Registration number: 00720284

De La Rue International Limited

Annual Report and Financial Statements

for the Period from 29 March 2020 to 27 March 2021

De La Rue International Limited

Corporate Information

Directors	C G Vacher D R Harding J C Hyde
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 29 March 2020 to 27 March 2021

The Directors present their strategic report for the period from 29 March 2020 to 27 March 2021.

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 (2020: £nil), and no dividends were received from investments (2020: £nil). The Company's subsidiaries are disclosed in note 15 to these financial statements.

The strategies and objectives of the companies in which De La Rue International Limited holds an investment are set out in, and are in line with those published in the consolidated financial statements of its ultimate parent company, De La Rue plc, a copy of which can be obtained from the Company Secretary of De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Fair review of the business

Currency

Currency has performed well, with a more competitive and strategic approach to the market, cost reductions and increased manufacturing efficiencies. Currency continues to see strong ongoing global demand for cash as central banks seek to increase stock levels during the pandemic. We had very positive banknote print capacity utilisation during the year, with good capacity usage for polymer and banknote printing in the second half, delivering a mix with higher revenue and margin compared to the previous year.

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.

A major action we took to reduce costs in Currency during the year was to cease banknote production at our Gateshead site in December 2020. Following a period of transition and relocation from Gateshead to other sites, we will retain the same printing capacity while operating with one less site.

Authentication

Authentication saw good growth, especially in the second half of the year, and from the start of FY 2020/21 to date has signed contracts with an expected total multi-year lifetime value of £195m. At the same time however, we have seen the pandemic impacting this division, with reduced volumes on two contracts and delays in new contracts with overseas governments due to disruption in the procurement process.

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. In FY 2020/21 we have worked with Her Majesty's Passport Office (HMPO) to complete the transition of the UK Passport contract to the new supplier. As a result revenue is substantially lower for Identity Solutions compared to the prior period.

Exceptional items

During the year a net charge in respect of exceptional items of £21,720,000 was recorded, primarily related to costs and charges associated with the cessation of banknote production at our Gateshead facility (2020: Charge of £2,927,000).

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 has been growing at around 3% a year for the past decade with COVID-19 leading to a surge in demand during FY 2020/21. The global market for banknotes is approximately 170 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 19-25 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 week 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 (a significant increase on a year ago), both our market share and the demand for the product is increasing rapidly. By March 2021 there were 57 denominations on De La Rue SAFEGUARD polymer substrate and 73% of all issuing authorities that introduced new polymer banknotes in circulation in 2020 selected SAFEGUARD. 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 colourshift, holographics and micro-optics technologies). We are strongly focused on the growth of polymer security features while continuing to develop our portfolio and market share on paper security features, all underpinned by a robust R&D process and speed to market of new innovations.

Outlook and future developments (continued)

Authentication

It is estimated that the illicit trade in goods is around $2.2tn per year and 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 products they are buying.

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. From the start FY 2020/21 to May 2021 we have signed new contracts for tax stamp schemes in Bahrain and Qatar, and extended the scope of our UK scheme operated for UK HMRC.

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.

In October 2019 we completed the sale of our International Identity Solutions business to HID Corporation Limited. We produce polycarbonate and ID security features which we sell as components to HID and other ID solution providers, and we have advanced IP in polycarbonate data pages which will gives us a strong position in this market.

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 11 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 Finance Review section on pages 25 of the annual report of De La Rue plc, which does not form part of this report.

Principal risks and uncertainties

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

The key risks facing the Company, its subsidiaries and associate investments are disclosed in the Risk and Risk Management section on pages 26 to 30 of the 2021 annual report of De La Rue plc.

Approved by the Board on 16 December 2021 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 29 March 2020 to 27 March 2021

Registered number: 00720284

The Directors present their report and the financial statements for the period from 29 March 2020 to 27 March 2021.

Result and dividends

The Directors report a profit after taxation amounting to £29,214,000 (2020: £61,634,000). No interim dividend was paid during the period (2020: £nil) and the retained profit for the period was transferred to reserves. The Directors do not recommend the payment of a final dividend.

Directors of the Company

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

L S Roche (resigned 9 July 2020)

J C Hyde

D R Harding (appointed 6 May 2020)

C G Vacher

Research and development

During the period a total of £8,055,000 was charged to the profit and loss account in respect of research, development and design (2020: £10,752,000).

Group banking facility

Following the shareholder approval and capital raising effective 7 July 2020, the De La Rue group amended the terms of its banking facilities of £275.0m. These include 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, and this change was made in full by the end of the Financial year.

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 the second half of FY 2020/21, 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 £78.0m was drawn at 27 March 2021 and undrawn committed borrowing facilities, all maturing in more than one year, of £72.0m, all maturing in more than one year. An amendment to the Bank facilities that became effective on 25 March 2021 included wording to prepare for the transition of the underlying reference rate for borrowings from LIBOR to Risk Free Rates. This will affect GBP borrowings from the second half of the financial year 2021/22 but is not expected to have a material impact.

