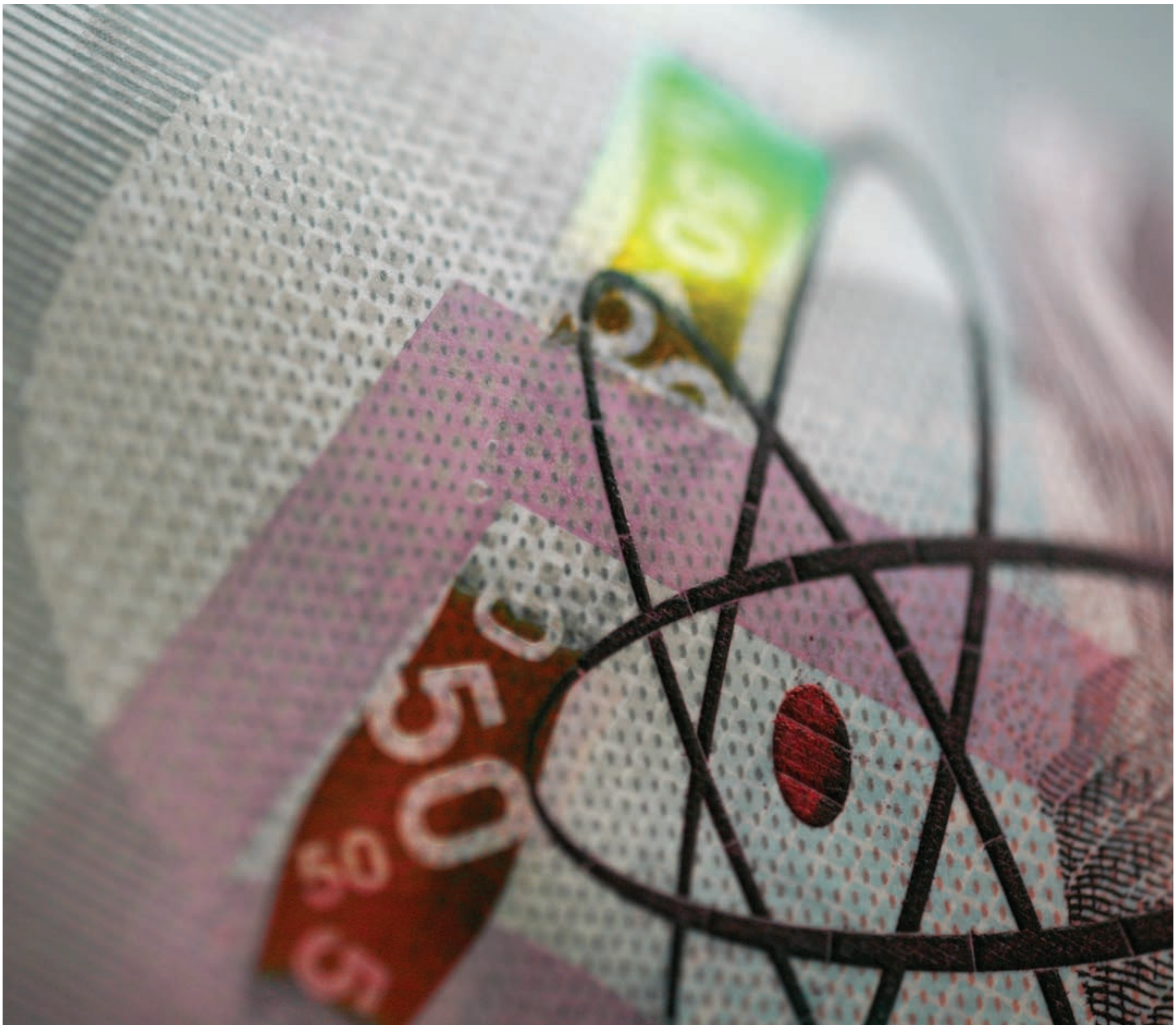
DE LA RUE PLC
INTERIM REPORT 2012



Throughout this Interim Report, 'Group' is used as a collective term to describe De La Rue plc and its subsidiary companies. 'Company' is a reference to De La Rue plc.

For further information visit De La Rue's website at www.delarue.com

De La Rue is the world's largest integrated commercial banknote printer and is a trusted partner of governments, central banks, issuing authorities and commercial organisations around the world.

The Group has in recent years been involved in the design or production of over 150 national currencies and a wide range of security documents including passports, driving licences, authentication labels and tax stamps. In addition, the Group manufactures sophisticated, high speed cash sorting and inspection equipment.

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

De La Rue employs approximately 4,000 people worldwide and is listed on the London Stock Exchange.

