021 was mainly as a result of asset performance over the half-year, partially offset by a decrease in the discount rate from 1.95% to 1.85% (reflecting a small decrease in corporate bond yields in the period) and an increase in the expected inflation rate.

The charge to adjusted operating profit in respect of the Scheme in the period was £0.6m (H1 2020/21: £0.9m). Under IAS 19 there was a finance charge of £0.2m (H1 2020/21: £0.8m credit) arising from the difference between the interest cost on liabilities and the interest income on scheme assets, the charge being driven by the fact the scheme was in an IAS 19 deficit at the 27 March 2021 of £18.5m.

OPERATING REVIEW

Authentication

The **Authentication** division comprises mainly GRS and Brand protection products and includes elements of the identity business that were not transferred as part of the sale of International Identity Solutions.

	H1 2021/22	H1 2020/21 ⁴	Change
Non-IFRS Financial Measures			
Adjusted Revenue (£m)	44.4	34.6	28.3%
Adjusted Gross Profit margin ²	39.2%	39.9%	(0.7) <i>bpts</i>
Adjusted operating profit ¹ (£m)	8.8	3.9	125.6%
Adjusted operating margin ¹	19.8%	11.3%	8.5 <i>bpts</i>
Adjusted controllable operating profit ^{1,3} (£m)	12.6	6.7	88.1%
Adjusted controllable operating profit margin ¹	28.4%	19.4%	9.0 <i>bpts</i>
Statutory Results			
Revenue (£m)	44.4	34.6	28.3%
Gross profit (£m)	17.4	13.8	26.1%
Operating profit (£m)	8.0	3.3	142.4%
Operating margin	18.0%	9.5%	8.5 <i>bpts</i>

¹ Excludes exceptional item charges of £0.3m (H1 2020/21: net charges of £0.1m) and amortisation of acquired intangibles of £0.5m (H1 2020/21: £0.5m).

² Adjusted Gross Profit margin is defined as IFRS Gross Profit divided by adjusted Revenue.

³ Adjusted controllable operating profit is defined in the Non-IFRS financial measures section of this Interim Statement.

⁴ The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This is consistent with the restatement made in the FY 2020/21 results.

IFRS and adjusted revenue was £44.4m (H1 2020/21: £34.6m), a year-on-year increase of 28.3% driven by the benefit of a full period of revenue on the Ghana Revenue Authority and continued growth in existing GRS and Brand revenue.

IFRS operating profit of £8.0m (H1 2020/21: £3.3m) and adjusted operating profit of £8.8m (H1 2020/21: £3.9m) reflected increased gross profit due to volume growth, reduced overheads reflecting the benefit of the cost-out initiatives completed in FY 2020/21 and the on-going tight control of overhead base despite the volume growth.

Adjusted controllable operating profit was £12.6m (H1 2020/21: £6.7m). This represents a controllable operating profit margin of 28.4% (H1 2020/21: 19.4%).

Currency

The **Currency** business comprises Banknote print, Polymer and Security features.

	H1 2021/22	H1 2020/21	Change
Non-IFRS Financial Measures			
Adjusted Revenue ¹ (£m)	132.7	126.0	5.3%
Adjusted Gross Profit margin ³	23.4%	19.3%	4.1 <i>bpts</i>
Adjusted operating profit ² (£m)	8.2	2.5	228.0%
Adjusted operating margin ²	6.2%	2.0%	4.2 <i>bpts</i>
Adjusted controllable operating profit ^{2,4} (£m)	19.6	13.8	42.0%
Adjusted controllable operating profit margin ²	14.8%	10.9%	3.9 <i>bpts</i>
Statutory Results			
Revenue (£m)	132.7	130.6	1.6%
Gross profit (£m)	31.1	24.3	28.0%
Operating profit/(loss) (£m)	6.1	(5.7)	207.0%
Operating margin	4.6%	(4.4)%	9.0 <i>bpts</i>

¹ Excludes "pass through" revenue of £nil (H1 2020/21: £4.6m) related to non-novated paper contracts relating to the Portals paper business.

² Excludes exceptional item net charges of £2.1m (H1 2020/21: net charges of £8.2m).

³ Adjusted Gross Profit margin is defined as IFRS Gross profit divided by adjusted Revenue.

⁴ Adjusted controllable operating profit is defined in the Non-IFRS financial measures section of this Interim Statement.

IFRS Revenue of £132.7m (H1 2020/21: £130.6m) and adjusted revenue was £132.7m (H1 2020/21: £126.0m). The period-on-period increase in adjusted revenue of 5.3% was driven by a stronger product mix as a result of polymer conversion in Banknotes and growth in direct polymer substrate sales, partially offset by lower security features volumes.

As at 25 September 2021, the 12-month order book for Currency was £190.7m (27 March 2021: £225.8m) and the total order book for Currency was £213.6m (27 March 2021: £263.1m).

IFRS operating profit of £6.1m (H1 2020/21: £5.7m loss) and adjusted operating profit of £8.2m (H1 2020/21: £2.5m) reflecting increased gross profit due to production efficiencies and margin mix relating to polymer conversions along with reduced overheads reflecting the benefit of the cost-out initiatives completed in FY 2020/21 and the on-going tight control of the overhead base, partially offset by lower security feature volumes. IFRS operating profit includes exceptional charges of £2.1m related to cessation of banknote production at our Gateshead facility primarily relating to the costs of relocating assets to different Group manufacturing locations and cost out initiatives in relation of selling and commercial functions within the division.