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 31 to 42 of the 2021 Annual Report of De La Rue plc which does not form part of this report. This may be summarised as follows: The Company aims to employ people of high quality and encourages creativity and innovation. It recognises individual and team contributions and will give all employees the chance to develop their potential. The Company promotes

Employee involvement (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 (2020: £nil).

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 15 of the Strategic report in the 2021 Annual Report and in the Group's 2021/22 Half year results. In addition, pages 135 to 144 of the 2021 Annual Report include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk.

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 31 December 2022. This base case forecast assumes continued delivery of the Turnaround Plan, specifically protecting market share in Currency, growing Authentication revenue, and the benefit of the cost out initiatives already completed. These forecasts show significant headroom and support that the Group will be able to operate within its available banking facilities and covenants throughout this period. A cumulative decline of 47% in EBITDA compared with the base case would need to occur in the going concern period for the net debt/EBITDA covenant to breached. This level of reduction is considered to be very unlikely by the Directors. The Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future.

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 31 December 2022. The Directors have considered the impact of COVID 19 and have concluded that it does not impact the going concern assessment of the business.

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

A copy of the 2021 Annual Report and the Group's 2021/22 Half year results is available at www.delarue.com or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Directors' Report for the period from 29 March 2020 to 27 March 2021 (continued)

Disclosure of information to the auditor

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

Reappointment of auditors

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

COVID-19

In 2018, as part of the ongoing business continuity and risk planning activities of De La Rue, the Company drew up a general pandemic Business Continuity Plan, which has proved effective in the response to the COVID-19 pandemic.

The Group and Company has implemented actions to mitigate the impact of COVID-19, including steps to protect its employees in line with guidance from Governments, and while there remains considerable uncertainty in relation to the COVID-19 pandemic (including its duration, extent and ultimate impact), the Board believes that the Group's operations will continue to experience only limited disruption due to the COVID-19 pandemic. Since July 2021, the Group has begun to re-align the handling of the COVID-19 pandemic response from an incident management, to a recovery outlook.

We are now focussing on the effective mitigation of COVID-19 as a business-as-usual task, rather than an ongoing incident, to ensure a longevity of compliance. This has included adapting Group recovery planning from the goal of returning to a pre-COVID-19 pandemic situation, to living with control measures to effectively control infections and safeguard business continuity. The Group continues to use scientifically proven, effective mitigation measures such as face coverings, increased ventilation, sanitation and social distancing.

A continued focus of the company throughout this period has been the combatting of outbreaks with targeted PCR testing where necessary, as well as the continued promotion of vaccination campaigns. The Group notes that in all operating countries, employee vaccination rates far exceed the national averages.

Up to H1 2021/22, all our UK sites continued to operate with limited disruption and remained fully operational. The Company also purchases products manufactured by other Group subsidiaries and up to H1 2021/22, our Malta and Kenya sites and our facilities in the United States continued to operate with limited disruption and remained fully operational. Operations at our site in Sri Lanka were disrupted, but remained functional, between April to September 2021 due to two waves of the Delta COVID-19 variant.

The Group continues to monitor and work to mitigate headwinds in commodity and energy costs and challenges in the supply chain.

BREXIT

Starting in 2018, we undertook extensive preparations for Brexit across the Group with a regular fortnightly/monthly cadence of reviews and updates, which ceased in May 2021 due to minimal operational, supply chain and other functional disruption experienced in the first five months of the UK-EU Trade Cooperation Agreement.

The Group continues to seek opportunities to minimise the administration involved and mitigate tariff and duty outlays and costs for the Group including making applications for designated customs warehousing arrangements and inward processing relief for manufacturing processes where appropriate. The risk of operational or supply chain disruptions to either Authentication or Currency divisions due to Brexit are not expected to increase in the coming financial year.

Post balance sheet events

On 5 November 2021, the Group subscribed for £0.9m of additional Loans Notes in Portals International Limited pursuant to a pre-emptive offer. The Group has also committed to subscribe for further Loan Notes of up to £0.9m pursuant to such offer with timing to be subsequently agreed.

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.

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

Approved by the Board on 16 December 2021 and signed on its behalf by:

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J C Hyde
Director

De La Rue International Limited

The Statement of Directors' Responsibility in respect of the Report for the Period from 29 March 2020 to 27 March 2021

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 27 March 2021 which comprise of Statement of Comprehensive Income, the Balance Sheet and Statement of Changes in Equity and the related notes 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK 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 27 March 2021 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 31 December 2022.

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.

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 8, 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. 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.

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

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.

