

Registration number: 00058025

**De La Rue Holdings Limited**  
**Annual Report and Financial Statements**  
**For the Period from 1 April 2018 to 30 March 2019**



# **De La Rue Holdings Limited**

## **Corporate Information**

**Directors** E H D Peppiatt  
J F Hermans (alternate director for E H D Peppiatt)  
H M Willis  
L S Roche

**Company Secretary** J F Hermans

**Registered office** De La Rue House  
Jays Close  
Viables  
Basingstoke  
Hampshire  
RG22 4BS  
United Kingdom

**Auditors** Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## De La Rue Holdings Limited

### Strategic Report for the period from 1 April 2018 to 30 March 2019

The Directors present their strategic report for the period from 1 April 2018 to 30 March 2019.

#### Fair review of the business

As a holding company, the main objective of the Company is to ensure that the investments maximise the Company's shareholder returns.

In its half year results condensed consolidated financial statements for the period to 28 September 2019, the DLR Group announced that the business had gone through a period of unprecedented change, with the Chairman, CEO, senior independent director and most of the executive team leaving or resigning in the period and that it had observed significant changes in the Currency market in the first half of the year which resulted in a material impact in volumes and profitability. Consequently in order to improve the DLR Group performance, the Group is undertaking a detailed review of its operations, costs, and product and service portfolios. Consequently, the Directors of the Company have assessed the recoverability of the investment in subsidiary balances reflecting the current expectations for future profitability of the Group. This has resulted in impairments of £171,445,000 being booked in the period (2018: nil)

During the year, charges in respect of exceptional items of £2,130,000 were recorded (2018: £5,506,000. These comprised site relocation and restructuring charges £2,299,000 (2018: £1,464,000) and a credit associated with the disposal of the paper business of £169,000 (2018: £3,994,000 charge).

Dividend income from investments of £4,000,000 (2018: £10,000,000) was received in the year. The subsidiaries and associated undertakings are disclosed in note 16 to these financial statements.

The strategies and objectives of the companies in which De La Rue Holdings Limited holds an investment are set out in the published financial statements of its ultimate parent company De La Rue plc a copy of which can be obtained from the Company Secretary of De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS or on the company's website at [www.delarue.com](http://www.delarue.com)

The Company will continue to operate in accordance with its principal activities.

#### Key performance indicators

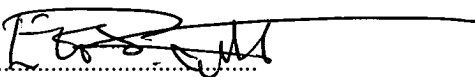
The Directors monitor and manage the performance of each investment against its published financial statements and against the key performance indicators (KPIs) of De La Rue plc Group because the Company's Directors believe that analysis using KPIs specifically for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. Details of the Group's KPIs, which includes the Company, are set out in the Strategic Report section on page 35 of the 2019 annual report of De La Rue plc, which does not form part of this report.

#### Principal risks and uncertainties

The Company operates in a changing economic and competitive environment that presents risks, many of which are driven by factors that cannot easily be controlled or predicted.

The key risks facing the Company, its subsidiaries and associate investments are disclosed in the Risk and Risk Management section, pages 36 to 41 of the 2019 Annual Report of De La Rue plc. Since the 2019 Annual report was issued there are two additional notable risk factors. Firstly, the Serious Fraud Office have opened up an investigation into De La Rue Group and secondly there has been a rapid change in market conditions which is impacting on our debt covenant ratios. These do not form part of this report.

Approved by the Board on 17 December 2019 and signed on its behalf by:



E H D Peppiatt  
Director

## **De La Rue Holdings Limited**

### **Director's Report for the Period from 1 April 2018 to 30 March 2019**

**Registered number: 00058025**

The Directors present their report and the financial statements for the period from 1 April 2018 to 30 March 2019.

#### **Directors of the Company**

The Directors who held office during the period and at the date of signing this report were as follows:

E H D Peppiatt

J F Hermans (alternate director for E H D Peppiatt)

H M Willis (appointed 30 July 2018)

L S Roche

#### **Employee involvement**

Details of employee related costs can be found in note 9 to the financial statements. The company follows the employment policies of the De La Rue Group, details of which are set out on pages 42 to 49 of the Annual Report of De La Rue plc which does not form part of this report. This may be summarised as follows: The Company aims to employ people of high quality and encourages creativity and innovation. It recognises individual and team contributions and will give all employees the chance to develop their potential. The Company promotes employee involvement through a policy of communication and consultation. The Company's intranet communication channels, and more traditional house notices, are further strengthened through regular briefings; a two-way communications programme designed to maximise dialogue.

The Company offers equal opportunities in recruitment, training and promotion and in terms and conditions of employment, irrespective of gender, transgender status, sexual orientation, religion or belief, marital status, age, colour, nationality, national origin, disability or trade union affiliation. All managers are required to ensure that all employees understand their responsibility for the active implementation of Company policy.

The Company sustains strategic management development initiatives to enhance the commercial awareness of its managers and to improve shareholder value.

#### **Employment of disabled persons**

If an employee becomes disabled during when in the Company's employment, full support is given through the provision of special training, equipment or other resources to facilitate continued employment wherever possible. All managers are required to ensure that all employees understand their responsibility for the active implementation of Company policy.

#### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

#### **Going concern**

The Directors believe that the Company is a going concern based on its net asset position and the expected future cash flows of investee Companies and inter-company counterparties.

