



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

19 December 2023

De La Rue plc

2023/24 half year results

De La Rue plc (LSE: DLAR) (“De La Rue”, the “Group” or the “Company”) announces its half year results for the six months ended 30 September 2023 (the “period”, “H1 24” or “half-year”). The comparative period was the six months ended 24 September 2022 (“H1 23”).

Highlights

- Adjusted operating profit of £7.9m (H1 23: £9.3m) ahead of previous guidance of breakeven. IFRS operating loss narrowed to £3.4m (H1 23: £12.6m).
- Authentication revenue rose 5.7% to £48.1m (H1 23: £45.5m).
- Currency revenue reduced 2.6% to £113.4m (H1 23: £116.4m).
- Net debt of £82m (H1 23: £82.4m) in line with the October 2023 trading statement and ahead of previous guidance of £100m; Operating cash inflow of £15.4m (H1 23: outflow of £2.8m).
- Banking facilities extended to July 2025; RCF limit reduced to £235m (from £250m).
- Pension situation improved and contributions reduced:
 - Deficit per actuarial valuation now £78m (versus previous remaining contributions of £84.7m)
 - Deficit repair contributions moratorium continues for FY24; thereafter contributions reduced to £8m annually from FY25–FY27, saving £28m over that period; FY28–FY31 contributions then increase to clear deficit by December 2030 (from March 2029)
- Currency order book increased over 100% since September 2023 period end, to £219.8m, with very high win rate since beginning of FY24, in a recovering market.
- Multi-year Authentication contract extension secured on improved terms; in latter stages of settling a further significant GRS contract extension.
- Authentication guidance of £100m revenue for FY24 reiterated.
- The above underpins the Board’s reiteration of full year guidance: adjusted operating profit of early £20m range and net debt in the mid £90m range.

Financial highlights

	H1 24 £m	H1 23 £m	Change %
Revenue	161.5	164.3	(1.7)
Authentication	48.1	45.5	5.7
Currency	113.4	116.4	(2.6)
Identity Solutions	-	2.4	n/a
Gross profit	40.2	41.8	(3.8)
Adjusted operating profit*¹	7.9	9.3	(15.1)
IFRS operating loss	(3.4)	(12.6)	73.0
Loss before taxation	(16.8)	(15.9)	(5.7)
Adjusted basic EPS*² (p)	(2.6)p	2.0p	(230.0)
IFRS basic EPS (p)	(6.2)p	(12.6)p	50.8
	H1 23 £m	FY23 £m	Change %
Net debt³	82.0	82.4	(0.5)

Footnotes:

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

- Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £10.8m (H1 23: £21.4m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 23: £0.5m).
- Adjusted basic EPS excludes post-tax exceptional items of £6.7m (H1 23: £28.1m) and post-tax amortisation of acquired intangible assets £0.4m (H1 23: £0.4m).
- The definition of net debt can be found in note 8 to the financial statements.
- All of the above are reported for continuing operations.

Clive Vacher, CEO of De La Rue, commented:

“De La Rue’s robust performance in the first half reflects the important actions that we have taken since 2020 to make the company resilient to changing market conditions. These actions have allowed us to navigate a downturn over the past 18 months, particularly in Currency, and I am pleased that the market is now showing signs of continuing recovery. We have doubled the Currency order book since September 2023 and are exhibiting a high win rate, with more opportunities in the pipeline.

“Authentication continues on its path to £100m in revenue for the full financial year. We have secured a significant multi-year contract extension, and we are in the late stages of securing another contract extension in GRS. Our Australian passport programme continues apace and is a significant driver of growth this year.

“We continue to focus on the financial progress of the company. In the half year, we demonstrated improved operating cash flow versus H1 FY23 and, as announced in our October trading statement, significantly improved net debt versus previous guidance. We have extended our banking facilities to July 2025 and are comfortable to reduce the size of facility.

“With a new pension deficit valuation of £78m, we have been able to work with the Pension Trustee on an amended schedule of contributions, that saves the company £28m cash contributions

between FY25 and FY27. The schedule now runs to December 2030, a modest extension from March 2029, but still a number of years ahead of scheme maturity.

“The progress reported today underpins the Board’s full year guidance of adjusted operating profit in the low £20m range, and net debt in the mid £90m range.”

Clive Whiley, Chairman of De La Rue, added:

“Upon my appointment as Chairman in May this year, it soon became clear that De La Rue was struggling to balance conflicting stakeholder objectives, alongside associated professional fees which were suffocating the nascent recovery emanating from the foundations laid by the Turnaround Plan initiated in 2020, Making a continuation of the deterioration in the market rating almost inevitable.

“Since then I have sought to provide aircover to allow the reinforced executive management team to complete an in-depth review of the fundamentals of De La Rue’s business, designed to arm the Board with the information necessary to gauge the core strategic strengths of the Group, of which there are many.

“The interim results released this morning represent demonstrable progress with adjusted operating profit ahead of guidance, lower net debt, pension deficit repair contributions reduced by £28m over the next three years, significantly enhanced contract win rates and renewed confidence within the management team.

“Accordingly, I would like to thank our core lenders, pension trustees, shareholders and employees alike for their ongoing support to enable us to complete this strategic review. The Board is determined to utilise today’s market update as a springboard to optimise the underlying intrinsic value of the business, for the benefit of all stakeholders, on which the company will provide an update before 31 May 2024.”

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

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A presentation to investors and analysts, including a live webcast will be held today at 09:00 am and will be available via our website at <https://www.delarue.com> or on https://brrmedia.news/DLAR_HY. This will be available for playback after the event.

About De La Rue

Established 210 years ago, De La Rue is trusted by governments, central banks, and international brands, providing digital and physical solutions that protect their supply chains and cash cycles from counterfeiting and illicit trade.

With operations in five continents, customers in 140 countries and solutions that include advanced track and trace software, security document design, banknotes, brand protection labels, tax stamps, security features and passport bio-data pages, De La Rue brings unparalleled knowledge and expertise to its partnerships and projects.

Our core focus areas are:

- Authentication: leveraging advanced digital software solutions and security labels to protect revenues and reputations from the impacts of illicit trade, counterfeiting, and identity theft.
- Currency: designing and manufacturing highly secure banknotes and banknote components that are optimised for security, manufacturability, cash cycle efficacy and public engagement.

The security and trust derived from our solutions pave the way for robust economies and flourishing societies. This is underpinned by a significant Environmental, Social, and Governance commitment that is evidenced by accolades such as the ISO 14001 certification and a consistent ranking in the top tier of the Financial Times European Climate Leaders list.

De La Rue's shares are traded on the London Stock Exchange (LSE: DLAR). De La Rue plc's LEI code is 213800DH741LZWJXP78. For further information please visit www.delarue.com.

Cautionary note regarding forward-looking statements

Certain statements contained in this document relate to the future and constitute 'forward-looking statements'. These forward-looking statements include all matters that are not historical facts. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", "could", "shall", "risk", "aims", "predicts", "continues", "assumes", "positioned" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the Group's control, and which may cause the Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry and business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue

in the future. Accordingly, readers of this document are cautioned not to place undue reliance on these forward-looking statements.

Other than as required by English law, none of the Company, its Directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur, in part or in whole. Additionally, statements of the intentions of the Board and/or Directors reflect the present intentions of the Board and/or Directors, respectively, as at the date of this document, and may be subject to change as the composition of the Company's Board of Directors alters, or as circumstances require.

The forward-looking statements contained in this document speak only as at the date of this document. Except as required by the UK's Financial Conduct Authority, the London Stock Exchange or applicable law (including as may be required by the UK Listing Rules and/or the Disclosure Guidance and Transparency Rules), De La Rue expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

BUSINESS UPDATE

De La Rue achieved an adjusted operating profit of £7.9m (H1 23: £9.3m) in the first half, ahead of guidance, helped by a better-than-expected mix within Currency and strong sales coupled with strong cost control in Authentication. Though adjusted operating profit was lower than the comparative period last year, the IFRS operating loss of £3.4m (H1 23: £12.6m) was much reduced thanks to reduced exceptional charges.

The work we have done and continue to do, to reshape the business and remove cost, has created more efficient and agile operations. It has allowed us to begin to rebuild the order book in Currency, winning a high proportion of the tenders for which we have bid and to conclude a three-year contract renewal with an important customer on improved terms within Authentication. At the same time, we have seen an improved cash flow across the business.

We have also announced today that we have secured an extension to our banking facilities and improved terms for the schedule of contributions to repair the deficit within the legacy defined benefit pension scheme. These build on the 15-month pension deficit repair moratorium and the banking covenant relaxation that we announced at the time of our full year results and reduce cash outflows through to the end of FY27 by an additional £28m. While we have more to do, these actions put the business on a firmer financial footing for the future.

FY24 to date has seen much activity across the business, including further streamlining and improving operational efficiency, seeking out new customers, extending relationships with existing customers and the improvements to our financing situation referenced above. We have restructured our UK sites, completed the wind-down in Kenya and moved the expansion of our Malta operations towards completion.

These have all required much hard work from employees across De La Rue. I would like to thank the team for all their efforts during the financial year so far, and for those yet to come as we work to achieve our goals for the remainder of FY24 and beyond.

Pension scheme

In view of recent changes in interest rates and other actuarial assumptions, we commissioned a fresh actuarial valuation of our historic defined benefit pension scheme (the 'Scheme') as at September 2023. This has resulted in the deficit being valued at £78m, as compared with the outstanding total of future deficit repair contributions previously agreed of £84.7m.

On 18 December 2023, we reached agreement with the Scheme Trustee to pay deficit repair contributions in accordance with a revised schedule. We will recommence deficit repair contributions in July 2024 as previously agreed, but at a significantly lower level, namely £8m per annum to the end of FY27, with the outstanding amount thereafter spread over the period to December 2030, which is after the next periodic actuarial valuation is due.

This revised deficit repair contribution schedule provides De La Rue with a significantly improved cash flow profile, reducing cash outflows by £28m over the period to the end of FY27. The actions we have taken since 2020 in reprofiling the pension deficit repair contributions will have saved the Group over £90m in cash outflows by the end of FY27, while improving the safeguards to the Scheme and its members with additional security and 'pari passu' treatment with the banking facility providers.

Banking facilities

Today we also announce that we have reached agreement with our banking syndicate so that our principal facilities now extend to July 2025.

The extension has been granted with the same interest rate schedule that was agreed in June 2023. The interest rates and covenant limits remain unchanged, other than a downwards adjustment in the liquidity headroom covenant to reflect the cancellation of £15m of the revolving credit facility as explained below. Further details of the revised banking arrangements can also be found within the Financial Review below, under 'Banking facilities'.

Looking ahead, we are evaluating various options to refinance our debt facilities for a longer horizon, allowing us to move away from a repeated cycle of short-term facility extensions.

Net debt and cash

At the end of September 2023, our net debt stood at £82.0m (FY23: £82.4m), significantly lower than our previous guidance.

Our focus on strong control of working capital, reducing inventory and seeking prompt payment from our customers generated an operating cash inflow of £15.4m (H1 23: £2.8m outflow). This was after taking account of the final £7.5m payment for settlement of the termination of the Portals Paper agreement which took place at the beginning of this financial year.

Our net debt position at the end of the first half also benefitted from improving the matching of capital expenditure with the timing of grant receipts in Malta. We will continue with these and other initiatives in the second half and into FY25.

Our improved cash flow performance has enabled us to offer to our bank syndicate the cancellation of [£15m] of the revolving credit facility previously in place that is now surplus to our requirements.

Authentication

Our Authentication division generated an adjusted operating profit of £6.5m (H1 23: £4.9m) from revenue up 5.7% to £48.1m (H1 23: £45.5m). The ID business saw a robust performance with strong sales from the polycarbonate bio data page produced for the new 'R series' Australian passport among others. These data pages incorporate a range of security features in a technically advanced highly secure, multi-layered polycarbonate plastic and allow Australian citizens to benefit from one of the most advanced and secure travel documents. Brand benefitted from the new customers that we referenced in our full year results. Microsoft related sales have stabilised in H1 24, but we have not yet seen any significant recovery, reflecting the continued subdued state of PC sales globally.

Authentication has recently seen the renewal of a three-year contract with a key customer on improved terms. Negotiations on another significant contract are in their later, detailed stage. These build on the GRS contract extensions in the EU, Cameroon and Sudan announced at the end of FY23, de-risking our future revenue pipeline.

Recent additional investment in sales and marketing capability is bearing fruit, with a number of leads being pursued in each area of the business. In GRS the market continues to grow steadily, and we are seeing several tenders or RFQ's for new contracts, together with larger contract values to cover additional products to be incorporated into existing schemes.

Currency

Our Currency division delivered an adjusted operating profit of £1.4m (H1 23: £4.3m) in its traditionally weaker first half from marginally lower revenue of £113.4m (H1 23: £116.4m) compared with the same period last year. A mix of completed work within banknotes with a higher margin than had been expected led to an improved profit outturn versus expectations at the start of the financial year.

While the industry-wide post pandemic downturn continued to impact the business in the period, the division is now seeing some recovery, albeit from a low base. While the overall market remains unpredictable, our conversion rate of bids to orders since the beginning of this financial year has been excellent. In FY24 to date we have won substantial multi-year orders in Africa, the Middle East and in Asia. The work we have done over the last few years in making the business more competitive and agile, by for example, replacing Portals as our sole provider of banknote paper with a panel of suppliers and focusing on an efficient manufacturing footprint, has helped us to attain this high conversion rate.

At the same time market data continues to reflect an underlying demand for fresh banknotes. Our latest view of the global growth of cash in circulation is around 5% per annum, with growth in some of our core markets increasing at a rate significantly ahead of this.

At the end of September our total order book stood at £105.4m (25 March 2023: £136.8m) and the 12-month order book at £65.8m (25 March 2023: £131.7m). The timing of tenders has been such that several significant orders have been closed recently. At December, the total order book stood at £219.8m.

As well as focusing on winning tenders to print banknotes, we also continue to seek opportunities to incorporate our security features and SAFEGUARD® polymer substrate into the specifications. Furthermore, our extensive security features portfolio and polymer substrate provide opportunities to grow sales to state printing works, which typically represent countries that require a larger volume of banknotes.

Malta

The expansion of our Malta facilities is moving forward, with the Authentication space due to be completed by end of this financial year and the Currency facilities completed during FY25.

When complete, the new facilities will substantially increase our capacity within Authentication and add significantly to our Currency capabilities within Malta.

Responsible business

Undertaking our business in an ethical and sustainable manner is core to the De La Rue culture and underpins all that we do. We were therefore delighted that our most recent annual assessment by sustainability agency Ecovadis resulted in a 5% improvement in our overall score, a rating in the 91st percentile and a silver medal. De La Rue scored particularly highly in the theme area of ethics.

Outlook

Within Currency, our order book for the remainder of FY24 is now largely de-risked. Our operations team are now working hard to fulfil these orders and deliver full year operating profit expectations for the business. Authentication remains on track to hit its £100m revenue target for the full year, though at an operating profit level has a strong prior year comparative in the second half to outperform.

