PRESS RELEASE

DE LA RUE PLC

INTERIM STATEMENT

SIX MONTHS TO 27 SEPTEMBER 2014

KEY FINANCIALS

	Half Year 2014/15	Half Year 2013/14	*Change*
	£m	£m	
Revenue	**214.9**	234.0	*(8%)*
Underlying operating profit *	**26.6**	38.5	*(31%)*
Underlying profit before tax **	**20.6**	32.8	*(37%)*
Reported profit before tax	**18.1**	28.4	*(36%)*
Underlying earnings per share **	**15.9p**	25.7p	*(38%)*
Basic earnings per share	**13.5p**	21.9p	*(38%)*
Dividend per share	**8.3p**	14.1p	*(41%)*

* Operating profit is before exceptional charges of £2.5m (2013/14: £4.4m).

** Underlying profit before tax and EPS are reported before the exceptional charges noted above and exceptional tax credits of £0.1m (2013/14: £0.7m).

The Directors are of the opinion that these measures give a better indication of underlying performance.

HEADLINES

- Appointment of Martin Sutherland as new CEO
- Bank of England 10 year print contract renewal signed in October 2014
- Group 12 month order book up £4m since year end at £222m, currency market share maintained
- Ongoing challenging market conditions adversely impact financial performance
- Banknote print volumes up 4% to 2.7bn notes, banknote paper volumes down 4% to 4,500 tonnes
- Operational efficiencies yield additional £3m savings in the first half
- Further site rationalisation commenced in June 2014
- Interim dividend reduced to 8.3p, as previously announced

Philip Rogerson, Chairman, commented:

“While market conditions have resulted in lower revenues, we have partially mitigated the impact in the first half through cost savings from operational efficiencies and have commenced a further rationalisation of our manufacturing footprint.

“As previously announced, we expect the challenging trading conditions within the currency market to continue and this, together with lower than expected new business in our Solutions division, has impacted our outlook for 2014/15 and 2015/16.

“The Board continues to believe that, while current conditions are tough, De La Rue remains a strong, profitable and cash generative business in a market with good medium and long term growth prospects.”

Martin Sutherland, Chief Executive, commented:

“I am delighted to have joined De La Rue and I am confident that, notwithstanding the current challenging market conditions, the fundamental strengths of the business and the operational improvements achieved in recent years, position the Group well. Over the coming months I shall be evaluating the strategy of the Group and expect to report on this with the full year results in May 2015.”

Enquiries:

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A presentation to analysts will take place at 9:00 am on 25 November 2014 at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. There will be a simultaneous audio webcast of the meeting. For the live webcast, please register at www.delarue.com where a replay will also be available subsequently.

25 November 2014

NOTES TO EDITORS
De La Rue is a leading commercial banknote printer, security paper maker and provider of security products and software solutions and, as a trusted partner of governments, central banks and commercial organisations around the world, is at the forefront of the battle against the counterfeiter.

De La Rue, as the world’s largest commercial banknote printer, provides customers with a fully integrated range of sophisticated products and services which are available either individually or as a whole. This includes a leading design capability, production of innovative security components, manufacture of security paper and polymer substrates and sophisticated printing of banknotes, all contributing to trust in the integrity of currencies.

De La Rue is the world’s largest commercial passport manufacturer in an environment of increasing global concern over security at national boundaries and border control. De La Rue also produces a wide range of other security products, including tax stamps for governments who are seeking to combat illicit trade and collect excise duties. Other products include authentication labels, assuring purchasers of product validity, and government identity documents. In addition the Group manufactures high speed cash sorting and banknote inspection equipment.

De La Rue also provides a range of specialist services and software solutions including government identity schemes, product authentication systems and cash management processing solutions.

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

INTERIM STATEMENT

De La Rue's results for the first half of 2014/15 reflect challenging market conditions in both divisions of the Group and hence are lower than the corresponding period. In Currency, the overcapacity in the paper market and pricing pressure in print have resulted in lower margins, while in Solutions the rate of growth in new business has been slower than expected. Some mitigation of these conditions has been achieved through operational efficiencies, which have realised benefits of £3m in the period.

The Group had a good 12 month closing order book of £222m at 27 September 2014, with the Currency business' closing order position up 11 per cent. Recent Currency orders have been good in respect of volumes but disappointing in respect of pricing reflecting challenging market conditions.

FINANCIAL RESULTS

Group revenue fell by 8 per cent to £214.9m in the first half (2013/14: £234.0m) while underlying operating profit decreased by 31 per cent to £26.6m (2013/14: £38.5m) reflecting pricing pressures and the impact of lower volumes. Underlying profit before tax fell by 37 per cent to £20.6m (2013/14: £32.8m) and consequently, underlying earnings per share decreased by 38 per cent to 15.9p (2013/14: 25.7p). Exceptional charges in the period of £2.5m (2013/14: £4.4m) relating to site relocation and restructuring result in a profit before tax of £18.1m compared with £28.4m in 2013/14.

Underlying operating cash flow, comprising underlying operating profit adjusted for depreciation and the movement in working capital, was £25.4m (2013/14: £49.4m). This represents a cash conversion ratio of 95 per cent (2013/14: 128 per cent). Net debt at 27 September 2014 was £126.8m up £36.9m since the year end mainly due to payment of the 2013/14 final dividend and increased working capital, primarily higher levels of raw materials and work in progress.