Ernst & Young LLP

Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
16 December 2021

De La Rue International Limited

Profit and Loss Account for the period from 29 March 2020 to 27 March 2021

	Note	29 March 2020 to 27 March 2021 Continuing operations £ 000	29 March 2020 to 27 March 2021 Discontinued operations £ 000	2021 Total £ 000	31 March 2019 to 28 March 2020 Continuing operations £ 000 (restated*)	31 March 2019 to 28 March 2020 Discontinued operations £ 000	2020 Total £ 000 (restated*)
Turnover	3	433,170	-	433,170	519,767	-	519,767
Cost of sales		(338,910)	-	(338,910)	(420,328)	-	(420,328)
Gross profit/(loss)		94,260	-	94,260	99,439	-	99,439
Administrative expenses		(61,933)	-	(61,933)	(70,598)	-	(70,598)
Exceptional items	6	(21,374)	(346)	(21,720)	(3,024)	97	(2,927)
Profit on disposal of operations	34	-	-	-	24,759	-	24,759
Other operating income	4	1,322	-	1,322	851	-	851
Operating profit/(loss)	5	12,275	(346)	11,929	51,427	97	51,524
Other interest receivable and similar income	7	19,461	-	19,461	16,304	-	16,304
Interest payable and similar expenses	8	(1,889)	-	(1,889)	(3,030)	-	(3,030)
		17,572	-	17,572	13,274	-	13,274
Profit/(loss) before tax		29,847	(346)	29,501	64,701	97	64,798
Taxation	12	(353)	66	(287)	(3,091)	(73)	(3,164)
Profit/(loss) for the financial period		29,494	(280)	29,214	61,610	24	61,634

* The prior year figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of sales of £5.3m with no overall impact on profits compared to the figures originally reported. For further information, see page 17.

The notes on pages 16 to 48 form an integral part of these financial statements.

De La Rue International Limited

Statement of Comprehensive Income for the period from 29 March 2020 to 27 March 2021

	Note	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Profit for the period		29,214	61,634
Foreign currency translation (loss)/gain		(1,570)	1,812
Remeasurement (loss)/gain on retirement benefit obligations		(95,646)	113,800
Tax related to remeasurement of net defined benefit liability	12	18,145	(20,466)
Change in fair value of cash flow hedges (net of tax)		(1,489)	2,810
		(80,560)	97,956
Total comprehensive (loss)/ income for the period		(51,346)	159,590

The notes on pages 16 to 48 form an integral part of these financial statements.

De La Rue International Limited

Balance Sheet as at 27 March 2021

	Note	27 March 2021 £ 000	28 March 2020 £ 000
Non current assets			
Intangible assets	13	8,386	4,492
Tangible assets	14	57,307	64,550
Net pension surplus	23	-	64,826
Investments:			
Investment in subsidiaries	15	2	2
Other investment	16	8,682	7,911
Deferred tax assets	17	7,597	-
Derivative financial instruments	31	107	2,134
		82,081	143,915
Current assets			
Stocks	18	28,851	30,470
Debtors:	19		
amounts falling due within one year		161,156	115,413
amounts falling due after one year		576,250	503,563
		737,406	618,976
Derivative financial instruments	31	6,041	12,845
Cash at bank and in hand	20	36,532	88,403
		808,830	750,694
Creditors: Amounts falling due within one year	21	(275,794)	(309,660)
Net current assets		533,036	441,034
Total assets less current liabilities		615,117	584,949
Creditors: Amounts falling due after more than one year	21	(78,139)	(12,897)
Provisions for liabilities	22	(6,302)	(8,513)
Net assets excluding pension liability		530,676	563,539
Net pension liability	23	(18,472)	-
Net assets		512,204	563,539
Capital and reserves			
Share capital		2,000	2,000
Capital redemption reserve		2,076	2,065
Profit and loss account		509,356	559,213
Hedge reserve		(1,228)	261
Total equity		512,204	563,539

The notes on pages 16 to 48 form an integral part of these financial statements.

Approved and authorised by the Board on 16 December 2021 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 29 March 2020 to 27 March 2021

	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 31 March 2019	2,000	(2,549)	2,576	402,433	404,460
Profit for the period	-	-	-	61,634	61,634
Other comprehensive income	-	2,810	-	95,146	97,956
Total comprehensive income	-	2,810	-	156,780	159,590
Transactions with owners in their capacity as owners:					
Share based payments	-	-	(511)	-	(511)
At 28 March 2020	2,000	261	2,065	559,213	563,539

	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

The notes on pages 16 to 48 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 27 March 2021, being the last Saturday in March. The comparatives for the 2020 financial period are for the period ended 28 March 2020.

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)

Prior period restatement – change in income statement classification of certain contract related payments

During the period management has changed it's presentation of certain contract related payments to correctly reflect the nature of these payments, being payments to third parties rather than customers. These payments are now shown as a cost of goods sold instead of a reduction to revenue in accordance with FRS102. The prior period revenue and cost of goods sold (£5.3m) has been restated to reflect this change.