We recognise that the outturn for H1 24 has been better from both an operating profit and a net debt perspective than we set out at the time of our full year results in June 2023. However, a number of significant operational uncertainties still remain in both divisions.

As a result, we reiterate the profit guidance previously given, namely that we expect adjusted operating profit for FY24 to be in the low £20m.

In relation to net debt, as we set out in our pre close statement in early October, given the various initiatives in relation to cash underway, we expect net debt for the full year FY24 to be in the mid £90m range.

Clive Vacher

Chief Executive Officer

FINANCIAL REVIEW

To provide increased clarity on the underlying performance of our business, we have reported gross profit and operating profit on an IFRS and adjusted basis, together with adjusted EBITDA and adjusted controllable operating profit (adjusted operating profit before enabling function cost allocation), for both ongoing operating divisions. Further details on non-IFRS financial measures can be found later in this document.

100% of Group revenue for H1 24 of £161.5m (H1 23: £164.3m) originated from our ongoing operating divisions of Currency and Authentication.

Together Currency and Authentication delivered adjusted operating profit of £7.9m (H1 23: profit £9.3m), a fall of £1.4m (15.1%) period-on-period. This largely reflects lower revenue from the Currency division, adverse mix and a slight increase in operating expenses. The legacy Identity Solutions business generated an adjusted operating result of £nil in the current financial year with no remaining activity (H1 23: £0.1m profit).

At an IFRS operating profit level, the Group saw a small net loss of £3.4m, much less than the equivalent period last year, which saw a loss of £12.6m after the exceptional cost of the termination of the agreement with Portals Paper.

Authentication

The Authentication division leverages advanced digital software solutions and security labels to protect revenues and reputations from the impacts of illicit trade, counterfeiting, and identity theft.

	H1 24 £m	H1 23 £m	Change
Revenue	48.1	45.5	5.7%
Gross profit	17.9	15.7	14.0%
Adjusted controllable operating profit*	11.6	9.4	23.4%
Adjusted operating profit*	6.5	4.9	32.7%
Operating profit	5.8	3.9	48.7%
	%	%	
Gross profit margin	37.2	34.5	270 bps
Adjusted controllable operating profit margin*	24.1	20.7	340 bps
Adjusted operating profit margin*	13.5	10.8	270 bps

*Non-IFRS measure

When compared with prior period, the most substantial increase in H1 24 Authentication revenue was due to the increase in ID sales, notably data pages for the Australian passport. Brand benefitted from sales from new contracts announced at the full year. Microsoft related sales faced a strong prior year comparative in the first quarter. The monthly run rate has stabilised, but we have not yet seen any significant recovery, reflecting the continued subdued state of PC sales globally. The loss of revenue in Kenya and from HMRC in FY23, together with a muted overall performance in GRS, moderated overall sales growth in the division.

Gross profit margin rose 270 basis points, when compared with the prior period, reflecting the mix in sales and good manufacturing yields. Exceptionally strong cost control led to no increase in divisional operating expenses, which, combined with the higher revenue, led to adjusted controllable operating profit rising 23.4% to £11.6m (H1 23: £9.4m).

Adjusted operating profit was up 32.7% to £6.5m (H1 23: £4.9m) despite the division being allocated a higher proportion of central overheads, given its proportionally higher revenue for the period. As most of the exceptional costs recorded in both this period and in the comparative period last year related to the Currency division rather than Authentication and amortisation was at the same level as last year, most of the increase in profit fed through to the IFRS operating profit level, which rose 48.7% to £5.8m (H1 23: £3.9m).

Currency

The Currency division designs and manufactures highly secure banknotes and banknote components that are optimised for security, manufacturability, cash cycle efficacy and public engagement.

	H1 24 £m	H1 23 £m	Change
Revenue	113.4	116.4	(2.6)%
Gross profit	22.3	25.8	(13.6)%
Adjusted controllable operating profit*	14.1	15.7	(10.2)%
Adjusted operating profit*	1.4	4.3	(67.4)%
Operating loss	(5.5)	(16.5)	66.7%
	%	%	
Gross profit margin	19.7	22.2	(250) bps
Adjusted controllable operating profit margin*	12.4	13.5	(110) bps
Adjusted operating profit margin*	1.2	3.7	(250) bps

*Non-IFRS measure

Our Currency division remained profitable at the adjusted operating profit level during its traditionally weaker first half, delivering an adjusted operating profit of £1.4m (H1 23: £4.3m) from marginally lower revenue of £113.4m (H1 23: £116.4m). Revenue from banknotes was broadly flat on the comparative period last year, security features revenue was marginally higher and polymer was generally subdued.

Gross profit fell 13.6% to £22.3m (H1 23: £25.8m) with the mix of sales adversely affecting margin when compared with the prior period.

The ongoing remaining costs of the Gateshead and Kenya facilities were reallocated to enabling function costs at the start of FY24, which benefitted controllable operating costs within the division. This, together with strong cost control, led adjusted controllable operating profit to fall just 10.2% to £14.1m (H1 23: £15.7m).

£6.9m (H1 23: £20.8m) of exceptional costs of right sizing the business for future operations led the division into an operating loss of £5.5m (H1 23: loss of £16.5m) on an IFRS basis. This included restructuring in the UK, together with some further costs in relation to the wind down in Kenya. In the equivalent period last year, a much larger divisional IFRS operating loss was recorded, given that £16.8m relating to the termination of the Portals Paper agreement was charged to the division as an exceptional charge.

Identity solutions

As noted above, the legacy Identity Solutions business saw no activity in H1 24 with an operating result of £nil (H1 23: operating profit of £0.1m).

Enabling function costs

In H1 24 enabling function costs of £17.8m (H1 23: £15.9m) rose by 11.9% and represented 11.0% of Group revenue (H1 23: 9.7%).

The rise in enabling function costs is mostly due to increased professional fees together with the reallocation of the remaining ongoing costs of the Gateshead and Kenya facilities into enabling functions from the beginning of FY24. This allows for greater focus in the central management of these projects. Most activity at Gateshead has now ceased and we are working to relocate the remaining functions as soon as practicable.

Exceptional items

Exceptional items during the period constituted a net charge of £10.8m (H1 23: £21.4m) before tax.

Exceptional charges before tax included:

	H1 24 £m	H1 23 £m
Site relocation and restructuring costs	7.9	2.1
Costs in relation to pension payment deferment and banking refinancing	3.0	-
Credit loss provision/write back on Portals loan notes	(0.3)	2.5
Pension underpin costs	0.2	-
Termination costs related to the Portals Paper agreement	-	16.8
	10.8	21.4

£7.9m (H1 23: £2.1m) exceptional site relocation and restructuring costs comprised:

- £6.5m (H1 23: £nil) charge for redundancy and legal fees (£3.2m) (Currency and Authentication) and property, plant and equipment impairments (£3.3m) (Currency) were made in relation to restructuring initiatives in both divisions to right size the divisions for future operations.
- A further £1.3m (H1 23: £nil) in relation to the wind down of our operations in Kenya announced in January 2023. This included redundancy charges of £0.2m, property, plant and equipment asset impairments of £1.1m and other costs of £0.1m, offset by £0.1m of proceeds from the sale of previously impaired inventory.
- £0.1m (H1 23: £0.3m) of restructuring charges related to the cessation of banknote production at our Gateshead facility primarily relating to the costs, net of grant income received of £0.1m, of relocating assets to different Group manufacturing locations. This relocation of assets will continue into H2 24 as the Group continues its expansion of the manufacturing facilities in Malta.
- In addition, H1 23 included £1.8m of charges relating to other cost out initiatives, including the initial Turnaround Plan restructuring of our central enabling functions, selling and commercial functions were also included within site relocation and restructuring costs.

Costs associated with pension payment deferment and the banking refinancing amounted to £3.0m (H1 23: £nil) in the period. This included the following legal and professional advisor costs:

- £1.3m relating to amendments to the schedule of deficit repair contributions as explained in 'Pension scheme' below.
- £1.7m relating to the amendment and restatement of the terms of the revolving facility agreement on 29 June 2023, as detailed in 'Banking facilities' below.

Pension underpin costs of £0.2m (H1 23: £nil) relate to legal fees, net of amounts recovered, incurred in the rectification of certain discrepancies identified in the Scheme's rules. The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they continue to assess this.

During H1 24, a net credit loss provision release of £0.3m (H1 23: £2.5m charge) was reported on the loan notes held in Portals International Limited where an unexpected cash repayment was received on the loan notes from Portals International Limited during the period.

Tax related to exceptional items amounted to a £4.1m tax credit (H1 23: tax charge of £6.7m). Included within exceptional tax items is a tax credit of £2.1m relating to the release of a provision in relation to uncertain tax positions. This relates to the expiry of an indemnity period in May 2023, following the Cash Processing Solutions Limited business sale in May 2016.

The cash flow impact of exceptional items in H1 24 was a £14.6m outflow (H1 23: £0.9m outflow) which included the final £7.5m payments to Portals Paper Limited, £4.7m relating to site relocation and restructuring costs, £2.5m of costs associated with pension payment deferment and banking refinancing and £0.2m relating to pension underpin costs, offset by the £0.3m received in relation to Portals Loan notes (other financial assets).

Finance charge

The Group's net interest charge was £13.4m (H1 23: £3.3m). This included interest income of £0.1m (H1 23: £0.6m), interest expense of £12.2m (H1 23: £4.4m) and retirement benefit finance expense of £1.3m (H1 23: income of £0.5m).

Interest income of £0.1m (H1 23: £0.6m) included interest accrued on loan notes and preference shares held in the Portals International Limited Group of £nil (H1 23: £0.5m). Interest receivable on loan notes and preference shares is excluded from the Group's covenant calculations.

Interest expense comprised:

	H1 24	H1 23
	£m	£m
Bank loan interest	5.9	3.0
Lease liability interest	0.2	0.3
Charges relating to June 2023 debt modification	3.8	-
Other, including amortisation of finance arrangement fees	2.3	1.1
	12.2	4.4

The increase in bank loan interest paid in H1 24 was largely attributable to the rises in Bank of England base rates. In H1 24 these moved from 4.25% to 5.25% over the period. By comparison in H1 23 these moved from 0.75% to 2.25%.

The net charges relating to the debt modification of £3.8m (H1 23: £nil) relate to the changes in existing banking facilities, treated as a non-substantial modification under IFRS 9 'Financial Instruments'. The modification loss and its subsequent amortisation are non-cash items. See note 4 for further information.

The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was an expense of £1.3m (H1 23: £0.5m income). The charge in the period was due to the opening IAS 19 pension valuation in being a deficit of £54.7m.

Taxation

The total tax credit in respect of continuing operations for the first half was £5.6m (H1 23: tax charge £7.9m) and comprised:

- £1.4m credit (H1 23: £1.3m charge) on adjusted loss after interest expense;
- £0.1m credit (H1 23: £0.1m credit) on the amortisation of acquired intangibles; and
- £4.1m credit (H1 23: £6.7m charge) on exceptional items, which is described in more detail in under 'Exceptional items' above.

Earnings per share

The basic weighted average number of shares for earnings per share ('EPS') purposes was 195.6m (H1 23: 195.3m).

Adjusted basic loss per share was (2.6)p (H1 23: EPS of 2.0p), reflecting the fall in adjusted basic earnings from £3.9m in H1 23 to a loss of £5.1m in H1 24.

IFRS basic loss per share from continuing operations was 6.2p (H1 23: 12.6p) reflecting a basic loss of £12.2m (H1 23: loss of £24.6m).

Cash flow

The conservation and generation of cash within the business has been an area of stringent focus over the period. Net working capital improved by £11.5m as we concentrated on reducing inventory levels and on prompt payment from our customers. We reduced our net capital expenditure outflow in Malta by seeking timely receipt of associated grant income and kept careful control over software development spend. This focus on strong cash control is continuing in the second half.

More detail on the movements within our cash flows for the period are set out below.

Cash flow from operating activities was a net cash inflow of £15.4m (H1 23: £2.8m outflow), generated after adjusting the £16.8m loss before tax (H1 23: £15.7m loss) for:

- £13.4m of net finance expense (H1 23: £4.0m)
- £9.0m of depreciation and amortisation (H1 23: £9.7m)
- £4.4m of asset impairment (H1 23: £nil)
- £2.8m decrease in provisions (H1 23: £0.7m decrease)
- £11.5m net working capital inflow (H1 23: £6.2m inflow) including:
 - o £9.6m decrease in inventory (H1 23: £2.5m increase);
 - o £20.8m decrease in trade and other receivable and contract assets (H1 23: £10.8m increase) mainly due to timing of cash collections on certain material customer contracts; and
 - o £18.9m decrease in trade and other payables and contract liabilities (H1 23: £19.5m increase), due to the timing of supplier payments and the final payment in relation to the Portals termination agreement, paid just after the FY23 period end.

- tax payments of £1.2m (H1 23: £0.3m).

The cash outflow from investing activities of £2.2m (H1 23: £7.4m outflow) included:

- capital expenditure on property, plant and equipment, after cash receipts from grants, of £0.8m (H1 23: £2.5m), largely relating to the construction of our expanded facility in Malta.
- capital expenditure on software intangibles and development assets of £2.1m (H1 23: £5.3m).
- proceeds of £0.3m received from the partial settlement of Portals Loan notes.

The cash outflow from financing activities was £19.6m (H1 23: inflow £11.0m), included:

- £7.0m net repayment of borrowings (H1 23: draw down of £16.5m),
- £8.3m (H1 23: £4.4m) of interest payments,
- £3.0m (H1 23: £nil) of debt issue cost payments relating to the amendment of the banking facilities in June 2023, and
- £1.3m (H1 23: £1.1m) of IFRS 16 lease liability payments.

The net decrease in cash and cash equivalents in the period was £6.4m (H1 23: £0.8 increase).

As a result of the cash flow items referred to, Group net debt decreased from £82.4m at 25 March 2023 to £82.0m at 30 September 2023.

Net debt

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

	At 25 March 2023 £m	Cash flow £m	Foreign exchange and other £m	At 30 September 2023 £m
Gross Borrowings	(122.7)	7.0	-	(115.7)
Cash and cash equivalents	40.3	(6.4)	(0.2)	33.7
Net debt	(82.4)	0.6	(0.2)	(82.0)

Net debt is presented excluding unamortised pre-paid borrowing fees of £4.7m (FY23: £5.0m), loss on debt modification of £4.5m (FY23: £0.7m) and £12.2m (FY23: £13.3m) of lease liabilities.

Banking facilities

On 29 June 2023 the Company signed a range of documents which had the effect of amending and restating the terms of the revolving facility agreement with its lending banks and their agents. These documents are an amendment and restatement agreement with the various lenders and the banks' agents and security agent, a debenture between the Company, certain other Group companies and the banks' security agent and inter-creditor agreement between the creditors. As a result of these changes, the facilities are now secured against material assets and shares within the Group.

Under the June amendment and restatement agreement, the banking facilities expiration on the 1 January 2025 remained unchanged, whilst there were also changes to:

- margins: with new interest rates introduced for net debt to EBITDA ratios over 2.5.
- changes in daily interest rates: to SONIA daily rates.