DIVIDEND

As previously indicated, an interim dividend of 8.3p has been declared for the half year ended 27 September 2014 (2013/14: 14.1p). This will be paid on 7 January 2015 to shareholders on the register on 5 December 2014.

OPERATING REVIEWS

Currency

	Half Year 2014/15	**Half Year 2013/14	*Change*
Banknote print volume (bn notes)	**2.7**	2.6	*4%*
Banknote paper output ('000 tonnes)	**4.5**	4.7	*(4%)*
	£m	£m	
Revenue	**136.8**	145.4	*(6%)*
Operating profit*	**17.2**	23.2	*(26%)*

*Segmental operating profit is stated before exceptional items
**Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge

In the period, despite challenging market conditions, we have maintained our market share through adopting a more tactical approach to both pricing and the utilisation of spare capacity. In addition the ongoing benefits of the process improvement and asset care programmes have enabled us to mothball some surplus paper making capacity.

Banknote print volumes were satisfactory at 2.7bn notes (2013/14: 2.6bn), 4 per cent up on the corresponding period, while paper volumes at 4,500 tonnes were down 4 per cent reflecting the continuing overcapacity in the banknote paper market.

Revenue decreased by 6 per cent to £136.8m (2013/14: £145.4m) mainly reflecting lower average print and paper prices, resulting from the challenging Currency market conditions and the overcapacity in the paper market, partly offset by improved components sales. Operating profit reduced to £17.2m (2013/14: £23.2m) reflecting the lower revenues and has been mitigated in part by further operational efficiencies.

Progress on Safeguard®, De La Rue's polymer substrate, has been encouraging with orders received from eight countries and a good pipeline of opportunities. A number of successful machine trials with state print works and other commercial banknote printers have been completed.

At the period end the 12 month order book, on a like for like basis, was up 11 per cent at £188m (2013/14 year end: £170m).

Since the half year end, we have been successful in winning a new 10 year contract with the Bank of England, commencing in April 2015. De La Rue has been printing sterling banknotes for this prestigious and important customer since 2003.

Solutions

	Half Year 2014/15 £m	**Half Year 2013/14 £m	*Change*
Revenue:			
Identity Systems	**34.0**	40.7	*(16%)*
Security Products	**20.8**	22.6	*(8%)*
Cash Processing Solutions	**25.5**	32.0	*(20%)*
Total Solutions	**80.3**	95.3	*(16%)*
Operating profit*			
Identity Systems	**5.9**	13.3	*(56%)*
Security Products	**4.5**	5.2	*(13%)*
Cash Processing Solutions	**(1.0)**	(3.2)	*69%*
Total Solutions	**9.4**	15.3	*(39%)*

*Segmental operating profit is stated before exceptional items
**Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge

In order to address the challenges facing the individual Solutions businesses, we have introduced a new streamlined management structure to provide greater focus on the individual businesses and the markets they serve. The priority will be to deliver further cost reductions and efficiency gains while continuing to pursue and accelerate the growth opportunities within these businesses.

<u>Identity Systems</u>
Identity Systems operating profit fell to £5.9m (2013/14: £13.3m) reflecting an unusually high number of longer term contracts completed in the comparable period of 2013/14 in the International business combined with lower than forecast levels of new business and upgrades. The trend towards "e" passports from machine readable passports has been slower than expected and in addition a number of prospective orders have not been put out to tender as anticipated but have been extended with the incumbent supplier. We will continue to focus on higher value, longer term ePassport and ID schemes and the development of our digital and service offering as border security becomes an increasing concern for governments.

The UK Passport contract continues to perform well and in line with expectations. During the period this business achieved the milestone of issuing the 20 millionth passport under this contract, which commenced in October 2010.

<u>Security Products</u>
Operating profit decreased to £4.5m (2013/14: £5.2m) reflecting lower volume call offs on mature market products. Implementation delays and slow adoption of tax stamp schemes has meant that Government Revenue Solution contracts have not mitigated the expected declines in some of the other product lines. During the period, in addition to further cost reduction initiatives, we commenced the relocation of operations from our Dulles, USA facility into other existing sites and expect this transfer to have been completed by the financial year end.

Cash Processing Solutions (CPS)

Good progress has been made in restructuring the CPS business towards the target of achieving a breakeven position for the 2014/15 full year. CPS incurred a reduced operating loss of £1.0m (2013/14: operating loss £3.2m) with fewer upgrades to installed machines being more than offset by cost reductions.

Solutions Order Book

At the period end, the Solutions 12 month order book was £34m (2013/14 year end: £48m) reflecting lower machine orders in CPS and lower than expected new business wins in Identity Systems. These figures include committed orders but exclude regular call off orders which are variable in nature and not yet specifically confirmed.

INTEREST

The Group's net interest charge was £2.4m (2013/14: £2.1m). The IAS19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was £3.6m (2013/14: £3.6m).

