Registration number: 00720284

De La Rue International Limited

Annual Report and Financial Statements

for the Period from 28 March 2021 to 26 March 2022

De La Rue International Limited

Corporate Information

Directors	C G Vacher D R Harding R C Euling D Sharratt
Company Secretary	D R B Hickman R C Bellhouse
Registered office	De La Rue House Jays Close Viables Basingstoke Hampshire RG22 4BS United Kingdom
Auditors	Ernst & Young LLP APEX Plaza Forbury Road Reading RG1 1YE United Kingdom

De La Rue International Limited

Strategic Report for the period from 28 March 2021 to 26 March 2022

The Directors present their strategic report for the period from 28 March 2021 to 26 March 2022.

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. The De La Rue Group is aligned into two divisions – Authentication and Currency. Authentication, encompasses security features for product authentication and brand protection; software solutions and services for customer revenue protection and identity security components, including polycarbonate. The division is focused on the supply of solutions to authenticate goods as genuine and to assure tax revenues. Currency, encompasses our banknote print, security features for currency and polymer product lines, and focuses on the provision of finished banknotes, as well as security features/banknote substrate into central banks and state print works.

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.

During the current period no adjustments for the provision for impairment on investments were made (2021: £nil), and no dividends were received from investments (2021: £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.

Review of the business

Currency

During FY22 we saw good volume growth in polymer, offset by paper volume decline as central bank buying patterns returned to pre-pandemic levels and second half production was impacted by Covid-19. Revenue for the Currency division was down 5.6% on the previous year, but despite the lower revenue operating profit grew 60.9% to £19.2m reflecting the reduction measures of the Turnaround plan.

In October 2020 the Bank of England confirmed it will exercise its option to extend the existing banknote contract by three years, maintaining our exclusivity in printing Bank of England banknotes and operating the Bank's facility in Debden, Essex until 2028. In December 2020 we also announced that the Bank of England has awarded the Company the majority share of its polymer substrate volumes for the £5, £10 and £50 denominations over the next three years beginning in July 2021.

Authentication

Authentication saw an increase in revenue, the growth was driven by strong demand across all areas of the division, but particularly in the provision of digital tax stamps within our government revenue solutions business. During FY22 our Government Revenue Solutions business signed five contracts for supply of tax stamps and solutions including, most recently with the Oman Tax Authority to implement a digital tax stamp solution for excisable goods. The nature of this business, with multi-year supply contracts agreed with customers, gives us confidence for the future performance of this division.

De La Rue International Limited

Strategic Report for the period from 28 March 2021 to 26 March 2022

Identity Solutions

Identity Solutions comprises passport and other personal identity products. We sold our International Identity Solutions business in October 2019 to HID Corporation Limited. As expected, we saw a decline in revenue for Identity Solutions in FY22, due to the completion of the UK Passport production contract during FY21. Revenue reports in FY22 relates to the DSA supply agreement entered with HID at the time of the International Identity Solutions business disposal in October 2019.

Exceptional items

During the year a net charge in respect of exceptional items of £4.5m was recorded, which primarily related to an expected credit loss provision on other investments of securities interest held in the Portals International Limited Group of £3.2m and site relocation and restructuring costs of £1.2m (2021: Charge of £21.7m).

Outlook and future developments

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

Currency

Currency is our largest division by revenue, and we estimate that the total demand for cash remains strong despite the growing popularity of digital payments in some countries. Population growth, global instability, a desire for privacy and other macro-economic factors, such as inflation, are behind this need. During the last two years the Covid-19 pandemic has led to a surge in demand as central banks have maintained high stocks of cash. The global market for banknotes is approximately 175 billion per year, with the majority being printed by state printworks (SPWs). The commercial banknote market – which is the one De La Rue operates in for banknote print – represents around 18-25 billion banknotes per year. This can be broken down into two elements – printing for Governments who do not have a SPW, and providing additional capacity, known as overspill, for those who do. The overspill market historically has been unpredictable and created volatility in the commercial printing market.

There has been a growing trend that more central banks are changing their procurement practice, moving from direct contracts to tendering, which has created pricing pressure for commercial printers. In addition, while many customers buy finished banknotes from a single supplier, there is a growing move towards disaggregating the purchase to buy from multiple suppliers. This means that the elements of banknote provision, such as printing, substrate and security features can be bought separately, with the value increasingly flowing into the substrate and the security features, De La Rue can act as a holistic provider of fully finished paper and polymer banknotes as well as a provider for individual elements such as polymer substrate and or security features. There is also a trend towards banknotes becoming increasingly complex and De La Rue is producing some of the more challenging banknotes in the market (such as the £20 and £50 polymer banknote).

De La Rue is one of the two global providers of polymer substrate for banknotes which in general is longer lasting than paper as a banknote substrate. While polymer represents around 4% of the global market for banknotes, it represents around 14% of banknote denominations, both our market share and the demand for the product is increasing. By March 2022 there were 63 denominations on De La Rue SAFEGUARD polymer substrate and 26% of all issuing authorities now have at least one banknote denomination on polymer. With many more denominations expected to move to this substrate we expect this market to continue to grow strongly in the next few years and we are more than doubling our capacity in this area.

The market for security features is more fragmented, with products from both integrated providers and from standalone players. Almost all countries buy security features or IP licences from the commercial market. De La Rue offers one of the more diverse portfolios in the market (covering threads, applied features, print features and covert features, encompassing colour shift, holographic and micro-optics technologies).

De La Rue International Limited

Strategic Report for the period from 28 March 2021 to 26 March 2022

Outlook and future developments (continued)

Authentication

It is estimated that the illicit trade in goods is around 2.5% of global trade and is growing rapidly with governments, brand owners and consumers all being affected by lost tax revenues, eroded brand value and lack of consumer confidence in the marketplace.

The traditional tax stamp market covering tobacco and alcohol has evolved significantly to include digital solutions and tobacco track and trace. The combined physical and digital solutions provided by De La Rue supports governments to protect tax revenue and to comply with government policies, and international treaties such as the EU Tobacco Products Directive (EUTPD) and the World Health Organisation Framework Convention on Tobacco Control (FCTC); compliance with these regulations is currently driving growth in this market.

We are seeing increasing demand for our traceability products for areas such as beer and soft drinks, due to the need for government tracing of products.

De La Rue is number two by volume and value among the suppliers of both physical tokens and end-to-end software systems in this market so is well positioned to capture share during this growth phase. In May 2021, we announced that Microsoft extended its contract with us for a further five years.

While we no longer manufacture complete passports, we do supply polycarbonate for use in passport data pages and ID cards, where it can be personalised to carry the document holder's details. We have now started to supply polycarbonate date page for the new Australian passport under a five-year agreement.

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 16 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 24 and 25 of the 2022 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 27 to 31 of the 2022 Annual Report of De La Rue plc.

Approved by the Board on 4 July 2023 and signed on its behalf by:

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D R Harding
Director

De La Rue International Limited

Directors' Report for the period from 28 March 2021 to 26 March 2022

Registered number: 00720284

The Directors present their report and the financial statements for the period from 28 March 2021 to 26 March 2022.