Overview

Governance

Financial statements

Notes to the financial statements

KEY FINANCIALS

REVENUE
Half year 2012/13

£245.4m

Half year 2011/12: £238.1m

OPERATING PROFIT*
Half year 2012/13

£33.2m

Half year 2011/12: £31.5m

PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS
Half year 2012/13

£31.5m

Half year 2011/12: £29.0m

PROFIT BEFORE TAX
Half year 2012/13

£27.9m

Half year 2011/12: £27.1m

HEADLINE EARNINGS PER SHARE*
Half year 2012/13

23.8p

Half year 2011/12: 21.4p

DIVIDEND PER SHARE
Half year 2012/13

14.1p

Half year 2011/12: 14.1p

*Operating profit is shown before an exceptional charge of £3.6m (2011/12: £1.9m). Headline EPS is reported before the exceptional charge and exceptional tax credits of £5.0m (2011/12: £0.5m). The Directors are of the opinion that these measures give a better indication of underlying performance.

HEADLINES AND CEO COMMENT

HEADLINES

- Revenue up 3% to £245m with a strong performance in Solutions
- Operating profit up 5% to £33m
- Banknote print volumes up 4% to 2.9bn notes, paper volumes down 15% to 4,500 tonnes
- Group 12 month order book maintained at £248m, of which Currency orders up 7% at £195m
- Improvement Plan benefits of £4m realised in the period

TIM COBBOLD, CEO, COMMENT

"During the first half of the year we have reported satisfactory growth in revenue and operating profit despite a more challenging banknote paper market. We made good progress in implementing the Improvement Plan with a continued focus on procurement, quality improvement and reducing waste which has delivered cumulative savings of £12m to date. We remain on track to achieve the Plan's £30m per annum of savings.

"As previously announced, a number of significant orders have been delayed. The Board remains confident that these orders will be received for shipment in 2013/14.

"Overall order intake has been satisfactory notwithstanding the delayed orders, with the Currency 12 month order book growing by 7 per cent during the period. With the reasonable order book, a strong pipeline and continued progress on the Improvement Plan, the Board is confident in achieving a target 2013/14 operating profit in excess of £100m."

INTERIM STATEMENT

The Group has reported satisfactory growth in revenue and operating profit in the first half of 2012/13. We continue to make good progress on the implementation of the Improvement Plan, realising further benefits of £4m in the period. This brings the cumulative annual cost reductions under the Improvement Plan to £12m. The Plan remains on track to deliver its targets by 2013/14.

Order intake in the period was reasonable, with the Group's 12 month closing order book maintained at £248m. Within the Currency business the closing order position was up 7 per cent reflecting some important contract wins, some of which are for delivery in 2013/14. However, a number of significant orders, which had been expected and planned for production in the second half of the current financial year, have been delayed and will not now benefit the current year. As a result the Board announced, on 12 November 2012, its revised expectation that the financial results for 2012/13 will be similar to those for 2011/12.

The Board remains confident that the delayed orders will be received for shipment in 2013/14.

Financial results
Revenue was up 3 per cent to £245.4m in the first half (2011/12: £238.1m). Group operating profit before exceptional items was £33.2m (2011/12: £31.5m) an increase of 5 per cent. The Group's operating profit margin before exceptional items was marginally higher at 13.5 per cent (2011/12: 13.2 per cent).

Profit before tax and exceptional items increased 9 per cent to £31.5m (2011/12: £29.0m). Exceptional charges in the period of £3.6m (2011/12: £1.9m) relating to the Improvement Plan, result in a profit before tax of £27.9m compared with £27.1m in 2011/12. Headline earnings per share increased by 11 per cent to 23.8p (2011/12: 21.4p) reflecting reduced interest and tax charges.

Cash inflow from operating activities in the first half was £11.7m reflecting increased working capital, primarily stocks and debtors, as a result of the timing of deliveries and production around the half year end. The level of working capital is expected to reduce during the second half of 2012/13 as this timing difference unwinds. As a result of the lower operating cash inflow and increased capital expenditure, net debt was £63.9m. Net debt is projected to increase by the year end reflecting the ongoing planned capital investments, the annual special pension contribution and the cash cost of the Improvement Plan offset in part by the expected reduction in working capital.

Cash conversion (operating cash flow excluding exceptional items, special pension contributions and the movement in advance payments, less capital expenditure, divided by operating profit excluding exceptional items) in the period was negative 7 per cent (2011/12: 109 per cent). This mainly results from the movement in working capital and increased capital expenditure. The conversion percentage is expected to improve in the second half.

Dividend
An interim dividend of 14.1p has been declared for the half year ended 29 September 2012 (2011/12: 14.1p). This will be payable on 9 January 2013 to shareholders on the register on 7 December 2012.

Operating reviews
The Holographics operation, previously part of Security Products, became part of the Currency business on which it depends from the first day of the new financial year, and comparatives have been represented accordingly.

