

Registration number: 00720284

De La Rue International Limited
Annual Report and Financial Statements
for the Period from 27 March 2022 to 25 March 2023

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De La Rue International Limited

Corporate Information

Directors	C G Vacher J Messent R C Euling D Sharratt N Douglas
Company Secretary	D R B Hickman R A Potts
Registered office	De La Rue House Jays Close Viables Basingstoke Hampshire RG22 4BS United Kingdom
Auditors	Ernst & Young LLP R+ 2 Blagrove Street Reading Berkshire RG1 1AZ United Kingdom

De La Rue International Limited

Strategic Report for the period from 27 March 2022 to 25 March 2023

The Directors present their strategic report for the period from 27 March 2022 to 25 March 2023.

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 (2022: £nil), and no dividends were received from investments (2022: £nil). The Company's subsidiaries are disclosed in note 15 to these financial statements.

During the year ended FY23 the Directors have reviewed the recoverability of intercompany balances and determined that an impairment was required of £551m.

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

Review of the business

Currency

De La Rue's Currency division provides market-leading end-to-end currency solutions, from finished banknotes to secure polymer substrate and banknote security features to over half the central banks and issuing authorities around the world.

Revenue of £303.5m in FY23 (FY22: £336.3m) for the Currency division was down 9.7% on the previous year. The fall in revenue was mostly due to lower banknote volumes, with a fall in polymer substrate volumes seen as well.

The post Covid-19 lull in demand, exacerbated and extended by global macroeconomic uncertainty, continued throughout FY23. It is evident that this slowdown has been experienced across the Currency manufacturing industry, as several of our competitors in this area have commented publicly that they have seen similar declines.

The demand for banknotes has recently been at low levels. There are encouraging signs that the market is recovering, with a significant number of new tenders underway since the year end, but the timing of this recovery remains uncertain. The Company has secured the substantial majority of the planned FY24 revenue.

Strong cost control and operational efficiency, together with the benefits of the Portals agreement termination, meant that gross profit margin rose slightly to 23.4% (FY22: 21.6%), though, given the fall in revenue, gross profit fell slightly in absolute terms to £87.5m

De La Rue International Limited

Strategic Report for the period from 27 March 2022 to 25 March 2023 (continued)

Authentication

Our Authentication division protects revenues and reputations through the provision of physical and digital solutions to governments and commercial organisations. We also manufacture ID security components.

During FY23 our existing Government Revenue Solutions contracts have performed as expected and revenue benefitted from contracts such as Oman coming on-stream during the year. This was offset by the HMRC contract ending as expected in the first quarter.

Identity Solutions

Identity Solutions comprises passport and other personal identity products. We sold our International Identity Solutions business in October 2019 to HID Corporation Limited. As expected, the legacy Identity Solutions business saw minimal activity in FY23.

Exceptional items

During the year a net charge in respect of exceptional items of £584.8m was recorded, which primarily related to impairment of intercompany receivables of £551.0m, an expected credit loss provision on other investments of securities interest held in the Portals International Limited Group of £8.4m, termination of our relationship agreement with Portals Paper Limited of £16.7m and site relocation and restructuring costs of £9.2m (2022: £1.2m).

Outlook and future developments

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

Currency

Currency is our largest division by revenue, and we estimate that the total demand for cash remains strong despite the growing popularity of digital payments in some countries. Population growth, global instability, a desire for privacy and other macro-economic factors, such as inflation, are behind this need.

The Currency division in FY23 saw revenues fall, as currency was impacted by the downturn in activity in the wake of the Covid pandemic when central banks stocked up with currency, and subsequently the global economic slowdown. This is an industry-wide trend, as evidenced by recent public statements made by a number of competitor companies. This is also evidenced by our win rate on bids, which remains at the same high level as it has been since we implemented the initial changes back in FY20 and FY21. The amount of cash in circulation continues to rise, growing 5.3% between 2021 and 2022, indicating that central banks have been working down the banknote inventory buffer they built in response to the Covid pandemic.

We entered FY24 with the total order book at £136.8m (25 March 2022: £170.8m) and the 12-month order book at £131.7m (25 March 2022: £163.5m). There are now encouraging signs that the market is recovering, with strong bid activity, a continuing positive win rate, and the substantial majority of FY24 banknote print orders already awarded. These include recent wins, especially in Africa, the Middle East and Asia, that have been received since the end of FY23.

De La Rue International Limited

Strategic Report for the period from 27 March 2022 to 25 March 2023 (continued)

Outlook and future developments (continued)

Authentication

In FY23 the division benefited from significant revenue from the contract to supply ID data pages for the new Australian passport. The division also onboarded new GRS schemes in Bahrain, Oman and Qatar, with all three schemes generating revenue from the first half of FY23. With these three latest schemes on board, De La Rue now runs Framework Convention for Tobacco Control (FCTC) compliant schemes across all countries that have implemented a scheme in the Gulf Cooperation Council area (totalling five out of the six countries in the bloc), a 100% win rate. Our other Government Revenue Solutions contracts performed as expected.

The arrival of Dave Sharratt as the Managing Director, Authentication in September 2022 has reinvigorated and refocused marketing and sales efforts within the division. The immediate focus in GRS is now on expanding the offering in territories where we already have arrangements in place, to cover other excisable goods, with e-cigarettes, sweetened juices, mobile phones and beauty products all being discussed as additional product types. Three GCC countries have already committed to cover soft drinks. In addition, we have recently secured multi-year GRS contract renewals with countries across Europe and Africa, securing our existing revenue for future years.

Our ID business secured a significant boost during FY23 when we agreed an extension to the contract to manufacture data pages for Australian passports from five to 10 years out to 2032, building on our success to date in fulfilling the needs of the Australian Passport Office ("APO").

Our software capabilities, with our DLR Certify™ and Traceology® systems allow end-to-end track and tracing of De La Rue authenticated products. These form a significant part of our Authentication offering. Shortly after Dave Sharratt joined De La Rue, he requested a thorough review of our software development operation. Following this review, we have mothballed two projects, resulting in a £2.9m exceptional write down. However, this has allowed our team to focus on the core business and our strategic direction allows concentration on the areas that give us the greatest future return.

Key performance indicators

The Directors monitor and manage the performance of the Company against its published financial statements and against key performance indicators (KPIs). The KPIs of the Company are revenue and operating profit, which can be found on page 16 and volumes, which are described in the Business Reviews above. Details of the Group's KPIs, which includes the Company, are set out in the Strategic Report section on pages 46 to 49 of the 2023 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 56 to 63 of the 2023 Annual Report of De La Rue plc.

Approved by the Board on 21 December 2023 and signed on its behalf by:



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J Messent
Director

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023

Registered number: 00720284

The Directors present their report and the financial statements for the period from 27 March 2022 to 25 March 2023.

