RNS Number : 7675P
De La Rue PLC
12 December 2024

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.

12 December 2024

De La Rue plc

2024/25 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 28 September 2024 (the "period", "H1 25" or "half-year"). The comparative period was the six months ended 30 September 2023 ("H1 24").

Highlights

- Adjusted operating profit of £7.3m (H1 24: £7.9m) ahead of guidance of low single digit. On IFRS basis achieved operating profit of £1.3m (H1 24: loss of £3.4m).
- Currency:
  - H1 25 revenue of £94.9m (H1 24: £113.4m), with a number of deliveries moving into H2 25 as previously guided
  - Order book continued to build in H1 to £251.7m at 28 September 2024 (30 March 2024: £239.2m).
  - Significant orders secured in Q3 to date, bringing November 2024 order book to £338m, the highest level in at least five years.
  - Order book includes significant increase in polymer orders, securing good manufacturing loads into FY26 and beyond.
- Authentication:
  - H1 25 revenue of £50.2m (H1 24: £48.1m).
  - Proposed sale of Authentication to Crane NXT for cash, representing an enterprise value of £300m, announced in October 2024.
  - Additional multi-year contract won to produce passport data pages
- Net debt of £109.4m (FY24: £89.4m)
  - Inventory build up to satisfy second half deliveries, together with timing of customer collections, impacted net working capital movement.
  - Completion of Authentication sale will allow repayment of existing revolving credit facility in full, resulting in a Group net cash position.
- £30m of sale proceeds will be applied to reduce deficit on legacy defined benefit pension scheme.
  - Provides a springboard to find a long-term funding solution for this scheme.
- Outlook
  - Continued activity building in Currency and solid performance from Authentication underpin reiteration of full year guidance for FY25 Group adjusted operating profit of mid to high £20 millions.
  - In FY26 conversion of Currency order book into sales will accelerate to produce strong double-digit growth in Currency EBITDA before central costs.

Financial highlights

	H1 25 £m	H1 24 £m	**Change %**
Revenue	**145.1**	161.5	**(10.2)**
Currency	**94.9**	113.4	(16.3)
Authentication	**50.2**	48.1	4.4
Gross profit	**38.9**	40.2	**(3.2)**
Adjusted operating profit*[1]	**7.3**	7.9	**(7.6)**
IFRS operating profit/(loss)	**1.3**	(3.4)	**138.2**
Loss before taxation	**(6.5)**	(16.8)	**61.3**
Adjusted basic EPS*[2] (p)	**(1.5)p**	(2.6)p	**42.3**
IFRS basic EPS (p)	**(4.1)p**	(6.2)p	**33.9**

	H1 25 £m	FY24 £m	**Change %**
Net debt[3]	**109.4**	89.4	**22.4**

Footnotes:

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

1. Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £5.5m (H1 24: £10.8m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 24: £0.5m).
2. Adjusted basic EPS excludes post-tax exceptional items of £4.6m (H1 24: £6.7m) and post-tax amortisation of acquired intangible assets £0.4m (H1 24: £0.4m).
3. The definition of net debt can be found in note 8 to the financial statements.
4. All of the above are reported for continuing operations.

Clive Vacher, CEO of De La Rue, commented:

"We have made substantial progress in 2024 both operationally and strategically. We have reached agreement for a sale of Authentication to Crane NXT for £300m and completion of the Authentication sale will allow us to repay both our existing banking facilities in full and materially reduce the remaining deficit on our legacy defined benefit pension scheme.

"We have also built up the Currency order book to the highest levels seen for at least the last five years. The material new orders that we have won in recent months will begin to convert into increased revenue as we move into the next financial year and solidly underpin our growth expectations.

"With these firm foundations, our ongoing Currency business is now well positioned to take full advantage of an improving market, with a substantial upward step change in activity in 2025 and beyond."

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).

Enquiries:

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

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_25. This will be available for playback after the event.

About De La Rue

Established 211 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 focus areas are:

- Currency: designing and manufacturing highly secure banknotes and banknote components that are optimised for security, manufacturability, cash cycle efficacy and public engagement.

- Authentication: leveraging advanced digital software solutions and security labels to protect revenues and reputations from the impacts of illicit trade, counterfeiting, and identity theft. On 15 October 2024. De La Rue announced the proposed sale of Authentication to Crane NXT for £300m.

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 213800DH741LZWIJXP78. 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 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

We have achieved substantial progress both strategically and operationally so far in FY25, building on the foundations we had previously laid.

In May 2024 we succeeded in securing renewals on two multi-year Government Revenue Solutions contracts within Authentication, thereby concluding the renewal of all four substantial contracts that were due over the previous 12 months. These contracts, with an expected value of over £150m, provided tangible evidence of the attractive attributes of the Authentication business, aiding us in agreeing the proposed sale of this business for £300m in October 2024, as well as helping to secure its trading performance while it remains part of the De La Rue Group.

Reaching agreement to sell Authentication represents the next stage in realising the intrinsic value of the business for the benefit of all stakeholders. The completion of the sale in the first half of 2025 will allow us to repay in full the existing revolving credit facility ahead of its expiry, delivering a balance sheet with a net cash position and without the cost burdens of substantial interest payments or banking fees for facility amendments.

In addition, we will use £30m of the sale proceeds to reduce materially the remaining deficit outstanding on the legacy defined benefit pension plan. This will build on the progress that we have already made in reducing ongoing cash outflows to fund the scheme deficit and will assist us with finding a long-term solution for this pension plan. Once the sale of Authentication is completed, we will also be able to focus fully on building and growing our Currency business, as we set out further below.

In H1 25, De La Rue achieved an adjusted operating profit of £7.3m (H1 24: £7.9m) in the first half, ahead of guidance. Though adjusted operating profit was lower than the comparative period last year, at an IFRS level we saw a profit of £1.3m (H1 24: loss of £3.4m), a much-improved performance thanks to a reduced level of exceptional charges.

Currency

Our Currency division delivered an adjusted operating profit of £1.1m (H1 24: £1.4m) in its traditionally weaker first half from lower revenue of £94.9m (H1 24: £113.4m). Revenue in the comparative period benefited from banknotes that were manufactured in FY23 but not sold until H1 24. In contrast H1 25 has seen some deliveries shifted into the second half, as we explained in our trading statement issued at the time of our AGM. H1 25 saw a price per unit and margin both substantially improved compared with H1 24, despite a 16.3% fall in revenue.

Just under a year ago we first remarked that we were seeing an increase in our order book, moving away from the lows that we had experienced in FY23 and early FY24. Lead times between order and production, particularly in banknote printing, are frequently in excess of six months. Hence the benefit of this deeper order book is only beginning to be translated into higher activity and production levels to a material extent now, in the second half of FY25.

Over 2024, we have seen a continuation of the order book momentum we first spoke about at the close of 2023. Our Currency order backlog has built steadily during 2024 and at 28 September 2024 stood at £251.7m (30 March 2024: £239.2m). This growth has continued into the second half, as we have secured a number of orders including multi-year, polymer-based banknote contracts bringing the total of the order book to £338m at the end of November 2024, the highest level we have seen in at least the last five years. The bulk of these contracts are scheduled for delivery in FY26 and beyond, which gives us confidence in our performance for FY26 and beyond.

In FY25 to date we have won six new banknote customers, nearly all of whom have De La Rue polymer or security features specified within the design. In addition, the proportion of banknote tenders that we have won in this period remains at the consistently high level that we have seen recently.

Within the ramp up of activity that we are currently experiencing, polymer is a particular highlight. Production volumes of polymer substrate in H1 25 were substantially higher than in the same period last year. This volume is expected to double in the second half , and see a further substantial upward step change in FY26.

In addition, the work that we have done in making the Currency business more competitive and agile over the last five years means that this division is well placed to benefit from the stronger trading environment that we are now experiencing.

De La Rue Currency is the leading commercial banknote printer and designer and a trusted supplier to over half of all issuing authorities. We are at the leading edge of developments in banknote technology with a deep expertise in optical science and innovation and the capability to benefit from growth in use of polymer substrate and new security features.

We have invested significantly in our manufacturing capacity in recent years, to achieve a right-sized footprint with three flexible and upgraded banknote print sites in the UK, Malta and Sri Lanka. Alongside our investment in flexible banknote print, we have created a substantial facility for production of our SAFEGUARD® polymer substrate together with bespoke machinery to scale up novel security features. All major investment associated with this transformation in manufacturing capability is now complete or is scheduled to complete shortly.

One recent significant event in our manufacturing transformation was the removal of the last remaining banknotes stored at Gateshead to complete our closure there. This will save around £2m per annum.

Authentication

Our Authentication division delivered a solid first half performance, generating an adjusted operating profit of £6.2m (H1 24: £6.5m) from revenue up 4.4% to £50.2m (H1 24: £48.1m). GRS benefited from strong sales in certain territories, including those where we had succeeded in securing contract renewals earlier in the year, though activity in Sudan was adversely affected by the ongoing unrest in the country. The ID business also saw a strong first half performance, though Australian passport data pages are expected to return to normal annual volumes for the full year. This impact will be softened as ID also won another multi-year passport data page programme for a different country to run alongside the Australian passport. Brand continued to see subdued Microsoft related sales.

Proposed sale of Authentication

As noted above, on 15 October 2024 we announced the proposed sale of our Authentication division to Crane NXT for cash consideration representing an enterprise value of £300m. The agreement of a sale to Crane NXT was the culmination of an extensive and wide-reaching process conducted by the Board.

The proceeds of sale will create a more resilient and flexible Group by enabling us to repay the Group's existing revolving credit facility in full, reducing leverage to a net cash position. At the same time, we will significantly reduce the deficit on the Group's legacy defined benefit pension scheme by paying £30m as an accelerated contribution on completion of the sale.

Completion of the sale is expected to occur in the first half of 2025 and is conditional on implementation of a reorganisation to affect the divisional separation required to deliver the Authentication Division to Crane NXT as well as obtaining the customary antitrust approvals.

Progress on separation of Authentication

Detailed work on separation of the Authentication division is now well underway. A separation steering board, reporting to the Executive Leadership Team, has overall responsibility for the project.

All employees are now settled as to whether they are staying with the remaining business or moving to Crane NXT under the appropriate transfer process applicable in their country of employment. We have contacted all customers impacted by novation and detailed discussions are ongoing to move that process forward. In Malta we are working through a clear plan to implement physical separation of the business by completion. These changes remain on track and will ensure appropriate security segregation to allow for secure manufacturing by both parties.

We remain on track to complete the sale according to the timetable envisaged at the time of announcement. We continue to expect to complete the sale in the first half of calendar 2025.

Outlook

The deeper order book in Currency is beginning to translate into higher production volumes and revenue, sufficient to bring Currency revenue for the full year back in line with FY24 levels. With steady trading in Authentication and several strong margin projects in the pipeline, we remain confident that for the current financial year the existing Group will meet full year current guidance for adjusted operating profit, namely mid- to high-£20 millions.

In FY26 we expect the conversion of order book into sales to accelerate within Currency, to produce strong double-digit growth in Currency EBITDA before central costs.

The level of net debt at this financial year end will depend on the exact timing of the completion of the Authentication sale, which remains on track for the first half of 2025. Between now and year end we expect to see a net investment in working capital and a consequent increase in indebtedness as we prepare for the higher Currency production volumes scheduled for FY26. The impact of this move will be more marked than in prior periods as we do not expect this working capital investment to be funded to the same extent by advance payments backed by performance guarantees as in the past, given the short-term nature of our current guarantee facility. In addition, over H2 we expect to incur around £12m of cash costs of separation of the Authentication business, as disclosed at the time of announcement of the sale.

Conclusion

In summary, the work to execute the proposed sale of Authentication is proceeding well. When completed, the proceeds will materially improve both the balance sheet of the remaining Group and the outstanding actuarial deficit on the legacy defined pension plan. This will place our Currency business on a firm financial footing and allow it to focus on maximising value from the current order book and future growth opportunities for the benefit of all stakeholders.