The following changes were made to the Group covenant financial covenants and spread levels from 1 July 2023:

- EBIT/net interest payable more than or equal to 1.0 times, (3.0 times previously).
- Net debt/EBITDA less than or equal to 4.0 times until the Q4 2024 testing point, reducing to less than or equal to 3.6 times from Q1 FY25 through to the end of that agreement, namely 1 January 2025 (3.0 times previously).
- Minimum Liquidity testing monthly, testing at each weekend point on a 4-week historical basis and 13-week forward-looking basis. The minimum liquidity was defined as “available cash and undrawn RCF greater than or equal to £25m”, although this reduced to £20m if £5m or more of cash collateral was in place to fulfil guarantee or bonding requirements (new test).
- Increases in spread rates on the leverage ratio as a result of the relaxation of levels:

Leverage (consolidated net debt to EBITDA)	Margin (% per annum)
Greater than 3.5:1	4.35
Greater than 3.0:1 and less than or equal to 3.5:1	4.15
Greater than 2.5:1 and less than or equal to 3.0:1	3.95

The covenant tests use earlier accounting standards, excluding adjustments for IFRS 16. Net debt for covenants excludes unamortised pre-paid borrowing fees and the net loss on debt modification.

Covenant test results as at 30 September 2023:

Test	Requirement	Actual at 30 September 2023
EBIT to net interest payable	More than or equal to 1.0	2.16
Net debt to EBITDA	Less than or equal to 4.0	2.38

Minimum liquidity at 30 September 2023 was in excess of the £25m limit required under the covenant tests.

As explained above under ‘Finance charges’, the June 2023 change in existing banking facilities is treated as a non-substantial modification under IFRS 9 ‘Financial Instruments’.

At 30 September 2023 the Group had Bank facilities of £250.0m (FY23: £275.0m) including an RCF cash drawn component of up to £175.0m (FY23: £175.0m) and bond and guarantee facilities of a maximum of £75.0m (FY23: £100.0m), which were due to mature on 1 January 2025.

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

At 30 September 2023, the Group had a total of undrawn RCF committed borrowing facilities, all maturing in more than one year, of £60.0m (25 March 2023: £53.0m, all maturing in more than one year). The amount of loans drawn on the £175.0m RCF cash component was £115.0m as at 30 September 2023 (25 March 2023: £112.0m). The accrued interest in relation to cash drawdowns outstanding as at 30 September 2023 was £0.4m (25 March 2023: £0.3m).

Guarantees of £46.0m (26 March 2023: £52.1m) were drawn at 30 September 2023 using the £75.0m guarantee facility. The bond and guarantee facilities provide guarantees or bonds to participate in

tenders and function as back up to contracts, where the customers require a guarantee as part of their procurement process. In addition, the facilities underpin some advance payments from customers. The Group considers the provision of such bonds to be in its ordinary course of business.

On 18 December 2023 the Group entered into a new agreement with its banking syndicate to extend its banking facilities to July 2025. From this date the Group will have Bank facilities of £235m including an RCF cash drawn component of up to £160m (a reduction of £15m) and bond and guarantee facilities of a maximum of £75m. The covenant tests described above will continue to apply to the facilities, other than the liquidity covenant where the minimum headroom is now defined as “available cash and undrawn RCF greater than or equal to £10m”, to reflect the £15m reduction in RCF. In addition an arrangement fee is due, equal to 1% of the facility, which will reduce to 0.5% if the facility is refinanced before 30 June 2024.

Pension scheme

The Company has not paid any deficit repair contributions to the Scheme over the period to 30 September 2023. On 3 April 2023, the Company and the Trustee agreed to defer the deficit repair contribution due, payable on 5 April 2023, to 26 May 2023. Subsequently, on 25 May 2023 the Company and the Trustee agreed to defer the deficit contribution due on 26 May 2023 to 5 July 2023. In June 2023, the Company and the Trustee agreed to defer all the deficit repair contributions due to recommence from 5 July 2023 and a new Recovery Plan was then agreed between the Company and the Trustee which deferred all deficit repair contributions until July 2024. Under the Recovery Plan, the amount deferred, totalling £18.75m, would be paid to the Scheme, from FY26 to FY29.

An actuarial valuation of the Scheme has been undertaken as at 30 September 2023. This showed a Scheme deficit of £78m. As a result of this new valuation, on 18 December 2023, the Company and the Scheme Trustee agreed a new schedule to fund the deficit. The funding moratorium until July 2024 as previously agreed will be retained, with the only payment being £1.25m due under the June 2023 Recovery Plan. This will be followed by deficit repair contributions from the Company of £8m per annum to the end of FY27, followed by higher contributions that at no time exceed £16m per annum and which run until December 2030 or until the Scheme becomes fully funded.

The next periodic actuarial valuation will be as at the end of September 2026, with the Scheme Trustee undertaking to provide the results of this valuation by January 2027, ahead of any increase in contribution from £8m per annum.

The valuation of the Scheme on an IAS 19 basis at 30 September 2023 is a net liability of £60.5m (25 March 2023: net liability of £54.7m).

The charge to the adjusted operating profit in respect of the Scheme in the period was £0.6m (H1 23: £0.8m). Under IAS 19 there was a finance charge of £1.3m (H1 23: finance credit of £0.5m) arising from the difference between the interest cost on liabilities and the interest income on scheme assets.

Capital structure

At 30 September 2023 the Group had net assets of £4.2m (25 March 2023: £22.6m restated).

In the prior period (FY23) deferred tax assets were incorrectly reported, being overstated by £12.4m. This has had an impact in the second half of FY23 only and has no impact on H1 23 or earlier reported periods. Neither does it have any cash impact on the Group.

The prior year revision is a technical accounting point whereby the Company has incorrectly treated a taxable timing difference as a permanent timing difference, the error is in relation to external interest expense which is restricted to 30% of EBITDA. The company has claimed, and intends to continue to claim and carry forward, the amounts arising from the interest restriction for use against future profits.

Further information can be found in the Basis of Preparation section below.

The movement during the period included:

	£m
Opening net assets – 25 March 2023 – as reported	35.0
Prior year revision	(12.4)
Opening net assets – 25 March 2023 – restated	22.6
Loss for the period	(11.2)
Remeasurement loss on retirement benefit obligations	(4.5)
Tax related to remeasurement of net defined benefit liability	(1.7)
Other movements in other comprehensive income	(1.0)
Foreign exchange movements	(1.1)
Employee share scheme charges	0.8
Share capital issued	0.3
Closing net assets – 30 September 2023	4.2

DIRECTORS' REPORT

Principal risks and uncertainties

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

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

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

- bribery and corruption;
- quality management and delivery failure;
- macroeconomic and geo-political environment;
- loss of a key site or process;
- sustainability and climate change;
- loss of key talent;
- breach of information security;
- supply chain failure;
- breach of security – product security;
- sanctions; and
- banking facilities.

The principal risks remain in line with the Annual Report and Accounts for FY23, however, the Group continues to monitor and work to mitigate headwinds in commodity and energy costs and challenges in the supply chain.

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

Going concern

Going concern assessments are included with the Basis of Preparation section of these Interim Financial Statements. These Interim Financial Statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

A copy of the 2023 Annual Report is available at www.delarue.com or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Related Party Transactions

Details of the related party transactions that have taken place in the first six months of the current financial year are provided in note 12 to the Condensed Consolidated Interim Financial Statements. None of these have materially affected the financial position or the performance of the Group during

that period, and there have been no changes during the first six months of the financial year in the related party transactions described in the last annual report that could materially affect the financial position or performance of the Group.

Statement of Directors' responsibilities

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

- the Condensed Consolidated Interim Financial Statements, which have been prepared in accordance with UK adopted IAS 34 '*Interim Financial Reporting*', give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole;
- the interim management report includes a fair review of the information required by:
 - a) **DTR 4.2.7R** of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - b) **DTR 4.2.8R** of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes during the first six months of the financial year in the related party transactions described in the last annual report that could materially affect the financial position or performance of the entity.

The Board of Directors of De La Rue plc at 25 March 2023 and their respective responsibilities can be found on pages 72 and 73 of the De La Rue plc Annual Report 2023. Since the year end there have been the following changes to the Board:

- Kevin Loosemore, Non-Executive Chairman resigned – 1 May 2023
- Clive Whiley, Non-Executive Chairman appointed – 18 May 2023
- Catherine Ashton, Independent Non-Executive Director resigned – 12 June 2023
- Dean Moore, Independent Non-Executive Director appointed – 26 June 2023 and as Interim Chief Financial Officer – 4 August 2023
- Rob Harding, Chief Financial Officer resigned – 28 July 2023
- Margaret Rice-Jones, Independent Non-Executive Director resigned – 7 September 2023
- Brian Small, Independent Non-Executive Director appointed – 8 September 2023

For and on behalf of the Board

Clive Whiley

Chairman

19 December 2023

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 30 September 2023 which comprises the Group condensed consolidated interim income statement, the Group condensed consolidated interim statement of comprehensive income/(loss), the Group condensed consolidated interim balance sheet, the Group condensed consolidated interim statement of changes in equity, the Group condensed consolidated interim statement of cash flows, and the notes to the condensed consolidated interim financial statements. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

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

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

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

Ernst & Young LLP
Reading
19 December 2023

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT - UNAUDITED

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

	Note	H1 24 £m	H1 23 £m
Revenue from customer contracts	2	161.5	164.3
Cost of sales		(121.3)	(122.5)
Gross Profit		40.2	41.8
Adjusted operating expenses		(32.3)	(32.5)
Adjusted operating profit		7.9	9.3
Adjusted items¹:			
- Amortisation of acquired intangible assets		(0.5)	(0.5)
- Net exceptional items – expected credit loss	3	0.3	(2.5)
- Net exceptional items	3	(11.1)	(18.9)
- Net exceptional items - Total	3	(10.8)	(21.4)
Operating loss		(3.4)	(12.6)
Interest income		0.1	0.6
Interest expense		(12.2)	(4.4)
Net retirement benefit obligation finance (charge)/income		(1.3)	0.5
Net finance expense	4	(13.4)	(3.3)
Loss before taxation from continuing operations		(16.8)	(15.9)
Taxation	5	5.6	(7.9)
Loss for the period from continuing operations		(11.2)	(23.8)
Profit from discontinued operations		-	0.2
Loss for the period		(11.2)	(23.6)
Attributable to:			
- Owners of the parent		(12.2)	(24.4)
- Non-controlling interests	11	1.0	0.8
Loss for the period		(11.2)	(23.6)
Earnings per ordinary share			
Basic			
Basic EPS continuing operations	6	(6.2)p	(12.6)p
Basic EPS discontinued operations	6	-	0.1p
Total Basic earnings per share	6	(6.2)p	(12.5)p
Diluted			
Diluted EPS continuing operations	6	(6.2)p	(12.6)p
Diluted EPS discontinued operations	6	-	0.1p
Total Diluted earnings per share	6	(6.2)p	(12.5)p

¹ For adjusting items, the cash flow impact of exceptional items can be found in note 3 and there was no cash flow impact for the amortisation of acquired intangible assets.

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

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

	H1 24 £m	H1 23 £m
Loss for the financial period	(11.2)	(23.6)
Other comprehensive (expense)/income:		
Items that are not reclassified subsequently to income statement:		
Re-measurement losses on retirement benefit obligations (note 9)	(4.5)	(74.0)
Tax related to remeasurement of net defined benefit liability	(1.7)	16.9
	(6.2)	(57.1)
Items that may be reclassified subsequently to income statement:		
Foreign currency translation difference for foreign operations	(1.8)	7.0
Foreign currency translation difference for foreign operations – non-controlling interests	0.7	0.6
Change in fair value of cash flow hedges	(1.2)	(1.9)
Change in fair value of cash flow hedges transferred to income statement	(0.1)	0.8
Tax related to cash flow hedge movements	0.3	0.4
	(1.0)	(0.7)
Other comprehensive loss for the period, net of tax	(8.3)	(50.2)
Total comprehensive loss for the period	(19.5)	(73.8)
Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Company	(20.1)	(75.2)
Non-controlling interests	0.6	1.4
	(19.5)	(73.8)

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AT 30 SEPTEMBER 2023

	Note	H1 24 (unaudited) £m	FY23 (audited) restated* £m
ASSETS			
Non-current assets			
Property, plant and equipment		87.4	97.1
Intangible assets		38.4	39.3
Right-of use assets		11.1	12.1
Deferred tax assets		7.5	5.9
		144.4	154.4
Current assets			
Inventories		39.9	49.3
Trade and other receivables		58.9	70.7
Contract assets		13.9	18.9
Current tax assets		-	0.2
Derivative financial instruments	7	1.2	2.4
Cash and cash equivalents		33.7	40.3
		147.6	181.8
Total assets		292.0	336.2
LIABILITIES			
Current liabilities			
Trade and other payables		(70.8)	(92.1)
Current tax liabilities		(19.2)	(23.2)
Derivative financial liabilities	7	(2.6)	(1.9)
Lease liabilities		(3.0)	(3.0)
Provisions for liabilities and charges	10	(3.2)	(6.0)
		(98.8)	(126.2)
Non-current liabilities			
Borrowings		(115.5)	(118.4)
Retirement benefit obligations	9	(60.5)	(54.7)
Deferred tax liabilities		(2.6)	(2.8)
Lease liabilities		(9.2)	(10.3)
Other non-current liabilities		(1.2)	(1.2)
		(189.0)	(187.4)
Total liabilities		(287.8)	(313.6)
Net assets		4.2	22.6
EQUITY			
Share capital		89.0	88.8
Share premium account		42.3	42.2
Capital redemption reserve		5.9	5.9
Hedge reserve		(0.9)	0.1
Cumulative translation adjustment		7.4	9.2
Other reserves		(83.8)	(83.8)
Retained earnings		(73.3)	(55.7)
Total equity attributable to shareholders of the Company		(13.4)	6.7
Non-controlling interests	11	17.6	15.9
Total Equity		4.2	22.6

*The Group Consolidated Balance Sheet for FY23 has been restated as described in the Basis of preparation below.

