

Registration number: 00720284

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

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De La Rue International Limited

Corporate Information

Directors	E H D Peppiatt J F Hermans 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 United Kingdom

De La Rue International 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.

Principal activity

The Company is primarily a trading company and engages in selling products to both the Group's external customers and also to companies within the De La Rue Group. The Company is also a holding company. Its strategic objective is to further develop its leading position as a commercial provider of banknotes in addition to investing and growing business lines that are exposed to high growth markets, specifically Polymer, Security Features, Identity Solutions and Product Authentication.

Delivery of the strategy continues to focus on building on the Company's track record in innovation, sophisticated design capability and in the production and delivery of high quality products and services in an industry with high barriers to entry. The Company seeks to build long term relationships with its customers and form trusted partnerships where its experience and the quality of its products and services add value.

In prior periods, the Company disposed of a number of subsidiaries following the sale by the De La Rue Group of the Cash Processing Solution business in 2016/17 and the paper business in 2017/18, and substantially reduced the value of its investments. During the current period no adjustments for the provision for impairment on investments were made (2018: £nil), and no dividends were received from investments (2018: £nil). The Company's subsidiaries are disclosed in note 15 to these financial statements.

The strategies and objectives of the companies in which De La Rue International Limited holds an investment are set out in, and are in line with those published in the consolidated 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.

Fair review of the business

Currency

Overall, the Currency business benefitted from the high volumes from Banknote Print and Polymer. The Company achieved good volumes in Banknote Print of 7.5bn notes (2017/18: 7.3bn). Polymer volumes increased in the year by 23% to 998 tonnes (2017/18: 810 tonnes), and security features volume was up 24% year on year.

Product Authentication and Traceability

Revenue and operating profit decreased during the period due to the loss of operating profits for the paper business, and the impact of upfront costs associated with the set up of the tax stamp projects in the UAE and Kingdom of Saudi Arabia. We anticipate the profit levels of this division to increase going forward, as upfront costs are not repeated. Momentum in government revenue solutions (GSR) has gathered pace and will drive the PA&T business forward over the next three years.

Identity Solutions

Identity solutions revenue was lower in the period with lower volumes seen in the international identity business which was partially offset by increased UK passport demand following a spike in demand at year end. Operating profit was higher, as the prior year profit level was adversely affected by a £3.7m write off of the bid costs, associated to the UK Passport retender.

With effect from 1 April 2018, the Company provides Security Features to Portals De La Rue Limited for inclusion in the paper which they manufacture, and which the Company subsequently purchases back. Prior to the disposal these sales would have been eliminated in these statutory accounts. Consequently, as these Security

De La Rue International Limited

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

Features sales are now to an external company, they are not eliminated and this has contributed to the substantial growth in revenue during the period. The Company has carefully considered the nature of this arrangement and considers it appropriate to record the Security Features sales to Portals as revenue. Portals is not an associate of the Company and does not constitute a related party, and the relationship is that of a third party with risk for the products passing to Portals upon sale.

Following the Portals sale, the Company now purchases banknote paper from Portals and sells this to other companies within the De La Rue Group at nil margin. This has contributed to a significant increase in revenue as an element of these sales would have been intercompany in the prior period and eliminated in these statutory accounts.

Exceptional items

During the year a net charge in respect of exceptional items of £24,291,000 was recorded (2018: credit of £74,930,000 which primarily related to the gain on revaluation of the pension scheme deficit of £80,500,000 following the change in indexation method from RPI to CPI) which primarily related to the credit loss of £18,100,000 recognised for a customer in Venezuela. For further details see note 6.

Outlook and future developments

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

Currency

The total amount of cash in world circulation has been growing at c3% a year over the past decade and is expected to continue to increase at a similar rate in coming years. There has been a growing trend that more central banks are changing their procurement practice, moving from fixed contracts to tendering. Although many customers buy finished banknotes from a single supplier, some use multiple suppliers. This model involves separating their note buying into individual components: printing, substrate and security features.

Most bank notes are printed by the state print works (SPWs) of their issuing country. The rest are printed by commercial banknote printers. The commercial bank note print market is highly concentrated, with four major operators sharing two thirds of the market. De La Rue is the market leader with 28% market share.

SPWs regularly turn to commercial providers for help in fulfilling demand, known as 'overspill'. Overspill orders typically account for 2% to 4% of the market and can have a profound effect on the commercial printing market. Conversely, the unpredictability of overspill creates market volatility.

In the half year to 28 September 2019, the DLR Group has experienced that whilst the underlying Currency market continues to grow, the market is impacted by the more unpredictable overspill activity, customers' irregular buying patterns and rapid demand changes. Current customer demand is resulting in over-capacity in the industry, which has led to lower margins and a weaker pipeline of orders. With overspill volumes in banknote print expected to reduce year-on-year, we are continuing with our programme to optimise our banknote print capacity with expected long-term demand. We aim to maintain a leading market position in banknote print and security features, and to focus our innovation in developing technology and products customers want to buy. We will continue to grow our polymer substrate business.

As central banks seek to reduce the cost of printing cash, polymer is becoming more popular due to its durability, sustainability and greater security. Forty two countries have already issued or are about to issue one or more denominations on polymer. De La Rue expect the market to double in size by 2023. Currently there are only two

De La Rue International Limited

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

commercial suppliers of polymer substrate. Although second in the market, De La Rue has been growing fast and now has 20% share by volume.

Customers are increasingly looking to gain the benefits of added value security features such as threads and holograms, making the ownership of such innovations an attractive opportunity. Almost all countries purchase security features on the commercial market. Compared to print and polymer, the security features market is fragmented, with more than a dozen suppliers. De La Rue is the third largest commercial supplier of security features.