Achieving all that we have over 2024 has 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 in the months to come as we work to complete the Authentication sale, as well as to achieve our operational goals for the remainder of FY25 and beyond.

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 controllable operating profit (adjusted operating profit before enabling function cost allocation), for both operating divisions. Further details on non-IFRS financial measures can be found later in this document.

100% of Group revenue for H1 25 of £145.1m (H1 24: £161.5m) originated from our operating divisions of Currency and Authentication.

Together Currency and Authentication delivered adjusted operating profit of £7.3m (H1 24: £7.9m), a fall of £0.6m (7.6%) period-on-period. This largely reflects lower revenue from the Currency division at higher margin and a steady performance in Authentication, offset by a slight fall in operating expenses.

On an IFRS basis, the Group moved into an operating profit of £1.3m, a significant improvement compared to the equivalent period last year, which saw a loss of £3.4m impacted by higher exceptional costs.

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 25	H1 24	**Change**
	£m	£m	
Revenue	**94.9**	113.4	(16.3)%
Gross profit	**19.7**	22.3	(11.7)%
Adjusted controllable operating profit*	**12.3**	14.1	(12.8)%
Adjusted operating profit*	**1.1**	1.4	(21.4)%
Operating profit/(loss)	**0.5**	(5.5)	109.1%
	%	%	
Gross profit margin	**20.8**	19.7	110 bps
Adjusted controllable operating profit margin*	**13.0**	12.4	60 bps
Adjusted operating profit margin*	**1.2**	1.2	0 bps

*Non-IFRS measure

Our Currency division again remained profitable at the adjusted operating profit level during its traditionally weaker first half, delivering an adjusted operating profit of £1.1m (H1 24: £1.4m) from lower revenue of £94.9m (H1 24: £113.4m).

Revenue in the comparative period benefited from banknotes that were manufactured in FY23 but not sold until H1 24. In contrast H1 25 has seen some deliveries shifted into the second half, as we explained in our trading statement issued at the time of our AGM. Consequently H1 25 saw a 16.3% fall in Currency revenue when compared with H1 24, though the price per unit and margin were both substantially improved. Given our order book and production plan, we expect much higher banknote sales volumes in the second half, and banknote selling activity is expected to remain at least at this higher level during FY26.

Polymer production volumes, taking both external sales and that manufactured for further processing within our banknote facilities, in H1 25 were materially higher than in H1 24. As we work through our current order book, we expect the equivalent H2 25 volumes to be around double of those produced in the first half, and then to see a further upwards substantial step change in volumes in FY26.

External security feature sales remained stable in both revenue and margin terms compared to H1 24.

Gross profit fell 11.7% to £19.7m (H1 24: £22.3m) with the mix of sales benefitting margin when compared with the prior period.

Adjusted controllable operating profit fell 12.8% to £12.3m (H1 24: £14.1m) because of the higher margin mix of work seen in H1 25, despite the lower selling volumes.

Though enabling costs overall were lower as discussed below, and a smaller proportion of the total was applied to Currency given its lower revenue as a proportion of the Group, this was not sufficient to fully offset the fall in adjusted controllable operating profit. Hence adjusted operating profit fell by £0.3m to £1.1m in H1 25 (H1 24: £1.4m).

In H1 25, the Currency division was not significantly impacted by exceptional costs, with just £0.6m of site relocation exceptional costs accrued in the period. In contrast, in the prior period the division incurred £6.9m of exceptional costs of right-sizing the business for future operations. Consequently, on an IFRS basis the division made an operating profit of £0.5m in H1 25 (H1 24: loss of £5.5m).

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 25	H1 24	Change
	£m	£m	
Revenue	**50.2**	48.1	4.4%
Gross profit	**19.2**	17.9	7.3%
Adjusted controllable operating profit*	**11.5**	11.6	(0.9)%
Adjusted operating profit*	**6.2**	6.5	(4.6)%
Operating profit	**5.7**	5.8	(1.7)%
	%	%	
Gross profit margin	**38.2**	37.2	100 bps
Adjusted controllable operating profit margin*	**22.9**	24.1	(120) bps
Adjusted operating profit margin*	**12.4**	13.5	(110) bps

*Non-IFRS measure

Revenue was up 4.4% on prior period, rising to £50.2m (H1 24: £48.1m). GRS saw strong sales into certain territories, offset by Sudanese sales impacted by the continuing unrest in that country. The ID business also saw a strong performance, adding an additional contract mitigating an expected drop in volumes of Australian passport data pages now buffer stocks are fully built.

Gross profit margin rose 100 basis points, when compared with the prior period, reflecting the mix of sales and the increase in overall volumes. Adjusted controllable operating profit was broadly flat on prior period at £11.5m (H1 24: £11.6m), though margin was trimmed as share based payment accruals rose along with other staff costs.

Adjusted operating profit fell 4.6% to £6.2m (H1 24: £6.5m) with the division being allocated a higher proportion of central overheads, given its proportionally higher revenue for the period. IFRS operating profit level was broadly flat on the prior period, falling just 1.7% to £5.7m (H1 24: £5.8m).

Given the proposed sale of Authentication to Crane NXT announced on 15 October 2024, Authentication will be disclosed as a discontinued activity in the results for FY25 and any subsequent periods, and the prior period comparatives will also be adjusted at that time.

Enabling function costs

In H1 25 enabling function costs of £16.5m (H1 24: £17.8m) fell by 7.3% and represented 11.4% of Group revenue (H1 24: 11.0%).

Reduction of enabling function costs has been and continues to be an area of focus for the Group. Targeted savings programmes within IT, recruitment and intellectual property led to reductions in costs. These are expected to continue into the second half and beyond.

Exceptional items

Exceptional items during the period constituted a net charge of £5.5m (H1 24: £10.8m) before tax.

Exceptional charges before tax included:

	H1 25 £m	H1 24 £m
Site relocation and restructuring costs	**0.9**	7.9
Pension underpin costs	**0.1**	0.2
Costs in relation to pension payment deferment and banking refinancing	**-**	3.0
Divestiture costs	**4.5**	-
Credit loss provision/write back on Portals loan notes	**-**	(0.3)
	5.5	10.8

In H1 25 £4.5m (H1 24: £nil) of divestiture costs were incurred in relation to the sale of the Authentication division to Crane NXT which were classed as exceptional given their size, nature and they relate to operations that will become discontinued by sale. These include separation costs, and advisory costs for the definitive sale agreements as well as banking and pensions.

In H1 25 £0.9m (H1 24: £0.1m) of charges related to the closure activities for the Gateshead facility were recognised. In H1 25 these costs primarily relating to the costs, net of grant income received of £0.1m, of relocating assets to different Group manufacturing locations and redundancy costs. In H1 24, £7.9m of site relocation and restructuring costs were recorded, relating to redundancy, legal fees and fixed asset impairments to right-size both Currency and Authentication for future operations, together with costs in relation to the wind down of our operations in Kenya.

Pension underpin costs of £0.1m (H1 24: £0.2m) 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, £3.0m of legal and professional advisor costs were incurred in relation to amendments to the schedule of deficit repair contributions for the Pension Scheme and the amendment and restatement of terms of the Revolving Credit Facility agreement. In addition, a net credit loss provision release of £0.3m 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.

The tax credit within exceptional items amounted to £0.9m (H1 24: credit of £4.1m). Of this, £0.6m is related to favourable movements in exchange rates on certain tax provisions and £0.3m represents the tax impact of exceptional costs.

The cash flow impact of exceptional items in H1 25 was a £0.8m outflow (H1 24: £14.6m outflow) which included the £0.8m of divestiture costs, £0.1m for each of site relocation and pension underpin costs and a receipt of £0.2m from Portals Paper Limited which was settled in cash in relation to prior year exceptional items. H1 24 was impacted by the final payment relating to the termination of the supply arrangement with Portals Paper Limited.

Finance charge

The Group's net interest charge was £7.8m (H1 24: £13.4m). This included interest income of £0.2m (H1 24: £0.1m), interest expense of £6.9m (H1 24: £12.2m) and retirement benefit finance expense of £1.1m (H1 24: expense of £1.3m).

Interest expense comprised:

	H1 25 £m	H1 24 £m
Bank loan interest	**6.3**	6.1
Lease liability interest	**0.2**	0.2
(Credits)/Charges relating to previous periods debt modification	**(2.1)**	3.8

Other, including amortisation of finance arrangement fees	**2.5**	2.1
	6.9	12.2

The slight increase in bank loan interest paid in H1 25 was largely attributable to the marginally higher average base rate experienced in the period. In H1 25 these moved from 5.25% to 5.00% over the period. By comparison in H1 24 these moved from 4.25% to 5.25%.

The net loss on debt modification, including amortisation credit of £2.1m in H1 25 relates to the amortisation of previous losses on debt modification. The loss on debt modification, including amortisation in H1 24 was £3.8m. This included the losses 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).

The retirement benefit obligation finance expense is calculated under IAS 19 and represents the difference between the interest on pension liabilities and assets. The loss in H1 25 of £1.1m (H1 24: loss of £1.3m) was due to the opening pension valuation on an IAS 19 basis as at 30 March 2024 being a deficit of £51.6m.

Taxation

The total tax charge in respect of continuing operations for the first half was £0.5m (H1 24: tax credit £5.6m) and comprised:

- £1.5m charge (H1 24: £1.4m credit) on adjusted loss after interest expense;
- £0.1m credit (H1 24: £0.1m credit) on the amortisation of acquired intangibles; and
- £0.9m credit (H1 24: £4.1m credit) on exceptional items, which is described in more detail in note 3 'Exceptional items'.

Earnings per share

The basic weighted average number of shares for earnings per share ('EPS') purposes was 196.0m (H1 24: 195.6m).

Adjusted basic loss per share was 1.5p (H1 24: loss per share of 2.6p), reflecting the improvement in adjusted basic earnings from a loss of £5.1m in H1 24 to a loss of £3.0m in H1 25.

IFRS basic loss per share from continuing operations was 4.1p (H1 24: 6.2p) reflecting a basic loss of £8.0m (H1 24: loss of £12.2m).

Cash flow

The conservation and generation of cash within the business continues to be an area of stringent focus.

Cash flow from operating activities was a net cash outflow of £9.5m (H1 24: £15.4m inflow), generated after adjusting the £6.5m loss before tax (H1 24: £16.8m loss) for:

- £17.9m net working capital outflow (H1 24: £11.5m inflow) including:
    - £7.3m increase in inventory (H1 24: £9.6m decrease), as the Currency division prepared for orders to be completed in H2 25;
    - £8.1m increase in trade and other receivable and contract assets (H1 24: £20.8m decrease); and
    - £2.5m decrease in trade and other payables and contract liabilities (H1 24: £18.9m decrease), due to the timing of supplier payments.
- £3.0m (H1 24: £0.9m) of pension recovery plan payments and administration expenses;
- £0.2m decrease in provisions (H1 24: £2.8m decrease)
- £1.3m tax payments (H1 24: £1.2m)
- £7.8m of net finance expense (H1 24: £13.4m)
- £9.8m of depreciation and amortisation (H1 24: £9.0m)
- £nil of asset impairment (H1 24: £4.4m)
- £0.9m inflow of other non-cash items (H1 24: £2.0m outflow).

The cash outflow from investing activities of £3.7m (H1 24: £2.2m outflow) included:

- capital expenditure on property, plant and equipment, after cash receipts from grants, of £1.3m (H1 24: £0.8m), largely relating to the construction of our expanded facility in Malta. This is expected to increase in the second half as work separating the Authentication business accelerates.
- capital expenditure on software intangibles and development assets of £2.5m (H1 24: £2.1m).
- H1 24 also included £0.3m received from the partial settlement of Portals Loan notes, £0.2m proceeds from the sale of property, plant and machinery and £0.2m of interest received.