Result and dividends

The Directors report a profit after taxation amounting to £28,779,000 (2021: £29,214,000). An interim dividend of £75m to the Company's immediate parent undertaking, De La Rue Holdings Limited, was approved by the Directors on 6 December 2021, and settled in cash on 7 December 2021 (2021: £nil). 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:

D R Harding

C G Vacher

R C Euling (appointed 26 July 2022)

D Sharratt (appointed 12 October 2022)

J C Hyde (resigned 27 July 2022)

A J Clint (appointed 26 July 2022 and resigned 2 September 2022)

Research and development

During the period a total of £9,197,000 was charged to the profit and loss account in respect of research, development and design (2021: £8,055,000).

Group banking facility

The De La Rue group has banking facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which currently are due to mature in December 2023. There can be conversion (in blocks of £25.0m) of up to £50.0m of the undrawn RCF cash component to the bond and guarantee component if required and an election to convert this back (again in blocks of £25.0m) can be made in order to draw more in cash if the bond and guarantee component has not been sufficiently utilised. As the Company is the main operating entity in the group it was decided that from March 2021 drawdowns would be taken out by the Company directly whereas previously these had been taken out by another group company with funding provided through the inter-company account.

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

In the second half of FY21, there was a reallocation of £25.0m of the cash component to the bond and guarantee component such that at present, £150.0m in total is available on the RCF component, of which £95.0m was drawn at 26 March 2022. and undrawn committed borrowing facilities, all maturing in more than one year, of £55.0m.

Employee involvement

Details of employee related costs can be found in note 9 to the financial statements. The Company follows the employment policies of the De La Rue Group, details of which are set out on pages 38 to 41 of the 2022 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

De La Rue International Limited

Directors' Report for the period from 28 March 2021 to 26 March 2022 (continued)

Employee involvement (continued)
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 (2021: £nil).

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

The Company is reliant on support from the Parent Company/Group to continue as a going concern.

Background and relevant facts to the Parent Company/Group to continue as a Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the 2022 Annual report, within the CEO Review. In addition, note 14 in the Annual report includes the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the Financial Review.

Following the interim results for the period ended 24 September 2022 there has been a difficult period of trading and rising market interest rates, meaning the Group forecast that they would breach financial covenants in their going concern period to 29 June 2024. As a result, they entered into extensive negotiations with the pension trustee and the Group's banking syndicate. A deferral letter from the trustee was signed on 28 June 2023 agreeing to deferral of deficit repair contributions as set out in the paragraph below and an amended facility agreement for the Group's financing facilities was signed on 29 June 2023, which includes a relaxation of the financial covenant ratios along with the introduction of a new minimum liquidity requirement.

Deferral of deficit repair contributions
The Group has successfully concluded negotiations with the Trustee of the De La Rue Pension Fund to defer £17.5m of the £18.75m of deficit repair contributions that was targeted in the Group's April trading update.

The Trustee has agreed to defer the Group's deficit repair contributions of £3.75m per quarter from that due on 5 April 2023 up to and including that payment that was due on 5 April 2024. From July 2024, deficit repair contributions will recommence at the previously agreed £3.75m per quarter. 'Catch up' payments for the £18.75m of deferred payments will start from FY26 and will continue through to FY29.

This deferral significantly eases the short-term cash flow burden on the business and has been incorporated into all modelling.

Amended Facility Agreement
Under the amended facility agreement, which was executed by all parties on the 29 June 2023, the Group continues to have access to a revolving credit facility ('RCF') of £250m that expires on 1st January 2025, which allows the drawing down of cash up to the level of £175m and the use of bonds and guarantees up to the level of £75m. The amendment to the debt agreement reduces the available facility by £25m from £275m to £250m, with the cash draw-down component remaining unchanged and the use of the bonding and guarantee lines reduced to £75m from the prior £100m level.

The continued access to these borrowing facilities is subject to quarterly covenant tests which look back over a rolling 12-month period. In each covenant test in FY23 the Group has met its covenant ratios on the historical covenant quarterly levels. At 25 March 2023, EBIT/net interest payable was 3.0 times and Net debt/EBITDA was 2.2 times with net debt of £83.1m and bonding and guarantees in place totalling £52m. The Group is additionally in compliance with all covenant requirements at 29 June 2023.

The quarterly covenant levels (which will continue to be tested on a 12-month rolling basis) have been revised from the first testing period at 1 July 2023 (Q1 FY24). These are now subject to monthly minimum liquidity testing and quarterly covenant tests from this date. The terms include consideration of future options for the group, provision of further non-financial deliverables and milestones that the banks will monitor, and these are fully within management's control.

From 1 July 2023, the revised financial covenants and spread levels were as follows:

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

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

In order to determine the appropriate basis of preparation for the financial statements for the year ended 25 March 2023 the Directors must consider whether the Group can continue in operational existence for a period until 29 June 2024 taking into account the above liquidity and covenant requirements.

Testing assumptions and headroom level
The Group has prepared and reviewed profit and cash flow forecasts which cover a period up to 29 June 2024 (Q1 FY25), the going concern period, and this includes the following quarters: Q1, Q2, Q3, Q4 FY24 & Q1 FY25 as well as monthly liquidity testing points throughout this period.

Management's assessment is that a period of 12 months to 29 June 2024 is an appropriate going concern period for the following reasons:

- A 12-month period is consistent with De La Rue modelling and approach over a number of years, which in prior periods has also included a facility termination shortly after the going concern period (such as in FY22).
- The Directors have considered events after the end of this period, including the re-financing requirement for the RCF which is at 1 January 2025, which is considered further below

Base case assumptions and headroom
The base case forecasts over the going concern period have been built taking into consideration the uncertainty around the timing of the Currency market recovery. Revenue growth in Authentication to over £100m is expected to be driven from the annualisation of contracts already won in prior periods. The base financials over the going concern period reflect further restructuring and refinancing costs that have already been initiated. This will help to right size the business for the current demand with any ramp up required over the going concern period to be carefully managed in line with pipeline capacity requirements and orders to avoid significant negative fluctuations vs base plans.

The Group entered FY24 with the Currency total order book at £136.8m (26 March 2022: £170.8m) and the 12-month order book at £131.7m (26 March 2022: £163.5m). The win rate of over 70% since 2020 on Currency bids remains high. By 16 June 2023, over 80% of the Currency business plans revenues for FY24 are secured, with key wins in Asia providing a solid foundation for expectations for the year.

The Group's base case modelling shows headroom on all covenant thresholds and the minimum liquidity requirement across the period.

Severe yet plausible downsides and headroom
The downside modelling produced has factored in the Directors' assessment of events that could occur in a "severe yet plausible downside" scenario. The risks modelled are directly linked to the Risk Committee "principal risks". The most significant material risks modelled were as follows:

Risk 3 Macroeconomic and geo-political risk

- Authentication new wins and implementations are not achieved in the timescales modelled in the base case. In the severe yet plausible downside scenario 100% of revenues with new customers have been excluded.

Risk 10 Banking Facilities

- Following the recent interest rate rises, the Group will be paying an interest rate on its facilities of approximately 8.5% based on the current SONIA rate of 5% and the applicable margin. Based on the base case numbers in FY24, the combined rate would need to reach c16% before a breach in the interest covenant would be triggered, with an implied SONIA rate of 9.2%. Whilst management had used 5.3% as their interest rate in a severe but plausible scenario, based on the stress testing procedures described above, they have assessed the risk of a breach triggered by rising interest rates as remote given the current SONIA rate applicable is 5%, the sensitivity, and that these sensitised rates would need to apply for the entire FY24 period.

Risk 11 Kenya taxation and exit strategy

- Cash outflow assumed over and above the base case, which includes acceleration of outflows for site exit and legal settlements.

