

Registration number: 00355881

De La Rue Overseas Limited
Annual Report and Financial Statements
for the Period from 1 April 2018 to 30 March 2019

THURSDAY



A8KNU7SH

A34

19/12/2019

#127

COMPANIES HOUSE

De La Rue Overseas Limited

Corporate Information

Directors E H D Peppiatt
J F Hermans (alternate Director)
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
United Kingdom

De La Rue Overseas Limited

Directors' Report for the period from 1 April 2018 to 30 March 2019

Registered number: 00355881

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 were as follows:

E H D Peppiatt

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

L S Roche

Employee involvement

The Company has no employees (2018: none). The Director's remuneration is borne by other Group companies and no Director received additional remuneration for their role as a Director of De La Rue Overseas Limited. If it had employees, the Company would follow the employment policies of the De La Rue plc Group, details of which are set out in the Responsible Business section on pages 42 to 49 of the 2019 Annual Report of De La Rue plc which does not form part of this report.

Result and dividend

The Company received interest income in the current year of £601,000 (2018: £660,000). The Directors do not recommend the payment of a dividend (2018: £nil). The retained profit of £601,000 (2018: £660,000) has been transferred to reserves.

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 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.

De La Rue Overseas Limited

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

Going concern (continued)

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 ≤ 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 ≤ 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.

The Company's net assets primarily comprise intercompany balances due from other Group companies who are joint guarantors to the DLR Group Revolving Credit Facility. In the event of the DLR Group breaching its covenants and the banking syndicate calling the debt, the guarantee could be invoked which may result in a winding up of those companies. As a result the Company may not be able to recover its receivables from the Group companies who have provided this guarantee. This could result in the Company not having sufficient resources to continue and as 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.

Political contributions

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

De La Rue Overseas Limited

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

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 they know the auditor is unaware.

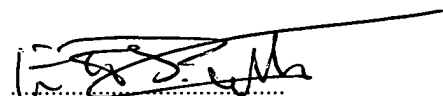
Reappointment of auditors

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

Small companies' exemption

In preparing this report, the Directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006. The Directors have also taken advantage of the small companies' exemption from preparing the Strategic Report.

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

A handwritten signature in black ink, appearing to read 'E H D Peppiatt', is written over a dotted line.

E H D Peppiatt
Director

De La Rue Overseas Limited

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

The Directors are responsible for preparing the 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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 them to ensure that the financial statements comply with the Companies Act 2006. They are 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 members of De La Rue Overseas Limited

Opinion

We have audited the financial statements of De La Rue Overseas 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 10, 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 profit 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 page 2 and 3 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 page 2 and 3, and in Note 2 on page 13, these events or conditions along with other matters set forth in the same section explaining the dependency that this company has on other entities within the group impacted by such a breach, 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

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

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.

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 3, 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 Overseas 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 Overseas Limited

Statement of Comprehensive Income for the period 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
Turnover		-	-
Operating profit/(loss)		-	-
Other interest receivable and similar income	3	601	660
		601	660
Profit before Taxation		601	660
Taxation	5	-	-
Total comprehensive income for the financial period		601	660

The notes on pages 12 to 15 form an integral part of these financial statements.

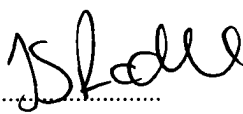
De La Rue Overseas Limited
Balance Sheet as at 30 March 2019

	Note	30 March 2019 £ 000	31 March 2018 £ 000
Current assets			
Debtors:	6		
amounts falling due within one year		288	225
Amounts falling due over one year		24,144	23,544
		<u>24,432</u>	<u>23,769</u>
Cash at bank and in hand	7	377	439
Net assets		<u>24,809</u>	<u>24,208</u>
Capital and reserves			
Called up share capital	8	2,500	2,500
Share premium reserve		1,500	1,500
Other reserves		18,544	18,544
Retained profit		<u>2,265</u>	<u>1,664</u>
Shareholder's funds		<u>24,809</u>	<u>24,208</u>

These accounts have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime of the Companies Act 2006.