Currency

	2012/13 Half year	2011/12 Half year (represented)	Change
Banknote print volume (bn notes)	**2.9**	2.8	4%
Banknote paper output ('000 tonnes)	**4.5**	5.3	(15%)

	2012/13 Half year £m	2011/12 Half year (represented) £m	Change
Revenue	**139.7**	149.7	(7%)
Operating profit before exceptional items	**22.4**	22.2	1%

Banknote print volumes at 2.9bn notes (2011/12: 2.8bn) were 4 per cent above the corresponding period. Paper volumes at 4,500 tonnes were down 800 tonnes (15 per cent) compared with 2011/12 reflecting a more challenging paper market resulting from the additional capacity brought on stream by some of our competitors.

Revenue decreased by 7 per cent to £139.7m (2011/12: £149.7m) mainly as a result of the more competitive paper market and the related reduction in volumes. Notwithstanding the lower revenue and an adverse sales mix, operating profit was broadly unchanged at £22.4m (2011/12: £22.2m) having benefited from lower cotton prices and the ongoing cost reductions arising from the Improvement Plan. The operating profit impact of foreign exchange in the period was minimal.

At the period end the 12 month order book, excluding currently suspended orders, was up 7 per cent at £195m (2011/12 year end: £183m).

Solutions

	2012/13 Half year	2011/12 Half year (represented)	Change
Revenue:			
Cash Processing Solutions	**37.8**	30.1	26%
Security Products	**25.1**	26.3	(5%)
Identity Systems	**45.7**	34.4	33%
Total Solutions	**108.6**	90.8	20%
Operating profit before exceptional items:			
Cash Processing Solutions	**1.1**	0.8	38%
Security Products	**4.0**	4.5	(11%)
Identity Systems	**5.7**	4.0	43%
Total Solutions	**10.8**	9.3	16%

Cash Processing Solutions
The increased revenue and operating profit reflects continued growth in sales of large sorters. Service revenues from the installed base were maintained and remain an important source of income. The first DLR 9000 single note inspection machine has been commissioned in the Gateshead Currency print facility during the period with additional machines to be installed in the second half of the financial year.

Security Products
Revenues for brand licensing products were broadly unchanged while revenue from other security products, notably cheques, was lower than in the corresponding period. Operating profits were down £0.5m in line with the reduced revenue.

The performance of this operation will be enhanced as a result of the project to move the Dunstable operation into the Gateshead factory. This move remains on track, with completion scheduled for the end of the 2012/13 financial year.

INTERIM STATEMENT CONTINUED

Identity Systems
The Identity Systems operation has performed strongly in the first half largely reflecting increased revenues and operating profit within the International part of the business. The UK Passport contract continues to perform well and in line with expectations. During the period the business achieved the notable milestone of producing the 10 millionth UK Passport since the contract commenced.

Solutions Order Book
At the period end, the Solutions 12 month order book was £53m (2011/12 year end: £65m). These figures include committed orders but exclude regular call off orders which are variable in nature and not yet specifically confirmed.

Delivering the improvement plan
The Group's simplified structure is proving effective in delivering the Improvement Plan, providing the necessary focus on customers, revenue growth and cost reduction. The Plan includes a programme of long term investment to improve manufacturing capability, quality and efficiency. Good progress was made during the period on this programme with capital expenditure significantly higher at £18.3m (2011/12: £11.3m).

Revenue Growth
The Improvement Plan has two strands of activities, Customer Focus and Innovation, designed to generate sustainable long term growth. Good progress has been made in both areas.

- The development of Country Plans, which provide a longer term more strategic perspective, have progressed well with 40 plans now in active implementation and, in many cases delivering benefits. In certain regions, an overarching regional plan is augmenting individual country plans to allow better use of sales management and resources
- Work has commenced on the new industry leading technology centre. This is just one element of an increased focus and investment on research and development, driven by the organisational changes made last year. Already the initial benefits are being realised with much greater "idea generation" and increased patent activity
- The new polymer note continues to generate encouraging levels of interest notwithstanding an established competitor. The launch of De La Rue's first polymer note into circulation is planned to take place in December 2012 and further small orders have been received. Manufacturing capacity of up to 1bn notes per annum is scheduled to be on line in 2013/14
- The next generation of Optiks™ – Insight (a unique combination of anti-counterfeiting features through the integrated use of advanced paper technology and high precision printing) and "Long Wide Windows" (providing greater surface area for colour changing and holographic effects) were successfully introduced during the year
- In addition a programme of greater collaboration with key suppliers at both a technical and operational level has been established. This offers some interesting co-development opportunities

Cost Reduction
Cost reductions of £30m (excluding movements in cotton comber pricing) are a key part of the Improvement Plan across process improvement, procurement and facility optimisation. Excellent progress continues to be made in all areas though there remains more still to do.