Product authentication & traceability market

A significant increase in counterfeit goods and illicit trade means governments are losing billions of dollars in tax revenues. This undermines legitimate businesses and brand owners, erodes consumer confidence and puts their health at risk.

Excisable fast moving consumer goods such as tobacco and alcohol are widely recognised to be among the most illegally traded products in the world. The need to protect tax revenue, together with continuing changes to government policy due to international treaties (such as the EU Tobacco Products Directive and the World Health Organisation Framework Convention on Tobacco Control) are the key factors behind growth in the tax stamp market.

For global commercial organisations, revenue loss from counterfeit goods remains a real threat to brands and consumer confidence. There is a growing trend towards integrated, end to end solutions. These provide a combination of highly secure labels, unique ID, and systems that can track, trace and authenticate products throughout the supply chain.

Identity solutions market

The global identity market, including passports, ID cards, and associated digital solutions, is valued at around £3.9bn today and expected to grow at c6% a year. Although many countries have in-house security print capabilities, many still choose to buy printing or individual components from the commercial market. More than half of the identity market is available to commercial manufacturers.

With annual growth of c8%, the passport market remains attractive. Around 165m passports are issued globally each year, 25% of which are available to commercial security printers. Customers increasingly value security features such as polycarbonate data pages and holograms.

Globally, around 100 countries have compulsory identity card schemes. The national ID market is expected to grow at 5%. Today over 70% of the national IDs in circulation globally are chip-based. Technological advances in recent years have enabled new types of ID schemes, that combine traditional ID functionality with payment methods.

De La Rue International Limited

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

Key performance indicators

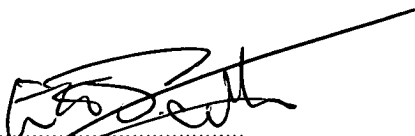
The Directors monitor and manage the performance of the Company against its published financial statements and against key performance indicators (KPIs). The KPIs of the Company are revenue and operating profit, which can be found on page 12 and volumes, which are described in the Business Reviews above. Details of the Group's KPIs, which includes the Company, are set out in the Strategic Report section on pages 35 of the 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 on pages 36 to 40 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 International Limited

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

Registered number: 00720284

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

Result and dividends

The Directors report a profit after taxation amounting to £29,524,000 (2018: £100,051,000). No interim dividend was paid during the period (2018: £nil) and the retained profit for the period was transferred to reserves. The Directors do not recommend the payment of a final dividend.

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

Research and development

During the period a total of £13,207,000 was charged to the profit and loss account in respect of research, development and design (2018: £13,351,000).

Employee involvement

Details of employee related costs can be found in note 9 to the financial statements on page 27. The Company follows the employment policies of the De La Rue Group, details of which are set out on pages 45 to 48 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, civil partner 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 donations

During the period the Company made no political donations (2018: £nil).

De La Rue International Limited

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

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.

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.

De La Rue International Limited

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

Going concern (continued)

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 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.

De La Rue International 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 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.

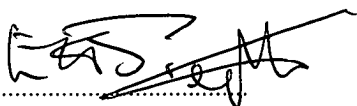
Post balance sheet event

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.

In May 2019, it was announced that the De La Rue Group intended to realign into two divisions. Authentication, encompassing security features for product authentication and brand protection; software solutions and services for customer revenue protection and identity security components. The division is focused on the supply of solutions to authenticate goods as genuine and to assure tax revenues. Currency, encompassing our banknote print, security features for currency and polymer product lines, focused on the provision of finished banknotes, as well as security features/banknote substrate into central banks and state print works.

In the De La Rue 2019/20 Half Year results, charges of £7.8m were recorded relating to this reorganisation. The £7.8m primarily related to provisions for the estimated costs of redundancies in addition to consultant and advisor fees. A substantial element of these charges will be recorded in the De La Rue International 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 International Limited

The Statement of Directors' Responsibility in respect of the Report for the Period from 1 April 2018 to 30 March 2019

The Directors are responsible for preparing the Annual 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 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). 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 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 International Limited

Opinion

We have audited the financial statements of De La Rue International Limited for the year ended 30 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 35, 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 6 and 7 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 6 and 7, and in Note 2 on page 17, 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 International 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 9 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 International 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 International Limited

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

		1 April 2018 to 30 March 2019	1 April 2018 to 30 March 2019		26 March 2017 to 31 March 2018	26 March 2017 to 31 March 2018	
	Note	Continuing operations £ 000	Discontinued operations £ 000	2019 Total £ 000	Continuing operations £ 000	Discontinued operations £ 000	2018 Total £ 000
Turnover	3	571,623	-	571,623	479,612	-	479,612
Cost of sales		(487,481)	-	(487,481)	(390,372)	-	(390,372)
Gross profit/(loss)		84,142	-	84,142	89,240	-	89,240
Distribution costs		(16,582)	-	(16,582)	(16,203)	-	(16,203)
Administrative expenses		(26,331)	-	(26,331)	(24,797)	-	(24,797)
Exceptional items	6	(23,003)	(1,288)	(24,291)	78,462	(3,532)	74,930
(Loss)/profit on disposal of operations	35	700	-	700	(18,795)	-	(18,795)
Other operating income	4	3,663	-	3,663	8,820	-	8,820
Operating profit/(loss)	5	22,589	(1,288)	21,301	116,727	(3,532)	113,195
Other interest receivable and similar income	7	15,103	-	15,103	10,051	-	10,051
Interest payable and similar expenses	8	(3,518)	-	(3,518)	(7,043)	-	(7,043)
		11,585	-	11,585	3,008	-	3,008
Profit/(loss) before tax		34,174	(1,288)	32,886	119,735	(3,532)	116,203
Taxation	12	(3,607)	245	(3,362)	(16,823)	671	(16,152)
Profit/(loss) for the financial period		30,567	(1,043)	29,524	102,912	(2,861)	100,051

The notes on pages 17 to 45 form an integral part of these financial statements.