Adjusted controllable operating profit was £19.6m (H1 2020/21: £13.8m). This represents a controllable operating profit margin of 14.8% (H1 2020/21: 10.9%).

Identity Solutions

The **Identity Solutions** business includes minimal non-core activity in H1 2021/22 and primarily relates to sales under the DSA agreement with HID following the sale of the International Identity Solutions business in October 2019. In H1 2020/21, this also included the results of the Group's UK Passport contract which completed in FY 2020/21.

	H1 2021/22	H1 2020/21	Change
Non-IFRS Financial Measures			
Adjusted Revenue (£m)	2.1	17.0	(87.6)%
Adjusted Gross Profit margin ²	n/a	62.4%	n/a
Adjusted operating profit ¹ (£m)	0.4	8.9	(95.5)%
Adjusted operating margin ¹	19.0%	52.4%	(33.4) bpts
Adjusted controllable operating profit ^{1,3} (£m)	0.4	8.9	(95.5)%
Adjusted controllable operating profit margin ¹	19.0%	52.4%	(33.4) bpts
Statutory Results			
Revenue (£m)	2.1	17.4	(87.9)%
Gross profit (£m)	-	10.6	(100.0)%
Operating profit (£m)	0.4	8.9	(95.5)%
Operating margin	19.0%	51.1%	(32.1) bpts

¹ Excludes exceptional item net charges of nil (H1 2020/21: £1.9m).

² Adjusted Gross Profit margin is defined as IFRS Gross profit divided by adjusted Revenue.

³ Adjusted controllable operating profit is defined in the Non-IFRS financial measures section of this Interim Statement.

IFRS revenue and adjusted revenue was £2.1m (H1 2020/21: £17.4m IFRS revenue, £17.0m adjusted revenue) and relates to sales under the DSA supply agreement entered into with HID following the disposal of the International Identity Solutions business. No revenue has been recorded in H1 2021/22 for the UK Passport contract following the cessation in FY 2020/21. IFRS and adjusted operating profit in H1 2021/22 includes a gain on disposal of fixed asset of £0.3m.

H1 2020/21 included revenue in relation to the DSA supply agreement in addition to revenue and profit for the UK Passport contract.

Clive Vacher
Chief Executive Officer

23 November 2021

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.

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/ 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 at least quarterly and updated. Currently they include: bribery and corruption, quality management and delivery failure (across both divisions), failure to implement the Turnaround Plan and run the business, loss of a key site or process, sustainability and climate change, breach of information security (including ransomware attacks and other cyber-risks), failure of a key supplier, breach of product security, sanctions and COVID-19.

The principal risks remain in line with the Annual Report and Accounts for FY2020/21, however, the Group continues to monitor and work to mitigate headwinds in commodity and energy costs and challenges in the supply chain.

A copy of the Annual Report and Accounts for the year ended 27 March 2021, 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 15 of the Strategic report in the 2021 Annual Report. In addition, pages 135 to 144 of the 2021 Annual Report include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk.

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 31 December 2022. This base case forecast assumes continued delivery of the Turnaround Plan, specifically protecting market share in Currency, growing Authentication revenue, and the benefit of the cost out initiatives already completed. These forecasts show significant headroom and support that the Group will be able to operate within its available banking facilities and covenants throughout this period.

A cumulative decline of 47% in EBITDA compared with the base case would need to occur in the going concern period for the net debt/EBITDA covenant to be breached. This level of reduction is considered to be very unlikely by management. The Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these Condensed Consolidated Interim Financial Statements.

A copy of the 2021 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 11 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 of the entity.

The Board of Directors of De La Rue plc at 1 April 2021 and their respective responsibilities can be found on pages 50 and 51 of the De La Rue plc Annual Report 2021. There have been no changes since that date.

For and on behalf of the Board

Kevin Loosemore
Chairman
23 November 2021

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 25 September 2021 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 related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 25 September 2021 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 and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 will be 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".

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

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 is 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 and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Reading
23 November 2021

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT - UNAUDITED

FOR THE HALF YEAR ENDED 25 SEPTEMBER 2021

	Note	H1 2021/22 £m	H1 2020/21 ¹ £m
Revenue from customer contracts	2	179.2	182.6
Cost of sales		(130.7)	(133.2)
Gross Profit		48.5	49.4
Adjusted operating expenses		(31.1)	(34.1)
Adjusted operating profit		17.4	15.3
Adjusted items²:			
• Amortisation of acquired intangible assets		(0.5)	(0.5)
• Net exceptional items	4	(3.1)	(10.2)
Operating profit		13.8	4.6
Interest income		0.3	0.4
Interest expense		(3.0)	(3.3)
Net retirement benefit obligation finance (charge)/income		(0.2)	0.8
Net finance expense		(2.9)	(2.1)
Profit before taxation from continuing operations		10.9	2.5
Taxation	5	(0.3)	0.5
Profit for the period from continuing operations		10.6	3.0
Profit/(loss) from discontinued operations	3	0.5	(0.1)
Profit for the period		11.1	2.9
Attributable to:			
- Owners of the parent		10.0	1.4
- Non-controlling interests		1.1	1.5
Profit for the period		11.1	2.9
Earnings per ordinary share			
Basic			
Basic EPS continuing operations	6	4.9p	1.0p
Basic EPS discontinued operations	6	0.3p	(0.1p)
Total Basic earnings per share	6	5.2p	0.9p
Diluted			
Diluted EPS continuing operations	6	4.9p	1.0p
Diluted EPS discontinued operations	6	0.3p	(0.1p)
Total Diluted earnings per share	6	5.2p	0.9p