The notes on pages 12 to 15 form an integral part of these financial statements.

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



 L S Roche
 Director

De La Rue Overseas Limited

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

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
Balance at 26 March 2017	2,500	1,500	18,544	1,004	23,548
Profit for the period	-	-	-	660	660
Other Comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	660	660
Balance at 31 March 2018	2,500	1,500	18,544	1,664	24,208

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
Balance at April 2018	2,500	1,500	18,544	1,664	24,208
Profit for the period	-	-	-	601	601
Other Comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	601	601
Balance at 30 March 2019	2,500	1,500	18,544	2,265	24,809

The notes on pages 12 to 15 form an integral part of these financial statements.

De La Rue Overseas 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 UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared under the historical cost accounting rules in accordance with applicable accounting standards. 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 purpose of this FRS) and has taken advantage of the exemptions available under paragraph 1.12 of FRS 102 in respect of the following disclosures:

- the requirement to prepare a statement of cash flows;
- the non-disclosure of key management personnel compensation; and
- certain financial instrument disclosures as included in the consolidated financial statements of the Group in which the Company is consolidated.

Tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purpose.

De La Rue Overseas Limited

Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019 (continued)

2 Accounting policies (continued)

Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

Interest

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

Going concern

The Directors 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.

Critical accounting estimates and areas of judgement

The Company makes estimates and assumptions concerning the future, and the outcome may differ from that calculated. There are no 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.

3 Other interest receivable and similar income

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Interest income on bank deposits	36	203
Interest income on loans to group undertakings	565	457
	<u>601</u>	<u>660</u>

4 Directors' emoluments and auditors remuneration

The Directors and all other staff engaged on the Company's operations received no fees or other remuneration from the Company (2018: £nil). During the period under review Messrs J F Hermans and E H D Peppiatt were employed by De La Rue plc. Mrs L S Roche was employed by De La Rue Holdings Limited. All Directors were remunerated in respect of their services to the Group as a whole by their employing companies and no Director received any additional remuneration for their role as a Director of De La Rue Overseas Limited. Their emoluments are dealt within their respective companies' financial statements. There are no persons employed by the Company (2018: none).

The auditors' remuneration was borne by another Group company.

De La Rue Overseas Limited

Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019 (continued)

5 Taxation

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
Profit before tax	601	660
Corporation tax at standard rate at 19% (2018: 19%)	114	125
Permanent differences	(114)	(125)
Total tax charge	-	-

Factors that may affect future tax charges

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. This will reduce the UK group's future current tax charge accordingly.

6 Debtors

	30 March 2019 £ 000	31 March 2018 £ 000
Amounts owed by group undertakings	24,432	23,769

Debtors includes £24,144,000 (2018: £23,544,000) 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 repayment plans agreed with the counterparty, or where appropriate the future operating cash flows expected to be generated by those companies.

7 Cash and cash equivalents

	30 March 2019 £ 000	31 March 2018 £ 000
Cash at bank	377	439

De La Rue Overseas Limited

Notes to the Financial Statements for the period from 1 April 2018 to 30 March 2019 (continued)

8 Share Capital and reserves

Allotted, called up and fully paid shares

	30 March 2019		31 March 2018	
	No. 000	£ 000	No. 000	£ 000
2,500,000 Ordinary shares of £1 each	2,500	2,500	2,500	2,500

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

Reserves

Share premium

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

Profit and loss account

Cumulative profit and loss, net of distributions to owners.

9 Immediate and ultimate parent undertaking

The immediate parent undertaking of the Company is De La Rue Holdings 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 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.

10 Related party transactions

The Company has taken advantage of the exemption contained in FRS102, Section 33 (Related Party Disclosures) from disclosing transactions with other members of the Group.