De La Rue International Limited

Statement of Comprehensive Income for the period from 1 April 2018 to 30 March 2019

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Profit for the period	29,524	100,051
Foreign currency translation gains	410	(1,342)
Remeasurement gain/(loss) on retirement benefit obligations	(4,800)	61,508
Tax related to remeasurement of net defined benefit liability	1,594	(10,342)
Change in fair value of cash flow hedges (net of tax)	(2,197)	(2,815)
	<u>(4,993)</u>	<u>47,009</u>
Total comprehensive income for the period	<u>24,531</u>	<u>147,060</u>

The notes on pages 17 to 45 form an integral part of these financial statements.

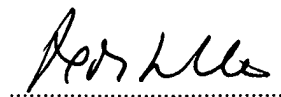
De La Rue International Limited

Balance Sheet as at 30 March 2019

	Note	30 March 2019 £ 000	31 March 2018 £ 000
Non current assets			
Intangible assets	13	6,961	2,843
Tangible assets	14	62,845	64,902
Investments:			
Investment in subsidiaries	15	2	2
Other investment	16	7,210	6,573
Deferred tax assets	17	13,009	14,926
Derivative financial instruments	31	198	218
		<u>90,225</u>	<u>89,464</u>
Current assets			
Stocks	18	28,999	22,850
Debtors	19	656,970	522,350
Derivative financial instruments	31	3,288	3,130
Cash at bank and in hand	20	<u>110,257</u>	<u>173,764</u>
		799,514	722,094
Creditors: Amounts falling due within one year	21	<u>(404,884)</u>	<u>(340,145)</u>
Net current assets		<u>394,630</u>	<u>381,949</u>
Total assets less current liabilities		484,855	471,413
Creditors: Amounts falling due after more than one year	21	(211)	(73)
Provisions for liabilities	22	<u>(3,372)</u>	<u>(4,506)</u>
Net assets excluding pension liability		481,272	466,834
Net pension liability	23	<u>(76,812)</u>	<u>(87,618)</u>
Net assets		<u>404,460</u>	<u>379,216</u>
Capital and reserves			
Share capital		2,000	2,000
Capital redemption reserve		2,576	1,863
Profit and loss account		402,433	375,705
Hedge reserve		<u>(2,549)</u>	<u>(352)</u>
Total equity		<u>404,460</u>	<u>379,216</u>

The notes on pages 17 to 45 form an integral part of these financial statements.

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



H M Willis
Director

De La Rue International Limited

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

	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 26 March 2017	-	2,463	-	225,830	228,293
Profit for the period	-	-	-	100,051	100,051
Other comprehensive income	-	(2,815)	-	49,824	47,009
Total comprehensive income	-	(2,815)	-	149,875	147,060
Transactions with owners in their capacity as owners:					
Share capital	2,000	-	-	-	2,000
Share based payments	-	-	1,863	-	1,863
At 31 March 2018	2,000	(352)	1,863	375,705	379,216
	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2018	2,000	(352)	1,863	375,705	379,216
Profit for the period	-	-	-	29,524	29,524
Other comprehensive loss	-	(2,197)	-	(2,796)	(4,993)
Total comprehensive income	-	(2,197)	-	26,728	24,531
Transactions with owners in their capacity as owners:					
Share capital	-	-	-	-	-
Share based payments	-	-	713	-	713
At 30 March 2019	2,000	(2,549)	2,576	402,433	404,460

The notes on pages 17 to 45 form an integral part of these financial statements.

De La Rue International 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 United Kingdom.

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 convention modified to include certain financial instruments at fair value and in accordance with the applicable UK 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.

Reduced disclosures

In accordance with FRS102, the Company meets the definition of a qualifying entity and has therefore taken advantage of the exemptions from the following disclosure requirements listed below. The consolidated financial statements of De La Rue plc include the equivalent 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.
- Cash Flow Statement and related notes.
- Key Management Personal compensation.
- 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 settled share based payments, explanation of modifications to arrangements.

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 8.

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.

De La Rue International Limited

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

2 Accounting policies (continued)

Exemption from preparing group accounts

The financial statements contain information about De La Rue International Limited as an individual company and do not contain consolidated financial information as the parent of a group of companies.

The Company is exempt, under section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements as it 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. References to "Group" mean to De La Rue plc and its subsidiaries.

Foreign currency transactions and balances

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions or if hedged forward at the rate of exchange under the relevant forward contract. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date, and such exchange differences are taken to the profit and loss account.

Translation of the results of foreign branches

The assets and liabilities of foreign branches denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Income and expenses within the income statement of the branches are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and all resulting exchange differences are recognised as a separate component of equity.

Revenue recognition

Company revenue predominantly represents sales to external customers of manufactured products which fall within the Group's ordinary trading activities. This excludes VAT and other sales taxes.

Revenue is recognised in the profit and loss account to the extent that it is probable that the economic benefits associated with the transaction will flow into the Company and the amount can be reliably measured. In practice, the timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of products and associated components, when sold separately, the transfer usually occurs on loading the goods onto the relevant carrier or, at an earlier point in time when conditions are met for the recognition of turnover on a bill-and-hold basis.

Contract revenue recognition

Revenue on service based contracts is recognised as services are provided. If the services under a single arrangement are rendered in different reporting periods, or under an arrangement that also includes the sale of goods, then the consideration is allocated on a relative fair value basis between the sale of goods and rendering of services and then allocated to the appropriate reporting periods in accordance with the transfer of risks and rewards and the contractual life of the service contract.