- Significant investment programmes, particularly in Westhoughton and Gateshead, are well underway and proceeding to plan. These will provide enhanced capacity, reduced cost and improved quality as more up to date technologies are introduced. This, combined with a continued focus on lean manufacturing, will radically improve manufacturing capability as well as providing a platform for further cost reduction and waste elimination
- The relocation of activities from the Stroudley Road and Dunstable factories into the Westhoughton and Gateshead facilities respectively is well advanced. All manufacturing operations will have been relocated by the end of this financial year and cost savings of £6m per annum are expected from April 2013 onwards
- The procurement teams continue to drive cost improvements with an additional benefit of £2m generated in the first half of 2012/13. Total cumulative savings remain on track to deliver £12m by 2013/14. Collaborative supplier relationship management and quality management programmes are being established. Significant, longer term benefits will accrue from these in the form of lower costs, improved quality and greater innovation
- Within Supply Chain, good progress has been made in increasing the flexibility of the manufacturing capacity to align with the market demand. In addition in Gateshead, Malta and Overton new management structures have been implemented
- The Quality team has redesigned the quality systems and processes, implementing proven tools and techniques from other industries. The investment in new, industry leading environmentally controlled quality laboratories within the Overton papermaking facility has also been completed

Interest
The Group's net interest charge was £1.7m (2011/12: £1.9m). The IAS19 related finance cost, which represents the difference between the interest on pension liabilities and the expected return on assets, has reduced to nil (2011/12: £0.6m).

Exceptional items
The results for the first half include £3.6m of exceptional operating charges relating to the ongoing costs of implementing the Improvement Plan (2011/12: £1.9m).

Tax credits relating to these charges were £0.9m (2011/12: £0.5m). In addition there were tax credits on prior year exceptional items of £4.1m (2011/12: nil).

UK pension scheme
The valuation of the UK pension scheme under IAS19 indicates a scheme pre tax deficit at 29 September 2012 of £133.9m, a reduction of £9.4m since the year end (2011/12 full year: £143.3m) largely reflecting an increase in investment asset values.

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 (described more fully in note 10).

Board changes
Sir Julian Horn-Smith, who was appointed a Non-executive Director of the Company on 1 September 2009, has informed the Board that he wishes to retire as a Director with effect from 31 December 2012 owing to his other business commitments. The Board would like to thank Julian for his wise counsel and significant contribution to the business and wish him well.

Outlook
As announced on 12 November 2012, a number of significant orders, which had been expected and planned for production in the second half of the current financial year, have been delayed. It will now be too late for these orders to benefit the current financial year and as a result the Board expects that the financial results of the Group for 2012/13 will be similar to those for 2011/12.

The Board remains confident that the delayed orders will be received for shipment in 2013/14 and in delivering the Improvement Plan, which has a target 2013/14 operating profit in excess of £100m.

Philip Rogerson
Chairman
27 November 2012

Tim Cobbold
Chief Executive

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: Specific risks (technological revolution, loss of a key site), General risks (economic conditions, laws and regulations), Operational risks (loss of a key customer, counterfeiting, reputational damage, security) and Financial risks (currency risk, credit risk, liquidity risk, interest rate risk, commodity price risk).

As described in the 2012 Annual Report, the principal risks include loss of a key site, contract issues, product security, environmental breach, foreign exchange, health and safety failure, failure to achieve the Improvement Plan, breach of competition regulations, geo political instability, 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 principal 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 2012 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 12 to 21 of the 2012 Annual Report. The accounting policies used in the preparation of the financial position are described in pages 59 to 64 of the 2012 Annual Report. In addition, pages 73 to 78 of the 2012 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 cash flows, liquidity position and borrowing facilities are described on pages 22 to 24 of the 2012 Annual Report.

As described on page 24 of the 2012 Annual Report, the Group meets its funding requirements through cash generated from operations and a revolving credit facility. This facility was renewed during the period and expires in December 2016. The Group's forecasts and projections, which cover a period of more than twelve months, 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 arisen due to the value of the deficit in the retirement benefit obligations, or the uncertainty as to the outcome of the paper production issues summarised in note 10, 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 2012 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 Interim Financial Statement has been prepared in accordance with IAS 34 '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 set of Annual Financial Statements.

The Board
The Board of Directors that served during the six months to 29 September 2012 and their respective responsibilities can be found on pages 34 and 35 of the De La Rue plc Annual Report 2012.

For and on behalf of the Board.

Philip Rogerson
Chairman
27 November 2012

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 Interim Statement for the six months ended 29 September 2012 which comprises the Group condensed consolidated Interim Income Statement, the Group condensed consolidated Interim Balance Sheet, the Group condensed consolidated Interim Statement of cash flows, the Group condensed consolidated Interim Statement of Comprehensive Income, the Group condensed consolidated Interim Statement of Changes in Equity and the notes to the condensed consolidated Interim Financial Statements. We have read the other information contained in the Interim Statement 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 Services Authority ("the UK FSA"). 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 Interim Statement is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Statement in accordance with the DTR of the UK FSA.