EXCEPTIONAL ITEMS

Exceptional costs of £2.5m have been incurred in the period mainly relating to the relocation of operations from our Dulles, USA facility into other existing sites together with reorganisation charges in the CPS business as part of the target to achieve a breakeven position. Further exceptional charges in respect of these initiatives of c£3m are expected to be incurred in the second half. The cash cost of exceptional items in the period was £2.7m (2013/14: £6.1m). Tax credits relating to these charges were £0.1m (2013/14: £0.7m).

UK PENSION SCHEME

Pension deficit

The valuation of the UK pension scheme under IAS19 indicates a scheme pre tax deficit, which represents a very long term liability, at 27 September 2014 of £197.3m (2013/14 full year: £165.6m). The increase of £31.7m since the year end largely reflects a decrease in the discount rate used to value the scheme liabilities. In common with other final salary schemes, the scheme valuation is very sensitive to any movement in the discount rate and hence the deficit would reduce should interest and discount rates increase in the future.

Recognition of the current deficit in accordance with IFRS results in the negative net assets shown on the balance sheet. The arrangements in respect of the annual special pension funding payments remain unchanged and are expected to eliminate the deficit in line with the original timetable by 2022.

BOARD CHANGES

On 13 October 2014 Martin Sutherland was appointed Chief Executive at which time Philip Rogerson and Colin Child reverted to their roles as Chairman and Group Finance Director, respectively.

Martin brings strong commercial skills, and wide experience of growing technologically demanding businesses supplying governments and financial institutions worldwide. His track record of strategic leadership will also be of considerable benefit.

2010 PAPER PRODUCTION ISSUES

Discussions remain ongoing with the principal customer concerned and the authorities, and therefore there remains uncertainty as to the ultimate outcome of these issues, including their financial impact (see note 11).

OUTLOOK

Our short term priorities are to maintain our drive for additional efficiency gains and cost reductions, enhance profitability in the Solutions businesses, maintain Currency market share and grow sales of Safeguard®, our polymer product.

As previously announced, the Board expects that the current year underlying operating profit will, as a result of the difficult trading conditions, be approximately £20m lower than that reported for 2013/14. These difficult market conditions are anticipated to continue into the next financial year and together with certain contractual price reductions on a number of long term contracts, which will come into effect in 2015/16, will impact margins and profitability as previously stated.

Philip Rogerson	**Martin Sutherland**
Chairman	**Chief Executive**

25 November 2014

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DIRECTORS REPORT

Principal risks and uncertainties

Throughout its global operations De La Rue faces various risks, both internal and external, which could have a material impact on the Group's performance. The Group manages the risks inherent in its operations in order to mitigate exposure to all forms of risks, where practical, and to transfer risk to insurers, where cost effective.

The Group analyses the risks that it faces under the following broad headings: strategic risks (technological revolution, changes to the market environment and economic conditions), commercial risks, operational risks, legal and information risks and financial risks (currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk).

As described in the 2014 Annual Report, the principal risks include failure to innovate, timing of contract awards and political factors, loss of a key customer, product security, product integrity, reputational damage, supplier failure, health and safety failure, environmental breach, loss of a key site, contract issues, breach of competition regulations, loss of core IT systems, information security and actions of its employees and third parties. These risks, along with the risk management systems and processes used to manage them remain unchanged since the Annual Report was published.

The main risks and uncertainties faced by the Group for the remaining six months of the year and the risk management systems and processes used to manage them are unchanged from those described further in the 2014 Annual Report, a copy of which 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.

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 6 to 23 of the strategic report in the 2014 Annual Report. In addition, pages 84 to 90 of the 2014 Annual Report include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its liquidity position and borrowing facilities are described on page 17 of the 2014 Annual Report. As described on page 17 of the 2014 Annual Report, the Group meets its funding requirements through cash generated from operations and a revolving credit facility which expires in December 2016.

The Group's updated forecasts and projections, which cover a period of more than twelve months from the date of the interim statement, taking into account reasonably possible changes in normal trading performance, show that the Group should be able to operate within its currently available facilities. The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business. As a consequence and notwithstanding the net liability position being reported in the consolidated balance sheet, which has primarily arisen due to the value of the deficit in the retirement benefit obligations, or the uncertainty as to the outcome of the 2010 paper production issues summarised in note 11, the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed interim financial statements.

A copy of the 2014 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.

Responsibility Statement of the Directors in respect of the Interim Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU;

- the Interim Management Statement includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure 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 interim financial statement; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions to those described in the last Annual Report that could do so.

The Board
The Board of Directors that served during the six months to 27 September 2014 and their respective responsibilities can be found on pages 30 and 31 of the De La Rue plc Annual Report 2014.