¹ The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

² 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 25 SEPTEMBER 2021

	H1 2021/22 £m	H1 2020/21 £m
Profit for the financial period	11.1	2.9
Other comprehensive income/(expense):		
Items that are not reclassified subsequently to income statement:		
Re-measurement gains/(losses) on retirement benefit obligations	11.3	(74.1)
Tax related to remeasurement of net defined benefit liability	(2.2)	14.0
Items that may be reclassified subsequently to income statement:		
Foreign currency translation difference for foreign operations	(0.3)	1.1
Change in fair value of cash flow hedges	0.2	0.4
Change in fair value of cash flow hedges transferred to income statement	0.2	(0.3)
Income tax relating to components of other comprehensive income	0.1	0.1
Other comprehensive income/(loss) for the period, net of tax	9.3	(58.8)
Total comprehensive income/(loss) for the period	20.4	(55.9)
Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Company	19.3	(57.4)
Non-controlling interests	1.1	1.5
	20.4	(55.9)

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AT 25 SEPTEMBER 2021

	Notes	H1 2021/22 (unaudited) £m	FY 2020/21 (audited) £m
ASSETS			
Non-current assets			
Property, plant and equipment		103.3	100.0
Intangible assets		34.4	32.3
Right-of use assets		13.9	14.6
Retirement benefit obligations	9	0.3	-
Other financial assets		8.7	8.8
Deferred tax assets		18.2	19.7
Derivative financial instruments	7	0.1	0.1
		178.9	175.5
Current assets			
Inventories		50.4	54.5
Trade and other receivables		63.2	98.8
Contract assets		7.1	14.8
Current tax assets		0.2	0.4
Derivative financial instruments	7	2.4	7.4
Cash and cash equivalents		25.1	25.7
		148.4	201.6
Total assets		327.3	377.1
LIABILITIES			
Current liabilities			
Trade and other payables		(85.4)	(120.5)
Current tax liabilities		(13.3)	(13.6)
Derivative financial liabilities	7	(3.1)	(8.2)
Lease liabilities		(2.7)	(2.7)
Provisions for liabilities and charges		(5.6)	(9.6)
		(110.1)	(154.6)
Non-current liabilities			
Borrowings		(65.9)	(74.2)
Retirement benefit obligations	9	(2.1)	(20.5)
Deferred tax liabilities		(2.6)	(2.6)
Derivative financial instruments	7	-	(0.1)
Lease liabilities		(12.4)	(13.0)
Other non-current liabilities		(1.0)	(0.7)
		(84.0)	(111.1)
Total liabilities		(194.1)	(265.7)
Net assets		133.2	111.4
EQUITY			
Share capital		88.8	88.8
Share premium account		42.2	42.2
Capital redemption reserve		5.9	5.9
Hedge reserve		(0.3)	(0.8)
Cumulative translation adjustment		5.4	5.7
Other reserves		(31.9)	(31.9)
Retained earnings		5.6	(14.9)
Total equity attributable to shareholders of the Company		115.7	95.0
Non-controlling interests		17.5	16.4
Total Equity		133.2	111.4

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE HALF YEAR ENDED 25 SEPTEMBER 2021

	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		
Balance at 29 March 2020	47.8	42.2	5.9	0.1	9.6	(83.8)	56.2	15.2	93.2
Profit for the period	-	-	-	-	-	-	1.4	1.5	2.9
Other comprehensive income, net of tax	-	-	-	0.2	1.1	-	(60.1)	-	(58.8)
Total comprehensive income	-	-	-	0.2	1.1	-	(58.7)	1.5	(55.9)
Transactions with owners of the company recognised directly in equity:									
Employee share scheme – value of services provided	-	-	-	-	-	-	(0.2)	-	(0.2)
Equity capital raise	40.8	-	-	-	-	52.1	-	-	92.9
Balance at 26 September 2020	88.6	42.2	5.9	0.3	10.7	(31.7)	(2.7)	16.7	130.0
Profit for the period	-	-	-	-	-	-	4.5	0.7	5.2
Other comprehensive income, net of tax	-	-	-	(1.1)	(5.0)	-	(17.3)	-	(23.4)
Total comprehensive income	-	-	-	(1.1)	(5.0)	-	(12.8)	0.7	(18.2)
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.2	-	-	-	-	-	-	-	0.2
Employee share scheme – value of services provided	-	-	-	-	-	-	0.4	-	0.4
Equity capital raise	-	-	-	-	-	(0.2)	-	-	(0.2)
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	0.2	-	0.2
Dividends paid	-	-	-	-	-	-	-	(1.0)	(1.0)
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

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 25 SEPTEMBER 2021

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 in the 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 DLR 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 25 September 2021. 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 25 SEPTEMBER 2021