The Director's note that the DLR Group condensed consolidated financial statements for the half year period ended 28 September 2019 were prepared on a going concern basis, but in those condensed consolidated financial statements the Directors concluded that there was a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern given the limited headroom on the net debt to EBITDA banking covenant. The following statement was made in the DLR Group condensed consolidated financial statements for the period ended 28 September 2019:

*The Directors have considered a number of factors in concluding on the Going Concern assumption including the Group's trading results in the first six months of FY 2019/20 and its impact on future performance, the*

## De La Rue Holdings Limited

### Directors' Report for the period from 1 April 2018 to 30 March 2019 (continued)

#### Going concern (continued)

*continued access to credit facilities and the Group's ability to operate within its banking covenants, in particular the net debt/EBITDA covenant. As described on page 33 of the 2019 Annual Report, the Group meets its funding requirements through cash generated from operations and a revolving credit facility which expires in December 2021.*

*The Group's principal risks are set out on pages 36 to 40 of the 2019 annual report and page 11 of the De La Rue 2019/20 condensed consolidated half-year financial results. The Group's current financial position is set out in the De La Rue 2019/20 condensed consolidated half-year financial results on page 16.*

*As at the 28 September 2019 the Group's net debt was £170.7m and the net debt/EBITDA ratio adjusted for the basis of the banking covenant was 2.72 times, both of which are significantly higher than previously forecast.*

*During the first six months of FY 2019/20 the Group generated lower adjusted operating profit as a result of significant changes since the start of the year in the market for Currency, including pricing pressure and lower volumes as a result of reduced overspill demand (which is difficult to predict). In addition the Group's working capital increased by £35.1m driven primarily by high levels of inventory partly attributable to changes in production and delivery schedules by customers (£21.8m); higher receivables due to growth in PA&T volumes and higher receivables in Currency due to the timing of payments (£5.8m) and a reduction in payables (£7.5m) due to a reduction in advanced payments and settlements of employee related accruals.*

*The Board believes that significant changes in the Board and Executive teams, along with a restructuring of the business has contributed to the poor performance of the business in the period. This has contributed to a larger variance between forecasts and performance than has been experienced historically.*

*The new Chief Executive has now engaged the Company in a turnaround plan as detailed on page 4 of the De La Rue 2019/20 condensed consolidated half-year financial results, in order to set a new vision for the Company and its divisions which reduces costs, improves cash management, accelerates the restructuring (specifically targeting company-wide overhead cost reduction) and repositions the company in its market places.*

*Following the challenging trading in the first six months of FY2019/20, the Group has prepared revised forecasts for the Going Concern period. These forecasts indicate that the Group can continue to operate within its banking covenant ratio Net Debt/EBITDA  $\leq 3.0$  times.*

*A series of plausible downside scenarios were also prepared (with their impact on EBITDA and net debt modelled) reflecting the adverse trading environment and binary nature of the large currency contracts that underpin the Group's business model. The most significant of the plausible scenarios reflect: the performance risk and timing of revenue recognition on jobs for delivery in P11 and P12 FY 2019/20; the risk that the Group is not able to generate the necessary cost savings to enable a significant contract to deliver required profitability levels and cashflow risk associated with the unwind of the working capital build from H1.*

*In addition to the above, the following other plausible downsides were modelled: a further deterioration in trading conditions; additional costs arising associated with contingent liabilities and the Group's growth areas generating lower than forecasted margin.*

*The revised forecasts prepared by management indicate that the Group can continue to operate within its banking covenant ratio Net Debt/EBITDA  $\leq 3.0$  times. In addition, the plausible downside risks referred to above continue to be actively managed to mitigate the impact on EBITDA and net debt. However, given the more binary nature of the most significant plausible downside scenarios, if more than one of these were to occur concurrently without mitigation the Group would breach its net debt/EBITDA ratio. Therefore, we have concluded there is a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern. In mitigation the Directors have suspended future dividends and management is focused on delivering the Company turnaround plan.*

## **De La Rue Holdings Limited**

### **Directors' Report for the period from 1 April 2018 to 30 March 2019 (continued)**

#### **Going concern (continued)**

The Company is a joint guarantor to the DLR Group Revolving Credit Facility and as such, in the event of the DLR Group breaching its covenants and the Groups debt being called by the banking syndicate the guarantee could be invoked which would likely result in a winding up of the company. As a result, the Directors have concluded that there is a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

#### **Disclosure of information to the auditor**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which the auditor is unaware.

#### **Reappointment of auditors**

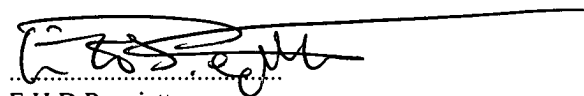
The auditor Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Post balance sheet event**

On 14 October 2019 the Group completed the sale of the international Identity Solutions business to HID Corporation Limited, an ASSA ABLOY Group company, for a cash consideration of £42m on a cash-free, debt-free basis. This resulted in the Company selling the following direct and indirect wholly owned subsidiaries – De La Rue Services Limited, De La Rue Angola Limitada, De La Rue Kenya Limited and De La Rue Caribbean Limited.

In the De La Rue 2019/20 Half Year results, charges of £7.8m were recorded relating to the Group's reorganisation into two Divisions. The £7.8m primarily related to provisions for the estimated costs of redundancies in addition to consultant and advisor fees. An element of these charges will be recorded in the De La Rue Holdings financial statements in the period ended 28 March 2020.

Approved by the Board on 17 December 2019 and signed on its behalf by:



E H D Peppiatt  
Director

## **De La Rue Holdings Limited**

### **The Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements for the period from 1 April 2018 to 30 March 2019**

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 'FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditor's Report to the member of De La Rue Holdings Limited**

### **Opinion**

We have audited the financial statements of De La Rue Holdings Limited for the year ended 30 March 2019 which comprise the Statement of Comprehensive Loss, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to the Directors report on pages 4, 5 and 6 in the financial statements. This indicates that, if one or more of the most significant modelled downside scenarios (which are binary in nature) impacting the Group were to occur concurrently in the going concern period, without mitigation, a breach of covenants relating to the Group's revolving credit facility would occur.

As stated on pages 4,5 and 6, and in Note 2 on page 16 these events or conditions along with other matters set forth in the same section explaining the guarantee that this company has given in relation to the revolving credit facility, indicate that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.