For and on behalf of the Board

Philip Rogerson
Chairman
25 November 2014

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 27 September 2014 which comprises Group condensed consolidated interim income statement, the Group condensed consolidated interim statement of comprehensive income, the Group condensed consolidated interim balance sheet, the Group condensed consolidated interim statement of cash flows, the Group consolidated interim statement of changes in equity, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. 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 Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 27 September 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Ian Bone
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf,
London, E14 5GL
25 November 2014

GROUP CONDENSED CONSOLIDATED INTERIM
INCOME STATEMENT - UNAUDITED
FOR THE HALF YEAR ENDED 27 SEPTEMBER 2014

	Notes	**2014/15 Half Year £m**	2013/14 Half Year £m	2013/14 Full Year £m
Revenue	2	**214.9**	234.0	513.3
Operating expenses - ordinary		**(188.3)**	(195.5)	(424.0)
Operating expenses - exceptional	3	**(2.5)**	(4.4)	(17.5)
Total operating expenses		**(190.8)**	(199.9)	(441.5)
Operating profit		**24.1**	34.1	71.8
Comprising:				
Operating profit before exceptional items	2	**26.6**	38.5	89.3
Exceptional items	3	**(2.5)**	(4.4)	(17.5)
Profit before interest and taxation		**24.1**	34.1	71.8
Interest income		**0.1**	0.1	0.2
Interest expense		**(2.5)**	(2.2)	(4.9)
Net retirement benefit obligation finance cost		**(3.6)**	(3.6)	(7.3)
Net finance expense		**(6.0)**	(5.7)	(12.0)
Profit before taxation		**18.1**	28.4	59.8
Comprising:				
Profit before tax and exceptional items		**20.6**	32.8	77.3
Exceptional items		**(2.5)**	(4.4)	(17.5)
Taxation - UK	4	**(2.4)**	(5.1)	(12.6)
- Overseas	4	**(1.5)**	(1.1)	0.7
Total taxation		**(3.9)**	(6.2)	(11.9)
Comprising:				
Tax on profit before tax and exceptional items		**(4.0)**	(6.9)	(16.1)
Tax on exceptional items	3	**0.1**	0.7	4.2
Profit for the period		**14.2**	22.2	47.9
Comprising:				
Profit for the period before exceptional items		**16.6**	25.9	61.2
Loss for the period on exceptional items	3	**(2.4)**	(3.7)	(13.3)
Profit attributable to equity shareholders of the Company		**13.6**	21.9	47.3
Profit attributable to non-controlling interests		**0.6**	0.3	0.6
		14.2	22.2	47.9

Basic earnings per ordinary share	5	**13.5p**	21.9p	47.3p
Diluted earnings per ordinary share	5	**13.4p**	21.7p	47.0p

GROUP CONDENSED CONSOLIDATED INTERIM
STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE HALF YEAR ENDED 27 SEPTEMBER 2014

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full Year £m
Profit for the financial period	**14.2**	22.2	47.9
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Re-measurement losses on retirement benefit obligations	**(35.3)**	(28.5)	(2.1)
Tax related to remeasurement of net defined benefit liability	**7.1**	0.4	(4.7)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference for foreign operations	**(3.6)**	(1.6)	(2.5)
Change in fair value of cash flow hedges	**(2.7)**	(1.9)	(4.2)
Change in fair value of cash flow hedges transferred to profit or loss	**3.3**	(0.8)	0.6
Income tax relating to components of other comprehensive income	**(0.1)**	0.5	0.2
Other comprehensive income for the period, net of tax	**(31.3)**	(31.9)	(12.7)
Total comprehensive income for the period	**(17.1)**	(9.7)	35.2
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company	**(17.7)**	(10.0)	34.6
Non-controlling interests	**0.6**	0.3	0.6
	(17.1)	(9.7)	35.2

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET - UNAUDITED
AT 27 SEPTEMBER 2014

	Notes	**2014/15 Half Year £m**	2013/14 Half Year £m	2013/14 Full Year £m
ASSETS				
Non-current assets				
Property, plant and equipment		**180.3**	185.8	184.3
Intangible assets		**19.8**	27.4	18.1
Investments in associates		**0.1**	0.1	0.1
Deferred tax assets		**43.0**	46.4	37.5
Derivative financial instruments	7	**0.3**	0.2	0.4
Other debtors		**-**	2.2	-
		243.5	262.1	240.4
Current assets				
Inventories		**91.6**	81.3	77.1
Trade and other receivables		**91.3**	84.1	105.0
Current tax assets		**0.4**	0.2	0.2
Derivative financial instruments	7	**5.3**	2.7	2.3
Cash and cash equivalents	8	**32.5**	41.3	57.9
		221.1	209.6	242.5
Total assets		**464.6**	471.7	482.9
LIABILITIES				
Current Liabilities				
Borrowings	8	**(159.3)**	(130.0)	(147.8)
Trade and other payables		**(158.7)**	(171.3)	(170.9)
Current tax liabilities		**(26.3)**	(32.2)	(27.6)
Derivative financial instruments	7	**(9.4)**	(4.7)	(5.8)
Provisions for liabilities and charges		**(21.6)**	(21.8)	(21.1)
		(375.3)	(360.0)	(373.2)
Non-current liabilities				
Retirement benefit obligations	9	**(199.6)**	(201.1)	(168.0)
Deferred tax liabilities		**(1.5)**	(2.4)	(1.3)
Derivative financial instruments	7	**(0.3)**	(1.1)	(1.5)
Provisions for liabilities and charges		**(0.5)**	(4.2)	(2.1)
Other non-current liabilities		**(5.3)**	(7.3)	(7.2)
		(207.2)	(216.1)	(180.1)
Total liabilities		**(582.5)**	(576.1)	(553.3)
Net liabilities		**(117.9)**	(104.4)	(70.4)
EQUITY				
Ordinary share capital		**46.5**	45.9	46.3
Share premium account		**35.4**	32.2	35.3
Capital redemption reserve		**5.9**	5.9	5.9
Hedge reserve		**(2.7)**	(2.4)	(3.2)
Cumulative translation adjustment		**(7.0)**	(2.0)	(3.4)
Other reserves		**(83.8)**	(83.8)	(83.8)
Retained earnings		**(117.6)**	(105.0)	(72.6)
Total equity attributable to shareholders of the Company		**(123.3)**	(109.2)	(75.5)
Non-controlling interests		**5.4**	4.8	5.1
Total equity		**(117.9)**	(104.4)	(70.4)