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY –
UNAUDITED**

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

	Attributable to equity shareholders							Non- controlling interests	Total equity
	Share capital	Share premium account	Capital redemption reserve	Hedge reserve	Cumulative translation adjustment	Other reserves	Retained reserves		
	£m	£m	£m	£m	£m	£m	£m		
Balance at 26 March 2022	88.8	42.2	5.9	(0.5)	4.2	(31.9)	35.1	18.0	161.8
(Loss)/profit for the period	-	-	-	-	-	-	(24.4)	0.8	(23.6)
Other comprehensive income for the period, net of tax	-	-	-	(0.7)	7.0	-	(57.1)	0.6	(50.2)
Total comprehensive income	-	-	-	(0.7)	7.0	-	(81.5)	1.4	(73.8)
Transactions with owners of the Company recognised directly in equity:									
Employee share scheme – value of services provided	-	-	-	-	-	-	1.0	-	1.0
Share capital issued	-	0.1	-	-	-	-	-	-	0.1
Other – unclaimed dividends	-	-	-	-	-	-	0.3	-	0.3
Balance at 24 September 2022	88.8	42.3	5.9	(1.2)	11.2	(31.9)	(45.1)	19.4	89.4
Balance at 26 March 2022	88.8	42.2	5.9	(0.5)	4.2	(31.9)	35.1	18.0	161.8
Loss for the period	-	-	-	-	-	-	(55.9)	(1.3)	(57.2)
Other comprehensive income for the year, net of tax – as reported	-	-	-	0.6	5.0	-	(76.2)	-	(70.6)
Prior year revision	-	-	-	-	-	-	(12.4)	-	(12.4)
Other comprehensive income for the year, net of tax – restated	-	-	-	0.6	5.0	-	(88.6)	-	(83.0)
Total comprehensive income	-	-	-	0.6	5.0	-	(144.5)	(1.3)	(140.2)
Reclassification between reserves	-	-	-	-	-	(51.9)	51.9	-	-
Transactions with owners of the Company recognised directly in equity:									
Employee share scheme – value of services provided	-	-	-	-	-	-	1.9	-	1.9
Tax on income and expenses recognised directly in equity	-	-	-	-	-	-	(0.5)	-	(0.5)
Dividends Paid	-	-	-	-	-	-	-	(0.8)	(0.8)
Other - unclaimed dividends	-	-	-	-	-	-	0.4	-	0.4
Balance at 25 March 2023	88.8	42.2	5.9	0.1	9.2	(83.8)	(55.7)	15.9	22.6
(Loss)/profit for the period	-	-	-	-	-	-	(12.2)	1.0	(11.2)
Other comprehensive income for the period, net of tax	-	-	-	(1.0)	(1.8)	-	(6.2)	0.7	(8.3)
Total comprehensive income	-	-	-	(1.0)	(1.8)	-	(18.4)	1.7	(19.5)
Transactions with owners of the Company recognised directly in equity:									
Employee share scheme – value of services provided	-	-	-	-	-	-	0.8	-	0.8
Share capital issued	0.2	0.1	-	-	-	-	-	-	0.3
Balance at 30 September 2023	89.0	42.3	5.9	(0.9)	7.4	(83.8)	(73.3)	17.6	4.2

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

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

Share premium account

This reserve arises from the issuance of shares for consideration in excess of their nominal value.

Capital redemption reserve

This reserve represents the nominal value of shares redeemed by the Company.

Hedge reserve

This reserve records the portion of any gain or loss on hedging instruments that are determined to be effective cash flow hedges. When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. If a forecast transaction is no longer expected to occur, the gain or loss on the related hedging instrument previously recognised in equity is transferred to the income statement.

Cumulative translation adjustment (“CTA”)

This reserve records cumulative exchange differences arising from the translation of the financial statements of foreign entities since transition to IFRS. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. This reserve also records the effect of hedging net investments in foreign operations.

Other reserves

On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a “cash box” structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue’s turnaround plan, which was first announced by the Company earlier in the year. The cashbox completed on 7 July 2020 and consisted of a firm placing, placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of 44 152/175p, at a price of 110p per share (giving gross proceeds of £100m). A “cash box” structure was used in such a way that merger relief was available under Companies Act 2006, section 612 and thus no share premium needed to be recorded and instead an ‘other reserve’ of £51.9m was recorded, increasing other reserves from a deficit of £83.8m to a deficit of £31.9m. This section applies to shares which are issued to acquire non-equity shares (such as the Preference Shares) issued as part of the same arrangement.

The Group recorded share capital equal to the aggregate nominal value of the ordinary shares issued (£40.8m) and merger reserve equal to the difference between the total proceeds net of costs and share capital. As the cash proceeds received by De La Rue plc were loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit. In the year ended 25 March 2023, the Company recorded an impairment of the intercompany loan. As a matter of generally accepted accounting practice, a profit previously regarded as unrealised becomes realised when there is a loss recognised on the write-down for depreciation, amortisation, diminution in value or impairment of the related asset. Therefore, on this basis, the £51.9m previously treated as unrealised within Other Reserves is now treated as a realised amount, and has therefore been reclassified from “Other Reserves” to “Retained earnings” as at 25 March 2023.

**GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023**

	H1 24 £m	H1 23 £m
Cash flows from operating activities		
Loss before tax – continuing operations	(16.8)	(15.9)
Profit before tax – discontinued operations	-	0.2
Loss before tax – total	(16.8)	(15.7)
Adjustments for:		
Finance income and expenses	13.4	4.0
Depreciation of property, plant and equipment	5.1	6.0
Depreciation of right-of-use assets	1.1	1.2
Amortisation of intangible assets	2.8	2.5
Gain on sale of property, plant and equipment	-	(0.2)
Impairment of property, plant and equipment and intangible assets and accelerated depreciation charges (note 3)	4.4	-
Share-based payment expense	0.8	1.1
Pension Recovery Plan and administration cost payments ¹	(0.9)	(8.4)
Decrease in provisions (note 10)	(2.8)	(0.7)
Non-cash credit loss provision – other financial assets	-	2.5
Non-cash credit loss provision – other	-	-
Other non-cash movements	(2.0)	(1.0)
Cash generated from/(used in) operations before working capital	5.1	(8.7)
Changes in working capital:		
Decrease/(increase) in inventory	9.6	(2.5)
Decrease/(increase) in trade and other receivables and contract assets	20.8	(10.8)
(Decrease)/increase in trade and other payables ²	(18.9)	19.5
	11.5	6.2
Cash generated from/(used in) from operating activities	16.6	(2.5)
Net tax paid	(1.2)	(0.3)
Net cash flows from operating activities	15.4	(2.8)
Cash flows from investing activities:		
Purchases of property, plant and equipment - gross	(6.0)	(5.9)
Purchases of property, plant and equipment - grants received	5.2	3.4
Purchase of software intangibles and development assets capitalised	(2.1)	(5.3)
Proceeds from the sale of property, plant and equipment	0.2	0.4
Proceeds from other financial assets	0.3	-
Interest received	0.2	-
Net cash flows from investing activities	(2.2)	(7.4)
Net cash flows before financing activities	13.2	(10.2)
Cash flows from financing activities:		
Net (repayment)/draw down of borrowings	(7.0)	16.5
Payment of debt issue costs	(3.0)	-
Lease liability payments	(1.3)	(1.1)
Interest paid	(8.3)	(4.4)
Net cash flows from financing activities	(19.6)	11.0
Net (decrease)/increase in cash and cash equivalent in the period	(6.4)	0.8
Cash and cash equivalents at the beginning of the period	40.3	24.3
Exchange rate effects	(0.2)	0.6
Cash and cash equivalents at the end of the period	33.7	25.7
Cash and cash equivalents consist of:		
Cash at bank and in hand	33.7	25.7

¹ H1 24 - the £0.9m (H1 23: £8.4m) of pension payments includes £nil (H1 23: £7.5m) payable under the Recovery Plan (note 9) and a further £0.9m (H1 23: £0.9m) relating to payments made by the Group towards the administration costs of running the scheme.

² H1 23 included a £16.7m movement in accruals relating to the termination of the Portals Relationship Agreement (note 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – UNAUDITED

1 Corporate information, basis of preparation and change to the Group’s accounting policies

Corporate Information

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

These unaudited Condensed Consolidated Interim Financial Statements of De La Rue plc and its subsidiaries (“Group”) for the half-year ended 30 September 2023 were authorised for issue in accordance with a resolution of the Directors on 19 December 2023.

These Condensed Consolidated Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 25 March 2023 were approved by the Board of Directors on 29 June 2023 and delivered to the Registrar of Companies. The auditor has reported on the 25 March 2023 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation

These Condensed Consolidated Interim Financial Statements for the half-year ended 30 September 2023 have been prepared in accordance with IAS 34, “Interim Financial Reporting” as adopted for use in the UK and should be read in conjunction with the Annual Report and Accounts for the year ended 25 March 2023. They do not include all the information required for a complete set of financial statements prepared in accordance with UK-International Financial Reporting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The annual financial statements of the Group for the year ending 30 March 2024 will be prepared in accordance with UK-adopted International Accounting Standards (‘IFRS’) in accordance with the requirements of the Companies Act 2006.

Consolidated Statement of Financial Position – Prior Year Revision

In the prior period (FY23) deferred tax assets of £18.3m were incorrectly reported. This has had an impact on H2 FY23 only and has no impact on H1 23 or earlier reported periods.

Deferred tax assets relating to the UK Group entities were overstated by £12.4m. This was due to an error in the forecast taxable profits used for the purposes of calculating the UK deferred tax assets that could be recognised in accordance with IAS 12. Specifically, forecast corporate interest restrictions were incorrectly included within the forecast taxable profits used for deferred tax asset recognition purposes. Under IAS 12, when assessing tax forecasts, taxable amounts that arise from deductible temporary differences that are expected to originate in future periods should be ignored. Even though the corporate interest restrictions are not

expected to reverse for the foreseeable future, they are strictly a timing difference for tax purposes, so they should not have been included in the taxable profits used for the purposes of deferred tax asset recognition.

The adjustment has been disclosed as a restatement to the tax related to remeasurement of net defined benefit pension liability within Other Comprehensive Income as it relates to deferred tax assets arising from the pension deficit balance and tax losses arising from pension deficit contribution payments.

This adjustment concerns the recognition of deferred tax assets for accounting purposes only and has no impact on the underlying tax attributes of the Group.

Impact on the Group Consolidated Interim Balance Sheet

	FY23 As reported £m	Prior year revision £m	FY23 Restated £m
Deferred Tax Asset	18.3	(12.4)	5.9
Net assets	35.0	(12.4)	22.6
Retained earnings	(43.3)	(12.4)	(55.7)

Impact on the Group Condensed Consolidated Interim Statement of Comprehensive Income/(Loss) in FY23:

	FY23 As reported £m	Prior year revision £m	FY23 Restated £m
Other comprehensive (expense)/income:			
Tax related to remeasurement of net defined benefit liability	24.2	(12.4)	11.8
Total comprehensive loss for the period	(127.8)	(12.4)	(140.2)

Impact on the Group Condensed Consolidated Interim Statement of Changes in Equity in FY23:

	Total equity £m
Balance at 26 March 2022	161.8
Loss for the year	(57.2)
Other comprehensive income/(loss) for the year – as reported	(70.6)
Prior year revision	(12.4)
Other comprehensive income/(loss) for the year – restated	(83.0)
Total comprehensive income for the year	(140.2)
Transactions with Owners of the Company recognised directly in equity	
Employee share Scheme – value of service provided	1.9
Tax on income and expenses recognised directly in equity	(0.5)
Dividends Paid	(0.8)
Other – unclaimed dividends	0.4
Balance at 25 March 2023	22.6

Going concern

Background and relevant facts

In line with IAS 1 “Presentation of financial statements”, and the FRC guidance on “risk management, internal control and related financial and business reporting”, when assessing the Group’s ability to continue as a going concern, the Directors have taken into account all available information for a period up to 28 December 2024, being the Going Concern period.

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 10 of the Strategic Report in the FY23 Annual Report. In addition, pages 56 to 63 include the Group’s objectives, policies and processes. There have been no material changes in overall strategy to that disclosed in the 2023 Annual Report.

Extension of banking facilities

On 18 December 2023, the Group successfully extended its existing banking facilities by six months to 1 July 2025.

Under this extension, the Group now has access to banking facilities of £235m (down from £250m) including a Revolving Credit Facility (RCF) cash drawdown component of up to £160.0m (down from £175m) and bond and guarantee facilities of £75m, with a new maturity date of 1 July 2025. The reduction in the RCF has been offset by a corresponding reduction in the existing minimum liquidity covenant, from £25m to £10m. There were no other changes to financial covenants or spread rates. as disclosed within “Accounting Policies” in the Annual Report and Accounts for the year ended 25 March 2023.

There have been no new non-financial conditions imposed on the company that are outside the company’s control.

Covenants testing

The continued access to borrowing facilities described above is subject to quarterly covenant tests which look back over a rolling 12-month period. In addition, there is minimum liquidity testing monthly, testing at each weekend point on a 4-week historical basis and 13 week forward looking basis. The minimum liquidity is defined as “available cash and undrawn RCF greater than or equal to £10m”.

In each covenant test to date in FY24 the Group has met its covenant ratios on the historical covenant quarterly levels as well as the historic and forward-looking minimum liquidity tests.

The terms under the facility agreement signed in June 2023, included consideration of future options for the group, provision of further non-financial deliverables and milestones that the banks have monitored, and were delivered in line with agreed deliverable dates from all parties.

The covenant terms remain:

- EBIT/net interest payable more than or equal to 1.0 times.
- Net debt/EBITDA less than or equal to 4.0 times until the Q4 2024 testing point, reducing to less than or equal to 3.6 times from Q1 FY25 through to the end of the going concern period.
- Minimum Liquidity testing monthly, testing at each week-end point on a four-week historical basis and 13 week forward looking basis. The minimum liquidity is defined as “available cash and undrawn RCF greater than or equal to £10m”.

In order to determine the appropriate basis of preparation for the interim financial statements for the period ended 30 September 2023, the Directors must consider whether the Group can continue in operational existence for the going concern review period to 28 December 2024, taking into account the above liquidity headroom and covenant tests.

Testing assumptions and headroom level

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 28 December 2024 (Q3 FY25), being the going concern period, and this includes the following quarters: Q3, Q4 FY24 and Q1, Q2 and Q3 FY25 as well as monthly liquidity testing points over the period.

Management's assessment is that a period of at least 12 months to 28 December 2024 is an appropriate going concern period, given this is the first quarterly covenant test which is greater than 12 months from the opinion date, and because the Group have access to financing facilities through to at least 1 July 2025, at which point management have concluded there are reasonable prospects of refinancing given ongoing support from their lenders.

Base case assumptions and headroom

The base case forecasts over the going concern period have been built taking into consideration the timing of the Currency recovery that has been materialising in the marketplace with order book growth and bid activity showing positive signs of market recovery. In addition, renewals of key Authentication contracts and annualization of contracts already won and starting to produce in the current financial year aids confidence in the strategic growth forecasted for that division into FY25.

The already enacted and largely completed footprint and restructuring projects have right sized the business for the current demand. Any ramp up required over the going concern period will be carefully managed in line with pipeline capacity requirements and orders to avoid significant negative fluctuations against base plans.

FY24 results to date indicate the Group is on-track to deliver the FY24 forecast from an EBIT and EBITDA perspective, with key orderbook wins secured to deliver the in-year plan.

In Currency, the Group is seeing the beginning of the expected market recovery. While the overall market remains unpredictable, our conversion rate of bids to orders since the beginning of this financial year supports the base strategic plan numbers.

The timing of tenders has been such that several significant orders have been closed recently, which further supports the base case modelling within the going concern period. At December 2023, the total order book stood at £219.8m (25 March 2023: £136.8m) which supports the Currency market recovery seen as the total order book has more than doubled since 30 September 2023 from £105.4m.

The Group's base case modelling shows headroom on all covenant thresholds across the going concern period.