## **Independent Auditor's Report to the members of De La Rue Holdings Limited (continued)**

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Independent Auditor's Report to the members of De La Rue Holdings Limited  
(continued)**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP.*

John Flaherty (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date *18 December 2014*

# De La Rue Holdings Limited

## Profit and Loss Account for the period from 1 April 2018 to 30 March 2019

	Note	1 April 2018 to 30 March 2019 Total £ 000	26 March 2017 to 31 March 2018 Total £ 000
Turnover		-	-
Administrative expenses		(11,926)	(8,141)
Exceptional items	6	(2,130)	(5,506)
(Loss)/profit on disposal of operations	16, 29	-	(75)
Other operating income	4	1,825	1,947
Operating loss	5	(12,231)	(11,775)
Dividend income received from group undertaking		4,000	10,000
Amounts written off investments		(171,525)	-
Other interest receivable and similar expenses	7	16,702	12,498
Interest payable and similar charges	8	(29,335)	(21,803)
Loss before taxation		(192,389)	(11,080)
Taxation	12	2,256	313
Loss for the financial period		(190,133)	(10,767)

The notes on pages 15 to 37 form an integral part of these financial statements.

## De La Rue Holdings Limited

### Statement of Comprehensive loss from 1 April 2018 to 30 March 2019

	Note	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Loss for the period		<u>(190,133)</u>	<u>(10,767)</u>
Total comprehensive loss for the period		<u>(190,133)</u>	<u>(10,767)</u>

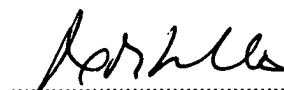
The notes on pages 15 to 37 form an integral part of these financial statements.

# De La Rue Holdings Limited

## Balance Sheet as at 30 March 2019

	Note	30 March 2019 £ 000	31 March 2018 £ 000
<b>Non current assets</b>			
Intangible assets	13	1,536	1,186
Tangible assets	14	-	-
Investment property	15	14,536	14,343
Investments	16	562,126	733,398
Derivative financial instruments	17	230	240
		<u>578,428</u>	<u>749,167</u>
<b>Current assets</b>			
Debtors:	18		
amounts falling due within one year		37,960	44,131
amounts falling due after one year		<u>681,694</u>	<u>624,907</u>
		719,654	669,038
Derivative financial instruments	17	8,642	6,598
Cash at bank and in hand	19	<u>74,256</u>	<u>44,034</u>
		802,552	719,670
<b>Creditors: Amounts falling due within one year</b>	20	<u>(1,146,546)</u>	<u>(1,044,166)</u>
<b>Net current liabilities</b>		<u>(343,994)</u>	<u>(324,496)</u>
<b>Total assets less current liabilities</b>		234,434	424,671
<b>Creditors: Amounts falling due after more than one year</b>	20	(230)	(240)
<b>Provisions for liabilities</b>	21	<u>-</u>	<u>(210)</u>
<b>Net assets</b>		<u>234,204</u>	<u>424,221</u>
<b>Capital and reserves</b>	23		
Called up share capital		-	-
Capital redemption reserve		333	217
Profit and loss account		<u>233,871</u>	<u>424,004</u>
<b>Total equity</b>		<u>234,204</u>	<u>424,221</u>

Approved and authorised by the Board on 17 December 2019 and signed on its behalf by:



H M Willis  
Director

The notes on pages 15 to 37 form an integral part of these financial statements.

## De La Rue Holdings Limited

### Statement of Changes in Equity for the period from 1 April 2018 to 30 March 2019

	Share capital £ 000	Capital Redemption reserve £000	Profit and loss account £ 000	Total £ 000
Balance at 26 March 2017	-	-	434,771	434,771
Loss for the period	-	-	(10,767)	(10,767)
Total comprehensive loss for the period	-	-	(10,767)	(10,767)
Transactions with owners in their capacity as owners:				
Share based payments	-	217	-	217
Balance at 31 March 2018	-	217	424,004	424,221

	Share capital £ 000	Capital Redemption reserve £000	Profit and loss account £ 000	Total £ 000
Balance at 1 April 2018	-	217	424,004	424,221
Loss for the period	-	-	(190,133)	(190,133)
Total comprehensive loss for the period	-	-	(190,133)	(190,133)
Transactions with owners in their capacity as owners:				
Share based payments	-	116	-	116
Balance at 30 March 2019	-	333	233,871	234,204

The notes on pages 15 to 37 form an integral part of these financial statements.

## **De La Rue Holdings Limited**

### **Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019**

#### **1 General information**

The Company is a private company limited by shares incorporated in England and Wales.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### **Basis of preparation**

These financial statements have been prepared under the historical cost accounting rules in accordance with applicable accounting standards modified to include certain financial instruments at fair value. The accounts have been prepared as at 30 March 2019, being the last Saturday in March. The comparatives for the 2018 financial period are for the period ended 31 March 2018.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The Company's ultimate parent undertaking, De La Rue plc includes the Company in its consolidated financial statements. The consolidated financial statements of De La Rue plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company Secretary, De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Disclosures in respect of transactions with wholly owned subsidiaries;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of De La Rue plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.
- Share based payment – share based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash settles share based payments, explanation of modifications to arrangements.

The Company proposes to continue to adopt the above exemptions in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## **De La Rue Holdings Limited**

### **Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019**

#### **2 Accounting policies (continued)**

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' report on pages 1 to 6.

The Director's have prepared these financial statements on a going concern basis however, have identified a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. More details are included in the Directors report.

##### **Exemption from preparing group accounts**

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

These financial statements present information about the Company as an individual undertaking and not about its group. De La Rue Holdings Limited and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, De La Rue plc, a company registered in England and Wales.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the individual transactions or if hedged forward at the rate of exchange under the related forward contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account, except those arising on long term foreign currency borrowings used to finance or hedge foreign currency investments (to the extent that they match the exchange differences on the foreign currency investments) which are taken directly to shareholders equity.