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE HALF YEAR ENDED 27 SEPTEMBER 2014

	Notes	**2014/15 Half Year £m**	2013/14 Half Year £m	2013/14 Full Year £m
Cash flows from operating activities				
Profit before tax		**18.1**	28.4	59.8
Adjustments for:				
Finance income and expense		**6.0**	5.7	12.0
Depreciation and amortisation		**12.4**	15.6	28.3
Increase in inventories		**(15.1)**	(9.4)	(6.1)
Decrease/(increase) in trade and other receivables		**15.0**	7.0	(11.5)
Decrease in trade and other payables		**(13.5)**	(2.3)	(0.9)
Decrease in reorganisation provisions		**(0.2)**	(2.0)	(6.0)
Special pension fund contribution		**(7.7)**	-	(11.5)
Loss/(gain) on disposal of property, plant and equipment		**0.4**	0.3	(4.0)
Asset impairment		**-**	-	14.2
Other non-cash movements		**(0.8)**	0.6	(0.4)
Cash generated from operations		**14.6**	43.9	73.9
Tax paid		**(5.1)**	(3.6)	(11.2)
Net cash flows from operating activities		**9.5**	40.3	62.7
Cash flows from investing activities				
Purchases of property, plant and equipment (PP&E) & software intangibles		**(13.1)**	(20.4)	(34.9)
Development expenditure capitalised		**(2.6)**	(1.7)	(4.7)
Proceeds from sale of PP&E		**0.1**	0.1	8.1
Net cash flows from investing activities		**(15.6)**	(22.0)	(31.5)
Net cash flows before financing activities		**(6.1)**	18.3	31.2
Cash flows from financing activities				
Proceeds from issue of share capital		**0.3**	0.3	3.8
Proceeds from borrowing		**10.3**	26.7	47.2
Interest received		**0.1**	0.1	0.2
Interest paid		**(2.2)**	(1.8)	(4.6)
Dividends paid to shareholders		**(28.5)**	(28.1)	(42.2)
Dividends paid to non-controlling interests		**(0.3)**	(0.2)	(0.2)
Net cash flows from financing activities		**(20.3)**	(3.0)	4.2
Net (decrease)/increase in cash and cash equivalents in the period		**(26.4)**	15.3	35.4
Cash and cash equivalents at the beginning of the year		**56.2**	21.7	21.7
Exchange rate effects		**0.1**	(0.3)	(0.9)
Cash and cash equivalents at the end of the period	8	**29.9**	36.7	56.2
Cash and cash equivalents consist of:				
Cash at bank and in hand		**30.2**	41.3	55.7
Short term bank deposits		**2.3**	-	2.2
Bank overdrafts		**(2.6)**	(4.6)	(1.7)
	8	**29.9**	36.7	56.2

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE HALF YEAR ENDED 27 SEPTEMBER 2014

	Attributable to equity shareholders							Non-controlling interest	Total equity
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	£m	£m
Balance at 30 March 2013	45.8	31.9	5.9	(0.3)	(0.4)	(83.8)	(70.4)	4.7	(66.6)
Profit for the period	-	-	-	-	-	-	21.9	0.3	22.2
Other comprehensive income, net of tax	-	-	-	(2.1)	(1.6)	-	(28.2)	-	(31.9)
Total comprehensive income	-	-	-	(2.1)	(1.6)	-	(6.3)	0.3	(9.7)
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.1	0.3	-	-	-	-	-	-	0.4
Employee share scheme:									
- value of services provided	-	-	-	-	-	-	0.2	-	0.2
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	(0.4)	-	(0.4)
Dividends paid	-	-	-	-	-	-	(28.1)	(0.2)	(28.3)
Balance at 28 September 2013	45.9	32.2	5.9	(2.4)	(2.0)	(83.8)	(105.0)	4.8	(104.4)
Profit for the period	-	-	-	-	-	-	25.4	0.3	25.7
Other comprehensive income, net of tax	-	-	-	(0.8)	(1.4)	-	21.4	-	19.2
Total comprehensive income	-	-	-	(0.8)	(1.4)	-	46.8	0.3	44.9
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.4	3.1	-	-	-	-	-	-	3.5
Employee share scheme:									
- value of services provided	-	-	-	-	-	-	(0.4)	-	(0.4)
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	-	-	-	-	(14.1)	-	(14.1)
Balance at 29 March 2014	46.3	35.3	5.9	(3.2)	(3.4)	(83.8)	(72.6)	5.1	(70.4)
Profit for the period	-	-	-	-	-	-	13.6	0.6	14.2
Other comprehensive income, net of tax	-	-	-	0.5	(3.6)	-	(28.2)	-	(31.3)
Total comprehensive income	-	-	-	0.5	(3.6)	-	(14.6)	0.6	(17.1)
Transactions with owners of the company recognised directly in equity:									
Share capital issued	0.2	0.1	-	-	-	-	-	-	0.3
Employee share scheme:									
- value of services provided	-	-	-	-	-	-	(1.0)	-	(1.0)
Income tax on income and expenses recognised directly in equity	-	-	-	-	-	-	(0.9)	-	(0.9)
Dividends paid	-	-	-	-	-	-	(28.5)	(0.3)	(28.8)
Balance at 27 September 2014	**46.5**	**35.4**	**5.9**	**(2.7)**	**(7.0)**	**(83.8)**	**(117.6)**	**5.4**	**(117.9)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