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 Interim Statement 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 Interim Statement 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 Interim Statement for the six months ended 29 September 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

I K Bone
For and on behalf of KPMG Audit Plc
Chartered Accountants
London

27 November 2012

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT – UNAUDITED

For the half year ended 29 September 2012

	Notes	**2012/13 Half year £m**	2011/12 Half year £m	2011/12 Full year £m
Revenue	2	**245.4**	238.1	528.3
Operating expenses – ordinary		**(212.2)**	(206.6)	(465.2)
Operating expenses – exceptional	3	**(3.6)**	(1.9)	(24.8)
Total operating expenses		**(215.8)**	(208.5)	(490.0)
Operating profit		**29.6**	29.6	38.3
Comprising:				
Operating profit before exceptional items	2	**33.2**	31.5	63.1
Exceptional items	3	**(3.6)**	(1.9)	(24.8)
Profit before interest and taxation		**29.6**	29.6	38.3
Interest income		**0.1**	0.1	0.3
Interest expense		**(1.8)**	(2.0)	(4.4)
Retirement benefit obligation finance income		**19.9**	19.9	39.4
Retirement benefit obligation finance cost		**(19.9)**	(20.5)	(40.7)
Net finance expense		**(1.7)**	(2.5)	(5.4)
Profit before taxation		**27.9**	27.1	32.9
Comprising:				
Profit before tax and exceptional items		**31.5**	29.0	57.7
Exceptional items		**(3.6)**	(1.9)	(24.8)
Taxation – UK	4	**(0.4)**	(4.3)	5.5
– Overseas	4	**(1.9)**	(2.6)	(6.2)
Total taxation		**(2.3)**	(6.9)	(0.7)
Comprising:				
Tax on profit before tax and exceptional items		**(7.3)**	(7.4)	(13.9)
Tax on exceptional items	3	**5.0**	0.5	13.2
Profit for the period		**25.6**	20.2	32.2
Comprising:				
Profit for the period before exceptional items		**24.2**	21.6	43.8
Profit/(loss) for the period on exceptional items	3	**1.4**	(1.4)	(11.6)
Profit attributable to equity shareholders of the Company		**25.1**	19.8	31.6
Profit attributable to non controlling interests		**0.5**	0.4	0.6
		25.6	20.2	32.2
Basic earnings per ordinary share	5	**25.2p**	19.9p	31.8p
Diluted earnings per ordinary share	5	**25.0p**	19.8p	31.5p

The Directors declared a dividend of 14.1p per share for the half year ended 29 September 2012 which will be paid on 9 January 2013 and will utilise £14.0m of shareholders' funds. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 March 2013.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the half year ended 29 September 2012

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Profit for the financial period	**25.6**	20.2	32.2
Other comprehensive income			
Foreign currency translation difference for foreign operations	**(3.7)**	(0.8)	(3.9)
Actuarial gains/(losses) on retirement benefit obligations	**10.4**	(24.5)	(63.6)
Change in fair value of cash flow hedges	**(2.0)**	2.0	(0.8)
Change in fair value of cash hedges transferred to Income Statement	**1.9**	(2.1)	(2.5)
Ineffective portion of changes in fair value of cash flow hedges transferred to the Income Statement	**–**	–	0.3
Income tax relating to components of other comprehensive income	**(3.8)**	4.0	13.5
Other comprehensive income for the period, net of tax	**2.8**	(21.4)	(57.0)
Comprehensive income for the period	**28.4**	(1.2)	(24.8)
Comprehensive income for the period attributable to:			
Equity shareholders of the Company	**27.9**	(1.6)	(25.4)
Non controlling interests	**0.5**	0.4	0.6
	28.4	(1.2)	(24.8)

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET – UNAUDITED

At 29 September 2012

	Notes	**2012/13 Half year £m**	2011/12 Half year £m	2011/12 Full year £m
ASSETS				
Non current assets				
Property, plant and equipment		**164.5**	159.6	160.9
Intangible assets		**24.3**	23.8	24.2
Investments in associates and joint ventures		**0.1**	0.1	0.1
Deferred tax assets		**37.0**	31.1	40.4
Derivative financial instruments		**–**	0.2	–
		225.9	214.8	225.6
Current assets				
Inventories		**82.0**	81.4	68.6
Trade and other receivables		**95.0**	78.4	83.6
Current tax assets		**0.5**	3.5	0.6
Derivative financial instruments		**3.8**	16.3	5.9
Cash and cash equivalents		**24.3**	18.1	24.0
		205.6	197.7	182.7
Total assets		**431.5**	412.5	408.3
LIABILITIES				
Current Liabilities				
Borrowings		**(88.2)**	(57.3)	(48.8)
Trade and other payables		**(166.6)**	(171.7)	(170.2)
Current tax liabilities		**(34.3)**	(34.2)	(33.6)
Derivative financial instruments		**(5.5)**	(13.0)	(5.6)
Provisions for other liabilities		**(36.6)**	(26.3)	(40.2)
		(331.2)	(302.5)	(298.4)
Non current liabilities				
Borrowings		**–**	–	–
Retirement benefit obligations	8	**(136.1)**	(120.0)	(145.6)
Deferred tax liabilities		**(1.6)**	(0.8)	(1.3)
Derivative financial instruments		**(0.4)**	(0.2)	(0.9)
Provisions for other liabilities and charges		**(6.3)**	–	(6.9)
Other non current liabilities		**–**	–	(0.8)
		(144.4)	(121.0)	(155.5)
Total liabilities		**(475.6)**	(423.5)	(453.9)
Net (liabilities)/assets		**(44.1)**	(11.0)	(45.6)
EQUITY				
Ordinary share capital		**45.8**	45.6	45.7
Share premium account		**30.8**	29.4	30.7
Capital redemption reserve		**5.9**	5.9	5.9
Hedge reserve		**(1.3)**	0.9	(1.2)
Cumulative translation adjustment		**(5.1)**	1.7	(1.4)
Other reserves		**(83.8)**	(83.8)	(83.8)
Retained earnings		**(40.6)**	(14.6)	(45.4)
Total equity attributable to shareholders of the Company		**(48.3)**	(14.9)	(49.5)
Non controlling interests		**4.2**	3.9	3.9
Total equity		**(44.1)**	(11.0)	(45.6)