	Note	H1 2021/22 £m	H1 2020/21 £m
Cash generated from operating activities	14	26.7	4.8
Net tax paid		(0.9)	(1.5)
Net cash flows from operating activities		25.8	3.3
Cash flows from investing activities			
Purchase of property, plant and equipment ¹		(9.6)	(7.2)
Purchase of software intangibles and development assets capitalised		(4.0)	(1.4)
Proceeds from the sale of property, plant and equipment		0.4	2.7
Receipt of research and development tax credit		0.1	-
Interest received		-	0.1
Net cash flows from investing activities		(13.1)	(5.8)
Net cash flows before financing activities		12.7	(2.5)
Cash flows from financing activities			
Net proceeds from the equity capital raise ²		-	92.9
Net draw down of borrowings ³		(9.0)	(74.3)
Payment of debt issue costs		-	(4.8)
Lease liability payments		(1.2)	(1.3)
Interest paid		(3.0)	(3.1)
Net cash flows from financing activities		(13.2)	9.4
Net (decrease)/increase in cash and cash equivalent in the period		(0.5)	6.9
Cash and cash equivalents at the beginning of the period		25.7	14.5
Exchange rate effects		(0.1)	-
Cash and cash equivalents at the end of the period		25.1	21.4
Cash and cash equivalents consist of:			
Cash at bank and in hand		25.1	21.5
Bank overdrafts		-	(0.1)
		25.1	21.4

Notes

¹ Purchases of property, plant and equipment are shown net of capital grants received of £nil (H1 2020/21: £1.3m).

² Stated net of associated costs of £7.1m in H1 2020/21.

³ In the period H1 2020/21 the majority of the equity capital raise proceeds were used to subsequently repay a substantial part of the RCF shortly after amendment on 7 July 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

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

Corporate Information

These Condensed Consolidated Interim Financial Statements of De La Rue plc and its subsidiaries ("Group") for the half-year ended 25 September 2021 were authorised for issue in accordance with a resolution of the Directors on 23 November 2021.

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.

Basis of preparation

These Condensed Consolidated Interim Financial Statements for the half-year ended 25 September 2021 have been prepared in accordance with UK adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting. The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 27 March 2021.

Prior period restatement – change in income statement classification of certain contract related payments

During the prior period management changed its presentation of certain contract related payments to correctly reflect the nature of these payments, being payments to third parties rather than customers. These payments are now shown as a cost of goods sold instead of a reduction to revenue in accordance with IFRS 15. The prior period revenue and cost of goods sold (£2.9m) has been restated to reflect this change. This reclassification had no impact on Gross Margin, Operating Profit or Profit Before Tax or the Group's Earnings per share measures. The prior period has been restated given the importance, to the users of the financial statements, of understanding revenue growth within the Authentication segment. This restatement was also made in the FY 2020/21 results.

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 has prepared and reviewed profit and cashflow forecasts which cover a period up to 31 December 2022. This base case forecast assumes continued delivery of the Turnaround Plan, specifically protecting market share in Currency, growing Authentication revenue, and the benefit of the cost out initiatives already completed. These forecasts show significant headroom and support that the Group will be able to operate within its available banking facilities and covenants throughout this period.

A cumulative decline of 47% in EBITDA compared with the base case would need to occur in the going concern period for the net debt/EBITDA covenant to be breached. This level of reduction is considered to be very unlikely by management. The Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future.

Having also assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis when preparing the Condensed Consolidated Interim Financial Statements. The Directors consider that there are no material uncertainties that may cast doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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 115 to 118 of the Group's Annual Report and Accounts for the year ended 27 March 2021 remain relevant to these Condensed Consolidated Interim Financial Statements, with the exception of that disclosed below.

Amendment to the critical accounting estimate included in the FY 2020/21 Annual Report and Accounts:

Recoverability of other financial assets

Other financial assets comprise securities interests held in the Portals International Limited group following the paper business disposal in 2018. In accordance with IFRS 9, management has carefully assessed the recoverability of the other financial assets on the balance sheet as at 25 September 2021 using scenario modelling based on publicly available information and determined the appropriate level of expected credit loss to record. If factors change in the future, this may impact management's judgements and assessment of the level of expected credit loss required.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

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

COVID-19

The Annual Report for the period ended 27 March 2021 included an assessment of the potential impact of COVID-19 on the financial position of the Group as at March 2021. The directors still consider this assessment to be appropriate for the H1 2021/22 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 25 September 2021 are consistent with those applied by the Group in its consolidated financial statements as at, and for the period ended, 27 March 2021, 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 2021, but do not have an impact on these Condensed Consolidated Interim Financial Statements of the Group.

Effective for periods commencing after 1 January 2021:

- *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16*

The amendment provides temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free rate ("RFR").

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationships being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Condensed Consolidated Interim Financial Statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Effective for periods commencing after 1 January 2022, all subject to UK endorsement:

- 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", IAS 16 "Property, plant and equipment", and IAS 37 "Provisions, Contingent assets and Contingent liabilities".
- 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" is presentational and relates to the classification of liabilities between current and non-current.
- 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". Rent concessions are not relevant for the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

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 2021/22 and primarily relates to sales under the DSA arrangement with HID following the sale of the International Identity Solutions business in October 2019. In H1 2020/21 this also included the results of the Group's UK Passport contract which completed in FY 2020/21.

Inter-segmental transactions are eliminated upon consolidation.