1 Basis of preparation and accounting policies

This statement is the condensed consolidated financial information of the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities as at and for the half year ended 27 September 2014. It has been prepared in accordance with the requirements of IAS34 Interim Financial Reporting as adopted by the European Union.

The condensed consolidated interim financial statements have been prepared as at 27 September 2014, being the last Saturday in September. The comparatives for 2013/14 financial year are for the half year ended 28 September 2013 and the full year ended 29 March 2014. The condensed consolidated financial statements were approved by the Board of Directors on 25 November 2014.

The condensed consolidated financial statements do not constitute financial statements as defined in section 434 of the Companies Act 2006 and do not include all of the information and disclosures required for the full annual financial statements. They should be read in conjunction with the Group's Annual Report 2014 which is available on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS or at www.delarue.com

The comparative figures for the financial period ended 29 March 2014 are not the Company's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The half yearly results for the current and comparative periods are unaudited. The auditors have carried out a review of the interim statement 2014/15 and their report is set out on page 9.

These condensed financial statements have been prepared using the same accounting policies as used in the preparation of the Group's annual financial statements for the period ended 29 March 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

During the period the Group has adopted a number of amended standards and interpretations, none of which has had a material impact on the Groups net cash flows, financial position, total comprehensive income or earnings per share.

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended 29 March 2014.

2 Segmental analysis

The Group has two business units, Currency and Solutions. Currency is a single operating unit. Solutions consists of three operating units: Identity Systems, Security Products and Cash Processing Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at an operating unit level and there are therefore four reportable segments. The principal financial information reviewed by the Board, is revenue and operating profit before exceptional items, measured on an IFRS basis.

The Group's segments are:

- Currency - provides banknote paper, printed banknotes and banknote security features
- Solutions
  - Identity Systems - involved in the provision of passport, ePassport, national ID and eID, driving licence and voter registration schemes
  - Security Products - produces security documents, including authentication labels, brand licensing products, government documents, cheques and postage stamps
  - Cash Processing Solutions - primarily focused on the production of large banknote sorters and authentication machines for central banks, complimenting the Currency business

Analysis by operating segment

	2014/15 Half Year £m	2013/14 Half Year* £m	2013/14 Full Year* £m
Revenue by operating segment			
Currency	**136.8**	145.4	342.7
Solutions			
Identity Systems	**34.0**	40.7	77.6
Security Products	**20.8**	22.6	46.2
Cash Processing Solutions	**25.5**	32.0	57.4
Eliminations	**(2.2)**	(6.7)	(10.6)
	214.9	234.0	513.3
Operating profit by operating segment			
Currency	**17.2**	23.2	61.0
Solutions			
Identity Systems	**5.9**	13.3	21.9
Security Products	**4.5**	5.2	10.6
Cash Processing Solutions	**(1.0)**	(3.2)	(4.2)
Operating profit before exceptional items	**26.6**	38.5	89.3
Exceptional items - Currency	**-**	(1.8)	0.5
Exceptional items - Security Products	**(1.6)**	(0.8)	1.3
Exceptional items - Cash Processing Systems	**(0.9)**	(2.3)	(16.9)
Exceptional items - unallocated	**-**	0.5	(2.4)
Operating profit	**24.1**	34.1	71.8
Net finance expense	**(2.4)**	(2.1)	(4.7)
Retirement benefit obligations net finance expense	**(3.6)**	(3.6)	(7.3)
Profit before taxation	**18.1**	28.4	59.8

** Re-presented to reflect the allocation of the IAS 19 defined benefit admin charge*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

Analysis by operating segment (continued)

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full Year £m
Assets by operating segment			
Currency	**252.0**	234.2	247.7
Solutions			
Identity Systems	**37.5**	36.9	39.8
Security Products	**23.6**	25.9	26.4
Cash Processing Solutions	**34.8**	51.1	35.6
Unallocated assets	**116.7**	123.6	133.4
	464.6	471.7	482.9

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full Year £m
Liabilities by operating segment			
Currency	**(120.7)**	(124.1)	(133.0)
Solutions			
Identity Systems	**(20.3)**	(20.5)	(21.9)
Security Products	**(8.9)**	(10.4)	(7.7)
Cash Processing Solutions	**(11.5)**	(19.3)	(11.4)
Unallocated liabilities	**(421.1)**	(401.8)	(379.3)
	(582.5)	(576.1)	(553.3)