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS – UNAUDITED

For the half year ended 29 September 2012

	Notes	**2012/13 Half year £m**	2011/12 Half year £m	2011/12 Full year £m
Cash flows from operating activities				
Profit before tax		**27.9**	27.1	32.9
Adjustments for:				
Finance income and expense		**1.7**	2.5	5.4
Depreciation and amortisation		**12.6**	11.9	26.6
Increase in inventories		**(14.4)**	(13.8)	(2.1)
(Increase)/decrease in trade and other receivables		**(9.3)**	11.0	6.6
(Decrease)/increase in trade and other payables		**(1.7)**	10.1	11.6
(Decrease)/increase in reorganisation provisions		**(4.2)**	(2.1)	17.3
Special pension fund contribution		**–**	(7.5)	(23.1)
Loss on disposal of property, plant and equipment		**0.4**	–	3.0
Other non cash movements		**(1.3)**	(3.7)	0.2
Cash generated from operations		**11.7**	35.5	78.4
Tax (paid)/received		**(1.8)**	(2.3)	7.1
Net cash flows from operating activities		**9.9**	33.2	85.5
Cash flows from investing activities				
Purchases of property, plant and equipment (PPE) & software intangibles		**(18.3)**	(11.3)	(32.1)
Development assets capitalised		**(1.1)**	(0.8)	(3.7)
Proceeds from sale of PPE		**0.2**	0.4	0.4
Net cash flows from investing activities		**(19.2)**	(11.7)	(35.4)
Net cash inflow before financing activities		**(9.3)**	21.5	50.1
Cash flows from financing activities				
Proceeds from issue of share capital		**0.2**	0.3	1.7
Proceeds/(repayments) from borrowing		**39.0**	0.8	(7.3)
Interest received		**0.1**	0.1	0.3
Interest paid		**(1.6)**	(2.0)	(3.5)
Dividends paid to shareholders		**(28.1)**	(28.0)	(42.0)
Dividends paid to non controlling interests		**(0.2)**	–	(0.2)
Net cash flows from financing activities		**9.4**	(28.8)	(51.0)
Net decrease in cash and cash equivalents in the period		**0.1**	(7.3)	(0.9)
Cash and cash equivalents at the beginning of the year		**22.5**	23.4	23.4
Exchange rate effects		**(0.2)**	–	–
Cash and cash equivalents at the end of the period	7	**22.4**	16.1	22.5
Cash and cash equivalents consist of:				
Cash at bank and in hand		**20.8**	18.0	24.0
Short term bank deposits		**3.5**	0.1	–
Bank overdrafts		**(1.9)**	(2.0)	(1.5)
	7	**22.4**	16.1	22.5

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the half year ended 29 September 2012

	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 26 March 2011	45.6	29.1	5.9	1.0	2.5	(83.8)	13.0	3.5	16.8
Comprehensive income for the period	–	–	–	(0.1)	(0.8)	–	(0.7)	0.4	(1.2)
Share capital issued	–	0.3	–	–	–	–	–	–	0.3
Employee share scheme: – value of services provided	–	–	–	–	–	–	1.0	–	1.0
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.1	–	0.1
Dividends paid	–	–	–	–	–	–	(28.0)	–	(28.0)
Balance at 24 September 2011	**45.6**	**29.4**	**5.9**	**0.9**	**1.7**	**(83.8)**	**(14.6)**	**3.9**	**(11.0)**
Comprehensive income for the period	–	–	–	(2.1)	(3.1)	–	(18.6)	0.2	(23.6)
Share capital issued	0.1	1.3	–	–	–	–	–	–	1.4
Employee share scheme: – value of services provided	–	–	–	–	–	–	1.5	–	1.5
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.3	–	0.3
Dividends paid	–	–	–	–	–	–	(14.0)	(0.2)	(14.2)
Balance at 31 March 2012	45.7	30.7	5.9	(1.2)	(1.4)	(83.8)	(45.4)	3.9	(45.6)
Comprehensive income for the period	–	–	–	(0.1)	(3.7)	–	31.7	0.5	28.4
Share capital issued	0.1	0.1	–	–	–	–	–	–	0.2
Employee share scheme: – value of services provided	–	–	–	–	–	–	1.0	–	1.0
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	–	(28.1)	(0.2)	(28.3)
Balance at 29 September 2012	**45.8**	**30.8**	**5.9**	**(1.3)**	**(5.1)**	**(83.8)**	**(40.6)**	**4.2**	**(44.1)**