Risk 13 Currency pipeline

- Volumes and budget margins not achieved as forecasted in the going concern period. For currency pipeline downside risks modelled, margins have been determined using the average production cost as opposed to using the facilities with the lowest production costs where there is modelled capacity. As at

25 March 2023, Currency total order book at £136.8m (26 March 2022: £170.8m) and the 12-month order book at £131.7m (26 March 2022: £163.5m). By 16 June 2023, over 80% of the Currency business plan revenues for FY24 are secured, with key wins in Asia providing a foundation for expectations for the year.

- As a result of the new liquidity testing requirement, the Directors also considered historical monthly working capital swings over the last three years as well as weekly cash outflow averages to ensure that adequate considerations have been made to capture "in month" working capital swings that the Group can see given the volatility of working capital in the Currency business in particular. A £20m working capital outflow was demonstrated to be suitable for a plausible severe downside to apply monthly to liquidity testing, assuming no mitigation at all on liquidity at any given testing period.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still meet its required covenant ratios and liquidity requirements.

There remains headroom against all covenant thresholds in a "severe yet plausible" downside scenario across the going concern period.

Minimum Liquidity testing monthly
Company modelling of the severe but plausible downside (including taking into account working capital swings and potential cash collateral requirements) also shows headroom to the liquidity requirement throughout the period, with further controllable mitigations such as reduction in discretionary capex that could be applied.

The level of reduction that would be required to breach the liquidity covenant is considered to be remote by management on the basis that in the tightest observable period of the severe but plausible downside scenario in £27m and £17m if taking into account working capital swings and potential cash collateral requirements. This assessment excludes the potential further mitigations available.

Stress-Testing
Under the base case modelling, EBIT and EBITDA would need to drop by £10m (46%) and £11m (27%) respectively, or liquidity would need to drop £30m from the lowest point, for any breach to occur. In the severe but plausible scenario modelling, EBIT and EBITDA would need to drop by £6m (32%) and £6m (15%) respectively, or liquidity would need to drop £27m from the lowest point (£17m including a negative working capital swing of £20m and cash collateralisation savings of £10m), for any breach to occur. Management concluded that a breach is remote given that:

- Trading to the end of P2 indicates the Group is on-track to deliver the FY24 budget from an EBIT and EBITDA perspective. The Group has experienced working capital drag which has led to Net Debt levels being worse than those forecast in the base case scenario. The working capital drags are in line with those modelled in the severe but plausible downside scenario and the Group has seen positive movements to recover working capital in P3.

- Liquidity stress testing excluded controllable mitigating actions (as described above) that management could employ and still showed headroom.

- Management are comfortable that any non-financial conditions and reporting requirements can be achieved. The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to its current expiry date (1 January 2025), which is beyond the end of the period reviewed for Going Concern purposes. The Directors have concluded that the Group will either renew the facility thereafter or have sufficient time to agree an alternative source of finance from 1 January 2025 onwards.

Other Requirements
As referred to earlier, there are a number of additional requirements under the recently amended facility agreement and pensions Trustee arrangements that include conventional enhanced monitoring measures and progress on the development of future options. Progress has already been made on ensuring that the right processes are in place to be able to meet the non-financial conditions and terms agreed with the lenders, and the Directors are confident that all of these additional conditions and terms will be met in the timeframe required.

Reasonable prospects beyond the going concern period
The Directors have also considered the pension trustee's and the lenders' on-going support for the business given that further refinancing discussions are likely to occur over the going concern period with the current facility due to terminate on 1st January 2025. Specifically, an extension by November 2023 is necessary to have adequate facility duration for going concern purposes at FY24 Half Year.

Management has concluded that there are realistic prospects for refinancing to occur ahead of facility termination as a result of:

- Lenders have continued to support the Group through an amended facility agreement. This was signed on 29 June 2023, and the covenants (financial and non-financial) were set to levels that allows the Group to continue to meet its covenant in a severe but plausible downside scenario. The Directors see no reason that the lender's support will not continue given the level of relaxation of covenants that has been agreed.

- As stated above, prior to the 30 September 2023 Half-Year announcement in November 2023, the Group will have to agree an extension with its existing lenders for the facility that comes to end on 1 January 2025. Discussions will commence over the coming months with the banks on the future options open to the Group, and subject to the Group achieving specific financial and non-financial milestones that the Directors are confident in achieving. To maximise stakeholder value for all parties, the lenders would need to provide the business with continued support through the Currency market recovery and continued growth in the Authentication division. It is the Directors' judgement that based on the current support of the lenders the extension will be achieved.

- In the event the current lenders were not supportive of an extension to the facility at FY24 Half Year, the Group would consider and implement alternative financing options at that time. The directors continue to assess these alternative financing options, including but not limited to: alternative lenders; alternative finance vehicles; equity injections; and/or the sale of trade and assets. However, the Directors are confident this scenario won't manifest given its confidence in refinancing and extending the facility at FY24 Half Year.

The Directors have therefore assessed that the Group will either renew the facility or have sufficient time to agree an alternative source of finance. The costs of refinancing are included in the base case.

Conclusion

The base and severe but plausible forecasts show headroom above the covenant levels agreed with the lenders and support the position that the Group will be able to operate within its available banking facilities and covenants throughout the going concern period to 29 June 2024. The Group will provide support to the Company.

For the purpose of providing support to the Company until 4 July 2024, the Directors made enquiries of the Group who used the work performed in the 'Reasonable prospects beyond the going concern period' section to support the additional period. Directors are satisfied that the Company is able to manage its business risks and to continue in operational existence for the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

A copy of the 2022 Annual Report, the Group's FY23 Half year and FY23 Year end results are available at www.delarue.com or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

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.

COVID-19

De La Rue has approached the Covid-19 pandemic in a risk-based manner from the outset, building on the general pandemic business continuity plan which we drew up in 2018. We have assessed, and continue to assess, the potential for disruption caused by the pandemic, monitoring in detail and implementing actions to mitigate the impact of it, including steps to protect our employees.

This careful planning has paid off and for much of FY21 we were able to limit the direct impact on our business. We have encouraged vaccination and have high rates of vaccinated employees at all sites around the world. We found workarounds to minimise the impact of an outbreak of the Delta variant at our Sri Lanka plant over the summer of 2021.

As national case levels increased in December 2021 and January 2022 due to the rapid spread of the Omicron variant, there was a corresponding rise in cases within our colleagues. This caused some disruption and loss of production in the UK and Malta due to elevated levels of staff absences during this time. Staff absences have subsequently returned to manageable levels, but remain elevated compared to pre-pandemic levels. Our operations remain resilient and production has only been impacted in a limited way since then.

There have in addition been a number of second order impacts of Covid-19 on our business, notably the delay in implementation of some Government Revenue Solution contracts noted above, and some delays to planned new banknote design introductions as a result of customers not being able to travel.

In April 2022, in line with the Government's 'Living with Covid-19' guidance, De La Rue moved from an incident management process to recovery in line in the UK, while international sites will continue to follow the requirements of their own national government. The Group however, will maintain resilience, ongoing surveillance, contingency planning and the ability to reintroduce key mitigations swiftly and efficiently if required.

Post balance sheet events

On 24 May 2022, the Trustees of the Main Scheme entered into a partial pensioner buy-in contract (qualifying insurance policy) for a proportion of pension members. In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The buy-in is considered to be a qualifying insurance policy. The premium paid to the insurer was £319.0m. As at 25 March 2023, the value of the buy-in contract was £220.6m. The impact of the partial pensioner buy-in has been recognised as a loss on the scheme assets.