The current year impact of this is the inclusion of £5.1m of payments in cost of sales that would have previously been reported as a reduction to revenue. The prior period has been restated given the importance, to the users of the financial statements, of understanding revenue growth within the Authentication segment.

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 7.

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 31 December 2022. 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.

2 Accounting policies (continued)

Foreign currency transactions and balances

Foreign currency transactions

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

Translation of the results of foreign branches

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

Revenue recognition

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

2 Accounting policies (continued)

Tax

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

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill not deductible for tax purposes, or result from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Tangible assets

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

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

Depreciation

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

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

2 Accounting policies (continued)

Intangible assets

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

Amortisation

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

Asset class	Amortisation method and rate
Product development	5 years to 10 years
Software licenses	3 years to 5 years
Distribution rights	Written off over life of related product

Investments

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

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

Other investments

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

Cash and cash equivalents

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

Trade debtors

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

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

2 Accounting policies (continued)

Stocks
Stocks and work in progress are valued at the lower of cost, including relevant production overheads, and net realisable value. Cost is determined on a weighted average cost basis and comprised directly attributable purchase and 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.

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.

2 Accounting policies (continued)

Defined benefit pension obligation

The pension rights of the Company employees are dealt with through a self administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme and is closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer. The Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Group, De La Rue International Limited, which pays all contributions to the scheme and hence these are shown in these Company accounts.

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

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

The 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 27 March 2021 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 Director's 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 natire 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 27 March 2021 to be sufficient even considering the impact of Covid-19.

BREXIT

The Company is continuing to monitor and plan for the potential impact of BREXIT on its financial statements, including the potential impact on changes in the levels of import duties and tariffs, and indirect taxes recorded in addition to potential needs to make changes to the Company's finance and reporting systems.

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.

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement (continued)

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.

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 27 March 2021. 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 2021 fund valuation has been used to determine the IAS19 position as at the 27 March 2021 as it is not practicable to obtain a valuation as at 27 March 2021. 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 27 March 2021 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.

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement (continued)

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.

Recoverability assessment and impairment charges related to plant and machinery

During the period the Group has ceased banknote printing at its Gateshead facility. As a result, the Group has a material value of plant and machinery for which it has needed to assess whether an impairment is required. Management have determined that given the specialized nature of the plant and machinery and the very limited market opportunities to sell them to a third party, the asset values can only be supported based on management being able to demonstrate a continued use at a different Group manufacturing location thus demonstrating the asset's carrying value is supported by continued value in use. In making this assessment, management has carefully assessed its current plans for relocating assets which longer have an ongoing value in use to the Group.Those assets for which no ongoing value in use has been determined have been fully impaired resulting in a material impairment charge recorded within exceptional items in the current period of approximately £10m.

3 Revenue

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Sale of goods	433,170	519,767

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Currency	347,382	383,781
Authentication	61,595	58,755
Identity Solutions	24,193	77,231
	433,170	519,767

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
UK	93,894	148,493
Europe	53,530	62,280
Rest of world	285,746	308,994
	433,170	519,767

4 Other operating income

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Other operating income	1,322	851

5 Operating profit

Arrived at after charging/(crediting)

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Staff costs - (see note 9)	75,811	94,520
Depreciation expense	7,073	7,373
Amortisation of intangibles (see note 13)	617	973
Impairment of tangible and intangible assets (see note 14)	11,660	1,258
Distribution costs	9,863	10,648
Research and development cost	8,055	10,752
Operating leases:		
Hire of plant and machinery	142	200
Hire of land and buildings	2,086	2,031
Loss/(gain) on disposal of property, plant and equipment	433	(1)
Auditors remuneration	247	215

6 Exceptional items

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Loss/(Gain) on resolution of a historical issue relating to UK defined benefit pension scheme	100	(8,700)
Costs associated with the equity raise, bank refinancing and related projects	533	-
Pension underpin costs	590	1,071
Venezuela expected credit loss provision	-	1,028
Site relocation and restructuring	20,116	7,794
Costs associated with the CPS disposal (discontinued)	346	(97)
Costs associated with the IDS disposal	35	1,831
	21,720	2,927

On 20 November 202, 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 the latest ruling is an increase in the pension liability of £0.1m which has been recorded within exceptional items. The gain of £8.7m in the prior year related to the resolution of a historical issue in respect to a change in revaluation rates for certain deferred pension scheme members. This resulted in an equivalent reduction to the liabilities in the pension scheme as at 28 March 2020.

6 Exceptional items (continued)

Legal fees of £0.6m (2019/20 £1.1m) 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.

£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,

In the prior period, costs of £1m were recognized relating to the close out of the hedge position taken out in relation to Venezuela receivables for which a provision of £18.1m was made in FY 2018/19. The hedge position was closed out in FY 2019/20 as subsequent to year end sanctions further tightened against Venezuela.