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 29 September 2012. 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 29 September 2012, being the last Saturday in September. The comparatives for the 2011/12 financial year are for the half year ended 24 September 2011 and the full year ended 31 March 2012.

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 Annual Report 2012 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 condensed consolidated Financial Statements were approved by the Board of Directors on 26 November 2012.

The comparative figures for the financial period ended 31 March 2012 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 2012/13 and their report is set out on page 10.

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 31 March 2012, 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 revised and amended standards and interpretations, none of which has had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

2 Segmental analysis

The Group has two business units, Currency and Solutions. Currency is a single operating unit. Solutions consists of three operating units: Cash Processing Solutions, Security Products and Identity Systems. 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 Holographics operation, previously part of Security Products, became part of the Currency business on which it depends from the first day of the new financial year and comparatives have been represented accordingly.

The Group's segments are:

Currency
- provides banknote paper, printed banknotes and banknote security features

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

2 Segmental analysis continued

Analysis by operating segment

	2012/13 Half year £m	2011/12 Half year (represented) £m	2011/12 Full year (represented) £m
Revenue by operating segment			
Currency	**139.7**	149.7	340.6
Solutions			
– Cash Processing Solutions	**37.8**	30.1	65.7
– Security Products	**25.1**	26.3	51.4
– Identity Systems	**45.7**	34.4	75.2
Eliminations	**(2.9)**	(2.4)	(4.6)
	245.4	238.1	528.3
Operating profit by operating segment			
Currency	**22.4**	22.2	45.5
Solutions			
– Cash Processing Solutions	**1.1**	0.8	2.0
– Security Products	**4.0**	4.5	7.1
– Identity Systems	**5.7**	4.0	8.5
Operating profit before exceptional items	**33.2**	31.5	63.1
Exceptional items – Currency	**(1.5)**	–	(11.8)
Exceptional items – Security Products	**(0.7)**	(0.1)	(9.0)
Exceptional items – unallocated	**(1.4)**	(1.8)	(4.0)
Operating profit	**29.6**	29.6	38.3
Net finance expense	**(1.7)**	(2.5)	(5.4)
Profit before taxation	**27.9**	27.1	32.9

3 Exceptional items

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Site relocation and restructuring	**(3.6)**	(1.9)	(24.1)
One off costs relating to paper production quality issues	**–**	–	(0.7)
Total exceptional items	**(3.6)**	(1.9)	(24.8)
Exceptional items – tax	**5.0**	0.5	13.2

Exceptional costs of £3.6m were incurred in the period in relation to the ongoing site relocation and restructuring plans announced in May 2011 (Half Year 2011/12: £1.9m).

Exceptional costs of £24.8m in the prior year were mainly in connection with the closure of three sites and the relocation of manufacturing activity including £11.3m in staff compensation, £1.1m of fixed asset impairment charges, £8.8m of site exit costs and £2.9m in associated reorganisation costs. The exceptional charge also includes additional costs (reported under the Currency segment) of £0.7m associated with the paper quality issue that arose in 2010/11.

Tax credits relating to exceptional items arising in the period were £0.9m (Half Year 2011/12: £0.5m, Full Year 2011/12: £6.2m). There were prior year tax credits on exceptional items in the period of £4.1m (Half Year 2011/12: nil, Full Year 2011/12: £7.0m prior year credit).

4 Taxation

A tax charge of 23.2% (six months to 24 September 2011: 25.6%; period to 31 March 2012: 24.1%) has been provided based on the estimated effective rate of tax for the year arising on the profits before exceptional items giving rise to tax for the period of £7.3m. This is offset by tax credits of £5.0m on exceptional items as described in note 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED CONTINUED

5 Earnings per share

	2012/13 Half year pence per share	2011/12 Half year pence per share	2011/12 Full year pence per share
Earnings per share			
Basic earnings per share	**25.2**	19.9	31.8
Diluted earnings per share	**25.0**	19.8	31.5
Headline earnings per share			
Basic earnings per share	**23.8**	21.4	43.5
Diluted earnings per share	**23.6**	21.2	43.2

Earnings per share are based on the profit for the period attributable to ordinary shareholders as shown in the Group condensed consolidated Income Statement. The weighted average number of ordinary shares used in the calculations is 99,544,705 (2011/12: 99,240,668) for basic earnings per share and 100,451,204 (2011/12: 100,159,769) for diluted earnings per share after adjusting for dilutive share options.