The segment note is focused on three divisions which reflects what has been reported to the Chief Operating Decision Maker, 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 2021/22	Currency £m	Authentication £m	Identity Solutions £m	Unallocated Central £m	Total of Continuing operations £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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

2 Segmental analysis (continued)

H1 2020/21	Currency £m	Authentication ¹ £m	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m
Total revenue from contracts with customers	130.6	34.6	17.4	-	182.6
Less: Inter-segment revenue	-	-	-	-	-
Revenue from contracts with customers	130.6	34.6	17.4	-	182.6
Cost of sales	(106.3)	(20.8)	(6.8)	0.7	(133.2)
Gross profit	24.3	13.8	10.6	0.7	49.4
Adjusted operating expenses	(21.8)	(9.9)	(1.7)	(0.7)	(34.1)
Adjusted operating profit	2.5	3.9	8.9	-	15.3
Adjusted items:					
• Amortisation of acquired intangible assets	-	(0.5)	-	-	(0.5)
• Net exceptionals	(8.2)	(0.1)	-	(1.9)	(10.2)
Operating (loss)/profit	(5.7)	3.3	8.9	(1.9)	4.6
Interest income	-	-	-	0.4	0.4
Interest expense	-	-	-	(3.3)	(3.3)
Net retirement obligation finance expense	-	-	-	0.8	0.8
Net finance expense	-	-	-	(2.1)	(2.1)
(Loss)/profit before taxation	(5.7)	3.3	8.9	(4.0)	2.5
Capital expenditure on property, plant and equipment	5.9	-	0.6	0.7	7.2
Capital expenditure on intangible assets	0.1	1.3	-	-	1.4
Depreciation of property, plant and equipment and right-of-use assets	6.1	1.0	-	0.7	7.8
Amortisation of intangible assets	0.9	1.1	-	0.3	2.3

H1 2021/22	Currency £m	Authentication £m	Identity Solutions £m	Unallocated Central £m	Total of Continuing operations £m
Segment assets	175.3	60.1	14.7	77.2	327.3
Segment liabilities	(62.4)	(12.5)	(3.6)	(115.6)	(194.1)
FY 2020/21					
Segment assets	216.8	57.3	14.4	88.6	377.1
Segment liabilities	(88.1)	(17.2)	(3.3)	(157.1)	(265.7)

Revenue from contracts with customers:

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

H1 2021/22	Currency £m	Authentication £m	Identity Solutions £m	Total of Continuing operations £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

H1 2020/21	Currency £m	Authentication ¹ £m	Identity Solutions £m	Total of Continuing operations £m
Timing of revenue recognition:				
Point of time	107.3	34.6	17.4	159.3
Over time	23.3	-	-	23.3
	130.6	34.6	17.4	182.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

2 Segmental analysis (continued)

Geographic analysis of revenue

	H1 2021/22	H1 2020/21 ¹
	£m	£m
Middle East and Africa	74.6	75.6
Asia	24.5	20.4
UK	40.4	66.1
The Americas	22.3	8.3
Rest of Europe	16.3	11.2
Rest of World	1.1	1.0
	179.2	182.6

¹ The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m (within Middle East and Africa) with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

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 £0.5m (net of associated tax credits) (H1 2020/21: £0.1m loss) and related to the winding down of remaining activity related to CPS, offset by foreign exchange gains in the period in the foreign subsidiary.

4 Exceptional Items

	H1 2021/22	H1 2020/21
	£m	£m
Site relocation and restructuring	(2.6)	(9.3)
Pension underpin costs	(0.2)	(0.4)
Recognition of expected credit loss provision on other financial assets	(0.3)	-
Costs associated with the equity raise and bank refinancing	-	(3.2)
Gain on sale of property, plant and equipment	-	2.7
Exceptional items in operating profit	(3.1)	(10.2)
Tax credit on exceptional items	0.6	2.4
Net exceptionals	(2.5)	(7.8)

The cash flow impact of exceptional items in H1 2021/22 was £2.8m (H1 2020/21: £12.9m).

Site relocation and restructuring costs

Site relocation and restructuring costs in H1 2021/22 of £2.6m (H1 2020/21: £9.3m) included:

- the recognition of £1.5m (H1 2020/21: £8.1m) 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 2022/23 as the Group continues its expansion of the manufacturing facilities in Malta.
- a further £1.1m (H1 2020/21: £1.2m) of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling, selling and commercial functions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

4 Exceptional Items (continued)

Pension underpin costs

Pension underpin costs of £0.2m (H1 2020/21: £0.4m) 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 25 September 2021 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 expected credit loss provision of £0.3m in relation to the original principal value received, which has been recorded in exceptional items consistent with the original recognition as part of the loss on disposal. A small, expected credit loss of £0.1m has been recorded in relation to the interest income element and this has been recorded within interest income in the income statement, consistent with the original accounting entries.

Costs associated with the equity raise and bank refinancing

During H1 2020/21 certain costs were incurred in relation to the equity raise and bank refinancing projects that, whilst directly associated with these, did not relate to activities which in accordance with IFRS would qualify for recording in equity or capitalisation on the balance sheet as transaction costs in relation to the debt refinancing. These costs included: £0.7m write-off of prepaid arrangement fees on the previously signed RCF which was amended on 7 July 2020 (due to the substantial repayment of the amounts outstanding at that time this has been accounted for as a settlement); costs of £1.5m associated with advisors fees in connection with the new pension deficit funding plan put in place in July 2020 following the equity raise and bank refinancing and other fees totalling £1.0m related to equity raise and bank refinancing which whilst directly related to these projects, did not meet the IFRS criteria for capitalisation on the balance sheet or recording within equity.

Gain on sale of PPE

A £2.7m gain was made in H1 2020/21 on the sale of a non-operational property held by the Group net of sales costs.