The cash inflow from financing activities was £2.0m (H1 24: outflow £19.6m), included:

- £10.9m net drawdown of borrowings (H1 24: repayment of £7.0m),
- £6.9m (H1 24: £8.3m) of interest payments,
- £0.5m (H1 24: £3.0m) of debt issue cost payments, and
- £1.5m (H1 24: £1.3m) of lease liability payments.

The net decrease in cash and cash equivalents in the period was £11.2m (H1 24: £6.4m decrease).

As a result of the cash flow items referred to, Group net debt increased from £89.4m at 30 March 2024 to £109.4m at 28 September 2024. £28m of cash to settle trade receivables was received from Currency customers in the first three weeks of October 2024.

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 30 March 2024 £m	Cash flow £m	Foreign exchange and other £m	At 28 September 2024 £m
Gross Borrowings	(118.7)	(10.9)	-	(129.6)
Cash and cash equivalents	29.3	(11.2)	2.1	20.2
Net debt	**(89.4)**	**(22.1)**	**2.1**	**(109.4)**

Net debt is presented excluding unamortised pre-paid borrowing fees of £3.5m (FY24: £5.0m), loss on debt modification of £1.4m (FY24: £3.5m) and £13.9m (FY24: £11.6m) of lease liabilities.

Banking facilities

Following amendments on 29 June 2023 and 18 December 2023, the revolving facility agreement with the Group's lending banks and their agents extends to 1 July 2025. Under this amended agreement the Group has bank facilities of £235m including an RCF cash drawn component of up to £160m and bond and guarantee facilities of a maximum of £75m. The facilities are secured against material assets and shares within the Group.

During H1 25, the Group was subject to the following financial covenants and spread levels:

- EBIT/net interest payable more than or equal to 1.0 times
- Net debt/EBITDA less than or equal to 3.6 times
- 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 £10m".
- Spread rates calculated on the leverage ratio as follows:

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 28 September 2024:

Test	Requirement	Actual at 28 September 2024
EBIT to net interest payable	More than or equal to 1.0 times	1.49
Net debt to EBITDA	Less than or equal to 3.6 times	3.08
Minimum liquidity testing	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"	No breaches

On 28 September 2024 the Group had bank facilities of £235.0m (FY24: £235.0m) including an RCF cash drawn component of up to £160.0m (FY24: £160.0m) and bond and guarantee facilities of a maximum of £75.0m (FY24: £75.0m), which are due to mature on 1 July 2025.

On 28 September 2024, the Group had a total of undrawn RCF committed borrowing facilities, all maturing in less than one year, of £31.1m (30 March 2024: £42.0m, all maturing in more than one year). The amount of loans drawn on the £160.0m RCF cash component is £128.9m on 28 September 2024 (30 March 2024: £118.0m).

Guarantees of £34.1m (30 March 2024: £41.8m) were drawn using the £75.0m guarantee facility on 28 September 2024.

When we repay the revolving credit facility and outstanding guarantee facilities following completion of the sale of Authentication, we will also pay £4.9m in fees due under the terms of the June 2023 and December 2023 amendments to the facilities.

A separate borrowing facility for financing equipment under construction is in place and on 28 September 2024 the amount outstanding on this facility is £0.7m (30 March 2024: £0.7m).

Pension scheme

The Company recommenced payment of deficit repair contributions to the Pension Scheme in July 2024, following the completion of a deferral period agreed with the Pension Scheme Trustee in 2023. The Company paid £2.0m of deficit repair contributions to the Scheme in H1 25, in accordance with the schedule of repair contributions agreed with the Trustee following an actuarial valuation undertaken at 30 September 2023.

The actuarial valuation of the Scheme on 30 September 2023 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 was retained, 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.

On 13 October 2024, De La Rue Plc entered into an agreement with the Pension Trustee. Under this agreement De La Rue agreed to pay £30m to the Scheme by way of pension deficit repair contributions on completion of the sale of Authentication. In addition, De La Rue agreed to pay an additional £12.5m in deficit repair contributions to the Pension Scheme over the period to the end of FY27 once the sale of Authentication was completed. The agreement also set out that no dividend or distribution to shareholders or repurchase of De La Rue plc shares would be made until the Pension Scheme was either fully de-risked, or more than 105% funded on a buy-out funding basis.
In addition, when we repay the revolving credit facility following completion of the sale of Authentication, we will also pay £2.5m in additional pension deficit repair contributions, as agreed with the Pension Scheme Trustee as part of the June 2023 amendment to the banking facilities.

The valuation of the Scheme on an IAS 19 basis on 28 September 2024 is a net liability of £48.4m (30 March 2024: net liability of £51.6m).

The charge to the adjusted operating profit in respect of the Scheme in the period was £0.6m (H1 24: £0.6m). Under IAS 19 there was a finance charge of £1.1m (H1 24: finance charge of £1.3m) arising from the difference between the interest cost on liabilities and the interest income on scheme assets.

Capital structure

At 28 September 2024 the Group had net liabilities of £4.7m (30 March 2024: net assets of £2.6m).

The movement during the period included:

	£m
Opening net assets - 30 March 2024	**2.6**
Loss for the period	**(7.0)**
Remeasurement loss on retirement benefit obligations	**2.0**
Other movements in other comprehensive income	**0.2**
Foreign exchange movements	**(3.5)**
Employee share scheme charges	**0.9**
Share capital issued	**0.1**
Closing net liabilities - 28 September 2024	**(4.7)**

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 FY24.

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 2024 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 30 March 2024 and their respective responsibilities can be found on pages 72 and 73 of the De La Rue plc Annual Report 2024. Since the year end there have been no changes to the Board:

For and on behalf of the Board

Clive Whiley

Chairman

11 December 2024

GROUP CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT - UNAUDITED

FOR THE HALF YEAR ENDED 28 SEPTEMBER 2024

	Note	**H1 25**	H1 24
		£m	£m
Revenue from customer contracts	2	**145.1**	**161.5**
Cost of sales		**(106.2)**	**(121.3)**
Gross profit		**38.9**	**40.2**
Adjusted operating expenses		**(31.6)**	**(32.3)**
Adjusted operating profit		**7.3**	**7.9**
Adjusted items[1]:			
- Amortisation of acquired intangible assets		**(0.5)**	**(0.5)**
- Net exceptional items - expected credit loss	3	**-**	**0.3**
- Net exceptional items	3	**(5.5)**	**(11.1)**
- Net exceptional items - Total	3	**(5.5)**	**(10.8)**
Operating profit/(loss)		**1.3**	**(3.4)**
Interest income		**0.2**	**0.1**
Interest expense		**(6.9)**	**(12.2)**
Net retirement benefit obligation finance charge		**(1.1)**	**(1.3)**
Net finance expense	4	**(7.8)**	**(13.4)**
Loss before taxation		**(6.5)**	**(16.8)**

	Note		
Loss before taxation		(6.5)	(16.8)
Taxation	5	(0.5)	5.6
Loss for the period		**(7.0)**	**(11.2)**
Attributable to:			
- Owners of the parent		(8.0)	(12.2)
- Non-controlling interests	11	1.0	1.0
Loss for the period		**(7.0)**	**(11.2)**
Earnings per ordinary share:			
Basic EPS continuing operations	6	**(4.1)p**	(6.2)p
Diluted EPS continuing operations	6	**(4.1)p**	(6.2)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 28 SEPTEMBER 2024

	H1 25 £m	H1 24 £m
Loss for the financial period	**(7.0)**	**(11.2)**
Other comprehensive income/(expense):		
Items that are not reclassified subsequently to income statement:		
Re-measurement losses on retirement benefit obligations (note 9)	2.0	(4.5)
Tax related to remeasurement of net defined benefit liability	-	(1.7)
	2.0	(6.2)
Items that may be reclassified subsequently to income statement:		
Foreign currency translation difference for foreign operations	(3.1)	(1.8)
Foreign currency translation difference for foreign operations - non-controlling interests	(0.4)	0.7
Change in fair value of cash flow hedges	(0.9)	(1.2)
Change in fair value of cash flow hedges transferred to income statement	1.1	(0.1)
Tax related to cash flow hedge movements	-	0.3
	0.2	(1.0)
Other comprehensive loss for the period, net of tax	**(1.3)**	**(8.3)**
Total comprehensive loss for the period	**(8.3)**	**(19.5)**
Total comprehensive loss for the period attributable to:		
Equity shareholders of the Company	(8.9)	(20.1)
Non-controlling interests	0.6	0.6
	(8.3)	(19.5)

GROUP CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AT 28 SEPTEMBER 2024

	Note	H1 25 (unaudited) £m	FY24 (audited) £m
ASSETS			
Non-current assets			
Property, plant and equipment		**80.8**	85.4
Intangible assets		**35.7**	37.2
Right-of use assets		**12.4**	10.2
Deferred tax assets		**0.1**	0.1
		129.0	132.9
Current assets			
Inventories		**47.3**	41.7

Trade and other receivables		**86.6**	72.8
Contract assets		**9.1**	16.7
Current tax assets		**0.1**	0.2
Derivative financial instruments	7	**1.9**	0.7
Cash and cash equivalents		**20.2**	29.3
		165.2	161.4
Total assets		**294.2**	294.3
LIABILITIES			
Current liabilities			
Trade and other payables		**(81.5)**	(82.8)
Borrowings	8	**(127.2)**	-
Current tax liabilities		**(19.3)**	(20.4)
Derivative financial liabilities	7	**(3.5)**	(3.3)
Lease liabilities		**(2.5)**	(2.5)
Provisions for liabilities and charges	10	**(1.0)**	(1.8)
		(235.0)	(110.8)
Non-current liabilities			
Borrowings	8	**(0.3)**	(117.2)
Retirement benefit obligations	9	**(48.4)**	(51.6)
Deferred tax liabilities		**(2.1)**	(1.9)
Lease liabilities		**(11.4)**	(9.1)
Provisions for liabilities and charges	10	**(0.6)**	-
Other non-current liabilities		**(1.1)**	(1.1)
		(63.9)	(180.9)
Total liabilities		**(298.9)**	(291.7)
Net (liabilities)/assets		**(4.7)**	2.6
EQUITY			
Share capital		**89.1**	89.0
Share premium account		**42.3**	42.3
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**(1.0)**	(1.2)
Cumulative translation adjustment		**3.3**	6.4
Other reserves		**(83.8)**	(83.8)
Retained earnings		**(75.3)**	(70.2)
Total equity attributable to shareholders of the Company		**(19.5)**	(11.6)
Non-controlling interests	11	**14.8**	14.2
Total (deficit)/equity		**(4.7)**	2.6

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE HALF YEAR ENDED 28 SEPTEMBER 2024

	Attributable to equity shareholders							**Non-controlling interests**	**Total equity**
	Share capital	**Share premium account**	**Capital redemption reserve**	**Hedge reserve**	**Cumulative translation adjustment**	**Other reserves**	**Retained reserves**		
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 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**
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	-	-	-	-	-	-	(20.0)	0.9	(19.1)
Other									

Other comprehensive income for the year, net of tax	-	-	-	(1.3)	(2.8)	-	4.1	0.6	0.6
Total comprehensive income	-	-	-	(1.3)	(2.8)	-	(15.9)	1.5	(18.5)
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.2	0.1	-	-	-	-	-	-	0.3
Employee share scheme - value of services provided	-	-	-	-	-	-	1.4	-	1.4
Dividends paid	-	-	-	-	-	-	-	(3.2)	(3.2)
Balance at 30 March 2024	**89.0**	**42.3**	**5.9**	**(1.2)**	**6.4**	**(83.8)**	**(70.2)**	**14.2**	**2.6**
(Loss)/profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(8.0)**	**1.0**	**(7.0)**
Other comprehensive income for the period, net of tax	**-**	**-**	**-**	**0.2**	**(3.1)**	**-**	**2.0**	**(0.4)**	**(1.3)**
Total comprehensive income	**-**	**-**	**-**	**0.2**	**(3.1)**	**-**	**(6.0)**	**0.6**	**(8.3)**
Transactions with owners of the Company recognised directly in equity:									
Employee share scheme - value of services provided	**-**	**-**	**-**	**-**	**-**	**-**	**0.9**	**-**	**0.9**
Share capital issued	**0.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**
Balance at 28 September 2024	**89.1**	**42.3**	**5.9**	**(1.0)**	**3.3**	**(83.8)**	**(75.3)**	**14.8**	**(4.7)**

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

FOR THE HALF YEAR ENDED 28 SEPTEMBER 2024

Notes:

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. In the year ended 25 March 2023, the £51.9m previously treated as unrealised within Other Reserves is now treated as a realised amount, which could be considered as distributable and reclassified from "Other Reserves" to "Retained earnings". Given the reversal of the impairment recorded in relation to intercompany during the year ended 30 March 2024, the £51.9m is now considered to be unrealised.