##### **Tax**

The tax expense included in the profit and loss account comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, including adjustments in respect of prior periods, using tax rates enacted or substantively enacted by the balance sheet date. Tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax is provided on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the asset is realized for the liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill not deductible for tax purposes, or result from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 2 Accounting policies (continued)

##### Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost includes directly attributable incremental costs incurred in their acquisition and installation.

##### Investment properties

Investment properties are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised through the profit and loss account.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principles set out in FRS 102. The Directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
All other plant and equipment	Evenly over estimated remaining life at rates between 4% and 50%
Fixtures and fittings (within plant and equipment)	10% per annum
Assets in course of construction	No depreciation is provided
Other leasehold interests	Over the unexpired period of the lease

##### Intangible assets - software

Software assets are amortised over their useful economic lives as determined the period of time over which the Company expects to receive the economic benefits from them.

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Software	Ranging from 20% to 33%

## **De La Rue Holdings Limited**

### **Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019**

#### **2 Accounting policies (continued)**

##### **Investments**

Fixed asset investments are stated at cost or valuation in the balance sheet, less provision for any impairment in the value of the investment. Dividends receivable from investments are recognised in the profit and loss account when paid, or when approved by the shareholders.

In accordance with FRS102, in the case of a dividend income from a subsidiary, which reduces the value of that subsidiary below its carrying amount in the books of the parent, dividend receipts will be credited against the carrying amount of the investment on the balance sheet.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

##### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

##### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

##### **Provisions**

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

## **De La Rue Holdings Limited**

### **Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019**

#### **2 Accounting policies (continued)**

##### **Leases**

Operating lease rentals are charged to the profit and loss account as incurred.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

##### **Dividends**

Dividends unpaid at the balance sheet date are only recognised as a liability to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

##### **Defined benefit pension obligation**

The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Company's finances. The scheme is a defined benefit scheme and is closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer. The Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Group, De La Rue International Limited, which pays all contributions to the scheme and hence these are not shown in these Company accounts.

##### **Share based payments**

De La Rue Holdings Limited participates in various share settled share option schemes in the shares of De La Rue plc. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholder's funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that are actually expected to vest, taking into account non market vesting conditions (including service conditions). Vesting conditions, other than non market conditions, are not taken into account when estimating the fair value.

For cash settled share options, the services received from employees are measured at the fair value of the liability for options outstanding and recognised in the profit and loss account on a straight-line basis over the vesting period. The fair value of the liability is remeasured at each reporting date and at the date of settlement with changes in fair value recognised through the profit and loss account.

Where De La Rue plc grants share options over its shares to the employees of the Company, these awards are accounted for by De La Rue plc as an additional investment in its subsidiary. Any payment made by the subsidiary undertakings in respect of these arrangements are treated as a return of this investment. Share based payments were previously recharged to subsidiaries and recorded via the intercompany loan account.

##### **Financial instruments**

###### ***Classification***

Where the Company enters into financial guarantee contracts, to guarantee the indebtedness of other companies within the group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

##### **Interest**

Interest is recognised in the profit and loss account on an accrual basis.

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 3 Critical accounting estimates and areas of judgement

The Company makes estimates and assumptions concerning the future, and the outcome may differ from that calculated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

The Company assesses its subsidiaries for indicators of impairment at each reporting date. When indicators of impairment are identified, the assessment of the value of each investment requires estimates in respect of the future values of the Company's subsidiaries.

The Directors consider items of income and expenditure which are both material by size and/or by nature and non-recurring should be disclosed separately in the financial statements so as to help provide an indication of the Company'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.

#### 4 Other operating income

The analysis of the company's other operating income for the period is as follows:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Other operating income	1,825	1,947

#### 5 Operating loss

Arrived at after charging/(crediting)

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Depreciation expense	-	2
Amortisation expense	387	16
Impairment of investment in group undertaking	171,525	-
Loss on disposal of investment property	8	-
Operating lease expense - plant and machinery	11	19
Revaluation of investment property	(910)	(423)
Foreign exchange loss	812	567

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 6 Exceptional Items

	1 April 2018 to 30 March 2019	26 March 2017 to 31 March 2018
	£'000	£'000
Site relocation and restructuring	1,288	1,850
Costs/(credit) associated with the CPS disposal	1,011	(386)
(Credit)/costs associated with the Paper business disposal	(169)	3,994
Acquisition related	-	48
	2,130	5,506

Site relocation and restructuring costs of £1.3m have been incurred relating to the final stages of the upgrade of our finance system and processes which included staff compensation payments, personnel costs for individuals solely employed to work on the project, and consultancy fees (2018: £1.9m).

Costs of £1m have been incurred associated with the winding down of remaining activities relating to CPS (2018: net credit of £0.4m).

A net credit of £0.2m has been recorded in relation to the finalising of remaining activities relating to the Paper business disposal (2018: costs of £4m).

In the prior period, acquisition related costs included £0.1m of professional advisor fees incurred in relation to the 2017 acquisition of DuPont Authentication Inc.

#### 7 Other interest receivable and similar income

	1 April 2018 to 30 March 2019	26 March 2017 to 31 March 2018
	£ 000	£ 000
Interest income on bank deposits	1,026	450
Interest income on loans to group undertakings	15,676	12,048
	16,702	12,498

#### 8 Interest payable and similar expenses

	1 April 2018 to 30 March 2019	26 March 2017 to 31 March 2018
	£ 000	£ 000
Interest on bank overdrafts and borrowings	2,722	954
Interest payable on loans from group undertakings	26,613	20,849
	29,335	21,803

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 9 Staff costs

The average number of persons employed by the Company (including Directors) during the period, analysed by category was as follows:

	1 April 2018 to 30 March 2019 No.	26 March 2017 to 31 March 2018 No.
United Kingdom	48	47

The aggregate payroll costs (including directors' remuneration) were as follows:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Wages and salaries	5,769	5,800
Social security costs	716	715
Pension costs, defined benefit scheme	304	315
Share-based payment expenses	112	588
	<u>6,901</u>	<u>7,418</u>

#### 10 Directors' remuneration

During the period Messrs E H D Peppiatt and J F Hermans, and Mrs H M Willis were employed by De La Rue plc and Mrs L S Roche was employed by De La Rue Holdings Limited and all were remunerated in respect of their services to the Group as a whole by their employing companies. Their emoluments are dealt with in those companies' financial statements. Mrs L S Roche did not receive remuneration directly in respect of her service as a Director of the Company.