Result and dividends

The Directors report a loss after taxation amounting to £545,636,000 (2022: profit £28,779,000). An interim dividend of £25m to the Company's immediate parent undertaking, De La Rue Holdings Limited, was approved by the Directors on 26 June 2023. The Directors do not recommend the payment of a final dividend.

Directors of the Company

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

D R Harding (resigned 28 July 2023)

C G Vacher

R C Euling (appointed 26 July 2022)

D Sharratt (appointed 12 October 2022)

J C Hyde (resigned 27 July 2022)

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

C J Andrews (appointed 28 July 2023 and resigned 8 August 2023)

J Messent (appointed 9 August 2023)

N Douglas (appointed 17 October 2023)

Research and development

During the period a total of £7,970,000 was charged to the profit and loss account in respect of research, development and design (2022: £9,197,000).

Group banking facility

The De La Rue group has banking facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m. Under the amended facility agreement, which was executed by all parties on the 28 June 2023, the Group continues to have access to a revolving credit facility ('RCF') of £250m that expires on 1st January 2025, which allows the drawing down of cash up to the level of £175m and the use of bonds and guarantees up to the level of £75m. The amendment to the debt agreement reduces the available facility by £25m from £275m to £250m, with the cash draw-down component remaining unchanged and the use of the bonding and guarantee lines reduced to £75m from the prior £100m level.

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

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

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

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 37 to 41 of the 2022 Annual Report of De La Rue plc which does not form part of this report. This may be summarised as follows: The Company aims to employ people of high quality and encourages creativity and innovation. It recognises individual and team contributions and will give all employees the chance to develop their potential. The Company promotes 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 (2022: £nil).

Going concern

In assessing the company's status as a going concern, the Directors evaluated the company's net liabilities position and expected future cash flows of investee companies and inter-company counterparties.

Having considered this, the directors believe the company is a going concern, reliant on the support of its parent company.

The Group's going concern position is outlined below.

Background and relevant facts

In line with IAS 1 "Presentation of financial statements", and the FRC guidance on "risk management, internal control and related financial and business reporting", when assessing the Group's ability to continue as a going concern, the Directors have taken into account all available information for a period up to 28 December 2024, being the Going Concern period.

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 10 of the Strategic Report in the FY23 Annual Report. In addition, pages 56 to 63 include the Group's objectives, policies and processes. There have been no material changes in overall strategy to that disclosed in the 2023 Annual Report.

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

Extension of banking facilities

On 18 December 2023, the Group successfully extended its existing banking facilities by six months to 1 July 2025.

Under this extension, the Group now has access to banking facilities of £235m (down from £250m) including a Revolving Credit Facility (RCF) cash drawdown component of up to £160.0m (down from £175m) and bond and guarantee facilities of £75m, with a new maturity date of 1 July 2025. The reduction in the RCF has been offset by a corresponding reduction in the existing minimum liquidity covenant, from £25m to £10m. There were no other changes to financial covenants or spread rates, as disclosed within "Accounting Policies" in the Annual Report and Accounts for the year ended 25 March 2023.

There have been no new non-financial conditions imposed on the company that are outside the company's control.

Covenants testing

The continued access to borrowing facilities described above is subject to quarterly covenant tests which look back over a rolling 12-month period. In addition, there is minimum liquidity testing monthly, testing at each weekend point on a 4-week historical basis and 13 week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £10m".

In each covenant test to date in FY24 the Group has met its covenant ratios on the historical covenant quarterly levels as well as the historic and forward-looking minimum liquidity tests.

The terms under the facility agreement signed in June 2023, included consideration of future options for the group, provision of further non-financial deliverables and milestones that the banks have monitored, and were delivered in line with agreed deliverable dates from all parties.

The covenant terms remain:

- EBIT/net interest payable more than or equal to 1.0 times.
- Net debt/EBITDA less than or equal to 4.0 times until the Q4 2024 testing point, reducing to less than or equal to 3.6 times from Q1 FY25 through to the end of the going concern period.
- Minimum Liquidity testing monthly, testing at each week-end point on a four-week historical basis and 13 week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £10m".

In order to determine the appropriate basis of preparation for the interim financial statements for the period ended 30 September 2023, the Directors must consider whether the Group can continue in operational existence for the going concern review period to 28 December 2024, taking into account the above liquidity headroom and covenant tests.

Testing assumptions and headroom level

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 28 December 2024 (Q3 FY25), being the going concern period, and this includes the following quarters: Q3, Q4 FY24 and Q1, Q2 and Q3 FY25 as well as monthly liquidity testing points over the period.

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

Testing assumptions and headroom level (continued)

Management's assessment is that a period of at least 12 months to 28 December 2024 is an appropriate going concern period, given this is the first quarterly covenant test which is greater than 12 months from the opinion date, and because the Group have access to financing facilities through to at least 1 July 2025, at which point management have concluded there are reasonable prospects of refinancing given ongoing support from their lenders.

Base case assumptions and headroom

The base case forecasts over the going concern period have been built taking into consideration the timing of the Currency recovery that has been materialising in the marketplace with order book growth and bid activity showing positive signs of market recovery. In addition, renewals of key Authentication contracts and annualization of contracts already won and starting to produce in the current financial year aids confidence in the strategic growth forecasted for that division into FY25.

The already enacted and largely completed footprint and restructuring projects have right sized the business for the current demand. Any ramp up required over the going concern period will be carefully managed in line with pipeline capacity requirements and orders to avoid significant negative fluctuations against base plans.

FY24 results to date indicate the Group is on-track to deliver the FY24 forecast from an EBIT and EBITDA perspective, with key orderbook wins secured to deliver the in-year plan.

In Currency, the Group is seeing the beginning of the expected market recovery. While the overall market remains unpredictable, our conversion rate of bids to orders since the beginning of this financial year supports the base strategic plan numbers.

The timing of tenders has been such that several significant orders have been closed recently, which further supports the base case modelling within the going concern period. At December 2023, the total order book stood at £219.8m (25 March 2023: £136.8m) which supports the Currency market recovery seen as the total order book has more than doubled since 30 September 2023 from £105.4m.

The Group's base case modelling shows headroom on all covenant thresholds across the going concern period.

Non-Financial milestones

In both the base and 'severe yet plausible' downside cases the Directors' assessment of the non-financial terms remains consistent as all required deliverables and monitoring milestones have been achieved through the going concern period. A number of these terms were linked to an increase in monthly monitoring with an increased obligation around information sharing with the lenders and pension trustee, including monthly short-term cash flow (STCF) submissions, and monthly progress updates. Management have proactively implemented a bi-monthly 13-week cash flow process with the outturn of this and monthly monitoring reports shared with the relevant stakeholders in line with the amended terms from June 2023. Directors are confident that all of the non-financial conditions and monthly monitoring will continue to be delivered and are in the control of the Company.