GROUP CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS - UNAUDITED

FOR THE HALF YEAR ENDED 28 SEPTEMBER 2024

	H1 25 £m	H1 24 £m
Cash flows from operating activities		
Loss before tax	(6.5)	(16.8)
Adjustments for:		
Finance income and expenses	7.8	13.4
Depreciation of property, plant and equipment	5.2	5.1
Depreciation of right-of-use assets	1.3	1.1
Amortisation of intangible assets	3.3	2.8
Impairment of property, plant and equipment and intangible assets and accelerated depreciation charges	-	4.4
Share-based payment expense	0.9	0.8
Pension Recovery Plan and administration cost payments[1]	(3.0)	(0.9)
Decrease in provisions (note 10)	(0.2)	(2.8)
Non-cash credit loss provision - other	0.1	-
Other non-cash movements	0.8	(2.0)
Cash generated from operations before working capital	9.7	5.1
Changes in working capital:		
(Increase)/decrease in inventory	(7.3)	9.6
(Increase)/decrease in trade and other receivables and contract assets	(8.1)	20.8
Decrease in trade and other payables	(2.5)	(18.9)
	(17.9)	11.5
Cash generated (used in)/from operating activities	(8.2)	16.6
Net tax paid	(1.3)	(1.2)
Net cash flows from operating activities	(9.5)	15.4
Cash flows from investing activities:		
Purchases of property, plant and equipment - gross	(2.8)	(6.0)
Purchases of property, plant and equipment - grants received	1.5	5.2
Purchase of software intangibles and development assets capitalised	(2.5)	(2.1)
Proceeds from the sale of property, plant and equipment	-	0.2
Proceeds from other financial assets	-	0.3
Interest received	0.1	0.2
Net cash flows from investing activities	(3.7)	(2.2)
Net cash flows before financing activities	(13.2)	13.2
Cash flows from financing activities:		
Net draw down/(repayment) of borrowings	10.9	(7.0)
Payment of debt issue costs	(0.5)	(3.0)
Lease liability payments	(1.5)	(1.3)
Interest paid	(6.9)	(8.3)
Net cash flows from financing activities	2.0	(19.6)
Net decrease in cash and cash equivalent in the period	(11.2)	(6.4)
Cash and cash equivalents at the beginning of the period	29.3	40.3
Exchange rate effects	2.1	(0.2)
Cash and cash equivalents at the end of the period	20.2	33.7
Cash and cash equivalents consist of:		
Cash at bank and in hand	20.2	33.7

[1] H1 25 - the £3.0m (H1 24: £0.9m) of pension payments includes £2.0m (H1 24: £nil) payable under the Recovery Plan (note 9) and a further £1.0m (H1 24: £0.9m) relating to payments made by the Group towards the administration costs of running the scheme.

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 28 September 2024 were authorised for issue in accordance with a resolution of the Directors on 11 December 2024.

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 30 March 2024 were approved by the Board of Directors on 24 July 2024 and delivered to the Registrar of Companies.

Basis of preparation

These Condensed Consolidated Interim Financial Statements for the half year ended 28 September 2024 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 30 March 2024. 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 29 March 2025 will be prepared in accordance with UK-adopted International Accounting Standards ('IFRS') in accordance with the requirements of the Companies Act 2006.

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 and the Company's ability to continue as a going concern, the Directors have taken into account all available information for a period up to 27 December 2025, 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 De La Rue Plc's FY24 Annual Report. In addition, pages 56 to 63 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. There have been no material changes in overall strategy to that disclosed in the FY24 Annual Report, other than the proposed sale of Authentication to Crane NXT as disclosed in Note 16 of these Condensed Consolidated Interim Financial Statements.

As explained further below, the Board of De La Rue Plc has determined that the going concern basis of accounting in the preparation of the Condensed Consolidated Interim Financial Statements is appropriate.

The Group's Revolving Credit Facility (RCF) expires on 1 July 2025. The cash flow forecasts for the Group indicate that it would not have sufficient liquidity to meet the obligation to repay the RCF in full on or before 1 July 2025. Over the last twelve months, management has been pursuing various strategic options which would allow the Group to repay the RCF on or before 1 July 2025. As summarised below, the Company has recently announced the proposed sale of its Authentication division to Crane NXT for cash consideration representing an Enterprise Value (EV) of £300m. While the proceeds will be used to repay the RCF, the Board notes that the probability and timing of completion are subject to factors outside of the Board's control, and this risk may ultimately impact the Group's ability to repay the RCF on or before 1 July 2025.

The Group's base case modelling (excluding the repayment of the RCF on or before 1 July 2025) shows headroom on all covenant thresholds across the going concern period. At the same time, the severe but plausible downside modelling, as described below, shows relatively low headroom on the net debt/EBITDA and minimum liquidity covenants at specific times over the going concern period. The increased risk of a breach under the severe but plausible modelling (which only exists prior to the completion of the sale of Authentication) can be primarily attributed to bonding constraints linked to the expiration of the RCF on or before 1 July 2025. These bonding constraints are currently impacting the Group's net debt position, as explained within 'Severe but plausible modelling'. In addition, over the going concern period, the Group is expected to incur material cash costs relating to the carve-out of the Authentication division in order to allow completion to occur in the first half of 2025.

These matters represent a material uncertainty which may cast significant doubt upon the Group's ability and the Company's ability to continue as a going concern for a period up to 27 December 2025.

Sale of Authentication

On 15 October 2024, the Company announced the proposed sale of its Authentication division to Crane NXT for cash consideration representing an EV of £300m. The agreement of a sale to Crane NXT was the culmination of an extensive and wide-reaching process conducted by the Board.

The proceeds of sale will create a more resilient and flexible Group by enabling management to repay the Group's existing RCF in full, reducing leverage to a net cash position. At the same time, the Group will significantly reduce the deficit on its legacy defined benefit pension scheme by paying £30m as an accelerated contribution on completion of the sale.

Completion of the sale is expected to occur in the first half of 2025 and is conditional on implementation of a reorganisation to affect the divisional separation required to deliver the Authentication Division to Crane NXT as well as obtaining the customary antitrust approvals.

Expiration of the RCF

Under the amended facility agreement, signed on 18 December 2023, the Group has access to a RCF of £235m that expires on 1 July 2025, which is within the going concern period. Over the last year, the Board has been in ongoing dialogue with the banking syndicate providing the RCF. This dialogue has been constructive and the lenders are supportive of the proposed sale of the Authentication division. The Directors are confident that the completion of this sale will allow for the full repayment of the RCF prior to its expiration in July 2025. As a result, both the Group and its banking syndicate have agreed not to further extend the RCF beyond its current expiry date.

Covenants testing

The RCF allows the drawing down of cash up to the level of £160m and the use of bonds and guarantees up to the level of £75m. The continued access to these borrowing facilities is subject to quarterly covenant tests which look back over a rolling 12-month period. In addition, there is minimum liquidity testing at each week-end point on a four-week historical basis and 13-week forward looking basis. The Group was in full compliance with its covenants throughout the first half of FY25. During this period, the covenant terms were:

- EBIT/net interest payable more than or equal to 1.0 times
- Net debt/EBITDA less than or equal to 3.6 times.
- Minimum liquidity testing at each week-end point on a four-week historical basis and 13-week forward looking basis. Minimum liquidity is defined as 'available cash and undrawn RCF greater than or equal to £10m'.

The spread rates on the leverage ratio remain at the following 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

In order to determine the appropriate basis of preparation for the Condensed Consolidated Interim Financial statements for the period ended 28 September 2024, the Directors must consider whether the Group can continue in operational existence for the going concern review period to 27 December 2025, taking into account the above liquidity headroom and covenant tests. The terms of the facility review period to 27 December 2025, taking into account the above liquidity headroom and covenant tests. The terms of the facility agreement also include consideration of future options for the Group and provision of non-financial deliverables.

Testing assumptions

The Group has prepared profit and cash flow forecasts which cover a period up to 27 December 2025 (Q3 FY26), being the going concern period. This includes the following quarters: Q3 and Q4 FY25 and Q1, Q2, and Q3 FY26 as well as monthly liquidity testing points over the period.

The Directors consider that a period of at least 13 months to 27 December 2025 is an appropriate going concern period given this is the first quarterly covenant test which is greater than 12 months from the opinion date. While the current RCF is due to expire before this date, the Directors are confident that the completion of the sale of Authentication will provide sufficient liquidity within the going concern period, notwithstanding the material uncertainty as described above.

Base case assumptions

The base case forecasts over the going concern period have been developed taking into consideration the timing of the Currency recovery that has been materialising in the marketplace with order book growth and bid activity showing clear and tangible signs of a market rebound. In addition, renewals of key Authentication contracts, combined with the annualisation of contracts already won and starting to produce in the current financial year, aid confidence in the strategic growth forecasted for that division through the going concern period.

The already enacted and largely completed footprint and restructuring projects have right sized the business for current demand levels. 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.

FY25 results to date indicate the Group is substantially on-track to deliver the FY25 budget from an EBIT and EBITDA perspective, with key order book wins secured to deliver the in-year plan.

In Currency, the Group is seeing clear evidence 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. At 30 September 2024, the total order book stood at £251.7m (25 March 2024: £239.2m).

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.

Over the going concern period, the Group is expected to incur material cash costs relating to the carve-out of the Authentication division in order to allow completion to occur. These cash costs primarily relate to advisor fees and costs associated with the physical separation of the operating site in Malta.

The Group's base case modelling (excluding the repayment of the RCF on or before 1 July 2025) shows headroom on all covenant thresholds across the going concern period.

Non-financial milestones

Over the going concern period, there are a number of non-financial milestones such as the provision of monthly short-term cash flow (STCF) submissions and monthly progress updates.

As previously reported, 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. The Directors are confident that all of the non-financial conditions and monthly monitoring will continue to be met over the going concern period.

Severe yet plausible downside modelling

The downside modelling has incorporated 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 FY24 Annual Report and the Directors note there are no new matters which present additional principal risks.

As with the base case, the downside modelling incorporates the movement in Group net debt from £89.4m at 30 March 2024 to £109.4m at 28 September 2024. Whilst this movement is primarily due to delayed Currency receipts, and a strengthening Currency orderbook (in the short-term increasing net working capital at the expense of net debt) it also reflects bonding constraints linked to the expiration of the RCF on or before 1 July 2025. As a result of these bonding constraints, the Group is currently required in certain cases to provide cash collateral in support of the issuance of performance guarantees. For the same reason (i.e. inability to bond without cash collateral), the Company is also unable to accept advance payments from customers in every circumstance. Over the going concern period, this will have the effect of progressively increasing net working capital and Group net debt whilst reducing overall liquidity.

When preparing the downside model, management combined the expected impact of bonding constraints (already included in the base case) with the potential negative ramifications linked to the principal risks as described in the FY24 Annual Report. This included for example Currency pipeline risk (Risk 13) and macro-economic and geo-political risk (Risk 3).

The severe but plausible downside modelling shows relatively low headroom on the net debt/EBITDA and minimum liquidity covenants at specific times over the going concern period. There are a number of mitigating actions that can be taken by management to improve both covenants in the event that this is required.