Revenue and costs on project based contracts are recognised by reference to the stage of completion, based on the work performed to date and the overall contract profitability. The assessment of the stage of completion is dependent on the nature of the contract and is assessed by reference to reviews of work performed, achievement of contractual milestones and costs incurred.

De La Rue International Limited

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

2 Accounting policies (continued)

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 or 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.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

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
Leasehold properties with less than 50 years unexpired	Written off over life of lease
Plant and equipment	10 years to 20 years
Fixtures and fittings	2 years to 15 years

De La Rue International Limited

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

2 Accounting policies (continued)

Intangible assets

Intellectual property and distribution rights are amortised over their useful economic lives as determined by the life of the products to which they relate.

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
Product development	5 years to 10 years
Software licenses	3 years to 5 years
Distribution rights	Written off over life of related product

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, dividend receipts will be credited against the carrying amount of the investment on the balance sheet.

Other investments

As part of the consideration received for the disposal of the Portals De La Rue paper business the Company has received loan notes, preference shares and ordinary shares in Mooreco Limited, a parent company of the purchaser. As these instruments will be repaid or redeemed on the earlier of their contractual life or a sale or liquidity event they are accounted for as held to maturity investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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.

De La Rue International Limited

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

2 Accounting policies (continued)

Stocks

Stocks and work in progress are valued at the lower of cost, including relevant production overheads, and net realisable value. Cost is determined on a weighted average cost basis and comprised directly attributable purchase and conversion costs, including direct labour and an allocation of production overheads, based on normal operating capacity that have been incurred in bringing those inventories into their present location and condition.

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 measured at carrying value which approximates to fair value.

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.

Leases

Operating lease rentals, including any lease incentives, are charged to the profit and loss account as incurred on a straight line basis. Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over their useful lives. The corresponding liabilities are recorded as a creditor and the interest elements of the finance lease rentals are charged to the profit and loss account.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

De La Rue International Limited

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

2 Accounting policies (continued)

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 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. 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 shown in these Company accounts.

The cost of providing benefits under each scheme is determined using the projected unit credit actuarial valuation method. The current service cost and gains and losses on settlements and curtailments are included in operating costs in the profit and loss account. The interest income on the plan assets of funded defined benefit pension schemes, and the imputed interest on pension scheme liabilities, are disclosed as retirement benefit obligations net and finance expense respectively in the profit and loss account.

Return on plan assets, excluding assumed interest income on the assets, changes in the retirement benefit obligation, due to experience, and changes in actuarial assumptions, are included in the statement of comprehensive income in full in the period in which they arise.

The liability recognised in respect of defined benefit pension schemes is the present value of the defined benefit obligation less the fair value of the scheme assets, as determined by actuarial valuations carried out at the balance sheet date.

Share based payments

De La Rue International Limited participates in various equity settled and cash settled option schemes, that are operated by its ultimate parent entity De La Rue plc. For the equity settled schemes, 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 will eventually vest. The fair values were modelled on a binomial lattice and those under the remaining schemes are calculated using the Black-Scholes option pricing formula. 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.

Discontinued operations

The disposal of the paper business in the prior period did not meet the FRS102 definition of a discontinued operation and as such its results have been included within continuing operations.

The sale of the cash processing solutions business (CPS) in the period ended 25 March 2017 did meet the requirements of FRS 102, and the disposal group was classified as a discontinued operation, with its post-tax profit or loss presented on a line by line basis in a separate discontinued operations column on the face of the profit and loss account.

De La Rue International Limited

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

2 Accounting policies (continued)

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:

Customer contracts within the Currency business will often include specific terms that impact the timing of revenue recognition. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of products and associated components, when sold separately, the transfer usually occurs on loading the goods onto the relevant carrier or, at an earlier point in time, when conditions are met for recognition of revenue on a bill and hold basis. Judgement is used in interpreting these terms and conditions in assessing when the risks and rewards have been transferred to the customer, especially where they include complex acceptance criteria.

At any point in time, the Company has significant levels of inventory, including work in progress. Currency manufacturing is a complex process and the final product is required to be made to exacting specifications and tolerance levels. In valuing the work in progress at the balance sheet date, assessments are made over the level of waste contained within the product, based on the production performance to date and past experience. In assessing the recoverability of finished stock, assessments are made to validate that inventory is correctly stated at the lower of cost and net realisable value and that obsolete inventory, including inventory in excess of requirements, is provided against.

Pension costs within the income statement and the pension obligations as stated in the balance sheet, are both dependent upon a number of assumptions chosen by management. These include the rate used to discount future liabilities, the expected longevity for current and future pensioners and estimates of future rates of inflation.

The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

The Company provides Security Features to Portals for inclusion in the paper, which they manufacture, and with the Company subsequently purchases back. The Company has carefully considered the nature of this arrangement and considers it appropriate to record the Security Features sales to Portals as revenue. Portals is not an associate of the Company and does not constitute a related party and the relationship is that of a third party with full control of the product passing to Portals upon sale.

During the period a recoverability provision of £18.1m was recognised for a customer in Venezuela. Due to the material size of the recoverability provision and its one off nature, and the fact that the customer is unable to pay due to non-UK sanctions the Company has concluded that it is appropriate for the item to be classified as exceptional. It has also been considered that revenue and associated margin should remain in gross profit as, at the time of revenue recognition, the risk to payment had not fully materialized and because the Company had fully met its obligations under the customer contract with control passing to the customer. Furthermore, there is no dispute or disagreement with the customer, rather the ability to pay is impacted by non-UK sanctions.