#### 11 Auditor's remuneration

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Audit of the financial statements	15	10

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 12 Taxation

Tax credited in the income statement

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
<b>Current taxation</b>		
Foreign tax	-	2
Adjustments in respect of prior periods	4	-
Total current income tax	4	2
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(2,526)	(352)
Arising from changes in tax rates and laws	266	37
Total deferred taxation	(2,260)	(315)
Tax charge/(credit) in the income statement	(2,256)	(313)

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Loss before tax	(192,389)	(11,080)
Corporation tax credit at standard rate of 19% (2018: 19%)	(36,554)	(2,105)
Tax on apportioned controlled foreign company profits	52	194
Adjustment for prior periods	63	(436)
Non-taxable dividends received	(760)	(1,900)
Impairment of investments not deductible for tax purposes	32,590	-
Reduction in tax rate on deferred tax balances	266	37
Foreign tax	-	2
Group relief	1,200	3,287
Permanent differences	887	608
Total current tax credit	(2,256)	(313)

#### Factors which may affect future tax rate

A reduction in the UK tax rate from 20 per cent to 19 per cent (effective from April 2017) then 17 per cent (effective from April 2020) was substantively enacted on 26 October 2015 and 6 September 2016 respectively. Deferred tax has been recognised at a rate of 17% reflecting the rate that was substantively enacted at the balance sheet date.

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 13 Intangible assets

	Software £ 000	Total £ 000
<b>Cost or valuation</b>		
At 31 March 2018	2,456	2,456
Additions	737	737
At 30 March 2019	3,193	3,193
<b>Amortisation</b>		
At 31 March 2018	1,270	1,270
Amortisation charge	387	387
At 30 March 2019	1,657	1,657
<b>Carrying amount</b>		
At 30 March 2019	1,536	1,536
At 31 March 2018	1,186	1,186



## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 14 Tangible assets

<b>Property, plant and equipment</b>	<b>Furniture, fittings and equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 31 March 2018	154	154
Additions	-	-
At 30 March 2019	154	154
<b>Depreciation</b>		
At 31 March 2018	154	154
Charge for the period	-	-
At 30 March 2019	154	154
<b>Carrying amount</b>		
At 30 March 2019	-	-
At 31 March 2018	-	-

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 15 Investment property

Fair value	£ 000
At 31 March 2018	14,343
Disposals	(717)
Revaluation	910
At 30 March 2019	<u>14,536</u>

Investment property comprises freehold and long leasehold land and buildings. The fair value of the Company's investment property at 30 March 2019 has been arrived at on the basis of a valuation carried out by Gerald Eve LLP, on an open market value basis at 30 March 2019. Gerald Eve LLP are not connected with the Company.

If investment properties were stated on an historical basis rather than a fair value basis, the amounts would have been included as follows:

	Freehold land and buildings £ 000	Long leasehold land and buildings £ 000	Total £ 000
<b>Cost</b>			
At 31 March 2018	25	20,643	20,668
Disposals	-	-	-
At 30 March 2019	<u>25</u>	<u>20,643</u>	<u>20,668</u>
<b>Depreciation</b>			
At 31 March 2018	-	10,974	10,974
Charge for the period	-	413	413
At 30 March 2019	<u>-</u>	<u>11,387</u>	<u>11,387</u>
<b>Carrying amount</b>			
At 30 March 2019	<u>25</u>	<u>9,256</u>	<u>9,281</u>
At 31 March 2018	<u>25</u>	<u>9,669</u>	<u>9,694</u>

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 16 Investments in subsidiaries, joint ventures and associates

	30 March 2019 £ 000	31 March 2018 £ 000
Investments in subsidiaries	562,126	733,398
<b>Subsidiaries</b>		<b>£ 000</b>
<b>Cost or valuation</b>		
At 31 March 2018		1,106,549
Additions		253
Disposals		-
At 30 March 2019		1,106,802
<b>Provision</b>		
At 31 March 2018		373,151
Impairment charge		171,525
Eliminated on disposal		-
At 30 March 2019		544,676
<b>Carrying amount</b>		
At 30 March 2019		562,126
At 31 March 2018		733,398

In the opinion of the Directors the value of investments in subsidiary undertakings is not less than that shown in the balance sheet.

During the period £253,000 has been invested predominantly in a new subsidiary undertaking De La Rue Security Technology (Beijing) Co. Ltd (2018:an additional investment of £2,000,000 was made in De La Rue International Limited by way of a purchase of additional share capital).

During the period £80,000 of impairment charges were recognised in relation to the impairment of investments in subsidiaries where their value was not fully recoverable (2018; £nil).

During the period £4,000,000 of dividend income (2018: £10,000,000) was received from a subsidiary.

In its half year results condensed consolidated financial statements for the period to 28 September 2019, the DLR Group announced that the business had gone through a period of unprecedented change, with the Chairman, CEO, senior independent director and most of the executive team leaving or resigning in the period and that it had observed significant changes in the Currency market in the first half of the year which resulted in a material impact in volumes and profitability. Consequently in order to improve the DLR Group performance, it is undertaking a detailed review of its operations, costs, and product and service portfolios. The Directors of the Company have assessed the recoverability of the investment in subsidiary balances by considering both recoverability through value in use and expected returns on capital based on the distributable reserves of the subsidiary companies. Based on the Director best estimates, impairments of £171,445,000 being booked in the period.