Additional modelling

In addition to the above, management has performed modelling that assumes the successful completion of the sale of the Authentication division. This modelling took into account the expected use of funds, which includes full repayment of the RCF, mitigation of any risk to the De La Rue UK defined benefit pension scheme and expected transaction costs. This modelling indicated sufficient cash liquidity, including the expected use of funds, between the expected completion date and the end of the going concern period, taking into account the required liquidity of the remaining Group through to 27 December 2025, with the Group benefitting from reduced interest costs and a strong Currency order book in particular.

The Board acknowledges that that the probability and timing of completion of the sale are subject to factors outside of its control, which could lead to a scenario whereby the Group and Company would have to seek alternative financing to repay the RCF on or before 1 July 2025, or obtain an extension to the RCF from the lenders. Both of these options are outside of the Board's control.

Conclusion

Based on the above, the Board of De La Rue Plc has concluded the following:

1. The base case modelling indicates that the Group has sufficient positive cashflows to continue operating as a going concern over the 13-month period ending 27 December 2025, excluding the need to repay the RCF on or before 1 July 2025. Similarly, no breaches of the existing financial and non-financial covenants are expected.

2. The base case modelling indicates that the Group would not have sufficient funds or the ability to repay the RCF on or before 1 July 2025 in the event that the sale of Authentication has not completed by that date. The circumstances which would follow non-repayment of the RCF on or before 1 July 2025, including the manner in which the Group's lenders would seek to recover funds, would not be within the control of the Directors.

3. The severe but plausible downside modelling shows relatively low headroom on the net debt/EBITDA and minimum liquidity covenants at specific times over the going concern period. There are a number of mitigating actions that can be taken by management to improve both covenants in the event that this is required.

The matters described above represent a material uncertainty which may cast significant doubt upon the Group's ability and the Company's ability to continue as a going concern for a period up to 27 December 2025. At the same time, the Board is confident that the completion of the sale of Authentication in the first half of 2025 will ultimately allow the Group to repay in full the RCF before its expiration on 1 July 2025, satisfy future bonding requirements, mitigate any risks to the De La Rue UK defined benefits pension scheme, and continue to operate the remaining business as a going concern.

The financial statements do not contain the adjustments that would result if the Group and Company were unable to continue as a going concern.

A copy of the FY24 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 144 to 147 of the Group's Annual Report and Accounts for the year ended 30 March 2024. These remain relevant to these Condensed Consolidated Interim Financial Statements, in addition to the updates disclosed below.

A Critical accounting judgements

1. Classification of exceptional items

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; non-recurring fees relating to the management of historical scheme issues; restructuring of businesses and asset impairments

All exceptional items are included in the appropriate income statement category to which they relate. Refer to note 3 for further details.

2. 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 available for use.

As per the agreement, there are three separate units with the different start-up dates. 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 25. Therefore, management has concluded that no lease should be recognised in H1 25. The lease will be recognised when the building becomes available for use.

B Critical accounting estimates

1. Recoverability of other financial assets

In FY23, management assessed the recoverability of the carrying value of securities interests held in the Portals International Limited group on the balance sheet and recorded an expected credit loss provision in relation to the original principal value and interest receivable which was recorded in exceptional items in FY23 consistent with the original recognition as part of the loss on disposal.

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. 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.

During FY24, £0.3m was received to settle some of these other financial assets. This was unexpected and no further amounts were expected as at 30 March 2024. However, a further £0.2m was received, again unexpectedly, in June 2024 in settlement of some of these other financial assets. The £0.5m credit was reflected in exceptional items in FY24.

The amount presented on the balance sheet within other financial assets as at 28 September 2024 of £nil (30 March 2024: £nil) included the original principal received and accrued interest amounts, fully offset by the expected credit loss provision.

After a further review, management has concluded that there has been no change in the assessment of the remaining other financial assets in H1 25.

2. Post-retirement benefit obligations

Pension costs within the income statement and the pension obligations/assets as stated in the balance sheet are both dependent upon a number of assumptions chosen by management with advice from professional actuaries. These include the rate used to discount future liabilities, the expected longevity for current and future pensioners and estimates of future rates of inflation. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

The Group engages the services of professional actuaries to assist with calculating the pension liability (note 9).

3. 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 25.

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 25, uncertain tax positions were reduced from £18.2m at FY24 to £17.6m. The £0.6m reduction 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

Goodwill relates to the acquisition in FY17 of De La Rue Authentication Inc. (previously DuPont Authentication Inc). The goodwill has been tested for impairment during the period to 28 September 2024. For the purposes of impairment testing the Cash Generating Unit ("CGU") for the goodwill has been determined as the De La Rue Authentication entity as a whole. This is consistent with the fact that the entity is not fully integrated into the Group and the integrated nature of the Intellectual Property and other assets which collectively generate cash flows.

The H1 25 impairment test calculated the recoverable amount using the fair value less costs to sell approach as it was considered to provide a higher amount than the value in approach. Fair value less costs to sell is the arm's length sale price between knowledgeable willing parties less costs of disposal. Fair value represents Level 3 in the FV hierarchy.

The fair value less costs to sell of the CGU was derived from the recent proposed sale value of the Group's Authentication division. This proposed sale value was received from a third party and is considered to be at arm's length. For further information on this proposed sale value, refer to the note 16 of these Condensed Consolidated Interim Financial Statements.

The recoverable amount at the testing date was significantly in excess of the carrying value at 28 September 2024.

2. Onerous contract provisions

The financial statements also included a small number of onerous contract provisions for loss making contracts. Management has assessed these and applied judgement in determining the required level of provisioning including how, in accordance with IAS 37, the lowest unavoidable costs of exiting or fulfilling the contract have been calculated.

3. Estimation of provisions

The Group holds a number of provisions relating to warranties for defective products and contract penalties. Management has assessed these and applied judgement in determining the value of provisions required.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these Condensed Consolidated Interim Financial Statements to 28 September 2024 are consistent with those applied by the Group in its consolidated financial statements as at, and for the period ended, 30 March 2024, 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.

New standards and amendments not yet effective:

- ***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.

Effective for periods commencing after 1 January 2026, all subject to UK endorsement:

- ***Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"****- Classification and* *measurement of financial instruments:*

- clarifies that a financial liability is derecognised on the 'settlement date'. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.
- clarifies how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- Clarifies the treatment of non-recourse assets and contractually linked instruments.
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked) and equity instruments classified at fair value through other comprehensive income.

- ***Annual improvements to IFRS Accounting Standards -*** Volume 11 - These deal with non-urgent but necessary, clarifications and amendments to IFRS.

Effective for periods commencing after 1 January 2027, all subject to UK endorsement:

- ***Amendments to IFRS18 "Presentation and disclosure in financial statements"*** - Presentation and disclosure in financial statements - This introduces new categories and subtotals in the statement of profit and loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

- ***Amendments to IFRS 19 "Subsidiaries without Public Accountability: Disclosures"*** - This allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

2 Segmental analysis

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

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

The Group's segments are:

- **Currency** - provides Banknote print, Polymer and Security features.
- **Authentication** - provides the physical and digital solutions to authenticate products through the supply chain and to provide tracking of excisable 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.

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

H1 25	**Currency**	**Authentication**	**Unallocated Central**	**Total of Continuing operations**
	£m	**£m**	**£m**	**£m**
Total revenue from contracts with customers	**94.9**	**50.2**	**-**	**145.1**
Less: Inter-segment revenue	**-**	**-**	**-**	**-**
Revenue from contracts with customers	**94.9**	**50.2**	**-**	**145.1**
Cost of sales	**(75.2)**	**(31.0)**	**-**	**(106.2)**
Gross profit	**19.7**	**19.2**	**-**	**38.9**
Adjusted operating expenses	**(18.6)**	**(13.0)**	**-**	**(31.6)**
Adjusted operating profit	**1.1**	**6.2**	**-**	**7.3**
Adjusted items:				
- Amortisation of acquired intangible assets	**-**	**(0.5)**	**-**	**(0.5)**
- Net exceptional items	**(0.6)**	**-**	**(4.9)**	**(5.5)**
Operating profit/(loss)	**0.5**	**5.7**	**(4.9)**	**1.3**
Interest income	**-**	**-**	**0.2**	**0.2**
Interest expense	**(0.6)**	**-**	**(6.3)**	**(6.9)**
Net retirement obligation finance charge	**-**	**-**	**(1.1)**	**(1.1)**
Net finance expense	**(0.6)**	**-**	**(7.2)**	**(7.8)**
(Loss)/profit before taxation	**(0.1)**	**5.7**	**(12.1)**	**(6.5)**
Capital expenditure on property, plant and equipment	**(1.5)**	**(1.3)**	**-**	**(2.8)**
Capital expenditure on intangible assets	**(0.7)**	**(1.7)**	**(0.1)**	**(2.5)**
Depreciation of property, plant and equipment and right-of-use assets	**(4.9)**	**(1.1)**	**(0.5)**	**(6.5)**
Amortisation of intangible assets	**(0.6)**	**(2.7)**	**-**	**(3.3)**

H1 24	Currency £m	Authentication £m	Unallocated Central £m	Total of Continuing operations £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 credit	-	-	(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)

	Currency £m	**Authentication £m**	**Unallocated Central £m**	**Total of Continuing operations £m**
H1 25				
Segment assets	**172.6**	**81.7**	**39.9**	**294.2**
Segment liabilities	**(71.0)**	**(14.9)**	**(213.0)**	**(298.9)**
FY24				
Segment assets	155.3	83.3	55.7	294.3
Segment liabilities	(70.0)	(15.0)	(206.7)	(291.7)

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

H1 25	**Currency**	**Authentication**	**Total of Continuing operations**
	£m	**£m**	**£m**
Timing of revenue recognition:			
Point of time	**90.8**	**44.3**	**135.1**
Over time	**4.1**	**5.9**	**10.0**
	94.9	**50.2**	**145.1**

H1 24	Currency	Authentication	Total of Continuing operations
	£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

Geographic analysis of revenue

	H1 25	H1 24
	£m	£m
Middle East and Africa	**69.7**	68.7
Asia	**18.5**	16.6
UK	**13.1**	12.9
The Americas	**7.3**	23.9
Rest of Europe	**23.0**	23.0
Rest of World	**13.5**	16.4
	145.1	161.5

3 Exceptional Items

	H1 25	**Cash**	**Non-cash**	H1 24	Cash	Non-cash
	£m	**£m**	**£m**	£m	£m	£m
Site relocation and restructuring	**0.9**	**0.1**	**0.8**	7.9	3.0	4.9

Pension underpin costs	**0.1**	**0.1**	**-**	0.2	0.2	-
Costs associated with pension deferment and banking refinancing	**-**	**-**	**-**	3.0	2.5	0.5
Divesture costs	**4.5**	**0.8**	**3.7**	-	-	-
	5.5	**1.0**	**4.5**	11.1	5.7	5.4
Reversal of expected credit loss provision on other financial assets	**-**	**-**	**-**	(0.3)	(0.3)	-
Exceptional items in operating profit	**5.5**	**1.0**	**4.5**	10.8	5.4	5.4
Tax credit on exceptional items	**(0.9)**			(4.1)		
Net exceptional items after tax	**4.6**			6.7		

The cash flow impact of exceptional items was £0.8m in H1 25 (H1 24: £14.6m). H1 25 included the £1.0m above and a receipt of £0.2m from Portals Paper Limited which was settled in cash in relation to prior year exceptional items.

Site relocation and restructuring costs

Site relocation and restructuring costs in H1 25 of £0.9m (H1 24: £7.9m) included the following:

- the recognition of £0.9m (H1 24: £0.1m) of charges related to the closure activities for the Gateshead facility. These costs primarily relating to the costs, net of grant income received of £0.1m, of relocating assets to different Group manufacturing locations and redundancy costs. Since this program commenced, £10.0m of costs have been incurred in relation to this. This relocation of assets will continue into H2 25 as the Group continues its expansion of the manufacturing facilities in Malta, net of any grants received;

- In H1 24 a £6.5m charge for redundancy and legal fees (£3.2m) and property, plant and equipment impairments of £3.3m were made in relation to restructuring initiatives in both the Currency and Authentication 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; and

- In FY23, 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. As a result of the mothballing of operations in Kenya an exceptional charge of £1.3m was made in H1 24 including 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 inventories. No costs were incurred in relation to H1 25. Since this program commenced, £13.8m of costs have been incurred in relation to this. No further costs are expected in relation to this project in FY25.