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

Severe yet plausible downsides and headroom

The downside modelling produced has factored in the Directors' assessment of events that could occur in a 'severe yet plausible downside' scenario. The risks modelled are directly linked to the Risk Committee 'principal risks' described on page 56 of the March 2023 annual report and the Directors note there are no new matters which present additional principal risks. The most significant material risks modelled were as follows:

Risk 3 Macroeconomic and geo-political risk

- Authentication new wins and implementations are not achieved in the timescales modelled in the base case.
- Cost inflation in the Base Case is assumed at 2.5% from FY25 onwards for UK and Malta, with revenue inflated at 50% of cost inflation assumption. The downside modelling includes an increase in the cost inflation rate for FY25 to be in line with the assumed base interest rate of 5.25% and no change in revenues assumed.
- Supply chain risks are monitored regularly by the company. Fixed price contracts are in place for utilities until September 2024 (i.e. Q2 FY25). Inflation has also already been factored in for the Base Case, as well as an inflation related downside risk in the severe yet plausible downside scenario, and therefore the downside risk modelled is appropriate.

Risk 10 Banking Facilities

- The Group will be paying an interest rate on its facilities of approximately 9% based on the current SONIA rate of 5.25% and the applicable margin. Based on the Base Case and Severe yet Plausible modelling in FY24, the underlying SONIA rate would need to increase in excess of 2.5% to trigger a breach in the interest covenant. Management have assessed this risk as remote given that the current SONIA rate applicable is 5.25% and this would need to apply for the entire going concern period. The Board have also considered current and future market conditions to determine the risk of rate increases beyond that level above is remote.

Risk 11 Kenya taxation and exit strategy

- Cash outflow assumed over and above the base case, which includes acceleration of amounts to finalise in country settlements.

Risk 13 Currency pipeline

- Volumes and budget margins are not achieved as forecasted in the going concern period, including revenue contracts not landing and volume reductions against base plan. This represents a margin reduction of £7.9m (15%) of total Currency margin over the going concern period. For currency pipeline downside risks modelled, margins have been determined using the average production cost as opposed to using the facilities with the lowest production costs where there is modelled capacity.

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

Severe yet plausible downsides and headroom (continued)

As a result of the liquidity testing requirement, the Directors also considered historical monthly working capital swings over the last three years. This analysis also included assessing periods where management's conclusion was that a "material uncertainty" over going concern existed, specifically between November 2022 and June 2023. Management also analysed weekly cash outflow averages to ensure that adequate considerations have been made to capture 'in quarter' working capital swings that the Group has experienced given the volatility of working capital in the Currency business in particular. A £15m working capital outflow, excluding non-recurring items, was incorporated into a severe yet plausible downside to apply monthly to liquidity testing.

The Directors noted that working capital and cash management have improved in the business over the course of Q2 FY24, resulting in a reduction in our net debt guidance for FY24 of £5m. The Base Case and working capital stress modelling have not been updated to reflect these improvements which means there are additional mitigations with regards to net debt and liquidity that the company has at its disposal for quarterly testing dates should they be required.

Company modelling (including taking into account working capital swings and potential cash collateral requirements) shows headroom to the covenant liquidity requirement throughout the going concern period, with controllable mitigations that could be applied.

The level of reduction that would be required to breach the liquidity covenant is considered to be remote by management, given the controllable mitigations available.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still meet its required covenant ratios, after taking into account mitigating actions, such as identified cost saving opportunities which the Directors consider to be within the Group's control.

Stress-Testing

Under the severe yet plausible downside modelling, EBIT and EBITDA would need to drop in the going concern period in excess of our historic forecasting inaccuracy over the last few years for any breach to occur. On liquidity this would need to drop in the going concern period by in excess of what the company has experienced over the last few years (taking into account the largest recurring monthly working capital movements), and from the lowest point modelled in the going concern period, for any breach to occur. This is taking into account mitigating actions within management's control.

Management have concluded that a breach is remote on the financial covenants given:

- Trading to date, along with net debt and liquidity is in line with the forecast indicating the Group is on-track to deliver the FY24 budget with market guidance maintained.
- Management considers that given the longer-term and consistent nature of its Authentication contracts, the key revenue and the corresponding EBIT/EBITDA risk is mainly in regard to the Currency division whereby the timing of contract wins and delivery of the current orderbook in line with the strategy has historically impacted performance against forecasts in previous periods. The Currency order book is showing encouraging signs of recovery, with win rates high and a number of substantial new tenders actively underway, and key orders secured for FY24 and early FY25 forecast.
- Liquidity severe stress testing excluded mitigating actions that management could employ and still showed headroom under stress. Management considers the liquidity risk to be low given the current trading performance and orderbook profile.

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

Stress-Testing (continued)

- Additionally, the Group is currently paying an interest rate on its facilities of approximately 9% based on the current SONIA rate of over 5% and the applicable margin. As previously noted, the increase in underlying SONIA rate required to breach covenants is deemed to be remote by management.
- Management is comfortable that any non-financial conditions and reporting requirements have been achieved and can be maintained throughout the going concern period.
- The current revolving credit facility expires on 1 July 2025, which is beyond the end of the period reviewed for Going Concern purposes. The Directors have assessed that the Group will either renew the facility or have sufficient time to agree an alternative source of finance within a suitable timeframe prior to the expiry date, as evidenced by the continued engagement of the lenders in agreeing the extension to 1 July 2025.

Accordingly, the Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the going concern period to 28 December 2024.

Conclusion

In assessing the appropriateness of applying the going concern basis in the preparation of the Interim financial statements the Directors have considered the Group's liquidity and forecast cash flows taking into account severe yet plausible outcomes over the going concern period review to 28 December 2024.

As explained above, the severe yet plausible modelling shows headroom above the covenant levels agreed with the lenders and support the position that the Group will be able to operate within its available banking facilities and covenants throughout the going concern period. The Directors consider any scenario in which the Company would exhaust available liquidity or would breach covenants to be remote for the reasons detailed above. Combined with the recent extension to the Group's banking facilities by six months to 1 July 2025, the Directors are satisfied that the application of the going concern basis is appropriate and that no material uncertainty exists.