Non-Financial milestones

In both the base and 'severe yet plausible' downside cases the Directors' assessment of the non-financial terms remains consistent as all required deliverables and monitoring milestones have been achieved through the going concern period. A number of these terms were linked to an increase in monthly monitoring with an increased obligation around information sharing with the lenders and pension trustee, including monthly short-term cash flow (STCF) submissions, and monthly progress updates. Management have proactively implemented a bi-monthly 13-week cash flow process with the outturn of this and monthly monitoring reports shared with the relevant stakeholders in line with the amended terms from June 2023. Directors are confident that all of the non-financial conditions and monthly monitoring will continue to be delivered and are in the control of the Company.

Severe yet plausible downsides and headroom

The downside modelling produced has factored in the Directors' assessment of events that could occur in a 'severe yet plausible downside' scenario. The risks modelled are directly linked to the Risk Committee 'principal risks' described on page 56 of the March 2023 annual report and the Directors note there are no new matters which present additional principal risks. The most significant material risks modelled were as follows:

Risk 3 Macroeconomic and geo-political risk

- Authentication new wins and implementations are not achieved in the timescales modelled in the base case.
- Cost inflation in the Base Case is assumed at 2.5% from FY25 onwards for UK and Malta, with revenue inflated at 50% of cost inflation assumption. The downside modelling includes an increase in the cost inflation rate for FY25 to be in line with the assumed base interest rate of 5.25% and no change in revenues assumed.
- Supply chain risks are monitored regularly by the company. Fixed price contracts are in place for utilities until September 2024 (i.e. Q2 FY25). Inflation has also already been factored in for the Base Case, as well as an inflation related downside risk in the severe yet plausible downside scenario, and therefore the downside risk modelled is appropriate.

Risk 10 Banking Facilities

- The Group will be paying an interest rate on its facilities of approximately 9% based on the current SONIA rate of 5.25% and the applicable margin. Based on the Base Case and Severe yet Plausible modelling in FY24, the underlying SONIA rate would need to increase in excess of 2.5% to trigger a breach in the interest covenant. Management have assessed this risk as remote given that the current SONIA rate applicable is 5.25% and this would need to apply for the entire going concern period. The Board have also considered current and future market conditions to determine the risk of rate increases beyond that level above is remote.

Risk 11 Kenya taxation and exit strategy

- Cash outflow assumed over and above the base case, which includes acceleration of amounts to finalise in country settlements.

Risk 13 Currency pipeline

- Volumes and budget margins are not achieved as forecasted in the going concern period, including revenue contracts not landing and volume reductions against base plan. This represents a margin reduction of £7.9m (15%) of total Currency margin over the going concern period. For currency pipeline downside risks modelled, margins have been determined using the average production cost as opposed to using the facilities with the lowest production costs where there is modelled capacity.

As a result of the liquidity testing requirement, the Directors also considered historical monthly working capital swings over the last three years. This analysis also included assessing periods where management's conclusion was that a "material uncertainty" over going concern existed, specifically between November 2022 and June 2023. Management also analysed weekly cash outflow averages to ensure that adequate considerations have been made to capture 'in quarter' working capital swings that the Group has experienced given the volatility of working capital in the Currency business in particular. A £15m working capital outflow, excluding non-recurring items, was incorporated into a severe yet plausible downside to apply monthly to liquidity testing.

The Directors noted that working capital and cash management have improved in the business over the course of Q2 FY24, resulting in a reduction in our net debt guidance for FY24 of £5m. The Base Case and working capital stress modelling have not been updated to reflect these improvements which means there are additional mitigations with regards to net debt and liquidity that the company has at its disposal for quarterly testing dates should they be required.

Company modelling (including taking into account working capital swings and potential cash collateral requirements) shows headroom to the covenant liquidity requirement throughout the going concern period, with controllable mitigations that could be applied.

The level of reduction that would be required to breach the liquidity covenant is considered to be remote by management, given the controllable mitigations available.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still meet its required covenant ratios, after taking into account mitigating actions, such as identified cost saving opportunities which the Directors consider to be within the Group's control.

Stress-Testing

Under the severe yet plausible downside modelling, EBIT and EBITDA would need to drop in the going concern period in excess of our historic forecasting inaccuracy over the last few years for any breach to occur. On liquidity this would need to drop in the going concern period by in excess of what the company has experienced over the last few years (taking into account the largest recurring monthly working capital movements), and from the lowest point modelled in the going concern period, for any breach to occur. This is taking into account mitigating actions within management's control.

Management have concluded that a breach is remote on the financial covenants given:

- Trading to date, along with net debt and liquidity is in line with the forecast indicating the Group is on-track to deliver the FY24 budget with market guidance maintained.
- Management considers that given the longer-term and consistent nature of its Authentication contracts, the key revenue and the corresponding EBIT/EBITDA risk is mainly in regard to the Currency division whereby the timing of contract wins and delivery of the current orderbook in line with the strategy has historically impacted performance against forecasts in previous periods. The Currency order book is showing encouraging signs of recovery, with win rates high and a number of substantial new tenders actively underway, and key orders secured for FY24 and early FY25 forecast.
- Liquidity severe stress testing excluded mitigating actions that management could employ and still showed headroom under stress. Management considers the liquidity risk to be low given the current trading performance and orderbook profile.
- Additionally, the Group is currently paying an interest rate on its facilities of approximately 9% based on the current SONIA rate of over 5% and the applicable margin. As previously noted, the increase in underlying SONIA rate required to breach covenants is deemed to be remote by management.
- Management is comfortable that any non-financial conditions and reporting requirements have been achieved and can be maintained throughout the going concern period.
- The current revolving credit facility expires on 1 July 2025, which is beyond the end of the period reviewed for Going Concern purposes. The Directors have assessed that the Group will either renew the facility or have sufficient time to agree an alternative source of finance within a suitable timeframe prior to the expiry date, as evidenced by the continued engagement of the lenders in agreeing the extension to 1 July 2025.

Accordingly, the Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the going concern period to 28 December 2024.

Conclusion

In assessing the appropriateness of applying the going concern basis in the preparation of the Interim financial statements the Directors have considered the Group's liquidity and forecast cash flows taking into account severe yet plausible outcomes over the going concern period review to 28 December 2024.

As explained above, the severe yet plausible modelling shows headroom above the covenant levels agreed with the lenders and support the position that the Group will be able to operate within its available banking facilities and covenants throughout the going concern period. The Directors consider any scenario in which the Company would exhaust available liquidity or would breach covenants to be remote for the reasons detailed above. Combined with the recent extension to the Group's banking facilities by six months to 1 July 2025, the Directors are satisfied that the application of the going concern basis is appropriate and that no material uncertainty exists.

A copy of the FY23 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.

Critical estimates, assumptions and judgements

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

Critical accounting estimates, assumptions and judgements set out on pages 157 to 160 of the Group's Annual Report and Accounts for the year ended 25 March 2023. These remain relevant to these Condensed Consolidated Interim Financial Statements, in addition to the updates disclosed below.

A Critical accounting judgements

1. Accounting for the extension of the factory site in Malta

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

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

As per the agreement, there are three separate units with the different start-up dates (one for Authentication and two for Currency). Therefore, the lease will be recognised as these units become available for use. The lease costs will be allocated to the division to which they relate to based on area. However, if the cost relates to the total site, then it is divided based on the percentage split of the area, with 27% of the total sqm occupied by Authentication and 73% by Currency. The first block is currently scheduled to be completed in H2 24.

2. Accounting for the change in the terms of the banking facilities

On 29 June 2023 the Company entered into a number of documents which had the effect of amending and restating the terms of the revolving facility agreement with its lending banks and their agents.

A quantitative assessment was carried out where the updated terms are considered to have been substantially modified where the net present value of the cash flows under the updated terms, including any fees paid and discounted using the original Effective Interest rate ("EIR") differs by at least 10 per cent from the present value of the remaining cash flows under the original terms. Based on the procedure performed there was a net impact of 4.64%. Therefore, there is no substantial modification on a quantitative basis.

A qualitative review was also undertaken where all the key changes in the updated facility were assessed. Excluding, those that had quantitative impacts, the other changes related to covenants. The changes to the covenant tests are not considered substantial as they are amending previously agreed limits with the exception of the minimum liquidity testing, which is a new test. The minimum liquidity test is not considered to be substantial.

The change in existing banking facilities is treated as a non-substantial modification under IFRS 9 "Financial Instruments", as the refinancing did not result in an extinguishment of debt. The difference between the amortised cost carrying amount of the previous terms of the facility and the present value of the updated terms of the facility, discounted using the effective interest rate, resulted in a modification loss.

The net loss on debt modification was £3.8m, including a loss on the debt modification in June 2023 of £4.8m offset by the subsequent amortisation of £1.0m (including £0.2m of amortisation of the loss on debt modification recognised in FY23 of £0.9m).

B Critical accounting estimates

1. Recoverability of other financial assets

Other financial assets comprise securities interests held in companies in the Portals International Limited group following the Portals paper business disposal in 2018. In addition, a further amount of £0.9m of loan notes were subscribed for pursuant to a pre-emptive offer in November 2021 to enable Portals to undertake a business combination. The Group also purchased cotton banknote paper under the Relationship Agreement ('RA'), until its termination in July 2022.

Management carefully assessed the recoverability of the other financial assets on the balance sheet as at 25 March 2023 based on information available to them determining that an expected credit loss provision of £8.5m was required which will fully impair these other financial assets. Management considered the following factors in making this determination:

- 1) The public announcements from the Portals group relating to the wind down of the Overton paper mill and its sale of assets.
- 2) The latest available financial position of Portals International Limited group as presented in its 2022 consolidated financial statements including significant losses for the period and a net liabilities position.
- 3) The announcement of the sale of the Fedrigoni business to IN Groupe in May 2023.

The provision accounted for the risk that the full amounts due are now considered to be credit impaired. As a result no further interest receivable has been recognised in the period.

On 21 July 2023, the Group received a payment of £290,000 from the Portals International Limited Group in settlement of £227,000 of loan notes plus interest of accrued £63,000. This repayment has been recorded as a credit within exceptional items as the impairment in the prior periods were also reported as exceptional.

Management has reassessed the recoverability of the remaining loan notes and note that there have been no further changes that would amend its assessment of their recoverability. Management noted that if factors change again in the future, this may alter the judgements made resulting in a revision to the value of expected credit loss provision to be recognised.

2. Recoverability assessment and impairment charges related to plant and machinery and capitalised product development costs

In January 2023, the Group announced that owing to current market demand, and no expectation of new bank note orders from the Central Bank of Kenya for at least the next 12 months, De La Rue Kenya (a joint venture with the Government of Kenya) suspended bank note printing operations in the country. In addition, operations in our Authentication division were wound down in the period. As a result of the review of the business in Kenya an exceptional charge of £12.6m was made in FY23, including redundancy charges of £5.5m, property, plant and equipment asset impairments of £4.9m, inventory impairments of £2.0m and other costs of £0.2m. There is not expected to be any recoverable value relating to these assets.

During H1 24, a further £1.1m of property, plant and equipment asset impairments were identified relating to assets held for refurbishment in the UK which will no longer be sent to Kenya. This has been included within exceptional items.

In addition, a further £3.3m of property, plant and equipment asset impairments were identified relating to assets held in UK sites where the carrying amount was not supported by the assets recoverable amount. This has been included within exceptional items.

3. Determination of the incremental valuation date of certain fund assets in the UK defined benefit pension scheme

The UK defined pension scheme assets are made up of a number of separate funds. Valuations for these funds were available as at 30 September 2023 which is co-terminus with the Group's interim reporting date.

4. Tax

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates.

It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities, the nature and level of any deferred tax liabilities from other items in the accounts such as pension positions, and overseas tax credits that are carried forward for utilisation in future periods, including some that have been allocated to Governmental authorities as part of investment projects. Note 5 Taxation contains further details regarding changes to recognised deferred tax assets balances as at H1 24.

The actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and on the income statement in the period in which such determination is made.

The Group has current tax provisions recorded within current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and there will be a future outflow of funds to a taxing authority. Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability-weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing tax assessments received in certain countries in which the Group operates. These tax assessments have been subject to court rulings both in favour of the Group and also against the Group. The rulings are subject to ongoing appeal processes. The Group has fully provided for these as required by the relevant accounting standards. The disputed tax assessments are subject to ongoing dialogue with the relevant tax authorities to reach a settlement without the requirement to continue in a protracted legal process.

During H1 24, uncertain tax positions were reduced from £22m at FY23 to £18m. £2.1m of the reduction related to the expiry of an indemnity period in May 2023, following the Cash Processing Solutions Limited business sale in May 2016. The balance of £1.9m relates to favourable movements in exchange rates for other provisions rather than a change to the underlying provided amounts.

C Other long-term estimation uncertainties

1. Impairment test of Goodwill and acquired intangibles

These assets were recognised following the acquisition of De La Rue Authentication Inc in January 2017. Management has considered the Group's short-term and the long-term profitability for this business and determined that the goodwill and acquired intangible asset values are recoverable at 30 September 2023. In making this determination, management has prepared discounted cash flows using its forecasts for the business which include budgeted financial performance for a 5-year period with a growth rate assumption applied which extrapolates the business into perpetuity which are aligned to the Group's longer-term expectations of the Authentication division. In order to obtain further assurance as to the recoverability of the

goodwill and intangible assets, management has prepared a range of sensitivities to model what adverse changes would need to occur before an impairment was required.

Management modelled the following sensitivities and concluded that:

- Sensitivity 1 (discount rate): The discount rate used for the impairment calculation (assuming the same cash flows as in the base impairment test) would need to increase to 20.0% before an impairment occurred;
- Sensitivity 2 (revenue growth): Forecasts used in the base impairment calculation include strong revenue growth in FY24 to FY25 before the growth rate reduces to 3% per year from FY26, management has modelled a scenario of no revenue growth from FY26 and concluded that at this point no impairment would be required;
- Sensitivity 3 (loss of material customer): Management has modelled the impact of the loss of revenue of a significant customer from FY24, orders from which were not yet secured at the end of FY23. Management noted that in this scenario, no impairment was needed; and
- Sensitivity 4 (profit margin reduction): The base calculation includes 14.2% margin in FY24 with growth to a constant 24.7% from FY25. Management has modelled the impact of margin reduction to 20.0% from FY26. Management noted that in this scenario, no impairment was required.

Based on the base impairment forecast prepared and the additional sensitivities referred to above, Management is confident that no impairment of the goodwill and intangible asset balances is required as at 30 September 2023 and therefore no impairment is recognised. There are no reasonable possible changes in the key assumptions (e.g. discount rate, growth rate or profit margin) that would cause the recoverable amount to fall below the carrying amount of the cash generating unit.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these Condensed Consolidated Interim Financial Statements to 30 September 2023 are consistent with those applied by the Group in its consolidated financial statements as at, and for the period ended, 25 March 2023, as required by the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

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

Several amendments apply for the first time in 2023, but do not have an impact on these Condensed Consolidated Interim Financial Statements of the Group.