Pension underpin costs

Pension underpin costs of £0.1m (H1 24: £0.2m) 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 £nil in H1 25 (H1 24: £3.0m). This included legal and professional advisor fees.

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 was £1.3m.

On the 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.

Divestiture costs

As set out in the Company's half year results on 19 December 2023 and in the Annual Report for FY24, the Board has been undertaking a review of the core strategic strengths of the Group and how best to optimise the underlying intrinsic value of the business for the benefit of all stakeholders. This review and analysis has included:

business for the benefit of all stakeholders. This review and analysis has included:

- recognising the improved order intake over the last year, and the future prospects for the Group's operating divisions and the Group as a whole;
- the accretive value creation that may be achieved with increased scale and capabilities in both of our operating divisions; and
- our commitment to reduce leverage and create greater financial flexibility in the funding structure of the Group as a whole.

This review, and associated learnings, has guided the Board in its process to evaluate strategic options for the Group and each division.

Proposed sale of the Authentication Division for £300m

On 15 October 2024, the Group announced that it had entered into a definitive agreement for the sale of the Group's Authentication Division to Crane NXT, Co ("Crane NXT") and its related entities for a cash consideration representing an enterprise value of £300m, of which 5% is to be held in escrow for up to 18 months following Completion.

This will realise significant capital and provides cash to the Group for the benefit of all stakeholders by unlocking the intrinsic value of the Authentication division. The proceeds will create a more resilient and flexible Group by:

- Repaying the Group's existing revolving credit facility in full and reducing leverage to a net cash position; and
- Significantly reducing the deficit on the Group's legacy defined benefit pension scheme ("Pension Scheme") by paying £30m as an associated contribution on Completion.

The Group has also agreed to pay an additional £12.5m in deficit repair contributions to the Pension Scheme over the period to April 2027, which will reduce the Pension Scheme deficit.

The completion of the Transaction is subject to a number of conditions, including implementation of a reorganisation to affect a divisional separation required to deliver the Authentication Division to Crane NXT on Completion and obtaining customary antitrust approvals. It is expected that Completion will occur during the first half of 2025.

In H1 25 £4.5m (H1 24: £nil) of divestiture costs have been incurred including separation costs, advisory costs relating to the banking and pensions implications and costs for the definitive agreement for the sale of the Authentication division to Crane NXT.

The project costs associated with the divestiture projects have been classed as exceptional items due to their size and nature as they relate to the operations that will become discontinued by sale.

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, management assessed the recoverability of the carrying value on the balance sheet and recorded an expected credit loss provision in relation to the original principal value and interest receivable, which was been recorded in exceptional items in FY23, 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 28 September 2024 of £nil (30 March 2024: £nil) included the original principal received and accrued interest amounts, fully offset by the expected credit loss provision.

During H1 24, 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 part of the £899,138 loan notes issued by Portals in November 2021. A credit of £0.3m was recognised in exceptionals relating to this unexpected repayment. A further £0.2m was received, again unexpectedly, in June 2024 in settlement of some of these other financial assets. In FY24 a £0.5m credit was reflected in exceptional items in FY24.

Management have assessed that no further amounts are expected to be received and hence no change has been made to the expected credit loss in H1 25.

Taxation relating to exceptional items

The tax credit within exceptional items in the period was £0.9m (H1 24: tax credit £4.1m).

Included within exceptional tax items is a tax credit of £0.6m relating to the release of uncertain tax positions. The balance of £0.3m credit within exceptional tax items relates to the tax impact on the exceptional costs before tax.

4 Interest income and expense

	H1 25	H1 24
	£m	£m
Recognised in the income statement		
Interest income:		
- Other Interest	**0.2**	0.1
Total interest income	**0.2**	0.1
Interest expense:		
- Interest on bank loans	**(6.3)**	(6.1)
- Other, including amortisation of finance arrangement fees	**(2.5)**	(2.1)
- Net loss on debt modification, including amortisation	**2.1**	(3.8)
- Interest on lease liabilities	**(0.2)**	(0.2)
Total interest expense	**(6.9)**	(12.2)

Retirement benefit obligation finance expense (note 9)	**(1.1)**	(1.3)
Net finance expense	**(7.8)**	(13.4)

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

The net loss on debt modification, including amortisation credit of £2.1m in H1 25 relates to the amortisation of previous losses on debt modification. The loss on debt modification, including amortisation in H1 24 of £3.8m included the losses 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).

The retirement benefit obligation finance expense is calculated under IAS 19 and represents the difference between the interest on pension liabilities and assets. The loss in H1 25 of £1.1m (H1 24: loss of £1.3m) was due to the opening pension valuation on an IAS 19 basis as at 30 March 2024 being a deficit of £51.6m.

5 Taxation

The total tax charge in respect of continuing operations for the H1 25 was £0.5m (H1 24: tax credit £5.6m) and comprised:

- £1.5m charge (H1 24: £1.4m credit) on adjusted loss after interest expense;
- £0.1m credit (H1 24: £0.1m credit) on the amortisation of acquired intangibles; and
- £0.9m credit (H1 24: £4.1m credit) 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 defendable position (based upon local accounting and legal advice) and is appealing previous judgments and communicating with the tax authority in relation to the disputed tax assessments. The Group's expected outcome of the disputed tax assessments is held within the relevant provisions in this H1 25 Interim Statement. During H1 25, a credit of £0.6m 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.

The deferred tax asset balance for the period is unchanged at £0.1m (FY24: £0.1m)

At H1 25 there were unrecognised deferred tax assets of £51.1m (FY24: £51.5m) comprising:

- £8.2m (FY24: £9.2m) relating to gross UK tax losses of £33.0m (FY24: £36.8m);
- £7.3m (FY24: £7.5m) relating to gross non-UK tax losses of £26.7m (FY24: £27.5m);
- £11.6m (FY24: £12.4m) relating to the UK pension deficit of £46.5m (FY24: £49.7m);
- £16.5m (FY24: £14.5m) relating to UK tax interest restrictions carried forward of £66.1m (FY24: £58.0m);
- £5.4m (FY24: £5.8m) relating to the UK fixed assets temporary differences of £21.7m (FY24: £23.2m);
- £2.1m (FY24: £2.1m) relating to other UK temporary differences of £8.3m (FY24: £8.3m).

Tax losses carried forward do not have an expiry date.

6 Earnings per share

	H1 25 pence per share	H1 24 pence per share
Earnings per share		
Basic earnings per share	**(4.1)**	(6.2)
Diluted earnings per share[1]	**(4.1)**	(6.2)
Adjusted earnings per share		
Basic earnings per share	**(1.5)**	(2.6)
Diluted earnings per share[1]	**(1.5)**	(2.6)
Number of shares (m)		
Weighted average number of shares	**196.0**	195.6
Dilutive effect of shares	**0.6**	0.3
	196.6	195.9

[1] The Group reported a loss from continuing operations attributable to the ordinary equity shareholders of the Company for H1 25. 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 25 £m	H1 24 £m
Earnings for basic earnings per share - Total	**(8.0)**	(12.2)
Add: amortisation of acquired intangibles	**0.5**	0.5
Add: exceptional items	**5.5**	10.8
Less: tax on amortisation of acquired intangibles	**(0.1)**	(0.1)
Less: tax credit on exceptional items	**(0.9)**	(4.1)
Earnings for adjusted earnings per share	**(3.0)**	(5.1)

Earnings for adjusted earnings per share	(3.0)	(5.1)

7 Financial risk

7(a) Financial Instruments

Carrying amounts versus the fair value

		Total fair value H1 25 £m	Carrying amount H1 25 £m	Total fair value FY24 £m	Carrying amount FY24 £m
Financial assets					
Trade and other receivables[1]	Level 3	**77.0**	**77.0**	60.7	60.7
Contract assets	Level 3	**9.1**	**9.1**	16.7	16.7
Cash and cash equivalents	Level 1	**20.2**	**20.2**	29.3	29.3
Derivative financial instruments:					
- Forward exchange contracts designated as cash flow hedges	Level 2	**0.9**	**0.9**	0.4	0.4
- 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	**0.9**	**0.9**	0.2	0.2
- Embedded derivatives	Level 2	**-**	**-**	0.1	0.1
Total financial assets		**108.2**	**108.2**	107.4	107.4
Financial liabilities					
Unsecured bank loans and overdrafts[2]	Level 2	**(129.6)**	**(129.6)**	(118.7)	(118.7)
Trade and other payables[3]	Level 3	**(54.1)**	**(54.1)**	(57.6)	(57.6)
Derivative financial instruments:					
- Forward exchange contracts designated as cash flow hedges	Level 2	**(1.9)**	**(1.9)**	(1.5)	(1.5)
- 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	**(0.9)**	**(0.9)**	(1.4)	(1.4)
- Embedded derivatives	Level 2	**(0.6)**	**(0.6)**	(0.3)	(0.3)
Total financial liabilities		**(187.2)**	**(187.2)**	(179.6)	(179.6)

1 Excludes prepayments of £6.8m (FY24: £6.4m), RDEC of £1.1m (FY24: £2.0m) and VAT recoverable of £1.7m (FY24: £3.7m).

2 Excludes unamortised pre-paid loan arrangement fees of £3.5m (FY24: £5.0m) and loss on debt modification of £1.4m (FY24: £3.5m).

3 Excludes social security and other taxation amounts of £1.5m (FY24: £1.9m), contract liabilities of £0.2m (FY24: £0.2m) and payments on account of £25.7m (FY24: £23.1m).

Trade receivables increased to £60.9m compared to £39.6m at FY24, driven mainly by the timing of customer payments.

Contract assets have decreased from £16.7m at FY24 to £9.1m at H1 25. This related to Currency contracts of £6.1m (FY24: £13.5m) and Authentication contracts of £3.0m (FY24: £3.2m).

Trade and other payables[3] have decreased from £57.6m at FY24 to £54.1m at H1 25, 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 hierarchy, described as follows, based on the lowest level input that is significant to 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.

28 September 2024	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
Non-derivative financial							

Non-derivative financial liabilities							
Unsecured bank loans[1]	**137.6**	**-**	**0.7**	**-**	**138.3**	**(8.7)**	**129.6**
Trade and other payables[2]	**54.1**	**-**	**-**	**-**	**54.1**	**-**	**54.1**
Obligations under leases	**3.0**	**2.9**	**5.3**	**23.5**	**34.7**	**(20.8)**	**13.9**
Derivative financial liabilities							
Gross amount payable from currency derivatives:							
- Forward exchange swap contracts designated as cash flow hedges*	**69.6**	**-**	**-**	**-**	**69.6**	**(67.7)**	**1.9**
- Short duration swap contracts designated as fair value hedges*	**24.7**	**-**	**-**	**-**	**24.7**	**(24.6)**	**0.1**
- Fair value hedges - other economic hedges*	**27.3**	**-**	**-**	**-**	**27.3**	**(26.4)**	**0.9**
	316.3	**2.9**	**6.0**	**23.5**	**348.7**	**(148.2)**	**200.5**

30 March 2024	**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**
Non-derivative financial liabilities							
Unsecured bank loans[1]	10.9	120.7	0.7	-	132.3	(13.6)	118.7
Trade and other payables[2]	57.6	-	-	-	57.6	-	57.6
Obligations under leases	2.9	2.2	4.2	23.1	32.4	(20.8)	11.6
Derivative financial liabilities							
Gross amount payable from currency derivatives:							
- Forward exchange swap contracts designated as cash flow hedges*	77.7	-	-	-	77.7	(76.2)	1.5
- Short duration swap contracts designated as fair value hedges*	28.7	-	-	-	28.7	(28.6)	0.1
- Fair value hedges - other economic hedges*	81.5	-	-	-	81.5	(80.1)	1.4
	259.3	122.9	4.9	23.1	410.2	(219.3)	190.9

Notes:

* Excludes embedded derivatives.