5 Taxation

The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 6.8% (H1 2020/21: 15.5%). Excluding the impact of the increase in the UK tax rate enacted during the period, the tax effective rate was 17.1%.

The effective tax rate for FY 2021/22 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 16-18%, excluding the impact of the UK rate change.

This overall 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 £1.0m (on a non-IFRS basis). In addition, tax credits of £0.1m in relation to the tax on the amortisation of acquired intangibles and £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 £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 defensible 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 the 25 September 2021 Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

6 Earnings per share

	H1 2021/22	H1 2020/21
	pence per share	pence per share
Earnings per share		
Basic earnings per share – continuing operations	4.9	1.0
Basic earnings per share – discontinued operations	0.3	(0.1)
Basic earnings per share – total	5.2	0.9
Diluted earnings per share – continuing operations	4.9	1.0
Diluted earnings per share – discontinued operations	0.3	(0.1)
Diluted earnings per share – total	5.2	0.9
Adjusted earnings per share		
Basic earnings per share – continuing operations	6.4	6.5
Number of shares (m)		
Weighted average number of shares	195.2	149.6
Dilutive effect of shares	2.7	0.2
	197.9	149.8

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.

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

	H1 2021/22	H1 2020/21
	£m	£m
Earnings for basic earnings per share - Total	10.0	1.4
Add: Earnings for basic earnings per share – discontinued operations	(0.5)	0.1
Earnings for basic earnings per share – continuing operations	9.5	1.5
Add: amortisation of acquired intangibles	0.5	0.5
Add: exceptional items (excluding non-controlling interests)	3.1	10.2
Less: tax on amortisation of acquired intangibles	(0.1)	(0.1)
Less: tax on exceptional items	(0.6)	(2.4)
Earnings for adjusted earnings per share	12.4	9.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

7 Financial instruments

Carrying amounts versus the fair value

		Total fair value H1 2021/22 £m	Carrying amount H1 2021/22 £m	Total fair value FY 2020/21 £m	Carrying amount FY 2020/21 £m
Financial assets					
Trade and other receivables ¹	Level 3	58.1	58.1	91.7 ⁵	91.7 ⁵
Contract assets	Level 3	7.1	7.1	14.8	14.8
Other financial assets ²	Level 3	8.5	8.5	8.6	8.6
Cash and cash equivalents	Level 1	25.1	25.1	25.7	25.7
Derivative financial instruments:					
• Forward exchange contracts designated as cash flow hedges	Level 2	0.9	0.9	2.5	2.5
• Short duration swap contracts designated as fair value hedges	Level 2	-	-	0.1	0.1
• Foreign exchange fair value hedges – other economic hedges	Level 2	1.3	1.3	4.9	4.9
• Embedded derivatives	Level 2	0.3	0.3	-	-
Total financial assets		101.3	101.3	148.3	148.3
Financial liabilities					
Unsecured bank loans and overdrafts ³	Level 2	(69.0)	(69.0)	(78.0)	(78.0)
Trade and other payables ⁴	Level 3	(81.5)	(81.5)	(116.9)	(116.9)
Derivative financial instruments:					
• Forward exchange contracts designated as cash flow hedges	Level 2	(1.2)	(1.2)	(3.4)	(3.4)
• Short duration swap contracts designated as fair value hedges	Level 2	(0.1)	(0.1)	(0.1)	(0.1)
• Foreign exchange fair value hedges – other economic hedges	Level 2	(1.1)	(1.1)	(1.7)	(1.7)
• Embedded derivatives	Level 2	(0.7)	(0.7)	(3.1)	(3.1)
• Interest rate swaps	Level 2	-	-	-	-
Total financial liabilities		(153.6)	(153.6)	(203.2)	(203.2)

1 Excludes prepayments.

2 Excludes ordinary shares of £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.

5 Includes RDEC £1.2m.

*Trade receivables decreased compared to FY 2020/21 reflecting timing of payments on certain material customer contracts. Contract assets have decreased from £14.8m at FY 2020/21 to £7.1m at H1 2021/22 reflecting the fact that in the current period customer invoicing has more closely matched the timing of revenue recognition. Contract liabilities have increased from £1.6m at FY 2020/21 to £2.5m at H1 2021/22 in the current period due to a significant new contract where cash has been collected prior to revenue being recognised under IFRS 15.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

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:

	FY 2020/21	Cash flow	Foreign exchange	HY 2021/22
	£m	£m	£m	£m
Borrowings	(78.0)	9.0	-	(69.0)
Cash and cash equivalents	25.7	(0.5)	(0.1)	25.1
Net Debt¹	(52.3)	8.5	(0.1)	(43.9)

	FY 2019/20	Cash flow	Foreign exchange	FY 2020/21
	£m	£m	£m	£m
Borrowings	(117.3)	39.3	-	(78.0)
Cash and cash equivalents	14.5	11.5	(0.3)	25.7
Net Debt¹	(102.8)	50.8	(0.3)	(52.3)

¹ Net debt above is presented excluding unamortised capitalised transaction costs in relation to the debt refinancing of £3.1m (FY 2020/21: £3.8m). Net debt also excludes £15.1m (FY 2020/21: £15.7m) of lease liabilities recorded in accordance with IFRS 16.

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 currently 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.