Effective for periods commencing after 1 January 2023:

- ***Amendments to IFRS 17 "Insurance Contracts"*** – The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.
- ***Amendments to IAS 1 "Presentation of financial statements" – Disclosure of material accounting policy information – Amendments to IAS 1 and IFRS Practice Statement 2*** – The amendments aim to help entities provide accounting policy disclosures that are more useful by: replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- **Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors” – Definition of Accounting Estimates** – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
- **Amendments to IAS 12 “Income Taxes”** – covering temporary timing differences for deferred tax on the recognition of assets and liabilities from a single transaction. For the FY24 Consolidated Financial Statements this is expected to impact deferred tax balances for leases where a tax deduction arises on the payment of lease liabilities rather than on asset depreciation. Where applicable, deferred tax balances will be recognised on lease assets and liabilities separately rather than on a net basis. This does not have an impact on the disclosures within these Condensed Consolidated Interim Financial Statements. There is no impact to the opening reserves or the current period tax charge.
- **Amendments to IAS 12 “International Tax Reform Pillar Two Model Rules**, including mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The Pillar Two legislation is not expected to apply to the Group as the revenue threshold is not expected to be met.

Effective for periods commencing after 1 January 2024:

- **Amendments to IAS 1 “Presentation of financial statements” – Classification of Liabilities as Current or Non-current** – The amendments clarify: what is meant by a right to defer settlement; that a right to defer must exist at the end of the reporting period; that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.
- **Amendments to IFRS 16 “Leases” – Lease liabilities in a sale and leaseback** – This amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
- **Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” – Supplier Finance Arrangements, subject to UK endorsement** – The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

Effective for periods commencing after 1 January 2025, all subject to UK endorsement:

- **Amendments to IAS 21 “The effect of changes in foreign exchange rates” – Lack of exchangeability** – The amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

2 Segmental analysis

The continuing operations of the Group have two main operating units: Currency and Authentication.

In the prior period, H1 23, there were three main operating units being Currency, Authentication and Identity Solutions. In H1 23, Identity Solutions included minimal non-core activities and primarily related to sales under a service agreement with HID Corporation Limited following the sale of the International Identity Solutions

business in October 2019. In H1 24 these had ceased and will no longer be presented in future periods, resulting in comparative data only being presented.

The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and adjusted operating profit.

The Group's segments are:

- **Currency** – provides Banknote print, Polymer and Security features;
- **Authentication** – provides physical and digital solutions to authenticate products through the supply chain and to provide tracking of exercisable goods to support compliance with government regulators. Working across the commercial and government sectors the division addresses consumer and Brand owner demand for protection against counterfeit goods; and

Inter-segmental transactions are eliminated upon consolidation. There is no history of seasonality or cyclability of interim operations.

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

H1 24	Currency	Authentication	Identity Solutions	Unallocated Central	Total of Continuing operations
	£m	£m	£m	£m	£m
Total revenue from contracts with customers	113.4	48.1	-	-	161.5
Less: Inter-segment revenue	-	-	-	-	-
Revenue from contracts with customers	113.4	48.1	-	-	161.5
Cost of sales	(91.1)	(30.2)	-	-	(121.3)
Gross profit	22.3	17.9	-	-	40.2
Adjusted operating expenses	(20.9)	(11.4)	-	-	(32.3)
Adjusted operating profit	1.4	6.5	-	-	7.9
Adjusted items:					
- Amortisation of acquired intangible assets	-	(0.5)	-	-	(0.5)
- Net exceptional items	(6.9)	(0.2)	-	(3.7)	(10.8)
Operating (loss)/profit	(5.5)	5.8	-	(3.7)	(3.4)

Interest income	0.1	-	-	-	0.1
Interest expense	(0.4)	(0.1)	-	(11.7)	(12.2)
Net retirement obligation finance charge	-	-	-	(1.3)	(1.3)
Net finance expense	(0.3)	(0.1)	-	(13.0)	(13.4)
(Loss)/profit before taxation	(5.8)	5.7	-	(16.7)	(16.8)
Capital expenditure on property, plant and equipment	(3.4)	(2.6)	-	-	(6.0)
Capital expenditure on intangible assets	(0.5)	(1.6)	-	-	(2.1)
Impairment of property, plant and equipment (note 3)	(4.4)	-	-	-	(4.4)
Depreciation of property, plant and equipment and right-of-use assets	(4.5)	(1.3)	-	(0.4)	(6.2)
Amortisation of intangible assets	(0.6)	(1.7)	-	(0.5)	(2.8)

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

H1 24	Currency £m	Authentication £m	Identity Solutions £m	Unallocated Central £m	Total of Continuing operations £m
Segment assets	135.8	80.7	-	75.5	292.0
Segment liabilities	(40.1)	(17.4)	-	(230.3)	(287.8)
FY23					
Segment assets*	169.9	68.5	15.8	82.0	336.2
Segment liabilities	(70.4)	(14.0)	(4.5)	(224.7)	(313.6)

*The Segment assets for FY23 has been restated as described in the Basis of preparation above.

Revenue from contracts with customers:

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

H1 24	Currency	Authentication	Identity Solutions	Total of Continuing operations
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	£m	£m	£m	£m
Timing of revenue recognition:				
Point of time	106.1	43.9	-	150.0
Over time	7.3	4.2	-	11.5
	113.4	48.1	-	161.5

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

Geographic analysis of revenue

	H1 24 £m	H1 23 £m
Middle East and Africa	68.7	68.6
Asia	16.6	18.7
UK	12.9	33.5
The Americas	23.9	10.2
Rest of Europe	23.0	28.9
Rest of World	16.4	4.4
	161.5	164.3

3 Exceptional Items

	H1 24 £m	Cash £m	Non-cash £m	H1 23 £m	Cash £m	Non-cash £m
Termination of Relationship Agreement with Portals Paper Limited	-	-	-	16.8	0.1	16.7
Site relocation and restructuring	7.9	3.0	4.9	2.1	0.8	1.3
Pension underpin costs	0.2	0.2	-	-	-	-
Costs associated with pension deferment and banking refinancing	3.0	2.5	0.5	-	-	-
	11.1	5.7	5.4	18.9	0.9	18.0
Recognition of expected credit loss provision on other financial assets	(0.3)	(0.3)	-	2.5	-	2.5

Exceptional items in operating profit	10.8	5.4	5.4	21.4	0.9	20.5
Tax (charge)/credit on exceptional items	(4.1)			6.7		
Net exceptional items after tax	6.7			28.1		

The cash flow impact of exceptional items was £14.6m in H1 24 (H1 23: £0.9m) which included the £5.4m above, the £7.5m final payment to Portals Paper Limited on the termination of the Relationship Agreement reported in FY23 and £1.7m FY23 accrued restructuring payments made in the period.

Termination of Relationship Agreement with Portals Paper Limited

On the 26 July 2022, the Group reached a settlement to terminate its long-term supply agreement with Portals Paper Limited ("Portals"), related to the supply of banknote, proofing and security paper (the "Relationship Agreement" or "RA"). As a result of this termination £16.8m was recorded as an exceptional item in H1 23, being the agreed settlement together with associated legal costs. The final payment under the RA of £7.5m was made in April 2023.

Site relocation and restructuring costs

Site relocation and restructuring costs in H1 24 of £7.9m (H1 23: £2.1m) included the following:

- a £6.5m (H1 23: £nil) charge for redundancy and legal fees (£3.2m) (Currency and Authentication) and property, plant and equipment impairments of £3.3m (Currency) were made in relation to restructuring initiatives in both divisions in order to right size the divisions for future operations. Since this program commenced, £9.0m of costs have been incurred in relation to this.
- In January 2023, the Group announced that owing to current market demand, and no expectation of new bank note orders from the Central Bank of Kenya for at least the next 12 months, De La Rue Kenya (a subsidiary with a material non-controlling interest held by the Government of Kenya) has suspended banknote printing operations in the country. In addition, operations in our Authentication division were wound down in the period. An exceptional charge of £1.3m (H1 23: £nil) was made in the period including additional redundancy charges of £0.2m, property, plant and equipment asset impairments of £1.1m and other costs of £0.1m, offset by £0.1m of proceeds from the sale of previously impaired inventory. Since this program commenced, £13.9m of costs have been incurred in relation to this. Minimal further costs are expected in relation to this programme in FY24.
- the recognition of £0.1m (H1 23: £0.3m) of restructuring charges related to the cessation of banknote production at our Gateshead facility primarily relating to the costs, net of grant income received of £0.1m, of relocating assets to different Group manufacturing locations. Since this program commenced, £10.0m of costs have been incurred in relation to this. This relocation of assets will continue into H2 24 as the Group continues its expansion of the manufacturing facilities in Malta, net of any grants received; and
- In addition, H1 23 included £1.8m of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling functions, selling and commercial functions. Since this program commenced, £3.4m of costs have been incurred in relation to this. No further costs are expected.

Pension underpin costs

Pension underpin costs of £0.2m (H1 23: £nil) relate to legal fees, net of amounts recovered, incurred in the rectification of certain discrepancies identified in the Scheme's rules. The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they continue to assess this.

Costs associated with pension payment deferment and banking refinancing

Costs associated with pension payment deferment and the banking refinancing amounted to £3.0m (H1 23: £nil) in the period. This included legal and professional advisor fees.

The Company has not paid any deficit reduction contributions to the Main Scheme over the period to 30 September 2023. On 3 April 2023, the Company and the Trustee agreed to defer the deficit reduction contribution due under the previous Recovery Plan, payable on 5 April 2023, to 26 May 2023. Subsequently, on 25 May 2023 the Company and the Trustee agreed to defer the deficit contribution due on 26 May 2023 to 5 July 2023. In June 2023, the Company and the Trustee agreed to defer all the deficit reduction contributions due to recommence from 5 April 2024 and a new Recovery Plan has been agreed between the Company and the Trustee. The legal and professional advisor costs associated with this in the period were £1.3m.

On 29 June 2023 the Company entered into a number of documents which had the effect of amending and restating the terms of the revolving facility agreement with its lending banks and their agents. These documents are an amendment and restatement agreement with the various lenders and the banks' agents and security agent, a debenture between the Company, certain other Group companies and the banks' security agent and inter-creditor agreement between the creditors. As a result of these changes, the facilities are secured against material assets and shares within the Group. The legal and professional costs associated with this in the period was £1.7m.

Recognition of expected credit loss provision on other financial assets

Other financial assets comprise securities interests held in the Portals International Limited group which were received as part of the consideration for the paper disposal in 2018.

In accordance with IFRS 9, in FY23, management assessed the recoverability of the carrying value on the balance sheet and record an expected credit loss provision in relation to the original principal value and interest receivable which was recorded in exceptional items consistent with the original recognition as part of the loss on disposal.

The amount presented on the balance sheet within other financial assets as at 30 September 2023 of £nil (25 March 2023: £nil) included the original principal received and accrued interest amounts, fully offset by the expected credit loss provision. The provision accounted for the risk that the full amounts due are now considered to be credit impaired. As a result, no further interest receivable has been recognised in the period.

On 21 July 2023, the Company received notice that Portals International Limited were to repay an amount of £290,266 (which comprised the principal amount of £227,280 and accrued interest of £62,986) on 1 August 2023. This was a part repayment of the £899,138 loan notes issued by Portals in November 2021. This was unexpected. A credit of £0.3m was recognised in exceptionals relating to this.

Taxation relating to exceptional items

The tax credit within exceptional items in the period was £4.1m (H1 23: tax charge £6.7m).

Included within exceptional tax items is a tax credit of £2.1m relating to the release of uncertain tax positions. These related to the expiry of an indemnity period in May 2023, following the Cash Processing Solutions Limited business sale in May 2016. The balance of £2.0m credit within exceptional tax items relates to the tax impact on the exceptional costs before tax.

4 Interest income and expense

	H1 24	H1 23
	£m	£m
Recognised in the income statement		
Interest income:		

- Other Interest	0.1	0.1
- Interest on loan notes and preference shares	-	0.5
Total interest income	0.1	0.6
Interest expense:		
- Interest on bank loans	(6.1)	(3.0)
- Other, including amortisation of finance arrangement fees	(2.1)	(1.1)
- Net loss on debt modification	(3.8)	-
- Interest on lease liabilities	(0.2)	(0.3)
Total interest expense	(12.2)	(4.4)
Retirement benefit obligation finance (expense)/income (note 9)	(1.3)	0.5
Net finance expense	(13.4)	(3.3)

All finance income and expense arise in respect of assets and liabilities not restated to fair value though the income statement.

On 29 June 2023 the Company entered into a number of documents which had the effect of amending and restating the terms of the revolving facility agreement with its lending banks and their agents. This change in existing banking facilities is treated as a non-substantial modification under IFRS 9 "Financial Instruments", as the refinancing did not result in an extinguishment of debt. The difference between the amortised cost carrying amount of the previous terms of the facility and the present value of the updated terms of the facility, discounted using the effective interest rate, resulted in a modification loss. The net loss on debt modification was £3.8m, including a loss on the debt modification in June 2023 of £4.8m offset by the subsequent amortisation of £1.0m (including £0.2m of amortisation of the loss on debt modification recognised in FY23 of £0.9m). See note 7(b) for further information.

The retirement benefit obligation finance (expense)/income is calculated under IAS 19 and represents the difference between the interest on pension liabilities and assets. The loss in H1 24 of £1.3m (H1 23: credit of £0.5m) was due to the opening pension valuation on an IAS 19 basis as at 25 March 2023 being a deficit of £54.7m).

5 Taxation

The total tax credit in respect of continuing operations for the H1 24 was £5.6m (H1 23: tax charge £7.9m) and comprised:

- £1.4m credit (H1 23: £1.3m charge) on adjusted loss after interest expense;
- £0.1m credit (H1 23: £0.1m credit) on the amortisation of acquired intangibles; and
- £4.1m credit (H1 23: £6.7m charge) on exceptional items, which is described in more detail in note 3 above.

The overall tax rate is determined using the statutory tax rates and forecasted profits in the UK and all other territories. A weighted average rate is generated for each of the UK and the other territories, with these rates then applied to the actual profits for the half year along with adjustments specific to the relevant period (such as known tax rate changes substantively enacted during the period).

The Group is disputing a number of tax assessments received from the tax authority of countries in which the Group operates. The disputed tax assessments are at various stages in the local appeal process, but the Group believes it has a supportable and defensible position (based upon local accounting and legal advice) and is

appealing previous judgments and communicating with the tax authority in relation to the disputed tax assessments. The Group's expected outcome of the disputed tax assessments is held within the relevant provisions in this H1 24 Interim Statement. During H1 24, a credit of £1.9m was reported for disputed tax assessments, relating to favourable movements in exchange rates rather than a change to the underlying provided amounts.

Deferred tax assets are recognised for tax losses available and temporary deductible differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Future taxable profits have been forecast based on the expected profitability of the Group over a 5-year period based on management's forecasts for FY24 through to FY27 and applying no growth in FY28 and H1 29 taking into account historic performance against budgets. The forecasts for FY24 to FY27 were also used in the Group's going concern and viability assessments.

The deferred tax asset balance for the period moved from £5.9m at the start of the period (as restated, see the Basis of Preparation) to £7.5m at the end of the period. Within the movement for H1 24 are additional unrecognised deferred tax assets of £2.8m, which have been disclosed within Other Comprehensive Income as they relate to the deferred tax assets arising from the pension deficit balance and tax losses arising from pension deficit contribution payments.