[1] Excludes unamortised prepaid borrowing fees of £3.5m (FY24: £5.0m) and loss on debt modification of £1.4m (FY24: £3.5m).

[2]Excludes social security and other taxation of £1.5m (FY24: £1.9m), contract liabilities of £0.2m (FY24: £0.2m) and payments on account of £25.7m (FY24: £23.1m).

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

28 September 2024	**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**
Non-derivative financial assets							
Trade and other receivables[1]	**77.0**	**-**	**-**	**-**	**77.0**	**-**	**77.0**
Contract assets	**9.1**	**-**	**-**	**-**	**9.1**	**-**	**9.1**
Cash and cash equivalents	**20.2**	**-**	**-**	**-**	**20.2**	**-**	**20.2**
Derivative financial assets							
Gross amount receivable from currency derivatives:							
- Forward exchange contracts designated as cash flow hedges*	**30.9**	**-**	**-**	**-**	**30.9**	**(30.0)**	**0.9**
- Short duration swap contracts designated as fair value hedges*	**13.4**	**-**	**-**	**-**	**13.4**	**(13.3)**	**0.1**
- Fair value hedges - other economic hedges*	**36.8**	**-**	**-**	**-**	**36.8**	**(35.9)**	**0.9**
	187.4	**-**	**-**	**-**	**187.4**	**(79.2)**	**108.2**

30 March 2024	**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**
Non-derivative financial assets							
Trade and other receivables[1]*	60.7	-	-	-	60.7	-	60.7

Contract assets	16.7	-	-	-	16.7	-	16.7
Cash and cash equivalents	29.3	-	-	-	29.3	-	29.3
Derivative financial assets							
Gross amount receivable from currency derivatives:							
- Forward exchange contracts designated as cash flow hedges*	18.4	-	-	-	18.4	(18.0)	0.4
- Short duration swap contracts designated as fair value hedges*	6.7	-	-	-	6.7	(6.7)	-
- Fair value hedges - other economic hedges*	25.9	-	-	-	25.9	(25.7)	0.2
	157.7	-	-	-	157.7	(50.4)	107.3

Notes:

* Excludes embedded derivatives.

1 Excludes prepayments of £6.8m (FY24: £6.4m), RDEC of £1.1m (FY24: £2.0m) and VAT recoverable of £1.7m (FY24: £3.7m).

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, bank loans, trade and other payables and other current liabilities have fair values that approximate to their carrying amounts due to their short-term nature.

Banking Facilities

The banking facilities expiration on 1 July 2025 remains unchanged.

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 28 September 2024:

Test	Requirement	Actual at 28 September 2024
EBIT to net interest payable	More than or equal to 1.0 times	1.49
Net debt to EBITDA	Less than or equal to 3.6 times	3.08
Minimum liquidity testing	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"	No breaches

As at 28 September 2024, the Group had a total of undrawn RCF committed borrowing facilities, all maturing in more than one year, of £31.1m (30 March 2024: £42.0m, all maturing in more than one year). The amount of loans drawn on the £160.0m RCF cash component is £128.9m as at 28 September 2024 (30 March 2024: £118.0m).

Guarantees of £34.1m (30 March 2024: £41.8m) have been drawn using the £75.0m guarantee facility. The accrued interest in relation to cash drawdowns outstanding as at 28 September 2024 is £0.3m (30 March 2024: £0.3m).

	Actual as at 28 September 2024 £m	Maximum Facility £m
Facilities:		
Cash	**128.9**	160.0
Bonds and guarantees	**34.1**	75.0
	163.0	235.0

A separate borrowing facility for financing equipment under construction is in place and at 30 September 2024 the amount outstanding on this facility is £0.7m (30 March 24: £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.

	At 30 March 2024 £m	Cash flow £m	Foreign exchange and other £m	At 28 September 2024 £m
Gross Borrowings	**(118.7)**	**(10.9)**	**-**	**(129.6)**
Cash and cash equivalents	**29.3**	**(11.2)**	**2.1**	**20.2**
Net Debt	**(89.4)**	**(22.1)**	**2.1**	**(109.4)**

	At 25 March 2023 £m	Cash flow £m	Foreign exchange and other £m	At 30 March 2024 £m
Gross Borrowings	(122.7)	4.0	-	(118.7)
Cash and cash equivalents	40.3	(10.6)	(0.4)	29.3

Net Debt	(82.4)	(6.6)	(0.4)	(89.4)

Net debt is presented excluding unamortised pre-paid borrowing fees of £3.5m (FY24: £5.0m), net loss on debt modification of £1.4m (FY24: £3.5m) and £13.9m (FY24: £11.6m) of lease liabilities.

	At 30 March 2024 £m	Cash flow £m	Non-cash movements £m	**At 28 September 2024 £m**
Unamortised pre-paid borrowing fees	5.0	(0.5)	(1.0)	**3.5**

Borrowings:

	28 September 2024				30 March 2024			
Reported within:	**Gross Borrowings**	**Unamortised pre-paid borrowing fees**	**Loss on debt modification**	**Total**	Gross Borrowings	Unamortised pre-paid borrowing fees	Loss on debt modification	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Current liabilities	**(128.9)**	**3.1**	**(1.4)**	**(127.2)**	-	-	-	-
Non-current liabilities	**(0.7)**	**0.4**	**-**	**(0.3)**	(118.7)	5.0	(3.5)	(117.2)
Total Borrowings	**(129.6)**	**3.5**	**(1.4)**	**(127.5)**	(118.7)	5.0	(3.5)	(117.2)

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.

Pension deficit funding

An actuarial valuation of the Scheme was undertaken as at 30 September 2023. This showed a Scheme deficit of £78m. As a result of this new valuation, on 18 September 2023, the Company and the Scheme Trustee agreed a new schedule to fund the deficit. The funding moratorium until July 2024 as preciously agreed was retained with the only payment being £1.25m due under the June 2023 Recover 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 Company has paid deficit reduction contributions to the Main Scheme of £2.0m over the period to 28 September 2024.

	H1 25 £m	FY24 £m
UK retirement benefit liability	**(46.5)**	(49.7)
Overseas retirement liability	**(1.9)**	(1.9)
Retirement benefit liability	**(48.4)**	(51.6)

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

	H1 25 UK £m	**H1 25 Overseas £m**	**H1 25 Total £m**	FY24 UK £m	FY24 Overseas £m	FY24 Total £m
Equities	**4.1**	**-**	**4.1**	3.9	-	3.9
Bonds	**93.5**	**-**	**93.5**	91.6	-	91.6
Secured/fixed income	**147.8**	**-**	**147.8**	91.7	-	91.7
Liability Driven Investment Fund	**122.6**	**-**	**122.6**	183.7	-	183.7
Multi Asset Credit	**30.6**	**-**	**30.6**	46.7	-	46.7
Qualifying insurance policy	**209.2**	**-**	**209.2**	214.1	-	214.1
Other	**22.1**	**-**	**22.1**	12.4	-	12.4
Fair value of scheme assets	**629.9**	**-**	**629.9**	644.1	-	644.1
Present value of funded obligations	**(672.2)**	**-**	**(672.2)**	(689.4)	-	(689.4)
Funded defined benefit pension schemes	**(42.3)**	**-**	**(42.3)**	(45.3)	-	(45.3)
Present value of unfunded obligations	**(4.2)**	**(1.9)**	**(6.1)**	(4.4)	(1.9)	(6.3)
Net deficit	**(46.5)**	**(1.9)**	**(48.4)**	(49.7)	(1.9)	(51.6)

Amounts recognised in the consolidated income statement:

	H1 25 UK	**H1 25 Overseas**	**H1 25 Total**	H1 24 UK	H1 24 Overseas	H1 24 Total

	£m	£m	£m	£m	£m	£m
Included in employee benefits expense:						
Current service cost	**-**	**-**	**-**	-	-	-
Administrative expenses and taxes	**(0.6)**	**-**	**(0.6)**	(0.6)	-	(0.6)
Included in interest on retirement benefit obligation net finance expense:						
Interest income on scheme assets	**15.2**	**-**	**15.2**	15.9	-	15.9
Interest cost on liabilities	**(16.3)**	**-**	**(16.3)**	(17.2)	-	(17.2)
Retirement benefit obligation net finance expense	**(1.1)**	**-**	**(1.1)**	(1.3)	-	(1.3)
Total recognised in the consolidated income statement	**(1.7)**	**-**	**(1.7)**	(1.9)	-	(1.9)
Return on scheme assets excluding assumed interest income	**(8.4)**	**-**	**(8.4)**	(65.2)	-	(65.2)
Remeasurement gains on defined benefit pension obligations	**10.4**	**-**	**10.4**	60.7	-	60.7
Amounts recognised in other comprehensive income	**2.0**	**-**	**2.0**	(4.5)	-	(4.5)

Principal actuarial assumptions:

	H1 25 UK %	**H1 25 Overseas %**	FY24 UK %	FY24 Overseas %
Discount rate	**5.00%**	**-**	4.90%	-
CPI inflation rate	**2.70%**	**-**	2.80%	-
RPI inflation rate	**3.10%**	**-**	3.20%	-

The financial assumptions adopted as at 28 September 2024 reflect the duration of the scheme liabilities which has been estimated to be broadly 12 years (FY24: broadly 13 years).

At 28 September 2024 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2023 (FY24: CMI_2022) with a smoothing parameter of 7.0 and a long-term future improvement trend of 1.25% per annum (FY24: long-term rate of 1.25% per annum) and w2023 parameter of 25% (FY24: w2022 parameter 20%). The resulting life expectancies within retirement are as follows:

		H1 25	FY24
Aged 65 retiring immediately (current pensioner)	Male	**21.4**	21.3
	Female	**23.6**	23.5
Aged 50 retiring in 15 years (future pensioner)	Male	**21.9**	21.8
	Female	**25.1**	25.0

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

Assumption change	**Change in assumptions**	**Increase in assumption approximate impact on liability**	**Decrease in assumption approximate impact on liability**
Discount rate	0.5% p.a.	Decrease by c£33.9m	Increase of c.£37.2m
Inflation (RPI and CPI inflation)	0.25% p.a.	Increase by c£6.9m	Decrease by c£8.6m
RPI inflation only	0.25% p.a.	Increase by c£0.7m	Decrease by c£0.7m
CPI inflation only	0.25% p.a.	Increase by c£6.2m	Decrease by c£7.9m
Life expectancy	1 year	Increase by c£28.4m	Decrease by c£28.2m

The liability sensitivities have been derived using the duration of the scheme based on the membership profile as at 30 September 2023 and assumptions chosen for H1 25. The sensitivity analysis does not allow for changes in scheme membership since the September 2023 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 30 March 2024	0.1	0.6	1.1	1.8
Charge for the period	0.2	-	0.1	0.3
Released in the period	-	(0.1)	(0.4)	(0.5)
At 28 September 2024	**0.3**	**0.5**	**0.8**	**1.6**
Reported:				
Current liabilities	0.3	0.5	0.2	1.0
Non-current liabilities	-	-	0.6	0.6

	0.3	0.5	0.8	1.6
Expected to be utilised within 1 year	**0.3**	0.5	0.2	1.0

Restructuring provisions

Restructuring provisions as at 28 September 2024 primarily related to redundancy and other employee termination costs as a result of restricting programmes within the Currency and Authentication divisions. The remaining provision is expected to be utilised in FY25.

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 employee related liabilities (£0.3m) and IBNR insurance claim provisions (£0.5m) 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.