A dividend of £25m to the Company's immediate parent undertaking, De La Rue Holdings Limited, was approved by the Directors on 26 June 2023.

Portals De La Rue Limited was sold to EPIRIS Fund II on 29 March 2018. As part of the transaction, Portals De La Rue Limited supplied paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes. The termination of the Relationship Agreement with Portals in the year resulted in these commitments being extinguished.

On the 28 June 2023 the Company entered into an agreement with the trustees of the De La Rue Pension Scheme in relation to the deferral of certain deficit reduction payments that were otherwise due to be paid by the Company and other Group companies to that scheme. In order to preserve and support the position of the scheme, with the support of the lenders, the scheme will be provided with security on a pari passu basis together with the lenders, as well as an enhanced information sharing protocol to ensure ongoing communication between the Group and the trustee remains comprehensive.

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

These documents are an amendment and restatement agreement with the various lenders and the banks' agent and security agent, a debenture between the Company, certain other Group companies and the banks' security agent and an inter-creditor agreement between the creditors. As a result of these changes, the facilities are now secured against material assets and shares within the Group.

The Directors assessment of the impact of COVID-19 is included on page 6 of the Directors' Report.

Approved by the Board on 4 July 2023 and signed on its behalf by:

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D Sharratt
Director

De La Rue International Limited

The Statement of Directors' Responsibility in respect of the Report for the Period from 28 March 2021 to 26 March 2022

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 26 March 2022 which comprise of Statement of Comprehensive Income, the Balance Sheet and Statement of Changes in Equity and the related notes 1 to 34, 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 and Republic of Ireland" (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 26 March 2022 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 4 July 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, the Companies Act 2006 and Corporation Tax Act 2010) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including General Data Protection regulation (GDPR).

- We understood how De La Rue International Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We corroborated our enquiries through our review of board minutes, through enquiry of employees to verify company policies, and through the inspection of employee handbooks as well as consideration of the results of our other audit procedures.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation. We also read the financial statement disclosures, corroborating to supporting documentation to assess compliance with applicable laws and regulations and evaluated the business rationale of significant transactions outside the normal course of business.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified improper recognition of revenue around the period end date giving rise to a fraud risk associated to revenue cut off.

- To address our fraud risk around the recognition of revenue, we have performed journal entry testing with a focus on journals that met our high-risk criteria based on our understanding of the business and our assessed fraud risk. We also performed substantive testing of the revenue recognised around the yearend and corroborated this through to source documentation, ensuring that revenues are recorded at the correct period. We also performed procedures over any adjustments made to revenue subsequent to the year-end that affects our considered period.

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.

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.

DocuSigned by:
Ernst & Young LLP
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Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
4 July 2023

De La Rue International Limited

Profit and Loss Account for the period from 28 March 2021 to 26 March 2022

	Note	28 March 2021 to 26 March 2022 Continuing operations £ 000	28 March 2021 to 26 March 2022 Discontinued operations £ 000	2022 Total £ 000	29 March 2020 to 27 March 2021 Continuing operations £ 000	29 March 2020 to 27 March 2021 Discontinued operations £ 000	2021 Total £ 000
Turnover	3	**409,118**	-	**409,118**	433,170	-	433,170
Cost of sales		**(320,881)**	-	**(320,881)**	(338,910)	-	(338,910)
Gross profit/(loss)		**88,237**	-	**88,237**	94,260	-	94,260
Administrative expenses		**(64,691)**	-	**(64,691)**	(61,933)	-	(61,933)
Exceptional items	6	**(4,726)**	**266**	**(4,460)**	(21,374)	(346)	(21,720)
Other operating income	4	**105**	-	**105**	1,322	-	1,322
Operating profit/(loss)	5	**18,925**	**266**	**19,191**	12,275	(346)	11,929
Other interest receivable and similar income	7	**16,475**	-	**16,475**	19,461	-	19,461
Interest payable and similar expenses	8	**(4,086)**	-	**(4,086)**	(1,889)	-	(1,889)
		12,389	-	**12,389**	17,572	-	17,572
Profit/(loss) before tax		**31,314**	**266**	**31,580**	29,847	(346)	29,501
Taxation	12	**(2,750)**	**(51)**	**(2,801)**	(353)	66	(287)
Profit/(loss) for the financial period		**28,564**	**215**	**28,779**	29,494	(280)	29,214

The notes on pages 20 to 49 form an integral part of these financial statements.

De La Rue International Limited

Statement of Comprehensive Income for the period from 28 March 2021 to 26 March 2022

	Note	**28 March 2021 to 26 March 2022 £ 000**	29 March 2020 to 27 March 2021 £ 000
Profit for the period		**28,779**	29,214
Foreign currency translation (loss)/gain		**1,171**	(1,570)
Remeasurement (loss)/gain on retirement benefit obligations		**35,757**	(95,646)
Tax related to remeasurement of net defined benefit liability	12	**(8,671)**	18,145
Migrated balances in reserves		**(29)**	-
Change in fair value of cash flow hedges (net of tax)		**43**	(1,489)
		28,271	(80,560)
Total comprehensive (loss)/ income for the period		**57,050**	(51,346)

The notes on pages 20 to 49 form an integral part of these financial statements.

De La Rue International Limited

Balance Sheet as at 26 March 2022

	Note	26 March 2022 £ 000	27 March 2021 £ 000
Non-current assets			
Intangible assets	13	**12,753**	8,386
Tangible assets	14	**55,095**	57,307
Net pension surplus	23	**31,600**	-
Investments:			
Investment in subsidiaries	15	**144**	2
Other investment	16	**7,331**	8,682
Deferred tax assets	17	**-**	7,597
Derivative financial instruments	31	**64**	107
		106,987	82,081
Current assets			
Stocks	18	**23,879**	28,851
Debtors:			
amounts falling due within one year		**136,076**	161,156
amounts falling due after one year		**539,220**	576,250
	19	**675,296**	737,406
Derivative financial instruments	31	**2,268**	6,041
Cash at bank and in hand	20	**8,114**	36,532
		709,557	808,830
Creditors: Amounts falling due within one year	21	**(218,673)**	(275,794)
Net current assets		**490,884**	533,036
Total assets less current liabilities		**597,871**	615,117
Creditors: Amounts falling due after more than one year	21	**(98,652)**	(78,139)
Provisions for liabilities	22	**(4,094)**	(6,302)
Net assets excluding pension liability		**495,125**	530,676
Net pension liability	23	**-**	(18,472)
Net assets		**495,125**	512,204
Capital and reserves			
Share capital	24	**2,000**	2,000
Capital redemption reserve	24	**2,947**	2,076
Profit and loss account	24	**491,363**	509,356
Hedge reserve	24	**(1,185)**	(1,228)
Total equity		**495,125**	512,204

The notes on pages 20 to 49 form an integral part of these financial statements.