The closing recognised deferred tax asset position mainly comprises £6.5m (FY23: £6.3m) in respect of UK tax losses and £nil (FY23: £0.8m restated) related to the UK pension deficit balance. Tax losses carried forward do not have an expiry date. Recent group tax losses have mostly arisen as a consequence of non-recurring exceptional costs and pension deficit reduction payments. Future exceptional costs and pension deficit reduction payments are expected to be significantly lower, with the group forecast to be profitable, allowing the company to recover the recognised deferred tax assets amounts noted above before the end of FY29.

As at H1 24 there were unrecognised deferred tax assets of £33.3m (FY23: £30.5m restated) comprising:

- £7.1m (FY23: £6.6m) relating to UK tax losses;
- £7.7m (FY23: £7.7m) relating to non-UK tax losses;
- £14.7m (FY23: £12.4m restated) relating to the UK pension deficit;
- £3.8m (FY23: £3.8m) relating to other UK timing differences.

The Directors have assessed that:

- If the forecast profits are lower by 5% over the 5-year period, then this would reduce the deferred tax assets recognised by approximately £0.9m.
- If the forecast taxable profits are higher by 5% over the 5-year period, then this would increase the deferred tax assets recognised by approximately £0.8m.

6 Earnings per share

	H1 24 pence per share	H1 23 pence per share
Earnings per share		
Basic earnings per share – continuing operations	(6.2)	(12.6)
Basic earnings per share – discontinued operations	-	0.1
Basic earnings per share – total	(6.2)	(12.5)
Diluted earnings per share – continuing operations ¹	(6.2)	(12.6)
Diluted earnings per share – discontinued operations	-	0.1
Diluted earnings per share – total	(6.2)	(12.5)
Adjusted earnings per share		
Basic earnings per share – continuing operations	(2.6)	2.0

Diluted earnings per share – continuing operations ¹	(2.6)	2.0
Number of shares (m)		
Weighted average number of shares	195.6	195.3
Dilutive effect of shares	0.3	0.4
	195.9	195.7

¹The Group reported a loss from continuing operations attributable to the ordinary equity shareholders of the Company for H1 24. The Diluted EPS is reported as equal to Basic EPS, no account can be taken of the effect of dilutive securities under IAS 33.

Earnings per share are calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares. The Directors are of the opinion that the publication of the adjusted earnings per share is useful as it gives a better indication of underlying business performance. Adjusted earnings per share excludes discontinued operations.

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

	H1 24 £m	H1 23 £m
Earnings for basic earnings per share - Total	(12.2)	(24.4)
Add: Earnings for basic earnings per share – discontinued operations	-	(0.2)
Earnings for basic earnings per share – continuing operations	(12.2)	(24.6)
Add: amortisation of acquired intangibles	0.5	0.5
Add: exceptional items (excluding non-controlling interests)	10.8	21.4
Less: tax on amortisation of acquired intangibles	(0.1)	(0.1)
Less: tax on exceptional items	(4.1)	6.7
Earnings for adjusted earnings per share	(5.1)	3.9

7 Financial risk

7(a) Financial Instruments

Carrying amounts versus the fair value

		Total fair value H1 24 £m	Carrying amount H1 24 £m	Total fair value FY23 £m	Carrying amount FY23 £m
Financial assets					
Trade and other receivables ¹	Level 3	48.3	48.3	58.4	58.4
Contract assets	Level 3	13.9	13.9	18.9	18.9
Cash and cash equivalents	Level 1	33.7	33.7	40.3	40.3
Derivative financial instruments:					
- Forward exchange contracts designated as cash flow hedges	Level 2	0.6	0.6	1.2	1.2
- Short duration swap contracts designated as fair value hedges	Level 2	0.1	0.1	-	-
- Foreign exchange fair value hedges – other economic hedges	Level 2	0.4	0.4	1.1	1.1
- Embedded derivatives	Level 2	0.1	0.1	0.1	0.1

Total financial assets		97.1	97.1	120.0	120.0
Financial liabilities					
Unsecured bank loans and overdrafts ²	Level 2	(120.2)	(120.2)	(123.4)	(123.4)
Trade and other payables ³	Level 3	(49.0)	(49.0)	(66.1)	(66.1)
Derivative financial instruments:					
- Forward exchange contracts designated as cash flow hedges	Level 2	(1.7)	(1.7)	(1.0)	(1.0)
- Short duration swap contracts designated as fair value hedges	Level 2	(0.1)	(0.1)	(0.1)	(0.1)
- Foreign exchange fair value hedges – other economic hedges	Level 2	(0.7)	(0.7)	(0.4)	(0.4)
- Embedded derivatives	Level 2	(0.1)	(0.1)	(0.4)	(0.4)
Total financial liabilities		(171.8)	(171.8)	(191.4)	(191.4)

1 Excludes prepayments of £3.5m (FY23: £3.6m), RDEC of £1.2m (FY23: £2.5m) and VAT recoverable of £5.9m (FY23: £6.2m).

2 Excludes unamortised pre-paid loan arrangement fees of £4.7m (FY23: £5.0m).

3 Excludes social security and other taxation amounts of £2.7m (FY23: £3.0m), contract liabilities of £2.2m (FY23: £0.3m) and payments on account of £16.9m (FY23: £22.7m).

Trade receivables decreased to £28.9m compared to £42.3m at FY23, driven by timing of selling and the increased proportion of sales following instalment plans within the Currency business.

Contract assets have reduced from £18.9m at FY23 to £13.9m at H1 24. This relates to Currency contracts of £9.7m (FY23: £12.7m) and Authentication contracts of £4.2m (FY23: £6.2m).

Trade and other payables³ have decreased from £66.1m at FY23 to £49.0m at H1 24, driven by the timing of supply payment and our reporting dates.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value measurement as a whole.

- 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.
- Level 3 valuations are not based on observable market data and are subject to management estimates.

There has been no movement between levels during the current or prior periods.

Fair Value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discontinued at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation required in arriving at the fair values. See fair value hierarchy above.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

7(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities where due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
30 September 2023							
Non-derivative financial liabilities							
Unsecured bank loans ¹	14.1	119.3	-	-	133.4	(13.2)	120.2
Trade and other payables ²	49.0	-	-	-	49.0	-	49.0
Obligations under leases	2.7	2.4	5.2	23.9	34.2	(22.0)	12.2
Derivative financial liabilities							
Gross amount payable from currency derivatives:							
- Forward exchange swap contracts designated as cash flow hedges*	90.5	-	-	-	90.5	(88.8)	1.7
- Short duration swap contracts designated as fair value hedges*	18.5	-	-	-	18.5	(18.4)	0.1
- Fair value hedges – other economic hedges*	34.5	-	-	-	34.5	(33.8)	0.7
	209.3	121.7	5.2	23.9	360.1	(176.2)	183.9

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
25 March 2023							
Non-derivative financial liabilities							
Unsecured bank loans ¹	9.7	129.4	0.7	-	139.8	(16.4)	123.4
Trade and other payables ²	66.1	-	-	-	66.1	-	66.1
Obligations under leases	4.0	2.7	6.5	23.1	36.3	(23.0)	13.3
Derivative financial liabilities							
Gross amount payable from currency derivatives:							
- Forward exchange swap contracts designated as cash flow hedges*	91.3	2.3	-	-	93.6	(92.6)	1.0
- Short duration swap contracts designated as fair value hedges*	27.3	-	-	-	27.3	(27.2)	0.1
- Fair value hedges – other economic hedges*	35.2	0.7	-	-	35.9	(35.5)	0.4
	233.6	135.1	7.2	23.1	399.0	(194.7)	204.3

Notes:

* Excludes embedded derivatives

¹ Excludes unamortised prepaid borrowing fees of £4.7m (FY23: £5.0m).

² Excludes social security and other taxation of £2.7m (FY23: £3.0m), contract liabilities of £2.2m (FY23: £0.3m) and payments on account of £16.9m (FY23: £22.7m).

The following are the contractual undiscounted cash flow maturities of financial assets, including contractual interest receipts and excluding the impact of netting arrangements.

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
30 September 2023							
Non-derivative financial assets							
Trade and other receivables ^{1*}	48.3	-	-	-	48.3	-	48.3
Contract assets	13.9	-	-	-	13.9	-	13.9
Cash and cash equivalents	33.7	-	-	-	33.7	-	33.7
Derivative financial assets							

Gross amount receivable from currency derivatives:							
- Forward exchange contracts designated as cash flow hedges*	36.0	-	-	-	36.0	(35.4)	0.6
- Short duration swap contracts designated as fair value hedges*	7.8	-	-	-	7.8	(7.7)	0.1
- Fair value hedges – other economic hedges*	29.7	0.4	-	-	30.1	(29.7)	0.4
	169.4	0.4	-	-	169.8	(72.8)	97.0

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
25 March 2023							
Non-derivative financial assets							
Trade and other receivables ^{1*}	58.4	-	-	-	58.4	-	58.4
Contract assets	18.9	-	-	-	18.9	-	18.9
Cash and cash equivalents	40.3	-	-	-	40.3	-	40.3
Derivative financial assets							
Gross amount receivable from currency derivatives:							
- Forward exchange contracts designated as cash flow hedges*	71.3	0.3	-	-	71.6	(70.4)	1.2
- Short duration swap contracts designated as fair value hedges*	1.0	-	-	-	1.0	(1.0)	-
- Fair value hedges – other economic hedges*	88.8	-	-	-	88.8	(87.7)	1.1
	278.7	0.3	-	-	279.0	(159.1)	119.9

Notes:

* Excludes embedded derivatives.

¹ Excludes prepayments of £3.5m (FY23: £3.6m), RDEC of £1.2m (FY23: £2.5m) and VAT recoverable of £5.9m (FY23: £6.2m).

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and as a current asset or liability if the maturity of the hedged instrument is less than 12 months.

Cash and cash equivalents, trade and other receivables, contract assets, unsecured bank loans and overdrafts, and trade and other payables have fair values that approximate to their carrying amounts due to their short-term nature.

Banking Facilities

On 29 June 2023 the Company entered into a number of documents which had the effect of amending and restating the terms of the revolving facility agreement with its lending banks and their agents. These documents are an amendment and restatement agreement with the various lenders and the banks' agents and security agent, a debenture between the Company, certain other Group companies and the banks' security agent and inter-creditor agreement between the creditors. As a result of these changes, the facilities are secured against material assets and shares within the Group.

The banking facilities expiration on 1 January 2025 remained unchanged, whilst there were changes to:

- Changes to margins: new interest rates were introduced for net debt to EBITDA ratios over 2.5.
- Changes in daily interest rates: This was amended to SONIA daily rates.

There were also changes to the Group covenant financial covenants and spread levels as follows from 1 July 2023:

- EBIT/net interest payable more than or equal to 1.0 times, (3.0 times previously).

- Net debt/EBITDA less than or equal to 4.0 times until the Q4 2024 testing point, reducing to less than or equal to 3.6 times from Q1 FY25 through to the end of the current agreement to 1 January 2025 (3.0 times previously).
- Minimum Liquidity testing monthly, testing at each weekend point on a 4-week historical basis and 13 week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £25m", although reduces to £20m if £5m or more of cash collateral is in place to fulfil guarantee or bonding requirements (new test).
- Increases in spread rates on the leverage ratio as a result of the relaxation of levels:

Leverage (consolidated net debt to EBITDA)	Margin (% per annum)
Greater than 3.5:1	4.35
Greater than 3.0:1 and less than or equal to 3.5:1	4.15
Greater than 2.5:1 and less than or equal to 3.0:1	3.95

The covenant tests use earlier accounting standards, excluding adjustments for IFRS 16. Net debt for covenants includes the borrowings, where the RCF amount is considered the principal amount withdrawn, (excluding unamortised pre-paid borrowing fees and the net loss on debt modification) net of cash and cash equivalents.

Covenant test results as at 30 September 2023:

Test	Requirement	Actual at 30 September 2023
EBIT to net interest payable	More than or equal to 1.0 times	2.16
Net debt to EBITDA	Less than or equal to 4.0 times	2.38

Minimum liquidity at 30 September 2023 was in excess of the £25m limit required under the covenant tests.

This change in existing banking facilities is treated as a non-substantial modification under IFRS 9 "Financial Instruments", as the refinancing did not result in an extinguishment of debt. The difference between the amortised cost carrying amount of the previous terms of the facility and the present value of the updated terms of the facility, discounted using the effective interest rate, resulted in a modification loss. The net loss on debt modification was £3.8m, including a loss on the debt modification in June 2023 of £4.8m offset by the subsequent amortisation of £1.0m (including £0.2m of amortisation of the loss on debt modification recognised in FY23 of £0.9m). See note 4.

The Group has Bank facilities of £250.0m (FY23: £275.0m) including an RCF cash drawn component of up to £175.0m (FY23: £175.0m) and bond and guarantee facilities of a maximum of £75.0m (FY23: £100.0m), which are due to mature on 1 January 2025.

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

As at 30 September 2023, the Group had a total of undrawn RCF committed borrowing facilities, all maturing in more than one year, of £60.0m (25 March 2023: £53.0m, all maturing in more than one year). The amount of loans drawn on the £175.0m RCF cash component is £115.0m was drawn as at 30 September 2023 (25 March 2023: £112.0m).

Guarantees of £46.0m (25 March 2023: £52.1m) have been drawn using the £75.0m guarantee facility. The accrued interest in relation to cash drawdowns outstanding as at 30 September 2023 is £0.4m (25 March 2023: £0.3m).

Actual as at
30 September 2023
£m

Maximum
Facility
£m

Facilities:		
Cash	115.0	175.0
Bonds and guarantees	46.0	75.0
	161.0	250.0

A separate borrowing facility for financing equipment under construction is in place and at 25 March 2023 the amount outstanding on this facility is £0.7m.

8 Analysis of net debt

The analysis below provides a reconciliation between the opening and closing positions for liabilities arising from financing activities together with movements in cash and cash equivalents. During the period the Group has redefined and restated the definition of net debt to exclude losses or gains on debt modification. This is in line with the definition used in the covenant calculations. As a result, the FY23 net debt has been restated to £82.4m, previously £83.1m, after excluding the £0.7m of net loss on debt modification.

	At 25 March 2023 £m	Cash flow £m	Foreign exchange and other £m	At 30 September 2023 £m
Gross Borrowings	(122.7)	7.0	-	(115.7)
Cash and cash equivalents	40.3	(6.4)	(0.2)	33.7
Net Debt	(82.4)	0.6	(0.2)	(82.0)

	At 26 March 2022 £m	Cash flow £m	Foreign exchange and other £m	At 25 March 2023 £m
Gross Borrowings	(95.7)	(27.0)	-	(122.7)
Cash and cash equivalents	24.3	15.6	0.4	40.3
Net Debt	(71.4)	(11.4)	0.4	(82.4)

Net debt is presented excluding unamortised pre-paid borrowing fees of £4.7m (FY23: £5.0m), net loss on debt modification of £4.5m (FY23: £0.7m) and £12.2m (FY23: £13.3m) of lease liabilities.