For the purpose of providing support to the Company until 28 December 2024, the Directors made enquiries of the Group who used the work performed in the 'Reasonable prospects beyond the going concern period' section to support the additional period. Directors are satisfied that the Company is able to manage its business risks and to continue in operational existence for the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

A copy of the 2023 Annual Report and the Group's FY24 Half year end results are available at www.delarue.com or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Disclosure of information to the auditor

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

De La Rue International Limited

Directors' Report for the period from 27 March 2022 to 25 March 2023 (continued)

Reappointment of auditors

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

Post balance sheet events

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

1. Banking Facilities

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

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

On 18 December 2023 the Group entered into a new agreement with its banking syndicate to extend its banking facilities to 1 July 2025. From this date the Group will have Bank facilities of £235m including an RCF cash drawn component of up to £160m (a reduction of £15m) and bond and guarantee facilities of a maximum of £75m. The covenant tests described above under the going concern note will continue to apply to the facilities, other than the liquidity covenant where the minimum headroom is now defined as "available cash and undrawn RCF greater than or equal to £10m", to reflect the £15m reduction in RCF. In addition, an arrangement fee is due, equal to 1% of the facility, which will reduce to 0.5% if the facility is refinanced before 30 June 2024.

2. Pension deficit payments

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

An actuarial valuation of the Scheme has been undertaken as at 30 September 2023. This showed a Scheme deficit of £78m. As a result of this new valuation, on 18 December 2023, the Company and the Scheme Trustee agreed a new schedule to fund the deficit. The funding moratorium until July 2024 as previously agreed will be retained, with the only payment being £1.25m due under the June 2023 Recovery Plan. This will be followed by deficit repair contributions from the Company of £8m per annum to the end of FY27, followed by higher contributions that at no time exceed £16m per annum and which run until December 2030 or until the Scheme becomes fully funded.

The next periodic actuarial valuation will be as at the end of September 2026, with the Scheme Trustee undertaking to provide the results of this valuation by January 2027, ahead of any increase in contribution from £8m per annum.

Approved by the Board on 21 December 2023 and signed on its behalf by:



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J Messent
Director

De La Rue International Limited

The Statement of Directors' Responsibility in respect of the Report for the Period from 27 March 2022 to 25 March 2023

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 25 March 2023 which comprise of Profit and Loss Account, Statement of Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 25 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 28 December 2024.

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

Other information

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

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

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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (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 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 year-end 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.
- Where we identified potential non-compliance with laws and regulations, we developed an appropriate audit response and communicated directly with components impacted. Our procedures involved: understanding the process and controls to identify non-compliance, reading the correspondence between the Group and their regulators, inquiring of internal and external legal counsel and reading their reports, understanding the fact patterns in each case and documenting the positions taken by management, and using EY specialists (including Forensics) to support us in concluding on the matters identified.

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

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

Use of our report

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

ERNST & YOUNG LLP.

Sanjaya Gunapala (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
21 December 2023

De La Rue International Limited

Profit and Loss Account for the period from 27 March 2022 to 25 March 2023

		27 March 2022 to 25 March 2023	27 March 2022 to 25 March 2023	2023 Total	28 March 2021 to 26 March 2022	28 March 2021 to 26 March 2022	2022 Total
	Note	Continuing operations £ 000	Discontinued operations £ 000	£ 000	Continuing operations £ 000	Discontinued operations £ 000	£ 000
Turnover	3	373,378	-	373,378	409,118	-	409,118
Cost of sales		(285,847)	-	(285,847)	(320,881)	-	(320,881)
Gross profit		87,531	-	87,531	88,237	-	88,237
Administrative expenses		(63,180)	-	(63,180)	(64,691)	-	(64,691)
Exceptional items	6	(33,772)		(33,772)	(4,726)	266	(4,460)
Other operating income	4	-	-	-	105	-	105
Operating (loss)/profit	5	(9,421)		(9,421)	18,925	266	19,191
Impairment of investments	15	(1,064)	-	(1,064)	-	-	-
Impairment of amounts owed by Group undertakings	19	(551,022)	-	(551,022)	-	-	-
Other interest receivable and similar income	7	32,965	-	32,965	16,475	-	16,475
Interest payable and similar expenses	8	(10,041)	-	(10,041)	(4,086)	-	(4,086)
(Loss)/ Profit before tax		(538,583)	-	(538,583)	31,314	266	31,580
Taxation	12	(7,053)	-	(7,053)	(2,750)	(51)	(2,801)
(Loss)/ Profit for the financial period		(545,636)	-	(545,636)	28,564	215	28,779

The notes on pages 21 to 52 form an integral part of these financial statements.

De La Rue International Limited

Statement of Comprehensive Income for the period from 27 March 2022 to 25 March 2023

		27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
	Note		
Profit for the period		(545,636)	28,779
Foreign currency translation gain		732	1,171
Remeasurement (loss)/gain on retirement benefit obligations	23	(100,700)	35,757
Tax related to remeasurement of net defined benefit liability	12	10,929	(8,671)
Migrated balances in reserves		-	(29)
Change in fair value of cash flow hedges (net of tax)		1,315	43
		(87,724)	28,271
Total comprehensive (loss)/income for the period		(633,360)	57,050

The notes on pages 21 to 52 form an integral part of these financial statements.

De La Rue International Limited

Balance Sheet as at 25 March 2023

	Note	25 March 2023 £ 000	26 March 2022 £ 000
Non-current assets			
Intangible assets	13	14,985	12,753
Tangible assets	14	51,974	55,095
Net pension surplus	23	-	31,600
Investments:			
Investment in subsidiaries	15	144	144
Other investment	16	-	7,331
Derivative financial instruments	31	9	64
		67,112	106,987
Current assets			
Stocks	18	29,912	23,879
Debtors:			
amounts falling due within one year		94,647	136,076
amounts falling due after one year		-	539,220
	19	94,647	675,296
Derivative financial instruments	31	2,190	2,268
Cash at bank and in hand	20	7,191	8,114
		133,940	709,557
Creditors: Amounts falling due within one year	21	(160,250)	(218,673)
Net current liabilities/assets		(26,310)	490,884
Total assets less current liabilities		40,802	597,871
Creditors: Amounts falling due after more than one year	21	(122,215)	(98,652)
Provisions for liabilities	22	(2,294)	(4,094)
Net liabilities/assets excluding pension liability		(83,707)	495,125
Net pension liability	23	(53,100)	-
Net liabilities/assets		(136,807)	495,125
Capital and reserves			
Share capital	24	2,000	2,000
Capital redemption reserve	24	4,375	2,947
Profit and loss account	24	(143,312)	491,363
Hedge reserve	24	130	(1,185)
Total equity		(136,807)	495,125

The notes on pages 21 to 52 form an integral part of these financial statements.