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 16 Investments in subsidiaries, joint ventures and associates (continued)

##### Details of undertakings

Details of the investments in which the Company holds directly or indirectly 20% or more of the nominal value of any class of share capital are as follows. Unless otherwise stated all Group owned shares are ordinary:

Name of undertaking	Country of incorporation	Nature of business	Proportion of voting rights and shares held
De La Rue International Limited	UK	Trading	100%
De La Rue Overseas Limited	UK	Holding	100%
De La Rue Finance Limited	UK	Internal financing	100%
De La Rue Investments Limited	UK	Holding	100%
Portals Group Limited	UK	Holding	100%
Bradbury Wilkinson Holdings Limited (in liquidation)	UK	(in liquidation)	100%
De La Rue Consulting Services Limited	UK	Trading	100%
De La Rue Healthcare Trustee Limited	UK	Dormant	100%
De La Rue Pension Trustee Limited	UK	Dormant	100%
De La Rue Scandinavia Limited	UK	Holding Company	100%
Harrison & Sons Limited <sup>(a)</sup>	UK	Non-trading	100%
Portals Holdings Limited	UK	Dormant	100%
Portals Property Limited	UK	Trading	100%
<i>De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS</i>			
The Burnhill Insurance Company Limited	Channel Islands	Insurance	100%
<i>Level 5, Mill Court, La Charroterie, St Peter Port, GY1 1EJ, Guernsey</i>			
De La Rue (Guernsey) Limited	Channel Islands	Non-trading	100%
<i>PO Box 142, The Beehive, Rohais, St Peter Port, GY1 3HT, Guernsey</i>			
Thomas De La Rue and Company (Ireland) Limited	Ireland	Dormant	100%
<i>Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2, Ireland</i>			

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 16 Investments (continued)

Name of undertaking	Country of incorporation	Nature of business	Proportion of voting rights and shares held
De La Rue Currency and Security Print Limited	Malta	Trading	100%
De La Rue Services Limited	Malta	Trading	100%
<i>B40/43 Industrial Estate, Bulebel, Zejtun, Malta</i>			
De La Rue BV	The Netherlands	Trading	100%
<i>Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands</i>			
Harrison & Sons Sp. Zo.o	Poland	Dormant	100%
<i>Mokotowska 24, 00-561, Warsaw, Poland</i>			
De La Rue (Sverige) AB	Sweden	Non-trading	100%
<i>Box 14055, 104 40, Stockholm, Sweden</i>			
Thomas De La Rue A.G	Switzerland	Holding	100%
<i>Rue de Morat 11, 1700 Fribourg, Switzerland</i>			
De La Rue North America Holdings Inc <sup>(b)</sup>	USA	Holding	100%
<i>8333 N.W. 53<sup>rd</sup> Street, Suite 502, Doral, Florida 33166, United States</i>			
De La Rue Authentication Solutions Inc <sup>(b)</sup>	USA	Trading	100%
<i>1750 North 800 West, Logan, Utah 84321, USA</i>			
De La Rue Canada One Limited	Canada	Trading	100%
<i>1400-340 Albert Street, Ottawa, ON K1R 0A5, Canada</i>			
De La Rue Cash Systems Industrias Limitada <sup>(c)</sup>	Brazil	Non-trading	100%
De La Rue Cash Systems Limitada <sup>(c)</sup>	Brazil	Trading	100%
<i>Rua Boa Vista, 254, 13<sup>th</sup> Floor, Suite 41, Centro, Sao Paulo, 01014-90 Brazil</i>			
De La Rue Caribbean Limited	Saint Lucia	Trading	100%
<i>Meridian Place, Choc Estate, Castries, Saint Lucia</i>			
De La Rue Currency and Security Print Limited	Kenya	Trading	100%
De La Rue Kenya EPZ Limited	Kenya	Trading	100%
De La Rue Kenya Limited	Kenya	Trading	100%
<i>ABC Towers, 6<sup>th</sup> Floor, ABC Place, Waiyaki Way, Nairobi, Kenya</i>			

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 16 Investments (continued)

Name of undertaking	Country of incorporation	Nature of business	Proportion of voting rights and shares held
De La Rue Angola Limitada	Angola	Trading	100%
<i>Rua Engracia Fragoso 60, Edificio Kalunga Atrium, Escritorio 104, Letra D, Distrito Urbano da Ingombota, Luanda, Angola</i>			
De La Rue Commercial Services Limited	Nigeria	Trading	100%
<i>7<sup>th</sup> Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria</i>			
De La Rue West Africa SARL	Senegal	Trading	100%
<i>VDN Keur Gorgui Imm Hermes 1, 2e Etage No 16, Dakar-Liberte, BP 10700, Senegal</i>			
De La Rue Global Services (SA)(Pty) Limited	South Africa	Non-Trading	100%
<i>3<sup>rd</sup> Floor, 54 Melrose Boulevard, Melrose Arch, Gauteng, 2196, South Africa</i>			
De La Rue Security Technology (Beijing) Co.Ltd	China	Trading	100%
<i>1011, 10F Office Building No.1 Guanghai Road Chaoyang District, Beijing, China</i>			
Thomas De La Rue (Hong Kong) Limited	Hong Kong	Trading	100%
<i>Suite 1106-8, 11/F Tai Yau Building, No 181 Johnson Road, Wanchai, Hong Kong</i>			
De La Rue Lanka Currency and Security Print (Private) Limited	Sri Lanka	Trading	60%
<i>No 9/5 Thambiah Avenue, Colombo 7, Sri Lanka</i>			
De La Rue India Private Limited	India	Trading	100%
<i>333, 3<sup>rd</sup> Floor, Devika Tower, 6 Nehru Place, New Delhi 110019, India</i>			
De La Rue Currency and Security Print Pte Ltd	Singapore	Non-Trading	100%
<i>80 Raffles Place, #32-01, UOB Plaza, 048624, Singapore</i>			
De La Rue Asia SDN. BHD.	Malaysia	Dormant	100%
<i>230A, Jalan Bandar 13, Tamam Melawati, 53100 Kuala Lumpur, Wilayah Persekutuan, Malaysia</i>			
De La Rue Australia Pty Limited	Australia	Trading	100%
<i>PO Box 453, Collins Street, West Melbourne, Victoria 8007, Australia</i>			
De La Rue FZCO	United Arab Emirates	Trading	100%
<i>Dubai Airport Free Zone Authority, Building 6 West Wing A, Office #820, PO Box 371683, Dubai, UAE</i>			
De La Rue Communication and information Technology Limited	Saudi Arabia	Trading	100%
<i>Akaria Plaza, Gate "D", Level 6, Olaya Main St, Riyadh, Kingdom of Saudi Arabia</i>			
<b>Associates</b>			
Fidink S.A	Switzerland	Trading	33%