In the second half of FY 2020/21, the Group reallocated £25.0m of the cash component to the bond and guarantee component such that at present, £150.0m in total is available on the RCF component, of which £69.0m has been drawn. As at 26 September 2021, the Group had a total of undrawn committed borrowing facilities, all maturing in more than one year, of £81.0m (27 March 2021: £72.0m, all maturing in more than one year). An amendment to the Bank facilities that became effective on 25 March 2021 included wording to prepare for the transition of the underlying reference rate for borrowings from LIBOR to Risk Free Rates. This will affect GBP borrowings in the second half of the financial year but is not expected to have a material impact.

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 2021/22	FY 2020/21
	£m	£m
UK retirement benefit surplus/(liability)	0.3	(18.5)
Overseas retirement benefit (liability)	(2.1)	(2.0)
Retirement benefit liability	(1.8)	(20.5)
Reported in:		
Non-current assets	0.3	-
Non-current liabilities	(2.1)	(20.5)
	(1.8)	(20.5)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

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

	H1 2021/22 £m	FY 2020/21 £m
Amounts recognised in the Consolidated Balance Sheet:		
Fair value of plan assets	1,091.9	1,053.3
Present value of funded obligations	(1,086.8)	(1,067.0)
Funded defined benefit pension plans	5.1	(13.7)
Present value of unfunded obligations	(4.8)	(4.8)
Net asset/(liability)	0.3	(18.5)

	H1 2021/22 £m	H1 2020/21 £m
Amounts recognised in the Consolidated Income Statement:		
Included in employee benefit expense:		
Administrative expenses	(0.6)	(1.4) ¹
Included in net finance cost:		
Net retirement benefit obligation finance (charge)/credit	(0.2)	0.8
Total recognised in the Consolidated Income Statement charge	(0.8)	(0.6)

¹ Includes £0.5m of costs presented within exceptional items as they were in connection with the equity raise and bank refinancing completed in July 2020.

Principal actuarial assumptions:

	H1 2021/22 UK %	FY 2020/21 UK %
Discount rate	1.85	1.95
Inflation rate - CPI	2.85	2.65
Inflation rate - RPI	3.35	2.65

At 25 September 2021 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2020 (FY 2020/21: CMI_2020) with a smoothing parameter of 7.5 and a long-term future improvement trend of 1.25% per annum.

On 31 May 2020, 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 as at 31 December 2019, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £142.6m. The Recovery Plan makes an allowance for post-valuation market conditions up to 30 April 2020 (at which point there is an estimated funding shortfall of £190m), including the impact of COVID-19 on financial markets to that date.

The £190m deficit is addressed by payments of £15m per annum (payable quarterly in arrears) under the Recovery Plan payable from 1 April 2020 until 31 March 2023 and then payments of £24.5m per annum (payable quarterly in arrears) from 1 April 2023 until 31 March 2029 (whereas under the recovery plan agreed with the trustee in 2016 ("2015 Recovery Plan"), the payments would have been £22.2m between 1 April 2020 and 31 March 2021, £23.1m between 1 April 2021 and 31 March 2022 and £23m per annum thereafter until 31 March 2028). 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 either FY 2021/2 or FY2022/23, up to a maximum of £4m in each financial year and £8m in total and/or
- (ii) the Company or any its subsidiaries take any action which will cause material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme, of £23.3m (£7.2m in FY 2020/21, £8.1m in FY 2021/22 and £8m in FY 2022/23) over the period up to 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

9 Retirement benefit obligations (continued)

The funding of the Recovery Plan is sourced from cash generation of the future business activities, but the Trustee has contractually agreed not to request any portion of the equity capital raising proceeds. This agreement with the Trustee of the UK Pension Scheme was conditional on an amount in full settlement of the equity capital raising in the gross amount of at least £100m having been received by the Company by no later than 31 July 2020. The equity raising was successfully completed on 7 July 2020.

In addition, during H1 2021/22 costs of £0.2m (H1 2020/21 £0.4m) have been incurred in the rectification of certain discrepancies identified in the Scheme's rules. The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they continue to assess this.

10 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 2021/22	H1 2021/22	H1 2021/22	FY 2020/21	FY 2020/21	FY 2020/21
	£m	£m	£m	£m	£m	£m
Non-current assets	-	10.3	6.1	-	11.0	6.4
Current assets	3.1	24.8	23.4	5.1	27.4	23.1
Non-current liabilities	-	(0.8)	(0.1)	-	(0.7)	-
Current liabilities	(2.5)	(6.8)	(13.8)	(5.2)	(11.4)	(14.7)
Net assets (100%)	0.6	27.5	15.6	(0.1)	26.3	14.8
	H1 2021/22	H1 2021/22	H1 2021/22	H1 2020/21	H1 2020/21	H1 2020/21
	£m	£m	£m	£m	£m	£m
Revenue	6.1	12.6	15.1	5.6	15.5	14.7
Profit for the period	0.3	1.3	1.2	-	1.6	2.2
Profit allocated to non-controlling interest	0.2	0.5	0.4	-	0.6	0.9
Dividends declared by non-controlling interest	-	-	0.2	-	-	-
Cash flows from operating activities	(1.0)	0.3	1.0	-	(5.2)	0.8
Cash flows from investing activities	-	(0.2)	-	-	-	(0.7)
Cash flows from financing activities	0.3	-	(0.2)	-	-	-
Net (decrease)/increase in cash and cash equivalents	(0.7)	0.1	0.8	-	(5.2)	0.1

Ghana JV

On 8 June 2020 the Group and Buck Press Limited ("BPL") established a new Joint Venture company in Ghana for the distribution of printed and personalized excise tax stamps - De La Rue Buck Press Limited, which is owned by De La Rue International Limited (49%) and BPL (51%). This was to enter into a contract with the Ghana Revenue Authority which is expected to run for 5 years. In applying the definitions of control identified in IFRS 10, it has been determined that the Group controls De La Rue Buck Press Limited due to the fact that it has a majority of the Board membership and is able to use this to control the key business decisions of the JV entity. As such the results of the subsidiary are fully consolidated into the Group's financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

11 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 £14.0m (H1 2020/21: £10.1m) for the purchase of ink and other consumables on an arm's length basis. At the balance sheet date there was £4.0m (H1 2020/21: £1.6m) 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.