Site relocation and restructuring costs of £20.1m (2019/20: £7.8m) have been incurred in 2020/21 including £7.9m of restructuring charges (primarily people related) and £11.9m of asset impairments and accelerated depreciation charges related to cessation of banknote production at our Gateshead facility. In the prior period the costs related primarily to the reorganisation of the De La Rue Group into our new divisional structure and other cost out programmes. The costs primarily related to redundancy costs and in addition to consultant and advisor fees.

Costs of £0.3m were associated with the disposal of CPS (2019/20 credits of £0.1m) and relate to a change in assessment of the total net loss the Group will incur completing a loss making CPS contract that was not novated post disposal (the contract is expected to conclude in FY 2021/22) in addition to amounts associated with the winding down of remaining activity relating to CPS.

In the prior period, costs of £1.8m were incurred in relation to the disposal of the International Identity Solutions business to HID in October 2019, primarily relating to advisor fees, contractor costs for short term employees brought in to work on the project and costs to close out hedge positions.

7 Other interest receivable and similar income

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Interest income on bank deposits	785	937
Interest income on loans to group undertakings	16,976	15,367
Net interest on the net defined benefit pension liability	1,700	-
	19,461	16,304

8 Interest payable and similar expenses

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Interest on bank overdrafts and borrowings	957	508
Net interest on the net defined benefit pension liability	-	1,600
Interest payable on loans from group undertakings	932	922
	1,889	3,030

The net interest on the defined benefit pension liability represents the difference between the interest on pension liabilities and assets. The credit in the current period was due to the opening pension valuation as at 29 March 2020 being a net surplus of £64.8m.

9 Staff costs

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Wages and salaries	62,705	77,928
Social security costs	6,042	8,104
Pension costs	6,921	8,961
Share-based payment charge/(credit)	143	(473)
	75,811	94,520

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Rest of the world	10	10
United Kingdom	1,050	1,415
	1,060	1,425

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 (2020: £nil).

11 Auditor's remuneration

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Audit of the financial statements	247	215

12 Taxation

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

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £ 000
Current taxation		
Current tax on income in the period	25	32
Adjustments in respect of prior periods	134	402
Total current tax	159	434
Deferred taxation		
Origination and reversal of timing differences	(18,365)	24,768
Change in tax rate	-	(989)
Total deferred taxation	(18,365)	23,779
Total tax	(18,206)	24,213

	2021 Current tax £ 000	2021 Deferred tax £ 000	2020 Current tax £ 000	2020 Deferred tax £ 000
Recognised in profit and loss account	2,572	(2,285)	4,842	(1,678)
Recognised in other comprehensive income	(2,413)	(15,731)	(4,408)	24,874
Recognised directly in equity	-	(349)	-	583
Total tax	159	(18,365)	434	23,779
Analysis of current tax recognized in profit and loss				
UK corporation tax	2,555		4,810	
Foreign tax	17		32	
Total current tax recognised in profit and loss	2,572		4,842	

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% (2020: 19%).

The differences are reconciled below:

	29 March 2020 to 27 March 2021 £ 000	31 March 2019 to 28 March 2020 £
Profit before tax	29,501	64,798
Corporation tax at standard rate of 19% (2020: 19%)	5,605	12,312
Permanent differences	1,326	(5,275)
Group relief	(7,045)	(3,288)
Foreign tax	17	31
Reduction in tax rate on deferred tax balance	-	117
Prior year adjustments	384	(733)
Total tax charge	287	3,164

Factors which may affect future tax rates

The standard rate of tax in the UK is due to increase from 19% to 25% from April 2023, following the enactment of the Finance Act 2021 during June 2021. The deferred tax assets and liabilities at 27 March 2021 have been calculated based on the rate of 19%, being the substantively enacted rate at the balance sheet date. However, as the corporate tax rate will increase to 25% from April 2023, the deferred tax balances will be revalued to reflect the change during the next financial year.

13 Intangible assets

	Other intangible assets £ 000	Distribution Rights £ 000	In course of construction £ 000	Total £ 000
Cost or valuation				
At 29 March 2020	14,833	314	-	15,147
Additions	-	-	4,265	4,265
Transfer from tangible assets	112	-	134	246
At 27 March 2021	14,945	314	4,399	19,658
Amortisation				
At 29 March 2020	10,341	314	-	10,655
Amortisation charge	617	-		617
At 27 March 2021	10,958	314	-	11,272
Carrying amount				
At 27 March 2021	3,987	-	4,399	8,386
At 28 March 2020	4,492	-	-	4,492

The aggregate amount of research and development expenditure recognised as an expense during the period is £8,055,000 (2020: £10,752,000).