Approved and authorised by the Board on 21 December 2023 and signed on its behalf by:



.....
N Douglas

Director

De La Rue International Limited

Statement of Changes in Equity for the period from 27 March 2022 to 25 March 2023

	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 28 March 2021	2,000	(1,228)	2,076	509,356	512,204
Profit for the period	-	-	-	28,779	28,779
Other comprehensive income	-	43	-	28,228	28,271
Total comprehensive income	-	43	-	57,007	57,050
Transactions with owners in their capacity as owners:					
Share based payments	-	-	871	-	871
Dividends	-	-	-	(75,000)	(75,000)
At 26 March 2022	2,000	(1,185)	2,947	491,363	495,125
	Share capital £000	Hedge reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 27 March 2022	2,000	(1,185)	2,947	491,363	495,125
Profit for the period	-	-	-	(545,636)	(545,636)
Other comprehensive income	-	1,315	-	(89,039)	(87,724)
Total comprehensive income	-	1,315	-	(634,675)	(633,360)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	1,428	-	1,428
At 25 March 2023	2,000	130	4,375	(143,312)	(136,807)

The notes on pages 21 to 52 form an integral part of these financial statements.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023

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 25 March 2023, being the last Saturday in March. The comparatives for the 2022 financial period are for the period ended 26 March 2022.

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.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Going concern

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

In assessing whether the going concern basis is appropriate, the Directors take into account all available information about the future, which is at least, but is not limited to, the period up to 28 December 2024.

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

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

Exemption from preparing group accounts

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

The Company is exempt, under section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, De La Rue plc, a company registered in England and Wales. References to "Group" mean to De La Rue plc and its subsidiaries.

Foreign currency transactions and balances

Foreign currency transactions

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

Translation of the results of foreign branches

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Revenue recognition

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

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

Contract revenue recognition

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

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

Tax

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

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

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

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Tangible assets

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

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

Depreciation

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

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

Intangible assets

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

Amortisation

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

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

Investments

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

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

Other investments

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

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

Trade debtors

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

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

Stocks

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

Trade creditors

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

Trade creditors are measured at carrying value which approximates to fair value.

Borrowings

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

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

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

Provisions

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

Leases

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Share capital

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

Defined benefit pension obligation

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

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

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

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

Share based payments

De La Rue International Limited participates in various equity settled and cash settled option schemes, that are operated by its ultimate parent entity De La Rue plc. For the equity settled schemes, services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholder's funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. The fair values were modelled on a binomial lattice and those under the remaining schemes are calculated using the Black-Scholes option pricing formula. Vesting conditions, other than non-market conditions, are not taken into account when estimating the fair value.

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

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement

Revenue recognition and cut-off

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

Valuation of inventories

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

Pension valuation

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

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement (continued)

Determination of the incremental valuation date of certain fund assets in the UK defined benefit pension scheme.

The UK defined benefit pension scheme assets are made up of a number of separate funds. For the majority of these funds valuations have been available as at the Group's year end of 25 March 2023. However, the Multi Asset Credit and Secured Finance funds held by the UK Pension Scheme are valued on a monthly basis only at calendar month ends.

It was agreed to determine the IAS 19 position as at 25 March 2023 for these funds that they would be calculated by rolling forward the fund value at 28 February 2023, using suitable market indices.

Management has considered whether in accordance with FRS102 paragraph B28, it is appropriate to record the full net surplus on the balance sheet. Their conclusion is that as the Group has an unconditional right to any surplus this is appropriate.

Warranty provisions

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

Accounting treatment for sales to Portals

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

Consideration of whether the IDS disposal required discontinue operation presentation

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

Impairment of intercompany balances

During the year ended FY23 the Directors have reviewed the recoverability of intercompany balances and determined that an impairment was required of £551.0m. (note 19).

Management performed an impairment assessment on the recoverability of intercompany balances, and an impairment provision is proposed to be recorded against companies that have no means of repaying the balances.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

2 Accounting policies (continued)

Critical accounting estimates and areas of judgement (continued)

Impairment of subsidiary

During the period, the Company booked an impairment in its subsidiary of £1,604,000 (2022: £nil) (note 15).

The Company performed an impairment assessment and concluded that the value of the company was £nil as it was due to be liquidated, hence the investment was fully impaired.

3 Revenue

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

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Sale of goods	373,378	409,118

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

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Currency	303,532	336,260
Authentication	66,327	68,968
Identity Solutions	3,519	3,890
	373,378	409,118

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

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
UK	63,911	66,551
Europe	99,581	66,766
Rest of world	209,886	275,801
	373,378	409,118

4 Other operating income

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

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Other operating income	-	105

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

5 Operating profit

Arrived at after charging/(crediting)

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Staff costs - (see note 9)	63,239	64,774
Depreciation expense	5,902	5,554
Amortisation of intangibles (see note 13)	2,283	1,509
Impairment of tangible and intangible assets (see note 14)	2,489	-
Distribution costs	15,407	13,034
Research and development cost	7,970	9,197
Operating leases:		
Hire of plant and machinery	310	183
Hire of land and buildings	1,884	2,026
(Gain)/loss on disposal of property, plant and equipment	(84)	110
Auditor's remuneration	340	272

6 Exceptional items

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Pension underpin costs	528	399
Other investments expected credit loss provision	8,415	3,160
Site relocation and restructuring	8,177	1,167
Costs associated with the CPS disposal (discontinued)	-	(266)
Termination of Relationship Agreement with Portals Paper Limited	16,652	-
	33,772	4,460

Pension underpin costs of £0.5m (FY22: £0.4m) relate to legal fees, net of amounts recovered, incurred in the rectification of certain discrepancies identified in the Scheme's rules. The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they continue to assess this.

Other financial assets comprise securities interests held in the Portals International Limited group which were received as part of the consideration for the paper disposal in 2018. The amount presented on the balance sheet within other financial assets as at 25 March 2023 includes the original principal received and accrued interest amounts. In FY23 these amounts were fully impaired.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

6 Exceptional items (continued)

On the 26 July 2022, the Group reached a settlement to terminate its long-term supply agreement with Portals Paper Limited ("Portals"), related to the supply of banknote, proofing and security paper (the "Relationship Agreement" or "RA"). As a result of this termination, £16.7m (FY22: £nil) was recorded as an exceptional item in the period, being the agreed settlement together with associated legal costs. This is further described below.

Site relocation and restructuring costs of £8.2m (2022: £1.2m) have been incurred in 2023 primarily relating to the costs of relocating assets to different Group manufacturing locations) following the cessation of banknote production at our Gateshead facility, and £0.6m of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling functions, selling and commercial functions.

