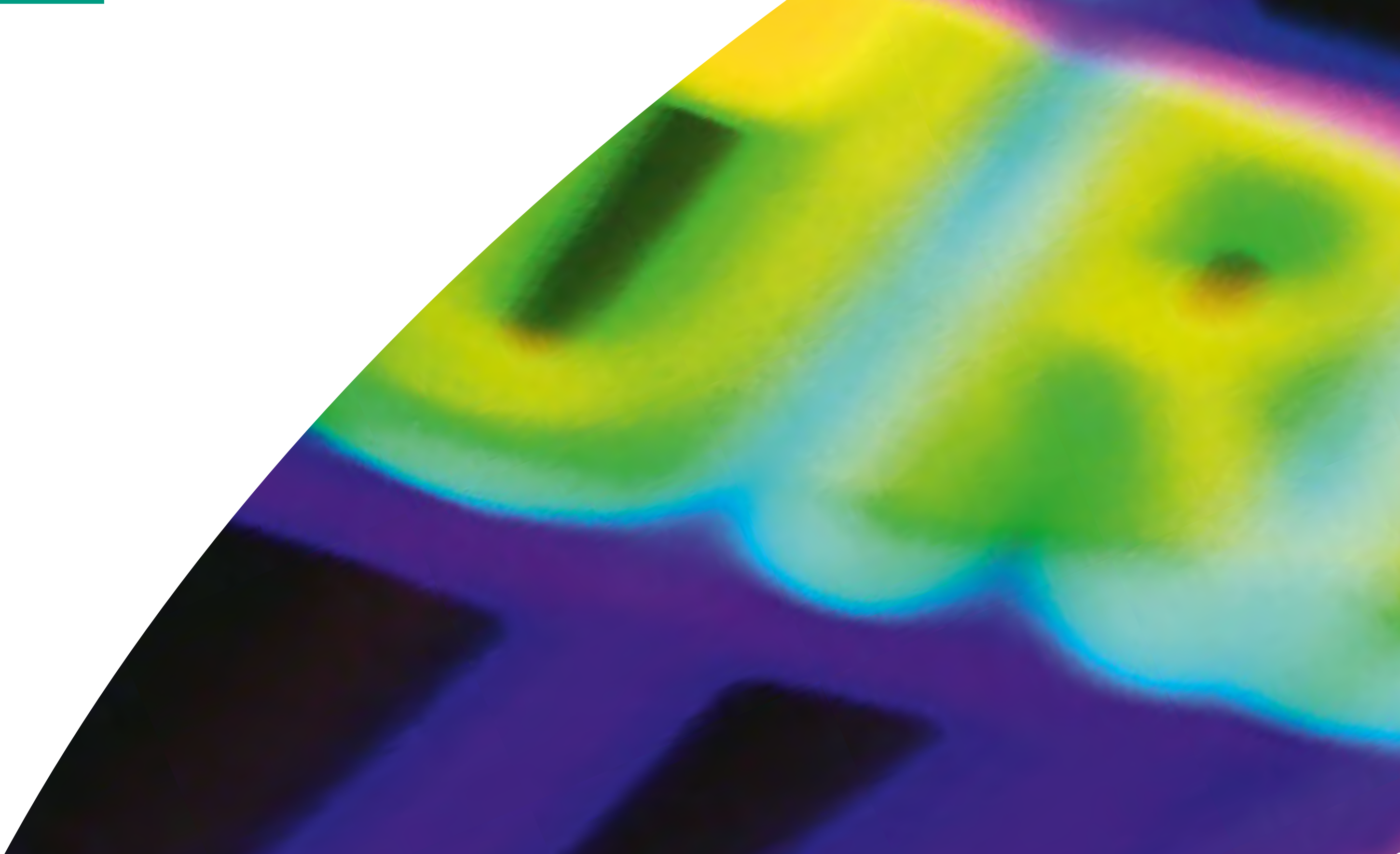
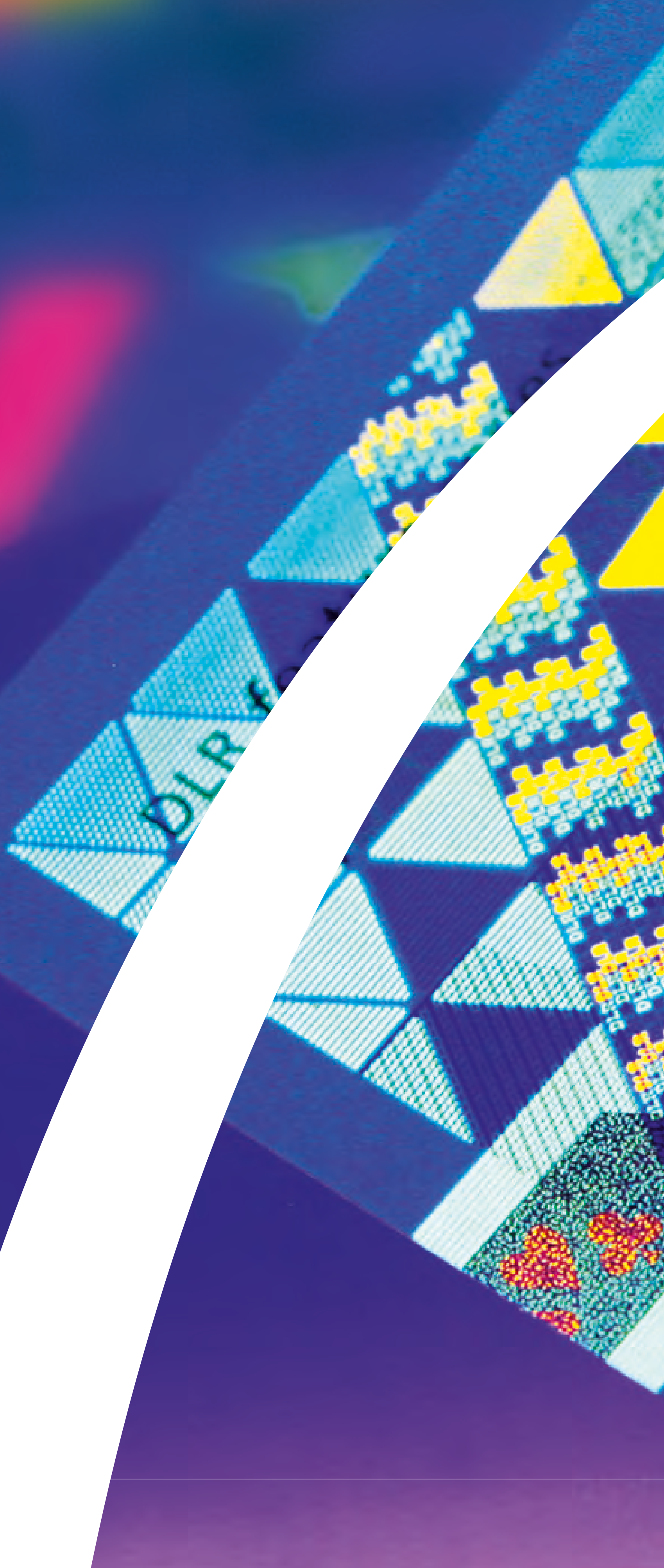
De La Rue plc

Annual Report 2021





01.

STRATEGIC REPORT	1
At a glance	2
Chairman's statement	4
CEO review	6
Our markets	10
Our business model	12
Our strategy	16
Review of operations	18
Financial review	21
Key performance indicators	25
Risk and risk management	26
Responsible business	31
Section 172 Statement	44

02.

CORPORATE GOVERNANCE	46
Chairman's introduction	48
Board of Directors	50
Nomination Committee	60
Audit Committee	62
Ethics Committee	68
Risk Committee	70
Remuneration	71
Directors' report	90
Directors' responsibility statement	95

03.

FINANCIAL STATEMENTS	96
Independent auditor's report	98
Consolidated income statement	106
Consolidated statement of comprehensive income	107
Consolidated balance sheet	108
Consolidated statement of changes in equity	109
Consolidated cash flow statement	110
Accounting policies	111
Notes to the accounts	119
Company balance sheet	162
Company statement of changes in equity	163
Accounting policies – Company	164
Notes to the accounts – Company	166
Non-IFRS measures	168
Five year record	171
Shareholder information	172
Featured image glossary	174

Our purpose – securing trust between people, businesses and governments

At a glance

Our business and performance

Currency

Adjusted revenue

£286.6m (+1.8%)

IFRS revenue

£295.7m (-6.2%)

Banknotes

We design, manufacture and deliver banknotes to customers around the world.

- Good print capacity utilisation during year
- Extended Bank of England contract to 2028

Polymer

We are the only vertically integrated producer of polymer substrate and banknotes.

- Strong growth for SAFEGUARD® substrate sales
- Secured second site for the increase of polymer production

Security Features

We create features that underpin the integrity of our banknotes.

- Secured sales of our newest thread IGNITE®
- Launched and secured sales of NEXUS™ micro-optic embedded stripe

Authentication

Adjusted revenue

£77.6m (+5.1%)

IFRS revenue

£77.6m (+5.1%)

Identity Solutions

Adjusted revenue

£23.7m (-69.1%)

IFRS revenue

£24.1m (-71.0%)

Government Revenue Solutions

Combined physical and digital solutions to support excise collection and the fight against illicit trade.

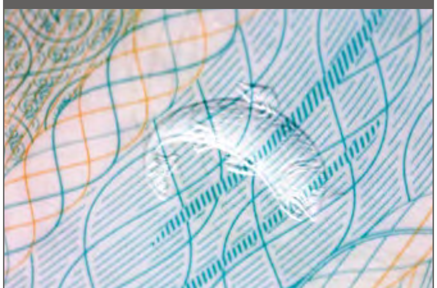
- Signed £195m of expected multi-year lifetime contracts by May 2021
- Continue to see good pipeline of contract opportunities

Brands

Brand protection utilising security components and software solutions.

- Won series of Tier 1 contracts for Authentication labels
- Renewal of Microsoft contract

Other products



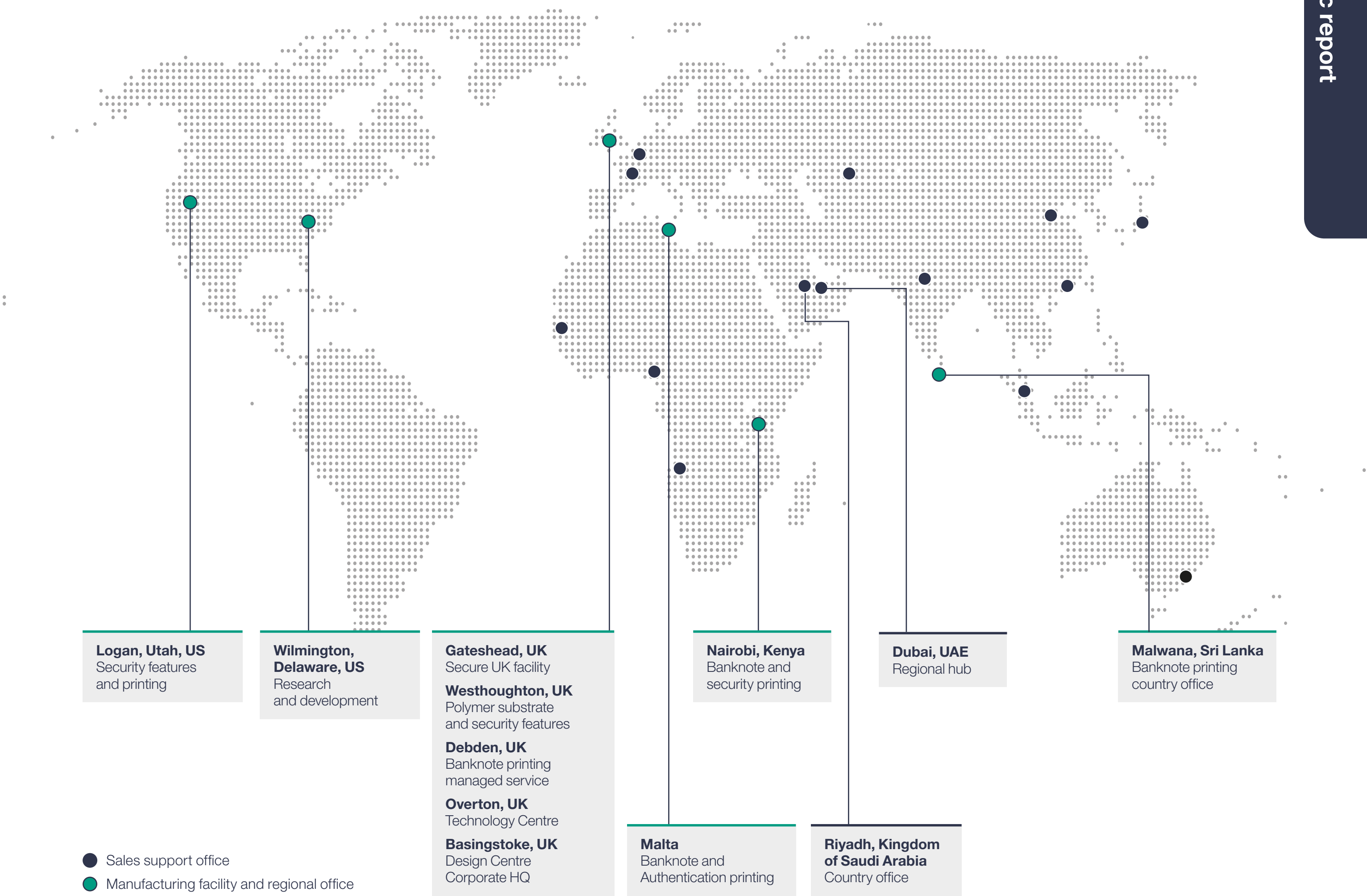
Security features for Identity including polycarbonate and secure documents.

- Completed transition of UK Passport contract to new supplier

For more information
See pages 168 to 170 for a reconciliation of adjusted and IFRS measures

Our global footprint

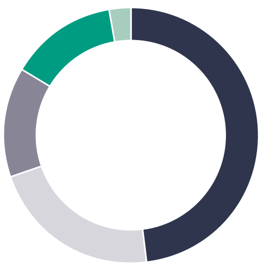
We have a global footprint and work with governments, central banks and commercial organisations in more than 140 countries.



Employees by region (%)

2,239

UK	48.2
Rest of Europe	21.9
Asia	13.7
Middle East & Africa	13.7
The Americas	2.7



Chairman's statement

A positive year

“Our Turnaround Plan is on track and De La Rue has delivered a positive financial performance.”

14.7p
Adjusted EPS basic
(FY 2019/20: 11.1p)

3.7p
IFRS EPS basic
(FY 2019/20: 30.3p)

I am pleased to report that the Group has had a positive year, delivering on a wide range of measures. We completed a £100m gross equity fund raising last July, providing management with the operational and financial flexibility to enact our Turnaround Plan, which was announced in February 2020. Good results for the financial year reflected the ongoing implementation of this Plan.

Refinancing

In July 2020, we completed a £100m gross (pre-costs) and £92.7m (post-costs) equity capital raising, which strengthened our balance sheet enabling the Company to enact our Turnaround Plan.

As a result of the fund raise, we were able to amend the terms of our £275m bank facilities, extending the date of the revolving credit facility to December 2023. At the same time, we agreed the terms for a schedule of contributions for clearing the UK Pension Scheme deficit, which reduced our payments, subject to conditions.

The successful completion of the equity fund raise was crucial to the future of De La Rue – a failure to raise new capital would undoubtedly have created major issues for the Company. The equity capital raise required all parties involved to meet on common ground and the Board is grateful to all those involved on reaching a constructive outcome, while working remotely through the pandemic.

Company performance

Due to the sale of International Identity Solutions in October 2019 and subsequent reorganisation in November 2019, we report on the financial performance for FY 2020/21 for the Authentication, Currency and Identity Solutions divisions and the future strategy for Authentication and Currency divisions only.

It is important to note that we saw a major contribution to our profits from the UK Passport contract during FY 2020/21, which will not contribute next year as the contract has moved to a new supplier.

Further detail of the Group's financial performance is covered on pages 18 to 24.

During FY 2020/21 we made good progress on our Turnaround Plan, which is being delivered on time and ahead of budget, completing the delivery of £36m of cost savings, of which we will see the full benefit in FY 2021/22.

Authentication saw good growth especially in the second half of the year, and from the start of FY 2020/21 to date, has signed contracts with an expected total multi-year lifetime value of £195m.

Currency also had a positive year, returning to adjusted operating profitability after a difficult FY 2019/20. There has been strong ongoing global demand for cash during the COVID-19 pandemic, and we saw good utilisation of our printing capacity. We continue to see strong interest in polymer and in January 2021, we announced that we had chosen to expand our polymer capabilities in a recently acquired building adjacent to our existing premises in Westhoughton, near Bolton, UK. Our CEO, Clive Vacher discusses the Turnaround Plan in more detail on pages 6 to 9.

Environment, Social and Governance

We are conscious of the important role we play in many communities around the world and the Board has been increasingly focused on ensuring that Environmental, Social and Governance (ESG) matters form an integral part of the growth strategies in our Turnaround Plan and our business decision making processes. The Board considers leadership, culture and good governance in these areas as essential factors in the Group's ongoing transformation.

We are mindful of our impact on the environment and I am pleased that we have made good progress on our energy use during the year, including changing to a 100% renewable power contract from July 2020 for our UK sites.

A Sustainability Programme Board has been established and is working on a carbon reduction roadmap designed to achieve our target of net zero emissions from our own operations by 2030.

We have workstreams that cover Energy, Waste, Product Design, Carbon and Plastics in our operations, and we are now able to offer our customers carbon offsetting and a carbon neutral banknote service.

A key focus of our Turnaround Plan is to participate strongly in the conversion of the world's banknotes to polymer and there is good evidence that polymer banknotes are more environmentally friendly than paper equivalents, lasting on average more than two and a half times longer in circulation. That said, we remain fully committed to our customers who choose to remain with paper banknotes. We continue to innovate in this regard, including reducing the environmental impact of all banknote manufacturing, be it on paper or polymer.

Diversity, equity and inclusion continues to be an area of focus and is critical to a strong, sustainable business, enabling us to attract and retain the best talent and better understand the markets and communities in which we live and work. Both the Company and the Board are committed to creating a culture of respect and inclusivity for every individual we employ. We will continue to promote a culture that values and thrives on diversity in all areas and strive to have a workforce representative of the communities in which we operate.

Our people have endured significant change and challenges as well as having to cope with the trials of COVID-19 and it is paramount that we continue to look after their wellbeing through our engagement programme. The Group received credits via the Coronavirus Job Retention Scheme (CJRS) of c.£0.4m from the UK Government and we repaid these amounts in April 2021.

At the same time as navigating the changes in the Company, we have maintained our commitment to the highest ethical standards, which are incorporated in our Code of Business Principles.

Details about this and the outcomes of our approach to governance are discussed in the responsible business report and the corporate governance report on pages 31 to 43 and 48 to 59 respectively.

As a Board we note the increasing importance of ESG issues and believe there is much we can do to create a lean, efficient, predictable and sustainable business, as well as ensuring sound succession planning and talent development.

The Board

Having completed six years' service Sabri Challah stood down as Senior Independent Director and Board member at the annual general meeting (AGM) on 6 August 2020.

We welcomed to the Board the Rt Hon Baroness Catherine Ashton and Margaret Rice-Jones as Non-executive Directors of the Company on 22 September 2020. Both Directors have become members of the Audit, Remuneration, Nomination and Ethics Committees. Margaret has also been appointed as Senior Independent Director with effect from 26 May 2021.

Rob Harding, who joined as Interim Chief Financial Officer on 9 March 2020 and saw us through the equity fund raise, was appointed as Chief Financial Officer and as an Executive Director on 1 October 2020. On 1 April 2021, Ruth Euling, Managing Director of the Currency division joined the Board as an additional Executive Director.

I believe we now have a well-balanced Board which has the appropriate skills to support the future business direction as we continue with the execution phase of the Turnaround Plan.

Our stakeholders

This year has been a difficult one for people in the Company and for the countries in which we operate, as we navigate our way through both the changes within the Company and the pandemic. The Board would like to thank all those who work for the Company for their hard work and dedication to De La Rue.

We would also like to thank the governments where we operate for their help and cooperation in this difficult environment, as well as our suppliers as we have responded and flexed our supply chain in response to the situation.

Trading and outlook

Following our H1 2019/20 financial performance the Board suspended dividend payments until the new executive team was established, a Turnaround Plan put in place and delivery begins to be demonstrated against that plan. The equity fund raise in July 2020 has significantly strengthened the Company's balance sheet for the future and the Group has operated well within its banking covenants. We discuss the viability statement for the business in more detail on page 30 and Going concern on page 111.

We have seen a good start to FY 2021/22 in both our Authentication and Currency divisions. A strong series of wins in Authentication underpins our expectation of £100m adjusted revenue by FY 2021/22, with strong operating margins and we continue to expect our Currency division to increase its adjusted operating profit in the year.

Our Turnaround Plan is well underway and continues to deliver positive results, which gives us confidence in our abilities to grow our adjusted revenue and increase our adjusted operating profits. At the same time, we are mindful of the challenges we face in the marketplace and with ongoing volatility in global markets.

Following the current period of cash outflow to fund the Turnaround Plan, we look forward to the Group generating cash flow capable of supporting sustainable cash dividends to shareholders.

Kevin Loosemore
Chairman

25 May 2021

CEO review

Executing our plan

"We are working effectively together to create value in our two ongoing divisions, Currency and Authentication Both divisions are delivering positive performance."

£38.1m

Adjusted operating profit (FY 2019/20: £23.7m)

£13.3m

IFRS operating profit (FY 2019/20: £42.8m)

I continue to be immensely impressed by the quality of our people and operations, during what has been a challenging year for people globally. We have made good progress on optimising performance, streamlining costs, and capitalising on our significant growth opportunities.

Overall performance

I am pleased to report that we have had a positive FY 2020/21. This marks a sharp contrast to the prior year, in which, after conducting an initial assessment of the business in October 2019, it quickly became apparent that our FY 2019/20 performance was going to be well below market expectations.

One of the key actions which has enabled our improved performance in FY 2020/21 was taken in November 2019, when we launched our new structure, creating two divisions: Currency and Authentication. The two divisions allowed our business activities to be arranged around value creation, enabling cross-functional working, speed to market and an even greater focus on the solutions of our individual government and commercial customers. This also gave us an opportunity to reduce and streamline our central functions and overheads, by placing more of the decision making with those closest to our customers and stakeholders.

Today we can see the benefit: we are operating in a more integrated manner, moving faster, and exhibiting alignment around a single plan at all levels of the Company (please see Review of operations on pages 18 to 20 for further details on divisional performance).

Turnaround Plan

We announced our Turnaround Plan for the Company in February 2020, with three key pillars: reduce Group costs; in Currency, stabilise the banknote printing business, grow polymer banknotes, and enhance our position on security features on both polymer and paper; and grow government and brand contracts in Authentication.

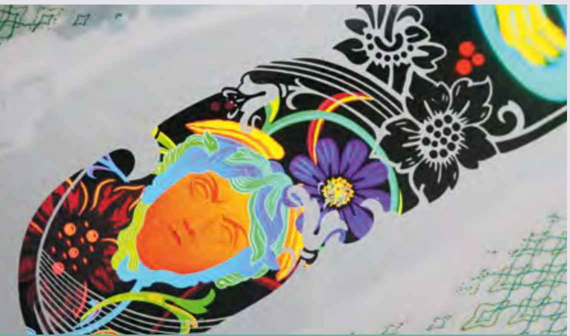
Costs

When we announced our Turnaround Plan, our overall cost base was simply too high for De La Rue to be competitive on a range of customer bids, especially in Currency. Our cost reduction plans were completed on time in December 2020, finalising our £36m cost savings programme. During FY 2020/21, we took actions that contributed £23m of savings in year and delivered savings of £30m on an annualised basis. As a result of a more efficient cost base, we are now able to bid for banknote contracts which were previously uneconomic for us to undertake, while remaining competitive and profitable.

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

In addition to tightening our manufacturing cost base, we also aim to reduce enabling function costs (such as Head Office and general support) further, as a percentage of revenue, in the coming years.

Currency
PUREIMAGE™ holographic thread



Currency
SAFEGUARD® and holographic stripe

Government Revenue Solutions
U.A.E Tax Stamps

Currency

Currency has performed well, returning to adjusted operating profitability from a loss the previous year. This was achieved through the delivery of cost reductions and manufacturing efficiencies as well as a more competitive and strategic approach to the market.

Importantly, Currency continues to see strong ongoing global demand for cash as central banks seek to increase stock levels during the pandemic. We had very positive banknote print capacity utilisation during the year, with good capacity usage in the first half rising to 100% of capacity usage for polymer and banknote printing in the second half, delivering a mix with higher revenue and margin compared to the previous year.

A very positive sign of confidence in our capabilities came in October 2020, when the Bank of England confirmed it will exercise its option to extend the existing banknote print contract by three years, maintaining our exclusivity in printing Bank of England banknotes and operating the Bank's facility in Debden, Essex, until 2028.

Given the ongoing demand, and strong multi-year outlook, for polymer, we plan to spend approximately £20m on new polymer capacity, an increase on the approximately £15m previously indicated. In January 2021, we purchased a new building for this expansion, adjacent to our existing premises in Westhoughton, near Bolton, which will create operational efficiencies. We expect the new line to be fully operational before the end of calendar year 2021 and that it will more than double current polymer production capacity. As part of this investment, we plan to recruit up to an additional 70 people during the next two and a half years.

Also, in December 2020, we announced that the Bank of England has awarded the Company the majority share of its polymer substrate volumes for the £5, £10 and £50 denominations over the next three years, beginning July 2021. De La Rue won a 65% share of the total volume tendered across the three denominations.

This win marks the first time that De La Rue's SAFEGUARD® polymer has been selected for the £5 and £10 denominations, resulting in SAFEGUARD® now being selected for all UK sterling denomination banknotes.

Over the coming years we see an increase in demand for polymer security features, which may, over time, result in a softening in the market for paper security features. We are strongly focused on capitalising on the growth of polymer security features, while continuing to develop our portfolio and market share on paper security features, all underpinned by a robust research and development (R&D) process and speed to market of new innovations.

In line with our strategy of revitalising our banknote business, we continue to invest in paper security features (see page 16 for more details).

Authentication

Authentication has had a positive year, with revenue growing by 5.1% and with strong growth in the second half. During FY 2020/21 and to May 2021, the division has signed expected total multi-year lifetime contracts worth £195m, many of which were signed in the later part of the year owing to COVID-19. These contracts included a major polycarbonate supply contract for the Australian Passport, contracts to supply tax stamps in Bahrain, Ghana and Qatar, and a series of brand contracts in the technology and healthcare sectors. Microsoft has also renewed its contract with us for a further five years.

At the same time however, we have seen the pandemic impacting this division, with reduced volumes on two contracts and delays in new contracts with overseas governments due to disruption in procurement processes.

Nevertheless, given our strong series of wins this year, we continue to target Authentication divisional adjusted revenue of £100m by FY 2021/22.

CEO review continued

The future of cash

As noted above, we have seen strong demand for cash during the pandemic, although it is possible that we may see drawdown of cash inventories as and when countries are able to put pandemic measures behind them.

De La Rue provides banknotes mainly to countries which are seeing an increased use of cash in their society, due to growing populations, inflation and as a value storage system. It should be noted that cash is a cost-efficient and environmentally friendly way to transact, which is available to all members of a society. We discuss cash usage in the future and during the pandemic in more detail in 'Our markets' on pages 10 to 11.

Full year performance

Our two ongoing divisions had positive performances during the year. In FY 2020/21, our Currency division saw modest revenue growth, importantly accompanied with a move from a loss to an adjusted operating profit, as this division increased performance throughout the year, while Authentication grew both adjusted revenue and adjusted operating profit.

Overall, for the Group, our adjusted revenue for the year was £388.1m, down 9.0% year on year, due to the sale of International Identity Solutions in October 2019 and the run off of the UK Passport contract.

While the UK Passport contract was a meaningful contributor to profits during the year and will not contribute to FY 2021/22, it is important to note that our two ongoing divisions delivered combined adjusted revenue growth of 4%, and an increase in adjusted operating profits from £1.4m last year to £27.5m in FY 2020/21. Following actions taken, we expect these two divisions to deliver increased adjusted operating profits in the next financial year.

On an International Financial Reporting Standards (IFRS) basis, revenue was down 14.5% to £399.0m, and operating profit on an IFRS basis was down £13.3m from £42.8m in FY 2019/20 (IFRS profit in FY 2020/21 was stated after charges of £23.8m and please see the Financial review on pages 21 to 24 for more details on reconciliation from adjusted to IFRS profitability). IFRS basic earnings per share (EPS) from continuing operations was 3.4p (FY 2019/20: 33.1p) and adjusted EPS was 14.8p (FY 2019/20: 11.1p), reflecting the above.

As a result of a strong second half especially in Currency, we delivered Group adjusted operating profit for the year of £38.1m, compared to £23.7m in the prior year.

Our cash flow reflected mainly the proceeds from equity raise of net £92.7m, together with investments in the Turnaround Plan (see pages 18 to 24 for more details). This resulted in our end-of-year net debt of £52.3m (FY 2019/20: £102.8m), a much more positive net debt position than expectations, with our net debt/ EBITDA covenant at year end at 0.99 times, down from 2.24 times at year end in FY 2019/20, and comfortably within the limit of 3.0 times.

It should be noted that we expect that the contribution from Identity Solutions, which was an adjusted operating profit of £10.8m for the year, will not repeat next year as the UK Passport production has completed. The IFRS operating profit for Identity Solutions was £10.4m. Nevertheless, as previously noted, we plan for substantial further adjusted operating profit growth in our two continuing businesses in FY 2021/22.

Brexit

We have been undertaking preparations for Brexit since 2018 and have held frequent risk reviews and updates, and regularly enact contingency measures to ensure preparedness and business continuity. These reviews and updates have continued since the UK formally exited its transition period with the EU and will continue as further separation milestones are reached according to the timeline imposed by the UK-EU Trade Cooperation Agreement.

Prior to 30 December 2020 and subsequently, we have engaged with key suppliers regarding their Brexit contingency planning, conducted regular contractual reviews and analysed known tariff and free trade access changes. We continue to actively review and assess the impacts of the latest positions on ongoing UK-EU talks and free trade negotiations with non-EU countries.

The Group has experienced minimal operational and supply chain disruption in the weeks preceding and subsequent months following the 30 December 2020 due to contingency preparations. The risk of operational or supply chain disruptions to either Currency or Authentication divisions is not expected to increase in the coming financial year.

We continue to seek opportunities to minimise the administration involved, and mitigate tariff and duty outlays and costs through proactive actions. These include making applications for designated Customs Warehousing arrangements and Inward Processing Relief for manufacturing processes where appropriate.

COVID-19

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

The Company has assessed, and continues to assess, the potential for disruption caused by the COVID-19 pandemic and has put in place plans and measures in order to enable the business to maintain normal operations, to the extent possible, against the backdrop of an evolving situation.

We implemented actions to mitigate the impact of COVID-19, including steps to protect our employees in line with guidance from governments, and while there remains considerable uncertainty in relation to the COVID-19 pandemic (including its duration, extent and ultimate impact), the Board believes that the Group's operations will continue to experience only limited disruption due to the impact of the COVID-19 pandemic.

During FY 2020/21, all four of our UK sites and our Malta and Kenya factories, and our two facilities in the United States have continued to operate with minimal disruption and have remained fully operational. Operations at our site in Sri Lanka were suspended for eight weeks between March and May 2020 due to island-wide governmental restrictions. It is a testament to the dedication of our Sri Lankan workforce that, despite this shutdown, they recovered and exceeded, their operational delivery targets for the full year.

I am pleased to note that our supply chains across both our Currency and Authentication divisions have remained materially unaffected since the outbreak of the COVID-19 pandemic, due to our robust Group-led incident management framework.

A single plan

I am pleased by the progress we have made in the first full year of the Turnaround Plan. This has been enabled by completion of the equity capital raise in July 2020, which secured the Company financially and greatly re-energised Group morale.

De La Rue is now an organisation with one single plan, full alignment of its employees and a strong 'working together' culture. We will create a Company with a balanced revenue generation consisting of traditional activities and high margin, high growth activities, all overlaid by unmatched global reach.

I would like to thank my colleagues who have worked hard to arrive at where De La Rue is today. We all recognise that there is much work still to do, and we are moving forward together with great optimism and momentum.

I believe we are now in the position to continue to execute the Turnaround Plan successfully and look forward with confidence to the next financial year.

Clive Vacher
Chief Executive Officer

25 May 2021

> "Importantly, our Currency division moved from an adjusted operating loss to an adjusted operating profit."

Focusing on our chosen markets

Currency

The Qatar Central Bank:
NEXUS™ micro-optic embedded stripe

We operate in two main markets – Currency and Authentication – and we outline the activities of both divisions in more detail in Our business model on pages 12 to 15.

Currency is our largest division by revenue. Looking at its market, we estimate that the total demand for cash has been growing at around 3% a year for the past decade with COVID-19 leading to a surge in demand during FY 2020/21.

Population growth and other macro-economic factors are behind this growth. While there is a decline in cash in circulation for some developed economies, this is not the case for the countries to which we supply most of our banknote production. Cash is useful in that it is ubiquitous, and it is the only physical way to pay and transact. It also has global infrastructure already in place serving nearly eight billion people.

This means it continues to possess benefits and functionality that are not provided by other payment mechanisms. We expect that cash will remain central to the global economy for many years in parallel to the rise of alternative payment systems.

The global market for banknotes is approximately 170bn per year, with the majority being printed by state printworks. The commercial banknote market – which is the one De La Rue operates in for banknote print – represents around 19-25 billion banknotes per year. This can be broken down into two elements – printing for governments who do not have a state printwork, and providing additional capacity, known as overspill, for those who do. The overspill market historically has been unpredictable and, combined with the central banks that place multi-year orders instead of annual orders, creates volatility in the commercial printing market.

A trend in the commercial printing market is that banknote customers are moving from direct contracts to tendering, which has created pricing pressure for commercial printers. In addition, while many customers buy finished banknotes from a single supplier, there is a growing move towards disaggregating the purchase to buy from multiple suppliers. This means that the elements of banknote provision, such as substrate, printing, and security features can be bought separately, with the value increasingly flowing into the substrate and the security features De La Rue can act as a holistic provider of fully finished paper and polymer banknote as well as a provider for individual elements, such as polymer substrate and or security features.

There is a move towards banknotes becoming increasingly complex and De La Rue is producing some of the more challenging banknotes in the market, (such as the Bank of England £20 and £50 polymer banknote).

In FY 2020/21, as COVID-19 impacted the world it was initially unclear how the virus was spreading. Later research clearly stated that respiratory droplets and person-to-person contact is spreading the coronavirus. The virus does not enter through the skin, although regular hand washing is recommended and the role in touching physical objects such as banknotes is increasingly thought to play a negligible role in virus transmission. To date COVID-19 has had a varied impact on issuing authorities, with some continuing as usual and many experiencing a surge in demand. Globally we have seen efforts to increase the quality of notes in circulation, requiring banknotes to be replaced more frequently.

Polymer

De La Rue is one of the two global providers of polymer substrate for banknotes. In general, polymer is longer lasting than paper as a banknote substrate. While polymer represents around 4% of the global market for banknotes, it represents around 14% of banknote denominations (a significant increase on a year ago), both our market share and the demand for the product is increasing rapidly.

By March 2021, there were 57 denominations on De La Rue SAFEGUARD® polymer substrate and 73% of all issuing authorities that introduced new polymer banknotes into circulation in 2020 selected SAFEGUARD®. With many more denominations expected to move to this substrate, we expect this market to continue to grow strongly in the next few years and we are more than doubling our capacity in this area.

Print

The print market for banknotes has more suppliers than the polymer market and De La Rue represents the largest market share, at around one-third. In addition to two other companies of size, there are several smaller suppliers in this market.

Security features

The market for security features is more fragmented, with products from both integrated providers such as De La Rue and from standalone players.

While most banknotes issued in FY 2020/21 used security threads, applied features such as holographic stripes have grown in popularity as polymer banknotes increasingly have an applied foil and as paper banknotes become more complex. Almost all countries buy security features or Intellectual Property (IP) licences from the commercial market.

De La Rue offers one of the more diverse portfolios in the market (covering threads, applied features, print features and covert features, encompassing colourshift, holographics and micro-optics technologies). Threads such as KINETIC STARCHROME® and IGNITE® are representative of the trend towards combinational technologies (holographics combined with colourshift and colourshift combined with micro-optics respectively). The new embedded stripe NEXUS™ represents a new paradigm in embedded security – combining the embedded security benefits of a thread with the large area of a stripe. Our combination of classical and digital holograms allows for highly bespoke, interactive and personalised holographic effects.

Authentication

Our Authentication division supplies products and services to governments and brands to assure tax revenues and authenticate goods as genuine.

It is estimated that the illicit trade in goods is around $2.2tn per year (source: World Economic Forum 2019) and growing rapidly with governments, brand owners and consumers all being affected by lost tax revenues, eroded brand value and lack of consumer confidence in the products they are buying.

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

We are seeing increasing demand for our traceability products for areas such as beer and soft drinks, due to the need for government tracing of products. From the start FY 2020/21 to May 2021 we have signed new contracts for tax stamp schemes in Bahrain, Ghana and Qatar, and extended the scope of our UK scheme operated for UK HMRC.

De La Rue is number two by volume and value among the suppliers of both physical tokens and end-to-end software systems in this market and so is well positioned to capture share during this growth phase.

The brand protection market is highly fragmented, with many operators offering partial solutions such as serialised labels and tamper-evident packaging. There is a growing move towards highly secure labels, unique ID at an item level, consumer and inspector digital applications and systems that can track and trace and authenticate products though the supply chain.

In May 2021, we announced that Microsoft extended its contract with us for a further five years.

During FY 2020/21 we have invested in our brand protection software solution, Traceology®, and have launched and implemented, a full track and trace solution for brands which combines our physical security labels with digital solutions to provide protection against counterfeits and diversion.

In February 2021, we launched DLR Validate™ a smartphone-enabled hologram validation tool. This app enables authorised brand protection inspectors to scan the holographic features in a PURE™ or IZON® holographic label to verify if the hologram is genuine. It is a quick, easy and intuitive step in the existing Traceology® product authentication app that provides an extra layer of confidence in hologram verification.

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

Our secure facility has been producing polycarbonate for supply to HID under the agreement to supply polycarbonate for the new Australian Passport. The plastic datapage construction enables the integration and layering of security features protecting the page, most notably windows, holography and hinge technology alongside security print as well as the passport chip and antenna.

Brand Protection:
PURE™ Garnet Label – advanced embossed holographic paper label

Our business model

How we create value

De La Rue is a provider of high security printing and related services to businesses and governments and operates on a worldwide scale. It has two customer-facing divisions – Currency and Authentication – with joint support for both divisions from central functions including Finance, Human Resources and Legal.

Inputs

- Our resources
- Our relationships

What we do

Currency

Key activities

We design, manufacture and deliver banknotes, polymer substrate and security features around the world

Customers

- Central banks
- State printworks

Authentication

Key activities

Product authentication and brand protection using security features, software solutions and services

Customers

- Government Revenue Solutions
- Brands

Channels

Digital + Sales

Value proposition and cost structure

Revenue

Outputs

- Enabling participation in the global economy
- Secure the world's tax revenues and protect from fraud
- Long term value for shareholders

Inputs

Key resources
The key resources which we use in Currency are our design studio, origination and proofing capabilities, our SAFEGUARD® polymer production facilities in the UK, banknote print capacity in the UK, Malta, Kenya and Sri Lanka, security feature production capabilities in the UK and software engineering capabilities in the UK. Our main manufacturing sites have ISO14001 for responsible environmental management and OHSAS18001 certification for their health and safety management systems.

In the case of our Authentication division the following are the main activities: the design of the physical token in the UK and secure print, storage and shipment in Malta; software design and development; IT support and customer services providing 24/7 coverage from our centres in Dubai, Riyadh and the UK; holographic design and origination in the UK and the USA; secure international logistics using full track and trace from our facility to customer; cheque and card printing and personalisation in Kenya and polycarbonate production in Malta. We have significant capability and capacity for the tax stamp and secure brand label market and now supply around nine billion physical markers (up from in excess of six billion last year) from our sites in Malta and the USA, and more than two billion secure digital codes via our Traceology® and Certify software systems.

Customer relationships
As noted above, our two divisions have differing customer relationships due to the variation in product offering and customer requirements.

We have well-established customer relationships in our Currency division, resulting from the depth of experience De La Rue has in banknote production. Our sales force interacts on a continual basis with central banks, state printworks and paper mills worldwide, as do our technical and product teams.

While a major part of our revenue in Currency is for our integrated banknote offering, there is increasing demand for customers towards purchasing security features independently and we are re-focusing our sales force towards selling our security features as standalone products.

Our Authentication division operates in both government and commercial sectors operating mainly concession contracts with governments for the deployment of tax stamp schemes and selling directly to commercial entities for brand protection schemes. We have grown our sales force to interact directly with customers around the world such as government agencies and major brands and we endeavour to have sales forces located in the markets that they support. In general, the revenue for our Authentication division is delivered from long term contracts which deliver relatively stable month on month revenues and cash flow.

Underlying our abilities are our people – around 2,240 worldwide – and our intellectual legacy with more than 1,000 patents to our name. We also have a well-established global supply chain, honed over many years of operation.

Key partners and suppliers
In order to be able to deliver products and solutions to our customers we work with a set of key partners and suppliers.

De La Rue sold its paper business in 2018 and we have a multi-year agreement to purchase paper in place to supply our Currency division. We purchase security inks from Sicpa in Switzerland and our printing presses are sourced from KBBS and Komori.

Our Authentication division sources materials from a wide range of suppliers. We apply security to these materials within our facilities, through the combination, construction and treatment of the materials, which transforms them into highly secure, labels, documents and security components such as holograms. We also work with software partners to provide flexible capacity to augment our in-house development teams, as well as technology partners that bring capability to enhance the De La Rue software offer.

Key activities

Currency
Our key activities for the Currency division fall in the following areas of Currency production – the design of banknotes; the substrate used for the banknote, the printing of the banknote, manufacture of security features as well as the provision of analytical software services. We have our own design studio in the UK – we produce SAFEGUARD® polymer substrate, print currency in four locations worldwide and provide a portfolio of security features (the main growth revenue being derived from new security features such as IGNITE® and KINETIC STARCHROME®), and we have developed a suite of software which supports data analytics in the management of cash in circulation. Our products are supported by a worldwide sales force.

Authentication
The key activities for our Authentication division are the supply of a range of physical and digital solutions such as: traceability software, tax stamps authentication labels and associated brand protection digital solutions, cheques and bank cards for Africa, and ID security components including polycarbonate. Increasingly our physical products are sold as part of a digital solution underpinned by our software solutions – DLR Certify (used for Government Revenue Solutions), Traceology® (used for brand protection) and a dedicated licensing platform, used for Microsoft.

Customer segments

Our two divisions have clear differences in customer segments.

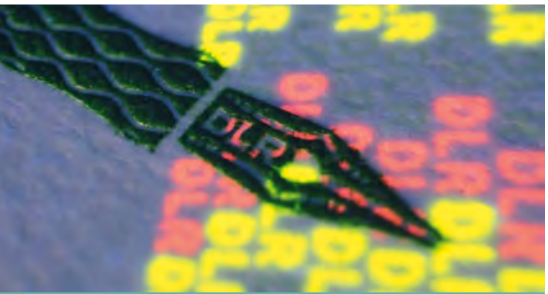
Our Currency division derives all its revenues from supplying banknotes, polymer and related services to central banks, commercial and state printing works and paper mills.

In Authentication, the products and services which we provide as tax stamp solutions supplied to governments account for around 55% of revenue for the division, while the remaining 45% of revenue is from the brand protection sector, financial and secure documents, and ID security features.

Our business model continued

Channels to market

De La Rue's two divisions are organised to serve the different types of solutions that customers require and their varying buying preferences. By aligning our structure this way, we aim to optimise the channels to market of each division to meet the customer's current and future requirements.



1st Edition Feature Series housenote
GEMINI™ hide and reveal UV feature

Government Revenue Solutions
Cyprus Tax Stamp

Currency

Our Currency division's customers are central banks, state printworks, commercial print and paper mills for which we provide products and services across the main areas of banknote production. De La Rue is a deeply established player in this area and has an experienced sales force, knowledgeable technical experts as well as an established series of carefully selected partners worldwide. As a result of growing demand for polymer and security features, we have increased our sales capabilities into the state printing and papermaking sector. We secured a site to increase polymer capacity in January 2021 which we expect to be fully operational before the end of calendar year 2021 and will more than double current polymer production capacity.

Authentication

Authentication works across the commercial and government sectors, with the aim of addressing government, consumer and brand owner demand for protection against counterfeit and illicitly traded goods. As purchasing increasingly moves online, brand owners are seeking new and innovative ways of protecting their consumers against counterfeit and interacting with them through mobile applications which enable the digital verification of the physical authentication token.

This division has a dedicated global sales force which interacts directly with our commercial and government customers, and works with carefully selected partners who combine our solutions into their products for onward sale.

Value propositions

De La Rue has in-depth experience in the field of security printing and can offer either an end-to-end solution and/or individual components for both divisions. We have the capability to create bespoke work for our customers at volume.

De La Rue is the leading commercial printer of banknotes worldwide and we have retained that position for many years, due to our ability to respond flexibly and quickly to customer needs. We can supply all, or separate parts of the five elements of printing a banknote, as outlined above. Our ability to successfully integrate all parts of the banknote production is an important value proposition for many of our customers.

Each banknote is a bespoke product and is a flagship project for central banks and governments. As a result, each banknote needs careful project management to ensure that it meets the technical requirements and specifications of our customers, as well as providing the desired 'look and feel' of the note. We are concentrating our efforts in developing a new range of security features in the areas of polymer and evolving our paper features using holographics, colour shift and micro-optics technologies to respond to customer demand which is growing substantially in these areas.

In Authentication, our value proposition is to protect our customers' revenue and reputations through the application of modular physical and digital solutions which are sufficiently flexible to allow rapid deployment to reduce time taken to deliver the benefits to our customers. We have a strong pipeline of development of both physical and digital solutions designed to meet the emerging needs in the markets that we serve and to combine De La Rue's strong print and holographic heritage with our more recent, but proven, software capabilities.

Cost structure

De La Rue has manufacturing and printing sites in six locations worldwide which incur fixed costs, with Company headquarters based in Basingstoke, UK. While both divisions in De La Rue create physical security products (with digital services), the cost structure across them is different.

For Currency, we have a large fixed cost base in the form of machinery and people. While each contract is bespoke, they generally incur smaller incremental costs. In the case of Authentication, most Government Revenue Solutions (GRS) contracts are multi-year and incur start-up costs for IT hardware, and some software customisation to establish the tax stamp scheme. We have been able to reduce costs for the implementation of GRS contracts by implementing cloud-based solution, rather than using on-site hardware.

We are looking to reduce our cost structure to match changes in the marketplace and we discuss this in more detail on page 6. In addition, we continue to look to reduce our environmental impact and we discuss this in more detail on pages 33 to 35.

Revenue streams

De La Rue's two divisions are directly customer-facing and directly generate their own revenue stream.

In the case of Currency, De La Rue produces for between 40 to 80 customers annually which represents the majority of the revenue for the division.

Our main revenue streams come from central banks/governments, state printworks, commercial printers and paper mills. While the underlying Currency and polymer substrate market continues to grow, the market is impacted by the more unpredictable overspill activity (state printwork demand that cannot be satisfied by their own internal capacity), customers' irregular buying patterns and rapid demand changes.

Our Authentication division generates revenue from government contracts and directly from brands. Within the division, we see growth in the tax stamp and traceability market, and we believe we can expand the solution to other sectors. We have signed a series of Tier 1 contracts for Authentication labels in the technology and healthcare sectors. Other products that have potential for track and trace growth include soft drinks and water.

We are also beginning to see some crossover between brand protection and government regulation as governments seek to protect their citizens from counterfeit goods and importers. Also, manufacturers want to ensure illicit products can be identified and removed. In this area, we also see growth in medicine, auto parts, and products such as consumer electronics.

In electronics, there is a demand to track products to end-of-life due to the circular economy, and we are looking at digital passporting to support regulations on the repair of consumer electronics.

Brand Protection:
IZON® – Lippmann holographic label

Our strategy

Reshaping De La Rue

In November 2019, the Group was realigned into two divisions focused on Currency and Authentication. We have outlined the activities and functions of our two ongoing divisions in our Business model on pages 12 to 15.

We completed the sale of our International Identity Solutions business in October 2019 and following the loss of the UK Passport contract in 2018, we transitioned the contract to a new supplier during FY 2020/21 – we report Identity Solutions' financial performance for FY 2020/21 and do not discuss the strategy for this division going forward.

Currency

A cornerstone of the Company's strategy is investing in, and supporting customers with, the significant trend of transition from paper to polymer notes, including the development of the most secure features on polymer. With established products and recent innovations, De La Rue has also built a portfolio of industry-leading paper security features that are the choice of a growing range of customers and will continue to be a focus for the business. In the currency printing market, De La Rue continues to increase its competitiveness and has the world's most extensive experience of printing, both on paper and polymer.

One of key aims of year one of the Turnaround Plan was the return of our Currency division to positive adjusted operating margin during FY 2020/21, which was achieved due to cost reduction and manufacturing efficiencies. The reduction in costs allowed Currency to tender for orders that would previously have been declined, and to improve margins on existing work. In December 2020, we ceased the production of banknote printing in Gateshead which will further reduce costs, and we will see the full impact of these cost reductions in FY 2021/22.

We have also looked to stabilise our paper security features and during the year we have seen our newer threads, KINETIC STARCHROME®, PUREIMAGE™, IGNITE® and NEXUS™, be used in new banknotes that entered circulation.

In addition, we are investing in R&D for polymer security features with the aim of leapfrogging the competition.

We continue to invest in polymer (see page 7 for further details on our £20m expansion in Westhoughton, near Bolton) and related features where there are attractive market growth opportunities. De La Rue has established a leading position in polymer and since 2013, the number of banknotes denominations on polymer have more than tripled.

As we note in Our markets on pages 10 and 11, we see good growth in polymer and believe there are attractive growth opportunities to move banknotes from paper to polymer with both existing customers and state printworks.

Importantly, we are one of only two manufacturers of polymer worldwide and while there is the potential for additional market entrants in the future, we believe our manufacturing capabilities represents a clear barrier to entry. At year end, approximately 4% of the world's banknotes by volume and 14% by denomination had moved to polymer, up from 11% the year before.

Authentication

De La Rue has delivered year on year growth in this division in FY 2020/21 and expects this to continue for several years as more countries adopt tobacco tax stamp schemes to comply with the WHO FCTC. De La Rue continues discussions with a number of governments regarding the roll out of tobacco and drinks tax stamp schemes and is targeting agreements with several new countries each year.

1st Edition Feature Series:
NEXUS™ and SAFEGUARD® housenotes

In parallel, De La Rue continues to invest in technology, especially in its successful suite of software solutions.

The Authentication division will also drive a focused geographical and product segment expansion of the brand protection business and growth in its identification security features business.

We continue to target strong year on year growth of the Authentication business during the three year period of the Turnaround Plan, driven by further, largely project-related, investment. We showed good growth in this division during the second half of the year, although there was a slowdown in revenue related to two current contracts and delays in contract growth in FY 2020/21 due to the pandemic, (see page 20 for details on contract wins during year).

Capital Raising

In June 2020, we announced a Capital Raising which was successfully completed in July 2020. This provided the Company and its management with operational and financial flexibility to implement the Turnaround Plan, enabling the refinancing requirement of its existing debt facilities. We discuss Group expenditure in more detail on pages 18 to 24.

The Company agreed with its lending banks to extend its existing financing facilities to December 2023 and the principal use of the proceeds from the Capital Raising will be to:

- Invest in new equipment to double the Currency division's capacity for polymer production, on which more details were announced in January 2021 (see page 7);
- Provide the investment required to grow the Authentication division, especially in respect of the provision of tobacco tax stamps compliant with the WHO FCTC. We continue to see good progress in this area (see page 11 for further details);
- Cover the restructuring cash costs of the Group's accelerated cost reduction programme, which was delivered in line with management expectations during FY 2020/21;
- Finance footprint-related capital expenditure in respect of the Group's overseas manufacturing sites, which was enacted in line with management expectations during FY 2020/21; and
- Invest in the expansion of the Group's security features businesses (in respect of both the Currency and Authentication divisions), which was also enacted in line with management expectations during the year, and which will continue during the remaining period of the Turnaround Plan.

Capital allocation

Following completion of the equity capital raise the capital allocation of the Company is:

- **Organic investment:** De La Rue will invest in growth-focused R&D and technology, manufacturing efficiency and cost optimisation programmes, and the requirements of new contracts as they are awarded, where such investment is demonstrably accretive to value;
- **Regular returns to shareholders:** the Directors recognise the importance of a regular, sustainable dividend to shareholders. The Directors intend to regularly review the reinstatement of a dividend, with an expectation that a dividend will be paid within the Turnaround Plan period once the Company is generating sustainable cash flow. Once the Turnaround Plan is successfully completed, De La Rue will target a dividend cover of two to three times underlying earnings, taking into account the sustainable free cash flow generated in the relevant period. We have agreed not to start paying dividends until January 2022 at the earliest;
- **Acquisitions in line with strategy:** the Directors are focused on the successful execution of the organic Turnaround Plan and therefore large-scale acquisitions are not a near term priority, although we may consider smaller bolt-on technologies for both our divisions. In the medium term, we will explore value-enhancing acquisition opportunities, which increase our technology advantage and our ability to build trust networks for our customers, thereby accelerating growth in markets where we already have a leading position; and
- **Balance sheet strength:** De La Rue is committed to maintaining a strong and efficient balance sheet, appropriate for the Company's investment requirements. Accordingly, the Directors will target a long term gearing policy of below 1 times net debt/EBITDA (excluding deficits on retirement benefit schemes), which it expects to achieve by the end of the Turnaround Plan period, taking into account the net proceeds of the Capital Raising.

"We are one of only two manufacturers of banknote polymer substrate worldwide."

£388.1m

Adjusted revenue
(FY 2019/20: £432.0m)

£397.4m

IFRS revenue
(FY 2019/20: £472.1m)

Brand Protection:
PURE™ Zircon labels

Review of operations

A good performance

In this review, we report on the financial performance of the Currency, Authentication and Identity Solutions divisions, reflecting the sale of International Identity Solutions in October 2019 and our operating structure after our realignment of the Group in November 2019.

To provide increased insight into the underlying performance of our business, we have reported revenue, gross margin and operating profit on an IFRS and adjusted basis for the Group, as well as gross profit, and adjusted operating profit for all divisions, together with adjusted controllable operating profit (adjusted operating profit before enabling (central) function cost allocation) for the current period.

The Group has considered the requirements of IFRS 8 with regards to the need to restate prior period segmental results and concluded that the Group is unable to make this restatement because the data is not available and the cost to develop it would be excessive. This is due to the cost base and employee structure of the business under the previous functional model being materially different to the new divisional structure. Therefore, it is not possible to undertake a like-for-like reallocation of costs for new divisions for the comparative period. Although comparatives have not been restated, in the commentaries included in this release, we have provided commentary on the changes in divisional cost base, to enable a year on year performance by division.

Due to the substantial changes that have occurred in the divisional structure, key reporting metrics for monitoring the divisional performance will be linked, going forward, to gross profit and adjusted controllable profit (before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall key business objectives.

The Group has taken actions to complete the Turnaround Plan savings, delivering a cumulative £36m of annualised cost out the end of FY 2020/21 due to the programme. Actions from the Turnaround Plan have delivered £6m of in year savings in FY 2019/20 and £23m of in year savings due to the programme in FY 2020/21, with a further £7m of in year savings due to the Turnaround Plan to come in FY 2021/22.

In FY 2019/20, enabling function costs represented approximately 8% of Group revenue (these costs being allocated to divisional adjusted operating profit by revenue in FY 2019/20). With significantly reduced revenues due in part to the ending of the UK Passport contract, this remained at 9% in FY 2020/21 as planned, and we expect to reduce enabling operating costs relative to Group revenue going forward.