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

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

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Earnings for basic earnings per share	**25.1**	19.8	31.6
Exceptional items	**3.6**	1.9	24.8
Tax on exceptional items	**(5.0)**	(0.5)	(13.2)
Earnings for headline earnings per share	**23.7**	21.2	43.2

6 Equity dividends

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Final dividend for the year ended 31 March 2012 of 28.2p paid on 2 August 2012	**28.1**	–	–
Interim dividend for the period ended 24 September 2011 of 14.1p paid on 6 January 2012	**–**	–	14.0
Final dividend for the year ended 26 March 2011 of 28.2p paid on 4 August 2011	**–**	28.0	28.0
	28.1	28.0	42.0

An interim dividend of 14.1p has been declared for the half year ended 29 September 2012. In accordance with IFRS the interim dividend has not been accrued in these condensed consolidated Interim Financial Statements.

7 Analysis of net debt

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Cash at bank and in hand	**20.8**	18.0	24.0
Short term bank deposits	**3.5**	0.1	–
Bank overdrafts	**(1.9)**	(2.0)	(1.5)
Cash and cash equivalents	**22.4**	16.1	22.5
Other debt due within one year	**(86.3)**	(55.3)	(47.3)
Borrowings due after one year	**–**	–	–
Net debt at end of period	**(63.9)**	(39.2)	(24.8)

8 Retirement benefit obligations

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

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
UK retirement benefit obligations	**(133.9)**	(117.5)	(143.3)
Overseas retirement benefit obligations	**(2.2)**	(2.5)	(2.3)
Retirement benefit obligations	**(136.1)**	(120.0)	(145.6)
Deferred tax	**31.5**	30.0	35.0
Net retirement benefit obligations	**(104.6)**	(90.0)	(110.6)

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

	UK £m	UK £m	UK £m
At 1 April 2012/27 March 2011	**(143.3)**	(100.5)	(100.5)
Current service cost included in operating profit	**(4.1)**	(3.0)	(7.8)
Curtailments	**–**	–	–
Net finance cost	**–**	(0.6)	(1.3)
Actuarial gains and losses arising over the year	**10.4**	(24.5)	(63.6)
Cash contributions and benefits paid	**3.1**	11.1	29.9
At 29 September 2012/24 September 2011/31 March 2012	**(133.9)**	(117.5)	(143.3)

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Amounts recognised in the consolidated Balance Sheet:			
Fair value of plan assets	**734.9**	635.0	697.6
Present value of funded obligations	**(861.8)**	(745.5)	(833.8)
Funded defined benefit pension plans	**(126.9)**	(110.5)	(136.2)
Present value of unfunded obligations	**(7.0)**	(7.0)	(7.1)
Net liability	**(133.9)**	(117.5)	(143.3)
Amounts recognised in the consolidated Income Statement:			
Included in employee benefits expense:			
Current service cost	**(4.1)**	(3.0)	(7.8)
Curtailments	**–**	–	–
Included in net finance cost:			
Expected return on plan assets	**19.9**	19.9	39.4
Interest cost	**(19.9)**	(20.5)	(40.7)
	–	(0.6)	(1.3)
Total recognised in the consolidated Income Statement	**(4.1)**	(3.6)	(9.1)
Actual return on plan assets	**52.3**	0.8	60.8

	2012/13 Half year UK %	2011/12 Half year UK %	2011/12 Full year UK %
Principal actuarial assumptions:			
Future salary increases	**–**	–	–
Future pension increases – past service	**3.40**	3.40	3.70
Future pension increases – future service	**2.60**	3.20	3.20
Discount rate	**4.20**	5.20	4.80
Inflation rate	**2.60**	3.20	3.30
Expected return on plan assets	**6.10**	6.55	6.10

The expected rate of return on plan assets has been determined following advice from the plans' independent actuary and is based on the expected return on each asset class together with consideration of the long term asset strategy.

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 29 September 2012, 24 September 2011 and 31 March 2012 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% mortality improvement underpin. The resulting life expectancy for a 65 year old pensioner is 20.6 years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED CONTINUED

9 Related party transactions
During the year the Group traded with Fidink (33.3% owned).

The Group's trading activities with Fidink in the period comprise £8.3m 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.

10 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.

11 Capital commitments

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
The following commitments existed at the balance sheet date:			
Contracted but not provided for in the accounts	**10.6**	4.1	22.0

12 De La Rue financial calendar: 2012/13

Ex dividend date for interim dividend	5 December 2012
Record date for interim dividend	7 December 2012
Payment of interim dividend	9 January 2013
Financial year end	30 March 2013

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