3 Exceptional items

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full year £m
Site relocation and restructuring	**(2.5)**	(2.3)	(3.5)
Legacy indirect tax issues	**-**	(2.1)	(2.2)
Multi year contract bid costs	**-**	-	(1.1)
Professional fees on aborted acquisition	**-**	-	(1.0)
Gain on sale of fixed assets	**-**	-	4.5
Asset impairment	**-**	-	(14.2)
Total exceptional items	**(2.5)**	(4.4)	(17.5)
Exceptional items - tax	**0.1**	0.7	4.2

Exceptional costs of £2.5m (Half Year 2013/14: £2.3m, Full Year 2013/14: £3.5m) have been incurred in the period predominantly in relation to the relocation of operations from our Dulles, USA facility into other existing sites together with reorganisation charges in the CPS business as part of the target to achieve a breakeven position. Further exceptional charges in respect of these initiatives of c£3m are expected to be incurred in the second half. The cash cost of exceptional items in the period was £2.7m (Half Year 2013/14: £6.1m).

Tax credits relating to exceptional items arising in the period were £0.1m (Half Year 2013/14: £0.7m, Full Year 2013/14: £0.9m). There were no prior year tax credits on exceptional items in the period (Half Year 2013/14: £nil, Full Year 2013/14: £3.3m).

4 Taxation

A tax charge of 19.3 per cent (Half Year 2013/14: 21.0 per cent, Full Year 2013/14: 20.8 per cent) has been provided based on management's best estimate of the effective rate of tax for the year arising on the profits before exceptional items giving rise to tax for the period of £4.0m. This is offset by tax credits of £0.1m on exceptional items as described in note 3.

5 Earnings per share

	2014/15 Half Year pence per share	2013/14 Half Year pence per share	2013/14 Full year pence per share
Earnings per share			
Basic earnings per share	**13.5**	21.9	47.3
Diluted earnings per share	**13.4**	21.7	47.0
Underlying earnings per share			
Basic earnings per share	**15.9**	25.7	60.7
Diluted earnings per share	**15.8**	25.4	60.2

Earnings per share are based on the profit for the period attributable to equity shareholders as shown in the Group condensed consolidated income statement. The weighted average number of ordinary shares used in the calculations is 100,887,825 (Half year 2013/14: 99,779,861) for basic earnings per share and 101,249,385 (Half Year 2013/14: 100,843,747) for diluted earnings per share after adjusting for dilutive share options.

The Directors are of the opinion that the publication of the underlying earnings per share is useful as it gives a better indication of underlying business performance.

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

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full year £m
Earnings for basic earnings per share	**13.6**	21.9	47.3
Exceptional items	**2.5**	4.4	17.5
Tax on exceptional items	**(0.1)**	(0.7)	(4.2)
Earnings for underlying earnings per share	**16.0**	25.6	60.6

6 Equity dividends

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full year £m
Final dividend for the year ended 29 March 2014 of 28.2p paid on 1 August 2014	**28.5**	-	-
Interim dividend for the period ended 28 September 2013 of 14.1p paid on 8 January 2014	**-**	-	14.1
Final dividend for the year ended 30 March 2013 of 28.2p paid on 1 August 2013	**-**	28.1	28.1
	28.5	28.1	42.2

The Directors declared a dividend of 8.3p per share for the half year ended 27 September 2014 which will be paid on 7 January 2015 and will utilise £8.4m of shareholders' funds. In accordance with IFRS the interim dividend has not been accrued in these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

7 Financial instruments

Carrying amounts versus fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Financial assets	**Total fair value Sep 2014 £m**	**Carrying amount Sep 2014 £m**	Total fair value Mar 2014 £m	Carrying amount Mar 2014 £m
Derivative financial instruments:				
- Interest rate swaps	**0.2**	**0.2**	0.2	0.2
- Forward exchange contracts designated as cash flow hedges	**1.3**	**1.3**	0.7	0.7
- Short duration swap contracts designated as fair value hedges	**0.1**	**0.1**	0.1	0.1
- Foreign exchange fair value hedges - other economic hedges	**2.8**	**2.8**	1.2	1.2
- Embedded derivatives	**1.2**	**1.2**	0.5	0.5
Total financial assets	**5.6**	**5.6**	2.7	2.7
Financial liabilities				
Derivative financial instruments:				
- Forward exchange contracts designated as cash flow hedges	**(4.9)**	**(4.9)**	(5.0)	(5.0)
- Short duration swap contracts designated as fair value hedges	**(0.2)**	**(0.2)**	(0.2)	(0.2)
- Foreign exchange fair value hedges - other economic hedges	**(0.9)**	**(0.9)**	(0.1)	(0.1)
- Embedded derivatives	**(3.7)**	**(3.7)**	(2.0)	(2.0)
Total financial liabilities	**(9.7)**	**(9.7)**	(7.3)	(7.3)

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted 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. The financial assets and liabilities detailed in the above table are level 2 valuations. The details of how the fair value of each class of financial instrument is determined are covered on pages 85 and 86 of the Group's Annual Report 2014.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's Annual Report 2014.