Our two ongoing operating divisions, Currency and Authentication (excluding Identity Solutions, which includes the UK Passport contract) delivered adjusted operating profit of £27.5m (FY 2019/20: £1.4m). This reflects stronger gross profitability of £95.3m (FY 2019/20: £73.0m) and the reduction in adjusted operating expenses.

The Currency division is focused on: improving profitability of banknote production, protecting and growing the Group's paper security feature position, converting the world to polymer and being the market leader, and investing in R&D in polymer security features.

The Central Bank of Libya:
SAFEGUARD® with Argentum™

Government Revenue Solutions:
Austria Tax Stamp

1st Edition Feature Series:
PUREIMAGE™ Holographic Patch

Currency

	FY 2020/21 £m	FY 2019/20 £m	Change %
IFRS Revenue (£m)	**295.7**	315.1	-6.2%
Adjusted Revenue (£m)*	**286.8**	281.6	1.8%
Gross profit (£m)	**65.4**	44.2	47.9%
IFRS operating (loss) (£m)	**(4.4)**	(9.9)	55.6%
IFRS operating margin	**-1.9%**	-3.1%	
Adjusted operating profit/(loss)* (£m)	**16.2**	(9.4)	n/a
Adjusted operating margin**	**5.6%**	-3.3%	

Notes:

* Excludes "pass through" revenue of £8.9m (FY 2019/20: £33.5m) related to non-novated paper contracts relating to the Portals De La Rue sale.

** Excludes exceptional item net charge of £20.6m (FY 2019/20: net charges of £0.5m). See pages 168 to 170 for reconciliation of non-IFRS measures to comparable IFRS measures.

Authentication

	FY 2020/21 £m	FY 2019/20** £m	Change %
IFRS Revenue (£m)	**77.6**	73.8	+5.1%
Adjusted Revenue (£m)	**77.6**	73.8	+5.1%
Gross profit (£m)	**29.9**	28.8	+3.9%
IFRS operating profit (£m)	**9.9**	9.7	+2.1%
IFRS profit margin	**12.8%**	13.1%	
Adjusted operating profit* (£m)	**11.3**	10.8	+4.6%
Adjusted operating margin*	**14.6%**	14.6%	

Notes:

* Excludes exceptional item charges of £0.4m (FY 2019/20: net charges of £0.2m) and amortisation of acquired intangibles of £1.0m (FY 2019/20: £0.9m).See pages 168 to 170 for reconciliation of non-IFRS measures to comparable IFRS measures.

** FY 2019/20 figures have been restated to reflect a change in presentation of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported.

Identity Solutions

	FY 2020/21 £m	FY 2019/20 £m	Change %
IFRS Revenue (£m)	**24.1**	83.2	-71.0%
Adjusted Revenue* (£m)	**23.7**	76.6	-69.1%
Gross profit (£m)	**12.6**	33.4	-62.3%
IFRS operating profit (£m)	**10.2**	47.6	-78.6%
IFRS operating profit margin	**43.0%**	57.2%	
Adjusted operating profit** (£m)	**10.6**	22.8	-53.5%
Adjusted operating margin*, **	**45.4%**	29.8%	

Notes:

* Excludes "pass through" revenue of £0.4m (FY 2019/20: £6.6m) related to non-novated contracts relating to the IDS business.

** Excludes net exceptional item charge of £0.4m (FY 2019/20: £24.8m). For reconciliation of non-IFRS measures to comparable IFRS measures see pages 168 to 170.

We improved profitability in banknotes in FY 2020/21 through an improved mix as well as the delivery of cost reductions and manufacturing efficiencies, and saw a mid-teens adjusted controllable operating profit margin for the Currency division during FY 2020/21.

The Currency division has seen strong ongoing global demand for cash as central banks seek to increase stock levels during the pandemic. We utilised 100% of our banknote printing capacity during H2 2020/21 with the volume increases and mix in banknotes delivering higher revenue and margin compared to H1 2020/21.

De La Rue has established a leading position in polymer, with the number of circulating polymer banknotes more than tripling since the first banknote was introduced on SAFEGUARD® in 2013. 73% of all issuing authorities who issued new polymer banknotes into circulation in FY 2020/21 used SAFEGUARD® and 33% selected a De La Rue hologram in the window of the polymer banknote. De La Rue has also been awarded the majority polymer substrate supply for the Bank of England £5, £10 and £50 denominations from July 2021 resulting in De La Rue having contracts with the Bank of England for all polymer denominations on SAFEGUARD®. De La Rue is also responsible for the design and manufacture of the Bank of England new £50 banknote due for release in June 2021.

At the end of FY 2020/21, approximately 4% of the world's banknotes by volume, and 14% by denomination had moved to polymer, up from 11% at the start of the financial year. A cornerstone of the Company's strategy is investing in, and supporting customers with, the significant trend of transition from paper to polymer notes.

Review of operations continued

Overall, we saw an increase in Currency revenue and volumes, and strong mix through H2 FY 2020/21, adjusted revenue was £286.8m (FY 2019/20: £281.6m) and IFRS revenue was £295.7m. IFRS revenue was approximately 6% lower than the prior year as the benefit higher volumes and strong mix was more than offset by lower “pass through” revenue of £8.9m (FY 2019/20: £33.5m). At 27 March 2021, the 12 month order book for Currency was £225.8m and the total order book for Currency was £263.1m.

We saw an increase in adjusted operating profit from a loss of £9.4m in FY 2019/20, to a £16.2m profit in FY 2020/21 due to an improved mix, increased volumes and the implementation of manufacturing cost reductions and production volume efficiencies delivered in FY 2020/21 as well as lower overheads following the move to the divisional structure, which has resulted in less costs being included within the Currency division than would have previously been the case.

Adjusted controllable operating profit for FY 2020/21 was £41.7m, with no comparator to the prior year due to the Group reorganisation. This equates to a controllable operating profit margin of 15%.

IFRS operating profit was substantially lower than adjusted operating profits in FY 2020/21 due to the recognition of £11.9m of asset impairments and accelerated depreciation charges and £7.9m of restructuring costs (primarily related to people) due to the cessation of banknote production at our Gateshead facility.

Authentication is focused on providing physical and digital solutions to authenticate products through the supply chain and to provide tracking of excisable goods to support compliance with government regulations.

During FY 2020/21 to date, Authentication secured £195m of expected lifetime multi-year contract value. Wins include a major polycarbonate supply contract for the Australian Passport, GRS contracts with Bahrain, Ghana and Qatar, and brand contracts with Tier 1 companies in the technology and healthcare sectors. We also secured a five year renewal of our contract with Microsoft to provide innovative products to Microsoft’s OEM, Retail and Xbox channels, thereby extending the 25 year relationship until 2026.

We saw good year on year revenue growth for Authentication overall during H2 2020/21. GRS performed well in FY 2020/21, despite a GRS contract having been impacted with reduced volumes as a result of the pandemic. This is expected to recover with the remainder of the Group’s contracts delivering volumes in line with, or higher than, expectations.

IFRS and adjusted revenue was £77.6m (FY 2019/20: £73.8m), a year-on-year increase of 5.1% driven by growth during H2 2020/21, as we begin production of tax stamps for our new contract in Ghana and completed the software implementation for the HMRC ID Issuer contract. We saw a negative impact in FY 2020/21 due to the H1 2019/2020 comparative including revenues of £1.6m relating to contracts sold as part of the International Identity Solutions Business disposal, and lower volumes on two contracts due to COVID-19 which are expected to recover.

IFRS operating profit of £9.9m (FY 2019/20: £9.7m) and adjusted operating profit of £11.3m (FY 2019/20: £10.8m) were driven by growth in GRS volumes and also reflected the divisional cost structure in FY 2020/21 compared to an allocation methodology in FY 2019/20, which has resulted in more costs being included within the Authentication division than would have been the case in the prior period.

In Identity Solutions we have worked with Her Majesty’s Passport Office (HMPO) to complete the transition of the UK Passport contract during FY 2020/21. As a result, we have reported substantially lower revenue for Identity Solutions during FY 2020/21 compared to the prior year.

We have made all expected cash payments relating to the close out of the UK Passport contract which were accrued to the income statement over the life of the contract.

IFRS revenue was £24.1m (FY 2019/20: £83.2m) and adjusted revenue was £23.7m (FY 2019/20: £76.6m), with the reduction driven by lower volumes within our UK Passport business ahead of the completion of the transition to the new supplier for the UK Passport production contract, and the sale of the International Identity Solutions business. FY 2020/21 includes revenue in relation to the supply agreement entered into with HID related to the International Identity Solutions business disposal. The reduction in revenue as detailed above also accounts for substantially lower adjusted operating profit of £10.6m (FY 2019/20: £22.8m).

IFRS operating profit declined at a greater percentage than adjusted operating profits as FY 2019/20 included the gain of £25.3m gain on the sale of the International Identity Solutions business in October 2019.

Financial review

Equity capital raising

De La Rue completed a £100m gross (pre-costs) and £92.7m (post-costs) equity capital raising on 7 July 2020, strengthening the Group's balance sheet and enabling the Company to deliver the Turnaround Plan.

Effective 7 July 2020, the Group amended the terms of its Bank facilities of £275m. This extended the maturity date of the Revolving Cash Facility ("RCF") to December 2023 and included an RCF cash drawdown component of up to £175m and bond and guarantee facilities of a minimum of £100m.

The Company agreed the terms for a schedule of contributions and a recovery plan, setting out a programme for clearing the UK Pension Scheme deficit (the "Recovery Plan"). As a result of the Recovery Plan pension contributions for FY 2020/21 were £11.4m with the final quarter's payment of £3.8m falling just outside of year end but prior to 31 March 2021 (FY 2019/20: £21.3m).

Total costs relating to the equity capital raising and bank refinancing were £15.3m, broken down as follows:

- Costs related to the equity capital raise of £7.3m have been presented as a reduction to equity within the Balance Sheet;
- Transaction costs related to the debt refinancing of the Group's amended Revolving Credit Facility of £4.8m have been capitalised on the balance sheet and will be amortised over the periods until 1 December 2023 (and which are excluded from Interest for covenant purposes); and
- Further costs totalling £3.2m have been recorded in exceptional items within the income statement, which includes £0.7m relating to the write-off of the unamortised balance of the prepaid loan arranging fees relating to the original RCF prior to amendment of terms.

Revenue and gross profit

FY 2019/20 figures have been restated to reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported. For further information see page 113.

Authentication saw an increase in revenue to £77.6m (FY 2019/20: £73.8m), with growth due mainly to the implementation of tax stamps in Ghana and the completion of the software implementation for the HMRC ID Issuer during H2 2020/21. Growth was negatively impacted by the prior year including revenue of £1.6m relating to contracts sold with the Identity Solutions business in H2 2019/20 and weakness in two contracts due to the pandemic (which are expected to recover) offsetting growth elsewhere.

We have seen a stabilisation in the market during FY 2020/21 for Currency, with good volume growth and less pricing pressure compared to the previous year through H2 2020/21, resulting in adjusted** revenue of £286.8m (FY 2019/20: £281.6m). Currency IFRS revenue was £295.7m (FY 2019/20: £315.1m) the decline being attributable to lower pass-through revenue as the contracts covered by these arrangements are now largely completed.

As expected, we also saw a decline in adjusted** revenue for Identity Solutions in FY 2020/21, due to the impact of the sale of International Identity Solutions in October 2019 and the completion of the UK Passport production contract during the period. Identity Solutions IFRS revenue declined by 71.0% and included £0.4m of "pass through" revenue on non-novated contracts post sale compared to £6.6m in FY 2019/20.

Group IFRS revenue reduced by 15.8% to £397.4m (FY 2019/20: £472.1m), showing a higher rate of decline than in adjusted* revenue, due to substantially lower "pass-through" revenue on non-novated contracts for Paper and International Identity Solutions of £9.3m (FY 2019/20: £40.1m) as the contracts covered by these arrangements are now largely completed.

Gross profit was £107.8m (FY 2019/20: £105.9m), reflecting growth in Currency due mainly to an improved mix as well as the delivery of cost reductions and manufacturing efficiencies, increased Authentication gross profitability due to higher volumes driven by the full year impact of wins in FY 2019/20 in the current period and a new GRS win on Ghana during H2 2020/21, and lower Identity Solutions profitability following the UK Passport contract completion and the sale of the International Identity Solution business.

Operating profit and operating costs

Adjusted operating profit in FY 2020/21 was £38.1m (FY 2019/20: £23.7m) and reflected:

- A profit of £16.2m in Currency (FY 2019/20: loss of £9.4m) resulting from a higher gross margin owing to an improved mix, production efficiencies, increased volumes and reduced overheads during the year, including the benefit due to the reorganisation following the move to the divisional structure;
- A profit in Authentication of £11.3m (FY 2019/20: £10.8m) reflecting volume growth through FY 2020/21 due to the implementation of new contracts and the full year impact of contracts won in FY 2019/20, along with the divisional cost structure changes in FY 2020/21 compared to the allocation methodology in FY 2019/20; and
- A profit in Identity Solutions of £10.6m (FY 2019/20: £22.8m), which will be minimal in FY 2021/22 following the end of the UK Passport production contract.

On an IFRS basis, an operating profit of £14.5m was recorded (FY 2019/20: £42.8m) including, in addition to the factors referred to above, net exceptional charges of £22.6m, which primarily related to asset impairment and restructuring charges associated with cessation of banknote production at our Gateshead facility, those related to other cost out initiatives including the restructuring of our central enabling functions and certain costs related to the equity capital raise and debt refinancing completed in July 2020.

Financial review continued

IFRS operating profit in FY 2019/20 included net exceptional credits of £20.0m including the impact of a £25.3m gain on the sale of the International Identity Solutions business and an £8.7m credit relating to the resolution of a historical issue in respect of change in revaluation rates for certain deferred pension scheme members. Please see note 5 'Exceptional Items' below for more details.

Note:
On 14 October 2019, the Group disposed of its International Identity Solutions business. In November 2019, the Group moved from a functional to a divisional operating structure and completed a major reorganisation. Employees from the previous Group-wide functions moved to new roles within the new Currency and Authentication divisions or remained with enabling functions such as legal and finance. The cost base and structure following this reorganisation in FY 2020/21 is materially different to in FY 2019/20, reflecting the above. The Group from FY 2019/20 also changed its methodology for the allocation of enabling function costs into the divisions.

The Group has considered the requirements of IFRS 8 with regards to the need to restate prior period segmental results and concluded that the Group is unable to make this restatement because the data is not available and the cost to develop it would be excessive. This is due to the cost base and employee structure of the business under the previous functional model being materially different to the new divisional structure. Therefore, it is not possible to undertake a like-for-like reallocation of costs for new divisions for the comparative period. Although comparatives have not been restated, in the commentaries included in this release, we have provided commentary on the changes in divisional cost base, to enable a year-on-year performance by division. The Group has also determined, for the same reasons as set out above, that it is unable to calculate the current period segmental results on the original basis for comparability purposes.

Due to the substantial changes that have occurred in the divisional structure, key reporting metrics for monitoring the divisional performance will be linked, going forward, to gross profit and adjusted controllable profit (before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall business key turnaround objectives.

Finance charge

The Group's net interest charge was £6.5m (FY 2019/20: £5.2m), excluding IAS 19 and IFRS 16 finance amounts and interest income due from the loan notes and preference shares obtained as part of the disposal of Portals paper. The Finance Charge reflects the revision to the available facilities from 7 July 2020 and includes fees for Advance Payment Guarantees consistent with the treatment in prior periods. The increase is accounted for by amortisation post 7 July 2020 of the £4.8m of capitalised transaction costs relating to the debt refinancing of the Group's amended Revolving Credit Facility and higher interest charges and fees for Advanced Payment Guarantees under the revised pricing on the new agreement.

The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was a credit of £1.7m (FY 2019/20: charge of £1.6m).

The credit was due the opening pension valuation on an IAS 19 basis as at 29 March 2020 being a net surplus of £64.8m.

Interest due on the loan notes and preference shares held in Mooreco Limited (received as part of the consideration for the Portals paper disposal) amounted to £0.8m (FY 2019/20: £0.7m). The loan notes and preference shares are included in the balance sheet as Other Financial Assets.

The total Group net finance charge was £4.6m (FY 2019/20: £6.7m).

Exceptional items

Exceptional items during the period were a net charge of £22.6m (FY 2019/20: net credit of £20.0m). Exceptional items include the recognition of £11.9m of asset impairments and accelerated depreciation charges, £7.9m of restructuring costs (primarily related to people) due to the cessation of banknote production at our Gateshead facility, and a further £1.5m of charges relating to other cost out initiatives including the restructuring of our central enabling functions.

Exceptional items also included charges of £2.9m relating to activities on the equity raise and bank refinancing completed in July 2020 which, whilst directly associated with these projects, did not relate to activities which in accordance with IFRS would qualify for recording in equity or capitalisation on the balance sheet as transaction costs associated with the debt refinance. A credit of £2.7m was also included within exceptional items relating to the sale of a non-operational property owned by the Group. Please see note 5 'Exceptional Items' for more details.

The policy for exceptional items described in the Annual Report and Accounts is used when calculating our financial covenants as agreed with our lenders.

Taxation

The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 17.9% (FY 2019/20: 15.8%). This is slightly higher than previously estimated due to a change in the territorial mix of profits and some increases in tax rates enacted late in the year.

Including the impact of exceptional items and the amortisation of acquired intangibles the total tax charge in the Consolidated Income Statement for the year was £1.3m (FY 2019/20: £0.0m). The underlying effective tax rate for FY 2021/22 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 16-18%. This excludes any impact of the announcements in the UK Budget in March 2021 that the UK tax rate is expected to increase to 25% from April 2023. As the UK group has net deferred tax assets, the increase in tax rate is expected to increase the value of these assets, which may result in a lower reported effective tax rate in FY 2021/22.

Net tax credits relating to exceptional items in the period were £4.2m (FY 2019/20: £2.5m). A tax credit of £0.4m (FY 2019/20: £0.2m credit) was recorded in respect of the amortisation of acquired intangibles.

Earnings per share

The equity capital raise in July 2020 increased the basic weighted average number of shares for earnings per share (EPS) purposes with a year-end position of 172.4m (FY 2019/20 (restated): 113.7m). Adjusted* basic EPS was 14.7p (FY 2019/20: (restated) 11.1p), the growth year-on-year reflected the improvement in adjusted* profits the benefit of which was mitigated by the higher number of shares post the equity capital raise.

IFRS basic EPS from continuing operations was 3.7p (FY 2019/20: (restated) 30.3p) and was substantially lower than the prior period as the impact of higher adjusted* profits was offset by the recognition in the current period of significant net exceptional charges (net of tax) of £22.6m compared to the impact of a net exceptional item credit (net of tax) of £22.5m in the prior period in addition to the impact of the higher number of shares post the equity capital raise.

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 loss on discontinued operations in the period of £0.4m (net of taxes) related to a change in assessment of the total net loss the Group will incur completing a loss making CPS contract that was not novated post disposal (the contract is expected to conclude in FY 2021/22) in addition to amounts associated with the winding down of remaining activity related to CPS (net of associated tax credits).

Cash flow and borrowing

Cash flows from operating activities was a net outflow of £5.6m (inflow of £1.5m in FY 2019/20). Profits from operating activities were partially offset by:

- an adverse net working capital movement of £39.8m (FY 2019/20: £22.1m adverse net working capital movement) due to:
  - a build in inventory (negative impact £4.0m), reflecting an increase due to shipment delays on a material Currency division contract and a build in both the Currency and Authentication segments due to anticipated sales in FY 2021/2022, the impact of which was partially offset by an unwind in pre-Brexit inventory holdings on the balance sheet at 28 March 2020 and the completion of the UK Passport contract;
  - an increase in receivables (negative impact £19.8m), mainly due to timing of cash collection on certain material customer contracts and an increase in cash collateral balances which will unwind in H1 2021/22; and
  - a reduction in payables (negative impact £16.0m) which included the forecasted substantial payments relating to the close-out of the UK Passport contract (which were fully accrued over the life of the contract).
- pension fund contributions of £11.4m (FY 2019/20: £21.3m).

Cash generated from operating activities included approximately £11.2m of payments relating to exceptional items and discontinued operations of which £10.1m related to restructuring and footprint rationalisation.

Cash outflow from investing activities was £20.2m (FY 2019/20: inflow £25.6m), driven by capital expenditure of £21.1m as we invest in the business and a payment of £1.9m as the final working capital adjustment due on the sale of the International Identity Solutions business on 14 October 2019 was agreed (the majority of this amount was accrued as part of the gain on disposal recorded in FY 2019/20). As previously announced the capital expenditure during the year in relation to the Turnaround Plan was lower than expected, however, the aggregate 3-year cash investment for the Turnaround Plan remains unchanged. These investing activity outflows were offset by an inflow of £2.7m relating to the sale of a non-operational property. Capital expenditure is stated net of cash receipts from grants received of £3.5m.

Cashflows from financing activities were a net inflow of £39.7m (FY 2019/20: outflow of £27.5m) as proceeds from the capital raise of £92.7m (stated net of costs £7.3m) were partially offset by repayment of Group borrowings of £39.3m, payment of transactions costs related to the debt refinancing of £4.8m, interest payments in relation to the Group's borrowings of £5.7m and IFRS 16 lease liability payments of £2.2m.

As a result of the cashflow items referred to, Group net debt decreased to £52.3m at 27 March 2021, from £102.8m at 28 March 2020.

The Group has Bank facilities of £275m including an RCF cash drawdown component of up to £175m and bond and guarantee facilities of a minimum of £100m, which currently are due to mature in December 2023.

The Group can convert (in blocks of £25m) up to £50m of the undrawn RCF cash component to the bond and guarantee component if required and can elect to convert this back (in blocks of £25m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised. At the period end, the covenant tests were as follows: EBIT/net interest payable 6.3 times (covenant of ≥2.4 times in this financial year), net debt/EBITDA 0.99 times (covenant of ≤3.0 times).

The covenant tests use earlier accounting standards and exclude adjustments, including IFRS 16.

In order to facilitate the equity capital raising and provide existing Shareholders and new investors with sufficient certainty around the continued availability, and terms, of the Group's financing to successfully implement the Turnaround Plan and support the future growth of the business, the Group agreed terms with its lenders in order to secure (among other things) (i) an extension to the maturity date of the Group's existing revolving facility agreement to 1 December 2023; (ii) a temporary relaxation of applicable financial covenants; and (iii) appropriately sized committed bond and guarantee facilities.

All amendments to the Group's revolving facility agreement were conditional, among other things, upon the Company receiving the proceeds of the equity capital raise in the gross amount of at least £100m by no later than 31 July 2020. The Group successfully raised the proceeds via equity funding during July 2020.

Financial review continued

Pension deficit and funding

The valuation of the Group's UK defined benefit pension scheme (the "UK Pension Scheme") on an accounting basis under IAS 19 at 27 March 2021 is a net deficit of £18.5m (28 March 2020: £64.8m surplus). The movement in the IAS 19 valuation from a net surplus at 28 March 2020 to a deficit at 27 March 2021 was due to the impact of positive growth in scheme assets being more than offset by the growth in scheme liabilities, primarily driven by a lower discount rate of 1.95% used in the IAS 19 valuation as at 27 March 2021 compared to the discount rate at 28 March 2020 of 2.40%.

The charge to operating profit in respect of the administration cost of the UK Pension Scheme in the period was £2.1m (FY 2019/20: £2.2m). In addition, under IAS 19 there was a finance income of £1.7m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (FY 2019/20: charge of £1.6m).

On 31 May 2020, the Trustee and the Company agreed the terms for a schedule of contributions and a recovery plan, setting out a programme for clearing the UK Pension Scheme deficit (the "Recovery Plan"). The last actuarial valuation of the UK Pension Scheme was at 31 December 2019, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £142.6m. The Recovery Plan makes an allowance for post-valuation market conditions up to 30 April 2020 (at which point there is an estimated funding shortfall of £190m), including the impact of COVID-19 on financial markets to that date.

The £190m deficit is addressed by payments of £15m per annum (payable quarterly in arrears) under the Recovery Plan payable from 1 April 2020 until 31 March 2023 and then payments of £24.5m per annum (payable quarterly in arrears) from 1 April 2023 until 31 March 2029 (whereas under the recovery plan agreed with the trustee in 2016 ("2015 Recovery Plan"), the payments would have been £22.2 million between 1 April 2020 and 31 March 2021, £23.1 million between 1 April 2021 and 31 March 2022 and £23 million per annum thereafter until 31 March 2028). Additional contingent contributions in exceptional circumstances will become payable by way of an acceleration of the contributions due in later years where: (i) the leverage ratio (consolidated net debt: EBITDA) is equal to or greater than 2.5x in either FY 2021/2 or FY2022/23, up to a maximum of £4m in each financial year and £8m in total and/or (ii) the Company or any its subsidiaries take any action which will cause material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme, of £23.3m (£7.2m in FY 2020/21, £8.1m in FY 2021/22 and £8m in FY 2022/23) over the period up to 31 March 2023.

The funding of the Recovery Plan is to be sourced from cash generation of the future business activities, but the Trustee has contractually agreed not to request any portion of the equity capital raising proceeds.

As a result of the Recovery Plan pension contributions for FY 2020/21 were £11.4m with the final quarter's payment of £3.8m falling just outside of year end but prior to 31 March 2021 (FY 2019/20: £21.3m).

On 20 November 2020, the High Court issued its latest ruling in relation to the equalisation of pension benefits between men and women relating to Guaranteed Minimum Pensions (or "GMP"). The High Court ruled that statutory cash equivalent transfer values ("CETVs") paid from defined benefit pension schemes are subject to challenge and a top-up payment may be required if the CETV value insufficiently reflected the value of an equalised GMP benefit accrued between 17 May 1990 and 5 April 1997. The Group's initial estimate of the impact of the latest ruling is an increase in the pension liability on an IAS 19 basis of £0.1m which has been recorded as charge within exceptional items.

Capital structure

At 27 March 2021 the Group had net assets of £111.4m (28 March 2020: net assets £93.2m). The movement year on year reflected the impact of the £92.7m (post-costs) equity capital raising on 7 July 2020, the benefit of which was offset by the movement of the IAS 19 UK Defined benefit pension valuation from a surplus of £64.8m as at 28 March 2020 to a deficit of £18.5m as at 27 March 2021. The Company had shareholders' funds of £264.4m (31 March 2018: £140.8m) and had 104m fully paid ordinary shares in issue (28 March 2020: 104.0m) at the year end.

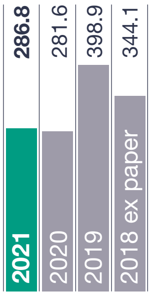
Note:

* This is a non-IFRS measure. See page 168 for reconciliation of non-IFRS measures to comparable IFRS measures.

Key performance indicators

A good performance during the year

Currency Adjusted Revenue[1]

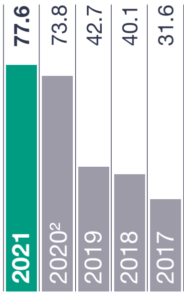


£286.8m

+1.8%

Revenues increased by 1.8% year on year. Growth driven by increased banknote volumes and higher security features sales.

Authentication Adjusted Revenue[2]

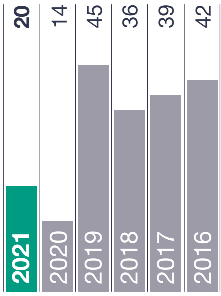


£77.6m

+5.2%

Revenues increased by 5.2% year on year mainly due to strong H2 growth in 2020/21 as production for new Ghana contract and completion of HMRC ID Issuer software implementation.

Return on capital employed

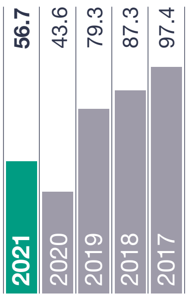


20%

+600bps

The year on year increase was primarily driven by a higher adjusted EBIT, offset slightly by higher average capital employed than prior period.

Adjusted EBITDA

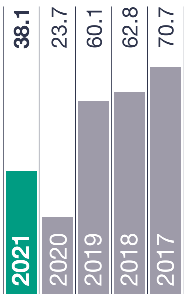


£56.7m

+30.0%

Adjusted EBITDA increased by 30% reflecting the benefit of the ongoing implementation of the Turnaround Plan, and reorganisation and cost reduction programmes along with of increased efficiencies, volumes and improved mix through H2 2020/21 in Currency and growth in volumes in Authentication along will lower profits in ID solutions.

Adjusted operating profit

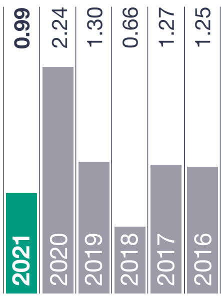


£38.1m

+60.8%

Adjusted operating profit increased 61% reflecting the benefit of the on-going implementation of the Turnaround Plan and the benefits of the reorganisation and cost reduction programmes along with of increased efficiencies, volumes and improved mix through H2 2020/21 in Currency and growth in volumes in Authentication along will lower profits in ID solutions.

Net debt/EBITDA covenant ratio

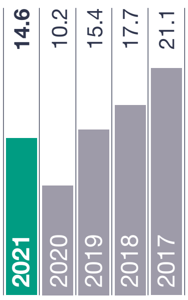


0.99

-55.8%

Adjusted net debt/EBITDA decrease reflecting the reduction net debt following the equity capital raise in July 2020 and the improved EBITDA as a result of the on-going implementation of the Turnaround Plan the resulting cost reductions and efficiencies along with volume growth in Currency and Authentication.

Adjusted EBITDA margin

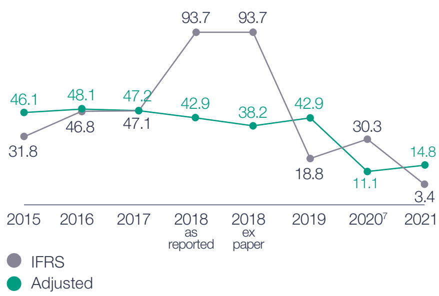


14.6%

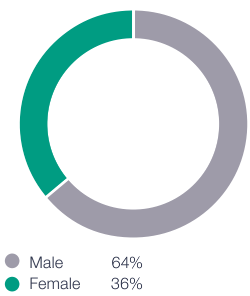
+440bps

Adjusted EBITDA margin increased from 10.2% in 2020 to 14.6% in 2021 reflecting the benefit of the on-going implementation of the Turnaround Plan and the benefits of the reorganisation and cost reduction programmes along with of increased efficiencies, volumes and improved mix through H2 2020/21 in Currency and growth in volumes in Authentication along will lower profits in ID solutions.

Basic earnings per share



Gender diversity in management



Energy used per tonne of good output (kWh)

Notes:

1 Prior to FY 2017/18 we do not show adjusted revenue for Currency due to the disposal of De La Rue Portals on 29 March 2018, due to no like for like comparator. FY 2020/21 exclude pass through revenue of £8.9m. Refer to page 168 for non-IFRS measures.

2 Prior period Authentication revenues have been restated. See page 111 for further details.

3 Adjusted EBITDA represents earnings before the deduction of interest, tax, depreciation, amortisation and exceptional items.

4 Adjusted operating profit represents operating profit adjusted to exclude exceptional items and amortisation of acquired intangible assets.

5 ROCE is calculated as the ratio of adjusted operating profit over average capital employed (calculation is on page 170).

6 Adjusted basic earnings per share are the earnings attributable to equity shareholders excluding exceptional items and amortisation of acquired intangible assets, divided by the weighted average number of ordinary shares outstanding during the year.

7 Prior period basic earnings per share have been restated. See note 9 on page 129 for further details.

Risk and risk management

How we manage our principal risks and uncertainties

How we manage risk

Risk management is the responsibility of the Board, supported by the Risk Committee which comprises members of our Executive Leadership Team (ELT) and is attended by the Group Director of Security, HSE and Risk. The Risk Committee is accountable for identifying, mitigating and managing risk. Further details about the Committee can be found on pages 32 and 56. Our formal risk identification process evaluates and manages our significant risks in accordance with the requirements of the UK Corporate Governance Code. Our Group risk register identifies the risks, their potential impact and likelihood of occurrence, the key controls and management processes we have established to mitigate these risks, and the investment and timescales agreed to reduce the risk to an acceptable level within the Board's risk appetite.

The Risk Committee meets four times a year to review risk management and monitor the status of key risks as well as the actions we have taken to address these at both Group and functional level. It also examines possible emerging risks by considering both internal and external indicators and challenges whether it has identified the principal risks that could impact the business in the context of the environment in which we operate.

The Board receives regular updates on risk management and material changes to risk, while the Audit Committee also reviews the Group's risk report.

Management is responsible for implementing and maintaining controls, which have been designed to manage rather than eliminate risk. These controls can only provide reasonable but not absolute assurance against material misstatement or loss. See page 67 for further information regarding internal controls.

Principal risks and uncertainties

The following pages set out the principal risks and uncertainties that could crystallise over the next three years. The Board has undertaken a robust risk assessment to identify these risks. There may be other risks that we currently believe to be less material. These could become material, either individually or simultaneously, and significantly affect our business and financial results. We have modelled potential scenarios of these risks crystallising to support the disclosures in the Viability Statement and assess the Group's risk capacity. See page 30 for further details. Due to the nature of risk, the mitigating factors stated cannot be viewed as assurance that the actions taken or planned will be wholly effective.

Risk appetite

The Board has reviewed our principal risks and considered whether they reflect an acceptable level of risk. Where this is not the case, the Board has also considered what further investment is being made to reduce the likelihood and potential impact of the risk. The Board either approves the level of risk being taken or requires management to reduce the risk exposure.

For core areas of the business, the Board uses several methods to ensure that management operates within an accepted risk appetite. These include delegated authority levels, the approval of specific policies and procedures and the approval of the annual insurance programme. The Board receives regular feedback on the degree to which management is operating within acceptable risk tolerances.

This feedback includes regular operational and financial management reports, internal audit reports, external audit reporting and any reports to the whistleblowing hotline. All members of the ELT have individual or joint ownership for one or more of the principal risks. Management of those risks forms part of their personal objectives.

De La Rue's risk management framework

Board of Directors and Company Secretary

Audit Committee

- Reviews the effectiveness of internal controls
- Approves the annual internal and external audit plans
- Reviews findings from selected assurance providers

Risk Committee

- Reviews and proposes the business risk profile
- Monitors the management of key risks
- Tracks implementation of actions to mitigate risks
- Examines and considers emerging risks that could impact the business

Ethics Committee

- Reviews ethical risks, policies and standards

Health, Safety and Environment (HSE) Committee

- Sets HSE standards
- Agrees and monitors implementation of HSE strategy
- Monitors HSE performance

Executive Leadership Team

- Accountable for the design and implementation of the risk management process and the operation of the control environment

Group policies

- Policies for highlighting and managing risks
- Procedures and internal controls

Functional management

- Ensures that risk management is embedded into business culture, practice and operations

Principal risk and uncertainties

Certain of the principal risks and uncertainties which were set out in the 2020 annual report no longer appear on our principal risk register. These include: reliance on a small number of large orders, banking, failure to convert modernisation into value, loss of material contract, pension fund liability and failure in health, safety and environment controls. Due to the changing nature of the Group's risk profile, in particular taking account of the progress of the Turnaround Plan and the Group's business transformation, the Board believes these matters no longer represent principal risks and, to the extent relevant, are now monitored as operational risks.

Key for strategic focus

1 Value stream excellence   2 Currency market leadership   3 Continued strong growth in Authentication

Key for risk outlook

↑ Increasing   ↓ Decreasing   ↔ No change

Exposure	Impact	Mitigation	Impact	Outlook
Bribery and corruption				
It is possible that our employees or overseas representatives, either individually or in collusion with others, could act in contravention of our stringent requirements in relation to bribery and corruption, anti-competitive behaviours and management of third-party partners (TPPs). On 23 July 2019, the Company announced that the Serious Fraud Office had opened an investigation into the Group and its associated persons in relation to suspected corruption in the conduct of business in South Sudan. As announced by the Company on 16 June 2020, the SFO subsequently informed the Company of its decision to discontinue such investigation.	Major reputational and financial damage. A successful prosecution under anti-bribery legislation could see the Company barred from participating in major tenders.	We have Level 1 accreditation to the Banknote Ethics Initiative (last recertification in 2020 following external audit), which provides governments and central banks with assurance regarding our ethical standards and business practices. Our commitment to ethical standards is articulated in the Code of Business Principles. This is supported by underlying policies which are reviewed regularly and enforced robustly. There is zero tolerance to non-compliance, and it is dealt with through disciplinary procedures. We have a focus on raising awareness through local Ethics Champions as well as training on anti-bribery and corruption, and competition law. Our policies and processes are independently audited. Our rigorous process for the appointment, management and remuneration of TPPs operates independently of the sales function. The behaviours of TPPs are strictly monitored and the TPP process is overseen by the General Counsel and Company Secretary, who reports directly to the Board on these matters. This is further enhanced by external due diligence checks. Our whistleblowing policy and associated procedures are integral aspects of the compliance framework, which is complemented by a whistleblowing hotline.	1 2 3	↔
Quality management and delivery failure				
Each of our contracts has a unique specification on product quality and delivery. Given the nature of the Group's business and the fact that each product the Group makes and each service the Group provides is bespoke at some level, many of these contracts demand a high degree of technical specification.	A shortfall in quality management could have a material adverse impact on the Group's relationship with key customers, harm the Group's reputation, and may lead to a material increase in costs for the Group as a result of it having to pay damages in respect of the late delivery, rectification and/or the complete remake of relevant products and/or the termination of key contracts. This could have a material adverse effect on the Group's business, operations and financial condition and/or prospects.	We operate an enhanced end to end quality management system with defined standards and acceptable limits for all products across all production sites. The process is run by dedicated quality professionals. All manufacturing sites are certified to ISO 9001:2015 quality management system standards.	1 2 3	↔
Failure to implement the Turnaround Plan and run the business				
Our business has seen a considerable level of organisational change and it is a possibility that business leaders may be unable to sustainably manage the level of change required to simultaneously Transform and Fix the business (enact the Turnaround Plan) while ensuring that day to day business goals are achieved. The risk is further exacerbated by the potential impacts of the COVID-19 pandemic.	As a result, key processes may break down and projects may fail to meet milestones, resulting in operational disruption, financial loss and serious consequences for the business.	The business has developed a strong leadership commitment and an aligned Executive Leadership Team. We are executing the Turnaround Plan to: 1. Provide clear objectives classified into Run, Fix and Transform. 2. Cascade clear and concise objectives via business units and support functions, to provide line of sight to strategy and link business as usual with longer term goals. 3. Provide a robust prioritisation process with regular reviews of programmes and projects. Our aim is to continue to provide clear process improvement programmes across several areas of the business.	1 2 3	↓

Risk and risk management continued

Key for strategic focus

1 Value stream excellence 2 Currency market leadership 3 Continued strong growth in Authentication

Key for risk outlook

↑ Increasing ↓ Decreasing ↔ No change

Exposure	Impact	Mitigation	Impact	Outlook
Loss of a key site or process				
All our manufacturing sites are exposed to business interruption risks.	The total loss of any one of these sites could have a major financial impact, particularly where the site represents a single source of supply.	All our manufacturing sites and Head Office are certified to the ISO 22301: 2019 Business Continuity standard, under a single, Group level certification. Although we coordinate business continuity risk centrally, each site has a business continuity advisor and focal point for all continuity and resilience matters. We maintain a degree of interoperability across all our manufacturing sites, and where this is not possible look to partner with the appropriate third party. We aim to minimise risk by adopting the highest standards of risk engineering in our production processes. We also maintain business continuity stock as appropriate. These controls are monitored via internal auditing and through monthly business continuity reporting, quarterly business continuity management steering committee meetings and regular ELT, Risk and Audit Committee meetings.	1 2 3	↔
Sustainability and climate change				
We recognise that the business must undergo a climate change-related transition by addressing carbon reduction, energy usage, waste management and use of plastics in our operations. Governments, the financial community and industries, including our own business and our customers', see the 2020s as a call to action, with major new commitments to achieving net zero carbon emissions.	Moving towards carbon neutrality is a competitive and an ethical necessity within our business. Our customer base is becoming more demanding in this area placing pressures on their supply chains, including our business and our material suppliers. The impact of not addressing this could be significant and result in loss of business and reputational damage.	De La Rue have set a goal to reach carbon net zero by 2030 in our own operations and the areas under our own operational control. We have commenced a "Transform Sustainability" programme to address the key areas of energy reduction, increasing our use of renewables, reducing our waste and reducing our reliance on the use of plastics in packaging. We are also focusing on providing recycling solutions for end of life polymer banknote products. We continue to work with our customers and partners to reduce the carbon impact of our products.	2 3	↑
Breach of information security				
A breakdown in the control environment including collusion, non-compliance or an external attack could lead to a cyber security breach resulting in the loss of critical data.	Any compromise in the software functionality or confidentiality of information could impact our reputation with current and potential customers.	Our corporate information security management system is certified to the ISO27001:2013 Information Security standard. This is supported by an independent information security team which is focused on ensuring that all hardware and software deployed is compliant with built in security. We maintain a strict control environment to enforce disciplined software development and information security practices and behaviours. Several key technical controls are in place to manage this risk, including agile software development techniques, behaviour analytics, quality reviews, regular testing, network segregation, access restrictions, system monitoring, security reviews and vulnerability assessments of infrastructure and applications. We also conduct supplier reviews on a risk basis and ensure all our employees undertake mandatory information security e-learning. Our processes and policies are monitored and audited internally and externally.	1 2 3	↔
Failure of a key supplier				
We have close trading relationships with several key suppliers, including unique producers of specialised components that we incorporate into our finished products.	Failure of a key supplier, the inability to source critical materials or poor supplier performance in terms of quality or delivery could disrupt our supply and ability to deliver on time and in full. This could result in the payment of damages and/or forfeiting performance bonds or loss of contracts and result in material reputational damage.	Key suppliers are monitored and managed through supplier analytics, contract management programmes and digitised contract management tools. This ensures that all key supplier contracts have been reviewed on their financial strength and their ability to deliver to our quality standards and security, as well as their business continuity arrangements as a part of the onboarding process. Key suppliers are audited on a rotational basis and have a recovery plan in case of failure. As a contingency, alternative suppliers are pre-qualified wherever possible and where necessary we retain higher levels of stocks.	2 3	↔

Exposure	Impact	Mitigation	Impact	Outlook
Breach of product security				
Loss of product or high security components from a manufacturing site could occur as a result of negligence or theft. Loss of product while in transit, particularly during transhipment, through the failure of freight companies or through the loss of an aircraft or vessel as a result of an accident or natural disaster, is also possible.	Any loss of product or high security components has the potential to cause reputational and financial damage. In certain circumstances, customer contracts may mean that we are liable for those losses.	We have dedicated security personnel, robust standardised physical security and materials control policies and procedures at our production sites, which reduce the risk of inadvertent loss or theft during manufacturing. This is overseen and monitored by Group Security, HSE and Risk to ensure compliance. Vetting of personnel, training and auditing is conducted in line with the Group Baseline Security Manual (our security policies). All manufacturing sites are now vertically aligned to ISO14298:2013 and INTERGRAF certification Requirements. All the finished product manufacturing sites certified to Central Bank level, as testament of our commitment to product security. We apply risk assessed stringent operational procedures – and use vetted and approved carriers and personnel – to handle movements of security materials between our sites and onward delivery to customers. All movements are monitored, risk managed and conducted in line with Transported Asset Protection Association standards. We ensure that product security verification and reconciliation are embedded and monitored throughout all sites to ensure that product is stored, shipped, reconciled and destroyed securely and safely. We also maintain a comprehensive global insurance programme.	2 3	↔
Sanctions				
Entering a contract or other commitment with a customer, supplier or partner which is subject to a sanction or trade embargo could lead De La Rue to be in breach of sanctions.	Breach could result in imprisonment and/or substantial fines for individuals, the leadership team, the Board and the Company. In addition, it may lead to a withdrawal of our banking facilities, as well as disbarment from future tenders.	We utilise strong policies and processes to ensure national and international sanction compliance. This is overseen by the Sanctions Board and internal and external auditing of the programme. Commercial opportunities are considered against the sanction risk as standard within the request for approval process and we utilise customer relationship management systems to identify medium and high sanction risk opportunities. If identified these are investigated by legal, treasury and commercial teams to ensure compliance.	2 3	↔
COVID-19				
The COVID-19 pandemic could have a material adverse effect on the Group's supply chain, distribution network, manufacturing operations and/or weakening customer demand.	If the COVID-19 pandemic continues and results in a prolonged period of onerous restrictions, there is potential impact to the global supply and distribution infrastructure of the business. If current measures fail to adequately mitigate the impact of the COVID-19 pandemic in the countries in which the Group has a manufacturing presence, there is also a risk that one or more of the Group's manufacturing sites may be forced to partially or fully cease operations for a prolonged period as a result of the introduction of more stringent restrictions by the relevant authorities and/or the absence of a significant number of employees for COVID-19 related reasons.	As part of De La Rue's response to COVID-19, the business has invoked a long-standing Pandemic Incident Management Plan throughout the Group, and all sites are working towards the following four key objectives: 1. Ensuring the safety of our employees and their families. 2. Playing our part in restricting the spread of the virus. 3. Continuing to run the business, serving our customers worldwide with the timely provision of high-quality products and services. 4. Ensuring that De La Rue emerges resilient to the impact of the pandemic. Our manufacturing sites are spread across several sites in the UK, Malta, Kenya, North America and Sri Lanka which allows us the ability to reprioritise and potentially relocate production in the event of a business continuity incident.	1 2 3	↓

Risk and risk management continued

Viability statement and Going Concern Assessment

The Directors have considered the longer-term viability of De La Rue Plc in line with the recommendations under the UK Corporate Governance code.

Whilst the Group has a five-year strategic planning horizon, the financial performance of the Group is inherently less predictable in years four and five because good visibility of the order book is over a shorter-term horizon. Therefore, the Directors believe that an appropriate period to consider the Group's viability is over three years.

In assessing the viability of the Group, the Directors have reviewed the principal risks as set out in pages 27 to 30 and considered foreseeable scenarios of one or more of the principal risks crystallising in the same time period in the context of its strategic plan.

The main risks modelled to have an impact on the viability of the Group were:

- Risk 2 Quality Management and Delivery failure
- Risk 3 Loss of a Material Contract
- Risk 4 Failure to implement the Turnaround Plan and run the business
- Risk 7 Breach of Information Security
- Risk 8 Failure of a Key Supplier
- Risk 10 Breach of Sanctions

The Directors have focused on principal risks that could plausibly occur and result in the Group's future operational results, financial condition and future prospects to materially differ from current expectations, including the ability to maintain a dividend, meet current investment plans and compliance with liquidity ratios. The main focus has been the impact of these principal risks to Group EBITDA. The limiting factor is the Net Debt/EBITDA covenant, not the absolute value of net debt, as without a breach of this, the Group maintains a large facility headroom.

Scenarios that the Directors see as implausible (or outside of the Group's control e.g. a terrorist attack or an event of nature) have not been modelled, nor have all potential mitigating responses. The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to December 2023 and that the Group would either renew the facility thereafter, or have sufficient time to agree an alternative source of finance, on terms which are broadly consistent with the current facility for the remainder of the three year period assessed.

The Directors consider the likelihood of all these risks crystallising together to be remote. In the event that a number of risks materialise together in a plausible combination, the Group was able to continue operating within its covenants and the Group's credit facilities were not exhausted.

The result of reviewing plausible scenarios downside is that the Directors have a reasonable expectation that the Group is viable and will be able to meet its obligations as they fall due up to March 2024.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 17 of the Strategic report in the Annual Report for 2020. In addition, pages 135 to 144 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in pages 20 to 21 of the Strategic report.

In the Group's Annual Report for 2020, the Directors concluded there was a material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern. This uncertainty related to a shareholder vote to approve a £100m equity capital raise, a vote which had not yet taken place at the time the Annual Report was issued. At a General Meeting of the Group on 6 July 2020, the shareholders voted overwhelmingly in support of the capital raise, hence removing the material uncertainty.

Following the shareholder approval, effective 7 July 2020, the Group amended the terms of its banking facilities of £275m. The relevant amendments among other things, extend the maturity of the RCF to December 2023 and give the Group access to an RCF cash drawdown component of £175m and bond and guarantee facilities of a minimum of £100m. These facilities have a leverage covenant of net debt/EBITDA ≤3.0 times and an EBIT/net interest payable covenant of ≥2.4 times. At 27 March 2021, the Group had net debt/EBITDA ratio of 0.99 and an interest cover of 6.3.

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 30 June 2022. This base case forecast assumes continued delivery of the Turnaround Plan, specifically protecting market share in Currency, growing Authentication revenue, and the benefit of the cost out initiatives already completed. These forecasts show significant headroom and support that the Group will be able to operate within its available banking facilities and covenants throughout this period. Covenants are calculated on a rolling 12 month basis each quarter and therefore for all quarters until Q4 of FY 2021/22 and Q1 of FY 2022/23, a portion of the EBITDA/ EBIT has already been earned, reducing the risk of a potential breach. Taking this into account along with the forecasts reviewed, it is considered that the net debt/ EBITDA covenant for the rolling 12 months to Q4 of FY 2021/22 and Q1 of FY 2022/23 is the limiting factor, rather than the overall facility or the EBIT/ net interest payable covenant in this period. The Directors have therefore completed a reverse stress test of the forecasts to determine the magnitude of downturn which would result in a breach to this covenants in the going concern period.

A cumulative decline of 42% in EBITDA compared with the base case would need to occur in the going concern period for the net debt/EBITDA covenant to breached. As fixed costs are expected to be in line with forecasts, any decrease in EBITDA would be the result of decreased revenue and related margin which would need to be in excess of 25% taking into account fixed costs noted above to cause a breach. These reductions are considered to be very unlikely by management taking into account order cover for the same period and other controllable mitigating actions available to the company.

The Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated annual financial statements.

Responsible business

"We are committed to running our business sustainably."

We are fully committed to operating with integrity as we deliver on our strategic objectives, doing business in an ethical and sustainable way.

As Kevin Loosemore has articulated in his Chairman's statement on page 4, it is crucial to ensure that Environment, Social and Governance (ESG) issues are considered as an integral part of our business decision making process. While it is clearly important to deliver business results for our shareholders, the way we achieve them is equally important.

The purpose of our business is securing trust between people, businesses and governments. Our Currency and Authentication divisions enable our customers to deliver sustainable services underpinning the integrity of trade, the movement of goods and personal identity.

In achieving this we have a responsibility to all of our stakeholders to uphold the highest standards of business conduct.

De La Rue is an active participant in the UN Global Compact (UNGC) and I am pleased to confirm our ongoing commitment to the initiative. This responsible business report demonstrates how De La Rue is fulfilling its UNGC commitments and progress towards the UN Sustainable Development Goals.

Further information demonstrating how ESG considerations are embedded in our performance and strategy to support the long term interests of the business and its stakeholders can be found throughout this annual report including in the Chairman's statement and risk report within the strategic report and in the Governance section. There is also further information on our website www.delarue.com.

Environment

We are committed to minimising, as far as is appropriate, the impact of our operations on the environment. We set clear environmental goals and report against them each year. We share our commitment and standards with our suppliers and partners.

Find out more on page 33

People

We promote an inclusive culture that values diversity and the health, wellbeing and fair treatment of our employees is a top priority for the business. We have effective management systems to protect human rights and fully support the principles set out in the UN Declaration of Human Rights.

Find out more on page 36

Community

We are conscious of our responsibilities to the wider communities in which we work and strive to have a workforce representative of them. We work hard to ensure good levels of engagement with our stakeholders, including investors, customers and suppliers.

Find out more on page 40

Business standards

It is crucial that we maintain the highest ethical standards across the business. We have robust policies, processes and monitoring systems in order to ensure strong governance, which include external assurance.

Find out more on page 41

Responsible business continued

De La Rue's ESG governance structure

Board
- Considers ESG as part of strategy
- Monitoring of strategic ESG targets/ key performance indicators (KPIs)
- Oversight of public reporting

Audit Committee
- Reviews ESG-related internal controls and risk management systems

Risk Committee
- Identification, evaluation and monitoring of ESG risks

Group HSE Committee
- Monitoring compliance with HSE obligations

Ethics Committee
- Oversight of ethical matters

Executive Leadership Team
- Implementation of strategy
- Operational responsibility for ensuring that ESG issues are an integral part of day-to-day business decision making
- Setting targets and ensuring ongoing monitoring of performance
- Monthly update and review

Transform Sustainability Programme Board
- Oversight of Carbon reduction and other workstreams (Carbon, Energy, Waste, Plastics in packaging, End-of-life product related recycling)
- Suggests targets and ensures ongoing workstream monitoring

Social and Governance initiatives
- HR
- Ethics
- Security (data protection, information, accreditations)
- Tax

Non-executive Director responsible – Kevin Loosemore
- Oversight of all workstreams
- Six monthly updates from Transform Sustainability Programme Board

Governance and management

The Board has oversight of all our ESG initiatives through regular reporting, both on a standalone basis and as part of wider strategic initiatives. Kevin Loosemore, our Chairman, is the nominated Non-executive Director with overall responsibility for our sustainability strategy. Governance is embedded within our existing Board and Committee structure, with the Executive Leadership Team (ELT) playing a key role.

The diagram above summarises our governance structure for oversight of sustainability and wider ESG matters.

Find out more about
our Board of Directors on page 50

Environment

The purchase of a new site directly adjacent to our current facility in Westhoughton, UK, completed in January 2021, enabling the future growth of our Polymer product line. The sites will be linked to allow optimised product flow.

Environmental issues were considered as part of our capital expenditure authorisation for the site expansion and will be a focus during project implementation to reduce carbon impact and work towards our environmental goals. We worked closely with the local authority to obtain planning permission for development of the new site, and conditions such as tree preservation, noise and pollution prevention were included in the permission granted. We intend to re-commission solar panels at the new site and have committed to replanting two trees for every tree that is removed as part of the development preparation. The new site will be added to our existing environmental permit to operate and will be subject to robust environmental standards. The development of this second site will create an extra 70 jobs in the area.

Expansion of our Westhoughton facility

We are committed to minimising the impact of our operations on the environment while ensuring the sustainability of the products and services we offer and the future of our manufacturing sites. During the year we have made good progress in furthering our sustainability strategy and roadmap. A Transform Sustainability Programme Board has been established with participants drawn from the ELT and divisional and functional management to ensure the approach across the Group is aligned. It is our goal to be carbon net zero by 2030 for our own operations and the areas under our own operational control and the Transform Sustainability Programme Board is developing a detailed roadmap including costings to achieve this objective within that timeframe. Work is ongoing to define clear targets with a view to ensuring we are compliant with the Taskforce for Climate related Financial Disclosures (TCFD) framework against which we are required to report in 2022.

We have identified a number of priority workstreams to improve our business and operational processes and ensure both sustainability and the long term profitability of the Group. These ongoing environmental initiatives include:

- **Carbon:** in addition to measuring the carbon impact of our business we are also working with our key customers using carbon footprint modelling that aligns to PAS2050 to help reduce the embedded carbon in our products. During the year we offset some product elements as agreed with our customers and will continue to offer this carbon offsetting service where possible;
- **Energy:** reducing our energy usage and increasing use of renewable energy is a priority. In the year we have transferred our electrical power sourcing in the UK to a 100% renewable power contract and plan to extend this approach to our overseas sites as options become more widely available. The Currency and Authentication divisions both have ongoing initiatives to improve product design in order to reduce carbon impact;
- **Waste:** our target is to send zero waste to landfill from our UK operations and we are reviewing the options to reduce our waste going to landfill from our overseas operations. Polymer banknotes on average last 2.5 times longer than paper banknotes so our polymer business strategy helps to reduce customer waste and carbon emissions during the lifetime of the banknote. Improvements in product design by both divisions will also assist with waste reduction;
- **Plastics in packaging:** we are looking at ways to reduce our use of single-use plastics and plastic packaging; and
- **End-of-life product related recycling:** we are working with customers to identify end of life plastic product recycling options.

We are refining our operational processes to ensure that environmental sustainability issues are considered in R&D, product and process design, capital expenditure authorisation and project implementation to reduce carbon impact and work towards our environmental goals.

Our carbon neutral banknote service was recognised as a Finalist for the IACA 2020 Excellence in Currency Award for Best Environmental Sustainability Project. We actively contribute to the International Currency Association's Sustainability Charter and are a member of their Sustainability Committee. We spoke about the fundamental role cash plays as part of a sustainable payments mix at Intergraf in March 2021.