De La Rue International Limited

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

3 Revenue

The analysis of the Company's revenue for the period from continuing operations is as follows:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Sale of goods	571,623	479,612

The analysis of the Company's turnover for the period by class of business is as follows:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Currency	470,974	374,824
Product Authentication and Traceability	26,447	26,847
Identity Solutions	74,202	77,941
	571,623	479,612

The analysis of the Company's turnover for the period by market is as follows:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
UK	142,262	117,256
Europe	56,340	41,795
Rest of world	373,021	320,561
	571,623	479,612

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	3,663	8,820

De La Rue International Limited

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

5 Operating profit

Arrived at after charging/(crediting)

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Staff costs - (see note 9)	97,996	119,093
Depreciation expense	8,573	16,114
Amortisation of intangibles	1,414	1,432
Research and development cost	13,207	13,351
Operating leases:		
Hire of plant and machinery	287	324
Hire of land and buildings	1,974	1,531
Loss on disposal of property, plant and equipment	571	-
Auditors remuneration	221	181

6 Exceptional items

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Gain on revaluation of pension scheme deficit	-	(80,500)
Costs associated with the indexation change on the pension scheme	-	1,015
Guaranteed minimum pension adjustment	1,700	-
Pension underpin costs	538	-
Venezuela expected credit loss provision	18,138	-
Site relocation and restructuring	2,627	785
Costs associated with the CPS disposal (discontinued)	1,288	3,532
Costs associated with the disposal of the paper business	-	238
	24,291	(74,930)

On 26th October 2018, a landmark pension case involving the Lloyds Banking Group's defined benefit pension schemes was handed down by the High Court. The judgement brings some clarity to defined benefit pension schemes in general and requires schemes to equalise pension benefits between men and women relating to Guaranteed Minimum Pensions (or "GMP"). This has resulted in an increase of £1.7m to our obligation in the period, which is accounted for in the profit and loss account as a past service cost, but presented within exceptional items. The estimate was performed on method C2 (under the terminology of the High Court Judgement), which compares each member's accumulated benefits, with interest, to the same benefits if the member were the 'opposite sex' and ensuring the higher of the two accumulated amounts has been paid in each year.

Legal fees of £0.5m have been incurred in the rectification of certain discrepancies identified in the UK defined benefit schemes rules. The Directors do not consider this to have an impact on the UK defined pension liability at the current time but they are continuing to assess this.

De La Rue International Limited

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

6 Exceptional items (continued)

In the prior period, a gain of £80.5m was recorded on the revaluation of the UK defined benefit pension scheme following the change in indexation method from RPI to CPI. Costs of £1.0m were incurred relating to professional advisor and other costs directly related to the indexation change.

A provision of £18.1m has been associated with the outstanding accounts receivable of a customer in Venezuela, currently unable to transfer funds due to non- UK related sanctions, has been recognized in exceptional items due to its size and non recurring nature, in accordance with the Group's policy.

Site relocation and restructuring costs of £2.6m (2017/18: £0.8m) have been incurred in 2018/19 related to the redesign of the organisational structure, the upgrade of finance system and processes, and in connection with our manufacturing footprint review.

Costs of £1.3m were incurred associated with the disposal of CPS (2017/18: £3.5m) which primarily related to the costs incurred on a loss making contract, which relates to the CPS business that was not novated post disposal and other costs associated with the winding down remaining CPS related activity.

7 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	949	219
Interest income on loans to group undertakings	14,154	9,832
	<u>15,103</u>	<u>10,051</u>

8 Interest payable and similar expenses

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Interest on bank overdrafts and borrowings	581	482
Net interest on the net defined benefit pension liability	2,100	5,600
Interest payable on loans from group undertakings	837	961
	<u>3,518</u>	<u>7,043</u>

De La Rue International Limited

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

9 Staff costs

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	79,360	96,860
Social security costs	8,455	10,281
Pension costs	9,785	9,757
Share-based payment expenses	396	1,352
	<u>97,996</u>	<u>118,250</u>

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

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Rest of the world	10	10
United Kingdom	1,541	2,018
	<u>1,551</u>	<u>2,028</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, 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. No Director received any additional remuneration for their role as a Director of De La Rue International Limited. Their emoluments are dealt with in those companies' financial statements.

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	<u>221</u>	<u>181</u>

De La Rue International Limited

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

12 Taxation

Tax charged/(credited) in the profit and loss account, other comprehensive income and equity:

	1 April 2018 to 30 March 2019 £ 000	26 March 2017 to 31 March 2018 £ 000
Current taxation		
Current tax on income in the period	143	4,393
Adjustments in respect of prior periods	(741)	(1,092)
Total current tax	(598)	3,301
Deferred taxation		
Origination and reversal of timing differences	2,670	18,006
Change in tax rate	(754)	4,610
Total deferred taxation	1,916	22,617
Total tax	1,318	25,918

	2019 Current tax £ 000	2019 Deferred tax £ 000	2018 Current tax £ 000	2018 Deferred tax £ 000
Recognised in profit and loss account	3,297	65	5,866	10,286
Recognised in other comprehensive income	(3,895)	2,301	(2,565)	12,907
Recognised directly in equity	-	(450)	-	(576)
Total tax	(598)	1,916	3,301	22,617

Analysis of current tax recognized in profit and loss

UK corporation tax	3,136	5,822
Foreign tax	161	44
Total current tax recognised in profit and loss	3,297	5,866

De La Rue International Limited

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

12 Taxation (continued)

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	32,886	116,203
Corporation tax at standard rate of 19% (2018: 19%)	6,248	22,079
Permanent differences	(534)	(118)
Group relief	(2,115)	(3,980)
Foreign tax	161	44
Reduction in tax rate on deferred tax balance	(113)	(1,351)
Prior year adjustments	(285)	(522)
Total tax charge	3,362	16,152

Factors which may affect future tax rates

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 International Limited

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

13 Intangible assets

	Other intangible assets £ 000	Distribution Rights £ 000	In course of construction £ 000	Total £ 000
Cost or valuation				
At 1 April 2018	10,062	314	-	10,376
Additions	-	-	5,108	5,108
Reclassification	(929)	-	929	-
Transfer from tangible assets	424	-	-	424
At 30 March 2019	9,557	314	6,037	15,908
Amortisation				
At 1 April 2018	7,219	314	-	7,533
Amortisation charge	1,414	-	-	1,414
At 30 March 2019	8,633	314	-	8,947
Carrying amount				
At 30 March 2019	924	-	6,037	6,961
At 31 March 2018	2,843	-	-	2,843

The aggregate amount of research and development expenditure recognised as an expense during the period is £13,207,112 (2018: £13,350,665).