12 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 SRL 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 has now appealed to the Supreme Court, we anticipate a decision being issued in summer 2022, although the Group does not anticipate this appeal will be successful either.

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, provision may be required subject to the particular circumstances including an assessment of its recoverability.

13 Capital and other commitments

	H1 2021/22	H1 2020/21	FY 2020/21
	£m	£m	£m
Capital expenditure contracted but not provided:			
Property, plant and equipment	7.7	11.3	11.8
Intangible assets	-	-	0.1
Other commitments	394.9	461.8	425.6
	402.6	473.1	437.5

Other commitments in the table above is an amount in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. As part of the transaction Portals De La Rue Limited will supply 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 has assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

14 Cash flow statement

	H1 2021/22 £m	H1 2020/21 £m
Cash flows from operating activities		
Profit before tax – continuing operations	10.9	2.5
Profit before tax – discontinued operations	0.5	(0.1)
Profit before tax – total	11.4	2.4
Adjustments for:		
Finance income and expense	2.9	2.1
Depreciation of property plant and equipment and right-of-use assets	7.0	7.8
Amortisation of intangible assets	2.3	2.3
Gain on sale of property plant and equipment	(0.4)	(2.7)
Impairment of property, plant and equipment and intangible assets and accelerated depreciation charges	(0.3)	1.2
Share based payment expense	1.5	(0.1)
Pension Recovery Plan and administration cost payments ¹	(8.1)	(7.7)
(Decrease)/increase in provisions	(4.0)	1.0
Non-cash credit loss provision	(0.5)	0.2
Other non-cash movements	0.8	1.7
Cash generated from operations before working capital	12.6	8.2
Changes in working capital:		
Decrease/(increase) in inventory	4.0	(3.6)
Decrease in trade and other receivables and contract assets	50.1	7.6
Decrease in trade and other payables	(40.0)	(7.4)
	14.1	(3.4)
Cash generated from operating activities	26.7	4.8

¹ The £8.1m of pension payments includes £7.5m payable under the Recovery Plan, agreed in May 2020, and a further £0.6m relating to payments made by the Group towards the administration costs of running the scheme.

15 De La Rue Financial Calendar: 2021/22

Financial year end

26 March 2022

16 Subsequent events

On 5 November 2021, the Group subscribed for £0.9m of additional Loans Notes in Portals International Limited pursuant to a pre-emptive offer. The amounts will be recorded within Other Financial Assets. The Group has also committed to subscribe for further Loan Notes of up to £0.9m pursuant to such offer with timing to be subsequently agreed.

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 excludes "pass-through" revenue relating to non-novated contracts following the paper and international identify solutions business sales. The following amounts of "pass through" revenue have been excluded: Currency £nil (H1 2020/21: £4.6m) and Identify Solutions: £nil (H1 2020/21: £0.4m).

	H1 2021/22 £m	H1 2020/21 £m
Revenue on an IFRS basis	179.2	182.6
Exclude: pass-through revenue	-	(5.0)
Adjusted revenue	179.2	177.6

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 2021/22 £m	H1 2020/21 £m
Operating profit from continuing operations on an IFRS basis	13.8	4.6
Amortisation of acquired intangible assets	0.5	0.5
Exceptional items	3.1	10.2
Adjusted operating profit from continuing operations	17.4	15.3

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 2021/22 £m	H1 2020/21 £m
Profit attributable to equity shareholders of the Company	10.0	1.4
Exclude: discontinued operations	(0.5)	0.1
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	9.5	1.5
Amortisation of acquired intangible assets	0.5	0.5
Exceptional items	3.1	10.2
Tax on amortisation of acquired intangible assets	(0.1)	(0.1)
Tax on exceptional items	(0.6)	(2.4)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	12.4	9.7
Weighted average number of ordinary shares for basic earnings	195.2	149.6

NON-IFRS FINANCIAL MEASURES

C Adjusted basic earnings per share (continued)

	H1 2021/22	H1 2020/21
	pence per share	pence per share
Continuing operations		
Basic earnings per ordinary share on an IFRS basis	4.9	1.0
Basic adjusted earnings per ordinary share	6.4	6.5

D Net debt

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

E 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 is 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 2021/22	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating profit/(loss) 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

H1 2020/21	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(5.7)	3.3	8.9	(1.9)	4.6
Amortisation of acquired intangibles	-	0.5	-	-	0.5
Net exceptional items	8.2	0.1	-	1.9	10.2
Adjusted operating profit	2.5	3.9	8.9	-	15.3
Enabling function overheads	11.3	2.8	-	(14.1)	-
Adjusted controllable operating profit/(loss)	13.8	6.7	8.9	(14.1)	15.3