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 29 March 2020	14,865	121,404	24,185	11,482	171,936
Additions	3,792	460	57	8,132	12,441
Disposals	-	(8,053)	(7,586)	(614)	(16,253)
Transfers from assets in course of construction	99	2,217	3,369	(5,685)	-
Transfer to intangible assets	-	-	-	(246)	(246)
At 27 March 2021	18,756	116,028	20,025	13,069	167,878
Depreciation					
At 29 March 2020	8,370	79,421	19,073	522	107,386
Charge for the period	1,363	3,710	2,000	-	7,073
Eliminated on disposal		(8,009)	(7,539)	-	(15,548)
Impairments	867	7,788	579	2,426	11,660
At 27 March 2021	10,600	82,910	14,113	2,948	110,571
Carrying amount					
At 27 March 2021	8,156	33,118	5,912	10,121	57,307
At 28 March 2020	6,495	41,983	5,112	10,960	64,550

The impairment charge for the period has been presented within exceptional items, and relates to the cessation of manufacturing at the Gateshead facility.

15 Investments in subsidiaries, joint ventures and associates

	27 March 2021 £ 000	28 March 2020 £ 000
Investments in subsidiaries	2	2

Subsidiaries	£ 000
Cost or valuation	
At 28 March 2020 and 27 March 2021	2
Provision	
At 28 March 2020 and 27 March 2021	-
Carrying amount	
At 28 March 2020 and 27 March 2021	2

Details of undertakings

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

Name of undertaking	Country of incorporation	Nature of business	Proportion of voting rights and shares held
De La Rue (Guernsey) Limited	Channel Islands	Non-trading	100%
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	Trading	100%
3rd Floor, 54 Melrose Boulevard, Melrose Arch, Gauteng, 2196, South Africa			

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 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.

	27 March 2021 £ 000	28 March 2020 £ 000
Opening balance	7,911	7,210
Interest accrued in the period	771	701
Closing balance	8,682	7,911

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 (2020: £0.7m).

17 Deferred tax

Deferred tax asset/(liabilities)s relate to the following:

	27 March 2021 £ 000	28 March 2020 £ 000
Timing differences between capital allowances and depreciation	3,787	1,567
Other short term timing differences	12	42
Hedge reserves	288	(61)
Pension	3,510	(12,317)
	7,597	(10,769)

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

18 Stocks

	27 March 2021 £ 000	28 March 2020 £ 000
Raw materials and consumables	5,925	9,159
Work in progress	3,277	4,114
Finished goods and goods for resale	19,649	17,197
	28,851	30,470

19 Debtors

	27 March 2021 £ 000	28 March 2020 £ 000
Trade debtors	63,721	50,051
Amounts owed by Group undertakings	637,060	534,878
Other debtors	22,106	5,766
Taxation and social security	-	-
Prepayments and accrued income	13,744	27,950
Corporation tax	775	331
Total current trade and other debtors	737,406	618,976

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 £576,250,000 (2020: £503,563,000) receivable after more than one year. These represent amounts owed by group undertakings.

20 Cash and cash equivalents

	27 March 2021 £ 000	28 March 2020 £ 000
Cash at bank and in hand	36,532	88,403
	36,532	88,403

21 Creditors

	Note	27 March 2021 £ 000	28 March 2020 £ 000
Due within one year			
Payments received on account		34,139	30,201
Loans and borrowings	25	11,620	68,064
Trade creditors		32,424	35,773
Amounts due to Group undertakings		159,045	108,365
Social security and other taxes		1,782	3,169
Other payables		1,737	7,264
Accrued expenses		27,264	43,567
Derivative financial instruments	31	7,392	12,980
Deferred income		391	277
		275,794	309,660

21 Creditors (continued)

	Note	27 March 2021 £ 000	28 March 2020 £ 000
Due after one year			
Loans and borrowings	25	78,000	-
Derivative financial instruments	31	74	2,128
Deferred tax liability	17	-	10,769
Other payables		65	-
		78,139	12,897

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 29 March 2020	2,488	569	5,456	8,513
Additional provisions	6,095	3,634	5,147	14,876
Provisions used	(7,292)	(131)	(4,384)	(11,807)
Unused provision reversed	(569)	(1,407)	(3,304)	(5,280)
At 27 March 2021	722	2,665	2,915	6,302

Restructuring provisions as at 28 March 2020 related to the reorganisation announced in May 2019 and primarily related to redundancy and other employee related termination costs which had not yet been paid. The charge in the year relates to the cessation of banknote manufacturing at the Gateshead facility and substantially related to redundancy and other employee termination costs. The remaining provision as at 27 March 2021 is expected to be paid in FY 2021/22.

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 £4.6m (2020: £5.8m).

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 31 May 2020, 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 31 December 2019, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £142.6m. The Recovery Plan makes an allowance for post-valuation market conditions up to 30 April 2020 (at which point there is an estimated funding shortfall of £190m), including the impact of COVID-19 on financial markets to that date.