7 Other interest receivable and similar income

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Interest income on bank deposits	1,084	933
Interest income on loans to group undertakings	30,781	15,542
Net interest on the net defined benefit pension liability	1,100	-
	32,965	16,475

8 Interest payable and similar expenses

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Interest on bank overdrafts and borrowings	7,184	2,804
Net interest on the net defined benefit pension liability	-	200
Interest payable on loans from group undertakings	2,857	1,082
	10,041	4,086

The net interest on the defined benefit pension liability represents the difference between the interest on pension liabilities and assets.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

9 Staff costs

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

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Wages and salaries	50,736	52,862
Social security costs	5,536	5,631
Pension costs	5,225	5,428
Share-based payment charge/(credit)	1,742	853
	63,239	64,774

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

	27 March 2022 to 25 March 2023 Number	28 March 2021 to 26 March 2022 Number
Rest of the world	10	10
United Kingdom	919	959
	929	969

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 (2022: £nil).

11 Auditor's remuneration

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Audit of the financial statements	340	272

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

12 Taxation

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

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
Current taxation		
Current tax on income in the period	(57)	61
Adjustments in respect of prior periods	94	188
Total current tax	37	249
Deferred taxation		
Origination and reversal of timing differences	(3,229)	11,043
Change in tax rate	(289)	72
Total deferred taxation	(3,518)	11,115
Total tax	(3,481)	11,364

	2023 Current Tax £'000	2023 Deferred Tax £'000	2023 Total Tax £'000	2022 Current Tax £'000	2022 Deferred Tax £'000	2022 Total Tax £'000
Recognised in profit and loss account	3,161	3,891	7,053	3,368	(567)	2,801
Tax on defined benefit pension recognised in other comprehensive income	(3,124)	(7,805)	(10,929)	(3,119)	11,790	8,671
Tax on hedge reserves recognised in other comprehensive income	-	395	395	-	(108)	(108)
Total tax	37	(3,519)	(3,481)	249	11,115	11,364
Analysis of current tax recognised in profit and loss						
UK corporation tax	3,073			3,304		
Foreign tax	88			64		
Total current tax recognised in profit and loss	3,161			3,368		

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

12 Taxation (continued)

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK of 19% (2022: 19%).

The differences are reconciled below:

	27 March 2022 to 25 March 2023 £ 000	28 March 2021 to 26 March 2022 £ 000
(Loss)/profit before tax	(538,583)	31,580
Corporation tax at standard rate of 19% (2022: 19%)	(102,330)	6,000
Permanent differences	744	589
Group relief	(1,396)	(3,564)
Investment revaluation not deductible	104,896	-
Foreign tax	88	64
Adjustment to timing differences not recognized for deferred tax purposes	6,280	-
Impact of tax rate change on deferred tax balances	(289)	(964)
Prior year adjustments	(940)	676
Total tax charge	7,053	2,801

Factors which may affect future tax rates

The standard rate of tax in the UK increased from 19% to 25% from April 2023, following the enactment of the Finance Act 2021 during June 2021.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

13 Intangible assets

	Other intangible assets £ 000	Distribution Rights £ 000	In course of construction £ 000	Total £ 000
Cost or valuation				
At 26 March 2022	19,431	314	5,789	25,534
Additions	1,442	-	5,365	6,807
Transfer to software	5,340	-	(5,308)	32
Transfer from Tangible assets	39	-	-	39
At 25 March 2023	26,252	314	5,846	32,412
Amortisation				
At 26 March 2022	12,467	314	-	12,781
Amortisation charge	2,283	-	-	2,283
Impairment	1,439	-	924	2,363
At 25 March 2023	16,189	314	924	17,427
Carrying amount				
At 25 March 2023	10,063	-	4,922	14,985
At 26 March 2022	6,964	-	5,789	12,753

The aggregate amount of research and development expenditure recognised as an expense during the period is £7,970,000 (2022: £9,197,000).

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

14 Tangible assets

	Land and buildings £ 000	Other property, plant and equipment £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation					
At 26 March 2022	18,756	103,406	19,715	19,591	161,468
Additions	1,675	15	493	2,049	4,232
Disposals	(34)	(2,840)	(374)	-	(3,248)
Transfer to Intangible assets	(39)	-	-	-	(39)
Transfers from assets in course of construction	976	11,120	2,732	(14,830)	(2)
At 25 March 2023	21,334	111,701	22,566	6,810	162,411
Depreciation					
At 26 March 2022	10,785	78,397	14,243	2,948	106,373
Charge for the period	223	4,025	1,654	-	5,902
Eliminated on disposal	(7)	(2,556)	(325)	-	(2,888)
Impairment	-	478	5	567	1,050
At 25 March 2023	11,001	80,344	15,577	3,515	110,437
Carrying amount					
At 25 March 2023	10,333	31,357	6,989	3,295	51,974
At 26 March 2022	7,971	25,009	5,472	16,643	55,095

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

15 Investments in subsidiaries, joint ventures and associates

	25 March 2023 £ 000	26 March 2022 £ 000
Investments in subsidiaries	144	144
Subsidiaries		£ 000
Cost or valuation		
At 26 March 2022		144
Additions		7,156
Receipt of dividend		(6,092)
At 25 March 2023		1,208
Provision		
At 26 March 2022		-
Impairment of investment		(1,064)
At 25 March 2023		(1,064)
Carrying amount		
At 25 March 2023		144
At 26 March 2022		144

In March 2023 the Company acquired 100% shares in DLR BV for a value of £7,156,000.

During the period, dividend income of £6,092,000 was received from a subsidiary, De La Rue BV (2022: £nil). In accordance with FRS102, as the payment of this dividend was made shortly after acquisition of De La Rue BV and the plan is to liquidate De La Rue BV the receipt has been credited against the cost of investment.

During the period £1,064,000 of impairment charges (2022: £nil) were recognised in relation to the impairment of investments in subsidiaries where their value was not fully recoverable (see note 2 for further details).

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

15 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

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

Name of undertaking	Country of incorporation	Nature of business	Proportion of voting rights and shares held
De La Rue (Guernsey) Limited	Channel Islands	Non-trading	100%
<i>PO Box 142, Suite 2, Block C, Hirzel Court, St. Peter Port, GY1 3HT, Guernsey</i>			
De La Rue Consulting Services Limited	UK	Trading	100%
<i>De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS</i>			
De La Rue Commercial Services Limited	Nigeria	Trading	100%
<i>7th Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria</i>			
De La Rue Global Services (SA)(Pty) Limited	South Africa	Non-trading	100%
<i>52 Corlett Drive, Illovo, Johannesburg, 2196, South Africa</i>			
De La Rue Buck Press Limited	Ghana	Trading	49%
<i>Buck Press Building, Accra-Nsawam Hwy, Accra, Ga West, Greater Accra, P.O.Box AN 12321, Accra GA/R, Ghana</i>			
De La Rue BV	Netherlands	Non-trading	100%
<i>Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands</i>			