8 Analysis of net debt

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full year £m
Cash at bank and in hand	**30.2**	41.3	55.7
Short term bank deposits	**2.3**	-	2.2
Bank overdrafts	**(2.6)**	(4.6)	(1.7)
Cash and cash equivalents	**29.9**	36.7	56.2
Other debt due within one year	**(156.7)**	(125.4)	(146.1)
Borrowings due after one year	**-**	-	-
Net debt at end of period	**(126.8)**	(88.7)	(89.9)

The Group has a revolving credit facility of £200m. As the draw downs on this facility are typically rolled over on terms of between one and three months the borrowings are disclosed as a current liability. This is notwithstanding the long term nature of this facility which expires in December 2016.

As at 27 September 2014, the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £43.3m (28 September 2013: £69.7m, 29 March 2014: £53.9m, all maturing in more than one year). The amount of loans drawn on the £200m facility is £156.7m.

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.

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full year £m
UK retirement benefit obligations	**(197.3)**	(198.7)	(165.6)
Overseas retirement benefit obligations	**(2.3)**	(2.4)	(2.4)
Retirement benefit obligations	**(199.6)**	(201.1)	(168.0)

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

Amounts recognised in the consolidated Balance Sheet:			
Fair value of plan assets	**813.2**	757.1	773.9
Present value of funded obligations	**(1,002.7)**	(948.2)	(931.8)
Funded defined benefit pension plans	**(189.5)**	(191.1)	(157.9)
Present value of unfunded obligations	**(7.8)**	(7.6)	(7.7)
Net liability	**(197.3)**	(198.7)	(165.6)
Amounts recognised in the consolidated Income Statement:			
Included in employee benefits expense:			
Current service cost	**-**	-	-
Administrative expenses	**(0.5)**	(0.6)	(1.2)
Included in net finance cost:			
Net retirement benefit obligation finance cost	**(3.6)**	(3.6)	(7.3)
Total recognised in the consolidated Income Statement	**(4.1)**	(4.2)	(8.5)

Principal actuarial assumptions:	**2014/15 Half Year UK %**	2013/14 Half Year UK %	2013/14 Full year UK %
Future salary increases	**-**	-	-
Future pension increases – past service	**3.70**	3.70	3.70
Discount rate	**4.00**	4.30	4.50
Inflation rate	**3.30**	3.30	3.40

The mortality assumptions used to assess the defined benefit obligation for the UK plan are based on tables issued by the Continuous Mortality Investigation Bureau. At 27 September 2014 mortality assumptions were based on the SAPS All lives tables, with future improvements in line with the CMI model, CMI_2011 and a long term rate of 1.0 per cent per annum. This assumption is unchanged from that used as at 29 March 2014.

At 28 September 2013 mortality assumptions were based on the PxA92 birth year tables multiplied by a rating of 125% and allowance for medium cohort mortality improvements in future, with a 0.5 per cent mortality improvement underpin.

10 Related party transactions

During the year the Group traded on an arms length basis with the associated company Fidink (33.3% owned).
The Group's trading activities with Fidink in the period comprise £12.0m for the purchase of ink and other consumables on an arms length basis. At the balance sheet date there was no outstanding balance with this company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

11 Contingent liabilities

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters. While the outcome of litigation and other disputes can never be predicted with certainty, having regard to legal advice received and the insurance arrangements of the Company and its subsidiaries, the Directors believe that adequate provision has been made to cover these matters. The Group provides guarantees and performance bonds which are issued in the ordinary course of business. In the event that a guarantee or bond is called provision may be required subject to the particular circumstances, including an assessment of its recoverability.

In July 2010 the Board commissioned an investigation by external lawyers into issues that had been brought to its attention internally. The investigation, which was completed in October 2010, found nothing of substance to support the matters raised other than in respect of some paper production issues where it was found that a small number of the many detailed specification parameters of some paper had fallen marginally short of specification. It was also established that certain paper specification test certificates had been deliberately falsified. The Board reported the findings of the investigation to the appropriate authorities, who are considering the matter, and has implemented a number of measures arising from the findings of the investigation.

Provision has been made in prior years for the costs associated with the paper production issues identified at this stage including the write off of trade receivables and other costs relating to the investigation, production and rectification of these matters.

Provision has not been made for the potential cost of resolutions or for potential fines from regulatory authorities. The nature and extent of these resolutions will be the subject of ongoing discussions, the outcome of which cannot be estimated reliably at present. The timing, response and outcome of the consideration by the authorities of the reported findings of the investigation is also uncertain and the financial consequences, if any, cannot be estimated reliably at present.

12 Capital commitments

	2014/15 Half Year £m	2013/14 Half Year £m	2013/14 Full year £m
The following commitments existed at the balance sheet date:			
Contracted but not provided for in the accounts	**8.4**	19.9	9.3

13 De La Rue financial calendar: 2014/15

Ex dividend date for interim dividend	4 December 2014
Record date for interim dividend	5 December 2014
Payment of interim dividend	7 January 2015
Financial year end	28 March 2015