Approved and authorised by the Board on 4 July 2023 and signed on its behalf by:

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D R Harding

Director

De La Rue International Limited

Statement of Changes in Equity for the period from 28 March 2021 to 26 March 2022

	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 29 March 2020	2,000	261	2,065	559,213	563,539
Profit for the period	-	-	-	29,214	29,214
Other comprehensive income	-	(1,489)	-	(79,071)	(80,560)
Total comprehensive income	-	(1,489)	-	(49,857)	(51,346)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	11	-	11
At 27 March 2021	2,000	(1,228)	2,076	509,356	512,204

	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 28 March 2021	2,000	(1,228)	2,076	509,356	512,204
Profit for the period	-	-	-	28,779	28,779
Other comprehensive income	-	43	-	28,228	28,271
Total comprehensive income	-	43	-	57,007	57,050
Transactions with owners in their capacity as owners:					
Share based payments	-	-	871	-	871
Dividends	-	-	-	(75,000)	(75,000)
At 26 March 2022	**2,000**	**(1,185)**	**2,947**	**491,363**	**495,125**

The notes on pages 20 to 49 form an integral part of these financial statements.

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 26 March 2022, being the last Saturday in March. The comparatives for the 2020 financial period are for the period ended 27 March 2021.

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.

2 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 1 to 11.

In assessing whether the going concern basis is appropriate, the Directors take into account all available information about the future, which is at least, but is not limited to, the period up to 4 July 2024. The Directors have performed this review including considering the impact of COVID 19 and have concluded that it does not impact the going concern assessment of the Company.

As a consequence, the Directors have a reasonable expectation that the Company is well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements

Please refer to the Directors Report for a more detailed assessment of going concern.

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.

2 Accounting policies (continued)

Revenue recognition

Company revenue predominantly represents sales to external customers of manufactured products and provision of services 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.

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 realised 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.

2 Accounting policies (continued)

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

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.

2 Accounting policies (continued)

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.

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 conversation 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.

2 Accounting policies (continued)

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.

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 net liability or surplus 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.

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement

COVID-19

The Director's have carefully considered the potential impact of COVID-19 on the financial position of the Company as at 26 March 2022 and concluded that no adjustments to the carrying values of assets and liabilities are required.

During the current period Company's UK sites continued to operate with minimal disruption and remained fully operational. Consequently the Directors have not identified and need to revise carrying values of any tangible or intangibles asset balances.

With regard to inventory, management have concluded that given the nature of De La Rue's products (that they are bespoke, non-perishable and required by Countries to ensure their economies can operate) it is not expected that any balances will need to be provided for due to issues generated by COVID-19.

With regard to trade and other receivables, trade and other receivables are recognised net of allowance for potential bad debt provisions. Management currently consider the provisions in place at 26 March 2022 to be sufficient even considering the impact of Covid-19.

Revenue recognition and cut-off

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.

Valuation of inventories

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 valuation

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.

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement (continued)

Determination of the incremental valuation date of certain fund assets in the UK defined benefit pension scheme.
The UK defined benefit pension scheme assets are made up of a number of separate funds. For the majority of these funds valuations have been available as at the Group's year end of 26 March 2022. However, the Multi Asset Credit funds held by the UK Pension Scheme are valued on a monthly basis only at calendar month ends and the 31 March 2022 fund valuation has been used to determine the IAS19 position as at the 26 March 2022 as it is not practicable to obtain a valuation as at 26 March 2022. The UK Multi Asset Credit funds account for approximately £125m of the pension assets. If a valuation for these funds were to be conducted as at 26 March 2022 it is estimated the impact would be less than £1m, compared to total UK Pension Scheme assets of over £ 1bn. The potential impact has been estimated by observing what were considered to be the most relevant comparable indices to establish the level of day-to-day volatility in the market.
Management has considered whether in accordance with FRS102 paragraph B28, it is appropriate to record the full net surplus on the balance sheet. Their conclusion is that as the Group has an unconditional right to any surplus this is appropriate.

Warranty provisions
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.

Accounting treatment for sales to Portals
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.

Consideration of whether the IDS disposal required discontinue operation presentation
The Company has considered whether the sale of the IDS business in, October 2019, would require that business to be presented as discontinued operations in the financial statements. Management has considered whether the business being sold is considered a clear independent component of the Group operationally, a separate CGU for financial reporting purposes and if it is deemed to be major line of business. Management has determined that the IDS business being sold only represents part of the total IDS segment and it does not therefore represent a separate major line of business. As such disclosure as discontinued is not considered appropriate.

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

3 Revenue

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

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Sale of goods	**409,118**	433,170

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

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Currency	**336,260**	347,382
Authentication	**68,968**	61,595
Identity Solutions	**3,890**	24,193
	409,118	433,170

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

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
UK	**66,551**	93,894
Europe	**66,766**	53,530
Rest of world	**275,801**	285,746
	409,118	433,170

4 Other operating income

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

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Other operating income	**105**	1,322

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

5 Operating profit

Arrived at after charging/(crediting)

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Staff costs - (see note 9)	**64,774**	75,811
Depreciation expense	**5,554**	7,073
Amortisation of intangibles (see note 13)	**1,509**	617
Impairment of tangible and intangible assets (see note 14)	-	11,660
Distribution costs	**13,034**	9,863
Research and development cost	**9,197**	8,055
Operating leases:		
Hire of plant and machinery	**183**	142
Hire of land and buildings	**2,026**	2,086
Loss/(gain) on disposal of property, plant and equipment	**110**	433
Auditor's remuneration	**272**	247

6 Exceptional items

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Loss on resolution of a historical issue relating to UK defined benefit pension scheme	-	100
Costs associated with the equity raise, bank refinancing and related projects	-	533
Pension underpin costs	**399**	590
Other investments expected credit loss provision	**3,160**	-
Site relocation and restructuring	**1,167**	20,116
Costs associated with the CPS disposal (discontinued)	**(266)**	346
Costs associated with the IDS disposal	-	35
	4,460	21,720

Legal fees of £0.4m (2020/21 £0.6m) 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.

Other investments comprise securities interests held in the Portals International Limited group which were received as part consideration for the paper disposal in 2018. The amount presented on the balance sheet within other investments as at 26 March 2022 includes the original principal received and accrued interest amounts. The Directors have assessed the recoverability of the carrying value on the balance sheet and recorded a provision of £3.1m in relation the original principal value and interest receivable, which has been recorded in exceptional items consistent with the original recognition as part of the loss on disposal.

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

6 Exceptional items (continued)

Site relocation and restructuring costs of £1.2m (2020/21: £20.1m) have been incurred in 2021/22 including £0.1m of restructuring charges, primarily relating to the costs of relocating assets to different Group manufacturing locations) following the cessation of banknote production at our Gateshead facility, and £1.1m of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling functions, selling and commercial functions. Prior period costs included £7.9m of restructuring charges and £11.9m of asset impairment and accelerated depreciation charges related to the cessation of banknote production at our Gateshead facility.

In the prior period, £0.5m of costs were incurred in relation to the equity raise, bank refinancing and related projects that , whilst directly associated with these, did not relate to activities that in accordance with FRS 102 would qualify for recording in equity or capitalization on the balance sheet as transaction costs in relation to debt refinancing.

On 20 November 2020, the High Court issued its latest ruling in relation to the equalization of pension benefits between men and women, relating to Guaranteed Minimum Pensions (or 'GMP'). The High Court ruled that statutory cash equivalent transfer values (CETVs) paid from defined benefit pension schemes are subject to challenge and a top-up payment may be required if the CETV value insufficiently reflected the value of an equalized GMP benefit accrued between 17 May 1990 and 5 April 1997. The Company's initial estimate of the impact of this ruling was an increase in the pension liability of £0.1m which was recorded within exceptional items in the prior period

Credits of £0.2m were associated with the disposal of CPS (2020/21 costs of £0.3m) and relate to the winding down and finalizing of remaining activity related to the CPS contract, which has now ended.