16 Other investments

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

	25 March 2023 £ 000	26 March 2022 £ 000
Opening balance	7,331	8,682
Interest accrued in the period	1,084	848
Additional investment in loan notes in the Portals International Limited group	-	961
Expected credit loss (reported in exceptionals)	(8,415)	(3,160)
Closing balance	-	7,331

In accordance with the terms of the instruments, the interest of £1.1m has not been paid in the year but accrued and added to the value of the other investment (2022: £0.8m). The Directors have assessed the recoverability of the other investments as at 25 March 2023 and as a result a provision was recorded in the period of £8.4m.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

17 Deferred tax

Deferred tax (liabilities)/asset relate to the following:	25 March 2023 £ 000	26 March 2022 £ 000
Timing differences between capital allowances and depreciation	-	3,955
Other short term timing differences	-	31
Hedge reserves	-	395
Pension	-	(7,900)
	-	(3,519)
Reported in:		
Deferred tax assets	-	-
Creditors: amounts falling due after more than one year	-	(3,519)

Deferred tax assets of £19.5m have not been recognised as there is insufficient evidence that the asset will be recoverable. This includes £13.3m in respect of the defined benefit pension scheme deficit and £6.2m in respect of fixed asset timing differences.

A further deferred tax asset has not been recognised in relation to capital losses of £307m (2022: £307m) as there is insufficient evidence that this asset will be recovered.

18 Stocks

	25 March 2023 £ 000	26 March 2022 £ 000
Raw materials and consumables	8,513	8,829
Work in progress	1,563	3,288
Finished goods and goods for resale	19,836	11,762
	29,912	23,879

19 Debtors

	25 March 2023 £ 000	26 March 2022 £ 000
Trade debtors	36,508	57,705
Amounts owed by Group undertakings	14,209	596,970
Other debtors	16,275	11,706
Prepayments and accrued income	26,885	8,171
Corporation tax	770	743
Total current trade and other debtors	94,647	675,295

Amounts owed by Group undertakings are unsecured and interest bearing. Interest rates charges on group loans with subsidiaries are based on the appropriate currency SONIA rate and an interest margin determined by the creditworthiness of the borrower.

Debtors includes £nil (2022: £539,320,000) receivable after more than one year. These represent amounts owed by group undertakings.

During the year ended FY23 the Directors have reviewed the recoverability of intercompany balances and determined that an impairment was required of £551,022,000.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

20 Cash and cash equivalents

	25 March 2023 £ 000	26 March 2022 £ 000
Cash at bank and in hand	7,191	8,114
	<u>7,191</u>	<u>8,114</u>

21 Creditors

	Note	25 March 2023 £ 000	26 March 2022 £ 000
Due within one year			
Payments received on account		16,401	14,298
Loans and borrowings	25	-	-
Trade creditors		31,754	22,025
Amounts due to Group undertakings		93,830	150,923
Social security and other taxes		1,076	1,634
Other payables		845	899
Accrued expenses		14,640	23,732
Derivative financial instruments	31	1,443	4,810
Deferred income		261	347
		<u>160,250</u>	<u>218,668</u>

	Note	25 March 2023 £ 000	26 March 2022 £ 000
Due after one year			
Loans and borrowings	25	122,000	95,000
Derivative financial instruments	31	30	46
Deferred tax liability	17	-	3,519
Other payables		185	87
		<u>122,215</u>	<u>98,652</u>

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

22 Provisions for liabilities

	Restructuring £ 000	Warranties £ 000	Other provisions £ 000	Total £ 000
At 26 March 2022	326	1,190	2,578	4,094
Additional provisions	97	2,191	18,211	20,499
Provisions used	(210)	(456)	(53)	(719)
Unused provision reversed	(44)	(1,903)	(19,633)	(21,579)
At 25 March 2023	169	1,022	1,103	2,294

Restructuring provisions as at 25 March 2023 primarily relate to redundancy and other employee termination costs as a result of the wind down of operations in Kenya and other restructuring programmes within the Currency and Authentication divisions. The remaining provision as at 25 March 2023 is expected to be utilised in FY24.

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 £5.2m (2022: £4.1m).

Defined benefit pension schemes

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

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

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

23 Pension and other schemes (continued)

material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme, of £8m (£8m in FY23) over the period up to 31 March 2023.

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

In addition during the current period, legal fees of £0.5m have been incurred in the rectification of certain discrepancies identified in the UK defined benefit schemes rules (FY 2022: £0.2m). 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:

	25 March 2023 £ 000	26 March 2022 £ 000
Fair value of scheme assets	678,200	988,700
Present value of defined benefit obligation	(731,300)	(957,100)
Defined benefit pension scheme (deficit)/surplus	(53,100)	31,600

Defined benefit obligations

Changes in the defined benefit obligation are as follows:

	25 March 2023 £ 000	26 March 2022 £ 000
Present value at start of period	(957,100)	(1,071,772)
Interest cost on liabilities	(26,500)	(20,400)
Past service cost	-	-
Effect of changes in financial assumptions	225,300	101,000
Effect of changes in demographic assumptions	3,000	(2,100)
Effect of experience items on liabilities	(27,900)	(12,028)
Benefits paid	51,900	48,200
Present value at end of period	(731,300)	(957,100)

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

23 Pension and other schemes (continued)

Fair value of scheme assets

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

	25 March 2023 £ 000	26 March 2022 £ 000
Fair value at start of period	988,700	1,053,300
Interest income	27,600	20,200
Return on plan assets, excluding amounts included in interest income/(expense)	(301,100)	(51,200)
Scheme admin expenses	(1,600)	(1,800)
Employer contributions and other income	16,500	16,400
Benefits paid	(51,900)	(48,200)
Fair value at end of period	678,200	988,700

Analysis of assets

The major categories of scheme assets are as follows:

	25 March 2023 £m	26 March 2022 £m
Equities	3.2	56.3
Bonds	88.7	154.9
Secured/fixed income	133.0	456.2
Liability Driven Investment Fund	163.6	248.1
Multi Asset Credit	60.2	62.8
Qualifying insurance policy	220.6	-
Other	8.9	10.4
	678.2	988.7

	25 March 2023 % ⁽¹⁾	26 March 2022 % ⁽¹⁾
Equities	1.0	6.0
Bonds	13.0	16.0
Secured/fixed income	20.0	46.0
Liability Driven Investment Fund	24.0	25.0
Multi Asset Credit	9.0	6.0
Qualifying insurance policy	32.0	-
Other	1.0	1.0
	100.0	100.0