In terms of external assurance, the business has a Group Environmental Management System that is certified to ISO14001:2015, a standard first achieved by the business over 15 years ago which is externally audited by Lloyd's Register. We also carry out internal group audits against the requirements of our corporate environmental standards.

Responsible business continued

Environment (continued)

Risks and opportunities

We look at sustainability in a balanced way. We strive to manage our environmental impact in order to manage risk and also to harness opportunities to achieve cost savings for our business, secure competitive advantage and enhance our partnerships with customers and other stakeholders.

Significant risks are identified through the Group risk register which covers Group strategic risks and site tactical risks. Other climate-related risks and opportunities are identified using the Carbon Disclosure Project (CDP) categories. Sustainability and climate change is now one of the principal risks reviewed quarterly at the Risk Committee (see page 28 for details).

The following risks and opportunities have been identified:

Categories	Risks	Opportunities
Current and emerging regulations	Additional climate-related regulations Pressure on use of plastics and changes in energy taxes SECR to TCFD reporting	Our aim to reduce energy consumption may help to address increased energy taxation Reduction of plastics in packaging
Technology	Maintenance of and investment in equipment and technology to ensure efficiency	Polymer banknotes have longer lifetime, improved printing technology
Market	Nothing noted	Lower carbon footprint of polymer
Reputation	Nothing noted	Lower carbon transition project
Acute physical risks	Additional risk of flooding at facilities	Nothing noted
Chronic physical risks	Nothing noted	Nothing noted

Greenhouse gas emissions (GHG) year on year comparison

De La Rue is required to report its energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Type of emissions	**2020/21 UK and offshore**	**2020/21 Global[1]**	**% of total**	2019/20 UK and offshore	2019/20 Global[1]	% of total	% difference in emissions UK and offshore	% difference in emissions Global[1]
	tCO_2e			tCO_2e				
Direct (Scope 1)	**4,073**	**754**	**3.4%**	4,262	842	2.3%	-4%	-10%
Indirect (Scope 2)	**328**	**8,009**	**5.9%**	1,210	10,244	5.2%	-73%	-22%
Scope 1 and 2	**4,401**	**8,763**	**9.3%**	5,471	11,086	7.5%	-20%	-21%
Indirect other (Scope 3)[2]	**128,906**		**90.7%**	204,328		92.5%		-37%
Purchased goods and services	**101,742**		**71.6%**	158,871		71.9%	-36%	
Upstream transport and distribution	**14,606**		**10.3%**	28,960		13.1%	-50%	
Fuel and energy-related activities	**3,580**		**2.5%**	4,893		2.2%	-27%	
All other categories	**8,978**		**6.3%**	11,604		5.3%	-23%	
Total gross emissions (tCO_2e)	**142,070**		**100.0%**	220,885		100.0%	-36%	
Indirect (Scope 2 – location-based)	**3,889**	**9,038**		5,304	10,244		-27%	-12%
Intensity ratio UK and Global: Tonnes of gross CO_2e per million GB £ turnover	**366**			511			-28%	
Energy consumption used to calculate Scope 1 and 2 emissions/kWh	**31,697,918**	**24,152,529**		35,208,116	25,613,721		-10%	-6%

Notes:

1 Global includes all sites outside the UK.

2 Three most material Scope 3 categories reported individually. Scope 3 figures given are for UK and Global combined.

Methodology
The data detailed in the GHG table represent emissions and energy use for which De La Rue is responsible, including electricity, gas use, process and fugitive emissions in our offices. We have used the main requirements of the Greenhouse Gas Protocol Corporate Standard to calculate our emissions, along with the UK Government GHG Conversion Factors for Company Reporting 2020.

Energy efficiency measures
In the reporting year, De La Rue has purchased renewable energy at all of its UK sites. This, combined with a 39% reduction in production at Gateshead during the reporting year, has enabled us to report a 73% decrease in emissions from electricity consumption at our UK sites under the GHG Protocol market-based method. De La Rue is now planning to expand the use of renewable energy to its global operations.

Additionally, Debden now has gained access to their landlord's energy management data allowing the site team to view energy usage figures and identify opportunities to operate more efficiently. De La Rue will be increasing metering across its other sites during FY 2021.

Further energy improvement projects have been identified for FY 2021 onwards. For example, the installation of solar panels at Westhoughton, Sri Lanka and Malta.

Metrics and targets
We aim to be carbon net zero by 2030 for our own operations and the areas under our own operational control, aligned to the goal of the Paris Agreement to achieve a climate neutral world by 2050. A Scope 3 and supply chain review are underway to inform our future roadmap for reductions in this area.

Part of our evolving strategy will be to register with the Science-Based Targets Initiative during 2021 and we will move to setting appropriate science-based targets over the next two years. While this work continues, we remain focused on increasing our renewable energy use as well as identifying opportunities for overall energy reductions, and reducing waste and plastics in our operations.

Sites report on monthly environmental KPIs and these are monitored against agreed targets.

We participate in the CDP and in 2020 achieved a score of B-. We have submitted data to the CDP for 11 years which has required us to build an in-depth understanding of this aspect of our supply chain and processes, enabling us to review and improve our carbon impact.

Energy used per tonne of good output across the Group is considered to be one of our non-financial KPIs and further details can be found on page 25.

Performance against FY 2020/21 objectives

Objective	Progress
Absolute energy reduction target of 2.1% per annum	During the year we reduced our energy consumption by over 5.5%
To widen our application of sustainability principles across key areas of our supply chain and developments	Achieved with some key suppliers and we have launched the Transform Sustainability Programme which covers product designs
Environmental awareness training rolled out to >80% of operational employees across the Group	We have achieved over 80% at Head Office and good improvements across our main operational sites
To ensure capital expenditure and product/process developments have a level of environmental impact analysis	All capital expenditure and product/process developments consider environmental sustainability aspects before and during the approval stages

People

Introduction

Ensuring the health, wellbeing and fair treatment of our employees is a top priority for the business and we are committed to creating a culture of respect and inclusivity for every individual we employ. De La Rue will continue to promote a culture that values and thrives on diversity in all areas and strive to have a workforce representative of the communities in which we operate. We have recently published our commitment to diversity, equity and inclusion internally and externally and further information about our aims and supporting initiatives is detailed below.

We fully support the principles set out in the UN Declaration of Human Rights and we have effective management systems in place to protect human rights.

In March 2021, our sites again held events to celebrate International Women's Day. Activities included a workshop about inspiring women, donations to women's shelters of handbags containing toiletries, and encouraging colleagues to take some time out to do something for their own wellbeing. One site used purple flower decorations to symbolise each female employee and held a 'wear purple' breakfast event.

International Women's Day

Our Code of Business Principles covers human rights issues including employment principles, health and safety, anti-bribery and corruption and the protection of personal information. The Code also highlights that we seek to provide an environment where employees can raise any concerns via a variety of mechanisms, including a whistleblowing hotline known as 'CodeLine' which is managed by an external third party, and a network of Ethics Champions across the Group where issues can be raised in confidence.

The business has remedial processes in place should there be any human rights infringements. These include claims procedures and trade union engagement procedures.

Meaningful engagement with our customers, suppliers and shareholders as well as the communities in which we operate, is crucial to the success of our business and some of the ways we interact with them are included in this responsible business report.

Diversity and inclusion and culture

The importance of culture to our business is recognised and it is vital not only to achieve results but do this while demonstrating the right behaviours. We have conducted ways of working workshops during our 2021/22 objective setting discussions with our senior leaders to explore this in more detail, recognising that different areas of the business might require a different cultural approach while still aligning to our Company values. Our employee engagement survey to be conducted later this year will also incorporate a number of culture-related questions which will help us identify current culture norms within the business and provide the basis from which we can actively reinforce the behaviours and ways of working we strive to achieve.

We recognise the positive impact that a diverse and inclusive workforce has on the success of the business. Our employees are treated fairly and equally irrespective of any factor including gender, transgender status, sexual orientation, religion or belief, marital status, civil partnership status, age, colour, nationality, national origin, disability or trade union affiliation.

We have taken the opportunity to refresh and revitalise our statement of commitment to diversity, equity and inclusion which we have articulated with our colleagues and externally to our customers, partners and potential employees.

In order to proactively promote diversity, equity and inclusion we have grouped our objectives into three areas. We have clear plans of action under each of these, coupled with a small number of specific, measurable targets to monitor the progress we make:

1. Ensuring we have a workforce representative of communities in which we operate
2. Developing a culture of trust, respect and engagement for all
3. Continually looking beyond De La Rue to understand and share best practice

The gender breakdown of our Board and workforce as at 27 March 2021 is illustrated in the graphic opposite. Following the appointment of Ruth Euling as an Executive Director with effect from 1 April 2021, the male to female ratio for the Board is now 50:50. To measure our progress with gender diversity in our succession planning, the male:female ratio of our management population is considered to be a performance indicator for the business as noted on page 25.

UK gender pay gap

We publish information in line with our obligations under UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our latest published data for the period to April 2020 showed that our gender pay gap has continued to show positive improvement, primarily driven by the significant organisational changes which gave the opportunity to reshape the management and leadership of the business resulting in a higher proportion of senior roles being held by women. However we believe it is still premature to draw any firm conclusions on trends.

The Gender Pay Gap for the snapshot date of April 2020 was 12.8% (median) and 9.3% (mean) while the industry average is currently 15.6% (median) and 13.2% (mean) (ONS, Manufacturing, 2019). We are confident that we do not have issues of equal pay and remain committed to continuing to increase the number of women in senior roles.

De La Rue's ELT now has a gender ratio of 50:50 and the number of women occupying senior management roles in the business and consequently in the upper quartiles of pay has continued to increase, moving us closer to our target of being proportionate to the workforce (currently 70:30 male: female). Our focus remains on improving the diversity of our shortlists through our internal talent and the use of robust succession planning and development processes and externally working with recruitment partners.

The gender breakdown of our Board and workforce as at 27 March 2021 is illustrated in the graphics (right) representing further improvements to our gender diversity during FY 2020/21.

Gender diversity

(as at 27 March 2021)

All employees

Male	1,545
Female	639

Management[1]

Male	176
Female	99

Senior managers[2]

Male	26
Female	13

Executive

Male	3
Female	3

Board[3]

Male	4
Female	3

Notes:

1 All managerial employees including senior managers.
2 Includes executive management.
3 With effect from 1 April 2021 Ruth Euling was appointed to the Board, increasing the number of female directors to four.

Employee engagement

Employee engagement remains a key focus for the business, our employees at all sites and all levels have a critical role in the delivery of the Turnaround Plan. Understanding engagement and working collaboratively to improve this will have a positive result on business performance.

Our aim is to enable strong two-way communication channels in the business ensuring employees in all sites and at all levels understand the business goals and expectations on them and equally ensuring that every employee has a voice within the business and an opportunity to help shape, grow and improve De La Rue.

We work closely with the Board to ensure they have a clear view of the perception of the workforce, this includes active engagement in an annual review of both Culture and Talent Planning within the business as well as monitoring various trends within the organisation that provide indication of engagement.

The Board have chosen to appoint a nominated Non-executive Director, Maria da Cunha, to be responsible for seeking the views of the workforce at a variety of levels.

Maria engages regularly with our collective representatives and joins the UK and European forums every year.

We have also launched our Employee Voice Forums hosted by Maria. These virtual sessions are held with representative groups of our employees on a site-by-site basis to hear their feedback first hand. A summary of the feedback is then shared with the Board. These sessions continue to be held and the opportunity so far has been extremely well received by employees.

We conduct an employee survey at least every two years, collecting data from the responses and actioning these appropriately. The next survey will take place in 2021. Following the 2019 survey, workshops were held with teams in our sites to discuss feedback and develop action plans.

People (continued)

Face-to-face engagement has been less than usual due to the COVID-19 pandemic. However we have found many alternative ways to engage with employees. Examples include: surveys for employees having to work remotely due to COVID-19 to understand their experience and future expectations; video messages from our ELT; virtual social events; and online communities set up to share tips about working from home and looking after wellbeing.

We have also continued to maintain all our standard forums during this period and have a network of Employee Engagement Champions representing each site who meet on a monthly basis.

As soon as it is practical and safe to do so, face-to-face visits to sites by both our Board and ELT will resume.

We continue to run a global recognition platform known as ‘High Five’ which enables employees to recognise their colleagues wherever they are based across the globe. This platform celebrated its fifth anniversary this year with a refresher campaign and has proved to be successful in identifying individual and collective contributions of the workforce, whose efforts may otherwise go unrecognised.

During times of change and uncertainty it is vital we stay connected with our employees and offer them support and we take considerable steps to maintain multiple forums to enable this.

Working with our unions

We have long-established, strong and productive relationships with the unions in the following countries where we have manufacturing operations and we recognise the following unions: UK (UNITE), Malta (General Workers Union (GWU)), Kenya (Kenya Union of Printing, Publishing, Paper Manufacture, Pulp & Packaging Industries) and Sri Lanka (De La Rue Branch – Internal Company Employees Union (ICEU)). Overall around 63% of our employees globally are part of a collective agreement.

During the year some of the key areas where we worked closely with our unions were:

- Successful re-negotiation and harmonisation of terms and conditions for all employees in our Debden site as part of site transformation to enable the site to efficiently produce more overseas banknotes and become a Centre of Excellence for printed polymer banknotes;
- Undertaking collective consultation to mitigate the impact of redundancy on employees due to the closure of printing operations at our Gateshead site;
- Agreement established to manage furlough arrangements for UK employees affected by COVID-19 – this was to protect our most vulnerable employees;
- UK pension consultation to change employer contributions;
- Attendance from GWU Malta and UNITE UK external officials at our annual UK and European Employee Forum;
- Signed a new two year collective bargaining agreement in Kenya and a one year agreement in Sri Lanka;
- Signed a three year collective bargaining agreement in Malta. Agreements put in place to operate within a flexible labour model through different methods including multiskilling. Successful discussions through COVID-19 to minimise risks and impact on production contributing to delivering on production plans and safeguarding jobs; and
- The health and safety of employees globally in relation to COVID-19.

Training and development

Talent reviews are an important underpinning activity in the business and are reviewed regularly. This enables us to understand our talent profile and areas of focus, which we support with learning and development interventions, personal development plans and exposure in the business to build experience.

We have a global learning and development policy, and training is facilitated by the De La Rue Centre for Learning and enabled by both our Venture e-learning platform and virtual classroom sessions, where we have a wealth of material that is easily accessible to our employees.

We actively encourage the use of the apprenticeship levy for both continuous professional development and for building skills and capability across all sites in the UK.

Health and safety

During the global pandemic, ensuring the health, safety and wellbeing of our employees has been of paramount importance. Our response to the pandemic is discussed further in the Wellbeing initiatives section below.

All our main manufacturing sites have maintained OHSAS18001 certification and the sites transitioned over to the new international standard ISO45001:2018 during the year for their health and safety management systems, following external audits by accredited providers. We ensure all our health and safety processes are robust and meet our responsibility to keep our employees and everyone visiting our sites safe and secure.

This is done through clearly defined responsibilities, good communication and training, risk assessment and the implementation of appropriate controls.

We continue to track a number of key metrics regarding health and safety including reportable incidents, lost time accidents, near miss reporting and containment actions and minor first aid incidents, along with more proactive measures such as HSE training, compliance to our safe and secure inspection programme and health and safety training for managers.

Performance against FY 2020/21 objectives

Objective	Outcome
Ensure all operational line managers and process leaders are trained in IOSH Managing Safely or an equivalent or higher qualification	Despite the impact of the COVID-19 pandemic on training, we managed to improve our coverage in the key supervisory roles to 89%. We also maintained our NEBOSH Certificate 24/7 operational coverage at sites by some supported online registrations
Achieve a reported Near Miss/My Safety Concern closure rate of ≥85% within five days at all facilities	95% of the Near Misses/My Safety Concerns reported were closed or had initial containment of the risk within five days
Achieve ≥94% of conformance to our Zone 'Safe & Secure' health, safety, security and environment inspection programmes	We achieved 94% despite the occasional staff shortages due to the pandemic self-isolation impact
Develop an online health and safety training platform for use by all employees and target these training modules as identified by the sites' Training Needs Analysis frameworks	We use an internal training platform for HSE training and also have engaged with external partners for additional online training, such as a Display Screen Equipment package in relation to homeworking
Maintain our strong HSE training delivery performance of over 1,500 person days per year with the lower employee headcount	With the COVID-19 pandemic some face-to-face HSE training was postponed but we increased the amount of HSE training provided online resulting in 1,422 person days in the year

Our current areas of focus are:

- Aiming for zero lost time accidental injuries and to achieve a Lost Time Injury Frequency Rate (LTIFR) per 200,000 worked hours of less than 0.32 over 12 months;
- To ensure that ≥90% of all operational line managers and process leaders are trained to IOSH Managing Safely, or an equivalent, or higher qualification within 12 weeks of starting a new role;
- To increase the numbers of reported Near Miss/My Safety Concerns and achieve a five day closure rate of ≥85% at all facilities;
- To achieve ≥95% of compliance to our Zone 'Safe & Secure' inspection programmes;
- To increase the volume, quality and variety of online health and safety training available for employees; and
- To maintain our strong HSE training delivery performance of over 1,500 person days per year.

Wellbeing initiatives

The COVID-19 pandemic has made it more important than ever to ensure the wellbeing of our employees. We have carefully followed government advice in all countries where we operate to keep our people safe while our manufacturing sites remain operational, and office-based employees have been encouraged to work from home wherever possible. We launched a new Display Screen Equipment online training course which specifically covers more homeworking aspects and managing stress, and issued regular reminders to employees to look after their mental health and personal wellbeing, including details about sources of support and helpful resources.

In addition to the health and safety programme detailed above, we continue to develop our network of Mental Health first aiders to support and assist with potential mental health issues.

We have launched virtual wellbeing 'hubs' on our intranet and in-house eLearning system and regularly promote our Employee Assistance Programme in the UK where we also launched a free wellbeing app for employees and their families. Similar support mechanisms are available in other countries.

A virtual community has been created to provide advice and support to employees working remotely and managers have held regular check-ins with their teams including those who were furloughed. We also surveyed employees working remotely to understand their experiences and views of working away from site.

We understand that the personal life of our employees is a priority and therefore have policies in place to support important changes and flexible working, which include: maternity, paternity and adoption leave, shared parental leave and time off for dependants.

Modern slavery

De La Rue directly employs more than 2,000 people and provides livelihoods to thousands more indirectly. We are committed to preventing slavery and human trafficking in our operations and in our supply chain and our modern slavery statement, available on our website, details the preventative steps we take and how we comply with the Modern Slavery Act. Suppliers are obliged to abide by the United Nations Convention on the Rights of the Child and International Labour Conventions 138 and 182.

Raising concerns

We encourage our employees to speak up about any concerns regarding behaviours or business practices. Internal reporting via line managers, senior management, Ethics Champions or our Human Resource teams are encouraged, but our 'CodeLine' whistleblowing service, operated by an independent third party, is available for all employees to use and gives them the opportunity to report anonymously. An awareness campaign about how to raise concerns was rolled out during April 2021. Further information about the service can be found in the Ethics Committee report on page 69.

Responsible business continued

Community

Charitable and community activities

We are conscious of our responsibilities to the wider communities in which our operations are based. As noted above, we strive to have a workforce representative of those communities and support their wider activities where possible.

In addition to our ongoing Caribbean Scholarship Programme, during the year we have committed to supporting education in East Africa, assisting disadvantaged high potential scholars who could not otherwise afford tertiary education.

A refugee centre in Malta was badly hit by the COVID-19 pandemic. Our Malta site responded by donating 500 visors to help asylum seekers to stay safe both within the centre and when required to attend outside meetings and appointments.

Site charitable initiatives during the pandemic

Many communities have been badly affected by the pandemic and our employees have stepped up and shown their support in a number of ways. Colleagues in Kenya visited the local Voice of Hope children's centre engaging in activities with the children as well as cleaning and providing donations of food and clothing. Our Malta colleagues continue a number of initiatives including support of the Beyond the Moon charity providing holidays for children with life limiting illnesses and their families. During the pandemic they also donated food to the Richmond Foundation who provide for differently abled clients many of whom have lost their usual income, as well as donating 500 visors to a refugee centre.

A team in our Debden, UK site challenged themselves to raise money and awareness for ovarian cancer in support of a terminally ill colleague by running 50 miles each in the cold and dark winter.

Investors

The Board values the importance of building strong relationships with shareholders and investors. Further detail can be found in the Section 172 statement on pages 44 and 45 and in the corporate governance report on page 53.

Customers

De La Rue has maintained an adaptable and flexible approach to customer engagement during COVID-19. In both divisions the lack of opportunities for face-to-face contact led us to explore new approaches.

On the currency side of the business we launched our newsletter 'Going Beyond' containing the latest in our thought leadership and industry news to help our customers stay connected. We also hosted a suite a webinars in our 'Sustainable Confidence' series – sharing interviews with central bankers, representatives of banknote issuing authorities and industry experts on the latest topics of interest. We experimented with different digital formats to drive engagement.

Our Currency Keynote Event in February 2021 was very popular and we have established robust digital approaches for banknote proof approvals through to training. We listened to our customers complaining of 'webinar fatigue' and provide our content in a range of formats to suit different needs and availability.

In Authentication we held webinars to launch our new PURE™ and Traceology® portfolio and our first GRS Excise Tax Protection Course for GRS customers was delivered online, available in multiple languages and included keynote speakers from the industry. We have also launched two new biannual thought leadership publications for our brand protection and GRS customers and post regularly on social media.

Suppliers

During the year we have published a Supplier Code of Conduct to clearly set out the ESG and ethical standards to which we expect our suppliers to adhere, and have introduced an online onboarding system for new suppliers which is also being used for cyclical screening of existing suppliers. We continue to work with our main suppliers and contractors to ensure that their health and safety processes are robust. We engage with suppliers to help drive improvements in sustainability and anticipate increased engagement as our own sustainability strategy develops.

Throughout COVID-19 De La Rue has embraced digital methods of communications and engagement. Where possible our meetings, events and customer approval processes have moved online. We transitioned to digital documents, videos, webinars, virtual training sessions and virtual meetings to enable our usual interactions and discussions to continue. We also continued to support industry events such as Intergraf 2021 and increased the digital marketing content we generated in order to help our customers stay connected.

Customer engagement

Business standards

Introduction

The Board encourages a culture of strong governance across the business, including in our work with customers and suppliers. Our ethical credentials are monitored by the Ethics Committee and via formal internal and external audits, ensuring that we maintain the highest ethical standards and receive recommendations for improvement. In addition to the governance activities described earlier in this responsible business report, further details about the activities of the Board and its various committees can be found in the Corporate Governance section of this annual report.

It is vital that we conduct our business with integrity, honesty and transparency. The risks of unethical conduct are recognised and managed through a robust governance and compliance structure, underpinned by our Code of Business Principles, and comprising internal policies, process and oversight and compliance assurance standards. The graphic on page 43 summarises our ethical governance framework.

Code of Business Principles

Our Code of Business Principles focuses on nine core principles which define the way in which we conduct ourselves and work on a daily basis. On joining the business, and at regular intervals, all employees are required to confirm that they understand and abide by the Code. If an employee is found to have acted in breach of the Code, the Group takes appropriate action to address that breach including disciplinary action and ultimately terminating employment in the most serious cases. Contractors and all those acting on our behalf are also expected to adhere to these standards.

Ethics Champions

The Group's network of Ethics Champions ensures that each site has local support and representation for Code of Business Principles matters and continues to play an integral part in ensuring that strong ethical values are embedded across the business. All new Ethics Champions receive one-to-one training and regular sessions are held to provide ongoing training for the Ethics Champions as a group.

Anti-bribery and corruption

We are committed to preventing our employees, contractors, third party partners, consultants and other representatives from engaging in bribery or other corrupt practices and have implemented a robust framework of anti-bribery polices and processes, some of which are described in more detail below. All employees are made aware of our zero tolerance stance through their acknowledgement of our Code of Business Principles and those in relevant roles are required to complete detailed mandatory online training. Completion statistics are reviewed by the Ethics Committee.

Gifts and hospitality

We have a clear approval process for gifts, entertainment and hospitality offered by or given to our employees.

All employees are required to comply with the gifts and hospitality policy which requires all gifts, entertainment and hospitality above a nominal value which are given or received to be recorded on a central gift register which is regularly reviewed by senior management.

Banknote Ethics Initiative (BnEI)

De La Rue is one of the founding members of the BnEI which was established to promote ethical business practice in the industry. The initiative sets out a robust framework for promoting high ethical standards with a focus on the prevention of corruption and on compliance with anti-trust law. Members are required to commit to the Code of Ethical Business Practice that was developed in partnership with the Institute of Business Ethics. Compliance with the code through processes, procedures and controls is rigorously tested through an audit framework developed in conjunction with GoodCorporation, recognised as a leading company in the field of corporate responsibility assurance and business ethics.

De La Rue's re-accreditation was confirmed at Level 1 in April 2020. The findings of the triennial BnEI audit confirmed that De La Rue continues to perform strongly against GoodCorporation benchmarks.

Business standards (continued)

Third party partners (TPPs)
We recognise that it is not just our employees who could be exposed to ethical risks but also TPPs who represent us or act on our behalf around the world, and their conduct remains one of our most significant risks. There is a continuing requirement for TPPs to undergo our mandatory training programme and to conduct business in compliance with the standards set by the Company. Due diligence is undertaken on all our TPPs before they are engaged and this process is reviewed on a regular basis. TPPs are given regular training to ensure they remain alert to potential risks. We have risk management measures and controls in place including in relation to remuneration of TPPs and we monitor all payments to ensure that the remuneration structure does not incentivise unethical behaviour.

Training
Regular, relevant and focused training is important. During the period, mandatory anti-bribery and corruption and competition law online refresher training was rolled out to those in the most relevant roles. The training was also allocated to new starters where relevant. Workshops were held to refresh awareness of the Criminal Finance Act and further training on this subject is being developed. One-to-one training is conducted for new site Ethics Champions.

Tax transparency
It is important that the Group pays the right amount of tax at the right time, complying with all relevant tax laws and regulations in the jurisdictions in which we do business while respecting agreements reached with tax authorities. Further information on our tax strategy, which is reviewed and approved annually by the Board, can be found in the Governance section on our website www.delarue.com/governance/tax-strategy.

Cyber security/data privacy
De La Rue takes the protection and security of its internal and customer information very seriously; the information security and assurance team who perform the internal governance and audit function have a separate reporting line to both the customer and corporate IT teams to ensure there is no conflict of interest and clear segregation of duties. Further information can be found in the risk report on page 28.

De La Rue's data protection policies, procedures and documents are currently being reviewed by external experts to ensure they are fully compliant with all applicable legislation and regulation and are in line with current best practice.

Accreditations and certifications
In addition to the BnEI accreditation and health and safety, environment and information security ISO standards mentioned above, we are also ISO accredited for our information security, security printing, quality and business continuity management systems. Further information can be found on our website.

Non-financial information statement
This section (pages 31 to 42) provides information as required by regulation in relation to:

- Environmental matters
- Our employees
- Social matters
- Human rights
- Bribery and corruption

Other related information can be found as follows:

- Chairman's statement – pages 4 to 5
- Our business model – pages 12 to 15
- Key performance indicators – page 25
- Non-financial key performance indicators – page 25
- Risk and risk management – pages 26 to 29
- Corporate governance – pages 52 and 58
- Ethics Committee – pages 68 to 69
- Directors' report – page 92

Code of Business Principles – 9 Topics

1	2	3	4	5	6	7	8	9
Bribery and corruption	**Competition and anti-trust laws**	**Gifts and hospitality**	**Health, safety and the environment**	**Fairness and respect**	**Records and reports**	**Protecting personal information**	**Insider trading and confidential information**	**Conflicts of interest**

Backed up by policies

1	2	3	4	5	6	7	8	9
• Anti-bribery and corruption • Gifts and entertainment • Charitable giving • Recruitment of PEPs • Prevention of tax evasion	• Competition and anti-trust	• Gifts and entertainment • Expenses • Anti-bribery and corruption • Conflict of interest	• Group sustainability	• Inclusivity • Modern slavery	• Operational delegation of authority • Group Finance Manual	• Data protection • Information security • Clear desk/ clear screen • Document retention	• Confidential information and dealing • Securities Dealing Code	• Conflicts of interest • Gifts and entertainment • Recruitment of PEPs

Supported by processes

1	2	3	4	5	6	7	8	9
• TPP • Gift register • Expenses vetting	• Legal department guidelines	• Gift register • Expenses vetting	• Monthly reporting • Global HSE standards • ISO management systems • Safe & Secure audits	• Grievance procedure • Disciplinary procedure	• Compliance declarations • External monitoring • Separation of duties	• Annual data protection returns	• Procedures for managing confidential and inside information • Controls over share dealing	• Gifts register

Underpinned by oversight, controls and communication

Specialist audits	**Benchmarking**	**CodeLine**
Employee surveys	**Ethics Committee**	**External audit**
Internal audits	**Training/induction**	**Risk reviews**
SharePoint	**BnEI accreditation**	**UN Global Compact**

Section 172 Statement

Our businesses and the choices that the Board makes affect the lives of people both directly and indirectly. Understanding the interests of this wide cadre of stakeholders, as well as our shareholders, and factoring those views into its discussions when taking decisions is a priority for our Board.

Importance to us	How we engage and communicate
(a) The likely long term consequences of decisions made	
Our business is based on long term relationships with employees, customers, suppliers, banks and investors, as well as the governments and communities that host our operations. While our strategy is currently centred on the delivery of our three year Turnaround Plan, we understand that it is maintaining goodwill in those long term relationships that will enable our enduring success.	Where a project or business initiative is identified that has a long term dimension or will have implications for either the Company or its stakeholders over the longer term, we will identify the parties who have a material interest and decide on the most productive means of engagement with them to understand their views.
(b) The interests of the Company's employees	
We directly employ around 2,200 people and rely on contractors and other workers to deliver our goals. Looking after the health, safety and wellbeing of this wider workforce and ensuring that each person is treated fairly and with respect is vital to the success of the business.	Our standard line management processes include significant 1:1 engagement between managers and their people, supported by open communications from our CEO and other senior leaders to the wider workforce, including regular updates on the delivery of the Turnaround Plan through online presentations and Q&A sessions in which all of our workforce are invited to participate. Through these channels, senior management and the Board are aware of the views of our workforce. This is augmented by direct Board-level engagement by a Non-executive Director, Maria da Cunha, who has run a series of employee voice forums, face-to-face on site when possible or via video call given the current restrictions on travel and meeting in person.
(c) Business relationships with suppliers, customers and others	
We have long term relationships with the suppliers of paper, inks, machinery, energy, premises and a vast range of other goods and services, without which we could not operate the business. We have long term relationships with many customers globally, encompassing governments, state-owned enterprises and private and public companies.	In our procurement activities and management of suppliers, we endeavour to maintain harmonious and productive working relationships. We communicate openly with our suppliers and listen to their views. Our customers' views are extremely important to us, and we primarily use our sales force and relationship management teams to understand their objectives, supported where relevant by senior management engagement. Many of our customer contracts include ongoing requirements necessitating regular or in some cases continuous engagement and dialogue.
(d) Impact on the community and the environment	
We take seriously our responsibility to reduce the impact of our operations on the environment and the communities in which we operate. The world is facing a climate change emergency and no business can afford to ignore this, or the need to play its part by reducing its carbon footprint.	We engage with a number of communities around the world, particularly those that live close to our factories. We monitor our impact on the natural environment across a range of areas, and discuss possible ways of reducing our impacts with a range of consultants, suppliers and our industry peers. We are aiming to be carbon net zero in our own operations by 2030. As part of our newly enhanced sustainability governance structure, Kevin Loosemore has been nominated as the Non-executive Director leading on oversight of the Group's approach to sustainability.
(e) Maintaining a reputation for high standards of business conduct	
To maintain the trust and confidence of customers and suppliers, and to reassure everyone else with whom we have business relationships, it is essential that the Group delivers on its strategic objectives in the right way, conducting its business with integrity and transparency. Our employees and wider workforce value their association with De La Rue as an ethically sound company. We know that our reputation is earned over years and can be lost in minutes.	We have analysed our business to identify those activities where we could encounter the highest risk of breaches of anti-bribery and corruption, or sanctions laws and regulations. These areas are managed very tightly and receive Board-level scrutiny. We engage with our Third Party Partners to set the basis of their remuneration and to ensure that they complete our mandatory pre-commencement and annual refresher training programmes. We also provide them with updates and regular training to ensure they remain alert to potential ethical risks.
(f) Acting fairly between shareholders	
Our shareholders collectively provide the core funding of our business and every share carries equal rights, whether held by a major institutional investor or a retail shareholder. The views of all of our investors are an important consideration for the Board.	Around 96% of our shares are held by institutional investors. We engage proactively with the fund managers who control these shares and discuss a range of strategic and operational issues though, importantly, they are given no privileged access. The balancing 4% of our shares are held by employees or retail shareholders, with just under 5,000 individual holders. While it is more challenging to engage with this audience, we use the AGM as our primary means of engagement but will also listen and, where necessary, respond whenever views are expressed to us during the year. We maintain a corporate website to provide information to all of our investors, who are also updated on any material developments through formal market announcements.

The Companies Act requires that the directors of a company must act in the way they consider, in good faith, would be most likely to promote its success for the benefit of its shareholders as a whole, and in doing so have regard to a range of stakeholder and other interests. The Board reports below on how it did this during the year under each of the headings used in section 172(1) of the Act:

How the Board has taken account of these views	Further information
The Board took a number of decisions during the period with significant long term implications. It oversaw the development of the Turnaround Plan which was an iterative and collaborative process, involving a wide range of senior managers from across the Company, whose informed views on the potential business opportunities and our ability to deliver against the plan were of critical importance. Once the business plan was formalised and approved by the Board, it was necessary to complete the £100m Equity Capital Raise, launched in June 2020. Ahead of that launch, the Board held confidential discussions with the most significant investors in the Company's shares, potential new investors, financing banks and the trustees of our pension schemes to outline the Turnaround Plan and associated financing requirement.	**See pages 6 to 9** for CEO review **See pages 16 to 17** for Our strategy **See page 58** for Corporate governance
The Turnaround Plan includes significant cost reduction measures, many of which have affected the Group's employees, including changes to terms and conditions of employment, the restructuring of central enabling functions and the cessation of our banknote printing operations in Gateshead. At an early stage, we started dialogue with appointed employee representatives, our recognised trades unions and with some of the individuals who could be affected, to understand their perspectives on the proposed changes and to see whether there were alternative approaches that could help achieve the same cost reduction goals. The Board monitored feedback from those discussions and the actions that the Company's management proposed to implement as a result of that engagement and the Turnaround Plan that was eventually approved by the Board reflected the views of our workforce and their representatives.	**See page 4** for Chairman's statement **See pages 36 to 39** for Responsible business **See pages 52, 53 and 58** for Corporate governance **See page 92** for Directors' report
The Board is provided with feedback on relationships with key suppliers, intermediaries and customers. The Board also monitors the results of all major customer tenders and is provided with feedback on how De La Rue's technical and financial offer compares to that of our competitors. During the year we were pleased to announce the extension of our banknote print contract with the Bank of England to 2028. Our contract with the Bank includes a wide range of objectives relating to the operation of the Debden facility and across a range of environmental and other sustainability areas, and the Board has been involved in reviewing our delivery of these for this highly valued customer.	**See pages 27 to 29** for Risk and risk management **See page 40** for Responsible business **See page 53** for Corporate governance
During the year the Board has considered the expectations of its key investors and others when formulating its approach to sustainability targets and has committed to a target for De La Rue to be carbon net zero in its own operations by 2030. It also took into account the views and expectations of other stakeholders, including the local authority, when developing our second plant for the production of banknote polymer substrate at Westhoughton, in north-west England. Environmental considerations were designed into the project, including use of solar power and extensive tree planting, and ESG considerations were reflected in the contracts for the development of the site and construction activities. The new site will create 70 new jobs in an area where the economy was historically reliant on coal mining and the textile industry.	**See page 4** for Chairman's statement **See page 28** for Risk and risk management **See pages 33 to 35 and page 40** for Responsible business **See page 53** for Corporate governance
During the year the Ethics Committee of the Board has approved a new contracting model for the engagement of our third party partner sales consultants. This aims to increase the focus on compensating the consultants for the time and effort expended, while maintaining a suitable level of incentive. The model also improves the transparency and accountability of fees paid to our consultants and better aligns their interests with those of the Group.	**See page 27** for Risk and risk management **See pages 41 to 42** for Responsible business **See page 52** for Corporate governance **See pages 68 to 69** for Ethics Committee
The Board is provided with regular updates on the views of its investors during the year. While this tends to be following a results roadshow to key institutional investors, views will also be ascertained and summarised at other times – for example, at the time of the Equity Capital Raise. The restrictions of the COVID-19 pandemic have made traditional forms of shareholder engagement challenging, but the Board is keen to explore new ways of hearing its shareholders' views. When finalising the practical arrangements for the 2021 AGM, the Board has enabled shareholders to raise questions in advance and will also provide a webcast so the meeting can be followed remotely, in real time.	**See pages 53 and 58** for Corporate governance **See pages 90 to 91** for Directors' report

02.

Corporate Governance

Chairman's introduction	48
Board of Directors	50
Nomination Committee	60
Audit Committee	62
Ethics Committee	68
Risk Committee	70
Remuneration	71
Directors' report	90
Directors' responsibility statement	95

Chairman's introduction

"The Board believes that good corporate governance is essential to the Group's ongoing transformation and long term sustainable success."

Dear Shareholder,

De La Rue operates globally in markets where security, integrity and accountability are paramount. We aim to forge an innovative, responsive and high-performing culture.

Our commitment to high ethical standards underpins our behaviours and is incorporated in our Code of Business Principles which all employees and contractors, business partners and other third party suppliers must follow.

The Board considers leadership, culture and good governance as essential factors in the Group's ongoing transformation and in maintaining the trust of our customers, suppliers and employees. Through a divisional structure with clear goals and accountabilities, we have the management and cultural attributes to succeed. Our divisional leadership teams play an integral role in our governance framework by exhibiting and promoting positive behaviours.

As a Board, we closely monitor the culture, practices and behaviour within the Company to ensure that they are aligned with our values and strategy and will help deliver the long term sustainable success of the Group.

The section 172 statement on pages 44 and 45 describes how the Board took its wider responsibilities into account during the year. While our primary duty remains to deliver economic returns to shareholders sustainably over the long term, we recognise that this cannot be done unless we also address the interests of a much wider range of stakeholders.

Our workforce is a vitally important stakeholder and Maria da Cunha, an independent Non-executive Director, was appointed as our workforce engagement director to enable the Board to hear and understand the views of the workforce at all levels throughout the organisation and to inform its decision making. This is particularly important as we continue to deliver our Turnaround Plan against the backdrop of the challenges of COVID-19. For further information on how we engage with our workforce and other key stakeholders, please see the Responsible Business section on pages 31 to 43.

The Board continues to work closely with the executive management team, offering support and robust challenge as appropriate. All Directors play an active role in overseeing the management of the business.

The Board has implemented an annual work programme during the year to enable it to maintain oversight and governance of all aspects of the Group's business and also dedicate time to debating and examining forward-looking strategy. We are operating in very volatile times and the Group is transforming at a significant rate. At the same time, we are seeing rapid changes in the business environment and the markets in which we operate and compete.

During the year we undertook a review of our governance framework and further evolved the role of the Board and its Committees, with the aim of best supporting the delivery of our business goals. This framework was developed in line with the requirements and recommendations of the July 2018 edition of the UK Corporate Governance Code (the Code).

Board changes and succession planning

In the compliance statement opposite, I reference three key changes during the year. Sabri Challah retired from the Board at the 2020 AGM with our thanks for his contribution over his five years with the Group. We welcomed the Rt Hon Baroness Catherine Ashton and Margaret Rice-Jones to the Board on 22 September 2020 and I am pleased with the contribution that they are making to the Board.

Rob Harding joined the business in March 2020 as Interim Chief Financial Officer and played an important role in delivering the Equity Capital Raise in summer 2020. I was delighted that he accepted our invitation to join the Board as an Executive Director and be appointed as CFO from 1 October 2020. Finally, the executive contribution to the Board's deliberations was further bolstered after the year end with the appointment of Ruth Euling, MD of the Currency business as an Executive Director. Ruth is one of the most respected figures in the Currency industry globally, with a depth of experience and knowledge that is admired by customers and industry peers alike.

At the date of this report the Board has eight directors, four of whom are women and all of whom were appointed as they were the best possible candidate for their role.

After a period of significant change in the composition of the Board and Executive Leadership Team, succession planning is of heightened importance, to ensure that we are fully prepared for planned or sudden departures from key positions. This remains an ongoing focus for the Board and Nomination Committee. Our shared goal is the development of a diverse pipeline of talented and experienced people supporting the Board and our ELT in delivering the Turnaround Plan.

Board effectiveness

As detailed on page 57, an evaluation of the Board and its Committees was once again undertaken. As a result of the evaluation, the Board concluded that both it and its Committees are currently operating effectively and there were no actions arising from the evaluation.

Kevin Loosemore
Chairman

25 May 2021

Compliance statement

The Board encourages a culture of strong governance across the business and continues to apply the principles of good governance set out in the Financial Reporting Council's (FRC) July 2018 edition of the UK Corporate Governance Code (the Code), which is available on the FRC's website, frc.org.uk.

The Board considers that it and the Company have, throughout the period to 27 March 2021, complied with the provisions of the Code, save in relation to Provision 12. Following the retirement of Sabri Challah from the Board on 6 August 2020 and to the end of the reporting period, we did not have a Senior Independent Director (SID). At the time of Sabri's retirement, the appointment of two new Non-executive Directors was in train and it was decided to wait until they had joined the Board and completed their induction and familiarisation with our business, to establish who was best placed to take on this additional role. At the Board meeting on 25 May 2020 Margaret Rice-Jones was appointed as the new SID.

The Board does not believe that this temporary and limited non-compliance with the Code has had any detrimental impact on the Company's governance or performance.

Corporate Governance continued

Board of Directors

"A successful Company led by an effective and entrepreneurial Board."

Key for committees

A Audit Committee

E Ethics Committee

N Nomination Committee

Re Remuneration Committee

Ri Risk Committee

Committee Chair

E N

Kevin Loosemore
Chairman

Appointment to the Board
Appointed to the Board on 2 September 2019 and became Chairman on 1 October 2019

Current directorships and business interests
- Iris Group, non-executive director

Career, skills and experience
Kevin has served on the boards of a broad spectrum of businesses, including as chairman of both Morse plc, Micro Focus International plc and as a non-executive director of Big Food Group plc and Nationwide Building Society. He has also held senior executive positions, including as Chief Operating Officer of Cable & Wireless plc and senior positions in Motorola and IBM. He was Managing Director of one of De La Rue's businesses between 1997 and 1999.

N Ri

Clive Vacher
Chief Executive Officer

Appointment to the Board
Appointed to the Board on 7 October 2019

Career, skills and experience
Clive has extensive experience in running complex P&Ls for global industrial companies in both the commercial and government/defence sectors. He has a track record of turnarounds, international business transformation and strategic development, including leading divisions of international corporations and standalone listed companies.

Clive was a director, president and Chief Executive Officer of Canadian-listed Dynex Power, leading its privatisation sale to the Chinese Rail and Rolling Stock Company in March 2019. Previously, he held senior leadership positions with Pratt and Whitney, Rolls-Royce, General Dynamics Corporation and B/E Aerospace.

Clive is an alumnus of MIT, Stanford, Columbia and the LSE and currently sits on the advisory board of the Lincoln International Business School at the University of Lincoln, UK.

Ri

Rob Harding
Chief Financial Officer

Appointment to the Board
Appointed to the Board on 1 October 2020

Career, skills and experience
Rob has more than 10 years' experience of managing finance functions in complex organisations. Throughout this time, he has also held additional responsibilities for strategic development, risk, debt and capital raising.

Rob joined De La Rue as Interim Chief Financial Officer in March 2020 and played a key role as the business successfully raised £100m equity capital, refinanced its debt, and delivered its cost reduction programme. In October 2020, Rob took on the permanent role and was appointed to the Board.

Prior to joining De La Rue, Rob was Interim Chief Financial Officer of Co-Op Insurance, where he supported the refinancing and sale of the business. Before this, Rob served as Chief Financial Officer and Strategy and Risk Director at Swinton Insurance, where he transformed its cost base and played a key role in its successful sale of the business back in 2018.

Rob has also held senior roles with Aviva, Standard Life and Ageas. He is a qualified Chartered Accountant with Arthur Andersen.

A E N Re

Margaret Rice-Jones
Senior Independent Director

Appointment to the Board
Appointed to the Board on 22 September 2020

Current directorships and business interests
- Origami Energy Limited, Chair
- Holiday Extras Limited, non-executive director

Career, skills and experience
Margaret has extensive experience within innovative technology businesses, bringing particular expertise in software and digital platforms. She has an engineering background and has operated at board level in a number of executive and non-executive roles. Margaret was Chair of Skyscanner Limited from 2013 to 2016, when it was sold to CTrip for £1.4 bn, and a director of Xaar plc from 2015 to 2020, where she was the Senior Independent Director and Chair of the Remuneration Committee. Margaret was previously CEO of Aircom International Limited, a global software and services company and held senior executive positions at Motorola Inc. and Psion UK plc.

A E N Re

The Rt Hon Baroness Catherine Ashton of Upholland GCMG, PC
Independent Non-executive Director

Appointment to the Board
Appointed to the Board on 22 September 2020

Current directorships and business interests
- GardaWorld Corp, member of the Global Advisory board
- Project Associates Limited, member of the Global Advisory board
- Chancellor of Warwick University
- Non-affiliated Peer, House of Lords (on leave of absence)

Career, skills and experience
Catherine is a former British EU Trade Commissioner, representing the EU in global trade negotiations. As EU High Representative she created the European External Action Service overseeing its 140 Diplomatic Missions and eight military operations and she chaired the EU Foreign Affairs, Defence and Development Councils and was responsible for high-profile negotiations on behalf of the UN Security Council. Catherine also held a non-executive position at AS Citadel Banka between 2016 and 2018.

A E N Re

Nick Bray
Independent Non-executive Director

Appointment to the Board
Appointed to the Board on 21 July 2016

Current directorships and business interests
- Travelport Worldwide Ltd, CFO and EVP

Career, skills and experience
Nick has extensive international experience in the technology and information security industries. In 2019, he was appointed as Chief Financial Officer of travel technology company, Travelport. Before joining Travelport, he served as Chief Financial Officer of security software firm, Sophos Group plc, for over nine years. Nick was also Chief Financial Officer at Micro Focus International plc, having previously held CFO roles at Fibernet Group plc and Gentia Software plc. Prior to that, he held various senior financial positions at Comshare Inc. and Lotus Software.

Ri

Ruth Euling
Executive Director and MD, Currency

Appointment to the Board
Appointed to the Board on 1 April 2021

Career, skills and experience
Ruth has spent over 30 years working in the international government sector, living and working in Mexico, Colombia, Spain and Malaysia. She speaks Spanish, Portuguese and French and has visited over 100 countries in the world.

During her career at De La Rue Ruth has managed complex international manufacturing businesses and change initiatives, with experience across multiple disciplines and functions including Sales, Human Resource, Marketing, Manufacturing and General Management.

Ruth sits on the advisory board of the International Currency Association, helping lead the currency industry in creating a single, cohesive voice. She also sits on the advisory council for Commonwealth Enterprise and Investment Council.

A E N Re

Maria da Cunha
Independent Non-executive Director

Appointment to the Board
Appointed to the Board on 23 July 2015

Current directorships and business interests
- Royal Mail plc, non-executive director
- Competition and Markets Authority, Panel Member
- London & Quadrant Housing Trust, non-executive director

Career, skills and experience
Maria is a former senior executive of British Airways (BA) where she worked for 18 years until 2018. She was BA's General Counsel and Head of Government and Industry Affairs for four years before becoming Director of People in 2011, responsible for Human Resource, Legal, Risk and Compliance. Prior to joining BA, Maria held various positions at Lloyd's of London, Lovells LLP and the College of Europe. Maria has extensive experience in working with international regulators and governments, transformation programmes, post-merger integration, employee experience, industrial relations, compliance and operational risk.

Ri

Jane Hyde
General Counsel and Company Secretary

Appointment to the Board
Appointed as General Counsel on 20 January 2020 and as Company Secretary with effect from 22 January 2020

Career, skills and experience
Jane has many years of experience as a general counsel and an adviser to publicly quoted businesses, with a particular focus on strategic projects and risk management. Her previous role was with Hikma Pharmaceuticals plc where she was Head of Corporate and European Legal. Prior to that, she spent a number of years in investment banking, with corporate broking and corporate finance roles at JP Morgan Cazenove and in regulatory compliance at Nomura International. She trained and practised as a corporate lawyer at Freshfields and is a qualified solicitor.

Corporate Governance

This report provides an overview of the work undertaken by the Board and its Committees in fulfilling their governance responsibilities and describes how the principles of the Code have been applied during the period to 27 March 2021.

BOARD LEADERSHIP AND COMPANY PURPOSE

An effective and entrepreneurial Board

The Board is committed to pursuing the highest standards of corporate governance, which it believes are critical to creating and preserving value for shareholders and other stakeholders. The Company's business model and strategy are explained on pages 12 to 17. The Board believes that its business model is sustainable on a long term basis as we expect there to be resilient demand for the Currency and Authentication products and services we offer. The Company's strategy pre-empts market changes in some areas, for example the transition we expect to see over time from paper to polymer banknotes within our Currency business. Where new risks emerge or existing risks evolve, the Board's processes for the governance of risk should enable us to identify these on a timely basis and adapt our strategies and plans accordingly. In this way, the Board seeks to balance its entrepreneurial leadership of the Group's business with a clear focus on risk and control.

Establishing the purpose, values and strategy and promoting the right culture

The Board sets the Group's purpose, strategy and goals and monitors the delivery of these. The Company's purpose is clearly articulated on page 1 and the medium term strategy is similarly clear; we must deliver the Turnaround Plan in which our shareholders and financing banks invested. The strategy is explained on pages 16 and 17. Business is about taking considered risks to earn a profit, and a key responsibility of the Board is in overseeing and monitoring (with the support of the Audit Committee and Risk Committee) our risk management programme and internal control environment. For further details of the principal risks that the Group faces, please see pages 26 to 29. For further information on our internal control environment, please see pages 59 and 67.

Having the right corporate culture is a critical enabler for both the delivery of profits and the maintenance of effective risk management and internal control. The Board continues to develop a framework through the Executive Leadership Team (ELT) for regular oversight of the culture within the Group. In so doing, the Directors are aware that they must lead by example, setting tone from the top, promoting integrity and ethical behaviour in line with the Company's standards. One of the essential components of the Turnaround Plan is building a high-performance culture across the business to support the delivery of our strategy. The intention is to ensure De La Rue's values are integral to the performance management of the senior leadership group and other employees, and that the incentive structure in place supports and encourages behaviours consistent with those values. Training and development activities, including in relation to so-called soft skills, are provided for our employees on an ongoing basis.

Put resources in place and measure performance

The diverse range of skills and experience offered by the Chairman and the Non-executive Directors means that they are well-qualified to understand the resources needed to run the business properly and sustainably, as well as scrutinising performance and providing constructive challenge and support to the Executive Directors and wider leadership team as appropriate.

The Turnaround Plan included a fresh consideration of the resources that the Group needed to deliver on its objectives, both locally in our production sites and sales offices and centrally. The Board and its Committees continue to monitor the effectiveness of the management structure in delivering operating and financial results.

The Board has also established a framework of prudent and effective controls, which enable risk to be assessed and managed which, as noted above, are overseen and monitored with the support of the Audit Committee and Risk Committee.

Effective engagement with shareholders and other stakeholders

While their primary duty is to deliver a sustainable, long term return to shareholders, the Directors are aware of their wider obligations, both to direct stakeholders and to society more generally. The section 172 statement on pages 44 and 45 explains how the Board took the interests of key stakeholders into account in its discussions and decision making on the key topics considered during the year.

Last year, Maria da Cunha was appointed as the Non-executive Director responsible for workforce engagement. In this capacity, Maria gathers the views of the workforce at all levels throughout the organisation and shares these views with the Board at relevant points in its discussions and decision making. This complements the data and information gathered through formal surveys and working groups as part of the normal management process. Where appropriate, actions to address concerns raised by employees are then resolved and communicated to employees via various internal newsletters and direct all-employee communications by the Chief Executive Officer. Further details of progress made this year are set out in the Responsible Business report on pages 31 to 43.

The interests of employees, suppliers and customers are routinely discussed by the Board, which also considers ethical, environmental and social impacts wherever relevant. The importance of fostering strong relationships and developing a positive reputation for high standards of business conduct underpins the Board's work, all of which is aimed at sustaining De La Rue's standing as an outstanding business over the long term.

We look to engage with shareholders, both institutional and retail, whenever possible. We run an active investor relations programme with our major shareholders, led by the CEO and CFO but in which the Chairman and the Senior Independent Director are also active participants.

While our principal engagement with the retail shareholder base is at the AGM, we also welcome contacts from them throughout the year. All Directors attend the AGM, where the Committee Chairmen are available to take questions. All votes are taken on a poll to enable the proxy votes cast by those unable to attend the meeting, including shareholders whom we have discouraged from attending during the abnormal conditions of the COVID-19 pandemic, to be counted.

The Board keeps under review the ways in which it engages with stakeholders or otherwise ascertains and understands their views. This will always be an iterative process, as the nature and interests of those groups change over time.

Workforce policies and practices to support long term sustainable success

Every business depends on a skilled, dedicated and motivated workforce to deliver the business results it seeks. It is critical that the way in which the Company manages its workforce supports the long term sustainable success of the Group and we have adopted a range of policies and practices with this aim. Our values inform much of this and establishing two-way communications with our workforce and, where relevant, their elected representatives, is an important factor in achieving that success. The appointment of Maria da Cunha to undertake direct workforce engagement on behalf of the Board is an important bolstering of our existing processes.

A dedicated whistleblowing hotline allows our workforce to raise concerns about ethical breaches confidentially, or anonymously if preferred, by a range of methods. For further information, please see the Ethics Committee report on pages 68 and 69.

AN EFFECTIVE BOARD WITH CLEAR RESPONSIBILITIES

The role of the Chairman

The Chairman is responsible for leadership of the Board, including its overall effectiveness in directing the Company's affairs. Whilst he is not regarded as an independent Director under the Code, he demonstrates independent and objective judgement. His role at the Board is to facilitate constructive Board relations and the effective contribution of all Directors, and to promote a culture of openness and debate. He has primary accountability, with the support of the Company Secretary, for ensuring that the Directors receive accurate, timely, clear and complete information.

An appropriate Board composition

As at 27 March 2021 the Board had seven members, being the Chairman, two Executive Directors (the CEO and the CFO) and four independent Non-executive Directors. A further Executive Director was appointed to the Board on 1 April 2021. Biographies setting out the skills and experience of the Directors holding office on the date of this report are set out on pages 50 and 51.

All of the Non-executive Directors are considered by the Board to be independent, both in thought and relative to the criteria set out in the Code. Kevin Loosemore and Margaret Rice-Jones have pension entitlements in the Company's defined benefit pension scheme, resulting from periods of historic employment. These potential conflicts of interest have been declared to and authorised by the Board, under its normal processes.

The Chairman and each of the Non-executive Directors have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. No one individual or small group of individuals dominates the Board's decision making.

The Board has established a process to review at least annually any actual or potential conflict of interest. The most recent review was in March 2021, when the Board authorised each of the potential situational conflicts. Any transactional conflicts are required to be notified, and would be reviewed, as they arise.