De La Rue International Limited

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

14 Tangible assets

	Land and buildings £ 000	Other property, plant and equipment £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation					
At 1 April 2018	14,504	119,795	19,015	12,680	165,994
Additions	17	4,507	433	5,746	10,703
Disposals	-	(10,059)	(90)	(465)	(10,614)
Transfers from assets in course of construction	261	6,577	1,104	(7,942)	-
Transfer from/(to) Group Companies	-	(122)	-	(3,094)	(3,216)
Transfer to intangible assets	-	-	-	(424)	(424)
At 30 March 2019	14,782	120,698	20,462	6,501	162,443
Depreciation					
At 1 April 2018	6,759	81,238	13,095	-	101,092
Charge for the period	974	6,483	1,116	-	8,573
Eliminated on disposal	-	(9,999)	(68)	-	(10,067)
At 30 March 2019	7,733	77,722	14,143	-	99,598
Carrying amount					
At 30 March 2019	7,049	42,976	6,319	6,501	62,845
At 31 March 2018	7,745	38,557	5,920	12,680	64,902

De La Rue International Limited

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

15 Investments in subsidiaries, joint ventures and associates

	30 March 2019 £ 000	31 March 2018 £ 000
Investments in subsidiaries	2	2
Subsidiaries		£ 000
Cost or valuation		
At 31 March 2018 and 30 March 2019		2
Provision		
At 31 March 2018 and 30 March 2019		-
Carrying amount		
At 31 March 2018 and 30 March 2019		2

Details of undertakings

Details of the investments in which the company holds 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 (Guernsey) Limited	Channel Islands	Non-trading	100%
<i>PO Box 142, The Beehive, Rohais, St Peter Port, GY1 3HT, Guernsey</i>			
De La Rue Consulting Services Limited	UK	Trading	100%
<i>De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS</i>			
De La Rue Commercial Services Limited	Nigeria	Trading	100%
<i>7th Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria</i>			
De La Rue Global Services (SA)(Pty) Limited	South Africa	Trading	100%
<i>3rd Floor, 54 Melrose Boulevard, Melrose Arch, Gauteng, 2196, South Africa</i>			

De La Rue International Limited

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

16 Other investments

In the prior period, on 29 March 2018, the Company completed the sale of Portals De La Rue Limited to EPIRIS Fund II. Under the terms of the agreement the Company received £6.6m in loan notes issued by the purchaser. £2.6m was immediately converted to a preference share holding and £0.2m to an ordinary shareholding of 10% in Mooreco Limited, a parent company of the purchaser. These instruments will be repaid or redeemed on the earlier of their contractual life or a sale or liquidity event.

17 Deferred tax

Deferred tax assets relate to the following:

	30 March 2019	31 March 2018
	£ 000	£ 000
Timing differences between capital allowances and depreciation	(1,237)	(723)
Other short term timing differences	237	682
Hedge reserves	522	72
Pension	13,487	14,895
	<u>13,009</u>	<u>14,926</u>

A further deferred tax asset has not been recognised in relation to capital losses (£300m) as there is insufficient evidence that this asset will be recovered.

18 Stocks

	30 March 2019	31 March 2018
	£ 000	£ 000
Raw materials and consumables	8,275	8,459
Work in progress	5,943	5,970
Finished goods and goods for resale	14,442	8,248
Goods in transit	339	173
	<u>28,999</u>	<u>22,850</u>

De La Rue International Limited

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

19 Debtors

	30 March 2019 £ 000	31 March 2018 £ 000
Trade debtors	84,328	53,060
Amounts owed by Group undertakings	541,638	439,834
Other debtors	6,246	5,769
Taxation and social security	-	1,526
Prepayments and accrued income	20,912	18,150
Corporation tax	3,846	4,011
Total current trade and other debtors	<u>656,970</u>	<u>522,350</u>

Amounts owed by Group undertakings are unsecured and interest bearing. Interest rates 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.

Debtors includes £517,386,000 (2018 - £426,460,000) receivable after more than one year. These represent amounts owed by group undertakings.

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.

20 Cash and cash equivalents

	30 March 2019 £ 000	31 March 2018 £ 000
Cash at bank and in hand	110,257	173,764
	<u>110,257</u>	<u>173,764</u>

21 Creditors

	Note	30 March 2019 £ 000	31 March 2018 £ 000
Due within one year			
Payments received on account		40,465	22,053
Loans and borrowings		140,498	75,563
Trade creditors		44,133	30,718
Amounts due to Group undertakings		104,986	131,012
Social security and other taxes		4,419	4,461
Other payables		4,413	2,960
Accrued expenses		53,880	55,498
Derivative financial instruments	31	5,887	3,799
Deferred income		6,203	14,081
		<u>404,884</u>	<u>340,145</u>

De La Rue International Limited

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

21 Creditors (continued)

	Note	30 March 2019 £ 000	31 March 2018 £ 000
Due after one year			
Derivative financial instruments	31	211	73
		<u>211</u>	<u>73</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.