7 Other interest receivable and similar income

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Interest income on bank deposits	**933**	785
Interest income on loans to group undertakings	**15,542**	16,976
Net interest on the net defined benefit pension liability	**-**	1,700
	16,475	19,461

8 Interest payable and similar expenses

	29 March 2021 to 26 March 2022 £ 000	**29 March 2020 to 27 March 2021 £ 000**
Interest on bank overdrafts and borrowings	**2,804**	957
Net interest on the net defined benefit pension liability	**200**	-
Interest payable on loans from group undertakings	**1,082**	932
	4,086	1,889

The net interest on the defined benefit pension liability represents the difference between the interest on pension liabilities and assets. The charge in the current period was due to the opening pension valuation as at 27 March 2021 being a net deficit of £18.5m.

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

9 Staff costs

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

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Wages and salaries	**52,862**	62,705
Social security costs	**5,631**	6,042
Pension costs	**5,428**	6,921
Share-based payment charge/(credit)	**853**	143
	64,774	75,811

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

	28 March 2020 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Rest of the world	**10**	10
United Kingdom	**959**	1,050
	969	1,060

10 Directors' remuneration

All Directors who served during the period did not receive remuneration directly in respect of their services as Directors of the Company (2021: £nil).

11 Auditor's remuneration

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Audit of the financial statements	**272**	247

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

12 Taxation

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

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £ 000
Current taxation		
Current tax on income in the period	**61**	25
Adjustments in respect of prior periods	**188**	134
Total current tax	**249**	159
Deferred taxation		
Origination and reversal of timing differences	**11,043**	(18,365)
Change in tax rate	**72**	-
Total deferred taxation	**11,115**	(18,365)
Total tax	**11,364**	(18,206)

	2022 Current tax £ 000	**2022 Deferred tax £ 000**	**2022 Total tax £'000**	2021 Current tax £ 000	2021 Deferred tax £ 000	2021 Total tax £'000
Recognised in profit and loss account	**3,368**	**(567)**	**2,801**	2,572	(2,285)	287
Recognised in other comprehensive income	**(3,119)**	**11,790**	**8,671**	(2,413)	(15,732)	(18,145)
Recognised directly in equity	**-**	**(108)**	**(108)**	-	(348)	(348)
Total tax	**249**	**11,115**	**11,364**	159	(18,365)	(18,206)
Analysis of current tax recognized in profit and loss						
UK corporation tax	**3,304**			2,555		
Foreign tax	**64**			17		
Total current tax recognised in profit and loss	**3,368**			2,572		

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (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% (2021: 19%).

The differences are reconciled below:

	28 March 2021 to 26 March 2022 £ 000	29 March 2020 to 27 March 2021 £'000
Profit before tax	**31,580**	29,501
Corporation tax at standard rate of 19% (2021: 19%)	**6,000**	5,605
Permanent differences	**589**	1,326
Group relief	**(3,564)**	(7,045)
Foreign tax	**64**	17
Reduction in tax rate on deferred tax balance	**(964)**	-
Prior year adjustments	**676**	384
Total tax charge	**2,801**	287

Factors which may affect future tax rates

The UK deferred tax assets and liabilities at 26 March 2022 have been calculated based on the rate of 25%, being the substantively enacted rate at the balance sheet date, due to apply from April 2023. Adjustments have been made for any timing differences expected to reverse before the UK tax rate changes from 19% to 25% from April 2023.

13 Intangible assets

	Other intangible assets £ 000	Distribution Rights £ 000	In course of construction £ 000	Total £ 000
Cost or valuation				
At 28 March 2021	14,945	314	4,399	19,658
Additions	87	-	5,789	5,876
Transfer to software	4,399	-	(4,399)	-
At 26 March 2022	**19,431**	**314**	**5,789**	**25,534**
Amortisation				
At 28 March 2021	10,958	314	-	11,272
Amortisation charge	1,509	-	-	1,509
At 26 March 2022	**12,467**	**314**	-	**12,781**
Carrying amount				
At 26 March 2022	**6,964**	-	**5,789**	**12,753**
At 27 March 2021	3,987	-	4,399	8,386

The aggregate amount of research and development expenditure recognised as an expense during the period is £9,197,000 (2021: £8,055,000).

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (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 27 March 2021	18,756	116,028	20,025	13,069	167,878
Additions	-	1,920	542	10,311	12,773
Disposals	-	(5,447)	(1,245)	(1,339)	(8,031)
Transfers from assets in course of construction	-	825	393	(1,218)	-
Transfer to Group companies	-	(9,920)	-	(1,232)	(11,152)
At 26 March 2022	18,756	103,406	19,715	19,591	161,468
Depreciation					
At 27 March 2021	10,600	82,910	14,113	2,948	110,571
Charge for the period	185	4,009	1,360	-	5,554
Eliminated on disposal	-	(5,436)	(1,230)	-	(6,666)
Transfer to Group companies	-	(3,086)	-		(3,086)
At 26 March 2022	**10,785**	**78,397**	**14,243**	**2,948**	**106,373**
Carrying amount					
At 26 March 2022	**7,971**	**25,009**	**5,472**	**16,643**	**55,095**
At 27 March 2021	8,156	33,118	5,912	10,121	57,307

15 Investments in subsidiaries, joint ventures and associates

	26 March 2022 £ 000	27 March 2021 £ 000
Investments in subsidiaries	**144**	2

Subsidiaries	**£ 000**
Cost or valuation	
At 27 March 2021	2
Additions	142
At 26 March 2022	**144**
Provision	
At 27 March 2021 and 26 March 2022	-
Carrying amount	
At 26 March 2022	144
At 27 March 2021	2

On 8 June 2020 the Group and Buck Press Limited (BPL) established a new joint Venture company in Ghana – De La Rue Buck Press Limited, which is owned by the Company (49%) and BPL (51%).

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%
PO Box 142, The Beehive, Rohais, St Peter Port, GY1 3HT, Guernsey			
De La Rue Consulting Services Limited	UK	Trading	100%
De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS			
De La Rue Commercial Services Limited	Nigeria	Trading	100%
7th Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria			
De La Rue Global Services (SA)(Pty) Limited	South Africa	Non-trading	100%
52 Corlett Drive, Illovo, Johannesburg, 2196, South Africa			
De La Rue Buck Press Limited	Ghana	Trading	49%
Buck Press Building, Accra-Nsawam Hwy, Accra, Ga West, Greater Accra, P.O.Box AN 12321, Accra GA/R, Ghana			

16 Other investments

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 Portals International Limited (formerly 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.

	26 March 2022 £ 000	27 March 2021 £ 000
Opening balance	**8,682**	7,911
Interest accrued in the period	**848**	771
Additional investment in loan notes in the Portals International Limited group	**961**	-
Expected credit loss (reported in exceptionals)	**(3,160)**	-
Closing balance	**7,331**	8,682

In accordance with the terms of the instruments, the interest of £0.8m has not been paid in the year but accrued and added to the value of the other investment (2021: £0.8m). During the period an additional £0.9m was invested in loan notes in the Portals International Limited group. The Directors have assessed the recoverability of the other investments as at 26 March 2022 and as a result a provision was recorded in the period of £3.1m.