Chairman	• Providing leadership to the Board, setting its agenda, style and tone to promote constructive debate and challenge between Executive Directors and Non-executive Directors • Taking overall responsibility for the composition and capability of the Board and its Committees • Ensuring good information flows from the Executive Directors to the Board, and from the Board to its key stakeholders • Chairing the Nomination Committee and building an effective and complementary Board, regularly considering its composition and balance, diversity and succession planning • Chairing the Ethics Committee • Ensuring that high standards of corporate governance and probity are established and maintained throughout the Group
Chief Executive Officer	• Maintaining a senior management team with the appropriate knowledge, experience, skills, attitude and motivation to manage the Group's day-to-day activities • Exercising personal leadership and developing a management style which encourages excellent and open working relationships at all levels within the Group • Ensuring, through the Chief Financial Officer, the implementation, control and coordination of the Group's financial and funding policies approved by the Board • Ensuring that the Group has in place appropriate risk management and control mechanisms • Setting the operating plans and budgets required to deliver the agreed strategy for growth in shareholder value • Implementing and reviewing HSE policy and, supported by the ELT, overseeing improvements and performance • Identifying strategic transactions and monitoring competitive forces • Communicating with the Company's shareholders and analysts on a day-to-day basis as necessary (subject to the Chairman being made aware of any such instances)
Senior Independent Director	A key role of the Senior Independent Director is to be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve, or for which such contact is inappropriate. The Senior Independent Director is also available to the other Directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman. The Senior Independent Director will also lead the recruitment of a new Chairman other than when being considered for the position herself or himself.
Other Executive Directors	The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's finance strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the Finance function. The MD, Currency reports to the CEO and has executive responsibility for delivery of her division's operational and financial performance. As a member of the ELT and as a Director of the Company, she has a wider responsibility for monitoring the delivery of intended goals across the entire business, and for implementing and maintaining appropriate risk management and internal controls.
Independent Non-executive Directors	The Non-executive Directors play a key role in corporate governance and accountability through their attendance at Board meetings and their membership of Board Committees. The Non-executive Directors bring a broad range of business and financial expertise to the Board which complements and supplements the experience of the Executive Directors. Meetings of the Non-executive Directors including the Chairman are held where Executive Directors are not present.
General Counsel and Company Secretary	The General Counsel and Company Secretary advises the Board on matters of corporate governance and supports the Chairman and Non-executive Directors. She is also the point of contact for investors on matters of corporate governance and ensures good governance practices at Board level and throughout the Group.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which is set out in writing and has been agreed by the Board, and is available on the Company's website, www.delarue.com. The table opposite summarises the role and responsibilities of the different members of the Board.

The Directors are, individually and collectively as a Board, accountable to shareholders for their performance. Each Director will retire from office at the AGM on 29 July 2021 and offer themselves for election or re-election.

The role and contribution of the Non-executive Directors

The basis on which the Board identifies the skills, experience and personal attributes required of the Non-executive Directors is described in the Nomination Committee report on pages 60 and 61. As part of the selection process, candidates are asked to confirm that they will have sufficient time to meet their responsibilities as Directors and undertake not to accept further appointments without first clearing this with the Chairman. The role of the Non-executive Directors is described in the table opposite but is essentially to provide constructive challenge, strategic guidance, offer specialist input and hold management to account. The Non-executive Directors come from diverse backgrounds and have a wide range of skills and experience. We believe that there is a distinct synergy benefit from this diversity and that the Board's discussions benefit from the range of perspectives it provides.

An effective and efficient Board

The Board is satisfied that it has the policies, processes, information, time and resources it needs to perform its role both effectively and efficiently.

The Board meets regularly throughout the year and follows a formal work programme to ensure that all matters are considered on a timely basis. To ensure that the Directors maintain overall control over strategic and other material issues, the Board has adopted a schedule of matters which are required to be brought to it for decision.

The key areas for the Board's sole decision are:

- Group strategy, long term objectives, annual budgets
- The Group's values, culture and key Group-wide policies that support these
- Approval of the annual and interim results
- Acquisitions, disposals and material business changes
- Ensuring that a sound system of internal control and risk management is maintained and approval of the risk appetite
- Changes to the Group's capital structure
- Dividend policy and the declaration or recommendation of dividends

Where the Board's oversight responsibilities require dedicated focus on specific areas, the Board has established Committees to provide the relevant insight, whose roles and activities are explained on pages 60 to 89.

The matters reserved to the Board and the terms of reference for each of its Committees, which are reviewed regularly, can be found on the Company website at www.delarue.com. These were last reviewed in March 2021 and are compliant with the recommendations of the Code.

The Board met formally on nine occasions during the period ended 27 March 2021, with all but one of these meetings being by video-conference call due to the government-mandated restrictions on travel and in-person meetings.

Attendance at those meetings and at those of the Committees is shown in the table below.

Where a Director is unable to participate in a Board or Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Chairman of the Board or the relevant Board Committee Chair.

The Chief Executive Officer has responsibility for matters relating to the Company or its business that are not reserved to shareholders, the Board or one of its Committees. To empower the wider management team, there is a formal schedule of delegations of authority through him to members of the ELT and other levels of management, which is reviewed and approved by the Board.

The ELT meets regularly to communicate, review and agree on issues and actions of Group-wide significance. It develops, implements and monitors strategic and operational plans, and considers the continuing applicability, appropriateness and impact of risk. It leads the Group's culture and aids decision making of the Chief Executive Officer and other Executive Directors in managing the business in the performance of their duties.

The Chief Executive Officer leads the reporting on the Group's activities to the Board, who receive regular reports from him and the Chief Financial Officer and have the opportunity to ask questions or seek further clarification as necessary.

Directors' attendance[1]	Board[2]	Audit Committee	Nomination Committee	Remuneration Committee	Ethics Committee
Catherine Ashton[3]	4 (4)	2 (2)	3 (3)	4 (4)	2 (2)
Nick Bray	9 (9)	4 (4)	5 (5)	7 (7)	3 (3)
Sabri Challah[4]	5 (5)	2 (2)	1 (1)	3 (3)	1 (1)
Maria da Cunha	9 (9)	3 (4)	4 (5)	7 (7)	2 (3)
Rob Harding[5]	3 (3)	n/a	n/a	n/a	n/a
Kevin Loosemore	9 (9)	n/a	5 (5)	n/a	3 (3)
Margaret Rice-Jones[3]	4 (4)	2 (2)	3 (3)	4 (4)	2 (2)
Clive Vacher	9 (9)	n/a	5 (5)	n/a	n/a

Notes:

1 Figures in brackets denote the maximum number of meetings that could have been attended.

2 In addition to the meetings detailed within the table above, there were a further 14 ad hoc calls and meetings that did not require the participation of the full Board. A large number of these were of a procedural or updating nature in connection with the Equity Capital Raise and related matters, while others were in relation to capital expenditure and key business initiatives that required formal authorisation by the Board in accordance with the Group's internal approvals process.

3 Catherine Ashton and Margaret Rice-Jones joined the Board on 22 September 2020.

4 Sabri Challah retired from the Board on 6 August 2020.

5 Rob Harding joined the Board on 1 October 2020.

Corporate Governance continued

Our governance framework

Certain Board responsibilities are delegated to formal Board Committees which play an important governance role through the work they carry out:

Remuneration Committee

Sets the remuneration policy for the Chairman and Executive Directors and monitors the policies and practices applied to senior management remuneration.

For more information
see pages 71 to 89

Risk Committee

Oversees the risk management framework for the Group. Identifies, evaluates and monitors the principal risks facing the Group.

For more information
see page 70

Audit Committee

Reviews and monitors the integrity of the Company's financial reports, risk management systems and internal controls and the effectiveness of the internal audit function and external auditors.

For more information
see pages 62 to 67

Board of Directors and Company Secretary

Kevin Loosemore
Chairman

Clive Vacher
CEO

Rob Harding
CFO

Margaret Rice-Jones
Senior Independent Director

Catherine Ashton
Independent
Non-executive Director

Nick Bray
Independent
Non-executive Director

Ruth Euling
Executive
Director

Maria da Cunha
Independent
Non-executive Director

Jane Hyde
General Counsel and
Company Secretary

Nomination Committee

Reviews the structure, size and composition of the Board and its Committees with regard to diversity and ensuring a balance of skills, knowledge and experience.

For more information
see pages 60 and 61

Ethics Committee

Makes recommendations to the Board on ethical matters and reinforces the Group's commitment to ensuring business ethics are a fundamental and enduring part of the Group's culture.

For more information
see pages 68 and 69

Disclosure Committee

Oversees the implementation of the governance procedures associated with the assessment, control and disclosure of inside information in accordance with the Market Abuse Regulation.

Chief Executive Officer

Executive Leadership Team

- Operates under the direction and authority of the Chief Executive Officer
- Manages the day-to-day running of the Group and its business
- Develops and implements strategy, monitoring the operating and financial performance and the prioritisation and allocation of resources

For more information
see page 55

Group Health, Safety and Environment Committee

- Makes recommendations on HSE strategy
- Monitors compliance with HSE obligations
- Tracks key HSE KPIs
- Recommends appropriate training and actions to maintain HSE improvements and performance

For more information
see pages 32 to 35 and page 38

BOARD COMPOSITION, SUCCESSION AND EVALUATION

Appointing the right people in the right way

Please refer to the Nomination Committee report on pages 60 to 61 for more information on how we create the candidate specification for a Director appointment, including diversity considerations, and then identify and appoint candidates.

All new Directors receive a tailored induction on joining the Board, including meetings with senior management and visits to key Group locations. They also receive a detailed briefing which includes details of their duties and responsibilities as a Director and a number of other governance-related issues. Directors are continually updated on the Group's businesses, the markets in which the Group operates and changes to the competitive and regulatory environments. All Directors are encouraged to undertake additional training where it is considered appropriate for them to do so and to visit the Group's facilities on an ongoing basis.

The Board recognises the importance of having an inclusive culture and the value that diversity brings to De La Rue and aims to reflect this within the composition of the Board. For more information on our approach to diversity generally and data on the gender diversity of the Board, please refer to the Nomination Committee report on pages 60 to 61.

Skills, experience and knowledge of the Board

The Chairman seeks to ensure that the composition of the Board includes individuals whose varied backgrounds, experience, knowledge and expertise bring a wide range of perspectives to its discussions and decision making. This helps to mitigate the risk of 'group-think' with the intention of best supporting the delivery of the Group's operational and financial results.

Our approach to the tenure of the Non-executive Directors is described in the Nomination Committee report on pages 60 to 61.

Annual evaluation of the Board's effectiveness

The Chairman is responsible, with the support of the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity. The Company conducts a formal annual performance evaluation process for the Board, its Committees and individual Directors. The most recent performance evaluation involved the use of an external independent facilitator, Lintstock Limited, which has no other connection with the Company or individual Directors.

The review process involved completion of online questionnaires which focused on Board composition, expertise and dynamics, quality of decisions made, Board support and processes, structure, behaviours and other key issues such as strategy and succession. The review also addressed delivery of the Board's objectives and any issues identified during the previous review or which became relevant during the year.

A report on the performance of the Board and each of the principal Committees was compiled by Lintstock. The results of the questionnaire as they applied to the Board were discussed collectively.

The Chairman and each Committee Chairman have discussions with each Director or Committee member based on the responses. This year, the Chairman of the Remuneration Committee was responsible for appraising the Chairman's performance in discussions with the Non-executive Directors and the Executive Directors in the absence of the Chairman. The Chairman holds one-to-one meetings with all Directors.

All of these processes were carried out satisfactorily during the period. The reviews undertaken in the year have concluded that the performance of the Board, its Committees and individual Directors was effective and there were no actions arising from the reviews.

Corporate Governance continued

Board activity during the year

During the period ended 27 March 2021, the Board continued to focus on the execution and delivery of the strategic objectives contained in the Turnaround Plan, while also addressing the wider responsibilities that fell within its remit.

The material matters considered by the Board during the period were:

Strategy	• Received presentations from different parts of the business on product portfolios, progress with agreed strategy and potential business opportunities • Approved the funding of the Turnaround Plan through the re-financing of the business • Held the annual strategy review meeting in September 2020 • Approved the FY21/22 budget and medium term plans in the context of the Turnaround Plan and agreed strategy • Reviewed progress on implementation of the Turnaround Plan through regular reports from the Chief Executive Officer • Approved implementation of the projects underpinning the Turnaround Plan, including the investment at the Westhoughton site	**For more information** see page 16
Shareholder engagement	• Reviewed reports from brokers on shareholder feedback and market perceptions of De La Rue • Consulted with shareholders and proxy voting bodies on resolutions put to the AGM • Engaged with shareholders on the new remuneration policy	**For more information** see pages 44 to 45 and page 53
Performance monitoring	• Reviewed reports on the Group's operating performance from the Chief Executive Officer • Reviewed reports on the Group's financial position from the Chief Financial Officer • Reviewed the year end and interim results and trading updates	**For more information** see pages 18 to 25
People	• Received an update from the Group Director of Human Resources on people capability, employee engagement and progress on the culture change journey • Succession planning and the appointments of two Non-executive Directors, the CFO and, after the year end, an additional Executive Director • Reviewed workforce engagement across the business • Received reports from Maria da Cunha on the views of the workforce • Considered the views of employees and their representatives on changes to terms and conditions of employment and the restructuring of our central enabling functions and operational sites • Considered the views of the trustees of the Group's pension schemes	**For more information** see pages 36 to 39
Governance and risk	• Assessed the Group's principal risks and risk appetite • Monitored the management of risk within the business • Monitored the Group's response to the COVID-19 pandemic and Brexit • Monitored the management of HSE risks generally, including those in relation to the implementation of the Turnaround Plan • Approved changes to the composition of the Board and, after the year end, the appointment of a Senior Independent Director • Reviewed compliance with the UK Corporate Governance Code • Reviewed and agreed changes to key corporate governance documents • Discussed the results of the Board performance evaluation	**For more information** on principal risks see pages 26 to 29 **For more information** on our Board Committees see pages 60 to 89
Other	• Approved the 2020 annual report and accounts and the 2020 notice of AGM • Approved the prospectus for the Equity Capital Raise • Reviewed the Group's insurance programme renewal • Approved capital expenditure projects and other matters reserved for the Board • Considered the Group's Modern Slavery Transparency Statement	

AUDIT, RISK AND INTERNAL CONTROL

Internal and external audit and the integrity of financial reporting

The Board has delegated to the Audit Committee the primary responsibility for overseeing the independence of the internal audit function and external audit process, and providing a view on the integrity of the Group's financial statements and associated narrative reporting.
For further details, please refer to the Audit Committee report on pages 62 to 67.

Fair, balanced and understandable reporting

The Directors believe that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy. For details of the process that was followed to enable the Board to make this statement, please refer to the Audit Committee report on pages 62 to 67.

Management of risk and oversight of internal control

The Board retains overall responsibility for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has determined the Company's risk appetite, being the nature and extent of the principal risks it is willing to take in order to achieve its long term strategic objectives. The Board has carried out a robust assessment of the Company's principal and emerging risks. Further details of the principal risks and the Group's approach to risk management can be found in the risk management section on pages 26 to 29, with a description of how this is overseen by the Risk Committee on page 70.

The Board oversees the Group's internal control framework, with the Audit Committee taking a leading role in this work. The Board has carried out a review of the effectiveness of the Company's systems of risk management and internal control, covering all material controls, including financial, operational and compliance controls. For further details, please refer to the Audit Committee report on pages 62 to 67.

This Board's responsibility does not extend to associated companies or joint ventures where the Group does not have management control.

APPROPRIATE REMUNERATION

Linkage of remuneration to strategy and performance

Our remuneration policies and practices are designed to support the delivery of the Group's strategy, in particular the delivery of the Turnaround Plan. They are also intended to promote the sustainable success of the Company through the delivery of operational and financial results over the long term.

The Annual Bonus Plan provides an incentive to deliver in year financial results and stretching personal objectives, and a portion of any bonus earned is delivered in shares which are only released 12 or 24 months after the end of the financial year.

Our long term incentive arrangement, the Performance Share Plan (PSP), incentivises the delivery of outcomes to shareholders (assessed in terms of growth in EPS and Total Shareholder Return relative to FTSE 250 companies, in each case measured over three years). Any value derived from the PSP is only available after five years and is settled in shares.

The remuneration arrangements we have put in place are clearly aligned with the Company's purpose and values. For further information, please refer to the Remuneration Committee report on pages 71 to 89.

Procedures for developing policy and determining pay

While management has the primary role in developing proposals on executive remuneration, at Director level this must be done within the confines of the Directors' remuneration policy which was approved by shareholders at the 2020 AGM.
The remuneration arrangements for the first layer of management reporting to the CEO are scrutinised by the Remuneration Committee, which is comprised solely of independent Non-executive Directors. Pay outcomes are reviewed by the Remuneration Committee, who retain discretion to adjust formulaic outcomes where appropriate. All of our processes are formal and transparent. Save for the Chairman, whose fees are determined by the Remuneration Committee, the fees for the Non-executive Directors are determined by the Board, and the NEDs absent themselves from any discussion or decision making on this. No Director is involved in deciding their own remuneration outcome.

For further information, please refer to the Remuneration Committee report on pages 71 to 89.

Exercise of independent judgement and discretion

Each of the Remuneration Committee members is an independent Non-executive Director. They exercise their independence and personal judgement when considering pay arrangements and remuneration outcomes and will exercise discretion whenever and wherever warranted. The Committee members have regard to Company performance and wider circumstances, as well as individual performance, in determining pay. For further information, please refer to the Remuneration Committee report on pages 71 to 89.

Corporate Governance continued

Nomination Committee

"The Board recognises the importance of having an inclusive and diverse culture, and we aim to reflect this within its composition."

Members and attendance

Member	Directors' attendance
Kevin Loosemore (Chairman)	5 (5)
Clive Vacher	5 (5)
Nick Bray	5 (5)
Sabri Challah[1]	1 (1)
Maria da Cunha	4 (5)
Catherine Ashton[2]	3 (3)
Margaret Rice-Jones[2]	3 (3)

Notes:

Figures in brackets denote the maximum number of meetings that could have been attended.

1 Sabri Challah retired from the Board on 6 August 2020.

2 Catherine Ashton and Margaret Rice-Jones were appointed to the Board and Committee on 22 September 2020.

Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 50 and 51.

Principal responsibilities

Board composition

- To review the structure, size and composition of the Board and its Committees, to ensure they remain appropriate, aiming to maintain a balance of skills, experience, knowledge and diversity
- Ensure that all Board appointments are made on a formal, rigorous and transparent basis

Succession

- To consider succession plans for the Board and senior management, anticipating the challenges and opportunities facing the Company and the need for a diverse pipeline of talent
- To oversee the Board's diversity policy and its implementation

Effectiveness

- To review the independence and time commitment of the Non-executive Directors
- To act on the results of effectiveness reviews in relation to individual Directors

Dear Shareholder,

I am pleased to present the Nomination Committee report for the period ended 27 March 2021.

Operation of the Committee

The Committee considers the composition of the Board and succession planning for Directors and senior management (being broadly the first layer of executives reporting to the CEO). Where Board change is warranted, the Committee leads the process for nominations, making recommendations to the Board as appropriate. In performing its duties, the Committee has full regard to the benefits of diversity, in all its forms.

The Chairman, the independent Non-executive Directors and the Chief Executive Officer are the members of the Committee. The Group HR Director attends by invitation when appropriate.

Activities during the period

The Committee met five times during the period ended 27 March 2021. The principal matters considered at its meetings were:

- Consideration of the Board's diversity policy and how this could be implemented
- Overseeing the external search for two new Non-executive Directors and recommending their appointment to the Board and each of its Committees
- Recommending the appointment of the interim Chief Financial Officer to the Board as an Executive Director
- Recommending the appointment of the MD, Currency to the Board as an Executive Director
- Recommending a one year extension to the term of office of Maria da Cunha
- Recommendations to the Board in relation to the appointment of a Senior Independent Director
- Review of the commitment, contribution and effectiveness of the Non-executive Directors seeking re-election at the AGM, following a formal performance appraisal process

The Committee's annual evaluation concluded that the Committee continued to operate effectively.

Approach to succession planning and talent

The Committee recognises that having the right Directors and senior management is crucial for the Group's success. A key task of the Committee is to ensure that there is a robust and rigorous succession process to ensure that there is the right mix of skills and experience available to the Group as its business evolves. The Committee's approach to succession planning is linked to the Company's overall strategy, values and mission and includes diversity considerations. Our policy is to appoint the best people available for each role and ensuring that the Board members are able to provide the range of perspectives, insights and constructive challenge required to deliver effective decision making. Appointments are therefore made on merit by assessing candidates against objective criteria, including considerations reflecting the benefits of greater diversity.

To ensure that we identify candidates from the widest pool the Committee may instruct search consultants or consider open advertising.

The Board meets the ELT members and other key managers both formally and informally to exchange views and ideas.

During the period, the Board undertook a succession planning review which included considerations in relation to diversity.

Board diversity policy and practice

Diversity, equality and inclusion continue to be areas of focus for the Committee and the Board. This year we have aligned the Board diversity policy with that of the wider Group, which is to strive to have a workforce representative of the communities that host our operations. The Company has adopted a clear and simple strapline for all our employees reflecting that aspiration: Be Heard, Be Valued, Be You.

While the primary objective and responsibility when making new appointments is to ensure the strength of the Board, we are committed to promoting a culture of respect and inclusivity for every single unique individual involved in our business. We continue to promote a culture that values and thrives on diversity in all areas, including an inclusive and diverse culture in terms of ideas, skills, knowledge, experience, education, gender, social and ethnic backgrounds, cognitive and personal strengths and other factors.

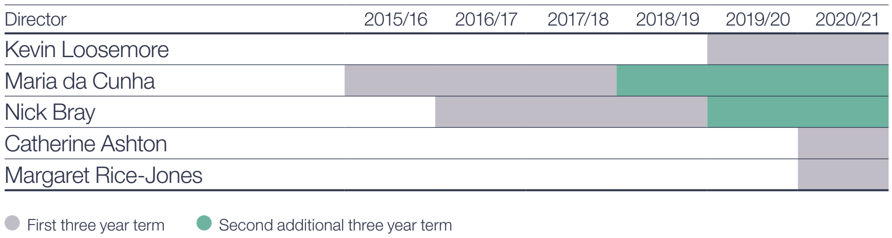
The Committee and Board are satisfied with the progress being made in achieving objectives in relation to gender diversity, but recognises that more remains to be done in relation to other facets of diversity.

Board appointments and process followed

The Nomination Committee oversaw the process for the recruitment of two Non-executive Directors and retained Russell Reynolds Associates, an independent executive search firm which does not have any other connections with the Company, to conduct an extensive and thorough search against objective criteria. These covered both the Board and Company's future needs and the personal characteristics sought, as well as the benefits of diversity.

This process was led by the Chairman with the Committee members' involvement and support and resulted in a recommendation to the Board that Catherine Ashton and Margaret Rice-Jones should be appointed as Non-executive Directors and as members of each of the principal Board Committees. These recommendations were accepted and they were appointed on 22 September 2020.

Non-executive Directors' tenure



Non-executive Directors are appointed for an initial period of three years with the expectation of serving one further three year term, subject to satisfactory performance and annual re-election by shareholders. Terms beyond this period are considered on a case by case basis and only following rigorous review, taking account of performance and ability to contribute to the Board in light of the knowledge, skills, experience and diversity required.

The Committee considered and recommended the appointment of Rob Harding, then the Company's interim Chief Financial Officer, as an Executive Director and the CFO. While an external search had been undertaken for the interim role, Rob had worked in the business for several months and played a critical role in helping deliver the successful Equity Capital Raise. The Board appointed him as a Director on 1 October 2020.

The Committee considered and recommended the appointment of Ruth Euling, the Company's MD, Currency as an Executive Director. She has been with De La Rue for over 30 years, in a variety of roles and is one of the most respected figures in the Currency industry globally, and no competitive process was followed. The Board appointed Ruth as a Director on 1 April 2021.

Re-election of directors

All Directors will stand for election or re-election at the 2021 AGM.

The Board has carried out an effectiveness and evaluation process (details of which can be found on page 57) and considers the performance of each of the Directors to be effective. It judges that they demonstrate commitment to their roles and is of the opinion that all Directors continue to provide valuable contributions to the long term success of the Company. The Board strongly supports their election or re-election to the Board and recommends that shareholders vote in favour of the resolutions at the AGM.

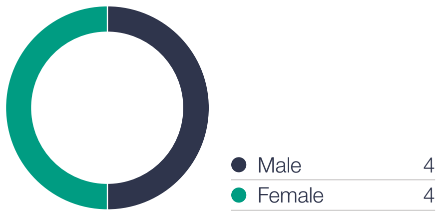
Kevin Loosemore
Chairman of the Nomination Committee

25 May 2021

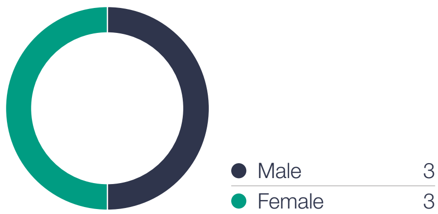
Gender balance

(As at the date of this report)

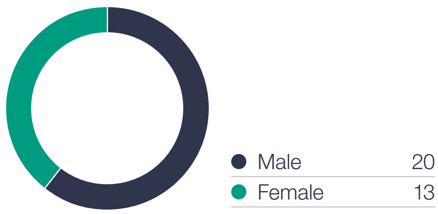
At Board level



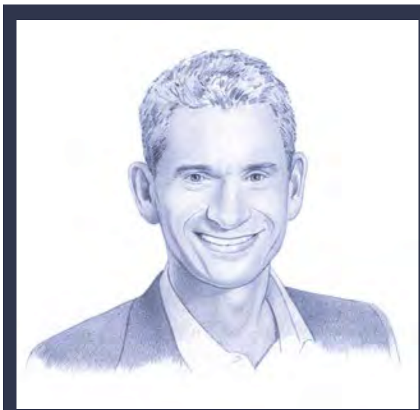
Executive Leadership Team



Direct reports to ELT members



Audit Committee



"The integrity of the Company's financial reporting is of critical importance."

Members and attendance

Member	Directors' attendance
Nick Bray (Chairman)	4 (4)
Sabri Challah[1]	2 (2)
Maria da Cunha	3 (4)
Catherine Ashton[2]	2 (2)
Margaret Rice-Jones[2]	2 (2)

Notes:
Figures in brackets denote the maximum number of meetings that could have been attended.
1 Sabri Challah retired from the Board on 6 August 2020.
2 Catherine Ashton and Margaret Rice-Jones were appointed to the Board and Committee on 22 September 2020.

Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.

Principal responsibilities

Financial reporting

- Reviewing the integrity of the interim and full year financial statements
- Reviewing significant financial reporting issues and judgements
- Reviewing the adoption of new accounting standards

External audit

- Overseeing the relationship with the external auditors including the scope and extent of the external audit and the fees payable
- Reviewing and monitoring the external auditor's effectiveness, independence and objectivity including the nature and appropriateness of any non-audit work and the associated fees

Internal audit

- Overseeing the relationship with the internal auditors including the internal audit charter, annual work programme and fees and their independence and effectiveness
- Monitoring management's response to internal audit findings and whether these are being implemented in a manner that supports the work of the internal auditors

Risk management and internal control

- Monitoring and reviewing the effectiveness of the systems of internal control and risk management

Dear Shareholder,

I am pleased to present the Audit Committee report for the period ended 27 March 2021.

All members of the Committee are independent Non-executive Directors. Nick Bray is a chartered accountant and is regarded by the Board as having relevant and recent financial experience by virtue of his long career as a senior finance professional and his current position as Chief Financial Officer of Travelport. The Board is also satisfied that the Committee as a whole has competence relevant to the sector in which the Group operates. No member of the Committee has any connections with the external auditors.

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 50 and 51.

Operation of the Committee

The Committee provides independent oversight of the Group's financial reporting processes. In support of that overarching objective it oversees the relationships with the internal and external auditors, it monitors the development and effectiveness of the Group's internal financial controls and the internal controls more generally, and it reviews the Group's principal risks and the effectiveness of its systems of risk management.

Committee meetings are attended, by invitation, by the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, General Counsel and Company Secretary and the Group Financial Controller as well as the internal and external auditors. The Group Director of Security, HSE and Risk also attends Committee meetings at specific times during the year. The internal auditors and external auditors each meet the Committee members without Executive Directors or other employees being present.

The Committee's effectiveness was reviewed as part of the overall Board effectiveness review. For further information over how this was conducted, please see page 57.

Activities during the period

The Committee met four times during the period ended 27 March 2021. The principal matters considered at its meetings were:

- The half and full year financial statements, including any key accounting matters and the annual report
- The external auditors' reviews of the financial statements and the annual report
- Plans and fees for the external audit and the auditors' review of the half year results

- The effectiveness, independence and objectivity of the external auditors, including updating the Company's policy on the use of the external auditors to provide non-audit services
- The use of the going concern basis of accounting
- The basis of preparation of the long term viability statement
- The internal audit programme and the alignment of this with the Group's principal risks and the interaction with the work of the external auditors
- The Group's principal risks and uncertainties
- The assurance available in relation to the Group's risks, including:
  - Internal audit findings and recommended improvement actions
  - Review of the effectiveness of the systems of internal control and risk management
  - Business continuity planning
  - Review of the annual policy and control self-assessment declarations
  - Review of reporting through the Group's whistleblowing hotline
  - The results of other compliance audits

FINANCIAL REPORTING

The integrity of the Group's financial reporting is of critical importance and it is a core responsibility of the Committee to review this reporting and the key accounting judgements contained in the financial statements.

Key accounting matters in relation to FY 2020/21

The Committee reviews whether suitable accounting policies have been adopted and applied consistently and assesses if management has made appropriate estimates and judgements in the preparation of the financial statements. In addition, the Committee has reviewed and considered and challenged a number of key accounting areas and judgements in preparing the financial statements, as set out below:

Revenue recognition

The Committee considered the Group's revenue recognition policies and procedures to ensure that they remained appropriate and that the Group's internal controls were operating effectively in this area. Feedback was also sought from the external auditors over the application of the revenue recognition policy including the ongoing compliance with IFRS 15 and a specific review of shipments pre- and post-year end and contracts where revenue on new contracts entered into in the year was being accounted for on an 'overtime basis'. Following a review of the varied sources of information received, the Committee concluded that the accounting treatments and judgements were reasonable and appropriate.

UK post-retirement benefit obligations

The Committee received and considered reports from management based on analysis prepared by independent actuaries and the external auditors in relation to the valuation of the UK defined benefit pension scheme and challenged the key actuarial assumptions used in calculating the scheme liabilities, especially in relation to discount rates, RPI and CPI inflation rates and mortality. The Committee discussed the reasons for the movement on the IAS 19 valuation from a net surplus to a net deficit. The Committee was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in note 26. The Committee also noted that approximately £125m of the UK defined benefit pension scheme assets were valued at 31 March 2021 as opposed to the year end date of 27 March 2021 as for these investments a valuation at the year end date was not available. The Committee considered reports presented by management, with support from actuarial specialists, which estimated the impact of the difference in valuation date to be less than £1m. The Committee considered this to not be significant when compared to total UK defined benefit pension scheme assets of in excess of £1bn and that no better valuation to that at 31 March 2021 was available. However, the Committee decided that a critical accounting judgement on this should be disclosed – see page 117.

Accounting for the Equity Capital Raise and bank refinancing

The Committee reviewed management's presentations on the accounting for the Equity Capital Raise completed on 7 July 2020, with particular focus on the following matters:

- Management's accounting which, with support for external advisors, was determined by the cash box structure used and the associated legal terms;
- The assessment of management as to whether the difference between the net cash proceeds received after deduction of fees deducted at source of £92.7m and the share capital raised of £40.8m represented share premium or was it an other reserve balance which might be distributable. The Committee noted that management's assessment was that as the cash proceeds received by De La Rue plc were loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 27 March 2021. The Committee noted that this judgement might be revised in future periods, subject to certain internal transactions enabling the settlement of intercompany positions;
- Management's assessment of the accounting for the bank refinancing and the judgement that given the changes in the facility with the incorporation of guarantee facility within the overall Revolving Credit Facility (RCF) total, meaning the maximum cash component of RCF is now set at £175m compared to the previous £275m cash balance, and the substantial repayment of the RCF following the receipt of the cash proceeds from the equity raise, the appropriate accounting under IFRS 9 was to treat this as an extinguishment of the old RCF. Consequently, any unamortised issue costs relating to the old RCF at the time of the bank refinancing was written off to the income statement and included within exceptional items; and
- Management's careful consideration of the split of total costs incurred on the Equity Capital Raise and bank refinancing to determine where in the income statement or balance sheet these should be accounted for.

Following presentations by management and discussions with the external auditors, the Committee was satisfied with the disclosures and accounting relating to the Equity Capital Raise and bank refinancing.

Accounting implications of the cessation of banknote production at Gateshead

The Committee reviewed management's assumptions behind the £10m of impairment charges relating to property, plant and equipment at the Gateshead facility recorded within exceptional items in the current period. The Committee deliberated management's view that given the specialised nature of the plant and machinery and the very limited market opportunities to sell them to a third party, the asset values can only be supported based on management being able to demonstrate a continued use at a different Group manufacturing location thus demonstrating the asset's carrying value is supported by continued value in use. Furthermore, the Committee carefully considered management's assessment that based on current plans for which assets will be relocated, the assets which are not planned to be moved should be impaired as they no longer have an ongoing value in use to the Group. The Committee also considered management's judgement on what its future plans are for the expansion in certain locations based on future business needs which has driven the determination that certain assets' value as included in the balance sheet at 27 March 2021 are recoverable based on their anticipated ongoing use after a period of relocation.

The Committee concluded that it was comfortable with the accounting judgements and treatments applied in the financial statements, however in light of the judgements made and the materiality of the balances concluded that disclosure of a critical accounting judgement should be included in the annual report and accounts (see page 119).

Recoverability of Portals Loan notes

The Committee reviewed papers prepared by management setting out the reasons justifying that the expected credit loss provision for the £8.8m of other financial assets held on the balance sheet as at 27 March 2021 was immaterial.

The Committee noted that management had, in accordance with IFRS 9, carefully assessed the recoverability of the other financial assets on the balance sheet as at 27 March 2021 using scenario modelling based on publicly available information, and determined that the expected credit loss provision was immaterial. The Committee noted that if factors change in the future, this may change management's judgement resulting in a revision to the assumption that the expected credit loss is immaterial. As result the Committee agreed that a critical accounting estimate should be disclosed in the annual report and accounts, refer to page 119.

Restatement of authentication revenues

During the period management has changed its presentation of certain contract related payments to correctly reflect the nature of these payments, being payments to third parties rather than customers. These payments are now shown as a cost of goods sold instead of a reduction to revenue in accordance with IFRS 15. The Committee carefully considered the decision made by management and concluded that, given the importance to the users of the financial statements, of understanding revenue growth within the Authentication segment, this restatement was required.

Accounting for the Joint Venture in Ghana

The Committee reviewed management's assessment of whether the Group exercises control over the new joint venture entity De La Rue Buck Press Limited, noting that management has assessed that it does for the following reasons:

- The Group's shareholding of 49% is a result of local legal requirements;
- The Group is entitled to appoint/ remove three of the five Directors on the Board; and
- Subject to express provisions of local law resolutions and questions arising at any shareholder's or Director's meetings are decided by a simple majority of votes of those attending and voting subject to standard reserved matters. These standard reserved matters are not considered to stop the Group from exercising control.

The Committee considered management's assessment and agreed that as the Group is considered to have the balance of power over the Joint Venture Company it is appropriate to account for it as controlled subsidiary.

Change in central cost allocations since FY 2020/21 and impact on the Group's segmental reporting

The Committee reviewed management's paper on the changes to its methodology for the allocation of central costs (effective in the FY 2019/20 external reporting) which resulted in Currency receiving a smaller percentage allocation of central costs and Authentication receiving a larger share.

The Committee also noted that in addition to this, the underlying central cost base following the alignment of the Group into the divisional model was materially different due to the impact of the significant cost savings made.

The Committee carefully considered management's assessment as to whether, considering the requirements of IFRS 8, it was able to restate the FY 2019/20 comparatives with regards to the central cost allocations to be on a like-for-like basis comparable to the current period. Management's conclusion was that it is unable to make this restatement because the data is not available and the cost to develop it would be excessive. This is due to the cost base and employee structure of the business under the previous functional model being materially different from the new divisional structure. The Committee carefully considered management's view and was in agreement noting that appropriate disclosures should be included within the annual report to ensure transparency on this judgement.

Estimation of accruals and provisions

The Group holds a number of provisions relating to warranties for defective products and contract penalties in addition to a small number of onerous contract provisions for loss-making contracts. The Committee reviewed and discussed reports from management and the external auditors concerning the significant provisions held for such matters including any provisions with notable movements and challenged management over the judgements applied in determining the value of provisions required.

The Committee enquired of management and the external auditors as to the existence of other matters potentially requiring a provision to be made. The Committee concluded that it was satisfied with the value of provisions held.

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates.

It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities.

The actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and on the income statement in the period in which such determination is made.

The Group has current tax provisions recorded within current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and that there will be a future outflow of funds to a taxing authority.

Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing a number of tax assessments received from the tax authority of a country in which the Group operates. The disputed tax assessments are at various stages in the local appeal process, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice), and is appealing previous judgments and communicating with the tax authority in relation to the disputed tax assessments. The Company's expected outcome of disputed tax assessments is held within the relevant provisions in the 2021 financial statements. The Group has also recorded provisions for taxes other than income taxes which are recorded under IAS 37.

The Committee has considered the latest available information provided by management including the latest view of external advisers and is confident with the judgements made in preparing the financial statements in the current period.

Valuation of inventory

The Committee reviewed the Group's policies and procedures over the valuation and recoverability of inventory (£54.5m). The Committee received confirmation that the valuation principles had been consistently applied and noted that the majority of inventory items were made to order rather than held for generic stock and hence the recoverability risk was low.

Accordingly, the Committee concluded that the accounting treatments were reasonable and appropriate.

Classification of exceptional items

As part of the Committee's deliberations over whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, the Committee also considered the amounts disclosed as exceptional items. The nature of the items classified as operating exceptional items during the period is described in note 5.

The Committee considered the accounting treatment and disclosure of these items in the financial statements including seeking the views of the external auditors. On the basis of this review, the Committee concluded that the accounting treatment and disclosures in relation to these items were appropriate.

Going Concern

The Committee gave careful consideration to the going concern statements made in the half and full year financial statements and particularly the disclosures given on the material uncertainty in relation to the FY 2019/20 full year financial statements relating to the approval of the Company's shareholders in respect of the Equity Capital Raise. The Committee conducted rigorous reviews of the Group's financial forecasts, challenging key assumptions and giving careful consideration to the plausible downside scenarios included in the base forecasts.

In each case, the Committee concluded that the Group had adequate resources to continue in operational existence for the required period and that it was appropriate for the Directors to use the going concern basis of accounting.

In relation to the FY 2020/21 financial statements, a similar process was followed with the Committee reviewing and challenging financial forecasts and the assumptions used. The Committee concluded that the use of the going concern basis of accounting remained appropriate.

Fair, balanced and understandable view

At its June 2020 meeting, at the Board's request the Committee reviewed the content of the 2020 Annual Report and Accounts and advised the Board that, in its view, when taken as a whole that document is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The process followed was explained in the Committee's report in the 2020 Annual Report.

A similar process was followed in relation to this 2021 Annual Report.

EXTERNAL AUDIT

Relationship with the external auditors

Ernst & Young LLP (EY) have been the Company's auditors since June 2017, when they were appointed by the Board following a competitive tender that was led by the Committee. They have been re-appointed by shareholders at each subsequent AGM. The lead audit engagement partner, Kevin Harkin, has been in this role since EY's tenure commenced.

The EY audit partner attends each Committee meeting to ensure two-way communication of matters relating to the audit and also has regular contacts with both the Committee Chairman and the CFO. The scope and key focus of the forthcoming year's audit is discussed with and approved by the Committee, who also review and approve the fees for that audit and the review of the half year financial statements.

The Committee has regular discussions with the auditors, without management being present, covering a range of financial reporting, accounting, internal control and risk matters and receives and reviews the auditors' reports and management letters, which are one of the main outputs from the external audit.

Effectiveness of the external auditors and proposed re-election

The Committee assesses annually the qualification, expertise, resources and independence of the external auditors, as well as the effectiveness of the external audit process.

The Committee's assessment is performed by an audit satisfaction questionnaire completed by the Chairman, Committee members and relevant members of senior management.

The Committee is satisfied that the external auditors remain fully independent, objective and effective and a resolution for the re-appointment of Ernst & Young LLP will be put to shareholders at the 2021 AGM.

Independence and objectivity of external auditors

The Committee places great emphasis on the objectivity of the Company's auditors, EY, in reviewing the financial statements that are issued to shareholders. In all of their dealings with key members of the audit team, the Committee looks for evidence that their work is being done from a position of independence, with an entirely objective eye and appropriate professional scepticism. In turn, EY put safeguards in place to avoid compromising their objectivity and independence. They provide a written report to the Committee on how they comply with professional and regulatory requirements and best practice designed to ensure their independence. Key members of the EY audit team rotate and the firm ensures, where appropriate, that confidentiality is maintained between different parts of the firm providing services to the Group.

Use of the auditors to provide non-audit services

In certain limited circumstances it may be cost effective or otherwise advantageous for EY to provide certain non-audit services, in particular where their skills, experience and familiarity with the Group make that firm the most suitable supplier.

An important safeguard on the independence of the external auditors is that they do not earn disproportionate fees from the provision of non-audit services which could, or could give the appearance, of compromising that independence.

To maintain this position, the Committee has adopted a detailed policy, most recently reviewed in March 2021, which requires that no non-audit services may be undertaken by the external auditors unless all the requirements of that policy have been fulfilled. The policy sets out:

The circumstances in which it may be appropriate to procure non-audit services from the external auditors and a list of permitted services:

- A list of prohibited services including, but not limited to, tax advisory work, services where EY would audit or rely on their own work, where they would act in an advocacy role for the Group or where they would provide management, payroll, valuation, legal, internal audit, financing or underwriting or HR services;
- The procedures for approval of proposed fees, which required the approval of:
  - For fees of up to £25,000, the CFO;
  - For fees between £25,000 and £50,000, the CFO and Committee Chairman; and
  - For fees of more than £50,000, the CFO, Committee Chairman and Board.
- A cap on the fees for permitted services, which must not exceed 70% of the average of the fees paid for such services in the last three consecutive financial years; and
- Regular reporting of any such fees payable to the external auditors and annual certifications by the external auditors and CFO that they are satisfied that the independence of the external auditors has been maintained.

Over the last three financial years, the fees paid to EY and its associates and the non-audit fees included within these, were:

£'000	**FY20/21**	FY19/20	FY18/19
Audit fees	**778**	1,027	632
Audit-related fees (review of interim financial statements)	**77**	74	38
Non-audit services	**–**	3	–
Total fees paid	**855**	1,104	670
Non-audit fees relative to audit fees (%)	**10%**	7%	6%

Over the three financial years non-audit fees have averaged 8% of the audit fee.

None of the non-audit services provided by the external auditors was regarded as a significant engagement by the Committee.

INTERNAL AUDIT

Internal auditors

The internal audit function provides an important assurance role and is complementary to the work of the external auditors. PricewaterhouseCoopers LLP (PwC) have provided internal audit services to the Group since FY 2013/14. The personnel involved in the internal audit team have changed over PwC's tenure and the Committee is satisfied that they have maintained their independence.

The appointment of the internal auditors is overseen by the Committee, which also reviews and approves the internal audit charter and annual programme of audit assignments, as well as the fees payable. The annual internal audit plan is aligned with the Company's risk register and forms part of a medium term rolling programme of audit assignments, predicated on a risk-led basis. The Committee meets regularly with the internal auditors, without management being present, to discuss their findings, the implementation of remedial actions and the Group's internal control environment more generally.

The FY 2020/21 internal audit plan was approved by the Committee in April 2020 and kept under review during the year. All internal audit assignments were completed during the period. In March 2021 the Committee reviewed and approved the internal audit charter and plan for FY 2021/22.

A review of the effectiveness of the internal auditors was completed shortly after the year end and presented to the Committee in May 2021. This was undertaken by means of a questionnaire circulated to those audited in the year, senior members of the Finance function and the Committee, and supplemented the Committee's ongoing monitoring of PwC's work. The Committee concluded that the quality, experience and expertise of the internal auditors was appropriate for the business and were also satisfied that the actions management has taken to implement agreed improvement actions support the effective working of the internal audit function.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

The Committee oversees the implementation and maintenance of the Group's internal controls, with a particular focus on internal financial controls. It does so through reports received from the internal audit function and any reports from the external auditors on internal control matters noted as part of their audit work.

In addition, the Group operates a system of annual self-assessment internal policy and control declarations. These are made at various levels of management and detail and certify that the control environment in their business area is appropriate and functioning. Any non-conformances are notified as part of this process and, where remedial actions are appropriate, these are followed up by senior management to ensure that a satisfactory internal control environment is maintained.

These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Group to meet its business objectives and, as such, provide reasonable but not absolute assurance against material misstatement or loss.

Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, including over the Group's consolidation process. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. A comprehensive strategic planning, budgeting and forecasting system is in place. Monthly financial information, including trading results and cash flow statements are reviewed by senior management and reported to the Board. The ELT reviews performance against budget and forecast on a monthly basis and senior financial managers regularly carry out Group consolidation reviews and analysis of material variances.

Risk management

The key elements of the Group's risk management framework and procedures are set out on pages 26 to 29. At each meeting the Committee reviews the principal risks facing the Group and reviews the emerging risks throughout the year, receiving reports from the Risk Committee on the matters they have considered. In addition, each of the principal risks is discussed by the Board at various points during the year.

Combined assurance model

The Group's internal control environment operates a 'three lines of defence' model, which is monitored by the Committee. The first line of assurance is the work of operational and line management, supported by local operating procedures and systems. The second line of assurance comes from checks by central functions against Group policies and standards, and senior management assurance, reporting and monitoring. This work is bolstered by the independent audits that take place across a range of areas as part of our programme of BnEI and ISO accreditations and certifications. The third line of assurance is provided by the internal audit function, which primarily focuses on the processes and procedures followed both locally and Group-wide.

By reviewing the collective outputs from these various sources of assurance the Committee and Board gain assurance over the design and operation of internal controls across the Group on an ongoing basis.

Effectiveness review

The Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Group's internal control and risk management systems, which covers all material controls, including financial, operational and compliance controls. A formal effectiveness review was performed during the year and considered by the Committee, which concluded that none of the areas identified for enhancement constituted a significant failing or weakness for the Group.

Nick Bray
Chairman of the Audit Committee

25 May 2021

Ethics Committee

"We must deliver on our strategic objectives in the right way."

Members and attendance

Member	Directors' attendance
Kevin Loosemore (Chairman)	3 (3)
Nick Bray	3 (3)
Sabri Challah[1]	1 (1)
Maria da Cunha	2 (3)
Catherine Ashton[2]	2 (2)
Margaret Rice-Jones[2]	2 (2)

Notes:

Figures in brackets denote the maximum number of meetings that could have been attended.

1 Sabri Challah retired from the Board on 6 August 2020.

2 Catherine Ashton and Margaret Rice-Jones were appointed to the Board and Committee on 22 September 2020.

Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.

Principal responsibilities

- Assist the Board in fulfilling its oversight responsibilities in respect of ethical matters, with the aim that the Group conducts its business with integrity and honesty
- Advise the Board on the identification of ethical risk and the development of strategy and policy on ethical matters
- Monitor compliance with the Company's policies and procedures on ethical matters, including the operation of its whistleblowing hotline
- Oversee the investigation of any material irregularities identified or reported and review any subsequent findings and recommendations

Dear Shareholder,

I am pleased to present the Ethics Committee report for the period ended 27 March 2021.

Operation of the Committee

The Committee oversees, on the Board's behalf, the Group's compliance with ethical business practices including the appointment and remuneration of our Third Party Partners (TPP), our Code of Business Principles (CBP) and compliance with its provisions and any whistleblowing reports. The Committee makes recommendations to the Board on how these matters should be addressed, reinforcing the Group's commitment to ensuring that sound ethical practices are embedded in the way we do business.

The Committee comprises all of the Non-executive Directors. The CEO and other senior management may attend meetings at the invitation of the Committee. Members of the ELT and other employees, including heads of both divisional businesses, may be asked to attend from time-to-time to address specific matters.

Activities during the period

During the period to 27 March 2021, the Committee focused on the following activities:

CBP-related initiatives, including:

- Completion statistics for online anti-bribery and corruption, competition law and sanctions awareness training modules
- Future ethics training plans
- Ongoing and planned awareness-raising initiatives to ensure expected ethical standards are maintained and further embedded throughout the organisation

The management of the TPP programme including:

- A review of the findings of an internal audit into the policy and process underpinning the 2015-2020 Agent Transition Plan, moving away from commission-only payments
- The approval of a new contracting and payment model to further reduce risk via an enhanced time and efforts based approach and a subsequent review of progress made with the roll out
- Update on activities related to the Banknotes Ethics Initiative (BnEI), including a review of the findings and recommendations from the independent audit conducted by GoodCorporation which confirmed our Level 1 accreditation
- Review of sanctions risks and actions undertaken or planned to manage those risks, including a review of the findings of a follow-up internal audit report into controls and processes

- Review of the gift register for Executive Directors
- Review of reports on issues raised through the whistleblowing hotline – CodeLine – and other channels and review of results of any investigations into ethical or compliance breaches or allegations of misconduct

Ethical risks

To maintain the trust and confidence of customers and everyone we deal with, it is essential that the Group delivers on its strategic objectives in the right way, conducting our business with integrity, honesty and transparency.

We recognise that our business is exposed to risks of unethical conduct because of the nature and value of many of our contracts, and because standards of integrity may not be consistent across all the countries in which we operate. We have a robust compliance programme in place to manage these risks. Further information, including a description of our ethical framework can be found in the Responsible Business report on pages 31 to 43.

Training

The Committee attaches significant importance to regular, relevant and focused training and receives regular reports about our ethics and compliance training programme, including completion statistics and planned activities. Training during the period included:

- Training sessions for new TPPs and those managing TPP relationships
- Anti-bribery and competition law training where relevant for new starters and refresher training for all those in relevant roles
- Sanctions awareness training
- Online training modules for TPPs and relevant employees
- One-to-one training for new site Ethics Champions
- Criminal Finance Act awareness training

Whistleblowing

We encourage all employees and people acting on our behalf to speak up if they have any concerns. Ethical questions or concerns can be raised by employees through an externally operated confidential reporting service. All reports are taken seriously and investigated as appropriate and all findings and remedial actions are reported in detail to, and reviewed by, the Ethics Committee. During the year we reviewed our whistleblowing service provider. The new service went live in April 2021 and was supported by an awareness campaign to remind colleagues about our whistleblowing service and to promote confidence in the integrity of the process.

Kevin Loosemore
Chairman of the Ethics Committee

25 May 2021

Risk Committee

"The Group sees the identification and management of risk as critical to achieving its strategic objectives."

Members and attendance

Member	Directors' attendance
Jane Hyde (Chairman)	2 (3)
Clive Vacher	3 (3)
Natasha Bishop	3 (3)
Andrew Clint	3 (3)
Ruth Euling	3 (3)
Rob Harding	3 (3)

Note:
Figures in brackets denote the maximum number of meetings that could have been attended.

Where a member is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the chair of the meeting.

Principal responsibilities

- Developing, implementing and monitoring the risk management policy and strategy
- Overseeing the maintenance of the Group-wide risk management framework for identifying and managing risks
- Identifying and keeping under review the principal risks faced by the Group, and reviewing the controls put in place with the aim of managing those risks
- Identifying and assessing any emerging or developing risks
- Providing appropriate reporting on the status of risk management within the Group
- Promoting a risk management culture and control environment
- Reviewing the effectiveness of the Group's system of risk management and the non-financial internal control environment

Dear Shareholder,

I am pleased to present the Risk Committee report for the period ended 27 March 2021.

Operation of the Committee

The Directors have overall responsibility for the Group's systems of internal control and risk management, which includes the identification of the Group's principal and emerging risks. Details of how the Directors fulfil this responsibility and the principal risks the Group faces can be found on pages 26 to 29.

The primary responsibility of the Risk Committee is supporting the Board by leading oversight of the identification and evaluation of the risks facing the Group and monitoring how these are managed.

The Committee comprises all of the Executive Directors and the rest of the ELT members. The Group Director of Security, HSE and Risk attends the Committee's meetings and other managers with operational or functional ownership of risks will attend by invitation.

Any Director may attend meetings and the Board may appoint any other individual as they determine.

Activities during the period

The Committee met three times during the period and the material items considered were:

- The Group's principal risks and uncertainties, in particular, ensuring alignment with the Group's strategy, Turnaround Plan and divisional structure and reflecting the recapitalisation of the business following the successful Equity Capital Raise (for details of these risks, please refer to pages 26 to 29)
- Reviews of emerging risks not included in the Group risk register, including 'horizon scanning' sessions
- The impact of the COVID-19 virus on the Group's operations and employees and the effectiveness of the Group's continuity plans
- Risks associated with Brexit, including impacts of and preparedness for both 'Deal' and 'No Deal' scenarios
- The selection and implementation of risk management software
- The findings and recommended actions from an internal audit review of risk management
- Deep dive sessions with operational or functional risk owners
  - Information Security risk
  - The management of health, safety and environmental risks in the physical relocation of plant and machinery and site developments as part of the Group's business transformation

The Committee's work interfaces with that of a number of other Board Committees, most notably the Audit Committee. The Committee Chairman reports on the material matters discussed at each Committee meeting to a subsequent meeting of the Audit Committee. The minutes of meetings of the Risk Committee are shared with the Directors.

The Committee is supported in its work by other management meetings and committees, including divisional risk committees and those dealing with specific risk areas such as sanctions, HSE and security.

Jane Hyde
Chairman of the Risk Committee

25 May 2021

Remuneration

Chair's introduction

"We have made significant progress on delivery of the Turnaround Plan and our remuneration policy remains critical to the delivery of both planned performance each year and the longer-term transformation of De La Rue."

Members and attendance

Member	Directors' attendance
Maria da Cunha (Chairman)	7 (7)
Nick Bray	7 (7)
Sabri Challah[1]	3 (3)
Catherine Ashton[2]	4 (4)
Margaret Rice-Jones[2]	4 (4)

Notes:

Figures in brackets denote the maximum number of meetings that could have been attended.

1 Sabri Challah retired from the Board on 6 August 2020.

2 Baroness Catherine Ashton and Margaret Rice-Jones joined the Board and Committee on 22 September 2020.

This report is presented in three main sections: an annual statement from the Chair of the Committee; the annual report on remuneration for 2020/21; and the Directors' remuneration policy. The Directors' remuneration policy was approved by shareholders at the AGM on 6 August 2020 and had a binding effect at that date. The policy is not subject to a vote at the 2021 AGM.

Principal responsibilities

Remuneration

- Setting and reviewing the remuneration of the Chairman, Executive Directors and senior executives who report to the Chief Executive Officer
- Ensuring that all remuneration paid to Directors is in accordance with the Company's previously approved remuneration policy
- Ensuring that all contractual terms on termination, and any payments made, are fair to the individual and the Company
- Monitoring the reward policies and practices throughout the business

Incentive plans

- Determination of the design, conditions and coverage of annual and long-term incentive plans for Directors and senior executives and approval of total and individual awards under the plans
- Determination of targets for any performance-related pay plans

Governance and compliance

- Ensuring that provisions relating to disclosure of remuneration as set out in the relevant legislation, the UK Listing Rules and the UK Corporate Governance Code are fulfilled

Dear Shareholder,

As Chair of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the period ended 27 March 2021, which has been prepared by the Remuneration Committee and approved by the Board.

This year represents the first year operating under our revised remuneration policy coinciding with the first full year of the Group's Turnaround Plan. We have made significant progress on delivery of the Turnaround Plan objectives despite the challenging conditions created by COVID-19. The executive team formed fully in early 2020 so have now led the business through their first full financial year of this transformation. During this time we have completed a £100m gross equity capital raise, which strengthened our balance sheet and enabled the business to enact the Turnaround Plan. The key objectives of the Plan are being delivered in full, we completed a significant cost reduction programme and growth across all product lines, all in line with the plans set out and well communicated externally.

We continue to ensure that executive remuneration is fair and competitive so that the Group continues to attract, motivate and retain the highly talented people required to deliver the challenging targets to which we have committed.

Above all, the Committee's objective is to ensure that our Directors' remuneration policy incentivises and rewards the delivery of sustainable shareholder value.

This year, I would like to focus on two themes: the performance of the Group in the financial year that ended on 27 March 2021, which has seen the business achieve beyond its targeted expectation for the year and the performance of the remuneration policy for 2020/21.