22 Provisions for liabilities

	Restructuring & reorganisation £ 000	Warranties £ 000	Other provisions £ 000	Total £ 000
At 1 April 2018	251	1,754	2,501	4,506
Additional provisions	-	1,313	2,552	3,865
Provisions used	(251)	(943)	(1,507)	(2,701)
Unused provision reversed	-	(1,598)	(700)	(2,298)
At 30 March 2019	<u>-</u>	<u>526</u>	<u>1,846</u>	<u>3,372</u>

Restructuring and reorganisation provisions principally relate to the manufacturing footprint review announced in December 2015 and the upgrade of our finance system and processes. No provisions are held at 30 March 2019 as no balances remain payable under these programmes as they have now completed.

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

Other provisions comprise a number of liabilities with varying expected utilisation rates. As part of the disposal accounting for the sale of Portals De La Rue Limited to EPIRIS Fund II on 29th March 2018, an amount of £0.7m was recognised for the potential amount payable under the recompense contract clause. Subsequent to the year end the deliveries against the remaining contracts, for which a recompense provision was recognized, has now been satisfactorily completed and as such no further risk of the recompense provision being triggered is considered to exist. Consequently the remaining provision has been released, as it provides clear indication that the liability originally estimated is no longer required.

During 2017 an employee at the Paper Mill in Bathford suffered a serious injury. The investigation by the enforcing authorities is ongoing. In accordance with FRS 102, the Company has recorded an amount of £1m as its best estimate of the likely economic outflow that may arise in relation to this claim. It is possible the final outcome could be different to the amount provided. Other provisions primarily relate to the recognition of onerous contract provisions for loss making customer contracts. All other provisions are expected to be utilized within one year.

De La Rue International Limited

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

23 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £7.8m (2018: £8.9m).

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 Company's finances. The scheme is a defined benefit scheme and is closed to future accrual. The Company is a participating employer. The Group has adopted a policy whereby the scheme funding and deficit are recorded in this Company, the main UK trading subsidiary of the Group, which pays all contributions to the scheme and hence all assets and liabilities are shown in these Company accounts.

A triennial review of the Scheme's valuation and the funding plan started in April 2018. The existing funding plan agreed in June 2016 will remain in place until the review is concluded. Cash contribution to the scheme for the period to 30 March 2019 was £20.5m and will rise by 4% in the period ended 28 March 2020.

In November 2017 the Trustee of the Defined Benefit Scheme decided to change indexation of future increases to the Defined Benefit Scheme benefits from the Retail Prices Index ('RPI') to the Consumer Prices Index ('CPI'), effective from April 2018. The decision was made following a request from the Company and a detailed legal review upon which the Trustee concluded that CPI is currently a more suitable index for the calculation of annual increases in the Scheme. This change led to a past service credit of £80.5m reported in the period to 31 March 2018 within exceptional items. The directors continue to assess any residual impact from this change.

On 26th October 2018, a landmark pension case, involving the Lloyds Banking Group's defined benefit pension schemes, was handed down by the High Court. The judgement brings some clarity to defined benefit pension schemes in general and requires schemes to equalise pension benefits between men and women relating to Guaranteed Minimum Pensions (or "GMP"). We estimate the impact of this in relation to the scheme is £1.7m and this charge has been recorded within exceptional items. The estimate was performed based on method C2 (under the terminology of the high Court Judgement), which compares each member's accumulated benefits, with interest, to the same benefits if the member were the 'opposite sex' and ensuring the higher of the two accumulated amounts has been paid in each year.

In addition during the current period, legal fees of £0.5m have been incurred in the rectification of certain discrepancies identified in the UK defined benefit schemes rules. The Directors do not consider this to have an impact on the UK defined pension liability at the current time but they are continuing to assess this.

De La Rue International Limited

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

23 Pension and other schemes (continued)

The amounts recognised in the statement of financial position are as follows:

	30 March 2019 £ 000	31 March 2018 £ 000
Fair value of scheme assets	1,004,800	980,000
Present value of defined benefit obligation	<u>(1,081,612)</u>	<u>(1,067,618)</u>
Defined benefit pension scheme deficit	<u>(76,812)</u>	<u>(87,618)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	30 March 2019 £ 000
Present value at start of period	(1,067,600)
Interest cost on liabilities	(27,700)
Past service cost	(1,700)
Effect of gains/losses on liabilities	(31,712)
Benefits paid	<u>47,100</u>
Present value at end of period	<u>(1,081,612)</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	30 March 2019 £ 000
Fair value at start of period	980,000
Interest income	25,600
Return on plan assets, excluding amounts included in interest income/(expense)	26,500
Scheme admin expenses	(2,700)
Employer contributions and other income	22,500
Benefits paid	<u>(47,100)</u>
Fair value at end of period	<u>1,004,800</u>

De La Rue International Limited

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

23 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	30 March 2019	31 March 2018
	£m	£m
Equities	101.8	199.9
Bonds	194.4	273.9
Diversified Growth Fund	185.9	208.6
Liability Driven Investment Fund	440.9	230.1
Multi Asset Credit	74.2	52.2
Other	7.6	15.3
	1,004.8	980.0

	30 March 2019	31 March 2018
	% ⁽¹⁾	% ⁽¹⁾
Equities	10.0	20.0
Bonds	19.0	28.0
Diversified Growth Fund	18.0	21.0
Liability Driven Investment Fund	44.0	24.0
Multi Asset Credit	8.0	5.0
Other	1.0	2.0

⁽¹⁾ As a percentage of total scheme assets

De La Rue International Limited

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

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	30 March 2019 £m	31 March 2018 £m
Future pension increases – past service		-
Discount rate	2.40	2.65
CPI inflation rate	2.05	2.00
RPI inflation rate	3.15	3.10

Post retirement mortality assumptions

	30 March 2019 Years	31 March 2018 Years
Aged 65 retiring immediately (current pensioner) – male	22.0	22.4
Aged 65 retiring immediately (current pensioner) – female	23.3	23.8
Aged 50 retiring in 17 years (future pensioner) – male	22.9	22.8
Aged 50 retiring in 17 years (future pensioner) – female	24.6	24.9

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

Assumption change	Approximate impact on Liability
0.25% decrease in discount rate	Increase in liability of c£43m
0.25% increase in CPI inflation rate	Increase in liability of c£87m
Increasing life expectancy by one year	Increase in liability of c£49m

De La Rue International Limited

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

24 Share capital and reserves

Allotted, called up and fully paid shares

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

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

Redeemable preference shares

There are 29,000 redeemable preference shares of CHF 1,000 each authorised. They are redeemable at £Nil per share and carry no voting rights.