The £190m deficit is addressed by Recovery Plan payments (payable quarterly in arrears) of £15m per annum from 1 April 2020 until 31 March 2023 and then payments of £24.5m per annum from 1 April 2023 until 31 March 2029. This replaces the recovery plan agreed with the trustees in 2016 ('2015 Recovery Plan') where payments would have been £22.2m between 1 April 2020 and 31 March 2021, £23.1m between 1 April 2021 and 31 March 2022 and £23m per annum thereafter until 31 March 2028. 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 either FY 2021/22 or FY 2022/23, up to a maximum of £4m in each financial year and £8m in total 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 £23.3m (£7.2m in FY 2020/21 and £8m in FY 2021/22 and £8m in FY 2022/23) over the period up to 31 March 2023.

The funding of the Recovery Plan is to be sourced from cash generation of the future business activities, but the Trustee has contractually agreed not to request any portion of the equity capital raising proceeds. This agreement with the Trustee of the UK Pension Scheme was conditional on an amount in full settlement of the equity capital raising in the gross amount of at least £100m having been received by the Company by no later than 31 July 2020. The equity raising was successfully completed on 7 July 2020.

During FY 2019/20 a past service credit of £8.7m relating to the resolution of a historical issue in respect to a change in revaluation rates for certain UK defined benefit deferred scheme members was recorded within exceptional items. The directors continue to assess any residual impact from these changes.

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 initial estimate of the impact of the lastest ruling is an increase in the pension liability of £0.1m which has been recorded within exceptional items.

23 Pension and other schemes (continued)

In addition during the current period, legal fees of £0.6m have been incurred in the rectification of certain discrepancies identified in the UK defined benefit schemes rules (FY 2020: £1.1m) . 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.

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

	27 March 2021 £ 000	28 March 2020 £ 000
Fair value of scheme assets	1,053,300	1,046,900
Present value of defined benefit obligation	(1,071,772)	(982,074)
Defined benefit pension scheme surplus/(deficit)	(18,472)	64,826

Defined benefit obligations

Changes in the defined benefit obligation are as follows:

	27 March 2021 £000	28 March 2020 £000
Present value at start of period	(982,074)	(1,081,612)
Interest cost on liabilities	(22,900)	(25,300)
Past service cost	(100)	8,700
Effect of changes in financial assumptions	(139,800)	29,700
Effect of changes in demographic assumptions	2,200	900
Effect of experience items on liabilities	15,002	38,638
Benefits paid	55,900	46,900
Present value at end of period	(1,071,772)	(982,074)

23 Pension and other schemes (continued)

Fair value of scheme assets

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

	27 March 2021 £000	28 March 2020 £000
Fair value at start of period	1,046,900	1,004,800
Interest income	24,600	23,700
Return on plan assets, excluding amounts included in interest income/(expense)	27,100	44,300
Scheme admin expenses	(2,100)	(2,200)
Employer contributions and other income	12,700	23,200
Benefits paid	(55,900)	(46,900)
Fair value at end of period	1,053,300	1,046,900

Analysis of assets

The major categories of scheme assets are as follows:

	27 March 2021 £m	28 March 2020 £m
Equities	125.0	86.7
Bonds	123.6	112.4
Diversified Growth Fund	54.7	46.5
Secured/fixed income	342.7	210.5
Liability Driven Investment Fund	276.3	457.7
Multi Asset Credit	125.0	108.8
Other	6.0	24.3
	1,053.3	1,046.9

	27 March 2021 % [1]	28 March 2020 % [1]
Equities	12.0	8.0
Bonds	12.0	11.0
Diversified Growth Fund	5.0	4.0
Secured/fixed income	33.0	21.0
Liability Driven Investment Fund	26.0	44.0
Multi Asset Credit	11.0	10.0
Other	1.0	2.0
	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:

	27 March 2021 £m	28 March 2020 £m
Discount rate	1.95	2.40
CPI inflation rate	2.65	1.60
RPI inflation rate	3.15	2.60

Post retirement mortality assumptions

	27 March 2021 Years	28 March 2020 Years
Aged 65 retiring immediately (current pensioner) – male	22.0	22.0
Aged 65 retiring immediately (current pensioner) – female	23.4	23.3
Aged 50 retiring in 17 years (future pensioner) – male	22.9	22.9
Aged 50 retiring in 17 years (future pensioner) – female	24.7	24.6

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£44m
0.25% increase in CPI inflation rate	Increase in liability of c£21m
Increasing life expectancy by one year	Increase in liability of c£50m

24 Share capital and reserves

Allotted, called up and fully paid shares

	27 March 2021		28 March 2020	
	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

	27 March 2021 £ 000	28 March 2020 £ 000
Due within one year		
Bank overdrafts	11,620	68,064

	27 March 2021 £ 000	28 March 2020 £ 000
Due after one year		
Bank borrowings	78,000	-

Following the shareholder approval and capital raising effective 7 July 2020, the De La Rue group amended the terms of its banking facilities of £275.0m. These include 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, and this change was made in full by the end of the Financial year.