Committee meetings

The Remuneration Committee consists exclusively of Non-executive Directors, all of whom are regarded as independent. The Committee met seven times during the period and details of attendance can be found opposite. The Chief Executive Officer and the Group Director of Human Resources also attended meetings by invitation. The General Counsel and Company Secretary, who is also secretary to the Committee, advised on governance issues.

No Executive Director or employee is present for or takes part in discussions in respect of matters relating directly to their own remuneration.

Remuneration continued

Activities during the period

- Approval of the Executive Leadership Team (ELT) group and strategic individual objectives for the year
- Review of performance targets for short- and long-term incentive plans
- Approval of pay awards for Executive Directors and the ELT
- Determination of remuneration for the newly appointed Chief Financial Officer
- Review and approval of the Directors' remuneration report
- Review of market trends and latest developments in governance
- Review of market trends in relation to treatment of executive remuneration in light of COVID-19
- Awards under the UK Sharesave scheme
- Review broader workforce remuneration in consideration of executive remuneration
- Review of the report on gender pay gap and action plan

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as amended, the UK Corporate Governance Code and the FCA's Listing Rules and takes into account the policies of shareholder representative bodies. The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on pages 96 to 105 and to state that this section has been properly prepared in accordance with these regulations.

Application of remuneration policy

Our remuneration policy is key to delivering both in year performance and the longer term transformation of De La Rue.
Last year we carried out our triennial review of the remuneration policy. The proposed policy was approved by shareholders at the AGM on 6 August 2020 and is designed to support the delivery of the Turnaround Plan in its ambition to return to progressive margin growth in Currency and strong year on year growth in Authentication.

The primary focus for the business during the 2020/21 financial year has been:

- Driving efficiency, cost competitiveness and balanced profitable growth
- Ensure cash is managed and generated from sustainable sources to fund investment in the chosen growth markets
- Delivering the successful refinancing of the business in line with our turnaround objectives
- Mitigating and managing the impacts of Covid to protect both the health and wellbeing of the workforce and the financial security of the business
- Continuing to align executive and shareholder interests

A number of changes were made this year to implement the new policy:

- Reducing the cash pension allowance for Executive Directors to be in line with the employer pension contribution for the majority of the UK workforce
- Increasing the shareholding requirement from 100% to 200% of salary
- Introducing a post-employment shareholding requirement for Executive Directors
- Implementing the Company's Performance Share Plan (PSP) and Deferred Bonus Plan (DBP) in line with the revised rules approved at the 2020 AGM

Government support

To keep our sites open during the pandemic whilst ensuring our employees were fully protected, we made significant investments in PPE and in changes to our sites to enable social distancing. Between March 2020 – July 2020 we made limited use of UK Government support under the Coronavirus Job Retention Scheme (CJRS) in the UK, to furlough individuals who were both unable to conduct their role from home and unable to attend site as a direct result of the pandemic. At its highest levels, in June 2020 we had 57 employees furloughed, equating to around 4% of the UK workforce. In all circumstances, the Company made top-up payments to ensure employees received 100% of pay and suffered no detriment through loss of income.

Access to CJRS enabled us, during this initial period of uncertainty regarding the impact of the pandemic on our performance, to continue to pay our employees in full and to keep in employment individuals who would otherwise have exceeded their entitlement to contractual sick pay under our policies.

In the event, the Company was able to deliver a strong performance in the FY 2020/21, we have confirmed that we have repaid the CJRS support received in full, totalling £421,688.

Employee experience

During FY 2020/21, all our operating sites in the UK, Malta and Kenya remained fully operational. Operations at our site in Sri Lanka were suspended for eight weeks between March – May 2020 due to island-wide governmental restrictions. Our employees worked tirelessly throughout the period, and despite increased absence rates due to COVID-19, delivered as promised to customers with minimal disruption.

We are pleased that we will be making a bonus payment to all eligible employees under the Annual Bonus Plan for FY 2020/21 year and we were equally pleased to conduct a salary review in December 2020, recognising the efforts of our people in delivering the positive performance in year. These changes in wider workforce remuneration were taken into account in our decisions on executive remuneration.

Whilst no employees were made redundant as a result of the pandemic, some difficult decisions were made in implementing the cost-out programme in the Turnaround Plan, including the decision to cease banknote print operations in Gateshead. Approximately 350 employees left the business in FY 2020/21.

Employees subject to redundancy received outplacement and redundancy support and were awarded redundancy payments in excess of statutory awards in line with the group policy.

Shareholder experience

The successful completion of the equity capital raise was crucial to the future of De La Rue. As we enter the second year of the Turnaround Plan with confidence in our ongoing growth, an improved cost base, and competitive product portfolio we are confident that we continue to represent a strong investment opportunity. As announced in November 2019, the Board decided not to recommend a dividend in respect of 2019/20, which was reflected in the year-end remuneration decisions with no incentives paid to Executive Directors. Since then we have implemented our Turnaround Plan and the Board does not expect to pay dividends unless and until the Company is generating sustainable positive free cash flow, which the Company is targeting in the latter part of the plan.

Remuneration outcomes 2020/21

As reported elsewhere in this annual report, the business saw the benefits of focusing on the clear priorities set out in the Turnaround Plan and the delivery of the refinancing plan. Despite the significant disruption and pressure created in our core markets and within the business itself as a result of the COVID-19 pandemic, the business has delivered against the stretching plans and targets it was set.

Our Currency business has seen a positive year in both revenue adjusted growth and operating profitability driven by increased polymer growth and a strong performance in banknote print. Authentication has delivered on target performance, winning important new contracts in GRS and Brand and offsetting the impact of delayed contract awards by delivering additional cost efficiencies.

At a Group level, adjusted revenue decreased by 10.2% and the planned cost out initiatives were delivered in full ensuring the focus on lowering the overall cost base of the business is on track with the ambitious Turnaround Plan targets. This resulted in an increase of 60.8% in Group adjusted operating profit. Accordingly, the Committee has decided that annual bonuses under the ABP will be awarded for FY 2020/21. This follows a period where no award was made to the executives under the FY 2019/20 ABP plan. Further details on our performance against bonus measures is set out on page 79.

The performance period for the 2018 PSP concluded, on 27 March 2021. Threshold performance was not met and therefore no part of this award will vest.

This will be the second year in which the historic PSP awards made to executives have not vested.

The 2020 PSP and ABP plan issued in FY 2020/21 have reset the short and long term incentives of the business in line with the challenging targets required to deliver the Turnaround Plan. This will ensure that the Executive Directors remain incentivised on the delivery of the clearly articulated plans that will deliver sustainable returns to our shareholders.

We remain committed to maintaining open and transparent engagement on remuneration with our shareholders. We are very pleased that our current Remuneration Policy was strongly endorsed by shareholders at the AGM on 6 August 2020, with almost 95% of votes cast in favour. We welcome the constructive feedback our shareholders have provided in the last year, which will continue to inform our deliberations and shape our approach to remuneration.

The Committee is pleased with the performance of the remuneration policy and the impact it has had on driving focus and delivery against the Turnaround Plan. Our aim is to continue to deliver an appropriate balance between incentivising Executive Directors and ensuring that variable remuneration remains payable on performance that continues to deliver sustainable value to shareholders. We believe that structure of remuneration provides the right balance on these elements and therefore we will continue to apply this model into the forthcoming year with no material change whilst maintaining the rigour in setting and cascading targeted objectives designed to deliver growth in line with the long-term aims of the business.

Remuneration continued

In accordance with the regulations we will be asking shareholders to provide an advisory vote on the annual report on remuneration as set out on pages 77 to 86 which provides details of the remuneration earned by Directors for performance in the period to 27 March 2021.

A full copy of the remuneration policy can be found in the 2020 Annual Report on the Company's website: www.delarue.com and on page 87.

Executive Director changes

There was one change to the executive team over the year, with Rob Harding appointed as an Executive Director and as the Chief Financial Officer with effect from 1 October 2020.

The details of the remuneration package put in place for Rob are set out on page 78.

In addition, Ruth Euling, MD Currency, was appointed as an Executive Director on 1 April 2021 and is now subject to the requirements of the remuneration policy.

The details of the remuneration package put in place for Ruth are set out on page 78.

Performance Share Plan (PSP)

Awards granted under the PSP in 2018 had three-year performance criteria based on EPS (50%) and ROCE (50%). The EPS performance and average ROCE over the three years were not above the threshold level and therefore the PSP awards granted in 2018 will not vest.

Remuneration for the FY 2021/22 financial year will be implemented in line with the current revised remuneration policy approved at the AGM in August 2020.

Priorities for 2021/22

The work of the Committee in FY 2021/22 will continue to focus on ensuring that executives are fairly rewarded for their contribution to the Group and incentivised to deliver returns for shareholders while driving a culture consistent with delivery of the Company's Turnaround Plan.

The Committee is mindful of evolving best practice in remuneration and will continue to monitor this, specifically on the adoption of Environment, Social and Governance (ESG) measures in remuneration. Health and Safety will form a key measure in our bonus plans for executive directors and the wider management population. Over the next year, as the Company continues to refine its ESG ambitions and targets, the Committee will review whether it may be appropriate to include other ESG measures in its incentive plans.

I trust you will find the implementation report clear and informative and the Committee has your support for the report at this year's AGM.

Maria Da Cunha
Chair of the Remuneration Committee

25 May 2021

Current ABP structure and weighting %

Revenue	20
Profit	30
Net debt	30
Strategic personal objectives	20

Directors' remuneration policy

Summary of remuneration policy

The Group's remuneration policy aims to align the interests of the Executive Directors with those of shareholders. As outlined in last year's annual report, a new policy came into effect on 6 August 2020 (the date of the 2020 AGM). The overriding objective continues to be ensuring that the executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value.

The Remuneration Committee believes that performance-related pay and incentives should account for a significant proportion of the overall remuneration package of our executive team, so that their reward is aligned with shareholder interests and the performance of the Group, without encouraging excessive risk taking. Performance-related elements of the remuneration therefore form a significant proportion of the total remuneration packages.

The Committee has discretion to take into account performance on ESG matters, for example to adjust the outcomes of incentive arrangements in light of any ESG issues.

Fixed Pay

- Base Salary
- Benefits
- Pension

Variable Pay

Annual Incentive Plan		Performance Share Plan	
80% Group financial performance*	20% strategic personal objectives*	50% EPS*	50% TSR*
60% cash 40% deferred shares		100% vesting year 3 2-year post-vesting holding period	
Malus and clawback and shareholding requirements			

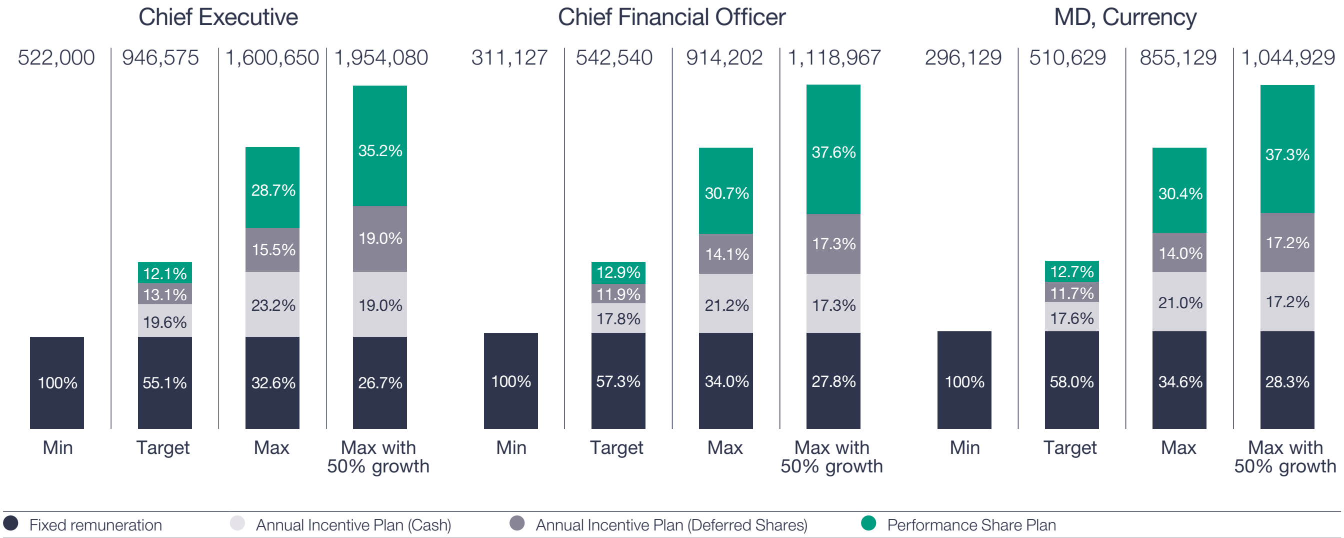
Note:

* We are minded to apply the policy in this format for year 1 of the plans with discretion to adjust in future years.

Illustration of the application of remuneration policy

The following charts illustrate the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 25 May 2021.

Scenario chart



Illustrative scenario charts

Performance scenarios for the ABP and PSP assume the following:

Minimum	Target	Maximum	Maximum with share growth of 50%
There is no cash bonus or deferred share award under the ABP or vesting under the PSP	Target cash bonus and deferred shares under the ABP, target vesting under PSP	Maximum cash bonus, maximum deferred shares under the ABP, maximum vesting under the PSP	Maximum cash bonus, maximum deferred shares under ABP, maximum vesting under PSP with share price growth of 50%

Assumptions for the scenario charts

Minimum	Target	Maximum	Maximum with share growth of 50%
Fixed pay (base salary, benefits and pension)	Fixed pay (base salary, benefits and pension)	Fixed pay (base salary, benefits and pension)	Fixed pay (base salary, benefits and pension)
No bonus payout	50% of maximum bonus opportunity (67.5% of salary for CEO, 57.5% of salary for CFO and other Executive Directors)	100% of maximum bonus opportunity (135% of salary for CEO, 115% of salary for CFO and other Executive Directors	100% of maximum bonus opportunity (135% of salary for CEO, 115% of salary for CFO and other Executive Directors
No vesting under ABP or PSP	60% will be payable immediately in cash and 40% will be deferred in shares	60% will be payable immediately in cash and 40% will be deferred in shares	60% will be payable immediately in cash and 40% will be deferred in shares. 40% of ABP deferred shares vesting valued at 60%
	25% of PSP shares vesting (25% of salary for CEO and CFO and other Executive Directors)	100% of PSP shares vesting (100% of salary for CEO, CFO and other Executive Directors)	100% of PSP shares vesting valued at 150%

Executive Director remuneration mix 2021/22

Based on the above performance scenarios the table below illustrates that a significant proportion of Executive Directors' remuneration is biased towards variable pay at maximum:

		% of pay at minimum achieved	% of pay at target achieved	% of pay at maximum achieved
CEO	Fixed	100	55	33
	Variable	–	45	67
CFO	Fixed	100	57	34
	Variable	–	43	66
MD, Currency	Fixed	100	58	35
	Variable	–	42	65

The remuneration mix above is based on the remuneration policy as it is intended to be operated for FY 2021/22.

For further information on the Directors Remuneration Policy please see page 87.

Annual report on remuneration

This section of the Directors' remuneration report shows how the Remuneration Committee implemented the policy on Directors' remuneration for the financial year 2020/21 including all elements of remuneration received by Executive Directors and the incentive outturns for FY 2020/21.

Single figure of remuneration for each Director (audited)

The table below shows how we have applied the current remuneration policy during FY 2020/21. It discloses all the elements of remuneration received by the Directors during the period.

	Salary and fees[a]		Benefits (excluding pensions)[b]		Bonus[c]		Long term incentive (PSP) (vested)[d]		Pensions[e]		Total	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Executive Directors												
Clive Vacher	**450**	220	**17**	8	**593**	–	**–**	–	**46**	21	**1,106**	249
Rob Harding (appointed to the Board 1 October 2020)	**138**	–	**7**	–	**160**	–	**–**	–	**8**	–	**313**	–
	588	220	**24**	8	**753**	–	**–**	–	**54**	21	**1,419**	249
Chairman												
Kevin Loosemore (appointed to the Board 2 September 2019 as Chairman Designate and became Chairman on 1 October 2019)	**200**	104	**–**	–	**–**	–	**–**	–	**–**	–	**200**	104
Non-executive Directors												
Nick Bray	**58**	58	**–**	–	**–**	–	**–**	–	**–**	–	**58**	58
Sabri Challah (stepped down from the Board 6 August 2020)	**20**	58									**20**	58
Maria da Cunha	**62**	54	**–**	–	**–**	–	**–**	–	**–**	–	**62**	54
Margaret Rice-Jones (appointed to the board 22 September 2020)	**26**	–	**–**	–	**–**	–	**–**	–	**–**	–	**26**	–
Catherine Ashton (appointed to the Board 22 September 2020)	**26**	–	**–**	–	**–**	–	**–**	–	**–**	–	**26**	–
Aggregate emoluments	**980**	494[f]	**24**	8	**753**	–	**–**	–	**54**	21	**1,811**	523

Notes:

The figures in the single figure table above are derived from the following:

a Base salary and fees: the actual salary and fees received during the period.

b Benefits (excluding pensions): the gross value of all taxable benefits received in the period, including for example car or car allowance and private medical and permanent health insurance.

c Bonus: A description of the performance measures that applied for the year 2020/21 is provided on page 82.

d PSP: no PSP awards have vested for current Executive Directors since appointment.

e Pension allowance and contributions to defined contribution section. See page 83 for further details of pension arrangements.

f Excludes data for previously employed Executive and Non-executive Directors (Martin Sutherland, Helen Willis, Philip Rogerson, Andrew Stephens), inclusive of this data the total aggregate emolument for 2020 was £1,160k as reported in our Annual Report 2020.

Base salary and fees, Benefits (excluding pension) and Pensions are fixed pay elements. Bonus and Long term incentives (PSP) (vested) are variable pay elements.

Remuneration continued

Changes in Executive Directors during the year

Rob Harding appointment

Rob Harding was appointed as an Executive Director and as the Chief Financial Officer on 1 October 2020 after a period as Interim Chief Financial Officer. Rob receives a base salary of £275,000.

Rob Harding received pay and remuneration awards in line with our remuneration policy. Pension was set at 9% company contribution subject to a 6% employee contribution in line with contributions available to the wider UK workforce. Rob is eligible for awards under the Group ABP at a maximum target of 115% of base salary effective from his appointment date. Rob was also granted an award under the 2020 PSP in-line with all employees and under the prevailing scheme rules at 14 July 2020.

Ruth Euling appointment

Ruth Euling, Managing Director of the Currency Division, joined the Board as an Executive Director on 1 April 2021. Ruth was appointed on a base salary of £260,000.

Ruth Euling will receive pay and remuneration awards in line with our remuneration policy. Pension was set at 10% company contribution subject to a 6% employee contribution in line with contributions available to the wider UK workforce. Ruth is eligible for awards under the Group ABP at a maximum target of 115% of base salary effective from her appointment date.

Individual elements of remuneration

Base salary and fees (audited)

Base salaries for Executive Directors are normally reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities, Group performance, affordability and market competitiveness. The Committee deferred a pay review for Clive Vacher and Rob Harding in relation to the 2020/21 financial year to 1st April 2021. They were awarded a 2% increase in line with the wider workforce. They will remain eligible for the salary review related to the 2021/22 FY in October 2021.

	Base salary level 2021 £'000	Base salary level 2020 £'000	Increase %
Clive Vacher	**459**	450	2
Rob Harding[1]	**280.5**	275	2

Note:

1 Rob Harding was appointed to the Board on 1 October 2020. The actual pro rata amount paid to Rob Harding in his permanent role was £138,000.

The Directors' remuneration policy approved by shareholders at the 2020 AGM sets out an expectation that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group except in the specific circumstances listed in the remuneration policy.

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board. The Remuneration Committee determines the Chairman's fee. Fees reflect the responsibilities and duties of Non-executive Directors while also having regard to the marketplace. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions. It is the intention that consistent with the policy for Executive Directors, increases for Non-executive Directors would not normally exceed the range of increases awarded to the wider workforce.

Fees payable to Non-executive Directors remain unchanged since FY 2017/18 and we propose to review fees for Non-executive Directors in October aligned with the timing of a review of salary levels for the wider workforce.

The fees for 2021 are as follows:

Non-executive Director fees	**2021 £'000**	2020 £'000
Basic fee	**50**	50
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

The Chairman's fee will remain at £200,000. Both the fees for the Non-executive Directors and the Chairman will be reviewed in October aligned with the timing of a review of salary levels for the wider workforce.

External directorships of Executive Directors

The Board considers whether it is appropriate for an Executive Director to serve as a non-executive director of another company. Clive Vacher, Rob Harding and Ruth Euling hold no remunerated external directorship appointments.

Variable remuneration (audited)

Annual bonus for 2020/21

The Annual Bonus Plan for FY 2020/21 was issued with the following financial structure and targets:

Measure	Threshold	Target	Maximum	Actual	% of maximum achieved
Group adjusted revenue	£352.9m	£372.9m	£392.9m	£388.1m	88%
Group adjusted operating profit	£29.7m	£33.7m	£37.7m	£38.1m	100%
Average net debt	£92.7m	£82.7m	£72.7m	£62.5m	100%

Under the Group adjusted revenue metric, the target award under the plan was based on the published turnaround target to encourage a strong focus on revenue generation in year one of the plan. Operating profit and average net debt metrics were based on maximum award being achieved at or marginally above published turnaround targets. Payout was achieved under all elements as outlined above.

Twenty per cent of the Executive Directors' bonus is based on achievement of personal objectives. Personal strategic objectives were aligned to the delivery of the Turnaround Plan and comprised of both tactical and transformational targets focused on the achievement of core strategic priorities. The detail of the objectives, for both the CEO and CFO which were consistently aligned, are outlined below:

		Summary of personal strategic objectives	Summary of performance	Award
Personal component 20% of maximum award	CEO/ CFO	In additional to delivering the Group financial targets Executive Directors were required to deliver four strategic personal objectives aligned to delivering the Turnaround Plan:		20%
		Currency Market Leadership and Authentication Growth • Deliver targeted revenue and margin growth in both Authentication and Currency in line with Turnaround Plan	**Achieved in full** Despite the impact of Covid revenue and margin remained strong and in line with or beyond target plans for both divisions ensuring at a Group level performance exceeding external expectations.	
		Cost Reduction • Address the cost base of the Company, delivering £35m annualised cost reduction within FY 2020/21	**Achieved in full** A comprehensive cost out programme was completed in FY 2021 delivering both annualised and in year cost reduction.	
		Value Stream Excellence • Secure extension of key contracts • Deliver phase 1 footprint rationalisation Ensuring that during a period of significant change high standards on our Values, Ethics and Compliance with all applicable legislation remained in force.	**Achieved in full** • Identified key contracts secured in both Authentication and Currency • Phase 1 of footprint rationalisation competed including ceasing banknote production in Gateshead and ramp up of production capacity in Debden facility Standards remain high across the Group with adherence to all governance and ethical process embedded into working practices. No significant HSE incidents reported and strong COVID-19 controls rapidly embedded globally to ensure the safety and wellbeing of all employees.	
		Successful refinancing of the business • Raise sufficient funding to execute all aspects of the Turnaround Plan • Strengthen the balance sheet	**Achieved in full** Delivered a successful Capital Raise securing funding for all turnaround planned activity. Financial performance exceeding expectations in FY 2021.	

In reaching its decision on ABP outcome, the Committee reviewed the formulaic outcome of the targets as well as the Company's underlying financial, operational and strategic progress during the year, as set out in the Committee Chair's letter on page 73 and also took into account wider stakeholder perspectives. The Committee decided not to apply discretion in coming to the outcome of award. Executive Directors will therefore receive an award of 77.6% of the maximum bonus based on achievement of financial targets and 20% of maximum bonus based on strategic personal objectives.

Remuneration continued

Long term incentive – Performance Share Plan (PSP)

The PSP is a share settled long-term incentive aligned closely with business strategy and the interests of shareholders through the performance measures chosen and the link to share price. The PSP is designed to provide Executive Directors and selected senior managers with a long-term incentive that promotes sustainable and long-term performance and reinforces alignment between participants and shareholders.

Performance measures applying to PSP awards

Awards made under the PSP 2016-2019 were subject to a combination of average annual cumulative growth in adjusted basic EPS and cumulative growth in ROCE, in each case measured over three financial years. In 2020 the PSP measures were revised and RTSR (Total Shareholder Return relative to FTSE 250 companies, measured over three years) was used in replacement of ROCE alongside the previous EPS metric, which the Committee believes will ensure that appropriate focus is placed on the key business imperative of restoring value to shareholders.

PSP targets for 2020 and 2021 are subject to performance criteria aligned to the challenging growth objectives of the Turnaround Plan.

All awards are made as performance shares based on a percentage of salary and the value is divided by the average share price over a period before the date of grant, in accordance with the rules of the PSP. In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. Any adjustments will depend on the nature, timing and materiality of any contributory factors.

PSP award vesting in 2021

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	Growth % required for threshold	Growth % required for maximum
2018	EPS[1]	25	100	4	12
	ROCE	25	100	34	40

Note:

1 Underlying earnings per share. Based on average annual cumulative growth during the performance period.

Awards under the PSP had three year performance criteria based on EPS and ROCE. Fifty per cent of the award was based on underlying EPS average compound growth above 4% and fifty per cent was based on average ROCE of over 34%. The performance period for the 2018 PSP awards ended on 27 March 2021. Over the period:

- The Group's underlying EPS growth was below the threshold growth of 4% per annum. Under this performance measure this element of the PSP will not vest; and
- De La Rue's average ROCE for the period was below the threshold average of 34%. Under this performance measure this element of the PSP will not vest. The Committee did not exercise any discretion to adjust PSP vesting outcomes and there will be no vesting of any PSP awards for current or former Executive Directors in respect of the performance period ending 2020/21 financial year.

PSP awards made in July 2020 (audited)

The turnaround plan was launched in FY 2020/21 and represented a restatement of the planned business growth following a period of instability for the organisation. The plan was based on a challenging three-year growth trajectory supporting a revenue increase from £350m revenue to £450m over the three years with an average CAGR of 9% per annum. In the 2019/20 Annual Report, the Committee stated its intention to adopt Total Shareholder Return (RTSR) and EPS as measures for the 2020 PSP, but delayed the grant of the 2020 PSP awards due to the high degree of uncertainty around long-term financial targets prior to the completion of the equity capital raise.

The Remuneration Committee concluded that PSP would remain at the same target levels, and that performance would be measured against two Group targets: EPS (50% weighting) and TSR (50% weighting). The measures and targets were confirmed at the time of grant via a Regulatory News Service announcement. Targets under the 2020 PSP grant were aligned to planned growth over the three-year period of the Turnaround Plan.

A summary of the performance levels and award vesting levels that apply to awards under the 2020 PSP are shown in the table below:

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	EPS Growth % required for threshold	EPS Growth % required for maximum
2020	EPS[1]	25	100	11	19.2
	RTSR[2]	25	100	Median	Upper Quartile

Notes:

1 Underlying earnings per share. Based on average annual cumulative growth during the performance period.

2 In 2020 the PSP measures were revised and RTSR (Total Shareholder Return relative to FTSE250 companies, measured over three calendar years) was used in replacement of ROCE alongside the previous EPS metric.

Executive Directors as listed below received PSP awards in line with the existing Directors' remuneration policy as follows:

	Number of shares awarded	Date of award	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
Clive Vacher	340,187	14 July 2020	100	425	25	March 2023
Rob Harding	207,892	14 July 2020	100	260	25	March 2023

All awards were granted as nil-cost options, with the number of shares based on a percentage of salary and the average share price over a five-day period prior to the date of grant, being 132.28p for the award on 14 July 2020. Face value is the maximum number of shares that could vest multiplied by the closing share price of 125p on the date of grant. The Remuneration Committee may add dividend shares that would have accrued during the performance period and extended vesting period on that part of the award that may ultimately vest.

Implementation of the remuneration policy in 2021/22

The remuneration arrangements in FY 2021/22 will operate in line our current remuneration policy.

Salary and benefits

The Committee deferred a pay review for Clive Vacher and Rob Harding in relation to the FY 2020/21 financial year to 1 April 2021, when they were awarded a 2% increase in line with the wider workforce. They will remain eligible for the salary review related to the 2021/22 FY in October 2021. At appointment Clive Vacher received a pension contribution of 12% of salary, in line with negotiated changes to the UK workforce in FY 2020/21 Clive's pension contribution was reduced to 10%. During FY 2021/22 his contributions will remain in line with those available to the workforce, he will receive a pension contribution of 10% on the basis of a 6% individual contribution. All other Executive Directors will also receive a pension contribution in line with levels available to the workforce no greater than 10% employer contribution.

In accordance with best practice, the Committee decided to appoint Clive Vacher at a salary below market median, with an intent to review this in future years in the light of performance and achievement of turnaround objectives. Should the Turnaround Plan strategic objectives and performance be delivered as planned in FY 2021/22, it is the Committee's intention to conduct in FY 2022/23 a review of Clive Vacher's base pay based on all relevant factors including scope and performance in role.

ABP 2021/22

The Remuneration Committee has carefully considered bonus performance measures for FY 2021/22 and concluded that the current measures set out in the table below remain highly relevant for the current turnaround situation. Cost competitiveness, improved efficiency and strong cash management remain key to support growth in both Currency and Authentication.

Adjusted revenue, profit and net debt targets ensure focus remains on maintaining profitable growth and strong cash management. Financial targets will remain in line with the Turnaround Plan financials to ensure that executives remain incentivised and rewarded for the delivery of the committed growth plans. A 20% weighting on personal strategic targets ensures that Executive Directors are incentivised on the delivery of clear financial metrics and good management of the business in line with the Turnaround Plan.

The current maximum entitlement of the Chief Executive Officer under the ABP remains 135% of salary and the Chief Financial Officer and the other Executive Director remains at 115% of salary. The structure and weightings will be as follows:

Structure & weighting	Weighting
Adjusted revenue	20%
Adjusted operating profit	30%
Average net debt[1]	30%
Group strategic personal objectives	20%

Note:

1 Average of the 12-month end net debt positions over the course of the year.

No payment will be made on any element of bonus (including the personal element) if a minimum operating profit is not achieved.

Remuneration continued

Personal strategic objectives for the Chief Executive Officer and other Executive Directors, are focused again on the key strategic priorities aligned to the turnaround plan and will include the following items:

- Delivering growth in Currency through strong banknote performance, increased polymer and security features sales and driving further transformation improvements through increasing polymer and print capacity
- Delivering growth in Authentication with expansion of GRS, growth of brand revenues and strong product portfolio
- Ensure a cost-effective base for the organisation and efficient organisational operating model
- Developing a robust ESG strategy for launch in FY 2022

The Committee is committed to assessing the achievement of these objectives on a quantifiable and objective basis and to clear retrospective disclosure in the Directors' remuneration report.

The Committee will rigorously review incentive outturns and will consider the overall performance of the business, not just the outcome of each measure.

The specific performance targets are not disclosed while still commercially sensitive but will be disclosed the following year.

Performance measures applying to PSP awards to be made in 2021

The Remuneration Committee has given detailed consideration to the most appropriate PSP performance measures that provide a strong link between the Turnaround Plan execution, business performance and executive reward. For awards to be made in FY 2021/22 under the new share plans rules approved at the 2020 AGM, it was felt that the same metrics as used in 2020 provided appropriate incentivisation and will ensure that sufficient focus is placed on the key business imperative of restoring value to shareholders.

The 2021 award remains aligned to the Turnaround growth plans over the three-year performance period recognising that we expect to see the accelerated growth of both revenue and operating profit under the Turnaround Plan to stabilise by FY 2024. This means that the growth targets for the 2021 award are lower in percentage growth than for the 2020 award. This is as a result of the 2021 plan being based off of a higher growth achievement against the Turnaround Plan as reported in our year end results. PSP awards will only be achieved at maximum level in the event of the business delivering shareholders growth in the in the range of 50% over the three-year period.

A summary of the performance levels and award vesting levels that apply to awards under the 2021 PSP are shown in the table below:

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	EPS Growth % required for threshold	EPS Growth % required for maximum
2021	EPS[1]	25	100	8.5	16.7
	RTSR	25	100	Median	Upper Quartile

Note:
1. Underlying earnings per share. Based on average annual cumulative growth during the performance period.

The award will vest on the third anniversary of award subject to meeting performance criteria, but any shares which vest will be held for a further two years and only become eligible for release on the fifth anniversary of the grant of the award.

Shareholding requirements

Executive Directors are required to build up a shareholding equivalent to 200% of salary over a five-year period. It is intended that this is met by Executive Directors retaining 100% of vested post-tax Deferred Bonus shares, restricted shares and performance shares until the requirement is met in full.

The policy has a post-employment shareholding requirement of 200% of salary (or the actual shareholding if lower) for the first year following exit and 50% of this guideline level for the second year following exit.

Executive Directors' service contracts

The table below summarises the notice periods contained in the service contracts for Executive Directors in office as at 27 March 2021.

	Date of contract	Date of appointment	Notice from Company	Notice from Director
Clive Vacher	6 October 2019	7 October 2019	6 months	6 months
Rob Harding	1 October 2020	1 October 2020	6 months	6 months

Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors have letters of appointment rather than service contracts.

Non-executive Director	Date of appointment	Current letter of appointment end date
Catherine Ashton	22 September 2020	22 September 2023
Nick Bray	21 July 2016	20 July 2022
Maria da Cunha	23 July 2015	22 July 2021
Kevin Loosemore	1 October 2019	30 September 2022
Margaret Rice-Jones	22 September 2020	22 September 2023

Total pension entitlements (audited)

The Group's UK pension schemes are funded, HMRC registered and approved schemes. They include both defined contribution and defined benefit pension schemes.

None of the Executive Directors in the period were a member of the legacy defined benefit schemes. All the Executive Directors have opted out of the defined contribution plan and receive a cash allowance in lieu of a pension contribution.

Clive Vacher received a pension contribution of 10% of salary on the basis of a 6% individual contribution, in line with levels available to UK-based employees.

Rob Harding received a pension contribution of 9% of salary on the basis of 6% individual contribution in line with levels available to newly appointed UK-based employees. Any new Executive Director will likewise receive pension contributions in line with levels available to the workforce.

Payments for loss of office (audited)

There were no payments for loss of office during the period.

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 27 March 2021:

			Unvested awards					
			Subject to performance conditions	Not subject to performance conditions			Vested shares	
	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Performance Share Plan	Annual Bonus Plan	SAYE	Vested SAYE shares unexercised during the period	Vested shares exercised during the period
Executive Director								
Clive Vacher	201,049	91	696,836[1]	–	–	10,162[1]	–	–
Rob Harding	–	–	207,892	–	–	8,704	–	–
Non-executive Chairman								
Kevin Loosemore	947,840	N/A	–	–	–	–	–	–
Non-executive Directors								
Catherine Ashton	–	N/A	–	–	–	–	–	–
Nick Bray	26,375	N/A	–	–	–	–	–	–
Maria da Cunha	29,533	N/A	–	–	–	–	–	–
Margaret Rice-Jones	–	N/A	–	–	–	–	–	–

Note:

1 In line with standard market practice, all share awards that were outstanding on 6 July 2020 when the Company completed the Equity Capital Raise were adjusted to reflect the dilutive effect of the open offer using the standard theoretical ex-rights price (TERP) approach. No adjustments were made in respect of the firm placing.

There have been no changes in Directors' interests in ordinary shares in the period from 27 March 2021 to 25 May 2021. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary during the period are calculated using the closing De La Rue plc share price of 204.5p on 27 March 2021.

Remuneration continued

Directors' interest in vested and unvested share awards (unaudited)

The awards over De La Rue plc shares held by Executive Directors under the ABP and PSP and Sharesave scheme during the period are detailed below:

	Date of award	Total award as at 28 March 2020	Awarded during year	Exercised during year	Lapsed during year	**Awards held at 27 March 2021**	Awards vested (unexercised) during year	Strike price (pence)	Market price per share at exercise date (pence)	Date of vesting	Expiry date
Clive Vacher											
Annual Bonus Plan[1]		–	–	–	–	**–**	–	–	–	–	–
Performance Share Plan	Jan 20	326,245	–	–	–	**356,649[2]**	–	131.80[3]	–	Jan 25	Jan 30
	Jul 20	–	340,187	–	–	**340,187**	–	132.28[4]	–	Jul 25	Jul 30
Total		326,245	340,187			**696,836**					
Sharesave options[1]	Jan 20	1,334	–	–	–	**1,458[2]**	–	118.67[5]	–	Mar 23	Aug 23
	Jan 21	–	8,704	–	–	**8,704**	–	131.10[5]		Mar 24	Aug 24
Rob Harding (appointed to the Board on 1 October 2020)											
Annual Bonus Plan[1]		–	–	–	–	**–**	–	–	–	–	–
Performance Share Plan	Jul 20	207,892[6]	–	–	–	**207,892**	–	132.28[4]	–	Jul 25	Jul 30
Sharesave options[1]	Jan 21	–	8,704	–	–	**8,704**	–	131.10[5]	–	Mar 24	Aug 24

Notes:

1 These awards do not have any performance conditions attached.

2 In line with standard market practice, all share awards that were outstanding on 6 July 2020 when the Company completed the Equity Capital Raise were adjusted to reflect the dilutive effect of the open offer using the standard theoretical ex-rights price (TERP) approach. No adjustments were made in respect of the firm placing.

3 Mid-market share value of a De La Rue plc ordinary share as at 6 January 2020.

4 Mid-market share value of a De La Rue plc ordinary share averaged over the five dealing days immediately preceding award date.

5 For Sharesave options the share price shown is the exercise price which was 80% of mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date.

6 Interest shown as at date of appointment on 1 October 2020.

Chief Executive Officer pay, Total Shareholder Return (TSR) and all employee pay

This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the 10 years to 27 March 2021
- A history of De La Rue's Chief Executive Officer's remuneration for the current and previous nine years
- A comparison of the year on year change in De La Rue's Chief Executive Officer's remuneration with the change in the average remuneration across the Group
- A year on year comparison of the total amount spent on pay across the Group with profit before tax and dividends paid

Chief Executive Officer pay

Period ended March	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020	**2021**
Chief Executive Officer	Tim Cobbold[1,2]	Tim Cobbold	Tim Cobbold	Tim Cobbold[1]	Martin Sutherland[3]	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland[3]	Clive Vacher[4]	**Clive Vacher**
Single figure of total remuneration £'000	604	1,053	634	1,071	1,107	998	899	783	954	340	249	**1,106**
Annual bonus payout as a % of maximum opportunity	Nil	80	Nil	Nil	14	57	40	Nil	29	Nil	Nil	**97.6**
LTIP vesting against maximum opportunity (%)	Nil	Nil	Nil	60	Nil	Nil	Nil	25	25	Nil	Nil	**Nil**

Notes:

1 Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014.

2 Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014).

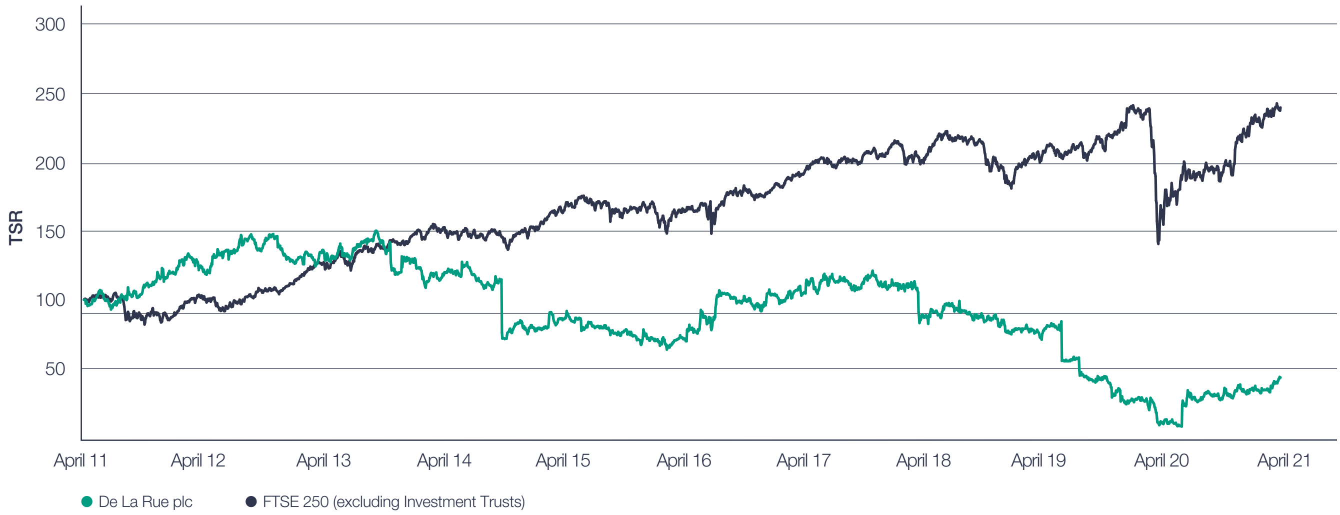
3 Appointed 13 October 2014, resigned on 7 October 2019.

4 Appointed 7 October 2019.

TSR performance

This graph shows the value, by 27 March 2021, of £100 invested in De La Rue plc on 31 March 2011, compared with the value of £100 invested in the FTSE 250 Index (excl. Investment Trusts) on the same date. The other points plotted are the values at intervening financial year ends. De La Rue was a constituent of the FTSE 250 Index for the majority of the period under review.

Total shareholder return
Source: FactSet



Chief Executive Officer pay ratio

The table below sets out the CEO pay ratios from the FY 2020/21 comparing the single total figure of the remuneration with the equivalent figures for lower quartile, median and upper quartile UK employees. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 44.4% of the total employee population.

We have used Option A methodology as an established data set which accurately represents the distribution of pay within the 25th, 50th and 75th percentiles of UK employees. The three quartile individuals were identified using the full-time equivalent salary and then their pay was calculated as a single total figure of remuneration including benefits on a comparable basis with that used for the CEO.

As the quartile individuals are representative of the companies pay distribution the ratios presented are consistent with the pay, reward and progression policies for the UK employees. A significant portion of the CEO remuneration is delivered through variable incentives where awards are linked to business performance over a longer term. This means that ratios may fluctuate year to year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/2021	Option A	30:1	24:1	18:1
2019/2020	Option B	19:1	14:1	9:1

Total pay and benefits amounts used to calculate ratio.

		25th percentile ratio		50th percentile ratio		75th percentile ratio	
Financial year	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2020/2021	Option A	£37,017.34	£32,584.92	£45,423.49	£41,795.49	£62,770.89	£53,918.64
2019/2020	Option B	£32,000.75	£24,510.84	£44,450.36	£39,316.30	£65,907.38	£54,000.00

Remuneration continued

Percentage change in Directors' remuneration

The table below compares the percentage change in the Directors' salary, bonus and benefits to the average change in salary, bonus and benefits for all UK employees between FY 2019/20 and 2020/21. Martin Sutherland and Clive Vacher's salaries were combined for the FY 2019/20 period. As sales incentive only was paid in 2019/20 and ABP was not paid, there were insufficient recipients to calculate a meaningful year on year change. Maria da Cunha was paid an additional fee to reflect a correction to the fees paid in FY 2019/20.

	Salary %	Benefits %	Annual bonus %
Chief Executive Officer	-3.57%	-26.0%	–
Chief Financial Officer	–	–	–
Managing Director Currency	–	–	–
Chairman	-0.50%	–	–
Maria da Cunha	14.81%	–	–
Nick Bray	0%	–	–
Margaret Rice-Jones	–	–	–
Catherine Ashton	–	–	–
UK employee average	3.79%	0%	–

Relative spend on pay

The following table sets out the percentage change in payments to shareholders and the overall expenditure on pay across the Group.

	2020/21 £m	2019/20 £m	Change %
Dividends (note 10 to the financial statements)	**–**	17.3	N/A
Overall expenditure on pay (note 4 to the financial statements)	**107.7**	129.4	-20.1

Statement of shareholder voting

The remuneration policy and implementation report were approved by shareholders at our AGM on 6 August 2020. Details of the poll voting result on the relevant resolutions are shown below:

	Total votes cast	For[1]	(%)	Against	(%)	Votes withheld[2]
Approval of remuneration policy	123,630,196	117,001,673	94.64	6,628,523	5.36	30,416
Approval of remuneration report	123,630,019	121,649,532	98.40	1,980,487	1.60	29,656

Notes:

1 The votes 'For' include votes given at the Chairman's discretion.

2 A vote withheld is not legally a vote cast and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

De La Rue carefully monitors shareholder voting on the remuneration policy and implementation and the Company recognises the importance of ensuring that shareholders continue to support the remuneration arrangements. All voting at the AGM is undertaken by poll.

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During FY 2020/21, the Committee also received advice from Willis Towers Watson who have no other connection with the Company or individual Directors. Willis Towers Watson has been formally appointed by the Remuneration Committee and advised on the structure, measures and target setting for incentive plans, executive remuneration levels and trends, corporate governance developments and Directors' remuneration report preparation. The Remuneration Committee requests Willis Towers Watson to attend meetings periodically during the year.

Willis Towers Watson is a member of the Remuneration Consultants' Group and has signed up to the code of conduct relating to the provision of executive remuneration advice in the UK. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice has been objective and independent.

Total fees for advice provided to the Remuneration Committee during the year by Willis Towers Watson were £50,769.

Dilution limits

The share incentives operated by the Company comply with the institutional investors' share dilution guidelines. The Directors' remuneration report was approved by the Board on 25 May 2021 and signed on its behalf.

Maria da Cunha
Chair of the Remuneration Committee

25 May 2021

Appendix: Directors' remuneration policy

The remuneration package for Executive Directors consists of fixed base salary, pension and other benefits and a significant proportion of variable pay including annual bonus and long term share based incentives. The following table summarises each element of the proposed remuneration policy for the Executive Directors and explains how each works and is linked to the corporate strategy.

Fixed remuneration

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Base salary			
Fixed competitive remuneration set at levels to recruit and retain talent. Determination informed, but not led, by reference to the market place for companies of similar size and complexity. Reflects individual skills, experience and responsibility necessary to deliver business strategy. Rewards individual performance.	Reviewed annually and fixed for 12 months (but may be reviewed more frequently). Influenced by: • Role, experience, responsibilities and performance • Change in broader workforce salary • Group profitability and prevailing market conditions • Salary levels across the Group generally • Eliminating the gender pay gap • Increases are not automatic	To avoid creating expectations of Executive Directors and other employees, no maximum base salary has been set. Increases will not normally exceed the average of increases awarded within the rest of the Group in the UK. Larger increases may be awarded in certain circumstances including, but not limited to: • Increases in scope or responsibility • Where market conditions indicate a lack of competitiveness and risk to attracting or retaining executives Where the Remuneration Committee exercises its discretion to award increases above the average for other employees, a full explanation will be provided in the next annual report.	Individual performance is the primary consideration in setting salary alongside overall Group performance, affordability and market competitiveness.
Benefits			
Market competitive benefits sufficient to recruit and retain the talent necessary to develop and execute the business strategy.	Provision of car allowance, life assurance and private medical scheme. Executive Directors are also provided with permanent health insurance. Executive Directors can also participate in the annual leave flexibility scheme. Other benefits may be provided on an individual basis such as, but not limited to, relocation allowances including transactional and legal costs, disturbance and travel and subsistence costs.	While the Remuneration Committee has not set an absolute maximum, benefits will be market competitive taking into account role and individual circumstances.	Not applicable.
Pension			
To provide market competitive post-retirement income sufficient to recruit and retain executives.	Executive Directors are offered membership of a defined contribution pension plan or choice of cash in lieu (for example, where contributions to the plan would cause an Executive Director to exceed the HM Revenue and Customs (HMRC) annual allowance or lifetime allowance limits.) The contribution rates offered are aligned with pension contributions for the wider workforce and based on base salary only.	The contribution rates for newly appointed Executive Directors will be aligned to rates for the wider workforce at the date of appointment. The Executive Directors may choose to receive a cash allowance in lieu of contributions. The allowance is equal to the pension contribution that would otherwise have been paid less the Company's national insurance contribution to ensure cost neutrality.	Not applicable.

Remuneration continued

Variable remuneration

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Annual Bonus Plan (ABP)			
To incentivise and reward delivery of financial and personal performance targets that address the distinct commercial and strategic needs of the business, and align with shareholder interests. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To support a pay for performance philosophy. To help attract and retain top talent and be cost effective. Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element.	The Remuneration Committee sets Group financial targets and agrees personal objectives for each Executive Director at the start of each year. Reference is made to the prior year and to budgets and business plans while ensuring the levels set are appropriately challenging but do not encourage excessive risk-taking. Payments are determined by the Remuneration Committee after the year end. The bonus plan is non-contractual and may be offered on a year by year basis. Sixty per cent of annual bonus is payable immediately in cash. Forty per cent of annual bonus is payable in deferred shares (deferred bonus plan) and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions. Fifty per cent of deferred shares are released one year after cash payout and the remaining 50% two years after cash payout. The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest. The deferred share element (DBP) will be disclosed in the annual report on remuneration. The cash and deferred share element are subject to malus and clawback provisions to allow the Company to recoup three years from award in the event of material financial misstatement of results, gross misconduct, other acts or omissions that could bring the business into disrepute and or cause reputational damage or corporate failure. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short- and long-term plans if there is misalignment with the Group's strategic goals or shareholder interests.	The current annual maximum bonus opportunity of 135% of salary for the Chief Executive Officer and 115% of salary for the Chief Financial Officer linked to business performance will continue to apply. The Remuneration Committee has the discretion to increase the overall maximum bonus level to 150% of salary, subject to this not being above the competitive market range.	The bonus payout level is determined by achievement of Group financial performance measures with an element based on personal objectives. The metrics, while stretching, do not encourage inappropriate risks to be taken. The Remuneration Committee will maintain discretion to consider the financial underpin in respect of awards under the ABP. Financial targets and weightings will be disclosed in the annual report on remuneration.

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Performance Share Plan (PSP)			
A share-based long term incentive is aligned closely with business strategy and interests of shareholders through the performance measures chosen. Under the new policy, consistent with market practice, awards will vest, subject to group performance, at the end of a three-year performance period, and will be subject to a two year post-vesting holding period. This supports a pay for performance philosophy. To retain key executives over a longer-term measurement period. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To attract and retain top talent and continue to be cost-effective. To ensure overall cost-efficiency. To ensure any payout is supported by sound profitability. To support the strategic focus on growth and margins.	Directors receive share awards in respect of each financial year with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk-taking. Awards will vest after three years provided Group performance criteria are met. This will be followed by an additional two-year holding period before awards are released to participants. The Remuneration Committee may determine that the award holder will receive additional shares equal to the value of any dividends which would have been paid (by reference to the period beginning on the grant date and ending at the end of the holding period) on the shares subject to an award which vest. Vesting of awards is subject to continued employment until the vesting date but, as described on page 73, PSP awards may also vest in 'good leaver' circumstances. Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time in the performance period. The Remuneration Committee has the right to claw back any PSP awards within three years of the vesting of an award to the extent there has been material financial misstatement of results, gross misconduct, any act or omission that could bring the business into disrepute and or cause reputational damage or corporate failure. Malus provision also applies. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short- and long-term plans if there is misalignment with the Group's strategic goals or shareholder interests.	The maximum number of shares which may be subject to an award granted to eligible employees in respect of any financial year will not have a value (as determined by the Remuneration Committee) exceeding 100% of salary as at the award date. The Committee retains discretion in exceptional circumstances to grant awards with a face value of up to 150% of salary.	Awards will normally vest subject to the achievement of Group performance over a period of three years against key metrics set by the Remuneration Committee which are aligned to commercial business needs and strategy. The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance achieved. The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with the Group's business objectives and strategy and retains the discretion to change the measures and their respective weightings to ensure continuing alignment with such objectives and strategy. The Remuneration Committee maintains the ability to adjust or set different performance measures if events occur or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. If varied or replaced, the amended performance conditions must, in the opinion of the Committee, be materially no more or less difficult than the original condition when set and these will be disclosed in the annual report on remuneration.
All employee share plans			
To encourage employees including the Executive Directors to build a shareholding through the operation of all employee share plans such as the HMRC approved De La Rue Sharesave scheme in the UK.	Executive Directors may participate in the Sharesave scheme on the same terms as other employees. Under the UK Sharesave scheme, the option price may be discounted by up to 20%. Accumulated savings through payroll may be used to exercise an option to acquire shares. Under the Employee Share Purchase Plan, employees in the US may be offered the opportunity to purchase the Company's shares at a 15% discount to the market price. Any purchases are funded through accumulated payroll deductions. Shareholders approved the Rules of Sharesave and the ESPP at the 2012 AGM.	The maximum savings is in line with the legislative limit which is currently £500 per month over a three- or five-year period under the Company's Sharesave scheme. The rules of the scheme provide for savings up to the legislative limit of £500 per month.	No performance measures but employment conditions apply.

Directors' report

The Directors present their annual report on the affairs of the Group for the period ended 27 March 2021.

Introduction

De La Rue plc is a public limited company, registered in England and Wales as company number 3834125 and has its registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS. As such, it is subject to the reporting requirements set out in the Companies Act 2006. In addition, the Company is listed in the UK and is therefore subject to the additional reporting requirements of the Financial Conduct Authority's Listing Rules (LR) and Disclosure Guidance and Transparency Rules (DTR).

Our reporting to shareholders

The strategic report and this directors' report, when read together with the rest of this annual report, taken as a whole form the management report required for the purposes of DTR 4.1.5 R.

The strategic report provides an overview of the development and performance of the Group's business for the period ended 27 March 2021 and likely future developments in the Group. The various sections of that report, from page 1 to 45 of this annual report, together provide information which the Directors consider to be of strategic importance to the Group.

The following disclosures are hereby incorporated by reference into, and form part of, this directors' report:

- The reporting on corporate governance on pages 48 to 89 and page 95;
- Data on greenhouse gas emissions and other climate change-related disclosures on page 34. This information was included in the strategic report as the Directors consider those matters to be of strategic importance to the Group;
- Details of Directors' interests in the shares of the Company, within the Directors' remuneration report on pages 83 and 84;
- Information relating to financial instruments and financial risk management, as provided in note 16 to the financial statements; and
- Related party transactions as set out in note 30 to the financial statements.

Dividends

In November 2019, the Board decided to suspend future dividend payments. No interim dividend was paid or final dividend recommended in respect of the 2019/20 financial year. The Directors did not declare an interim dividend and do not recommend a final dividend to be paid for 2020/21. See the Chairman's statement on page 4 and page 17 for further details.

Directors

The names and biographical details of the Directors of the Company at the date of this report are provided on pages 50 and 51. In addition, Sabri Challah served as an independent Non-executive Director of the Company until his retirement from the Board at the conclusion of the AGM on 6 August 2020.

Subject to the Company's articles of association, the Companies Act 2006 and any directions given by the Company in general meeting by a special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The powers of the Board are described in the corporate governance statement on pages 52 to 59.

The Directors recognise their duty to have regard to the Company's business relationships with suppliers, customers and others and to consider the long term, environmental and reputational impacts of their decisions. Details of how this affected the principal decisions taken during the period can be found in the section 172 statement on pages 44 and 45.

The rules governing the appointment and removal of Directors are set out in the Company's articles of association. Each of the Directors in office at the date of this report will retire at the AGM on 29 July 2021 and, being eligible, offers himself or herself for election or re-election. Details of the Company's contracts of service with its Executive Directors can be found on page 82 and details of the Company's letters of appointment for the Non-executive Directors are on page 83.

Details of Directors' remuneration are provided in the Directors' remuneration report on pages 71 to 89. The interests of the Directors and their families in the share capital of the Company are shown in the Directors' remuneration report on page 83.

At the date of this report, the Company has agreed, to the extent permitted by the law and the Company's articles of association, to indemnify Directors and officers in respect of all costs, charges, losses, damages and expenses arising out of claims made against them in the course of the execution of their duties as a Director or officer of the Company or any associated company. The Company may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine, but any advance must be refunded if the Director or officer is subsequently convicted or found against. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly.

The Group also maintains Directors' and officers' liability insurance cover for the Directors and officers of the Company and of all Group subsidiary companies.