Reserves

Profit and loss account

Cumulative profit and loss, net of distributions to owners.

Capital redemption reserve

With effect from the prior financial period, 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.

Hedge reserve

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

25 Loans and borrowings

	30 March 2019 £ 000	31 March 2018 £ 000
Current loans and borrowings		
Bank overdrafts	140,498	75,563

De La Rue International Limited

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

26 Share-based payments

At 30 March 2019, a number of 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.

27 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £569,600,000 (2018: £626,550,00).

Included is an amount in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018.

As part of the transaction Portals De La Rue Limited will supply security paper to meet the De La Rue Group's anticipated internal requirements with pre agreed volumes and price mechanisms for a period of 10 years from 29 March 2018. Based on the terms of the agreement the Group has a capital commitment of approximately £559.6m over the next 10 years.

De La Rue International Limited

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

28 Contingent liabilities

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters from which, in the ordinary course of business, contingent liabilities can arise. De La Rue currently has certain ongoing taxation assessments which are provided for based on whether it is probable or not the tax authority will accept the tax treatment. In the possible event that there was an adverse outcome this could result in a material outflow.

On 23 July 2019 we announced that the UK Serious Fraud Office (the "SFO") had informed the Company that it had opened an investigation into the De La Rue group and its associated persons in relation to suspected corruption in the conduct of business in South Sudan. De La Rue is co-operating with the SFO in its investigation. Given the early stage of the investigation, it is not yet possible to estimate any potential financial impact and accordingly no provision has been made under FRS102.

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

29 Financial guarantee contracts

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 £118.5m (31 March 2018: £65.0m). The amount guaranteed is £275m (2018: £275m).

30 Leases

Total commitments under non cancellable operating leases are as follows:

Land and buildings	2019 £ 000	2018 £ 000
Total commitments due:		
Within one year	1,840	1,882
Between two and five years	6,491	6,435
Over five years	24,730	25,438
	<hr/> 33,061	<hr/> 33,755

De La Rue International Limited

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

31 Financial instruments

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 fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts and using quoted forward foreign exchange rates 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	110,257	-	173,764	-
Cash flow hedges	1,276	29	1,448	156
Other economic hedges	1,121	107	1,316	51
Embedded derivatives	891	62	366	11
	<u>3,288</u>	<u>198</u>	<u>3,130</u>	<u>218</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	140,498	-	75,563	-
Cash flow hedges	4,471	-	2,835	33
Other economic hedges	753	51	375	-
Embedded derivatives	663	160	589	40
	<u>5,887</u>	<u>211</u>	<u>3,799</u>	<u>73</u>

The Company has taken exemption from the requirements to disclose its hedge accounting arrangements as these are included in the consolidated Annual Report of De La Rue plc.

De La Rue International Limited

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

32 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 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.

33 Events since the balance sheet date

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. Management deem that the international Identity Solutions business does not meet the FRS102 definition of a discontinued operation and as such disclosure as discontinued is not considered appropriate.

In May 2019, it was announced that the De La Rue Group intended to realign into two divisions. Authentication, encompassing security features for product authentication and brand protection; software solutions and services for customer revenue protection and identity security components. The division is focused on the supply of solutions to authenticate goods as genuine and to assure tax revenues. Currency, encompassing our banknote print, security features for currency and polymer product lines, focused on the provision of finished banknotes, as well as security features/banknote substrate into central banks and state print works.

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

34 Discontinued operations

Following a 'root and branch' review initiated in November 2015, the Group decided to exit the Cash Processing Solutions business (CPS). As part of this sale the UK trade and assets of CPS were transferred on 3 May 2016 to Cash Processing Solutions Limited, a wholly owned subsidiary of De La Rue Holdings Limited. The sale of the CPS business was completed on 22 May 2016.

De La Rue International Limited

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

35 Disposal of paper business

In the prior period, the Company transferred the trade and assets of the paper business into a newly created wholly owned subsidiary Portals De La Rue Limited. The paper business does not meet the FRS102 definition of a discontinued operation and as such its results have been included within continuing operations. No pension liability transferred as part of the disposal.

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	-	58,384
Net assets and liabilities disposed of	-	(65,996)
	-	(7,612)

In the prior period, the Company completed the sale of Portals De La Rue Limited to Whickerco Limited, a company owned by EPIRIS Fund II, resulting in a loss on disposal as shown below.

In the current period a £700,000 gain was made on the final release of the recompense provision provided for in relation to the sale of the Portals De La Rue Limited business. Delivery against the remaining contracts, for which a recompense provision was recognised, has now been satisfactorily completed and as such no further risk of the recompense provision being triggered is considered to exist.

Profit/(Loss) on disposal of investment:

	30 March 2019 £ 000	31 March 2018 £ 000
Amounts paid/payable by purchaser	700	7,746
Cost of investment disposed of	-	(18,929)
	700	(11,183)

A total profit on disposal of £700,000 has been recognised (2018: loss of £18,795,000).