<sup>(a)</sup> Ordinary shares, cumulative preference shares and deferred shares

<sup>(b)</sup> Common stock

<sup>(c)</sup> Quotas

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 16 Investments (continued)

On 14 October 2019 the Group completed the sale of the international Identity Solutions business to HID Corporation Limited. This resulted in the Company selling the following direct and indirect wholly owned subsidiaries – De La Rue Services Limited, De La Rue Angola Limitada, De La Rue Kenya Limited and De La Rue Caribbean Limited.

#### 17 Other financial assets and liabilities (current and non-current)

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date. Interest rate swaps are measured by reference to third party bank confirmations and discounted cash flows using the yield curves in effect at the balance sheet date.

The carrying amounts of financial assets and liabilities are all held at fair value through the profit or loss.

The amounts of financial assets held at fair value are as follow:

	30 March 2019 £ 000	30 March 2019 £ 000	31 March 2018 £ 000	31 March 2018 £ 000
	Current	Non Current	Current	Non current
Cash	74,256	-	44,034	-
Cash flow hedges	6,660	30	4,814	189
Short duration swaps	26	-	73	-
Other economic hedges	1,874	157	1,691	51
Interest rate swaps	82	43	20	-
	<u>8,642</u>	<u>230</u>	<u>6,598</u>	<u>240</u>

The amounts of financial liabilities held at fair value are as follow:

	30 March 2019 £ 000	30 March 2019 £ 000	31 March 2018 £ 000	31 March 2018 £ 000
	Current	Non Current	Current	Non current
Unsecured bank loans and overdrafts	16,600	-	16,702	-
Cash flow hedges	6,660	30	4,814	189
Short duration swaps	464	-	158	-
Other economic hedges	1,874	157	1,691	51
Interest rate swaps	82	43	20	-
	<u>9,080</u>	<u>230</u>	<u>6,683</u>	<u>240</u>

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 18 Debtors

	Note	30 March 2019 £ 000	31 March 2018 £ 000
Trade debtors		388	99
Amounts owed by Group Undertakings		715,822	664,733
Other debtors		239	3,098
Prepayments		487	649
Deferred tax asset		2,718	459
		<u>719,654</u>	<u>669,038</u>

A further deferred tax asset has not been recognised in relation to capital losses (£0.8m) as there is insufficient evidence that this asset will be recoverable.

Debtors includes £681,694,000 (2018 - £624,907,000) receivable after more than one year. These represent amounts owed by group undertakings.

Amounts owed by group undertakings are interest bearing, unsecured and can be repaid early at the request of the lender. Interest rate charges on group loans with subsidiaries are based on the appropriate currency LIBOR rate and an interest margin determined by the creditworthiness of the borrower.

The Directors of the Company have assessed the recoverability of the intercompany receivable balances by considering the repayment plans agreed with the counterparty, or where appropriate the future operating cash flows expected to be generated by those companies.

#### 19 Cash and cash equivalents

	30 March 2019 £ 000	31 March 2018 £ 000
Cash at bank	74,256	44,034
	<u>74,256</u>	<u>44,034</u>



## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 20 Creditors

	Note	30 March 2019 £ 000	31 March 2018 £ 000
<b>Due within one year</b>			
Loans and borrowings	24	16,599	18,170
Trade creditors		562	431
Amounts due to Group Undertakings		1,118,232	1,014,043
Other payables		947	924
Accrued expenses		1,126	3,915
Derivative financial instruments	17	9,080	6,683
		<u>1,146,546</u>	<u>1,044,166</u>
<b>Due after one year</b>			
Amounts owed to Group Undertakings		-	-
Derivative financial instruments	17	230	240
		<u>1,148,776</u>	<u>240</u>

Amounts owed to group undertakings are interest bearing, unsecured and can be repaid early at the request of the lender. Interest rate charges on group loans with subsidiaries are based on the appropriate currency LIBOR rate and an interest margin determined by the creditworthiness of the borrower.

#### 21 Provisions for liabilities

	Other provisions £ 000	Total £ 000
At 31 March 2018	210	210
Charge for the year	-	-
Provisions utilized	<u>(210)</u>	<u>(210)</u>
At 30 March 2019	<u>-</u>	<u>-</u>

Other provisions relate to provisions held for restructuring and reorganisation costs associated with the redesign of the organizational structure referred to in note 6 (2018/19: £210,000).

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 22 Pension and other schemes

##### Defined benefit pension schemes

The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme and is closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer but the Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Company, De La Rue International Limited, which pays all contributions to the scheme and hence these are not shown in the Company accounts. Full details of the scheme and its deficit (measured on an IAS 19R basis) can be found in note 24 to the De La Rue plc Annual Report.