SHARES AND MAJOR SHAREHOLDINGS

Structure of the Company's share capital

As at 27 March 2021, the share capital of the Company comprised 195,064,380 ordinary shares of $44^{152}/_{175}$p each and 111,673,300 deferred shares of 1p nominal value, all of which are credited as fully paid. The ordinary shares therefore comprise approximately 99%, and the deferred shares approximately 1%, of the issued share capital.

The ordinary shares are listed in the UK and admitted to trading on the London Stock Exchange. The rights attaching to these shares are described in the next section of this report.

Deferred shares carry no voting or other participation rights and extremely limited economic rights. They are not listed or admitted to trading on any market and are not transferable except in accordance with the articles of association.

Any or all of the deferred shares can be repurchased at any time by the Company without notice for a total consideration of one penny, following which they may be cancelled.

Rights of holders of ordinary shares and restrictions on transfer

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association, a copy of which is available on the Company's website www.delarue.com. The key rights are summarised below:

- Voting – on a show of hands at a general meeting of the Company, each holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, shall have one vote for every ordinary share held. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrar no later than 48 hours before a general meeting.
- Dividends and distributions to shareholders on winding up – holders of ordinary shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to a special resolution of the Company the liquidator may divide among members in specie the whole or any part of the assets of the Company and may, for such purpose, value any assets and may determine how such division shall be carried out.
- Transfer of shares – the Company's articles of association place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them except in very limited circumstances. Certain restrictions, however, may from time to time be imposed by law or regulation.

The articles of association may only be amended by special resolution of the holders of the Company's ordinary shares.

Special rights attaching to shares

There are no shares issued by the Company which confer any special voting or other rights regarding the control of the Company.

Shareholder agreements and consent requirements

There are no known arrangements under which financial rights conferred by any of the shares in the Company are held by a person other than the holders of those shares. The Company is not aware of any agreements between shareholders that may result in any restriction on the transfer of shares or exercise of voting rights.

Rights attaching to shares under employee share schemes

Options and awards held by relevant participants under the Company's various share plans carry no voting rights until the shares are issued. The trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on existing shares held in the employee trust. No shares are currently held in trust.

Major shareholdings

As at 27 March 2021, the Company had received formal notification of the following holdings in its shares under DTR 5. It should be noted that these holdings, or the percentage of the issued share capital they represent, may have changed since the Company was notified, but notification of any change is not required until the next notifiable threshold is crossed:

Persons notifying	Date of last notification	Nature of interest	% of issued ordinary share capital held at notification date
Crystal Amber Fund Limited	23/03/2021	Direct	14.11
Schroders plc	07/08/2020	Indirect	10.08
Brandes Investment Partners, L.P.	27/01//2021	Indirect	9.97
Aberforth Partners LLP	09/04/2018	Indirect	5.11
Royal London Asset Management Limited	22/08/2019	Direct	4.98
Neptune Investment Management Limited	13/09/2019	Direct	4.98
The Wellcome Trust Limited	11/09/2019	Direct	3.10

There were no changes notified between the end of the period under review and 24 May 2021.

DIRECTORS' AUTHORITIES IN RELATION TO SHARE CAPITAL

Power to issue and allot

At the 2019 AGM the Directors were generally and unconditionally authorised to allot shares in the Company up to approximately one third of the Company's then issued share capital or two thirds in respect of a strictly pro-rata rights issue.

In connection with the shareholder-approved Equity Capital Raise announced by the Company on 17 June 2020, a General Meeting was held on 6 July 2020 at which the Directors were granted a further authority to allot equity securities up to an aggregate nominal value of £40,820,000, being approximately 87.5% of the total issued share capital at the date of the notice of meeting.

Under this additional authority, on 7 July 2020 the Directors issued 45,410,026 ordinary shares by way of a Firm Placing and a further 45,499,065 ordinary shares by way of a Placing and Open Offer (and therefore a total of 90,909,091 ordinary shares), in each case at an issue price of 110p per share. All of the shares offered through the Placing and Open Offer were taken up by Qualifying Shareholders. The terms of the Equity Capital Raise were fixed on 16 June 2020 when the closing mid-market price of the Company's securities was 152.8p. The issue was therefore priced at a discount of 28.0% to that closing price, but at a premium of 14.6% to the volume weighted average price for the 90 trading days ending on the same date.

The Equity Capital Raise yielded gross proceeds of £100m, which were used to fund the Company's Turnaround Plan and for general corporate purposes. The aggregate nominal value of the shares issued under the Equity Capital Raise was £40,789,610.40. It was structured by way of a cash box, such that all of the new ordinary shares were treated as having been issued for a non-cash consideration.

Over the three years to 7 July 2020 (the date on which the Equity Capital Raise was completed), the Company has issued 23.3% of its issued share capital by way of non-pre-emptive issuance.

Directors' report continued

At the AGM held on 6 August 2020 the Directors were generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal value of £29,150,655 (being approximately one third of the Company's then issued share capital) or up to an aggregate nominal value of £58,301,310 (being approximately two thirds of the Company's then issued share capital) in respect of a strictly pro-rata rights issue.

At the 2020 AGM the Directors were also granted additional powers to allot ordinary shares for cash (i) up to a nominal value of £4,372,598 (being approximately 5% of the Company's then issued share capital) and (ii) up to a further nominal value of £4,372,598, in each case without regard to the pre-emption provisions of the Companies Act 2006, provided that the authority under (ii) can only be used in connection with an acquisition or specified capital investment.

These authorities are valid until the conclusion of the next following AGM.

The Directors propose to seek equivalent authorities at the 2021 AGM. The Directors have no current intention of exercising these authorities, if granted, other than to satisfy the exercise of options or vesting of awards under the Company's employee share schemes.

In addition to the shares issued pursuant to the Equity Capital Raise, a further 157,427 shares were issued for cash during the period to satisfy the vesting of awards or the exercise of options under the Company's employee share schemes. Details of shares issued during the year and outstanding options and awards are given in notes 22 and 23 to the financial statements, and those notes are incorporated by reference into this report. Details of the share-settled long term incentive schemes are provided in the Directors' remuneration report on pages 71 to 89.

Authority to purchase own shares

At the 2020 AGM, shareholders gave the Company authority to make market purchases of up to 19,490,695 of its own ordinary shares (being approximately 10% of the Company's then issued ordinary share capital). Any shares purchased in this way could either be cancelled or held in treasury (or a combination of these). No purchases have been made under this authority.

The Directors propose to seek an equivalent authority at the 2021 AGM, but have no current intention of using this authority, if granted.

CHANGE OF CONTROL

Contracts

There are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group.

Banking facilities

The credit facility between the Company and its key relationship banks contains a provision such that, in the event of a change of control, unless agreement is reached to the contrary, the facility will be immediately cancelled and shall cease to be available for any further utilisation and all outstanding loans, together with accrued interest and certain other charges, will become immediately due and payable.

Employees

In the event of a change of control, vesting would occur in accordance with the relevant scheme or plan rules. There are no agreements in force that would provide any Directors or employees with compensation for any loss of office or employment that occurs because of a change of control.

OUR EMPLOYEES AND WORKFORCE GENERALLY

Employment of disabled persons

The Group gives full and fair consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by that person. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Employee communications and engagement

The Group provides its entire workforce (including employees) with information on matters that could be of concern to them as our workforce. This includes building common awareness of the financial and economic factors affecting the Group's performance through newsletters, all-employee emails and conference calls with the CEO on the day that our results are announced to the market or there is a material development in the Group's business.

Where appropriate, we consult members of our workforce or their representatives on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

We encourage involvement in the Company's performance by our employees and workforce and offer awards under our discretionary share schemes to those more senior employees who are best placed to influence that performance, and through options granted under our Sharesave scheme to all eligible employees in the UK.

The views of our employees and contractors are important. To make sure that these views are heard and are taken into account, the Board has designated an independent Non-executive Director, Maria da Cunha, to oversee its engagement with the workforce. For further details of how she fulfilled this role and it informed the Board's discussions, please see pages 37 and 53.

OTHER STATUTORY DISCLOSURES

Branches

De La Rue is a global business and our activities and interests are operated through subsidiaries, branches of subsidiaries and associates which are subject to the laws and regulations of many different jurisdictions. Our subsidiaries and associates are listed in note 31 to the financial statements. There were no branches of the Company in existence during the period ended 27 March 2021.

Essential contracts or other arrangements

The Group has a number of suppliers of key inputs, the loss of any of which could disrupt the Group's ability to deliver on time, in full or at all. For further details, please refer to the discussion of this risk on pages 26 to 29.

Financial risk management

Please refer to the disclosures in note 16 to the financial statements.

Going concern

As described on pages 30 and 111, the Directors continue to adopt the going concern basis of accounting (in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014) in preparing the consolidated financial statements.

Listing Rule 9.8.4

In relation to the disclosures required by LR 9.8.4:

(1)	Interest capitalised and any related tax relief	Not applicable
(2)	Publication of unaudited financial information or a profit forecast or estimate	Not applicable
(4)	Details of any long term incentive schemes	Not applicable
(5)	Details of any waiver of emoluments by a Director	Not applicable
(6)	Any waiver of future emoluments by a Director	Not applicable
(7)	Non pre-emptive issues of equity securities for cash	
(8)	Non pre-emptive issues of equity securities for cash by major subsidiary undertakings	Not applicable
(9)	Parent company participation in a placing	Not applicable
(10)	Any contract of significance in which a Director or controlling shareholder is interested	Not applicable
(11)	Any contract for the provision of services by a controlling shareholder	Not applicable
(12)	Any waiver of dividends	Not applicable
(13)	Any waiver of future dividends and details of current dividends waived	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

Political donations

The Group's policy is not to make any political donations and none were made during the period. However, the definitions of political donations and expenditure in the Companies Act 2006 are very widely drawn, and it is possible that certain routine activities may unintentionally fall within the scope of the law. The Company is therefore seeking shareholders' renewal of the authority to make political donations at the 2021 AGM, in line with that sought and granted in all recent years.

Research and development

The Group's key activity in the field of research and development is discussed in the CEO review on page 7, the strategy discussion on pages 16 and 17 and in the review of operations on page 18.

Post-balance sheet events

There were no material post-balance sheet events that were required to be disclosed.

Directors' report continued

Annual General Meeting

The AGM will be held at 10.30am on Thursday 29 July 2021 at De Le Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

In light of the evolving guidance from the UK Government in relation to the COVID-19 pandemic and specifically the potential for restrictions on travel and large gatherings to be imposed at short notice, **we are asking our shareholders not to attend the AGM in person this year.**

We value our engagement with all our shareholders and will therefore be providing an audio webcast of the meeting so that shareholders can follow the AGM online. Shareholders will be able to ask questions relating to the business of the meeting via our website in advance of the meeting. Full details of how the webcast will work, how to register to join the webcast and how to participate in the Q&A facility are set out in the AGM Circular sent to you with this annual report and are also available on the Company's website, www.delarue.com.

We have created a dedicated AGM page on our website, www.delarue.com. Should it become appropriate to revise the arrangements for the AGM, any such changes will be notified through the website and, where appropriate, by an announcement through a Regulatory Information Service.

The AGM is being held at the Company's premises and we propose to convene the meeting with the minimum quorum of shareholders (facilitated by certain Directors) to conduct the business of the meeting.

The safety of our staff and shareholders is of paramount importance to us and to minimise the risk of COVID-19 infection we reserve the right to refuse admittance to anyone who cannot satisfy any arrangements that we may reasonably impose in order to protect the safety of those attending our premises. These arrangements may include (but are not limited to) written evidence of vaccination against COVID-19 and/or a negative COVID-19 test conducted in the previous 24 hours, temperature checks and, potentially, COVID-19 testing at the meeting venue which provides a negative result. To further minimise the risks, face coverings or other appropriate PPE must be brought and worn correctly by the attendee and social distancing must be observed at all times. Guests will not be admitted and we are unable to offer car parking on site. Anyone unable to fulfil these requirements may be refused admittance. To eliminate the risk of contact and transfer of the virus, no refreshments will be available and there will be no copies of the meeting materials or annual report available. As the situation continues to evolve, we may add to or vary these safety arrangements at any time.

Accordingly, given the exceptional circumstances, the Company is asking all shareholders not to attend the AGM in person this year, and to submit their proxy form in advance, appointing the Chairman of the meeting as their proxy rather than a named person.

Auditor

Ernst & Young LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

Disclosure of information to the external auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

This directors' report was approved by the Board on 25 May 2021.

By order of the Board

Jane Hyde
Company Secretary

25 May 2021

Directors' responsibility statement

Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable UK law and regulations.

Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland), and applicable law.

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 Group and the Company and of their profit or loss for the period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and, in respect of the Parent Company financial statements, Section 10 of FRS 102) and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the Parent Company financial statements, FRS 102) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- For the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements;
- For the Parent Company financial statements, state whether FRS 102 has been followed, subject to any material departures disclosed and explained in those financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with the applicable law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

Each of the Directors at the date of approval of this statement confirms that, to the best of his or her knowledge:

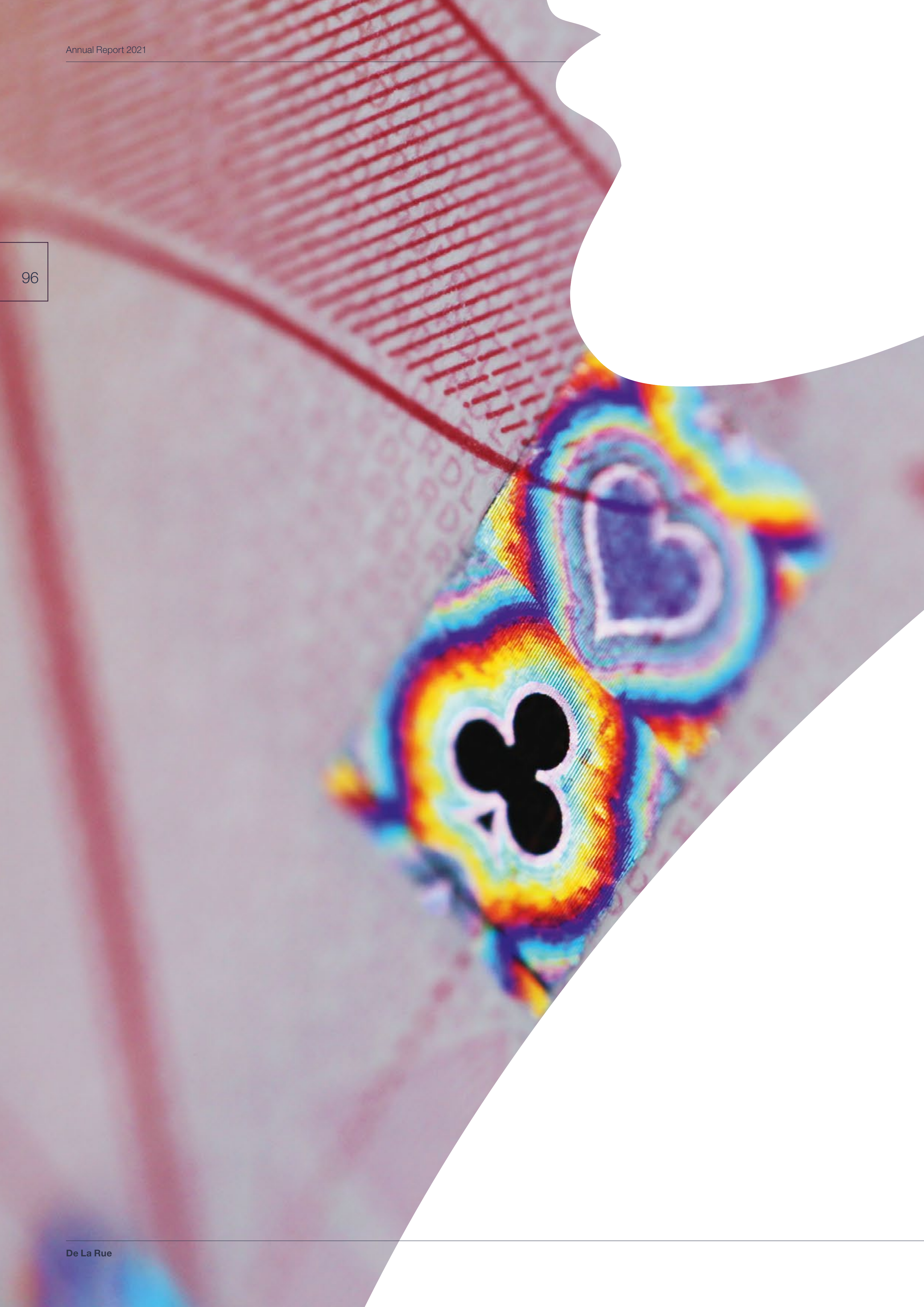
- The Group financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union), give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The the annual report, including the strategic report on pages 1 to 45 and the directors' report on pages 90 to 94 include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board of Directors

Kevin Loosemore
Chairman

Rob Harding
Chief Financial Officer

25 May 2021



03.

Financial statements

Independent auditor's report	98
Consolidated income statement	106
Consolidated statement of comprehensive income	107
Consolidated balance sheet	108
Consolidated statement of changes in equity	109
Consolidated cash flow statement	110
Accounting policies	111
Notes to the accounts	119
Company balance sheet	162
Company statement of changes in equity	163
Accounting policies – Company	164
Notes to the accounts – Company	166
Non-IFRS measures	168
Five year record	171
Shareholder information	172
Featured image glossary	174

Independent auditor's report
to the members of De La Rue plc

Opinion
In our opinion:
- De La Rue plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 27 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of De La Rue plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 27 March 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 27 March 2021	Company Balance sheet as at 27 March 2021
Consolidated income statement for the year then ended	Company Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 9a to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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).

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 group 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 as applied to listed public interest entities, 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. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process as well as the review controls in place over the preparation of the group's going concern model and the memoranda on going concern presented to the board of directors.
- We obtained the cash flow, covenant forecasts and sensitivities prepared by management and tested for arithmetical accuracy of the models as well as checking the net debt position at the year-end date which is the starting point for the model. We assessed the reasonableness of the cashflow forecast by analysing management's historical forecasting accuracy and understanding how any anticipated continued impact of COVID-19 has been modelled. We assessed the reasonableness of the forecasts with reference to the level of secured orders and the status of cost-out initiatives.

- We evaluated the key assumptions underpinning the Group's assessment by challenging the measurement and completeness of downside scenarios modelled by management and how these compare with principal risks and uncertainties of the Group. The key sensitivity in management's assessment is the group's ability to continue operating within its bank covenants (specifically the EBITDA/net debt covenant) during the period. We therefore ensured that management performed reverse stress testing scenarios which quantified the downside required to breach this covenant (by modelling both decreased earnings and increased net debt) and evaluated whether the downside in cash flows required for such a scenario to materialise was plausible during the going concern period considering the analysis of fixed versus variable costs, the proportion of revenue secured through orderbook coverage, and recent forecast accuracy.
- We understood each of the available mitigating actions (e.g. reduced capital expenditure, cost-out initiatives, and reductions in discretionary spend) and obtained analysis to determine if these were in the control of management and evaluated the expected impact of the mitigation in the light of our understanding of the business and its cost structures.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including non-current asset impairment and deferred tax asset recognition.
- We confirmed the continued availability of debt facilities through the going concern period and reviewed their underlying terms, including covenants, by examination of executed documentation.
- We held discussions with the Audit Committee and full board of Directors to corroborate the forecasts and their basis as prepared by management.
- We considered whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment and outcomes.

The audit procedures performed in evaluating the director's assessment were performed by the Group audit team, however we also considered the financial and non-financial information communicated to us from our component teams of overseas locations as sources of potential contrary indicators which may cast doubt over the going concern assessment. We determined going concern to be a key audit matter.

Our key observations

In line with the group's Turnaround plan, the Group is forecast to continue to be profitable and generate positive cashflows during the going concern period. The Group is forecast to maintain adequate liquidity and headroom with its covenants and the reverse stress test scenario suggests that the group would need to be exposed to significant downside events impacting profitability and cash flows in order to breach its covenants. In this remote scenario, management still consider that that impact can be mitigated by further cash and cost saving measures which are within their control during the going concern period.

The group's principal source of funding (the revolving credit facility) is set to expire in December 2023, beyond the period of management's assessment (being the period through to 30 June 2022).

Conclusion

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 group and parent company's ability to continue as a going concern over the period through to 30 June 2022, a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 4 components, an audit of specific balances of 3 components and performed specified procedures for a further 8 components. • The components where we performed full, specific or specified audit procedures accounted for 108% of adjusted EBITDA (being EBITDA adjusted for exceptional items), 100% of Revenue and 98% of Total assets.
Key audit matters	• Revenue recognition (cut-off, over time and segmental disclosures) • Post-retirement benefits – liabilities • Recoverability of long-term assets • Going concern
Materiality	• Overall Group materiality of £1.1m which represents 2% of adjusted EBITDA.

Independent auditor's report
to the members of De La Rue plc continued

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 51 reporting components of the Group, we selected seven components as full or specific scope covering entities within United Kingdom, Malta, Sri Lanka, Kenya and Group consolidation adjustments, which represent the principal business units within the Group.

The table below sets out the coverage obtained from the work performed by our audit teams.

Of the 7 components selected, we performed an audit of the complete financial information of 4 components ("full scope components") which were selected based on their size or risk characteristics.

For the remaining 3 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The remaining coverage (being (23.2%) of adjusted EBITDA) related to specified procedures performed through centralised testing by the group team in 8 further locations. These locations typically represent other small revenue generating entities, overseas cost centres, or holding companies and not the principal business units of the Group. We extend our scope to these entities in order to add an element of unpredictability into our scoping and in response to new potential audit risks (such as the revenues earned in the new joint venture in Ghana, De La Rue Buck Press Limited).

Specifically, we performed specified procedures on certain aspects of Revenue; Other operating expenses; interest income and expense, provisions, intangible assets and amortisation, in response to our risk assessment for these individual financial statement captions. The audit scope of the components in specific scope or specified procedures may not have included testing of all significant accounts of the component but will have contributed to the metrics provided above for the Group.

Of the remaining 36 components that together represent (7.6%) of the Group's adjusted EBITDA, none are individually greater than (2.5%) of the Group's adjusted EBITDA. For these components, we performed other procedures, including cash and borrowings verification testing on all material balances and a random selection of additional immaterial balances, analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

	Adjusted EBITDA (%)	Revenue (%)	Total Assets (%)
Full Scope (4 Locations)	106.0	92.6	72.6
Specific Scope (3 Locations)	25.1	2.2	18.5
Specified Procedures (8 Locations)	(23.2)	5.2	7.3
Significant Components Total	107.9	100.0	98.3
Other Procedures (36 Locations)	(7.9)	0.0	1.7
Group Total	**100.0**	**100.0**	**100.0**

Changes from the prior year

There have been no significant changes in the scoping of our Group audit.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The audit procedures on the four full scope components were performed directly by the primary audit team. For the three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the year the Group audit team determined not to undertake any planned visits to the specific scope overseas locations. This decision was taken based on the relative contribution of the full scope UK locations to the overall Group (106.0% of the Group's adjusted EBITDA, 92.6% of the Group's Revenue and 72.6% of the Group's Total assets). Detailed instructions were sent to all specific scope overseas locations which covered the significant areas that should be addressed by the component team auditors and the information which should be reported by to the Group audit team. Furthermore, the number of misstatements identified in recent periods across the three locations continues to be low.

The primary team interacted regularly with the component teams during various stages of the audit including attending planning, update and closing meetings via conference calls. The primary team reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue Recognition (cut-off, over time and segmental disclosures) – £397.4m (FY2020 – £472.1m) *Refer to the Audit Committee Report (page 63); Accounting policies (page 113); and Note 2 of the Consolidated Financial Statements (page 121).* We have identified that there is a risk that revenue is manipulated at or near to the period end to meet income statement targets through management override of controls. This cut-off risk manifests itself in different ways based on the terms of the contract and the associated accounting policy under IFRS 15. For contracts where revenue is recognised at a 'point in time' the risk relates to evidencing that control has passed to the customer. In particular, certain contracts include specific terms, for example, complex acceptance criteria or "bill and hold" criteria which adds to the risk that revenue may be recorded in the incorrect reporting period. For contracts where revenue is recognised 'over time' the risk relates to the judgements made in relation to evidencing; an enforceable right to payment in the contract; and completion of inventory or costs incurred compared to total estimated cost to complete. Given the importance of segmental revenue to the Turnaround plan, there is a risk that revenue may be inappropriately classified between segments to misstate progress against key performance measures. Misstatements that occur in relation to this risk would impact the revenue recognised in the income statement as well as any revenue related balance sheet account such as trade debtors, deferred income and accrued income.	We have performed testing using the lowest end of the performance materiality range applicable for addressing the occurrence assertion impacted by a significant risk. At each full and specific scope component with significant revenue streams (5 components) including (where relevant) consolidation adjustments, we performed audit procedures which covered 94.8% of the Group's Revenue. The primary audit team and specific scope components performed the audit procedures over the Group's revenue. Our procedures included, among others, obtaining an understanding of the revenue recognition process and evaluating the design of internal controls over revenue recognised. We also evaluated the appropriateness of the Group's revenue recognition policy. To address the risk on inappropriate cut-off, we selected a sample of revenue transactions around the period end date and for our sample selected, we tested to ensure there is appropriate evidence to support that control has passed to the customer and this reflected in the period the revenue was recognised. This included checking to third party evidence of delivery, where applicable. For 'bill and hold' contracts we ensured that this arrangement was stipulated in the contractual terms, that the related goods had been manufactured at the year-end date, including physically verifying a sample of these items, and that control had passed to the customer. For over time revenue contracts, we performed a review of all new material underlying agreements to determine that over time revenue recognition is appropriate, including an assessment of performance obligations and any judgements made by management in concluding that the company has an enforceable right to payment, enquiring with external legal counsel where relevant. The group uses the input method to record revenue over time. For all material contracts, we have tested actual costs incurred to underlying supporting documents and challenged the appropriateness of the estimated cost to complete the performance obligation. We have also tested the appropriateness of the margin applied by agreeing the calculations through to contractual terms (e.g. unit prices and total contract value). We have also checked that the correct percentage of completion (POC) has been applied in determining the amount of revenue to be recognised. We performed journal entry testing, applying particular focus to significant manual or unusual journal entries to ensure each entry is supported by an appropriate, underlying business rationale, is properly authorised and accounted for correctly in the correct period. We obtained supporting audit evidence including invoices and credit notes for unusual and/or material revenue journals. In order to test the appropriateness of segmental reporting, we have tested whether revenues and costs earned during the period have been appropriately classified under Currency or Authentication in management's financial records based on the nature of the contract and goods or services provided. We have ensured that the segmental disclosures prepared in the annual report are consistent with the underlying financial records.	Based on our audit procedures we have concluded that revenue is appropriately recognised in the period and appropriately accrued or deferred at 27 March 2021. The prior year adjustment in respect of the reclassification of certain rebates from revenue to cost of sales in the authentication segment has been appropriately disclosed by management.

Independent auditor's report
to the members of De La Rue plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Post-retirement benefit Liabilities – £1,071.8m (FY 2020 – £982.1m) *Refer to the Audit Committee Report (page 63); Accounting policies (page 117); and Note 26 of the Consolidated Financial Statements (page 154).* The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. A number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. Misstatements that occur in relation to this risk would affect the retirement benefit obligations account in the balance sheet as well as related accounts in the income statement and statement of other comprehensive income.	We utilised EY pension specialists to assist the primary team in testing the valuation of post-retirement benefit liabilities. Together with our EY pension specialists, we have discussed with the actuaries of the pension scheme to understand the valuation process. We challenged the basis and methodology for setting key assumptions, including, salary increases and mortality rates by comparing them to national and industry averages. We checked the discount and inflation rates used in the valuation of the pension liability against our internally developed benchmarks. We assessed the competency of the third parties used in determining the actuarial valuation. We obtained the Company's legal advice with respect to the Pension Underpin and considered the disclosure of this matter against the requirements of IAS 37 (refer to Note 5 of the Consolidated Financial Statements). We have evaluated the competency of the third parties engaged to provide the legal advice. We assessed the appropriateness of Management's retirement benefit obligation disclosure by reference to the requirements of applicable accounting standards.	Based on our audit procedures, we have concluded that the actuarial assumptions applied within the valuation of post-retirement benefits at period-end are appropriate.
Recoverability of long-term assets: We focussed our attention on the following two items which were deemed to be the highest risk within the account class. **Fixed assets at the Gateshead facility – £24.6m remaining netbook value, £10.3m impairment** *Refer to the Audit Committee Report (page 64); Accounting policies (page 116); and Note 5 of the Consolidated Financial Statements (page 123).* In June 2020, the group announced that it intended to cease Banknote printing at the Gateshead facility, while retaining some core services and roles at the site. In line with IAS 36, this event should be treated as indicator of impairment as it suggests that the current carrying value of fixed assets at the site may not be fully recovered through future economic benefits. Management have undertaken a detailed exercise to evaluate the extent to which existing fixed assets in Gateshead could be redeployed to alternative sites across the group or sold to realise value. Management have had to make significant judgements in establishing the extent to which the various assets could continue to have an economic use to the group and the extent to which the carrying values are recoverable based on their anticipated ongoing use or through sale. There is a risk that these judgements may determine a value for these assets which is materially misstated. **Portals financial asset – £8.6m (FY2020 – £7.8m)** As part of the disposal of the paper business to Portals De La Rue Ltd in 2018, a portion of the consideration received by the company was deferred in the form of preference shares and loan notes, with interest accruing annually on these amounts and added to the value of the asset. These amounts are repayable at the earliest (in the absence of a triggering event) in 2028. The assessment of the recoverability of these financial assets includes significant judgement. Misstatements could occur where inappropriate judgements have been made in determining the Expected Credit Loss provision required in relation to these financial assets.	We reviewed management's impairment assessment covering the full schedule of fixed assets recorded at the Gateshead site. We have understood the prospective use or potential sale of these assets. We challenged management on the assumptions made in respect to the future economic benefit of assets being redeployed to alternative sites (£20.3m). We corroborated the assumptions by agreeing this information to the revised business plans formally approved by the Board on 25 May 2021, including consideration for where the assets will be relocated and their intended strategic use. We have challenged management on the feasibility of redeploying these assets and the judgements around their useful economic life and have corroborated their judgements through discussions with commercial and operations contacts. For assets intended to be sold (£1.2m), we obtained evidence supporting the viability of the sale (such as correspondence/agreement with the buyers) and confirmed that the carrying values were impaired to the expected consideration amount. We understood the timing of the agreements in respect of whether any of the assets should be recorded as an asset held for sale under IFRS 5. For the assets which are expected to physically remain at the Gateshead site (£3.3m) which have not been fully impaired, through our review of updated business plans, we have verified that there continues to be an expected future economic benefit associated with assets through other core services not relating to printing, such as business continuity planning and other centralised services required for the group. We assessed whether it was appropriate that the impairment loss recorded (as a restructuring cost) should be presented as an exceptional item by reference to the group accounting policy and ESMA guidance on alternative performance measures. For Portals, we reviewed management's expected credit loss assessment, including the assumptions utilised with regards to the unbiased and probability weighted analysis required by IFRS 9, taking into account all available information on the counterparty and evaluating a range of possible outcomes. We challenged management's assumptions utilised in their assessment, including the relative weighting of each possible outcome and whether any contra-indicators existed which would change the assumptions used. In doing this, we also assessed the current financial position of the counterparty and De La Rue's position in the creditor's hierarchy in regard to their total creditors.	Based on our audit procedures we have concluded that the transactions in the year have been appropriately disclosed and that the remaining balance sheet amounts are recoverable based on the audit procedures performed as at 27 March 2021.

In the prior year, our auditor's report included the following key audit matters which have been removed due to the specified basis:

- The adoption of IFRS 16 'Leases': the assessment and implementation of this standard was completed in the prior year and as such there are no further complex judgements to be made by Management in reference to adopting this standard. We do not consider the ongoing accounting treatment of leases within the group to be a key audit matter.
- Virtual audit procedures and inventory counts in response to COVID-19: in the current year, EY were able to safely perform physical inventory counts in all major locations. Therefore virtual/alternative audit procedures for inventory counts (which were used in response to COVID-19 related restrictions in the prior year) were not required and have thus not been considered a key audit matter for the current year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the Group to be £1.1m (2020: £0.9m), which is 2% (2020: 2%) of adjusted EBITDA. Given the focus on the Group's ability to continue operating as a going concern in recent periods which has been addressed through management's execution of the equity raise and ongoing Turnaround plan, we believe that there remains a pivotal focus on the banking covenants applicable to the Company which are based on adjusted EBITDA. As such, we believe that adjusted EBITDA provides us with a reasonable basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be £5.3 million (2020: £2.8 million), which is 2% (2020: 2%) of equity.

Our materiality is based on the Group's EBITDA adjusted for exceptional items in order to exclude items which are non-recurring in nature. We have determined the final materiality amount applied in our audit procedures below:

Starting basis	• Group EBITDA £34.1m
Adjustments	• Add back net exceptional items of £22.6m as disclosed on the Group Income statement
Materiality	• Totals £56.7m • Materiality of £1.1m (2% of adjusted EBITDA)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £0.5m (2020: £0.4m). We have set performance materiality at this percentage due to an expectation of possible audit misstatements in the current year driven by the volume and quantum of audit misstatements identified in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.1m to £0.5m (2020: £0.1m to £0.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £56,000 (2020: £42,500), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 95, 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 there is 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 plc continued

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 the 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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

Corporate Governance Statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 95;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 30;
- Directors' statement on fair, balanced and understandable set out on page 95;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 95;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 26; and;
- The section describing the work of the audit committee set out on page 62.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 95, 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 group and parent 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 group or the parent 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 company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS standards for the group financial statements and FRS 102 for the parent company stand alone accounts, in addition to abiding by the Companies Act 2006) and the relevant direct and indirect tax regulations in the United Kingdom.

In addition, the Company has to comply with laws and regulations relating to its operations, including exports of product and service regulations, offset terms on foreign contracts, UK Anti-bribery act, procurement regulations, Proceeds of Crime Act 2002 and The Money Laundering (Amendment) Regulations 2012, , Health and Safety and GDPR. Furthermore, the company must comply with Listing Rules (LR requirements, Disclosure & Transparency Rules (DTR) requirements and ESMA Guidelines on Alternative Performance measures, UK Corporate Governance Code (2014 Code)

- We understood how De La Rue plc is complying with those frameworks by making enquiries of management including internal legal counsel to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. Specifically, we inspected the code of conduct and employee handbook issued to each employee, we also verified that specific training on the above frameworks were offered to employees throughout the year; obtaining and inspecting the training compliance report held by the company. Where relevant we liaised with external legal counsel to understand the potential impact of claims brought against the company. We also reviewed correspondence with relevant authorities, including HMRC.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and through assessing revenue as a fraud risk through recognising revenue in the incorrect period. Our procedures to address this involved:
  - Understanding the revenue recognition process, policy and how it is applied, including relevant controls;
  - Selecting a sample of key contracts to test based on various risk criteria. For the same contracts we performed detailed contract reviews, including challenging management assumptions on the revenue recognition process.
  - For those contracts where revenue has been recognised over time, our procedures focussed on testing management's underlying assumptions in determining revenue recognised in the period, specifically the judgements made at the year-end date relating to the completion of inventory on those contracts or cost incurred to date compared to estimated cost to complete.
  - For point in time revenue, we tested revenue cut-off at the year-end by selecting a sample of revenue transactions and testing whether revenue was recorded in the correct period through agreement to proof of delivery to confirm the period that the revenue relates to and;
  - We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing work, with focus on manual transactions recorded at or close to the year-end date
  - Furthermore, given the territories the company operates in, we have applied forensic techniques to review commissions paid to third party agents acting on behalf of the group by obtaining data related to commission invoices during the year and performing a range of tests seeking to highlight any unusual transactions, including an analysis of whether commission payments were aggregated around specific dates (i.e. post year end or month ends) or if unusually large payments were made.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the reporting framework set out above through our walkthrough testing.
- If any instance of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the group level.

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.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 21 September 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. We signed an updated engagement letter on 24 May 2021.

  The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 31 March 2018 to 27 March 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

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.

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

25 May 2021

Consolidated income statement
for the period ended 27 March 2021

	Notes	2021 £m	2020 £m (restated)[1,2]
Revenue from customer contracts	2	**397.4**	472.1
Cost of sales		**(289.6)**	(366.2)
Gross Profit		**107.8**	105.9
Adjusted operating expenses	4	**(69.7)**	(82.2)
Adjusted operating profit		**38.1**	23.7
Adjusted Items:			
– Amortisation of acquired intangibles		**(1.0)**	(0.9)
– Net exceptional items	5	**(22.6)**	20.0
Operating profit		**14.5**	42.8
Interest income	7	**0.8**	1.0
Interest expense	7	**(7.1)**	(6.1)
Net retirement benefit obligation finance income/(expense)	7, 26	**1.7**	(1.6)
Net finance expense		**(4.6)**	(6.7)
Profit before taxation from continuing operations		**9.9**	36.1
Taxation	8	**(1.4)**	–
Profit from continuing operations		**8.5**	36.1
Loss from discontinued operations	3	**(0.4)**	(0.3)
Profit for the year		**8.1**	35.8
Attributable to:			
– Owners of the parent		**5.9**	34.1
– Non-controlling interests		**2.2**	1.7
Profit for the year		**8.1**	35.8

Earnings per ordinary share			
Basic	9		
Basic EPS continuing operations		**3.7p**	30.3p
Basic EPS discontinued operations		**(0.3)p**	(0.3)p
Total Basic EPS		**3.4p**	30.0p
Diluted	9		
Diluted EPS continuing operations		**3.7p**	30.2p
Diluted EPS discontinued operations		**(0.3)p**	(0.3)p
Total Diluted EPS		**3.4p**	29.9p

Notes:

1 FY 2019/20 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported. For further information see page 113.

2 Prior period EPS figures have been restated for the impact of the equity capital raise.

Consolidated statement of comprehensive income
for the period ended 27 March 2021

	Notes	**2021 £m**	2020 £m
Profit for the year		**8.1**	35.8
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement gain/(loss) on retirement benefit obligations	26	**(95.6)**	114.1
Tax related to remeasurement of net defined benefit liability	8	**18.2**	(20.5)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(3.9)**	3.3
Foreign currency translation difference reclassified to income statement on disposal of subsidiary		**–**	1.3
Change in fair value of cash flow hedges		**(0.3)**	1.4
Change in fair value of cash flow hedges transferred to profit or loss		**(0.4)**	1.4
Income tax relating to components of other comprehensive income	8	**(0.2)**	–
Other comprehensive income/(loss) for the year, net of tax		**(82.2)**	101.0
Total comprehensive income for the year		**(74.1)**	136.8
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(71.9)**	135.1
Non-controlling interests		**2.2**	1.7
		(74.1)	136.8

Consolidated balance sheet
at 27 March 2021

	Notes	2021 £m	2020 £m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**100.0**	114.6
Intangible assets	12	**32.3**	31.0
Right-of-use assets	25	**14.6**	12.9
Retirement benefit obligations	26	**–**	64.8
Other financial assets	13	**8.8**	8.0
Deferred tax assets	18	**19.7**	5.5
Derivative financial assets	16	**0.1**	2.1
		175.5	238.9
Current assets			
Inventories	14	**54.5**	53.9
Trade and other receivables	15	**98.8**	67.1
Contract assets	2	**14.8**	18.3
Current tax assets		**0.4**	0.3
Derivative financial assets	16	**7.4**	14.5
Cash and cash equivalents	17	**25.7**	14.6
		201.6	168.7
Total assets		**377.1**	407.6
LIABILITIES			
Current liabilities			
Borrowings	20	**–**	(116.6)
Trade and other payables	19	**(120.5)**	(133.6)
Current tax liabilities		**(13.6)**	(12.5)
Derivative financial liabilities	16	**(8.2)**	(14.0)
Lease liabilities	25	**(2.7)**	(2.8)
Provisions for liabilities and charges	21	**(9.6)**	(10.6)
		(154.6)	(290.1)
Non-current liabilities			
Borrowings	20	**(74.2)**	–
Retirement benefit obligations	26	**(20.5)**	(1.8)
Deferred tax liabilities	18	**(2.6)**	(8.8)
Derivative financial liabilities	16	**(0.1)**	(2.1)
Provisions for liabilities and charges	21	**–**	–
Lease liabilities	25	**(13.0)**	(11.1)
Other non-current liabilities		**(0.7)**	(0.5)
		(111.1)	(24.3)
Total liabilities		**(265.7)**	(314.4)
Net assets/(liabilities)		**111.4**	93.2
EQUITY			
Share capital	22	**88.8**	47.8
Share premium account		**42.2**	42.2
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**(0.8)**	0.1
Cumulative translation adjustment		**5.7**	9.6
Other reserve		**(31.9)**	(83.8)
Retained earnings		**(14.9)**	56.2
Total equity attributable to shareholders of the Company		**95.0**	78.0
Non-controlling interests		**16.4**	15.2
Total equity		**111.4**	93.2

Approved by the Board on 25 May 2021.

Kevin Loosemore
Chairman

Clive Vacher
Chief Executive Officer

Registered number: 3834125

Consolidated statement of changes in equity
for the period ended 27 March 2021

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	Attributable to equity shareholders Non-controlling Interests £m	Total equity £m
Balance at 31 March 2019	47.7	42.1	5.9	(2.5)	5.0	(83.8)	(54.6)	9.9	(30.3)
Profit for the year	–	–	–	–	–	–	34.1	1.7	35.8
Other comprehensive income for the year, net of tax	–	–	–	2.6	4.6	–	93.8	–	101.0
Total comprehensive income for the year	–	–	–	2.6	4.6	–	127.9	1.7	136.8
Transactions with owners of the Company recognised directly in equity:									
Transactions with non-controlling interests (see note 33)	–	–	–	–	–	–	0.8	4.2	5.0
Share capital issued	0.1	0.1	–	–	–	–	–	–	0.2
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	(0.7)	–	(0.7)
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.4)	–	(0.4)
Other	–	–	–	–	–	–	0.5	–	0.5
Dividends paid							(17.3)	(0.6)	(17.9)
Balance at 28 March 2020	47.8	42.2	5.9	0.1	9.6	(83.8)	56.2	15.2	93.2
Profit for the year	–	–	–	–	–	–	5.9	2.2	8.1
Other comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	(0.9)	(3.9)	–	(77.4)	–	(82.2)
Total comprehensive income for the year	–	–	–	(0.9)	(3.9)	–	(71.5)	2.2	(74.1)
Transactions with owners of the Company recognised directly in equity:									
Transactions with non-controlling interests	–	–	–	–	–	–	–	–	–
Share capital issued	0.2	–	–	–	–	–	–	–	0.2
Equity capital raise	40.8	–	–	–	–	51.9	–	–	92.7
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	0.2	–	0.2
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	–	–	(1.0)	(1.0)
Balance at 27 March 2021	**88.8**	**42.2**	**5.9**	**(0.8)**	**5.7**	**(31.9)**	**(14.9)**	**16.4**	**111.4**

Notes:

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

Capital redemption reserve – This reserve represents the nominal value of shares redeemed by the Company.

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 hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. 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 income statement. When a hedged forecast transaction subsequently results in the recognition of a non-financial asset, the amount is removed from the cash flow hedge reserve and included directly in the initial cost or other carrying amount of the asset as a basis adjustment.

Other reserve – On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a "cash box" structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue's turnaround plan, which was first announced by the Company earlier in the year. The cashbox completed on 7 July 2020 and consisted of a firm placing, placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of 44 152/175p, at a price of 110p per share (giving gross proceeds of £100m). A "cash box" structure was used in such a way that merger relief was available under Companies Act 2006, section 612 and thus no share premium needed to be recorded and instead an 'other reserve' of £51.9m was recorded. This section applies to shares which are issued to acquire non-equity shares (such as the Preference Shares) issued as part of the same arrangement. The Group recorded share capital equal to the aggregate nominal value of the ordinary shares issued (£40.8m) and merger reserve equal to the difference between the total proceeds net of costs and share capital. As the cash proceeds received by DLR plc where loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 27 March 2021. This judgement might be revised in future periods, subject to certain internal transactions enabling the settlement of intercompany positions.

Cumulative translation adjustment (CTA) – This reserve records cumulative exchange differences arising from the translation of the financial statements of foreign entities since transition to IFRS. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. This reserve also records the effect of hedging net investments in foreign operations.

Consolidated cash flow statement
for the period ended 27 March 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Profit before tax[1]		**9.4**	35.9
Adjustments for:			
Finance income and expense		**4.6**	6.7
Depreciation of property plant and equipment and right-of-use assets		**15.4**	16.9
Amortisation of intangible assets		**4.2**	3.9
Increase in inventory		**(4.0)**	(12.1)
Decrease/(increase) in trade and other receivables and contract assets		**(19.8)**	10.2
(Decrease)/increase in trade and other payables and contract liabilities		**(16.0)**	(19.2)
Increase/(decrease) in provisions		**(0.9)**	7.4
Pension funding contributions		**(11.4)**	(21.3)
Share based payment expense		**0.4**	(0.6)
Gain on sale of property plant and equipment		**(2.7)**	–
(Deduct)/add back of non-cash pension liability adjustment		**–**	(8.7)
Loss/(Gain) on disposal of subsidiary (net of associated costs)		**0.3**	(22.7)
Add back of non-cash credit loss provision		**0.8**	1.0
Add back impairment of Property, plant and equipment and intangible assets and accelerated depreciation charges included within exceptional items		**11.9**	2.3
Other non-cash movements		**2.2**	1.9
Cash generated from operating activities		**(5.6)**	1.5
Net tax (paid)/refund		**(2.4)**	3.5
Net cash flows from operating activities		**(8.0)**	5.1
Cash flows from investing activities			
(Deduction)/Proceeds from the sale of subsidiary (net of cash disposed and associated disposal costs)		**(1.9)**	42.0
Purchases of property, plant and equipment[3]		**(15.5)**	(11.4)
Purchase of software intangibles and development assets capitalised		**(5.6)**	(5.8)
Proceeds from sale of property, plant and equipment		**2.7**	–
Interest received		**0.1**	0.2
Receipt of RDEC		**–**	0.6
Net cash flows from investing activities		**(20.2)**	25.6
Net cash flows before financing activities		**(28.2)**	30.7
Cash flows from financing activities			
Proceeds from issue of share capital		**–**	0.2
Net proceeds from the equity capital raise		**92.7**	–
Net draw down of borrowings[2]		**(39.3)**	(1.5)
Payment of debt issue costs		**(4.8)**	–
Lease liability payments		**(2.2)**	(2.3)
Interest paid		**(5.7)**	(6.0)
Dividends paid to shareholders		**–**	(17.3)
Dividends paid to non-controlling interests		**(1.0)**	(0.6)
Net cash flows from financing activities		**39.7**	(27.5)
Net increase/(decrease) in cash and cash equivalents in the year		**11.5**	3.2
Cash and cash equivalents at the beginning of the year		**14.5**	11.3
Exchange rate effects		**(0.3)**	–
Cash and cash equivalents at the end of the year		**25.7**	14.5
Cash and cash equivalents consist of:			
Cash at bank and in hand	17	**25.7**	14.6
Short term deposits	17	**–**	–
Bank overdrafts		**–**	(0.1)
	24	**25.7**	14.5

Notes:

1 Profit before tax includes continuing and discontinued operations. The cash flows relating to discontinued operations are included within note 3.

2 In the period FY 2020/21 the majority of the equity capital raise proceeds were used to subsequently repay a substantial part of the RCF shortly after amendment on 7 July 2020.

3 Purchases of property, plant and equipment are shown net of capital grants received (FY 2021: £3.5m; FY 2020:£3.8m).

Accounting policies

Reporting entity

De La Rue plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on page 171 of this Annual Report. The consolidated financial statements of the Company for the period ended 27 March 2021 comprise the Company and its subsidiaries (together referred to as the Group). The principal activities of the Group are described in note 1.

Statement of compliance and basis of preparation

The consolidated financial statements of the Group for the period ended 27 March 2021 have been prepared in accordance with International Accounting Standards ('IAS') in conformity with the Companies Act 2006 and International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The consolidated financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The financial statements have been prepared as at 27 March 2021, being the last Saturday in March. The comparatives for the 2019/20 financial period are for the period ended 28 March 2020.

The Company has elected to prepare its entity only financial statements in accordance with FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland.

They are set out on pages 162 and 163 and the accounting policies in respect of the Company financial statements are set out on page 164.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or have been incorporated with the relevant notes to the accounts where appropriate. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

During the period management has changed its presentation of certain contract related payments to correctly reflect the nature of these payments, being payments to third parties rather than customers. These payments are now shown as a cost of goods sold instead of a reduction to revenue in accordance with IFRS 15. The prior period revenue and cost of goods sold (£5.3m) has been restated to reflect this change.

The current year impact of this is the inclusion of £5.1m of payments in cost of sales that would have previously been reported as a reduction to revenue. This reclassification has no impact of Gross Margin, Operating Profit or Profit Before Tax or the Group's Earnings Per Share measures. The prior period has been restated given the importance, to the users of the financial statements, of understanding revenue growth within the Authentication segment.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 17 of the Strategic report in the Annual Report for 2020. In addition, pages 134 to 142 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in pages 20 to 21 of the Strategic report.

In the Group's Annual Report for 2020, the Directors concluded there was a material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern. This uncertainty related to a shareholder vote to approve a £100m equity capital raise, a vote which had not yet taken place at the time the Annual Report was issued. At a General Meeting of the Group on 6 July 2020, the shareholders voted overwhelmingly in support of the capital raise, hence removing the material uncertainty.

Following the shareholder approval, effective 7 July 2020, the Group amended the terms of its banking facilities of £275m.The relevant amendments among other things, extend the maturity of the RCF to December 2023 and give the Group access to an RCF cash drawdown component of £175m and bond and guarantee facilities of a minimum of £100m. These facilities have a leverage covenant of net debt/EBITDA ≤3.0 times and an EBIT/net interest payable covenant of ≥2.4 times. At 27 March 2021, the Group had net debt/EBITDA ratio of 0.99 and an interest cover of 6.3.

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 30 June 2022. This base case forecast assumes continued delivery of the Turnaround Plan, specifically protecting market share in Currency, growing Authentication revenue, and the benefit of the cost out initiatives already completed. These forecasts show significant headroom and support that the Group will be able to operate within its available banking facilities and covenants throughout this period. Covenants are calculated on a rolling 12 month basis each quarter and therefore for all quarters until Q4 of FY 2021/22 and Q1 of FY 2022/23, a portion of the EBITDA/ EBIT has already been earned, reducing the risk of a potential breach. Taking this into account along with the forecasts reviewed, it is considered that the net debt/ EBITDA covenant for the rolling 12 months to Q4 of FY 2021/22 and Q1 of FY 2022/23 is the limiting factor, rather than the overall facility or the EBIT/ net interest payable covenant in this period. The Directors have therefore completed a reverse stress test of the forecasts to determine the magnitude of downturn which would result in a breach to this covenant in the going concern period.

A cumulative decline of 42% in EBITDA compared with the base case would need to occur in the going concern period for the net debt/EBITDA covenant to breached. As fixed costs are expected to be in line with forecasts, any decrease in EBITDA would be the result of decreased revenue and related margin which would need to be in excess of 25% taking into account fixed costs noted above to cause a breach. These reductions are considered to be very unlikely by management taking into account order cover for the same period and other controllable mitigating actions available to the company.

The Directors are satisfied that the Group is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated annual financial statements.

A copy of the 2020 Annual Report is available at www.delarue.com or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

Accounting policies continued

Adoption of new International Reporting Standards adopted by the Group

The following amendments and interpretations apply for the first time during FY 2021, but do not have a material impact on the consolidated financial statements of the Group:

- Interest Rate Benchmark Reform – Amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and measurement' and IFRS 7 'Financial instruments: Disclosures', which conclude on phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

International Financial Reporting Standards issued but not yet effective

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements which management believe could impact the Group in future periods and management are still assessing the impact. Unless otherwise stated, the Group plans to adopt the following standards, interpretations and amendments on the date they become mandatory:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 effective for periods beginning on or after January 1, 2021;
- Annual Improvements to IFRS Standards 2018–2020 effective for periods beginning on or after January 1, 2022; and
- Classification of Liabilities as Current or Non-current Amendments to IAS 1 effective for periods beginning on or after January 1, 2023.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 27 March 2021. Subsidiaries are entities controlled by the Group.

The Group is considered to control an entity when it is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through exerting control over the entity.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the date that control commences or until the date that control ceases. Intra-group balances and transactions are eliminated on consolidation. The majority of the subsidiaries prepare their financial statements up to 27 March 2021.

The results of subsidiaries where the financial statements are not prepared to 27 March are still included in the consolidation as at 27 March with the income statement and other financial information being also prepared for the year ended 27 March 2021.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The Consideration transferred in the acquisition is measured at fair value as are the identifiable assets and liabilities acquired.

The excess of the fair value of consideration transferred over the fair value of net assets acquired is accounted for as goodwill. Any goodwill that arises is tested annually for impairment.

Transaction costs are expensed as incurred and are presented within exceptional items in accordance with the Group's policy.

Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been incorporated into the relevant notes where possible. General accounting policies which are not specific to an accounting are set out below.

Foreign currency

Foreign currency transactions

These financial statements are presented in sterling, which is the functional and presentational currency of the Company. The functional currency of Group entities is principally determined by the primary economic environment in which the respective entity operates.

Transactions in foreign currencies entered into by Group entities are translated into the functional currencies of those entities at the rates of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary items measured in terms of historical cost are translated at the rate of exchange at the date of the transaction. Exchange differences on non-monetary items measured at fair value are recognised in line with whether the gain or loss on the non-monetary item itself is recognised in the income statement or in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. Refer to note 16 for details of the Group's accounting policies in respect of such derivative financial instruments.

Translation of foreign operations on consolidation

Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated into GBP (the presentational currency of the Group) at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at average exchange rates (which approximate to actual rates). Exchange differences arising on re-translation are recognised in the Group's currency translation reserve, which is a component of equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Net investment in foreign operations

Foreign currency differences arising on the re-translation of a financial liability designated as a hedge of a net investment in foreign operations are recognised in the currency translation reserve to the extent the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised as finance income or costs in the income statement. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Revenue recognition

The Group accounts for revenue under IFRS 15. IFRS 15 provides a single, five-step principles-based model to be applied to all contracts with customers which requires identification of the contract for accounting purposes, the separate performance obligations within the contract, the transaction price for the contract, allocation of the transaction price and recognition of revenue on satisfaction of performance obligation.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service/segment	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15
Currency segment: Supply of banknotes	The Group has determined that for certain banknote contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts, currency products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, plus a reasonable margin. For other banknote contracts, where customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer. If the Group has recognised revenue, but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.	Revenue for certain banknote contracts with enforceable right to payment will be recognised over time for banknotes produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method based on the cost incurred relative to the expected total cost. Revenue for other banknote contracts, where customers do not take control of the goods until they are completed is recognised based on contractual terms which will determine when control has passed to the customer. This might include recognition of revenue on inventory placed into storage for the customer, so long as it is demonstrated that control of the product has passed to the customer.
Currency segment: Supply of banknotes along with other services	In addition to the supply of banknotes, which is a separate performance obligation (see above), additional and separate performance obligations such as design and storage services have been identified.	The value attributable to the additional performance obligations is deemed to be immaterial. Accordingly, no separate value will be attributed to these performance obligations; instead, the consideration in the contract will be entirely allocated to the single performance obligation of supplying currency.
Authentication segment	The Group has certain contracts which operate in the form of an umbrella agreement with the local government which awards the Group to be the provider of an end to end authentication track and trace system. The umbrella agreement specifies the nature of services and products to be provided. However, these agreements do not include any purchase commitments from the local government and do not give the Group an enforceable right to payment. Instead the umbrella agreement allows for the Group to entered into individual agreements with individual manufacturers and provides it with the right to sell physical authentication products (such as tax stamps) thus giving the Group an enforceable right to payment from each individual manufacturer for physical products sold.	The Group has therefore determined that these umbrella contracts do not meet the definition of a contract for IFRS 15 accounting purposes. Instead the relevant contract for IFRS 15 purposes is the contract with the individual manufacturers in the country. It is the manufacturers which represent the customers from an IFRS 15 perspective. Consequently, as the Group only has one performance obligation in the revenue contract with the manufacturer and only has a right to payment for this performance obligation no revenue is allocated and recognised on delivery of any other deliverables under the umbrella.
	For Authentication contracts entered into with a single party and where multiple performance obligations are included, the transaction price for the contract is allocated to each performance obligation separately identified. Performance obligations include access to systems, build of systems and the provision of authentication products such as tax stamps.	Revenue on the sale of authenticity products, including tax stamps, is recognised when control passes to the customer based on the standalone selling price of the product. Stand alone selling prices are typically calculated using the "expected cost plus margin" approach. Control generally passes on delivery of the physical product to the customer or the issuance of a digital security key. Revenue in relation to system access is recognised on a straight line basis over the life of the contract as the customer receives the benefit.
	The Group has determined that for certain authentication contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts, authentication products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, plus a reasonable margin.	Revenue for certain Authentication contracts with enforceable right to payment will be recognised over time for physical product produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method based on the cost incurred relative to the expected total cost.