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 FY 2020/21, 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 £78.0m was drawn at 27 March 2021 and undrawn committed borrowing facilities, all maturing in more than one year, of £72.0m, all maturing in more than one year. An amendment to the Bank facilities that became effective on 25 March 2021 included wording to prepare for the transition of the underlying reference rate for borrowings from LIBOR to Risk Free Rates. This will affect GBP borrowings from the second half of the financial year 2021/22 but is not expected to have a material impact.

26 Share-based payments

At 27 March 2021, 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 £434,300,000 (2020: £494,200,000).

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 will supply security paper to meet the De La Rue Group's anticipated internal requirements with pre agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group has a capital commitment of approximately £626.9m over 10 years from the date of sale. The contract is assessed to be at market rates.

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 SRL disputed the termination and commenceda commercial lawsuit in the Dominican Republuc for a claimed amount of approximatelyUS$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 has now appealed to the Supreme Court, we anticipate a decision being issued in summer 2022, although the Group does not anticipate this appeal will be successful either. Accordingly under FRS102 no provision has been made in respect of the proceedings in the Dominican Republic.

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

At 28 March 2020 the Group had a revolving credit facility of £275m that was due to expire in December 2021. During the current period, the Group extended the term of its revolving credit facility of £275m which was due to expire in December 2021 by two years to a new expiry term of December 2023. The Company had jointly guaranteed the bank borrowings of Group companies under the Group £275m revolving credit facility. At 27 March 2021, the amount of loans drawn down on the £275m facility is £78m (28 March 2020: £117m).

During the period the Group amended it's bank facilities and now has £275m including an RCF cash drawdown component of up to £175m and bond and guarantee facilities of a minimum of £100m, which currently are due to mature in December 2023. The Group can convert (in blocks of £25m) up to £50m of the undrawn RCF cash component to the bond and guarantee component if required and can elect to convert this back (again in blocks of £25m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised.

30 Leases

Total commitments under non cancellable operating leases are as follows:

Land and buildings	**2021** **£ 000**	**2020** **£ 000**
Total commitments due:		
Within one year	1,764	1,840
Between two and five years	6,452	6,142
Over five years	25,737	23,280
	33,953	31,262

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:

	27 March 2021 £ 000	27 March 2021 £ 000	28 March 2020 £ 000	28 March 2020 £ 000
	Current	**Non Current**	**Current**	**Non Current**
Cash	36,532	-	88,403	-
Cash flow hedges	1,213	1	6,028	26
Other economic hedges	4,816	106	2,138	10
Embedded derivatives	12	-	4,679	2,098
	6,041	107	12,845	2,134

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

	27 March 2021 £ 000	27 March 2021 £ 000	28 March 2020 £ 000	28 March 2020 £ 000
	Current	**Non Current**	**Current**	**Non Current**
Unsecured bank loans and overdrafts	11,620	-	68,064	-
Cash flow hedges	2,699	6	5,727	14
Other economic hedges	1,654	-	7,103	2,114
Embedded derivatives	3,039	68	150	-
	7,392	74	12,980	2,128

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 competed 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 loss on discontinued operations in the period of £0.3m (net of associated tax credits) related to a change in assessment of the total net loss the Company will incur completing a loss making CPS contract that was not novated post disposal (the contract is expected to conclude in FY 2021/22) in addition to amounts associated with the winding down of remaining activity related to CPS.

34 Disposal of International Identity Solutions business

In the prior period, on 12 June 2019, the Group announced it had agreed the sale of its International Solutions business to HID Corporation, an ASSA ABLOY Group company. The international Identity Solutions business did not meet the FRS102 definition of a discontinued operation and as such its results have been included within continuing operations. No pension liability transferred as part of the disposal.

On 23 August 2019, prior to the external sale to HID, the Company transferred the trade and assets associated with its International Identity Solutions business to a newly created wholly owned subsidiary ID Global Solutions Limited.

The profit on disposal is shown below:

Profit on disposal of assets:

	27 March 2021 £ 000	28 March 2020 £ 000
Amounts paid/payable by purchaser	-	35,957
Net assets and liabilities disposed of	-	(13,498)
	-	22,459

34 Disposal of International Identity Solutions business (continued)

On 14 October 2019 the Company completed the final sale of ID Global Solutions Limited to HID, resulting in a profit on disposal as shown below.

Profit on disposal of investment:

	27 March 2021 £ 000	28 March 2020 £ 000
Amounts paid/payable by purchaser	-	45,404
Cost of investment disposed of	-	(43,104)
	-	2,300

A total profit on disposal of £nil has been recognised (2020: gain of £24,759,000).

35 Events since the balance sheet date

On 5 November 2021, the Group subscribed for £0.9m of additional Loans Notes in Portals International Limited pursuant to a pre-emptive offer. The Group has also committed to subscribe for further Loan Notes of up to £0.9m pursuant to such offer with timing to be subsequently agreed.

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.

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