⁽¹⁾ As a percentage of total scheme assets

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

23 Pension and other schemes (continued)

Principal actuarial assumptions

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

	25 March 2023	26 March 2022
	%	%
Discount rate	4.70	2.85
CPI inflation rate	2.50	3.10
RPI inflation rate	3.00	3.50

Post retirement mortality assumptions

	25 March 2023	26 March 2022
	Years	Years
Aged 65 retiring immediately (current pensioner) – male	21.8	22.0
Aged 65 retiring immediately (current pensioner) – female	23.9	24.0
Aged 50 retiring in 17 years (future pensioner) – male	22.4	22.5
Aged 50 retiring in 17 years (future pensioner) – female	25.3	25.4

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

Assumption change	Approximate impact on Liability
-------------------	---------------------------------

0.50% decrease in discount rate	Increase in liability of c.£46m
0.50% increase in discount rate	Decrease on liability by c£42m
0.25% increase in expected RPI and CPI inflation rate	Increase in liability of c.£9m
0.25% increase in expected CPI inflation rate	Increase in liability of £8m
Increasing life expectancy by one year	Increase in liability of c.£27m

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

24 Share capital and reserves

Allotted, called up and fully paid shares

	25 March 2023		26 March 2022	
	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.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

25 Loans and borrowings

	25 March 2023 £ 000	26 March 2022 £ 000
Due within one year		
Bank overdrafts	-	-
	25 March 2023 £ 000	26 March 2022 £ 000
Due after one year		
Bank borrowings	122,000	95,000

At 25 March 2023, the De La Rue group had banking facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m.

Under the amended facility agreement, which was executed by all parties on the 28 June 2023, the Group had access to a revolving credit facility ('RCF') of £250m that expires on 1st January 2025, which allows the drawing down of cash up to the level of £175m and the use of bonds and guarantees up to the level of £75m. The amendment to the debt agreement reduces the available facility by £25m from £275m to £250m, with the cash draw-down component remaining unchanged and the use of the bonding and guarantee lines reduced to £75m from the prior £100m level.

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

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

On 18 December 2023 the Group entered into a new agreement with its banking syndicate to extend its banking facilities to 1 July 2025. From this date the Group will have Bank facilities of £235m including an RCF cash drawn component of up to £160m (a reduction of £15m) and bond and guarantee facilities of a maximum of £75m. The covenant tests described above under the going concern note will continue to apply to the facilities, other than the liquidity covenant where the minimum headroom is now defined as "available cash and undrawn RCF greater than or equal to £10m", to reflect the £15m reduction in RCF. In addition, an arrangement fee is due, equal to 1% of the facility, which will reduce to 0.5% if the facility is refinanced before 30 June 2024.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

26 Share-based payments

At 25 March 2023, 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.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

27 Commitments

The total amount contracted for but not provided in the financial statements was £1,700,000 (2022: £367,600,000).

FY22 included an amount in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. Other commitments in FY22 were amounts in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. As part of the transaction, Portals De La Rue Limited supplied paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes. The termination of the Relationship Agreement with Portals in the year resulted in these commitments being extinguished.

28 Contingent liabilities

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

In January 2023, De la Rue was made aware that the Central Bureau of Investigation in India (CBI-I) had launched an investigation into the conduct of Arvind Mayaram, the former Indian Finance Secretary, in which the historical activities of De La Rue in India prior to 2016 have been implicated. The Company has still not received any official direct communication of this investigation from the CBI-I. De La Rue has not served the Government of India or the Central Bank of India in any capacity since 2016. The Company believes that there is no merit to the allegations that relate to De La Rue and therefore has not raised a contingent liability or provision.

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.

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

29 Financial guarantee contracts

The Company had jointly guaranteed the bank borrowings of Group companies under the Group £235m revolving credit facility (£275m as at 25 March 2023). Further details can be found in note 25.

At 25 March 2023, the amount of loans drawn down on the £275m facility is £122m (26 March 2022: £95m).

30 Leases

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

Land and buildings	2023 £ 000	2022 £ 000
Total commitments due:		
Within one year	1,791	1,630
Between two and five years	6,601	6,411
Over five years	23,585	24,148
	31,977	32,189

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

31 Financial instruments

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

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

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

	25 March 2023 £ 000	25 March 2023 £ 000	26 March 2022 £ 000	26 March 2022 £ 000
	Current	Non-Current	Current	Non-Current
Cash	7,191		8,114	-
Cash flow hedges	1,069	1	250	20
Other economic hedges	1,055	-	900	16
Embedded derivatives	66	8	1,118	28
	2,190	9	2,268	64

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

	25 March 2023 £ 000	25 March 2023 £ 000	26 March 2022 £ 000	26 March 2022 £ 000
	Current	Non-Current	Current	Non-Current
Unsecured bank loans and overdrafts	-	-	-	-
Cash flow hedges	607	22	1,863	2
Other economic hedges	443	8	2,846	28
Embedded derivatives	393	-	101	16
	1,443	30	4,810	46

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

32 Immediate and ultimate parent undertaking

The immediate parent undertaking of the Company is De La Rue Holdings Limited and the ultimate parent undertaking is De La Rue plc, both of which are registered in England and Wales. The De La Rue Group is the only group of which the Company is a member for which consolidated group financial statements are prepared. Copies of the Group financial statements are available from the Company secretary, De La Rue plc at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

33 Discontinued operations

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

34 Events since the balance sheet date

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

Banking Facilities

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

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

On 18 December 2023 the Group entered into a new agreement with its banking syndicate to extend its banking facilities to 1 July 2025. From this date the Group will have Bank facilities of £235m including an RCF cash drawn component of up to £160m (a reduction of £15m) and bond and guarantee facilities of a maximum of £75m. The covenant tests described above under the going concern note will continue to apply to the facilities, other than the liquidity covenant where the minimum headroom is now defined as "available cash and undrawn RCF greater than or equal to £10m", to reflect the £15m reduction in RCF. In addition, an arrangement fee is due, equal to 1% of the facility, which will reduce to 0.5% if the facility is refinanced before 30 June 2024.

Pension deficit payments

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

De La Rue International Limited

Notes to the Financial Statements for the period from 27 March 2022 to 25 March 2023 (continued)

34 Events since the balance sheet date (continued)

An actuarial valuation of the Scheme has been undertaken as at 30 September 2023. This showed a Scheme deficit of £78m. As a result of this new valuation, on 18 December 2023, the Company and the Scheme Trustee agreed a new schedule to fund the deficit. The funding moratorium until July 2024 as previously agreed will be retained, with the only payment being £1.25m due under the June 2023 Recovery Plan. This will be followed by deficit repair contributions from the Company of £8m per annum to the end of FY27, followed by higher contributions that at no time exceed £16m per annum and which run until December 2030 or until the Scheme becomes fully funded.

The next periodic actuarial valuation will be as at the end of September 2026, with the Scheme Trustee undertaking to provide the results of this valuation by January 2027, ahead of any increase in contribution from £8m per annum.