17 Deferred tax

Deferred tax (liabilities)/asset relate to the following:	**26 March 2022 £ 000**	27 March 2021 £ 000
Timing differences between capital allowances and depreciation	**3,955**	3,787
Other short term timing differences	**31**	12
Hedge reserves	**395**	288
Pension	**(7,900)**	3,510
	(3,519)	7,597
Reported in:		
Deferred tax assets	**-**	7,597
Creditors: amounts falling due after more than one year	**(3,519)**	-

A further deferred tax asset has not been recognised in relation to capital losses (£307m) as there is insufficient evidence that this asset will be recovered

18 Stocks

	26 March 2022 £ 000	27 March 2021 £ 000
Raw materials and consumables	**8,829**	5,925
Work in progress	**3,288**	3,277
Finished goods and goods for resale	**11,762**	19,649
	23,879	28,851

19 Debtors

	26 March 2022 £ 000	27 March 2021 £ 000
Trade debtors	**57,705**	63,721
Amounts owed by Group undertakings	**596,970**	637,060
Other debtors	**11,706**	22,106
Taxation and social security	-	-
Prepayments and accrued income	**8,171**	13,744
Corporation tax	**743**	775
Total current trade and other debtors	**675,295**	737,406

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 £539,320,000 (2021: £576,250,000) receivable after more than one year. These represent amounts owed by group undertakings.

20 Cash and cash equivalents

	26 March 2022 £ 000	27 March 2021 £ 000
Cash at bank and in hand	8,114	36,532
	8,114	36,532

21 Creditors

	Note	26 March 2022 £ 000	27 March 2021 £ 000
Due within one year			
Payments received on account		**14,298**	34,139
Loans and borrowings	25	-	11,620
Trade creditors		**22,025**	32,424
Amounts due to Group undertakings		**150,923**	159,045
Social security and other taxes		**1,634**	1,782
Other payables		**899**	1,737
Accrued expenses		**23,732**	27,264
Derivative financial instruments	31	**4,810**	7,392
Deferred income		**347**	391
		218,668	275,794

21 Creditors (continued)

	Note	26 March 2022 £ 000	27 March 2021 £ 000
Due after one year			
Loans and borrowings	25	**95,000**	78,000
Derivative financial instruments	31	**46**	74
Deferred tax liability	17	**3,519**	-
Other payables		**87**	65
		98,652	78,139

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 £ 000	Warranties £ 000	Other provisions £ 000	Total £ 000
At 28 March 2021	722	2,665	2,915	6,302
Additional provisions	264	923	3,339	4,526
Provisions used	(629)	(834)	(1,100)	(2,563)
Unused provision reversed	(31)	(1,564)	(2,576)	(4,171)
At 26 March 2022	**326**	**1,190**	**2,578**	**4,094**

Restructuring provisions as at 27 March 2021 related to the cessation of banknote manufacturing at the Gateshead facility and substantially related to redundancy and other employee termination costs. This was substantially utilized in the period. The charge for the period of £0.3m related to redundancy and other employee related termination costs for a Group factory relating to a change in working patterns. The remaining provision as at 26 March 2022 is expected to be utilized in FY23.

Warranty provisions relate to present obligations for defective products and include known claims as well as anticipated claims that had not been reported at the balance sheet date. 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. The liabilities include a small number of onerous contract provisions, employee related liabilities and other liabilities arising through the Company's normal operations. The precise timing of the utilization of these provisions is uncertain but is normally expected to fall within one year.

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 £4.1m (2021: £4.6m).

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.

On 2 March 2022, the Trustee and the Company agreed the term of a schedule of contributions and a recovery plan, setting out a programme for clearing the UK pension scheme deficit (the 'Recovery Plan'). The latest actuarial valuation of the UK Pensions Scheme as at 5 April 2021, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £119.5m.

The £119.5m deficit is addressed by Recovery Plan payments (payable quarterly in arrears) of £15m per annum from the year ending 5 April 2022 until 31 March 2029 whereas under the recovery plan agreed with the trustees in 2020 ('2019 Recovery Plan') until 31 March 2029. Additional contingent contributions in exceptional circumstances will become payable under the Recovery Plan by way of an acceleration of the contributions due in later years where: (i) the leverage ratio (consolidated net debt:EBITDA) is equal to or greater than 2.5x in FY23, up to a maximum of £4m in each financial year and/or (ii) the Company take any action which will cause material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme, of £8m (£8m in FY23) over the period up to 31 March 2023.

On 20 November 2020, the High Court issued its latest ruling in relation to the equalisation of pension benefits between men and women relating to Guaranteed Minimum Pensions (or "GMP"). The High Court ruled that statutory cash equivalent transfer values ("CETVs") paid from defined benefit pension schemes are subject to challenge and a top-up payment may be required if the CETV value insufficiently reflected the value of an equalised GMP benefit accrued between 17 May 1990 and 5 April 1997. The Group's estimate of the impact of this latest ruling was to increase the pension liability of £0.1m which was recorded within exceptional items in FY21.

In addition during the current period, legal fees of £0.2m have been incurred in the rectification of certain discrepancies identified in the UK defined benefit schemes rules (FY 2021: £0.6m) . 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 28 March 2021 to 26 March 2022 (continued)

23 Pension and other schemes (continued)

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

	26 March 2022 £ 000	27 March 2021 £ 000
Fair value of scheme assets	**988,700**	1,053,300
Present value of defined benefit obligation	**(957,100)**	(1,071,772)
Defined benefit pension scheme surplus/(deficit)	**31,600**	(18,472)

Defined benefit obligations

Changes in the defined benefit obligation are as follows:

	26 March 2022 £ 000	27 March 2021 £ 000
Present value at start of period	**(1,071,772)**	(982,074)
Interest cost on liabilities	**(20,400)**	(22,900)
Past service cost	**-**	(100)
Effect of changes in financial assumptions	**101,000**	(139,800)
Effect of changes in demographic assumptions	**(2,100)**	2,200
Effect of experience items on liabilities	**(12,028)**	15,002
Benefits paid	**48,200**	55,900
Present value at end of period	**(957,100)**	(1,071,772)

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

23 Pension and other schemes (continued)

Fair value of scheme assets

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

	26 March 2022 £ 000	27 March 2021 £ 000
Fair value at start of period	**1,053,300**	1,046,900
Interest income	**20,200**	24,600
Return on plan assets, excluding amounts included in interest income/(expense)	**(51,200)**	27,100
Scheme admin expenses	**(1,800)**	(2,100)
Employer contributions and other income	**16,400**	12,700
Benefits paid	**(48,200)**	(55,900)
Fair value at end of period	**988,700**	1,053,300

Analysis of assets

The major categories of scheme assets are as follows:

	26 March 2022 £m	27 March 2021 £m
Equities	**56.3**	125.0
Bonds	**154.9**	123.6
Diversified Growth Fund	**-**	54.7
Secured/fixed income	**456.2**	342.7
Liability Driven Investment Fund	**248.1**	276.3
Multi Asset Credit	**62.8**	125.0
Other	**10.4**	6.0
	988.7	1,053.3

	26 March 2022 % (1)	27 March 2021 % (1)
Equities	**6.0**	12.0
Bonds	**16.0**	12.0
Diversified Growth Fund	**-**	5.0
Secured/fixed income	**46.0**	33.0
Liability Driven Investment Fund	**25.0**	26.0
Multi Asset Credit	**6.0**	11.0
Other	**1.0**	1.0
	100.0	100.0