Non-controlling interest percentage	**Ghana 51%**	**Sri Lanka 40%**	**Kenya 40%**	Ghana 51%	Sri Lanka 40%	Kenya 40%
	H1 25 £m	**H1 25 £m**	**H1 25 £m**	FY24 £m	FY24 £m	FY24 £m
Non-current assets	**0.2**	**5.2**	**0.1**	0.1	6.0	0.2
Current assets	**7.2**	**28.4**	**20.3**	7.1	30.0	20.3
Non-current liabilities	**-**	**(0.5)**	**-**	-	(0.5)	-
Current liabilities	**(4.8)**	**(9.1)**	**(11.3)**	(4.6)	(13.5)	(11.2)
Net assets (100%)	**2.6**	**24.0**	**9.1**	2.6	22.0	9.3
	H1 25 £m	**H1 25 £m**	**H1 25 £m**	H1 24 £m	H1 24 £m	H1 24 £m
Revenue	**5.9**	**18.2**	**-**	4.2	17.7	0.2
Profit/(loss) for the period	**0.5**	**2.1**	**(0.2)**	0.4	2.3	(0.1)
Profit/(loss) allocated to non-controlling interest	**0.3**	**0.8**	**(0.1)**	0.2	0.8	-
Dividends declared by non-controlling interest	-	-	-	-	-	-
Cash flows from operating activities	**0.3**	**(3.5)**	**-**	(2.2)	0.2	0.3
Cash flows from investing activities	**(0.2)**	**-**	**-**	-	(0.1)	0.1
Cash flows from financing activities	**-**	**-**	**-**	-	-	-
Net increase/(decrease) in cash and cash equivalents	**0.1**	**(3.5)**	**-**	(2.2)	0.1	0.4

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 £8.9m (H1 24: £12.7m) for the purchase of ink and other consumables on an arm's length basis. At the balance sheet date there was £2.7m (FY24: £3.7m) 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 FY23, 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 had been implicated. The Company still has not received any official direct communication of this investigation from the CBI-I but has learned about it from publicly available sources. 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.

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 25 £m	FY24 £m
Capital expenditure contracted but not provided:		
Property, plant and equipment	**6.7**	5.9
Lease commitments	**12.2**	13.3
	18.9	19.2

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: FY25

Financial year end **29 March 2025**

16 Subsequent events

A. United Kingdom Pension Benefits - High Court of Justice Ruling on Actuarial Confirmations

On the 16 June 2023, the High Court made a significant ruling in the case between Virgin Media and the NTL Pension Trustees II Limited (and others). The aim of this High Court case was to ascertain whether an amendment to a scheme's rules was invalid in the absence of a confirmation from the Scheme Actuary under Section 37 ("S37") of the Pension Schemes Act 1993.

If upheld, the High Court's decision could have wider implications, affecting other defined benefit pension schemes in the United Kingdom that were contracted-out on a salary-related basis between April 1997 and April 2016.

On 25 July 2024, the Court of Appeal dismissed the Virgin Media appeal and upheld the decision of the High Court. Therefore, in relation to amendments between April 1997 and April 2016, the changes to benefits - whether affecting past service benefits, future service benefits or both - required a S37 confirmation.

The Company has a contracted out defined benefit pension fund scheme. The pension fund trustee has determined that there were eight amendments in the scheme for the period from 1997 to 2013, noting that the scheme closed to accrual on 31 March 2013. In the period since 30 March 2024, the pension scheme administrators and trustee have carried out a full review of these amendments and historical actuarial certification dating back to 1997. As a result of this review, noted there are S37 amendments in place for six of the amendments, for another there is documentation to evidence the condition has been met and for the final one, lawyers have confirmed there is no impact on the Section 9(2B) rights. Therefore, there is no impact for the De La Rue Group as a result of this ruling.

B. Proposed sale of the Authentication Division for £300m

On 15 October 2024, the Group announced that it had entered into a definitive agreement for the sale of the Group's Authentication Division to Crane NXT, Co ("Crane NXT") and its related entities for a cash consideration representing an enterprise value of £300m, of which 5% is to be held in escrow for up to 18 months following completion.

This will realise significant capital and provides cash to the Group for the benefit of all stakeholders. The sale unlocks the intrinsic value of the Authentication division and the proceeds will create a more resilient and flexible Group by:

- Repaying the Group's existing revolving credit facility in full and reducing leverage to a net cash position; and
- Significantly reducing the deficit on the Group's legacy defined benefit pension scheme ("Pension Scheme") by paying £30m as an associated contribution on completion.

The Group has also agreed to pay an additional £12.5m in deficit repair contributions to the Pension Scheme over the period to April 2027, which will reduce the Pension Scheme deficit.

The completion of the Transaction is subject to a number of conditions, including:

- Implementation of a reorganisation to affect a divisional separation required to deliver the Authentication Division to Crane NXT on completion; and
- Obtaining customary antitrust approvals.

It is expected that completion will occur during the first half of 2025.

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, non-recurring fees relating to the management of historical scheme issues, restructuring of businesses and asset. 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 25 £m	H1 24 £m
Operating profit/(loss) from continuing operations on an IFRS basis	**1.3**	(3.4)
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**5.5**	10.8
Adjusted operating profit from continuing operations	**7.3**	7.9

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 25 £m	H1 24 £m
Loss attributable to equity shareholders of the Company	**(8.0)**	(12.2)
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**5.5**	10.8
Tax on amortisation of acquired intangible assets	**(0.1)**	(0.1)
Tax on exceptional items	**(0.9)**	(4.1)
Adjusted loss attributable to equity shareholders of the Company from continuing Operations	**(3.0)**	(5.1)
Weighted average number of ordinary shares for basic earnings	**196.0**	195.6

Continuing operations	**H1 25 pence per share**	H1 24 pence per share
Basic earnings per ordinary share on an IFRS basis	**(4.1)**	(6.2)
Basic adjusted earnings per ordinary share	**(1.5)**	(2.6)
Diluted adjusted earnings per ordinary share[1]	**(1.5)**	(2.6)

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the period (£8.0m), 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 £145.1m (H1 24: £161.5m). The covenant test uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	H1 25 £m	H1 24 £m
Loss for the period	**(7.0)**	(11.2)
Add back:		

Profit on discontinued operations	**-**	-
Taxation	**0.5**	(5.6)
Net finance expenses	**7.8**	13.4
Profit/(loss) before interest and taxation from continuing operations (Operating profit/(loss))	**1.3**	(3.4)
Add back:		
Depreciation of property, plant and equipment and right-of-use assets	**6.5**	6.2
Amortisation of intangible assets	**3.3**	2.8
EBITDA	**11.1**	5.6
Exceptional items	**5.5**	10.8
Adjusted EBITDA	**16.6**	16.4

Revenue £m	**145.1**	161.5
EBITDA margin	**7.6%**	3.5%
Adjusted EBITDA margin	**11.4%**	10.2%

The adjusted EBITDA split by division was as follows:

H1 25	**Currency £m**	**Authentication £m**	**Central £m**	**Total of continuing operations £m**
Operating profit/(loss) on IFRS basis	**0.5**	**5.7**	**(4.9)**	**1.3**
Add back:				
Net exceptional items	**0.6**	**-**	**4.9**	**5.5**
Depreciation of property, plant and equipment and right-of-use assets	**4.9**	**1.1**	**0.5**	**6.5**
Amortisation of intangible assets	**0.6**	**2.7**	**-**	**3.3**
Adjusted EBITDA	**6.6**	**9.5**	**0.5**	**16.6**

H1 24	Currency £m	Authentication £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

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 objectives.

H1 25	**Currency £m**	**Authentication £m**	**Central £m**	**Total of continuing operations £m**
Operating profit/(loss) on IFRS basis	**0.5**	**5.7**	**(4.9)**	**1.3**
Amortisation of acquired intangibles	**-**	**0.5**	**-**	**0.5**
Net exceptional items	**0.6**	**-**	**4.9**	**5.5**
Adjusted operating profit	**1.1**	**6.2**	**-**	**7.3**
Enabling function overheads	**11.2**	**5.3**	**(16.5)**	**-**
Adjusted controllable operating profit/(loss)	**12.3**	**11.5**	**(16.5)**	**7.3**

H1 24	Currency £m	Authentication £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

F Covenant Ratios

The following covenant ratios are applicable to the Group's banking facilities as at 28 September 2024.

1. Covenant net debt to EBITDA ratio

For covenant purposes the Net debt/EBITDA ratio was required to be less than or equal to 4.0 times until the Q4 2024 testing point. This then reduced to less than or equal to 3.6 times from Q1 FY25 through to the end of the current agreement to 1 July 2025.

The definitions of "covenant net debt" and "covenant EBITDA" are different to those provided in note C and D above. These are defined below:

defined below:

	H1 25 £m
Gross Borrowings	(129.6)
Cash and cash equivalents	20.2
Net debt (note 8)	**(109.4)**
Trapped and other cash adjustments per banking facilities agreement	(7.1)
Covenant net debt	**(116.5)**

	H1 25 £m
Adjusted EBITDA - FY24	39.3
Less: Adjusted EBITDA - H1 24 (note D)	(16.4)
Add: Adjusted EBITDA - H1 25 (note D)	16.6
Adjusted EBITDA for 12 months to 28 September 2024	**39.5**
Adjustments per banking facilities agreement:	
IFRS 16 leases adjustment	(2.9)
Bank guarantee fees	1.2
Covenant EBITDA	**37.8**

	H1 25 £m
Covenant net debt to EBITDA ratio	**3.08**

2. Covenant EBIT / net interest payable ratio

For covenant purposes the EBIT/net interest payable ratio is required to be more than or equal to 1.0 times.

The definition of "covenant EBIT" and "covenant net interest payable" are provided below:

	H1 25 £m
Adjusted operating profit - FY24	21.0
Less: Adjusted operating profit - H1 24	(7.9)
Add: Adjusted operating profit - H1 25	7.3
Adjusted operating profit for 12 months to 28 September 2024	**20.4**
Adjustments per banking facilities agreement:	
IFRS 16 leases adjustment	(0.3)
Bank guarantee fees	1.2
Covenant EBIT	**21.3**

	FY24 £m	Less H1 24 £m	Add H1 25 £m	12 months to H1 25 £m
Interest on bank loans	12.3	(6.1)	6.3	**12.5**
Other, including amortisation of finance arrangement fees	3.7	(2.1)	2.5	**4.1**
Interest income	(0.5)	0.1	(0.2)	**(0.6)**
Adjustments per banking facilities agreement:				
Exclude: arrangement fees	(2.5)	1.6	(1.9)	**(2.8)**
Exclude: other including amortisation of finance arrangement fees	(0.2)	0.1	-	**(0.1)**
Include: bank guarantee fees	1.2	(0.6)	0.6	**1.2**
Covenant net interest payable	14.0	(7.0)	7.3	**14.3**

	H1 25 £m
Covenant EBIT / net interest payable ratio	**1.49**

Covenant test results as at 28 September 2024:

Test	**Requirement**	**Actual at 28 September 2024**
EBIT to net interest payable	More than or equal to 1.0 times	**1.49**
Net debt to EBITDA	Less than or equal to 3.6 times	**3.08**
Minimum liquidity testing	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".	**No breaches**

G Free cash flow

Free cash flow is a Key Performance Indicator for the Group and shows how much cash is being generated for shareholders and is a metric used in assessment of the Group's Performance Share Plan. Free cash flow is defined below:

	H1 25 £m	H1 24 £m
Cash (used in)/generated from operating activities	**(8.2)**	16.6
Add back: Pension recovery plan payments	**2.0**	-
Deduct: Purchases of property, plant and equipment (net of grants received)	**(1.3)**	(0.8)
Deduct: Purchases of software intangibles and development assets capitalised	**(2.5)**	(2.1)
Deduct: Lease liability payments	**(1.5)**	(1.3)
Deduct: Interest paid	**(6.9)**	(8.3)
Free cash flow	**(18.4)**	4.1

-ENDS-

END

IR TBBLTMTABBRI