#### 23 Share capital and reserves

##### Allotted, called up and fully paid shares

	30 March 2019 £ 000	31 March 2018 £ 000
4 (2018:4) Ordinary shares of 0.25p each	-	-

Ordinary shares have full rights in the Company with respect to voting, dividends and distributions.

##### Reserves

###### *Profit and loss account*

Cumulative profit and loss, net of distributions to owners.

###### *Capital redemption reserve*

With effect from the current financial period, this represents cumulative share based payment charge in relation to equity settled and cash settled option schemes granted in the ultimate parent undertaking De La Rue plc to employees of the Company. Share based payments were previously recharged to subsidiaries and recorded via the intercompany loan account.

#### 24 Loans and borrowings

	30 March 2019 £ 000	31 March 2018 £ 000
Current loans and borrowings		
Bank overdrafts	16,599	18,170

## **De La Rue Holdings Limited**

### **Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019**

#### **25 Share-based payments**

At 30 March 2019, a number of the Company employees participated in three share settled share option schemes in the shares of De La Rue plc. The Company recognises and measures its share based payment expense on the basis of a reasonable allocation of the expense recognised for the Group.

The required disclosures are therefore included in the consolidated financial statements of De La Rue plc.

##### **Annual Bonus Plan**

Awards under the Annual Bonus Plan are made to Executive Directors of De La Rue plc and selected senior executives within the Group, on achievement of the annual bonus targets set at the beginning of the financial year, and comprise both a cash element and a share element.

Sixty per cent of the annual bonus is payable immediately in cash. The remaining forty per cent is payable in deferred shares. Fifty per cent of the share based awards under the Plan vest a minimum period of one year after the cash payout, and the remaining balance of shares two years after the cash payout, while the award holder remains an employee within the Group. Awards may vest early where employment ceases in specified good leaver circumstances and awards in these circumstances will vest in full in accordance with the rules of the Plan.

Additional awards may be made equivalent in value to the amount of dividends that would have been received since the award date in respect of the number of shares that the participant acquires under the Plan.

##### **Performance Share Plan**

Awards are made annually to Executive Directors of De La Rue plc and selected senior executives within the Group generally following the announcement of results.

Awards vest after three or four years if relevant post grant performance targets have been met. Awards may be allowed to vest early where employment ceases, in specified good leaver circumstances, and in these circumstances performance conditions and apportionment for the time that the award has been held shall be applied in accordance with the rules of the Plan.

##### **Savings related share option scheme**

The Scheme is open to all UK employees. Options are granted at the prevailing market price at the time of the grant (with a discretionary discount of a maximum of 20% to the market share price), to employees who agree to save between £5 and the maximum savings amount offered per month over a period of three years.

There are no performance conditions attached to the options. After the three year term has expired, employees normally have six months in which to decide whether or not to exercise their options. A pre-vesting forfeiture rate of 10 per cent has been assumed on new options granted in the year based on historic experience.

## **De La Rue Holdings Limited**

### **Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019**

#### **26 Contingent liabilities**

During the prior period the Group extended the revolving credit facility by two years to a maturity date of December 2021 and also increased the facility size from £250m to £275m. The Company has jointly guaranteed the bank borrowings of Group companies under the Group £275m revolving credit facility. At 30 March 2019, the amount of loans drawn down on the £275m facility is £119.1m (31 March 2018: £65.0m). The amount guaranteed is £275m (2018: £250m). Refer to the going concern section of the Directors report.

#### **27 Immediate and ultimate parent undertaking**

The immediate parent undertaking of the Company is DLR (No.1) Limited and the ultimate parent undertaking is De La Rue plc, both of which are registered in England and Wales. The De La Rue plc Group is the only group of companies which the Company is a member for which consolidated group financial statements are prepared. Copies of the Group financial statements are available from the Company secretary, De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

#### **28 Events since the balance sheet date – Non-adjusting event**

On 14 October 2019 the Group completed the sale of the international Identity Solutions business to HID Corporation Limited, an ASSA ABLOY Group company, for a cash consideration of £42m on a cash-free, debt-free basis. This resulted in the Company selling the following direct and indirect wholly owned subsidiaries – De La Rue Services Limited, De La Rue Angola Limitada, De La Rue Kenya Limited and De La Rue Caribbean Limited.

In the De La Rue 2019/20 Half Year results, charges of £7.8m were recorded relating to the Group's reorganisation into two Divisions. The £7.8m primarily related to provisions for the estimated costs of redundancies in addition to consultant and advisor fees. An element of these charges will be recorded in the De La Rue Holdings financial statements in the period ended 28 March 2020.

## De La Rue Holdings Limited

### Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019

#### 29 Disposal of assets

In the prior period, the Company transferred certain property assets of the paper business into a newly created subsidiary, Portals De La Rue Limited, wholly owned by De La Rue International Limited.

The loss on disposal is shown below:

Loss on disposal of assets:

	30 March 2019 £ 000	31 March 2018 £ 000
Amounts paid/payable by purchaser	-	13,475
Net assets disposed of	-	(13,560)
Loss on disposal	-	(85)

In the prior period, the Group completed the sale of Portals De La Rue Limited to Whickerco Limited, a company owned by EPIRIS Fund II, including the transfer of the entire share capital of De La Rue Mexico Commercial S.A de C.V, a wholly owned subsidiary of the Company.

The profit on disposal is shown below:

Profit on disposal of investments:

	30 March 2019 £ 000	31 March 2018 £ 000
Amounts paid/payable by purchaser	-	10
Cost of investments disposed of	-	-
Gain on disposal	-	10

A total loss on disposal of £nil (2018: loss of £75,000) has been recognised.

#### 30 Lease Commitments

Total commitments for Land and Buildings are as follows:

	30 March 2019 £ 000	31 March 2018 £ 000
Within 1 year	31	31
Within 2-5 years	123	123
Over 5 years	764	795
	918	949