(1) As a percentage of total scheme assets

23 Pension and other schemes (continued)

Principal actuarial assumptions

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

	26 March 2022	27 March 2021
	%	%
Discount rate	**2.85**	1.95
CPI inflation rate	**3.10**	2.65
RPI inflation rate	**3.50**	3.15

Post retirement mortality assumptions

	26 March 2022	27 March 2021
	Years	Years
Aged 65 retiring immediately (current pensioner) – male	**22.0**	22.0
Aged 65 retiring immediately (current pensioner) – female	**24.0**	23.4
Aged 50 retiring in 17 years (future pensioner) – male	**22.5**	22.9
Aged 50 retiring in 17 years (future pensioner) – female	**25.4**	24.7

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£33m
0.25% increase in CPI inflation rate	Increase in liability of c£15m
Increasing life expectancy by one year	Increase in liability of c£49m

24 Share capital and reserves

Allotted, called up and fully paid shares

	26 March 2022		27 March 2021	
	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

	26 March 2022 £ 000	27 March 2021 £ 000
Due within one year		
Bank overdrafts	-	11,620

	26 March 2022 £ 000	27 March 2021 £ 000
Due after one year		
Bank borrowings	**95,000**	78,000

The De La Rue group has banking facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which currently are due to mature in December 2023. There can be conversion (in blocks of £25.0m) of up to £50.0m of the undrawn RCF cash component to the bond and guarantee component if required and an election to convert this back (again in blocks of £25.0m) can be made in order to draw more in cash if the bond and guarantee component has not been sufficiently utilised. As the Company is the main operating entity in the group it was decided that from March 2021 drawdowns would be taken out by the Company directly whereas previously these had been taken out by another group company with funding provided through the inter-company account.

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

In the second half of FY21, there was a reallocation of £25.0m of the cash component to the bond and guarantee component such that at present, £150.0m in total is available on the RCF component, of which £95.0m was drawn at 26 March 2022. and undrawn committed borrowing facilities, all maturing in more than one year, of £55.0m.

26 Share-based payments

At 26 March 2022, 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.

26 Share-based payments (continued)

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

The total amount contracted for but not provided in the financial statements was £367,600,000 (2021: £434,300,000).
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 supplied paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes. The termination of the Relationship Agreement with Portals in the year resulted in these commitments being extinguished.

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (continued)

28 Contingent liabilities

In June 2019 De La Rue International Limited terminated its agency agreement and sales consultancy agreement with Pastoriza SRL, a company which provided agency and sales consultancy services to the Group in the Dominican Republic from 2016 to 2019. Pastoriza disputed the termination and commenced a commercial lawsuit in the Dominican Republic for a claimed amount of approximately US$8m (plus monthly interest) which was dismissed by the Court in December 2020. Pastoriza appealed the decision, but the Court of Appeal dismissed the appeal in May 2021. Pastoriza then appealed to the Supreme Court, which also dismissed the appeal in July 2022. We have now had confirmation from the Court that Pastoriza has not lodged an appeal with the Constitutional Court (which would have been the final possible forum for this litigation) and it is now too late to do so, therefore the litigation is now at an end.

De la Rue has been made aware that the Central Bureau of Investigation in India (CBI-I) has launched an investigation into the conduct of Arvind Mayaram, the former Indian Finance Secretary, in which the historical activities of De La Rue in India prior to 2016 have been implicated. The Company has not received any official direct communication of this investigation from the CBI-I but has learned about it from publicly available sources. De La Rue has not served the Government of India or the Central Bank of India in any capacity since 2016. The Company believes that there is no merit to the allegations that relate to De La Rue and is seeking legal advice in this regard.

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

The De La Rue group has banking facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which currently are due to mature in December 2023. There can be conversion (in blocks of £25.0m) of up to £50.0m of the undrawn RCF cash component to the bond and guarantee component if required and an election to convert this back (again in blocks of £25.0m) can be made in order to draw more in cash if the bond and guarantee component has not been sufficiently utilised. The Company had jointly guaranteed the bank borrowings of Group companies under the Group £275m revolving credit facility. At 26 March 2022, the amount of loans drawn down on the £275m facility is £95m (27 March 2021: £78m).

30 Leases

Total commitments under non-cancellable operating leases are as follows:

Land and buildings	**2022 £ 000**	2021 £ 000
Total commitments due:		
Within one year	**1,630**	1,764
Between two and five years	**6,411**	6,452
Over five years	**24,148**	25,737
	32,189	33,953

De La Rue International Limited

Notes to the Financial Statements for the period from 28 March 2021 to 26 March 2022 (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:

	26 March 2022 £ 000	**26 March 2022 £ 000**	27 March 2021 £ 000	27 March 2021 £ 000
	Current	**Non-Current**	Current	Non-Current
Cash	**8,114**	-	36,532	-
Cash flow hedges	**250**	**20**	1,213	1
Other economic hedges	**900**	**16**	4,816	106
Embedded derivatives	**1,118**	**28**	12	-
	2,268	**64**	6,041	107

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

	26 March 2022 £ 000	**26 March 2022 £ 000**	27 March 2021 £ 000	27 March 2021 £ 000
	Current	**Non-Current**	Current	Non-Current
Unsecured bank loans and overdrafts	-	-	11,620	-
Cash flow hedges	**1,863**	**2**	2,699	6
Other economic hedges	**2,846**	**28**	1,654	-
Embedded derivatives	**101**	**16**	3,039	68
	4,810	**46**	7,392	74

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.

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 Discontinued operations

The Group completed the sale of the entire issued share capital of Cash Processing Solutions Limited and related subsidiaries (together 'CPS') to CPS Topco Limited, a company owned by Privet Capital on 22 May 2016. The credit in discontinued operations in the period of £0.2m relates to the winding down and finalizing of remaining activity related to a CPS contract, which has now ended.

34 Events since the balance sheet date

On 24 May 2022, the Trustees of the Main Scheme entered into a partial pensioner buy-in contract (qualifying insurance policy) for a proportion of pension members. In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The buy-in is considered to be a qualifying insurance policy. The premium paid to the insurer was £319.0m. As at 25 March 2023, the value of the buy-in contract was £220.6m. The impact of the partial pensioner buy-in has been recognised as a loss on the scheme assets.

A dividend of £25m to the Company's immediate parent undertaking, De La Rue Holdings Limited, was approved by the Directors on 26 June 2023.

Portals De La Rue Limited was sold to EPIRIS Fund II on 29 March 2018. As part of the transaction, Portals De La Rue Limited supplied paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes. The termination of the Relationship Agreement with Portals in the year resulted in these commitments being extinguished.

On the 28 June 2023 the Company entered into an agreement with the trustees of the De La Rue Pension Scheme in relation to the deferral of certain deficit reduction payments that were otherwise due to be paid by the Company and other Group companies to that scheme. In order to preserve and support the position of the scheme, with the support of the lenders, the scheme will be provided with security on a pari passu basis together with the lenders, as well as an enhanced information sharing protocol to ensure ongoing communication between the Group and the trustee remains comprehensive.

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

These documents are an amendment and restatement agreement with the various lenders and the banks' agent and security agent, a debenture between the Company, certain other Group companies and the banks' security agent and an inter-creditor agreement between the creditors. As a result of these changes, the facilities are now secured against material assets and shares within the Group.

The Directors assessment of the impact of COVID-19 is included on page 6 of the Directors' Report.