	At 25 March 2023 £m	Cash flow £m	Non-cash movements £m	At 30 September 2023 £m
Unamortised pre-paid borrowing fees	5.0	3.0	(3.3)	4.7

Borrowings:

Reported within:	30 September 2023				25 March 2023			
	Gross Borrowings £m	Unamortised pre-paid borrowing fees £m	Loss on debt modification £m	Total £m	Gross Borrowings £m	Unamortised pre-paid borrowing fees £m	Loss on debt modification £m	Total £m
Non-current liabilities	(115.7)	4.7	(4.5)	(115.5)	(122.7)	5.0	(0.7)	(118.4)

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.

The Company has not paid any deficit reduction contributions to the Main Scheme over the period to 30 September 2023. On 3 April 2023, the Company and the Trustee agreed to defer the deficit reduction contribution due under the previous Recovery Plan, payable on 5 April 2023, to 26 May 2023. Subsequently, on 25 May 2023 the Company and the Trustee agreed to defer the deficit contribution due on 26 May 2023 to 5 July 2023. In June 2023, the Company and the Trustee agreed to defer all the deficit reduction contributions due to recommence from 5 April 2024 and a new Recovery Plan has been agreed between the Company and the Trustee.

	H1 24 £m	FY23 £m
UK retirement benefit liability	(58.7)	(53.1)
Overseas retirement liability	(1.8)	(1.6)
Retirement benefit liability	(60.5)	(54.7)

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

	H1 24 UK £m	H1 24 Overseas £m	H1 24 Total £m	FY23 UK £m	FY23 Overseas £m	FY23 Total £m
Equities	3.4	-	3.4	3.2	-	3.2
Bonds	85.9	-	85.9	88.7	-	88.7
Secured/fixed income	117.1	-	117.1	133.0	-	133.0
Liability Driven Investment Fund	133.0	-	133.0	163.6	-	163.6
Multi Asset Credit	56.1	-	56.1	60.2	-	60.2
Qualifying insurance policy	196.5	-	196.5	220.6	-	220.6
Other	11.3	-	11.3	8.9	-	8.9
Fair value of scheme assets	603.3	-	603.3	678.2	-	678.2
Present value of funded obligations	(658.5)	-	(658.5)	(727.5)	-	(727.5)
Funded defined benefit pension schemes	(55.2)	-	(55.2)	(49.3)	-	(49.3)
Present value of unfunded obligations	(3.5)	(1.8)	(5.3)	(3.8)	(1.6)	(5.4)
Net deficit	(58.7)	(1.8)	(60.5)	(53.1)	(1.6)	(54.7)

Amounts recognised in the consolidated income statement:

	H1 24 UK £m	H1 24 Overseas £m	H1 24 Total £m	H1 23 UK £m	H1 23 Overseas £m	H1 23 Total £m
Included in employee benefits expense:						
Current service cost	-	-	-	-	-	-
Administrative expenses and taxes	(0.6)	-	(0.6)	(0.8)	-	(0.8)
Included in interest on retirement benefit obligation net finance expense:						
Interest income on scheme assets	15.9	-	15.9	13.7	-	13.7
Interest cost on liabilities	(17.2)	-	(17.2)	(13.2)	-	(13.2)
Retirement benefit obligation net finance expense	(1.3)	-	(1.3)	0.5	-	0.5

Total recognised in the consolidated income statement	(1.9)	-	(1.9)	(0.3)	-	(0.3)
Return on scheme assets excluding assumed interest income	(65.2)	-	(65.2)	(312.6)	-	(312.6)
Remeasurement gains/(losses) on defined benefit pension obligations	60.7	-	60.7	238.6	-	238.6
Amounts recognised in other comprehensive income	(4.5)	-	(4.5)	(74.0)	-	(74.0)

Principal actuarial assumptions:

	H1 24 UK %	H1 24 Overseas %	FY23 UK %	FY23 Overseas %
Discount rate	5.55%	-	4.70%	-
CPI inflation rate	2.80%	-	2.50%	-
RPI inflation rate	3.30%	-	3.00%	-

The financial assumptions adopted as at 30 September 2023 reflect the duration of the scheme liabilities which has been estimated to be broadly 11.5 years (FY23: broadly 12.5 years).

At 30 September 2023 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2022 (FY23: CMI_2021) with a smoothing parameter of 7.5 and a long-term future improvement trend of 1.25% per annum (FY23: long-term rate of 1.25% per annum) and w2022 parameter of 75% (FY23: w2020 parameter 20%). The resulting life expectancies within retirement are as follows:

		H1 24	FY23
Aged 65 retiring immediately (current pensioner)	Male	21.5	21.8
	Female	23.6	23.9
Aged 50 retiring in 15 years (future pensioner)	Male	22.0	22.4
	Female	24.9	25.3

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

Assumption change	Approximate impact on liability
0.50% decrease in discount rate	Increase in liability of £38.3m
0.50% increase in discount rate	Decrease in liability of £34.8m
0.25% increase in expected RPI inflation rate (without knock-on impact to CPI inflation rate)	Increase in liability of £0.7m
0.25% decrease in expected RPI inflation rate (without knock-on impact to CPI inflation rate)	Decrease in liability of £0.7m
0.25% increase in expected CPI inflation rate	Increase in liability by £8.7m
0.25% decrease in expected CPI inflation rate	Decrease in liability by £6.9m
Increasing life expectancy by one year	Increase in liability of £24.3m

The liability sensitivities have been derived using the duration of the scheme based on the membership profile as at 5 April 2021 and assumptions chosen for H1 24. The sensitivity analysis does not allow for changes in scheme membership since the 2021 actuarial valuation or the impact of the Scheme or Group's risk management activities in respect of interest rate and inflation risk on the valuation of the Scheme assets.

10 Provisions for liabilities and charges

	Restructuring	Warranty	Other	Total
	£m	£m	£m	£m
At 25 March 2023	1.8	0.9	3.3	6.0
Charge for the period	0.6	-	0.3	0.9
Utilised in the period	(1.7)	(0.7)	(1.2)	(3.6)
Released in the period	(0.1)	-	-	(0.1)
Exchange differences	-	0.2	(0.2)	-
At 30 September 2023	0.6	0.4	2.2	3.2
Expected to be utilised within 1 year	0.6	0.4	2.2	3.2

Restructuring provisions

Restructuring provisions as at 30 September 2023 related to redundancy and other employee related termination costs for a Group site relating to a change in working patterns. This was substantially utilised in the period and the remaining provision is expected to be utilised in FY24.

Warranty provisions

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

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

Other provisions

Other provisions comprise a number of liabilities with varying expected utilisation rates. This included a small number of onerous contract provisions (£0.1m), employee related liabilities (£0.6m), IBNR insurance claim provisions (£0.5m) and other liabilities (£1.0m) arising through the Group's normal operations.

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

11 Non-controlling interests

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

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

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

	Ghana	Sri Lanka	Kenya	Ghana	Sri Lanka	Kenya
Non-controlling interest percentage	51%	40%	40%	51%	40%	40%
	H1 24	H1 24	H1 24	FY23	FY23	FY23
	£m	£m	£m	£m	£m	£m
Non-current assets	-	6.9	0.2	-	7.7	0.2
Current assets	7.7	29.2	20.5	8.9	30.5	22.8
Non-current liabilities	-	(0.5)	-	-	(0.4)	-
Current liabilities	(4.2)	(6.2)	(11.4)	(5.7)	(10.6)	(13.7)
Net assets (100%)	3.5	29.4	9.3	3.2	27.2	9.3
	H1 24	H1 24	H1 24	H1 23	H1 23	H1 23
	£m	£m	£m	£m	£m	£m
Revenue	4.2	17.7	0.2	7.0	13.3	10.8
Profit/(loss) for the period	0.4	2.3	(0.1)	0.6	0.5	0.5
Profit allocated to non-controlling interest	0.2	0.8	-	0.3	0.2	0.3
Dividends declared by non-controlling interest	-	-	-	-	-	-
Cash flows from operating activities	(2.2)	0.2	0.3	(0.9)	1.7	0.1
Cash flows from investing activities	-	(0.1)	0.1	-	(0.1)	(0.2)
Cash flows from financing activities	-	-	-	-	-	-
Net (decrease)/increase in cash and cash equivalents	(2.2)	0.1	0.4	(0.9)	1.6	(0.1)

12 Related party transactions

During the period the Group traded on an arm's length basis with the associated company Fidink (33.3% owned). The Group's trading activities with Fidink in the period comprise £12.7m (H1 23: £12.5m) for the purchase of ink and other consumables on an arm's length basis. At the balance sheet date there was £2.6m (FY23: £1.7m) owing to this company.

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

Intra-group transactions between the Parent and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

There were no material changes to these related parties in the period, other than changes in the composition of the Board. Other than total compensation in respect of key management, no material related party transactions have taken place during the current period.

13 Contingent assets and liabilities.

In January 2023, De la Rue was made aware that the Central Bureau of Investigation in India (CBI-I) had launched an investigation into the conduct of Arvind Mayaram, the former Indian Finance Secretary, in which the historical activities of De La Rue in India prior to 2016 have been implicated. The Company has still not received any official direct communication of this investigation from the CBI-I. De La Rue has not served the Government of India or the Central Bank of India in any capacity since 2016. The Company believes that there is no merit to the allegations that relate to De La Rue and therefore has not raised a contingent liability or provision.

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

14 Capital and other commitments

	H1 24	FY23
	£m	£m
Capital expenditure contracted but not provided:		
Property, plant and equipment	13.0	16.4
Lease commitments	13.3	13.9
	26.3	30.3

Lease commitments relate to the factory site extension in Malta where the Company has signed a lease for the premises for an initial term of 20 years. The lease will be recognised when the building becomes available for use.

15 De La Rue Financial Calendar: FY24

Financial year end **30 March 2024**

16 Subsequent events

Banking Facilities

On 18 December 2023 the Group entered into a new agreement with its banking syndicate to extend its banking facilities to July 2025. From this date the Group will have Bank facilities of £235m including an RCF cash drawn component of up to £160m (a reduction of £15m) and bond and guarantee facilities of a maximum of £75m. The covenant tests described above will continue to apply to the facilities, other than the liquidity covenant where the minimum headroom is now defined as "available cash and undrawn RCF greater than or equal to £10m", to reflect the £15m reduction in RCF. In addition, an arrangement fee is due, equal to 1% of the facility, which will reduce to 0.5% if the facility is refinanced before 30 June 2024.

Pension deficit payments

An actuarial valuation of the Scheme has been undertaken as at 30 September 2023. This showed a Scheme deficit of £78m. As a result of this new valuation, on 18 December 2023, the Company and the Scheme Trustee agreed a new schedule to fund the deficit. The funding moratorium until July 2024 as previously agreed will be retained, with the only payment being £1.25m due under the June 2023 Recovery Plan. This will be followed by deficit repair contributions from the Company of £8m per annum to the end of FY27, followed by higher contributions that at no time exceed £16m per annum and which run until December 2030 or until the Scheme becomes fully funded.

The next periodic actuarial valuation will be as at the end of September 2026, with the Scheme Trustee undertaking to provide the results of this valuation by January 2027, ahead of any increase in contribution from £8m per annum.

NON-IFRS FINANCIAL MEASURES

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of intangibles acquired through business combinations, as they are not considered to be representative of underlying business performance. The measures the Group uses along with appropriate reconciliations to the equivalent IFRS measures where applicable are shown in the following tables.

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

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the GMPs, and non-recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations. All exceptional items are included in the appropriate income statement category to which they relate.

A Adjusted operating profit from continuing operations

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

	H1 24	H1 23
	£m	£m
Operating loss from continuing operations on an IFRS basis	(3.4)	(12.6)
Amortisation of acquired intangible assets	0.5	0.5
Exceptional items	10.8	21.4
Adjusted operating profit from continuing operations	7.9	9.3

B Adjusted basic earnings per share

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	H1 24 £m	H1 23 £m
Loss attributable to equity shareholders of the Company	(12.2)	(24.4)
Exclude: discontinued operations	-	(0.2)
Loss attributable to equity shareholders of the Company from continuing operations on an IFRS basis	(12.2)	(24.6)
Amortisation of acquired intangible assets	0.5	0.5
Exceptional items	10.8	21.4
Tax on amortisation of acquired intangible assets	(0.1)	(0.1)
Tax on exceptional items	(4.1)	6.7
Adjusted (loss)/profit attributable to equity shareholders of the Company from continuing operations	(5.1)	3.9
Weighted average number of ordinary shares for basic earnings	195.6	195.3

	H1 24 pence per share	H1 23 pence per share
Continuing operations		
Basic earnings per ordinary share on an IFRS basis	(6.2)	(12.6)
Basic adjusted earnings per ordinary share	(2.6)	2.0
Diluted adjusted earnings per ordinary share ¹	(2.6)	2.0

¹ As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the period (£12.2m), the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33.

C Net debt

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

D Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items.

The EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £161.5m (H1 23: £164.3m). The covenant test uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	H1 24 £m	H1 23 £m
Loss for the period	(11.2)	(23.6)
Add back:		
Profit on discontinued operations	-	(0.2)
Taxation	(5.6)	7.9
Net finance expenses	13.4	3.3
Loss before interest and taxation from continuing operations (Operating loss)	(3.4)	(12.6)
Add back:		
Depreciation of property, plant and equipment and right-of-use assets	6.2	7.2
Amortisation of intangible assets	2.8	2.5
EBITDA	5.6	(2.9)
Exceptional items	10.8	21.4
Adjusted EBITDA	16.4	18.5
Revenue £m	161.5	164.3
EBITDA margin	3.5%	(1.8)%
Adjusted EBITDA margin	10.2%	11.3%

The adjusted EBITDA split by division was as follows:

H1 24	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(5.5)	5.8	-	(3.7)	(3.4)
Add back:					
Net exceptional items	6.9	0.2	-	3.7	10.8
Depreciation of property, plant and equipment and right-of-use assets	4.5	1.3	-	0.4	6.2
Amortisation of intangible assets	0.6	1.7	-	0.5	2.8
Adjusted EBITDA	6.5	9.0	-	0.9	16.4

H1 23	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(16.5)	3.9	0.1	(0.1)	(12.6)
Add back:					
Net exceptional items	20.8	0.5	-	0.1	21.4
Depreciation of property, plant and equipment and right-of-use assets	5.4	1.3	-	0.5	7.2
Amortisation of intangible assets	0.6	1.5	-	0.4	2.5
Adjusted EBITDA	10.3	7.2	0.1	0.9	18.5

E Adjusted controllable operating profit by division

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

H1 24	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(5.5)	5.8	-	(3.7)	(3.4)
Amortisation of acquired intangibles	-	0.5	-	-	0.5
Net exceptional items	6.9	0.2	-	3.7	10.8
Adjusted operating profit	1.4	6.5	-	-	7.9
Enabling function overheads	12.7	5.1	-	(17.8)	-
Adjusted controllable operating profit/(loss)	14.1	11.6	-	(17.8)	7.9

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

-ENDS-