Accounting policies continued

Type of product/ service/segment	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15
IDS segment: IDS contracts including supply of passports, hardware and software and other services	Multiple performance obligations are included in some IDS contracts including supply of passports, hardware and software services. For contracts where an enforceable right to payment exists, the customer is considered to control all of the work in progress as the products are being manufactured or installed and the services as they are delivered. Hence, these performance obligations meet the over time criteria for revenue recognition. For other IDS contracts, where customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer. In addition to the above, additional and separate performance obligations such as design, training and shipping and consultancy services have been identified in such contracts which also meet the over time criteria. If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.	Revenue will be allocated to the performance obligations identified and revenue will be recognised over time as control of the contract deliverables is passed to the customer. Revenue is recognised progressively using the input method based on the cost incurred relative to the expected total cost. Revenue for other IDS contracts, where customers do not take control of the goods until they are completed is recognised on formal acceptance by the customer.

Costs to obtain contracts: Sales commissions:

Management expects that incremental commission fees paid to intermediaries and employees as a result of obtaining long term sales contracts are recoverable. The Group therefore capitalises them as contract costs where the contract signed with the customer creates enforceable rights and obligations. If a sales contract takes the form of an over-arching umbrella agreement which does not create such enforceable rights and obligations (ie committed sales volumes and values from the customer) then sales commission payments are not capitalised.

Capitalised commission fees are amortised when the related revenues are recognised.

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Bid costs:

Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract, and would not have been incurred had the contract not been won. There were no capitalised bid costs in FY 2021 (FY 2020: £nil) as no costs met this requirement.

Other revenue recognition matters:

Bill and hold revenue:

Certain customers require the Group to store completed inventory for them ahead of them taking delivery once they require it. Revenue is recognised on a bill and hold basis when:

1) It can first be demonstrated that control of the product has passed to the customer – principally because the customer taken has risk and/or title for the product transferred to them and the Group has an enforceable right to payment; and

2) It can be demonstrated that the arrangement is substantive.

Variable consideration on contracts:

The Group has a small number of contracts where the terms with the customers place a limit on the profit margin that can be earned under these. As these profit margin impacts the amount of revenue that the Group can bill the customers, detailed reconciliations of the profit margins earned on these contracts at each reporting period end are completed to ensure that amount of revenue recorded in the year is not overstated (ie to ensure the transaction price is “constrained” in accordance with IFRS 15). Any adjustment required is recorded as a reduction to revenue.

The Group also has other potential forms of variable consideration in the form of prices concessions and discounts which may be offered to customers and penalties or fines which might be incurred if the Group did not fully perform against contract deliverables.

If a discount or price concession is offered to a customer this is taken into account in the estimated transaction price for the contract to ensure it is “constrained” in accordance with IFRS 15. If the Group anticipates a penalty or a fine to be incurred this is estimated and accounted for as a reduction from the transaction price again to ensure it is “constrained” in accordance with IFRS 15.

Warranties:

All warranties are considered to be of a standard nature (assurance type) and as such are accounted for under IAS 37 rather than IFRS 15.

Lease accounting

At the inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group accounts for identified leases in accordance with IFRS 16 (‘Leases’).

Management has made certain judgements on lease terms based on the Group’s current expectations of whether break or renewal options will be taken. Judgements have also been made in estimating the incremental borrowing rates to use when discounting lease payments.

Leases are recognised on the balance sheet (unless they are low value or for a term of less than 12 months) with a right to use asset and corresponding lease liability being recorded at the date the lease asset is available for use.

The right to use asset is depreciated over the shorter of; the assets useful economic life and the lease term. Each lease payment is allocated between repayment of the lease liability and finance cost.

The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the remaining lease liability.

At commencement date of the lease liability is initially recognised on the balance sheet at the present value of future lease payments (including fixed payments and variable lease payments that depend upon an index) and any lease penalties payable on the early exit of a lease if management anticipates taking these, discounted using the incremental borrowing rate appropriate for that lease, absent of the interest rate implicit in the lease being available.

The right to use asset is initially measured at cost, being; the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease and any initial direct costs and any restoration costs. Payments in respect of short term leases (duration of less than 12 months) or low value leases continue to be charged to the income statement on a straight line basis over the lease term. Right of use assets are tested for impairment when indicators of impairment exist.

Critical accounting judgements and key sources of estimation uncertainty

Management has discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Management is required to exercise significant judgement in the application of these policies. Estimates are made in many areas and the outcome may differ from that calculated.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Critical accounting judgements

Assessment of control for the Joint Venture in Ghana

During the period the Group set up a joint venture with the Buck Press Limited to establish a new printing and personalization of excise tax stamps company in Ghana – De La Rue Buck Press Limited, with 49% owned by the Group and 51% of owned by the joint venture partner Buck Press Limited, as a result of local legal requirements. The joint venture has a contract with the Ghana Revenue Authority which is expected to run for 5 years.

The Group has assessed if it has control over the joint venture. Following this assessment the management has determined that the Group has control and therefore De La Rue Buck Press Limited should be fully consolidated into the Group accounts.

In making this assessment, the following factors were considered:

- The Group is entitled to appoint/remove three of the five Directors on the Board; and
- Subject to express provisions of local Law, resolutions and questions arising at any shareholder's or Director's meetings are decided by a simple majority of votes of those attending and voting is subject to standard reserved matters. These standard reserved matters are not considered to stop the Group exercising control.

Management has carefully assessed whether the Group has a power over the investee, especially as the Group has a minority share of the Company. As the Group has an overall control of the Board of Directors, management had determined that this allows the Group to hold control.

Determination of lease term

Management has made certain judgements on lease terms based on the Group's current expectations of whether break or renewal options will be taken. In arriving at these judgements, management has considered its current business plans including the locations in which it wants to operate in addition to the impact of any cost-out programmes it is considering.

Consideration of whether the IDS disposal required discontinued operation presentation

In the prior period, the Group considered whether the sale of the IDS business on October 2019, required that business to be presented as discontinued operations in the financial statements.

Management considered whether the business being sold was considered a clear independent component of the Group operationally, a separate CGU for financial reporting purposes and if it was deemed to be major line of business. Management determined that the IDS business being sold only represented part of the total IDS segment and did not therefore represent a separate major line of business. As such disclosure as discontinued was not considered appropriate.

Revenue recognition and cut-off

Customer contracts will often include specific terms that impact the timing of revenue recognition. The timing of the transfer of control varies depending on the individual terms of the sales agreement.

For sales of products the transfer usually occurs on loading the goods onto the relevant carrier, however the point at which control passes may be later if the contract includes customer acceptance clauses or control passes on arrival at the customer location. Specific consideration is needed at year end to ensure revenue is recorded within the appropriate financial year.

Accounting policies continued

This judgement is particularly important in the Currency division due to the material nature of certain contracts which may ship near to a reporting period end. Management has carefully reviewed material customer contracts with particular focus on those shipping in the last quarter of the financial period to ensure revenue has been recorded in the correct year.

Revenue recognition and determination of whether an enforceable right to payment exists

For certain customer contracts, revenue is recognised over time in accordance with IFRS 15, as the Group has an enforceable right to payment.

Determination of whether the Group had an enforceable right to payment requires careful analysis of the legal terms and conditions included within the customer contract and consideration of applicable laws and customary legal practice in the territory under which contract is enforceable.

External legal advice is obtained if considered necessary to allow management to make this assessment. Management has carefully reviewed material contracts relating to revenue recognised in the period to determine if an enforceable right to payment exists which results in revenue being recorded ‘over-time’ rather than ‘point in time’.

In FY 2020/21 the Group has had customer contracts where revenue is recognised ‘over-time’ in the Currency and Authentication divisions.

Accounting treatment for sales to Portals

The Group provides Security Features to Portals for inclusion in the paper which they manufacture and which the Group subsequently purchases back. The Group has carefully considered the nature of this arrangement and considers it appropriate to record the Security Features sales to Portals as revenue since Portals is not an associate of the Group 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.

Classification of exceptional items

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group’s underlying business performance. The Directors label these items collectively as ‘exceptional items’. Determining which transactions are to be considered exceptional in nature is often a subjective matter.

However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature and non-recurring fees relating to the management of historical scheme issues; restructuring of businesses; asset impairments and costs associated with the acquisition and integration of business combinations.

All exceptional items are included in the appropriate income statement category to which they relate.

Refer to note 5 on pages 123 and 124 for further details.

COVID-19

The Group has assessed, and continues to assess, the potential for disruption caused by the COVID-19 pandemic and has put in place plans and measures in order to enable the business to maintain normal operations, to the extent possible, against the backdrop of an evolving situation. See page 9 for further details.

During FY 2020/21, all four of the Group’s UK and its Malta and Kenya sites and its two facilities in the United States continued to operate with minimal disruption and remained fully operational. Operations at the Group’s site in Sri Lanka were suspended for eight weeks between March and May 2020 due to island-wide governmental restrictions and despite the suspension the site delivered its printing target for the year.

Consequently, management has not identified any need to revise the carrying values or any of the Group’s property, plant and equipment or right of use asset balances.

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

With regards to trade and other receivables, management is confident that its current methodology for providing an expected credit (ECL) loss under IFRS 9, will ensure that if there were any delays in cash collections due to COVID-19 that any potential financial impact of this would be captured by the ECL provisioning.

Management has carefully considered the potential impact of COVID-19 on the financial position of the Group in general as at March 2021 and concluded that no adjustments to the carrying values of assets and liabilities is required.

Critical accounting estimates
Recoverability assessment and impairment charges related to plant and machinery

During the period the Group has ceased banknote printing at its Gateshead facility. As a result, the Group has a material value of plant and machinery for which it has needed to assess whether an impairment is required.

Management has determined that given the specialised nature of the plant and machinery and the very limited market opportunities to sell them to a third party, the asset values can only be supported based on management being able to demonstrate a continued use at a different Group manufacturing location thus demonstrating the asset’s carrying value is supported by continued value in use.

In making this assessment, management has carefully assessed its current plans for relocating assets thus determining those assets which no longer have an ongoing value in use to the Group.

Those assets for which no ongoing value in use has been determined as those assets are not intended for ongoing use at a different manufacturing location have been fully impaired resulting in a material impairment charge recorded within exceptional items in the current period of approximately £10m.

Management has also had to make a judgement on what its future plans are for the expansion in certain locations based on future business needs which has driven the determination that certain assets are recoverable based on their anticipated ongoing use after a period of relocation.

Recoverability of other financial assets

Other financial assets comprise securities interests held in the Portals International Limited group following the paper business disposal in 2018.

In accordance with IFRS9, management has carefully assessed the recoverability of the other financial assets on the balance sheet as at 27 March 2021 using scenario modelling based on publicly available information and determined that the any expected credit loss is immaterial.

If factors change in the future, this may change management's judgement resulting in a revision to the assumption and the calculated expected credit loss being immaterial.

Incremental borrowing rate for a lease

The incremental borrowing rate for a lease reflects a rate to borrow over a similar lease term, with similar security funds to a similar value to the right-of-use asset in a similar economic environment. The Group has estimated the incremental borrowing rate using the 1) The risk of the asset and similar economic environment has been calculated by reference to the Treasury Bond Curve for the country the lease asset is located in. This is considered to derive the risk-free rate plus the appropriate level of country risk premium. 2) The credit risk factor was calculated based on the credit risk factor of similar corporate bond with a term of 50% of the lease term which is standard convention for the purposes of setting an IBR under IFRS 16.

Management has modelled the impact of change the discount rates for three of its most material leases, with the longest remaining durations by an additional plus and minus 1% and 2% and this demonstrated that the impact on the P&L was immaterial, however the impact on the right of use asset and liability was material.

Post-retirement benefit obligations

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 with advice from professional actuaries. These include the rate used to discount future liabilities, the expected longevity for current and future pensioners and estimates of future rates of inflation.

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

The Group engages the services of professional actuaries to assist with calculating the pension liability.

See page 156 for detail of the relative sensitivity of the value of the scheme liabilities to changes in the discount and inflation rates.

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

The UK defined benefit pension scheme assets are made up of a number of separate funds. For the majority of these funds valuations have been available as at the Group's year end of 27 March 2021. However, the Multi Asset Credit funds held by the UK Pension Scheme are valued on a monthly basis only at calendar month ends and the 31 March 2021 fund valuation has been used to determine the IAS19 position as at the 27 March 2021 as it is not practicable to obtain a valuation as at 27 March 2021.

The UK Multi Asset Credit funds account for approximately £125m of the pension assets. If a valuation for these funds were to be conducted as at 27 March 2021 it is estimated the impact would be less than £1m, compared to total UK Pension Scheme assets of over £1bn.

The potential impact has been estimated by observing what were considered to be the most relevant comparable indices to establish the level of day to day volatility in the market.

The Multi Asset Credit funds are largely composed of sub-investment grade corporate debt and the most relevant indices were determined to be those which measure the return on high yield corporate bonds. Management has therefore made the judgement that valuing the pension assets using the 31 March 2021 valuation for these funds is reasonable given there is no practical way of obtaining a better estimate and a less than £1m difference is not considered significant compared to the total value of the assets in the pension scheme.

Impairment test of Goodwill and acquired intangibles

These assets were recognised following the acquisition of De La Rue Authentication Inc in January 2017. Management has considered the Group's short term and the long-term profitability for this business and determined that the goodwill and acquired intangible asset values are recoverable at 27 March 2021. In making this determination, management has prepared discounted cashflows using its forecasts for the business which include budgeted financial performance for the earlier periods (FY 2022 and FY 2023) and growth rates and ratios for the later periods (FY 2024 onwards) based on management's longer term expectations for the business which are aligned to the Group's longer term expectations the Authentication division. In order to obtain further assurance as to the recoverability of the goodwill and intangible assets, management has prepared a range of sensitivities to model what adverse changes would need to occur before an impairment was required.

Accounting policies continued

Management modelled the following sensitivities and concluded that:

- Sensitivity 1 (discount rate): The discount rate used for the impairment calculation (assuming the same cashflows as in the base impairment test) would need to increase to 16.3% before an impairment occurred;
- Sensitivity 2 (revenue growth): Forecasts used in the base impairment calculation include strong revenue growth each year from FY 2022 to FY 2025 before the growth rate starts to reduce from FY 2026, management has modelled a scenario of no revenue growth from FY 2023 and concluded that at this point an impairment of approximately $1m would be required. Management does not consider this scenario likely and is thus comfortable that the values on the Balance sheet as at 27 March 2021 are recoverable;
- Sensitivity 3 (loss of material customers): Management has, however, modelled the impact of a material contract not renewing their contract at the end of the current period (thus generating no revenues after this point) and the loss in FY 2023 of the another significant customer. Management noted that in this scenario whilst headroom in the calculation was significantly reduce, no impairment was needed; and
- Sensitivity 4 (No revenue generated from an expected new significant contract): The base impairment forecasts include revenue from a significant new contract win. Management has modelled the impact on the impairment calculations if no revenue was generated from this new contract. The impact was a significant reduction in headroom but no impairment.

Based on the base impairment forecast prepared and the additional sensitivities referred to above, management is confident that no impairment of the goodwill and intangible asset balances is required as at 27 March 2021.

Tax

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates.

It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities.

The actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and on the income statement in the period in which such determination is made.

The Group has current tax provisions recorded within Current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and there will be a future outflow of funds to a taxing authority. Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability-weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing tax assessments received from the tax authorities of some countries in which the Group operates. The disputed tax assessments are at various stages in the appeal processes, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice), and is appealing previous judgments and communicating with the relevant tax authority. The Group's expected outcome of the disputed tax assessments is held within the relevant provisions in the 2021 Financial Statements.

Notes to the accounts

1 SEGMENTAL ANALYSIS

The continuing operations of the Group have three main operating units: Currency, Authentication and Identity Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and adjusted operating profit.

The Group's segments are:

- Currency – provides printed banknotes, polymer substrates and banknote security components;
- Authentication – the supply of a range of physical and digital solutions such as: tax stamps and supporting software solutions, authentication labels and associated brand protection digital solutions, cheques and bank cards for Africa, and ID security components including polycarbonate; and
- Identity Solutions –which included the results of the Group's International Identity Solutions business prior to disposal on 14 October 2019 and the UK Passport contract which completed in FY 2020/21. Going forwards there will only be minimal activity in this segment.

Inter-segmental transactions are eliminated upon consolidation.

On 14 October 2019, the Group completed the sale of the International Identity Solutions business to HID Corporation Limited. The results of the International Identity business are included within the identity solutions segment until the date of disposal. The segment note is focused on three divisions which reflects what has been reported to the Chief Operating Decision Maker, this is in line with the commentary in the front half on the financial performance. The commentary in the front half relating to the future strategy only refers to the Currency and Authentication divisions.

The Group from FY 2019/20 also changed its methodology for the allocation of enabling function costs into the divisions. The group has considered the requirements of IFRS 8 with regards to the need to restate prior period segmental results and concluded that the Group is unable to make this restatement because the data is not available and the cost to develop it would be excessive. This is due to the cost base and employee structure of the business under the previous functional model being materially different to the new divisional structure. Therefore, it is not possible to undertake a like-for-like reallocation of costs for new divisions for the comparative period. The Group has also determined, for the same reasons as set out above, that it is unable to calculate the current period segmental results on the original basis for comparability purposes. Although comparatives have not been restated, in the commentaries included in this release, we have provided commentary on the changes in divisional cost base, to enable a year-on-year performance by division. Due to the substantial changes that have occurred in the divisional structure, key reporting metrics for monitoring the divisional performance will be linked, going forward, to gross profit and adjusted controllable profit (before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall business key turnaround objectives. See note 4 for adjusted operating expenses reconciliation.

2021	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m
Total revenue from contracts with customers	295.7	77.6	24.1	–	397.4
Less: inter-segment revenue	–	–	–	–	–
Revenue from contracts with customers	295.7	77.6	24.1	–	397.4
Cost of sales	(230.4)	(47.7)	(11.5)	–	(289.6)
Gross profit	65.3	29.9	12.6	–	107.8
Adjusted operating expenses	(49.1)	(18.6)	(2.0)	–	(69.7)
Adjusted operating profit	16.2	11.3	10.6	–	38.1
Adjusted items:					
– Amortisation of acquired intangible assets	–	(1.0)	–	–	(1.0)
– Net exceptionals	(20.6)	(0.4)	(0.4)	(1.2)	(22.6)
Operating profit	(4.4)	9.9	10.2	(1.2)	14.5
Interest income	0.8	–	–	–	0.8
Interest expense	(1.7)	(0.2)	–	(5.2)	(7.1)
Net retirement benefit obligation finance expense	–	–	–	1.7	1.7
Net finance expense	(0.9)	(0.2)	–	(3.5)	(4.6)
Profit before taxation	(5.3)	9.7	10.2	(4.7)	9.9
Segment assets	216.8	57.3	14.4	88.5	377.1
Segment liabilities	(88.1)	(17.2)	(3.3)	(156.7)	(265.7)
Capital expenditure on property, plant and equipment	(14.0)	–	(0.4)	(1.1)	(15.5)
Capital expenditure on intangible assets	(0.5)	(5.1)	–	–	(5.6)
Impairment of Property, plant and equipment on intangible assets[1]	(11.9)	–	–	–	(11.9)
Depreciation of PPE and right-of-use-assets	(12.0)	(2.0)	–	(1.4)	(15.4)
Amortisation of intangible assets	(1.6)	(1.8)	–	(0.7)	(4.2)

Note:

1 Impairments and accelerated depreciation of £11.9m have been included within exceptional items (see note 5).

Notes to the accounts continued

1 SEGMENTAL ANALYSIS CONTINUED

Unallocated assets principally comprise deferred tax assets of £19.7m (FY 2020: £5.5m), cash and cash equivalents of £25.7m (FY 2020: £14.6m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £7.5m (FY 2020: £16.6m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £20.5m (FY 2020: £1.8m), borrowings of £74.2m (FY 2020: £116.6m), current tax liabilities of £13.6m (FY 2020: £12.5m) and derivative financial instrument liabilities of £8.3m (FY 2020: £16.1m) as well as deferred tax liabilities and centrally held accruals and provisions.

2020	Currency £m (restated)	Authentication[1] £m	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m (restated)
Total revenue from contracts with customers	315.1	73.8	83.2	–	472.1
Less: inter-segment revenue	–	–	–	–	–
Revenue from contracts with customers	315.1	73.8	83.2	–	472.1
Cost of sales	(270.9)	(45.0)	(49.8)	(0.5)	(366.2)
Gross profit	44.2	28.8	33.4	(0.5)	105.9
Adjusted operating expenses	(53.6)	(18.0)	(10.6)	–	(82.2)
Adjusted operating profit	(9.4)	10.8	22.8	(0.5)	23.7
Adjusted items:					
– Amortisation of acquired intangible assets	–	(0.9)	–	–	(0.9)
– Net exceptionals	(0.5)	(0.2)	24.8	(4.1)	20.0
Operating profit	(9.9)	9.7	47.6	(4.6)	42.8
Interest income	0.7	–	–	0.3	1.0
Interest expense	(0.8)	(0.1)	–	(5.2)	(6.1)
Net retirement benefit obligation finance expense	–	–	–	(1.6)	(1.6)
Net finance expense	(0.1)	(0.1)	–	(6.5)	(6.7)
Profit before taxation	(10.0)	9.6	47.6	(11.1)	36.1
Segment assets	199.6	28.9	46.8	132.3	407.6
Segment liabilities	(81.3)	(28.6)	(11.8)	(192.7)	(314.4)
Capital expenditure on property, plant and equipment	(6.9)	(2.7)	(1.2)	(0.6)	(11.4)
Capital expenditure on intangible assets	(0.2)	(0.5)	(0.8)	(4.2)	(5.7)
Impairment of Property, plant and equipment on intangible assets	(1.0)	(0.1)	–	(1.2)	(2.3)
Depreciation of PPE and right-of-use-assets	(12.2)	(1.9)	(1.2)	(1.7)	(17.0)
Amortisation of intangible assets	(0.7)	(1.5)	–	(1.7)	(3.9)

Note:

1 FY 2019/20 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported. For further information see page 113.

Geographic analysis of non-current assets

	2021[1] £m	2020[2] £m
UK	**97.2**	176.7
Malta	**15.6**	19.9
USA	**16.0**	19.3
Sri Lanka	**11.0**	13.2
Other countries	**7.1**	9.8
	146.9	238.9

Notes:

1 Other financial assets, deferred tax assets and derivative financial instruments are excluded from the analysis shown above for FY 2021.

2 FY 2020 includes other financial assets £8.0m, deferred tax assets £5.5m, derivative assets £2.1m and retirement benefit assets £64.8m.

Major customers

The Group had one major customers from which it derived total revenues in excess of 10% of Group revenue. One customer was in the Currency segment with revenue £40.6m which equates to 10.0% of Group revenue. In FY 2020 one customer was in the Currency segment with revenue £46.6m which equates to 10.0% of Group revenue and one in the IDS segment with revenue of £53.2m which equates to 11.4% of Group revenue.

2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Information regarding the Group's major customers, and a segmental analysis of revenue is provided in note 1.

Timing of revenue recognition across the Group's revenue from contracts with customers is as follows:

2021	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Total of Continuing operations £m**
Timing of revenue recognition:				
Point in time	**240.2**	**72.0**	**24.1**	**336.3**
Over time	**55.5**	**5.6**	**–**	**61.1**
Total revenue from contracts with customers	**295.7**	**77.6**	**24.1**	**397.4**

2020	Currency £m	Authentication[1] £m	Identity Solutions £m	Total of Continuing operations £m
Timing of revenue recognition:				
Point in time	273.6	73.8	65.7	413.1
Over time	41.5	–	17.5	59.0
Total revenue from contracts with customers	315.1	73.8	83.2	472.1

Note:

1 FY 2019/20 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported. For further information see page 113.

Geographic analysis of revenue by destination

	2021 £m	2020 £m
Middle East and Africa	**192.0**	193.7
Asia	**51.3**	86.5
UK	**97.7**	109.8
The Americas	**33.7**	41.5
Rest of Europe	**20.2**	24.8
Rest of world	**2.5**	15.8
	397.4	472.1

Contract balances

The contract balances arising from contracts with customers are as follows:

	2021 £m	2020 £m
Trade receivables	**69.4**	72.8
Provision for impairment	**(1.5)**	(19.9)
Net trade receivables	**67.9**	52.9
Contract assets	**14.8**	18.3
Contract liabilities – deferred revenue	**(1.6)**	(0.3)
Payments received on account	**38.1**	38.2

Trade receivables have increased compared to 2020 reflecting timing of payments on certain material customer contracts. Contract assets have fallen compared to 2020 reflecting the fact that in the current period customer invoicing has more closely matched the timing of revenue recognition. Contract liabilities have increased in the current year due to a significant new contract were cash has been collected prior to revenue being recognized under IFRS 15.

2 REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Set out below is the amount of revenue recognised from:

	2021 £m	2020 £m
Amounts included in contract liabilities at the beginning of the year	–	6.0
Performance obligations satisfied in previous years	–	–

Performance obligations

Information about the Group's performance obligations is summarised in the Accounting policies section on page 114.

The following table shows the transaction price allocated to remaining performance obligations for contracts with original expected duration of more than one year. The group has decided to take the practical expedient provided in IFRS15.121 not to disclose the amount of the remaining performance obligations for contracts with original expected duration of less than one year.

	2021 £m	2020 £m
Within 1 year	**51.8**	23.0
Between 2 – 5 years	**35.7**	24.0
5 years and beyond	–	–
	87.5	47.0

3 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 loss on discontinued operations in the period of £0.4m (net of associated tax credits) related to a change in assessment of the total net loss the Group will incur completing a loss making CPS contract that was not novated post disposal (the contract is expected to conclude in FY 2021/22) in addition to amounts associated with the winding down of remaining activity related to CPS.

4 ADJUSTED OPERATING EXPENSES BY NATURE

	2021 £m	2020 £m
Depreciation of property, plant and equipment	**12.9**	14.6
Impairment of inventories	**1.6**	2.3
Amortisation of intangibles	**4.2**	3.9
Depreciation of right-of-use assets	**2.5**	2.4
Cost of sales relating to inventory	**289.6**	355.2
Expenses related to short-term and low value leases	**0.3**	0.1
Amounts payable to EY and its associates:		
– Audit of these consolidated financial statements	**0.4**	0.6
– Audit of the financial statements of subsidiaries pursuant to legislation	**0.4**	0.4
– Non-Audit Services	**0.1**	0.1
– Taxation services	–	–
Research and non-capitalised development expense	–	9.1
Employee costs (including Directors' emoluments) (note 27)	**107.7***	129.4
Foreign exchange loss/(gains)	**(0.8)**	1.0

Note:

* Employee costs in FY 2021 do not include furlough grants, as the Group had committed to repay it prior to the year end, so provision was in place to offset the total amount received of £0.4m.

5 EXCEPTIONAL ITEMS

Accounting policies

Exceptional items are disclosed separately in the financial statements to provide readers with an increased insight into the underlying performance of the Group.

	2021 £m	2020 £m
Site relocation and restructuring	**(21.4)**	(9.3)
Costs associated with the equity raise and bank refinancing	**(2.9)**	–
Pension underpin costs	**(0.6)**	(1.1)
Gain/(loss) on resolution of a historical issue relating to UK defined benefit pension scheme	**(0.1)**	8.7
Gain on sale of PPE	**2.7**	–
Gain/(loss) on disposal of subsidiary (net of costs associated with disposal)	**(0.3)**	22.7
Venezuela expected credit loss provision	**–**	(1.0)
Exceptional items in operating profit	**(22.6)**	20.0
Tax (charge)/credit on exceptional items	**4.2**	2.5

Site relocation and restructuring costs

Site relocation and restructuring costs in FY 2020/21 included: the recognition of £7.9m of restructuring charges (primarily people related) and £11.9m of asset impairments and accelerated depreciation charges related to cessation of banknote production at our Gateshead facility and a further £1.5m of charges relating to other cost out initiatives including the restructuring of our central enabling functions and the restructuring of the Group into the new divisional structure.

Site relocation and restructuring costs in FY 2019/20 related to the reorganisation during the period of the Group into our new divisional structure and other cost out programmes, primarily being redundancy costs and in addition to consultant and advisor fees.

Costs associated with equity raise and bank refinancing

In FY 2020/21 certain costs were incurred in relation to the equity raise and bank refinancing projects that, whilst directly associated with these, did not relate to activities which in accordance with IFRS would qualify for recording in equity or capitalisation on the balance sheet as transaction costs in relation to the debt refinancing. These costs included: £0.7m write-off of prepaid arrangement fees on the previously signed RCF which was amended on 7 July 2020 (due to the substantial repayment of the amounts outstanding at that time this has been accounted for as a settlement); costs of £1.5m associated with advisors fees in connection with the new pension deficit funding plan put in place in July 2020 following the equity raise and bank refinancing and other fees totalling £1.0m related to equity raise and bank refinancing which whilst directly related to these projects, did not meet the IFRS criteria for capitalisation on the balance sheet or recording within equity.

Pension underpin costs

Relate to legal fees 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.

Gain on resolution of a historical issue relating to the UK defined benefit pension scheme.

On 20 November 2020, the High Court issued its latest ruling in relation to the equalisation of pension benefits between men and women relating to Guaranteed Minimum Pensions (or "GMP"). The High Court ruled that statutory cash equivalent transfer values ("CETVs") paid from defined benefit pension schemes are subject to challenge and a top-up payment may be required if the CETV value insufficiently reflected the value of an equalised GMP benefit accrued between 17 May 1990 and 5 April 1997. The Group's initial estimate of the impact of the latest ruling is an increase in the IAS 19 pension liability of £0.1m which has been recorded within exceptional items in accordance with the Group's policy.

In FY 2019/20 the gain of £8.7m related to the resolution of a historical issue in respect to a change in revaluation rates for certain deferred pension scheme members. This resulted in an equivalent reduction to the liabilities in the pension scheme as at 28 March 2020.

Notes to the accounts continued

5 EXCEPTIONAL ITEMS CONTINUED

Gain on sale of PPE

A £2.7m gain was made in FY 2020/21 on the sale of a non-operational property held by the Group net of sales costs.

Venezuela Credit loss provision

In FY 2019/20 £1.0m was recognised relating to the close out of the hedge position taken out in relation to Venezuela receivables for which a credit loss of £18.1m was provided and reported in exceptional items in FY 2018/19. The hedge position was closed out in FY 2019/20 as subsequent to year end sanctions have further tightened against Venezuela.

Gain/(Loss) on disposal of subsidiary and associated costs

In FY 2019/20, following the sale of the Group's International Identify Solutions business on 14 October 2019, the Group recorded a gain of £25.3m before the deduction of costs associated with the disposal. The gain was calculated based on an estimate for the working capital adjustment which at FY 2019/20 year end remained subject to agreement with HID in accordance with the sales agreement. Costs associated with the disposal of the subsidiary in FY 2019/20 were £3.3m. In addition during FY 2019/20 a £0.7m gain was made in H1 on the final release of the recompense provision provided for in relation to the sale of the Portals De La Rue business. Delivery against the remaining contracts for which a recompense provision was recognised has now been satisfactorily completed and as such no further risk of the recompense provision being triggered is considered to exist.

During FY 2020/21 the final working capital balance has been agreed with HID which resulted in an additional £0.3m loss being recorded.

Taxation relating to exceptional items

The overall tax credit relating to continuing exceptional items arising in the period was £4.2m (2019/20: tax credit of £2.5m).

Included within the exceptional tax credit in the prior year was a deferred tax credit of £1.1m. This related to the recognition of a deferred tax asset in relation to restricted UK interest expenses available for deduction in future years that were fully recognised under IAS12 as there was a net overall net deferred tax liability position in the UK and any potential deferred tax assets had to be recognised against this deferred tax liability. During the current period £0.6m of this asset was no longer considered to meet the criteria to be recognised as a deferred tax asset, so has been recorded as an exceptional tax charge as the original credit was recognised within exceptional items.

6 DISPOSAL OF INTERNATIONAL IDENTITY SOLUTIONS BUSINESS

On 12 June 2019, the Group announced it had agreed the sale of its International Identity Solutions business to HID Corporation, an ASSA ABLOY Group company, for cash consideration of £42m plus an amount for working capital. Under the terms of the agreement, HID Global will acquire De La Rue's International Identity Solutions contracts, associated software, passport assembly facilities in Malta, and certain printing contracts of security documents such as visas and birth/death/marriage certificates. A separate supply agreement for De La Rue to supply printed paper and polycarbonate to HID Global until March 2022 was also signed. The UK passport contract is outside the scope of the agreement.

This transaction will allow the Group to refocus on identity-related security features and components where the market opportunities are more accessible. Strong synergies in technology and customer relations between identity security features and the rest of the Group will enable it to generate better returns on investment. The sale proceeds will strengthen the Group's balance sheet, providing it with greater flexibility to invest in other strategic growth areas.

The Group's International Identity Solutions business did not meet the IFRS 5 definition of a discontinued operation and as such its results were included within continuing operations. The Group tested the disposal Group for impairment prior to the completion of the transaction and concluded that no impairment of the disposal group was required.

On 14 October 2019, the Group completed the final sale to HID and in addition to the £42m referred to above the Group received an additional amount in relation to working capital which was estimated at £5.0m but which remains subject to agreement with HID management in accordance with the sales agreement. The working capital adjustment included amounts related to cash that was included in the net assets disposed of at the point of final sale.

No UK defined benefit pension liability transferred as part of the disposal.

The carrying amounts of assets and liabilities as at the date of sale (14 October 2019) were:

	£m
Property, plant and equipment	1.9
Right to use assets	0.4
Intangibles	4.7
Inventories	1.3
Trade and other receivables	26.6
Cash and cash equivalents	2.5
Total assets	**37.4**
Trade and other payables	(17.4)
Lease liabilities	(0.4)
Provisions	(0.3)
Total liabilities	**(18.1)**
Net assets	**19.3**

The gain on disposal on the sale of the subsidiary was:

	£m
Amounts paid by purchaser:	
Cash	47.2
Estimated working capital adjustment	(1.3)
Total disposal consideration	45.9
Net assets and liabilities disposed	(19.3)
CTA reclassified on disposal	(1.3)
Gain on disposal (before associated costs)	25.3
Costs associated with disposal of subsidiary	(3.3)
Gain on disposal (after associated costs)	22.0

Proceeds from sale of subsidiary in the consolidated cashflow statement are stated net of cash received of £47.2m, cash disposed of £2.5m payments for costs associated with the disposal of £2.7m.

7 INTEREST INCOME AND EXPENSE

Accounting policies

Interest income/expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset/liability to the net carrying amount of that asset/liability.

	2021 £m	2020 £m
Recognised in the income statement		
Interest income:		
– Interest on loan notes and preference shares	**0.8**	0.7
– Cash and cash equivalents	**–**	0.3
	0.8	1.0
Interest expense:		
– Bank loans	**(3.6)**	(4.8)
– Other, including amortisation of finance arrangement fees	**(2.9)**	(0.7)
– Interest on lease liabilities	**(0.6)**	(0.6)
Total interest expense calculated using the effective interest method	**(7.1)**	(6.1)
Retirement benefit obligation finance income/(expense) (note 26)	**1.7**	(1.6)

All finance income and expense arises in respect of assets and liabilities not restated to fair value through the income statement.

Interest due on the loan notes and preference shares relates to interests held in Mooreco Limited (obtained as part of the considered for the Portals paper disposal). The loan notes and preference shares are included in the balance sheet as Other Financial Assets. In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the Other Financial Asset.

The gain to the income statement in respect of the ineffective portion of derivative financial instruments was £nil (FY 2019/20: £nil).

The retirement benefit obligation finance income/expense is calculated under IAS 19 and represents the difference between the interest on pension liabilities and assets. The credit in FY 2020/21 of £1.7m (FY 2019/20: charge of £1.6m) was due the opening pension valuation on an IAS 19 basis as at 29 March 2020 being a net surplus of £64.8m.

8 TAXATION

Accounting policies

The tax expense included in the income statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, including adjustments in respect of prior periods, using tax rates enacted or substantively enacted by the balance sheet date. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Such assets and liabilities are not recognised 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.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Deferred tax assets and deferred tax liabilities are only offset to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities, they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise an asset and settle a liability simultaneously.

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters from which, in the ordinary course of business, uncertainty over the tax treatment can arise. De La Rue assesses whether it is probable or not the tax authority will accept the tax treatment; if probable that the treatment will be accepted then the potential tax effect of the uncertainty is a tax-related contingency. If it is not probable of being accepted, the most likely amount or the expected value is recognised. There are some tax assessments where a provision has been made on the basis of a combination of advice received and management judgment. The amount provided may be less than the headline figures on assessments received from a tax authority, and reflect an estimate of a more likely outcome on the basis of current communications with the tax authority. In the possible event that there was an adverse outcome to any dispute this could result in a material outflow.

	2021 £m	2020 £m
Consolidated income statement		
Current tax		
– UK corporation tax:		
– Current tax	**2.4**	4.7
Adjustment in respect of prior years	**0.1**	0.6
	2.5	5.3
Overseas tax charges:		
– Current year	**1.7**	1.8
– Adjustment in respect of prior years	**1.7**	(0.3)
	3.4	1.5
Total current income tax charge	**5.9**	6.8
Deferred tax:		
– Origination and reversal of temporary differences, UK	**(2.3)**	(6.4)
– Origination and reversal of temporary differences, overseas	**(2.3)**	(0.4)
Total deferred tax charge/(credit)	**(4.6)**	(6.8)
Income tax expense reported in the consolidated income statement in respect of continuing operations	**1.4**	–
Income tax expense/(credit) in respect of discontinued operations (note 3)	**(0.1)**	–
Total income tax charge in the consolidated income statement	**1.3**	–
Tax on continuing operations attributable to:		
– Ordinary activities	**6.0**	2.7
– Amortisation of acquired intangible assets	**(0.4)**	(0.2)
– Exceptional items	**(4.2)**	(2.5)
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	**(18.2)**	20.5
– On cash flow hedges	**0.2**	0.2
– On foreign exchange on quasi-equity balances	**0.1**	(0.2)
Income tax (credit)/charge reported within other comprehensive income	**(17.9)**	20.5
Consolidated statement of changes in equity:		
– On share options	**(0.3)**	0.4
Income tax charge reported within equity	**(0.3)**	0.4

Notes to the accounts continued

8 TAXATION CONTINUED

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 19% as follows:

	2021				2020			
	Before exceptional items £m	**Movement on acquired intangibles £m**	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Movement on acquired intangibles £m	Exceptional items £m	Total £m
Profit before tax	**33.5**	**(1.0)**	**(22.6)**	**9.9**	17.0	(0.9)	20.0	36.1
Tax calculated at UK tax rate of 19% (FY 2019/20: 19%)	**6.4**	**(0.2)**	**(4.3)**	**1.9**	3.2	(0.2)	3.8	6.8
Effects of overseas taxation	**0.7**	**–**	**–**	**0.7**	(1.0)	–	–	(1.0)
(Credits)/charges not allowable for tax purposes	**0.2**	**–**	**0.2**	**0.4**	0.9	–	(6.2)	(5.3)
Tax attributes not previously recognised for deferred tax	**(1.9)**	**–**	**–**	**(1.9)**	–	–	–	–
Utilisation of tax credits upon which no deferred tax was previously recognised	**(1.4)**	**–**	**–**	**(1.4)**	–	–	–	–
Adjustments in respect of prior years	**2.0**	**(0.2)**	**(0.1)**	**1.7**	(0.6)	–	(0.1)	(0.7)
Change in UK and overseas tax rate	**–**	**–**	**–**	**–**	0.2	–	–	0.2
Tax charge/(credit)	**6.0**	**(0.4)**	**(4.2)**	**1.4**	2.7	(0.2)	(2.5)	–

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates. It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities.

The actual outcome may vary from that anticipated. Where the final tax outcomes differ from the amounts initially recorded, there will be impacts upon income tax and deferred tax provisions and on the income statement in the period in which such determination is made.

The Group has current tax provisions recorded within Current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and there will be a future outflow of funds to a taxing authority. Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing tax assessments received from the tax authorities of some countries in which the Group operates. The disputed tax assessments are at various stages in the appeal processes, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice), and is appealing previous judgments and communicating with the relevant tax authority. The Group's expected outcome of the disputed tax assessments is held within the relevant provisions in the 2021 Financial Statements.

9 EARNINGS PER SHARE

Accounting policies

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of the dilutive effect of share options.

The Directors are of the opinion that the publication of the adjusted earnings per share, before exceptional items, is useful to readers of the accounts as it gives an indication of underlying business performance.

	2021 Continuing operations pence per share	**2021 Discontinued operations pence per share**	**2021 Total pence per share**	2020 Continuing operations pence per share (restated*)	2020 Discontinued operations pence per share (restated*)	2020 Total pence per share (restated*)
IFRS earnings per share						
Basic earnings per share	**3.7**	**(0.3)**	**3.4**	30.3	(0.3)	30.0
Diluted earnings per share	**3.7**	**(0.3)**	**3.4**	30.2	(0.3)	29.9
Adjusted earnings per share						
Basic earnings per share	**14.7**	**n/a**	**n/a**	11.1	n/a	n/a
Diluted earnings per share	**14.6**	**n/a**	**n/a**	11.1	n/a	n/a

Note:
* The prior years have been restated following the equity capital raise.

The prior years have been restated following the equity capital raise. Earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares. The weighted average number of ordinary shares used in the calculations for earnings per share is 172.4m (FY 2019/20 (restated): 113.7m); for basic earnings per share. The dilutive impact of shares options for FY 2020/21 was 1.6m shares resulting in a weighted average number of shares of 174.0m (FY 2019/20 (restated) was 0.2m shares resulting in a weighted average number of shares of 113.9m).

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

Earnings

	2021 Continuing operations £m	2020 Continuing operations £m
Earnings for basic and diluted earnings per share	**6.3**	34.4
Amortisation of acquired intangible assets	**1.0**	0.9
Exceptional items	**22.6**	(20.0)
Less: tax on amortisation of acquired intangibles	**(0.4)**	(0.2)
Less: tax on exceptional items	**(4.2)**	(2.5)
Earnings for adjusted earnings per share	**25.3**	12.6

Weighted average number of ordinary shares

	2021 Number m	2020 Number m (restated*)
For basic earnings per share	**172.4**	113.7
Dilutive effect of share options	**1.6**	0.2
For diluted earnings per share	**174.0**	113.9

Note:
* The prior years have been restated following the equity capital raise.

Notes to the accounts continued

10 EQUITY DIVIDENDS

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the financial statements until they have been approved by the shareholders at the annual general meeting. Interim dividends are recognised in the period that they are paid.

	2021 £m	2020 £m
Final dividend for the year ended 30 March 2019 of 16.7p paid on 03 August 2019	–	17.3
	–	17.3

No dividends are proposed on ordinary shares in 2021.

11 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated provision for impairment in value. Assets in the course of construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date.

Costs of major maintenance activities are capitalised and depreciated over the estimated useful life for the asset.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant reduces the carrying amount of the asset and then is recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

No depreciation is provided on freehold land. Building improvements are depreciated over their estimated useful economic lives of 50 years. Other leasehold interests are depreciated over the lease term.

Plant and machinery are depreciated over their estimated useful lives which typically range from 10 to 20 years. Fixtures and fittings and motor vehicles are depreciated over their estimated useful lives which typically range from two to 15 years. No depreciation is provided for assets in the course of construction until they are ready for use.

Depreciation methods, residual values and useful lives are reviewed at least at each financial year end, taking into account commercial and technical obsolescence as well as normal wear and tear, provision being made where the carrying value exceeds the recoverable amount.

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings and Motor Vehicles £m	In course of construction £m	Total £m
Cost					
At 31 March 2019	50.1	243.0	28.7	8.8	330.6
Exchange differences	0.3	3.8	0.3	0.1	4.5
Additions	–	0.8	0.8	15.5	17.1
Reclassifications	0.2	6.3	1.5	(9.2)	(1.2)
Disposals	–	(3.0)	2.7	(0.6)	(0.9)
Disposal of subsidiary	(1.9)	(9.5)	(0.5)	(0.1)	(12.0)
At 30 March 2020	48.7	241.4	33.5	14.5	338.1
Exchange differences	(0.3)	(1.7)	(0.3)	(0.2)	(2.5)
Additions	4.3	(2.9)	–	11.7	13.1
Reclassifications	0.6	4.3	3.5	(10.1)	(1.7)
Disposals	–	(8.1)	(7.6)	(0.3)	(16.0)
At 27 March 2021	53.3	233.0	29.1	15.6	331.0
Accumulated depreciation					
At 31 March 2019	28.1	167.6	19.8	–	215.5
Exchange differences	0.2	3.0	0.2	–	3.4
Depreciation charge for the year	1.4	10.3	2.9	–	14.6
Disposals	–	(3.2)	2.9	–	(0.3)
Disposal of subsidiary	(1.5)	(8.1)	(0.5)	–	(10.1)
Impairments	–	(0.1)	–	0.5	0.4
At 30 March 2020	28.2	169.5	25.3	0.5	223.5
Exchange differences	(0.2)	(1.0)	(0.4)	–	(1.7)
Depreciation charge for the year	1.8	8.8	2.3	–	12.9
Disposals	–	(7.9)	(7.6)	–	(15.5)
Impairments*	0.9	7.8	0.6	2.4	11.8
At 27 March 2021	30.7	177.2	20.2	2.9	231.0
Net book value at 27 March 2021	22.6	55.8	8.9	12.7	100.0
Net book value at 30 March 2020	20.5	71.9	8.2	14.0	114.6
Net book value at 31 March 2019	22.0	75.4	8.9	8.8	115.1

Note:

* Includes £10.3m of impairments which have been presented as part of the £11.9m of impairments and accelerated depreciation shown within exceptional items relating to the cessation of manufacturing at the Gateshead facility.

During the year £3.5m of government grants were received by the Group for the purchase of certain items of property, plant and equipment, which is offset against plant and machinery. The following conditions are attached to these grants: to retain an average employment level of 250 workers for a period of 8 years and retain qualifying investment project for a minimum of 8 years. The investment project began on 1 September 2015, therefore at the year end 2.5 years was left to satisfy the minimum period.

12 INTANGIBLE ASSETS

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost less accumulated amortisation and impairment losses. Software intangibles are amortised on a straight line basis over the shorter of their useful economic life or their licence period at rates which vary between three and five years.

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset if the recognition criteria in IAS 38 'Intangible Assets' have been met. Development costs not meeting these criteria are expensed in the income statement as incurred. Capitalised development costs are amortised on a straight line basis over their estimated useful economic lives, which vary between five and ten years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Intangible assets purchased through a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial acquisition, intangible assets acquired through a business combination are reported at cost less accumulated amortisation and impairment losses.

Notes to the accounts continued

12 INTANGIBLE ASSETS CONTINUED

Intellectual property recorded on the balance sheet relates to the acquisition of De La Rue Authentication Solutions Inc. and is amortised over its expected life of 10 years. Customer relationships, relating to those acquired in the acquisition of De La Rue Authentication Solutions Inc. are amortised over their expected lives of 10 to 15 years. Trade names relating to the acquisition of De La Rue Authentication Solutions Inc. are amortised over their expected lives of 15 years.

Assets in course of construction relates to internally generated software which is not yet completed.

Goodwill relates to the acquisition in FY 2017 of De La Rue Authentication Inc. (previously DuPont Authentication Inc). The goodwill has been tested for impairment during the year as IAS 36 requires annual testing for assets with an indefinite life. For the purposes of impairment testing the Cash Generating Unit (CGU) for the Goodwill has been determined as the De La Rue Authentication entity as a whole. This is consistent with the fact that the entity is not fully integrated into the Group and the integrated nature of the Intellectual Property and other assets which collectively generate cash flows. The key sensitivities in the impairment test are discount rate, future growth in revenue and the level of profit margin generated by De La Rue Authentication. Based on the impairment test performed no impairment of the goodwill is considered necessary.

	Goodwill £m	Development costs £m	Software assets £m	Distribution rights £m	Intellectual property £m	Customer relationships £m	Trade names £m	In course of construction £m	Total £m
Cost									
At 31 March 2019	8.6	18.1	10.5	0.1	3.2	3.8	0.2	9.9	54.4
Exchange differences	0.6	–	–	–	0.3	0.3	–	–	1.2
Additions	–	–	0.5	–	–	–	–	5.3	5.8
Disposals	–	–	(0.2)	–	–	–	–	(0.2)	(0.4)
Disposal of subsidiary	–	–	–	–	–	–	–	(4.7)	(4.7)
Reclassification	–	3.2	4.8	–	–	–	–	(6.7)	1.3
At 28 March 2020	9.2	21.3	15.6	0.1	3.5	4.1	0.2	3.6	57.6
Exchange differences	(1.1)	–	0.9	–	(0.4)	(0.5)	–	–	(1.1)
Additions	–	0.1	–	–	–	–	–	5.5	5.6
Disposals	–	(0.4)	(0.3)	(0.1)	–	–	–	(1.4)	(2.2)
Reclassification		1.4	(0.7)	–	0.3	0.5	–	0.2	1.7
At 28 March 2021	8.1	22.4	15.5	–	3.4	4.1	0.2	7.9	61.6
Accumulated amortisation									
At 31 March 2019	–	12.0	6.8	0.1	0.5	0.9	–	0.8	21.1
Exchange differences	–	–	–	–	0.1	0.1	–	–	0.2
Amortisation for the year	–	1.7	1.4	–	0.3	0.5	–	–	3.9
Impairment*	–	0.3	0.7	–	–	–	–	0.6	1.6
Disposals	–	–	(0.2)	–	–	–	–	–	(0.2)
Disposal of subsidiary	–	–	–	–	–	–	–	–	–
At 30 March 2020	–	14.0	8.7	0.1	0.9	1.5	–	1.4	26.6
Exchange differences	–	–	0.9	–	(0.1)	(0.2)	–	–	0.5
Amortisation for the year	–	1.7	1.4	–	0.6	0.4	0.1	–	4.2
Disposals	–	(0.3)	(0.3)	(0.1)	–	–	–	(1.4)	(2.1)
At 27 March 2021	–	15.4	10.7	–	1.4	1.7	0.1	–	29.3
Carrying value at 27 March 2021	8.1	7.0	4.8	–	2	2.4	0.1	7.9	32.3
Carrying value at 30 March 2020	9.2	7.3	6.9	–	2.6	2.6	0.2	2.2	31.0
Carrying value at 31 March 2019	8.6	6.1	3.7	–	2.7	2.9	0.2	9.1	33.3

Note:

* A number of assets were identified during the period as no longer being core to the Group's strategy under the Turnaround plan and consequently their value could not be supported as they were no longer going to be developed and/or brought to market.

Accounting policies
Impairment of intangible assets
Intangible assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed for all Cash Generating Units (CGUs) to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For the sensitivity information in impairment of goodwill, refer to Accounting policies – critical accounting estimates.

An impairment loss is recognised immediately in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In testing intangible assets for impairment, a number of assumptions must be made when calculating future cash flows. These assumptions include growth in customer numbers, market size and sales prices and volumes, all of which will determine the future cash flows.

13 OTHER FINANCIAL ASSETS

Accounting policies
As part of the consideration received for the disposal of the Portals De La Rue paper business, the Group received loan notes, preference shares and ordinary shares in Mooreco Limited, a parent company of the purchaser. The instruments relating to the loan notes and preference shares are being held solely to collect principal and interest payments on specified dates (SPPI) and they meet the business test model to be held at amortised cost. Amortised cost approximated fair value at the date these instruments were received, as they were obtained in an arms-length transaction with a third party and priced accordingly as part of the sales negotiation process. The Group has not chosen to fair value these through the income statement, they are accounted for on an amortised cost basis. The ordinary shares are accounted for as fair value through profit and loss (FVPL) and the value of these represents £0.2m of the amounts shown below.

	27 March 2021 £m	28 March 2020 £m
Opening balance	**8.0**	7.3
Interest accrued in the period	**0.8**	0.7
Closing balance	**8.8**	8.0

In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the Other Financial Asset. See note 7 for further details.

Management has assessed the recoverability of the other financial assets on the balance sheet as at 27 March 2021 and determined that any expected credit loss is immaterial.

14 INVENTORIES

Accounting policies
Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises 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 to their present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

	2021 £m	2020 £m
Raw materials	**22.8**	24.7
Work in progress	**11.5**	11.9
Finished goods	**20.2**	17.3
	54.5	53.9

The replacement cost of inventories is not materially different from original cost.

An income statement charge in respect of the recognition of inventory provisions of £1.6m was recognised in operating expenses – ordinary in FY 2021 (FY 2020: £2.3m).

15 TRADE AND OTHER RECEIVABLES

Accounting policies

Trade receivables that do not contain a significant financing component are recognised at the transaction price and other receivables are measured at amortised cost. Trade and other receivables are recognised net of allowance for ECL. In accordance with IFRS 9, the Group calculates an allowance for potentially uncollectable accounts receivable balances using the ECL model and follows the simplified approach. The Group has calculated the ECL by segmenting its accounts receivable balances into different segments representing the risk levels applying to those customer groupings and thus allowing for the calculation of the ECL by applying the expected loss rate relevant to each segment. The loss rates applied to each segment are based on the Group historical experience of credit losses in addition to available knowledge of potential future credit risk based on available data such as country credit ratings. The Group reviews the account receivable ledger to identify if there are any collectability issues which might require the recognition of an expected credit loss allowance (ie a specific bad debt provision) in addition to the expected credit loss allowance calculated based on historical experience. The Group's policy for managing credit risk is set out in note 16.

	2021 £m	2020 £m
Trade receivables	**69.6**[1]	72.8
Provision for impairment	**(1.5)**[1]	(19.9)
Net trade receivables	**68.1**	52.9
Other receivables	**26.2**	9.0
Prepayments	**4.3**	5.2
	98.6	67.1

Note:
1 The receivable from Venezuela of £19.1m was written off during the period and provision was released to off set this.

The ageing of trade and other receivables (excluding prepayments) at the reporting date was:

	Gross 2021 £m	**ECL allowance 2021 £m**	Gross 2020 £m	Provision 2020 £m
Not past due	**60.0**	**(0.2)**	48.7	(0.2)
Past due 0-30 days	**7.1**	**–**	4.8	–
Past due 31-120 days	**12.6**	**(0.4)**	7.5	(0.1)
Past due more than 120 days	**16.1**	**(0.9)**	20.8	(19.6)[1]
	95.8	**(1.5)**	81.8	(19.9)

Note:
1 The ECL amount included in the past due more than 120 days bucket primarily related to the £18.1m recorded in relation to Venezuela in 2020. The remaining unprovided balances were still considered collectable.

Of the amounts shown in the more than 120 days ageing bucket as at 27 March 2021, the Group has received payments of approximately £13.7m subsequent to year end and prior to the signing of the Annual Report and Accounts.

The provision for impairment in respect of trade receivables is used to record losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the financial asset directly.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021 £m	2020 £m
Balance at beginning of year	**(19.9)**	(25.3)
Impairment losses recognised	**(0.8)**	(1.9)
Utilised	**19.2**[1]	–
Impairment losses reversed	**–**	7.3
Balance at end of year	**(1.5)**	(19.9)

Note:
1 The receivable from Venezuela of £19.1m was written off during the period and provision was released to off set this, so there was no impact to the income statement during this financial year.

16 FINANCIAL RISK

Financial risk management

The Group's activities expose it to a variety of financial risks, the most significant of which are liquidity risk, market risk and credit risk.

The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The use of financial derivatives is governed by the Group's risk management policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group's treasury department is responsible for the management of these financial risks faced by the Group.

Group treasury identifies, evaluates and in certain cases hedges financial risks in close cooperation with the Group's operating units. Group treasury provides written principles for overall financial risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity.

16(a) Financial instruments

As permitted by IFRS 9, the Group has continued to apply the requirements of IAS 39 only in relation to hedge accounting at the current time. Derivative financial instruments are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The gain or loss on subsequent fair value measurement is recognised in the income statement unless the derivative qualifies for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item also affects the income statement. However, if the hedged item results in the recognition of a non-financial asset or liability, the amounts accumulated in equity on the hedging instrument are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Fair value hedges

For an effective hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in net income. Gains or losses from remeasuring the derivative or, for non-derivatives, the foreign currency component of its carrying value, are recognised in net income.

Embedded derivatives

Derivatives embedded in other financial liability instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Any unrealised gains or losses on such separated derivatives are reported in the income statement within revenue or operating expenses, in line with the host contract.

16 FINANCIAL RISK CONTINUED

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Fair value hierarchy	Total fair value 2021 £m	Carrying amount 2021 £m	Total fair value 2020 £m	Carrying amount 2020 £m
Financial assets					
Trade and other receivables[1]	Level 3	**91.7[5]**	**91.7[5]**	61.9[6]	61.9[6]
Contract assets	Level 3	**14.8**	**14.8**	18.3	18.3
Other financial assets[2]	Level 3	**8.6**	**8.6**	7.8	7.8
Cash and cash equivalents	Level 1	**25.7**	**25.7**	14.6	14.6
Derivative financial instruments:					
– Forward exchange contracts designated as cash flow hedges	Level 2	**2.5**	**2.5**	6.7	6.7
– Short duration swap contracts designated as fair value hedges	Level 2	**0.1**	**0.1**	1.0	1.0
– Foreign exchange fair value hedges – other economic hedges	Level 2	**4.9**	**4.9**	2.1	2.1
– Embedded derivatives	Level 2	**–**	**–**	6.8	6.8
– Interest rate swaps	Level 2	**–**	**–**	–	–
Total financial assets		**148.3**	**148.3**	119.2	119.2
Financial liabilities					
Unsecured bank loans and overdrafts[3]	Level 2	**(78.0)**	**(78.0)**	(117.4)	(117.4)
Trade and other payables[4]	Level 3	**(116.9)**	**(116.9)**	(130.7)	(130.7)
Derivative financial instruments:					
– Forward exchange contracts designated as cash flow hedges	Level 2	**(3.4)**	**(3.4)**	(6.5)	(6.5)
– Short duration swap contracts designated as fair value hedges	Level 2	**(0.1)**	**(0.1)**	(0.1)	(0.1)
– Foreign exchange fair value hedges – other economic hedges	Level 2	**(1.7)**	**(1.7)**	(9.2)	(9.2)
– Embedded derivatives	Level 2	**(3.1)**	**(3.1)**	(0.1)	(0.1)
– Interest rate swaps	Level 2	**–**	**–**	(0.2)	(0.2)
Total financial liabilities		**(203.2)**	**(203.2)**	(264.2)	(264.2)

Notes:
1 Excluding prepayments.
2 Excluding ordinary shares of £0.2m which are accounted for as fair value through profit and loss.
3 Excluding unamortised pre-paid borrowing.
4 Excluding contract liabilities/deferred income and taxes.
5 Excluding RDEC £2.6m.
6 Including RDEC £1.2m.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 valuations use observable inputs for the assets or liabilities other than quoted prices
- Level 3 valuations are not based on observable market data and are subject to management estimates

There has been no movement between levels during the current or prior periods.

Fair value measurement basis for derivative 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 valuation bases are classified according to the degree of estimation required in arriving at the fair values. See fair value hierarchy above.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Interest rate swaps

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.

Embedded derivatives

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.

Determination of fair values of non-derivative financial assets and liabilities

Non-derivative financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Hedge reserves

The hedge reserve balance on 27 March 2021 was loss £0.8m, (FY 2020: gain £0.1m). Net movements in the hedge reserve are shown in the Group statement of changes in equity. Comprehensive income after tax was £0.9m comprising a gain of £0.3m of fair value movements on new and continuing cash flow hedges and a gain of £0.4m on maturing cash flow hedges. Deferred tax on the gain of £0.7m amounted to £0.2m. Hedge reserve movements in the income statement were as follows:

	Revenue £m	**Operating expense £m**	**Interest expense £m**	**Total £m**
27 March 2021				
– Maturing cash flow hedges	**0.2**	**0.4**	**–**	**0.6**
– Ineffectiveness on de-recognition of cash flow hedges	**–**	**(0.1)**	**(0.1)**	**(0.2)**
28 March 2020				
– Maturing cash flow hedges	(0.9)	(0.7)	–	(1.6)
– Ineffectiveness on de-recognition of cash flow hedges	–	0.2	–	0.2
	(0.9)	(0.5)	–	(1.4)

The ineffective portion of fair value hedges that was recognised in the income statement amounted to £nil (FY 2020: £nil). The ineffective portion of cash flow hedges that was recognised in the income statement within operating expenses was a £0.1m loss and within Interest expense was a £0.1m loss (FY 2020: gain of £0.2m within operating expenses).

16 FINANCIAL RISK CONTINUED

16(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities where due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

27 March 2021	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities							
Unsecured bank loans and overdrafts	**–**	**–**	**78.0**	**–**	**78.0**	**–**	**78.0**
Trade and other payables	**116.9**	**–**	**–**	**–**	**116.9**	**–**	**116.9**
Obligations under leases	**3.0**	**2.6**	**6.6**	**26.6**	**38.8**	**(23.1)**	**15.7**
Derivative financial liabilities							
Gross amount payable from currency derivatives:							
– Forward exchange contracts designated as cash flow hedges*	**94.5**	**0.8**	**–**	**–**	**95.3**	**(91.9)**	**3.4**
– Short duration swap contracts designated as fair value hedges*	**13.7**	**–**	**–**	**–**	**13.7**	**(13.6)**	**0.1**
– Fair value hedges – other economic hedges*	**95.9**	**–**	**–**	**–**	**95.9**	**(94.2)**	**1.7**
	324.0	**3.4**	**84.6**	**26.6**	**434.8**	**(222.8)**	**215.8**

Note:
* Excludes embedded derivatives.

28 March 2020	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities							
Unsecured bank loans and overdrafts	117.4	–	–	–	117.4	–	117.4
Trade and other payables	130.7	–	–	–	130.7	–	130.7
Obligations under leases	2.8	2.5	6.4	24.2	35.9	(22.0)	13.9
Derivative financial liabilities							
Gross amount payable from currency derivatives:							
– Forward exchange contracts designated as cash flow hedges*	133.2	0.2	–	–	133.4	(126.9)	6.5
– Short duration swap contracts designated as fair value hedges*	7.0	–	–	–	7.0	(6.9)	0.1
– Fair value hedges – other economic hedges*	144.9	21.3	–	–	166.2	(157.0)	9.2
– Interest rate swaps	0.2	–	–	–	0.2	–	0.2
	536.2	24.0	6.4	24.2	590.8	(312.8)	278.0

Note:
* Excludes embedded derivatives.

The following are the contractual undiscounted cash flow maturities of financial assets, including contractual interest receipts and excluding the impact of netting agreements.

27 March 2021	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets							
Cash and cash equivalents	25.7	–	–	–	25.7	–	25.7
Trade and other receivables	95.8	–	–	–	95.8	–	95.8
Contract assets	14.8	–	–	–	14.8	–	14.8
Other financial assets[1]	–	–	–	8.6	8.6	–	8.6
Derivative financial assets							
Gross amount receivable from currency derivatives:							
– Forward exchange contracts designated as cash flow hedges	75.0	0.1	–	–	75.1	(72.6)	2.5
– Short duration swap contracts designated as fair value hedges	12.9	–	–	–	12.9	(12.8)	0.1
– Fair value hedges – other economic hedges	146.5	13.2	–	–	159.7	(154.8)	4.9
	370.7	13.3	–	8.6	392.6	(240.2)	152.4

28 March 2020	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets							
Cash and cash equivalents	14.6	–	–	–	14.6	–	14.6
Trade and other receivables	81.8	–	–	–	81.8	–	81.8
Contract assets	18.3	–	–	–	18.3	–	18.3
Other financial assets[1]	–	–	–	7.8	7.8	–	7.8
Derivative financial assets							
Gross amount receivable from currency derivatives:							
– Forward exchange contracts designated as cash flow hedges	152.3	0.4	0.1	–	152.8	(146.1)	6.7
– Short duration swap contracts designated as fair value hedges	50.2	–	–	–	50.2	(49.2)	1.0
– Fair value hedges – other economic hedges	61.2	0.1	–	–	61.3	(59.2)	2.1
– Interest rate swaps							
	378.4	0.5	0.1	7.8	386.8	(254.5)	132.3

Note:

1 Excludes ordinary shares of £0.2m which are accounted for as fair value through profit and loss.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and as a current asset or liability if the maturity of the hedged instrument is less than 12 months.

Cash and cash equivalents, trade and other current receivables, bank loans and overdrafts, trade payables and other current liabilities have fair values that approximate to their carrying amounts due to their short term nature.

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

As at 27 March 2021, the Group has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £72m (28 March 2020: £158m in more than one year). The amount of loans drawn on the £150m facility is £78m (28 March 2020: £117m). Guarantees of £78.2m (28 March 2020: £nil) have been drawn using the £125m guarantee facility. The accrued interest in relation to cash drawdowns outstanding at 27 March 2021 is £nil (30 March 2020: £0.2m).

Notes to the accounts continued

16 FINANCIAL RISK CONTINUED

The financial covenants require that the ratio of EBIT to net interest payable will not be less than 2.4 times (subsequently increasing up to 3.0 times) and the net debt to EBITDA ratio will not exceed three times. At the period end the specific covenant tests were as follows: EBIT/net interest payable of 6.3 times, net debt/EBITDA of 0.99 times. The covenant tests use earlier accounting standards and exclude adjustments including IFRS 16.

Forward foreign exchange contracts

The net principal amounts of the outstanding forward foreign exchange contracts at 27 March 2021 are US dollar 167.6m, euro 14.2m, Swiss franc 18.7m, Japanese yen 30.0m, Swedish krona 16.6m and Canadian dollar 0.2m.

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are US dollar 17.0m. These forward contracts are designated as cash flow hedges or fair value hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 27 March 2021 will be released to the income statement at various dates between one month and 13 months from the balance sheet date.

	Notional amount in currency	Notional amount in £m	Maturity	Average forward rate
As at 27 March 2021				
Forward exchange forward contracts				
USD	**169.1**	**(126.1)**	**2022**	**1.3417**
EUR	**(21.5)**	**18.8**	**2022**	**1.1423**
CHF	**(12.3)**	**10.1**	**2022**	**1.2172**
SEK	**16.6**	**(1.4)**	**2022**	**11.5044**
28 March 2020				
Forward exchange forward contracts				
USD	172.9	(133.0)	2022	1.2993
EUR	(36.1)	31.9	2021	1.1303
CHF	(18.9)	15.4	2021	1.2265
SAR	(6.3)	1.4	2020	4.4389

Notes:
Hedges vs GBP shown only.
Forward sales shown as positive and purchases shown as negative.

	Notional amount currency 1 in m	Notional amount currency 2 in m	Maturity	Average forward rate
As at 27 March 2021				
Forward exchange forward contracts				
EUR/CHF	**5.9**	**(6.4)**	**2022**	**1.0766**
EUR/USD	**1.3**	**(1.5)**	**2022**	**1.1496**
28 March 2020				
Forward exchange forward contracts				
EUR/CHF	**5.9**	**(6.4)**	**2021**	**1.0762**
EUR/USD	**2.4**	**(2.8)**	**2021**	**1.1312**

Notes:
Forward sales shown as positive and purchases shown as negative.
Notional amount in currency 1 refers to Euro and notional amounts in currency 2 refer to CHF or USD as indicated.
Notional amounts are shown in the currency as stated and not in GBP.

Short duration swap contracts

(i) Cash management swaps

The Group uses short duration currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 27 March 2021 was £nil (FY 2020: £0.1m). Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps at 27 March 2021 are US dollar 1.2m, euro 2.0m, Swiss franc 0.5m, United Arab Emirates dirham 1.8m, Saudi Arabian riyal 1.1m, Japanese yen 2.1m, Swedish krona 0.2m and Australian dollar 0.1m.

(ii) Balance sheet swaps

The Group uses short duration currency swaps to manage the translational exposure of monetary assets and liabilities denominated in foreign currencies. The fair value of balance sheet swaps as at 27 March 2021 was £nil (FY 2020: loss £0.8m). Gains and losses on balance sheet swaps are included in the consolidated income statement.

The principal amounts outstanding under balance sheet swaps at 27 March 2021 are US dollar 16.9m, euro 10.9m and Swiss franc 1.4m.

Embedded derivatives

Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The net fair value of embedded derivatives at 27 March 2021 was (£3.1m) (FY 2020: £6.7m).

Gains and losses on fair value hedges

The gains and losses recognised in the year on the Group's fair value hedges were loss £0.9m relating to balance sheet hedges (FY 2020: gain £1.3m), gain £1.6m relating to other fair value hedges (FY 2020: loss £2.4m), and loss £0.1m relating to cash management hedges (FY 2020: £0.1m).

16(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The Group uses a range of derivative instruments, including forward contracts and swaps to hedge its risk to changes in foreign exchange rates and interest rates with the objective of controlling market risk exposures within acceptable parameters, while optimising the return. Derivative financial instruments are only used for hedging purposes.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group's risk management policy aims to hedge firm commitments in full, and between 60% and 100% of forecast exposures in each major currency for the subsequent 12 months to the extent that forecast transactions are highly probable.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies and through foreign currency swaps.

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

16 FINANCIAL RISK CONTINUED

Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	**2021**	2020
US dollar	**1.31**	1.27	**1.38**	1.22
Euro	**1.12**	1.14	**1.17**	1.11

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where the Group has forecast average levels of net debt above £50.0m on a continuing basis, the policy is to use floating to fixed interest rate swaps to fix the interest rate on a minimum of 50% of the Group's forecast average levels of net debt for a period of at least 12 months. This remains the policy in the medium term however the Group has elected not to currently apply this policy and this will be reviewed at least semi-annually.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	2021 £m	2020 £m
Variable rate instruments		
Financial assets	**25.7**	14.6
Financial liabilities	**(78.0)**	(117.4)
	(52.3)	(102.8)

At the year ending 27 March 2021 the Group had no floating to fixed interest rate swaps with financial institutions in place.

Excluded from the above analysis is £15.7m (FY 2020: £13.9m) of amounts payable under leases, which are subject to fixed rates of interest.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
27 March 2021	(0.3)	0.3	–	–
28 March 2020	(0.8)	1.1	–	–

16(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced by various factors, largely pertaining to the profile of the customer as acknowledged in our IFRS 9 Receivables segmentation, in particular the customer's status as a Government or Banking institution as compared to that of a private or publicly owned entity. Due to the large make up of Government or central banks at around 80% of the Group's revenues, measuring credit risk is largely driven by factors including the country's sovereign rating, historic knowledge, local market insights, and political factors in country and industry credit risk is not an influencing factor. The Group's long standing historic trade with Government and central bank institutions guides strongly towards the lower credit or doubtful debt risk that these customers represent. Where private or publicly owned Business Trade applies, the Business adopts a conventional and in depth trading entity credit review. Where appropriate, letters of credit are used to reduce the credit risk for the Business and where possible advanced payments are also requested.

All credit assignment risk is mitigated through a threshold based sign-off matrix, where larger value credit exposures require multiple and more senior Business sign-off. The Group has processes in place to ensure appropriate credit limits are set for customers and for ensuring appropriate approval is given for the release of products to customers where any perceived risk has been highlighted.

Exposure to credit risk

The carrying amount of financial assets represents the credit exposure at the reporting date. The exposure to credit risk at the reporting date was:

	Notes	Carrying amount 2021 £m	2020 £m
Trade and other receivables (excluding prepayments and RDEC)	15	**91.7**	61.9
Contract assets[1]		**14.8**	18.3
Other financial assets		**8.5**	7.8
Cash and cash equivalents	17	**25.7**	14.6
Forward exchange contracts used for hedging		**7.4**	9.8
Embedded derivatives		**–**	6.8
Interest rate swaps		**–**	–
		148.1	119.2

Note:

1 Contract assets have been added to this table to provide further information.

The maximum exposure to credit risk for trade and other receivables (excluding prepayments and RDEC) by geographic region was:

	Carrying amount 2021 £m	2020 £m
UK	**22.3**	8.1
Rest of Europe	**13.0**	17.5
Africa	**35.4**	13.6
Rest of world	**21.0**	22.7
	91.7	61.9

The maximum exposure to credit risk for trade and other receivables (excluding prepayments and RDEC) by type of customer was:

	Carrying amount 2021 £m	2020 £m
Banks and financial institutions	**43.2**	21.1
Government institutions	**15.1**	16.2
Other	**33.4**	24.6
	91.7	61.9

Fair value adjustment to credit risk on derivative contracts

The impact of credit related adjustments being made to the carrying amount of derivatives measured at fair value and used for hedging currency and interest rate risk has been assessed and considered to be immaterial. These derivatives are transacted with investment grade financial institutions. Similarly, the impact of the credit risk of the Group on the valuation of its financial liabilities has been assessed and considered to be immaterial.

16(e) Capital management

The Board’s policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group finances its operations through a mixture of equity funding and debt financing, which represent the Group’s definition of capital for this purpose.

16 FINANCIAL RISK CONTINUED

	Notes	2021 £m	2020 £m
Total equity attributable to shareholders of the Company		**95.0**	78.0
(Deduct)/add back long term pension surplus/(deficit)		**18.5**	(64.8)
Adjusted equity attributable to shareholders of the Company		**113.5**	13.2
Net debt	24	**52.3**	102.8
Group capital		**165.6**	116.0

The long term pension deficit has been removed as a separate agreement is in place regarding the funding for this deficit which is paid out of cash flows from continuing operations. The Group's debt financing is also analysed in notes 20 and 24.

Included within the Group's net debt are certain cash and cash equivalent balances that are not readily available for use by the Group. These balances are not significant, and are not readily available due to restrictions within some of the countries in which we operate.

Earnings per share and dividend payments are the two measures which, in the Board's view, summarise best whether the Group's objectives regarding equity management are being met. The Group's earnings and dividends per share and relative rates of growth illustrate the extent to which equity attributable to shareholders has changed. Both measures are disclosed and discussed within the strategic report and notes 9 and 10.

The Group's objective is to maximise sustainable long term growth of the earnings per share.

De La Rue's dividend policy is to provide shareholders with a competitive return on their investment over time, while ensuring sufficient reinvestment of profits to enable the Group to achieve its strategy. During the period, the Group invested in ongoing research and development expenditure and capital expenditure. There is no proposed dividend to De La Rue plc shareholders for the year and it should be noted that none are permitted within 18 months of the Refinancing of 7 July 2020. Dividends can be paid pro-rata to all shareholders (including external parties) in respect of Joint Venture companies including those companies treated as consolidated subsidiaries.

The decision to pay dividends, and the amount of the dividends, will depend on, among other things, the earnings, financial position, capital requirements, general business conditions, cash flows, net debt levels and share buyback plans.

There were no changes to the Group's approach to capital management during the year but in the short-term some restrictions apply following the Refinancing.

16(f) Changes in liabilities arising from financing activities

The below analysis provides a reconciliation between the opening and closing positions in the balance sheet for liabilities arising from financing activities excluding movements in cash and cash equivalents.

	At 29 March 2020 £m	Cash flow £m	Exchange differences £m	New leases and modifications £m	Non-cash movements £m	At 27 March 2021 £m
Borrowings	(117.3)	39.3	–	–	–	**(78.0)**
Prepaid loan arrangement fees	0.8	4.8	–	–	(1.8)	**3.8**
Lease liabilities	(13.9)	2.8	0.4	(4.4)	(0.6)	**(15.7)**
Liabilities arisings from financing activities	(130.4)	46.9	0.4	(4.4)	(2.4)	**(89.9)**

17 CASH AND CASH EQUIVALENTS

Accounting policies

Cash and cash equivalents comprise bank balances and cash held by the Group and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

	2021 £m	2020 £m
Cash at bank and in hand	**25.7**	14.6
Short term bank deposits	**–**	–
	25.7	14.6

An analysis of cash, cash equivalents and bank overdrafts is shown in the Group cash flow statement.

Certain cash and deposits are of a floating rate nature and are recoverable within three months.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.

18 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2021 £m	2020 £m
Deferred tax assets	**19.7**	5.5
Deferred tax liabilities	**(2.6)**	(8.8)
	17.1	(3.3)

The gross movement on the deferred income tax account is as follows:

	2021 £m	2020 £m
Beginning of the year	**(3.3)**	15.0
Exchange differences	**(0.1)**	0.2
Income statement credit/(charge)	**4.6**	6.8
Tax credit/(charge) to OCI and equity	**15.9**	(25.3)
End of the year	**17.1**	(3.3)

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment £m	Fair value gains (restated) £m	Development costs £m	Retirement benefits £m	Total £m
Liabilities					
At 30 March 2019	(2.1)	(1.8)	(1.1)	–	(5.0)
Recognised in the income statement	0.8	0.2	(0.8)	–	0.2
Recognised in OCI and equity	–	–	–	(12.3)	(12.3)
Exchange differences	(0.1)	(0.1)	–	–	(0.2)
At 28 March 2020	(1.4)	(1.7)	(1.9)	(12.3)	(17.3)
Recognised in the income statement	1.2	0.4	(0.1)	0.1	1.6
Recognised in OCI and equity	–	–	–	12.3	12.3
Exchange differences	0.2	0.2	–	(0.1)	0.3
At 27 March 2021	**–**	**(1.1)**	**(2.0)**	**–**	**(3.1)**

Notes to the accounts continued

18 DEFERRED TAXATION CONTINUED

	Property, plant and equipment £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
Assets					
At 30 March 2019	–	13.4	0.1	6.5	20.0
Recognised in the income statement	–	(0.4)	5.0	2.0	6.6
Recognised in OCI and equity	–	(12.5)	–	(0.5)	(13.0)
Exchange differences	–	–	–	0.4	0.4
At 28 March 2020	–	0.5	5.1	8.4	14.0
Recognised in the income statement	1.6	0.1	(0.8)	2.1	3.0
Recognised in OCI and equity	–	3.5	–	0.1	3.6
Exchange differences	–	–	–	(0.4)	(0.4)
At 27 March 2021	**1.6**	**4.1**	**4.3**	**10.2**	**20.2**

Other deferred assets and liabilities include tax associated with provisions of £0.5m (2019/20: £0.7m) and in respect of overseas tax credits £7.2m (2019/20: £5.7m).

Deferred tax assets are recognised for tax losses available to carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has not recognised deferred tax assets of £7.3m (2019/20: £7.9m) in respect of losses amounting to £26.9m (2019/20: £29.0m) that can be carried forward against future taxable income. Similarly, the Group has not recognised deferred tax assets of £17.3m (2019/20: £5.4m) in respect of overseas tax credits that are carried forward for utilisation in future periods.

Unremitted foreign earnings totalled £189.5m at 27 March 2021 (2019/20: £161.8m). Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries where the timing of the reversal can be controlled and it was considered unlikely that dividends would be paid from those subsidiaries.

UK capital losses of £319m are carried forward at 28 March 2020 (2019/20: £319m). No deferred tax asset has been recognised in respect of these losses.

UK tax rate

The UK deferred tax assets and liabilities at 27 March 2021 have been calculated based on the rate of 19%, being the substantively enacted rate at the balance sheet date. It was announced in March 2021 that the main UK corporate tax rate will be increased to 25% from April 2023. This is expected to be enacted during the period ending March 2022, and deferred tax balances will be revalued to reflect the change during that year. Assuming for illustrative purposes all existing temporary differences were to reverse at 25% this would increase the deferred tax asset at the year end by £3.9m.

19 TRADE AND OTHER PAYABLES

Accounting policies

Trade and other payables are measured at carrying value which approximates to fair value.

Payments received on account relate to monies received from customers under contract, as per individual contract agreements, prior to commencement of production of goods or delivery of services. Once the obligation has been fulfilled the revenue is recognised in accordance with IFRS 15.

Contract liability is recognised when a payment from customer is due or already received, before a related performance obligation is satisfied for the contract agreements that have started production of goods or delivery of services.

	2021 £m	2020 £m
Current liabilities		
Payments received on account	**38.0**	38.2
Contract liabilities	**1.6**	0.3
Trade payables	**40.2**	45.4
Social security and other taxation	**2.0**	2.6
Accrued expenses[1]	**32.3**	37.7
Other payables[2]	**6.4**	9.4
	120.5	133.6

Notes:

1 Accrued expenses include commissions £3.9m (FY 2020: £5.0m), rebate accruals £2.2m (FY 2020: £4.5m), employee related accruals of £6.2m (FY 2020: £2.7) and freight accruals £1.4m (FY 2020: £1.9m).

2 Other payables include capex creditors £1.5m (FY 2020: £4.4m) and interest payable £1.4m (FY 2020: £1.2m).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 16.

20 BORROWINGS

Accounting policies

Borrowings are recognised at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 16.

	Currency	Nominal interest rate	Year of maturity	**Face value 2021 £m**	**Carrying amount 2021 £m**	Face value 2020 £m	Carrying amount 2020 £m
Current liabilities							
Unsecured bank loans and overdrafts	GBP	2.62%	2021	**–**	**–**	117.0	117.0
Unsecured bank loans and overdrafts	Other	–	2021	**–**	**–**	0.4	0.4
Non-current liabilities							
Unsecured bank loans and overdrafts	GBP	2.85%	2023	**78.0**	**78.0**	–	–
Total interest bearing liabilities				**78.0**	**78.0**	117.4	117.4

The total interest bearing liabilities above is presented excluding unamortised pre-paid borrowing fees of £3.8m (FY 2020: £0.8m).

As at 27 March 2021, bank overdrafts of £53.6m (FY 2020: £154.7m) were offset for interest purposes against bank accounts in a credit balance position. Overdrafts are presented net in the balance sheet where there is a right of offset against a cash balance.

As at 27 March 2021, the Group has a committed revolving facility, all maturing in more than one year, of £275m which depending on the value of guarantees utilised a maximum of £175m can be used as way of cash draw downs.

The drawdowns on the RCF facility are typically rolled over on terms of between one and three months. However, as the Group has the intention and ability to continue to roll forward the drawdowns under the facility, the amount borrowed has been presented as long term at FY 2021. This is a different presentation to the position as at 28 March 2020 when the borrowings were presented as current ahead of the completion of the bank refinancing.

Notes to the accounts continued

21 PROVISIONS FOR LIABILITIES AND CHARGES

Accounting policies

Provisions are recognised when the Group has a present obligation in respect of a past event, it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are measured at the management's best estimate of the amount required to settle the obligation at the balance sheet date and are discounted where the time value of money is considered material.

	Restructuring £m	Warranty £m	Other £m	Total £m
At 28 March 2020	2.4	0.6	7.6	10.6
Exchange differences	–	–	(0.1)	(0.1)
Charge for the year	6.1	4.1	4.6	14.8
Utilised in year	(7.3)	(0.4)	(4.5)	(12.2)
Released in year	(0.5)	(1.1)	(2.0)	(3.6)
At 27 March 2021	**0.7**	**3.2**	**5.6**	**9.5**
Expected to be utilised within 1 year	0.7	3.2	5.6	9.5
Expected to be utilised after 1 year				

Restructuring provisions

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

Warranty provisions

Warranty provisions relate to present obligations for defective products. 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.

The Group 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.

Other provisions

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 Group's normal operations. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

Valuation of inventory

At any point in time, the Group has significant levels of inventory, including work in progress. 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.

22 SHARE CAPITAL

	2021 £m	2020 £m
Issued and fully paid		
195,064,380 ordinary shares of 44 152/175p each (2020: 103,997,862 ordinary shares of 44 152/175p each)	**87.7**	46.7
111,673,300 deferred shares of 1p each (2020: 111,673,300 deferred shares of 1p each)	**1.1**	1.1
	88.8	47.8

	2021		2020	
	Ordinary shares ’000	**Deferred shares ’000**	Ordinary shares ’000	Deferred shares ’000
Allotments during the year				
Shares in issue at 28 March 2020/30 March 2019	**103,998**	**111,673**	103,796	111,673
Equity Capital Raise	**90,909**	**–**	–	–
Issued under Savings Related Share Option Scheme	**5**	**–**	48	–
Issued under Annual Bonus Plan	**68**	**–**	21	–
Issued under Performance Share Plan	**84**	**–**	133	–
Shares in issue at 27 March 2021/28 March 2020	**195,064**	**111,673**	103,998	111,673

The deferred shares carry limited economic rights (and no right to receive a dividend) and no voting rights. They are unlisted and are not transferable except in accordance with the articles.

23 SHARE BASED PAYMENTS

Accounting policies

The Group operates various equity settled and cash settled option schemes. On 17 June 2020 De La Rue announced an equity capital raise. The equity capital raise was made on the basis of 7 new shares for every 16 existing shares held by qualifying shareholders at the record date.

To adjust for the dilutive impact of the equity capital raise, for share options held that had not vested by 16 June, the group granted an additional 1.093 (the adjustment factor) share options for every share option that employee held to ensure that the fair value remained unchanged after dilution. For all the “free share awards” (i.e. the ABP and PSP awards) the exercise price remained unchanged. For any option with an exercise price (i.e. Sharesave options), the exercise price per share is reduced by the inverse of the adjustment factor, to ensure that the aggregate exercise price (given that the number of shares is increasing) remains the same.

For equity settled share options, the 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 consolidated income statement, together with a corresponding increase in shareholders’ equity, on a straight line basis over the vesting period, based on the numbers of shares that are actually expected to vest, taking into account non-market vesting conditions (including service conditions). Vesting conditions, other than non-market based conditions and non-vesting conditions (requirement to save) are taken into account when estimating the fair value.

On the performance related awards, until 2020 performance measure was based on ROCE and EPS. From 2020 ROCE was replaced by TSR, a market based condition.

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 consolidated income statement 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 in the consolidated income statement.

At 27 March 2021, the Group has a number of share based payment plans, which are described below. The compensation cost and related liability that have been recognised for the Group’s share based plans are set out in the table below:

	Expense recognised for the year	
	2021 £m	2020 £m
Annual Bonus Plan	**0.1**	0.2
Performance Share Plan	**0.6**	(0.6)
Savings Related Share Option Scheme	**(0.3)**	(0.2)
	0.4	(0.6)

Note:
The FY 2021 Performance Share Plan above includes cash settled share based payments of £4,241 (FY 2020 credit £11,356).

23 SHARE BASED PAYMENTS CONTINUED

The fair value of share options is estimated at the date of grant using a lattice based option valuation model. The significant assumptions used in the valuation model are disclosed below:

Arrangement	Performance Share Plan		Savings Related Share Option Scheme
Dates of current year grants	14 July 2020		6 January 2021
Performance conditions	EPS	TSR	n/a
Number of options granted	925,470	925,470	1,799,163
Exercise price	n/a	n/a	131.1
Contractual life (years)	10	10	3
Settlement	Share	Share	Share
Vesting period (years)	5	5	3
Dividend yield	n/a	n/a	Nil
Risk free interest rate	n/a	n/a	-0.13% pa
TSR correlation with comparator index	n/a	35% pa	n/a
TSR/Share price volatility	90% pa	90% pa	90% pa
Share price at grant (pence)	125.00	125.00	166.40
Fair value per option at grant date	132.28	109.66	104.00

For the Savings Related Share Option Scheme (SAYE) an expected volatility rate of 90% (FY 2020: 40%) has been used for grants in the period. This rate is based on historical volatility over the last three years to 6 January 2021. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life. The rate applied during the year was -0.13% per annum for a period of three years (FY 2020: 0.55%).

The 14 July 2020 Performance Share Plan (PSP) award is subject to two components, a TSR test and one subject to an Earnings Per Share (EPS) test. For this award an expected TSR volatility rate of 90% has been used for grants in the period. This rate is based on historical volatility over the last three years to 14 July 2021. The expected life is the average expected period to exercise. TSR Correlation between the Company and the FTSE 250 (excluding investment trusts) comparators was measured over a 3 year period and 35% pa was adopted.

Reconciliations of option movements over the period to 27 March 2021 for each class of share awards are shown below:

Annual Bonus Plan

For details of the Annual Bonus Plan, refer to the Directors' remuneration report on pages 71 to 89.

	2021 Number of awards '000	2020 Number of awards '000
Share awards outstanding at start of year	**105**	27
Rights Issue adjustment	**7**	–
Granted	**–**	132
Forfeited	**(65)**	(36)
Vested	**(24)**	(18)
Outstanding at end of year	**23**	105

During the period the weighted average share price on share awards exercised in the period was 142.05p (FY 2020: 487.04p).

Performance Share Plan

For details of the Performance Share Plan, refer to the Directors' remuneration report on pages 71 to 89.

	2021 Number of awards '000	2020 Number of awards '000
Share awards outstanding at start of year	**1,538**	1,942
Rights Issue adjustment	**55**	–
Granted	**1,851**	786
Forfeited	**(775)**	(1,123)
Vested	**(109)**	(67)
Outstanding at end of year	**2,560**	1,538

During the period the weighted average share price on share awards exercised in the period was 142.87p (FY 2020: 517.93p).

The awards have been allocated based on a share price of 541.00p for the 29 June 2015 grants, 476.95p for the 23 September 2015 grants, 520.85p for the 27 June 2016 grants, 680.10p for the 27 June 2017 grants, 551.00p for the 27 June 2018 grants and 498.00p for the August 2018 grants, 298.00p for the 10 June 2019 grants, 37.45p for the 6 January 2020 grants and 132.28p/109.66p for the 14 July 2020 grants.

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 to the market price) to employees who agree to save between £5 and the maximum savings amount offered per month over a period of three or five years.

There are no performance conditions attaching to the options. After the three or five 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 5% has been assumed on new options granted in the year based on historic experience.

	2021		2020	
	Weighted average exercise price pence per share	**Number of options ’000**	Weighted average exercise price pence per share	Number of options ’000
Options outstanding at start of year	**232.30***	**1,534**	404.76	1,791
Additional shares granted from equity capital raise	**190.03**	**103**	–	–
Granted	**131.1**	**1,799**	118.67	847
Forfeited	**268.71**	**(493)**	402.23	(976)
Exercised	**108.55**	**(5)**	344.40	(48)
Expired	**411.78**	**(135)**	359.34	(80)
Outstanding at end of year	**151.29**	**2,803**	252.67	1,534

Note:

* The weighted average exercise price pence per share number was adjusted for the equity capital raise.

The range of exercise prices for the share options outstanding at the end of the year is 108.55p – 475.91p (2020: 118.67p – 520.26p). The weighted average remaining contractual life of the outstanding share options is 2.43 years (2020: 2.15 years).

During the period the weighted average share price on options exercised in the period was 161.02p (FY 2020: 426.50p).

Market share purchase of shares by Trustee De La Rue Employee Share Ownership Trust

The De La Rue Employee Share Ownership Trust (Trust) is a separately administered trust established to administer shares granted to Executive Directors and senior employees under the various discretionary share option plans established by the Company. Liabilities of the Trust are guaranteed by the Company and the assets of the Trust mainly comprise shares in the Company. Equiom (Guernsey) Limited is the Trustee. The own shares held by the Trust are shown as a reduction in shareholders’ funds. The shares will be held at historical rates until such time as they are disposed of. Any profit or loss on the disposal of own shares is treated as a movement in reserves rather than as an income statement item.

The Trustee held nil shares at 27 March 2021 (28 March 2020: nil).

24 ANALYSIS OF NET DEBT

The analysis below provides a reconciliation between the opening and closing positions in the balance sheet for liabilities arising from financing activities together with movements in cash and cash equivalents.

	At 28 March 2020 £m	Cash flow £m	Foreign exchange £m	**At 27 March 2021 £m**
Borrowings	(117.3)	39.3	–	**(78.0)**
Cash and cash equivalents	14.5	11.5	(0.3)	**25.7**
Net debt[1]	(102.8)	50.8	(0.3)	**(52.3)**

Note:

1 Net debt above is presented excluding unamortised pre-paid borrowing fees of £3.8m (FY 2019/20: £0.8m). Net debt also excludes £15.7m (FY 2019/20: £13.9m) of lease liabilities recognised following the adoption of IFRS 16.

24 ANALYSIS OF NET DEBT CONTINUED

	At 30 March 2019 £m	Cash flow £m	At 28 March 2020 £m
Borrowings	(118.8)	1.5	(117.3)
Cash and cash equivalents	11.3	3.2	14.5
Net debt	(107.5)	4.7	(102.8)

Effective 7 July 2020, the Group amended the terms of its Bank facilities of £275m. The relevant amendments, among other things, extend the maturity date of the Revolving Cash Facility ("RCF") to December 2023, reset the interest cover ratio and provide available committed bond and guarantee facilities that do not need to be cash collateralised in most cases. In addition, the majority of the equity capital raise proceeds were used to subsequently repay a substantial part of the RCF shortly after the amendment on 7 July 2020. This was accounted for as a settlement under IFRS 9 and consequently the unamortised balance on the loan arrangement fees on the old RCF of £0.7m was written-off to the income statement and included within exceptional items. The Group has Bank facilities of £275m including an RCF cash drawdown component of up to £175m and bond and guarantee facilities of a minimum of £100m, which currently are due to mature in December 2023. The Group can convert (in blocks of £25m) up to £50m of the undrawn RCF cash component to the bond and guarantee component if required and can elect to convert this back (again in blocks of £25m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised. The drawdowns on the RCF facility are typically rolled over on terms of between one and three months. However, as the Group has the intention and ability to continue to roll forward the drawdowns under the facility, the amount borrowed has been presented as long term from HY 2020/21 and at 27 March 2021. This is a different presentation to the position as at 28 March 2020 when the borrowings were presented as current ahead of the completion of the bank refinancing. In H2 the Group has reallocated £25m of the cash component to the bond and guarantee component such that at present £150m in total is available on the RCF component, of which £78m has been drawn. Accordingly as at 27 March 2021, the Group had a total of undrawn committed borrowing facilities, all maturing in more than one year, of £72m (28 March 2020: £158m, all maturing in more than one year). A further amendment to the Bank facilities was agreed and became effective on 25 March 2021 which largely covered some relatively minor administrative issues and included wording to prepare for the transition of the underlying borrowing rate from LIBOR to Risk Free Rates later in 2021. Net debt above is presented excluding unamortised capitalised transaction costs in relation to the debt refinancing of £3.8m. Net debt also excludes £15.7m of lease liabilities recognised following the adoption of IFRS 16.

25 LEASES

Accounting policies

The Group has lease contracts for various properties and ground leases in addition to other equipment used in its operations. Leases for property and ground leases range from 2 years to in excess of 100 years in certain cases. Leases for other equipment used in operations are typically for periods of 2 to 5 years. There are several lease contracts which include extensions and termination options and these are discussed below.

The Group also has certain leases that have terms of less than 12 months or lease or where equipment is of a low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions.

For further details on lease accounting see Accounting Policies on page 114.

Set out below are the carrying amounts of right-to-use assets recognised and the movement during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
At 31 March 2019	**12.6**	**0.7**	**13.3**
Additions – change in lease assessment	2.2	–	2.2
Depreciation expense	(2.3)	(0.1)	(2.4)
Disposal of subsidiary	(0.4)	–	(0.4)
Exchange differences	0.2	–	0.2
At 28 March 2020	**12.3**	**0.6**	**12.9**
Additions – change in lease assessment	4.4	–	4.4
Depreciation expense	(2.4)	(0.1)	(2.5)
Exchange differences	(0.2)	–	(0.2)
At 27 March 2021	**14.1**	**0.5**	**14.6**

Set out below are the carrying amounts of lease liabilities and the movement during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
At 31 March 2019	**(13.6)**	**(0.7)**	**(14.3)**
Additions – change in lease assessment	(2.2)	–	(2.2)
Accretion of interest	(0.6)	–	(0.6)
Lease payments	2.8	0.1	2.9
Disposal of subsidiary	0.4	–	0.4
Exchange differences	(0.1)	–	(0.1)
At 28 March 2020	**(13.3)**	**(0.6)**	**(13.9)**
Additions – change in lease assessment	(4.4)	–	(4.4)
Accretion of interest	(0.6)	–	(0.6)
Lease payments	2.7	0.1	2.8
Exchange differences	0.4	–	0.4
At 27 March 2021	**(15.2)**	**(0.5)**	**(15.7)**

The following amounts have been recognised in the income statement:

	2021 £m	2020 £m
Depreciation of right to use assets	**(2.5)**	(2.4)
Interest expense on lease liabilities	**(0.6)**	(0.6)
Expense relating to short term leases	**(0.2)**	(0.2)
Expenses relating to leases of low-value assets	**(0.1)**	(0.1)

The Group had total cash outflows for lease of £3.1m (including amounts relating to interest payments and short and low values assets) in 2021 (2020: £2.9m). The Group also had non-cash additions to right-of-use assets £4.4m (2020: £12.6m) and liabilities £4.4m (2020: £13.6m). At 27 March 2021, there are no leases entered into which have not yet commenced.

The Group has certain leases that include extension or termination options. Management exercises judgement in determining whether these extensions and termination options are reasonably certain to be exercised (see page 114).

Set out below are the undiscounted potential future rental payment relating to period following the exercise date of extension and termination options that are not included in the lease term:

	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	0.6	1.1	1.7
Termination options expected to be exercised	0.6	–	0.6

26 RETIREMENT BENEFIT OBLIGATIONS

Accounting policies

The Group operates retirement benefit schemes, devised in accordance with local conditions and practices in the country concerned, covering the majority of employees. The assets of the Group's schemes are generally held in separately administered trusts or are insured. The major schemes are defined benefit pension schemes with assets held separately from the Group. The cost of providing benefits under each scheme is determined using the projected unit credit actuarial valuation method. The major defined benefit pension scheme is based in the UK and is now closed to future accrual. The current service cost and gains and losses on settlements and curtailments are included in operating costs in the Group income statement. 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 obligation net finance expense/income respectively in the income statement.

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.

26 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The net liability/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. Any net pension surplus is recognised at the lower of the net surplus in the defined benefit pension valuation under IAS 19 and the asset ceiling.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

A trustee board has been appointed to operate the UK defined benefit scheme in accordance with its governing documents and pensions law. The scheme meets the legal requirement for member nominated trustees representation on the trustee board and a professional independent trustee has been appointed as chair of the Board. The members of the trustee board undertake regular training to ensure they are able to fulfil their function as trustees and have appointed professional advisers to give them specialist expertise where required.

The Group has calculated the value of the minimum funding commitments to its schemes and determined that no additional liability under IFRIC 14 is required at 27 March 2021 as the Group has an unconditional right to any surplus. No significant judgements were involved in making this determination. As the Group has assessed that it has an unconditional right to any surplus, it is also considered appropriate to record the full net surplus on an IAS 19 basis within non-current assets on the balance sheet as at 28 March 2020. As the Group did not intend to recover the pension surplus from the pension scheme as a refund, it has been recognised gross of the potential withholding tax if the surplus was to be recovered in this way. Instead, a deferred tax liability has been recognised on the pension surplus, and was included within deferred tax liabilities as at 28 March 2020 (see Note 18).

On 31 May 2020, the Trustee and the Company agreed the terms for a schedule of contributions and a recovery plan, setting out a programme for clearing the UK Pension Scheme deficit (the "Recovery Plan"). The last actuarial valuation of the UK Pension Scheme was at 31 December 2019, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £142.6m. The Recovery Plan makes an allowance for post-valuation market conditions up to 30 April 2020 (at which point there is an estimated funding shortfall of £190m), including the impact of COVID-19 on financial markets to that date.

The £190m deficit is addressed by payments of £15m per annum (payable quarterly in arrears) under the Recovery Plan payable from 1 April 2020 until 31 March 2023 and then payments of £24.5m per annum (payable quarterly in arrears) from 1 April 2023 until 31 March 2029 whereas under the recovery plan agreed with the trustee in 2016 ("2015 Recovery Plan"), the payments would have been £22.2 million between 1 April 2020 and 31 March 2021, £23.1 million between 1 April 2021 and 31 March 2022 and £23 million per annum thereafter until 31 March 2028). Additional contingent contributions in exceptional circumstances will become payable by way of an acceleration of the contributions due in later years where: (i) the leverage ratio (consolidated net debt: EBITDA) is equal to or greater than 2.5x in either FY 2021/22 or FY 2022/23, up to a maximum of £4m in each financial year and £8m in total and/or (ii) the Company or any its subsidiaries take any action which will cause material detriment (defined in section 38 Pensions Act 2004) to the UK Pension Scheme, of £23.3m (£7.2m in FY 2020/21, £8.1m in FY 2021/22 and £8m in FY 2022/23) over the period up to 31 March 2023.

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

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

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

In addition, during FY 2021 legal fees of £0.6m have been incurred in the rectification of certain discrepancies identified in the Scheme's rules (FY 2020: £1.1m). The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time but they are continuing to assess this.

(a) Defined benefit pension schemes

Amounts recognised in the consolidated balance sheet:

	2021 UK £m	**2021 Overseas £m**	**2021 Total £m**	2020 UK £m	2020 Overseas £m	2020 Total £m
Equities	**125.0**	**–**	**125.0**	86.7	–	86.7
Bonds	**123.6**	**–**	**123.6**	112.4	–	112.4
Diversified Growth Fund	**54.7**	**–**	**54.7**	46.5	–	46.5
Secured/fixed income	**342.7**	**–**	**342.7**	210.5	–	210.5
Liability Driven Investment Fund	**276.3**	**–**	**276.3**	457.7	–	457.7
Multi Asset Credit	**125.0**	**–**	**125.0**	108.8	–	108.8
Other	**6.0**	**–**	**6.0**	24.3	–	24.3
Fair value of scheme assets	**1,053.3**	**–**	**1,053.3**	1,046.9	–	1,046.9
Present value of funded obligations	**(1,067.0)**	**–**	**(1,067.0)**	(977.6)	–	(977.6)
Funded defined benefit pension schemes	**(13.7)**	**–**	**(13.7)**	69.3	–	69.3
Present value of unfunded obligations	**(4.8)**	**(2.0)**	**(6.8)**	(4.5)	(1.8)	(6.3)
Net (liability)/surplus	**(18.5)**	**(2.0)**	**(20.5)**	64.8	(1.8)	63.0

Amounts recognised in the consolidated income statement:

	2021 UK £m	**2021 Overseas £m**	**2021 Total £m**	2020 UK £m	2020 Overseas £m	2020 Total £m
Included in employee benefits expense:						
– Current service cost	**–**	**–**	**–**	–	–	–
– Past service cost	**0.1***	**–**	**0.1***	8.7	–	8.7
– Administrative expenses and taxes	**(2.1)**	**–**	**(2.1)**	(2.2)	–	(2.2)
Included in interest on retirement benefit obligation net finance expense:		**–**				
– Interest income on scheme assets	**24.6**	**–**	**24.6**	23.7	–	23.7
– Interest cost on liabilities	**(22.9)**	**–**	**(22.9)**	(25.3)	–	(25.3)
Retirement benefit obligation net finance income/(expense)	**1.7**	**–**	**1.7**	(1.6)	–	(1.6)
Total recognised in the consolidated income statement	**0.3**	**–**	**0.3**	(4.9)	–	(4.9)
Return on scheme assets excluding assumed interest income	**27.0**	**–**	**27.0**	44.4	–	44.4
Remeasurement (losses)/gains on defined benefit pension obligations	**(122.6)**	**–**	**(122.6)**	69.4	0.3	69.7
Amounts recognised in other comprehensive income	**(95.6)**	**–**	**(95.6)**	113.8	0.3	114.1

Note:

* Included within exceptional items.

Major categories of scheme assets as a percentage of total scheme assets:

	2021 UK %	**2021 Overseas %**	**2021 Total %**	2020 UK %	2020 Overseas %	2020 Total %
Equities	**12**	**–**	**12**	8	–	8
Bonds	**12**	**–**	**12**	11	–	11
Diversified Growth Fund	**5**	**–**	**5**	4	–	4
Secured/fixed income	**33**	**–**	**33**	21	–	21
Liability Driven Investment Fund	**26**	**–**	**26**	44	–	44
Multi Asset Credit	**11**	**–**	**11**	10	–	10
Other	**1**	**–**	**1**	2	–	2

The Diversified Growth Fund is a diversified asset portfolio which includes investments in equities, emerging market bonds, property, high yield credit and structured finance and smaller holdings in other asset classes. The Liability Driven Investment (LDI) fund consists of fixed interest bond holdings (approximately 78% of LDI fund value net of repurchase agreements at FY 2021) and interest and inflation swaps (approximately 22% of LDI fund value at FY 2021). Derivatives have been valued on a mark to market basis. The LDI is designed to proportionally counterbalance the effect/impact of a decrease/increase in interest rates/inflation on 75% of the funded obligations. The Multi Asset Credit Fund invests in a variety of debt instruments. Multi Asset Credit, Diversified Growth Funds, Secured income and LDI asset categories include certain assets which are not quoted in an active market and are stated at fair value estimates provided by the manager of the investment fund.

26 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

As required by IAS19, the Group has considered the extent to which the pension plan assets should be classified in accordance with the fair value hierarchy of IFRS13. Virtually all equity and debt instruments have quoted prices in active markets. Multi Asset Credit, Diversified Growth Funds and LDI asset categories include certain assets which are not quoted in an active market and are stated at fair value estimates provided by the manager of the investment fund, therefore are classified as Level 3.

Other UK assets comprise cash, interest rate swaps and floating rate notes.

Principal actuarial assumptions:

	2021 UK %	**2021 Overseas %**	2020 UK %	2020 Overseas % Discount rate
Discount rate	**1.95%**	**–**	2.40	–
CPI inflation rate	**2.65%**	**–**	1.60	–
RPI inflation rate	**3.15%**	**–**	2.60	–

The financial assumptions adopted as at 27 March 2021 reflect the duration of the scheme liabilities which has been estimated to be broadly 16 years (FY 2020: broadly 16 years).

At 27 March 2021 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2020 (2020: CMI_2019) with a smoothing parameter of 7.5 and a long term future improvement trend of 1.25% per annum (2020: long term rate of 1.25% per annum). The resulting life expectancies within retirement are as follows:

		2021	2020
Aged 65 retiring immediately (current pensioner)	Male	**22**	22.0
	Female	**23.4**	23.3
Aged 50 retiring in 15 years (future pensioner)	Male	**22.9**	22.9
	Female	**24.7**	24.6

The defined benefit pension schemes expose the Group to the following main risks:

Mortality risk – An increase in the life expectancy of members will increase the liabilities of the schemes. The mortality assumptions are reviewed regularly, and are considered appropriate.

Interest rate risk – A decrease in bond yields will increase the liabilities of the scheme. Liability driven investment strategies are used to hedge part of this risk.

Investment risk – The value of pension scheme assets vary with changes in interest rates, inflation expectations, credit spreads, exchange rates, and equity and property prices. There is a risk that asset returns are volatile and that the value of pension scheme assets may not move in line with changes in pension scheme liabilities. To mitigate against investment risk the pension scheme invests in derivatives which aim to hedge a proportion of the movements in assets and liabilities. The pension scheme invests in a wide range of assets to provide diversification in order to reduce the risk that a single investment or type of asset class could have a materially adverse impact on total scheme assets. The investment strategy and performance of investment funds are reviewed regularly to ensure the asset strategy of the pension schemes continues to be appropriate.

Inflation risk – The liabilities of the scheme are linked to inflation. An increase in inflation will result in an increase in liabilities. There are caps in place for UK scheme benefits to mitigate the risk of extreme increases in inflation. Liability driven investment strategies are used to hedge part of this risk. Any increase in the retirement benefit obligation could lead to additional funding obligations in future years.

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

Assumption change	Approximate impact on liability
0.25% decrease in discount rate	Increase in liability of c.£44m
0.25% increase in CPI inflation rate	Increase in liability of c.£21m
Increasing life expectancy by one year	Increase in liability of c.£50m

The liability sensitivities have been derived using the duration of the scheme based on the membership profile as at 31 December 2019 and assumptions chosen for the 2021 year end. The sensitivity analysis does not allow for changes in scheme membership since the 2019 actuarial valuation or the impact of the Scheme or Group's risk management activities in respect of interest rate and inflation risk on the valuation of the Scheme assets.

The largest defined benefit pension scheme operated by the Group is in the UK. Changes in the fair value of UK scheme assets:

	2021 £m	2020 £m
At 28 March 2020/30 March 2019	**1,046.9**	1,004.8
Assumed interest income on scheme assets	**24.6**	23.7
Scheme administration expenses	**(2.1)**	(2.2)
Return on scheme assets less interest income	**27.1**	44.3
Employer contributions and other income	**12.7**	23.2
Benefits paid (including transfers)	**(55.9)**	(46.9)
At 28 March 2020/30 March 2019	**1,053.3**	1,046.9

Changes in the fair value of UK defined benefit pension obligations:

	2021 £m	2020 £m
At 28 March 2020/30 March 2019	**(982.1)**	(1,081.6)
Interest cost on liabilities	**(22.9)**	(25.3)
Past service cost	**(0.1)**	8.7
Effect of changes in financial assumptions	**(139.8)**	29.7
Effect of changes in demographic assumptions	**2.2**	0.9
Effect of experience items on liabilities	**15.0**	38.6
Benefits paid (including transfers)	**55.9**	46.9
At 27 March 2021/28 March 2020	**(1,071.8)**	(982.1)

(b) Defined contribution pension plans

The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the year was £4.6m (FY 2020: £5.8m).

27 EMPLOYEE INFORMATION

	2021 number	2020 number
Average number of employees		
United Kingdom and Ireland	**960**	1,213
Rest of Europe	**521**	465
The Americas	**60**	58
Rest of World	**640**	615
	2,181	2,351

	2021 £m	2020 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	**93.4**	111.8
Social security costs	**8.0**	10.5
Share incentive schemes	**0.7**	(0.4)
Sharesave schemes	**(0.3)**	(0.2)
Pension costs	**5.9**	7.7
	107.7	129.4

More detailed information regarding the Directors' remuneration, shareholdings, pension entitlement, share options and other long term incentive plans is shown in the Directors' remuneration report on pages 71 to 89.

28 CAPITAL COMMITMENTS

	2021 £m	2020 £m
Capital expenditure contracted but not provided		
Property, plant and equipment	**11.8**	2.3
Intangible assets	**0.1**	–
Other commitments	**425.6**	492.5
	437.5	494.8

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

As part of the transaction Portals De La Rue Limited will supply security paper to meet the 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 a capital commitment of approximately £626.9m over 10 years from the date of sale. The contract is assessed to be at market rates.

29 CONTINGENT ASSETS AND LIABILITIES

In June 2019 De La Rue International Limited terminated its agency agreement and sales consultancy agreement with Pastoriza SRL, a company which provided agency and sales consultancy services to the Group in the Dominican Republic from 2016 to 2019. Pastoriza SRL disputed the termination and 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 has appealed the Court's decision, although the Group does not anticipate this appeal will be successful.

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

30 RELATED PARTY TRANSACTIONS

During the year the Group traded on an arms length basis with the associated company Fidink S.A. (33.3% owned). The Group's trading activities with this company included £28.2m (FY 2020: £30.9m) for the purchase of security ink and other consumables. At the balance sheet date there were creditor balances of £1.5m (FY 2020: £2.5m) with Fidink S.A.

Intra-group transactions between the Parent and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

Key management compensation

	2021 £m	2020 £m
Salaries and other short term employee benefits	**3.3**	2.9
Retirement benefits:		
– Defined contribution	**0.1**	0.4
Termination benefits	**–**	1.1
	3.4	4.4

Key management comprises members of the Board (including the fees of Non-executive Directors) and the ELT. Termination benefits include compensation for loss of office, ex gratia payments, redundancy payments, enhanced retirement benefits and any related benefits in kind connected with a person leaving office or employment.

31 SUBSIDIARIES AND ASSOCIATED COMPANIES AS AT 27 MARCH 2021

A full list of subsidiary and associated undertakings is below. Unless otherwise stated all Group owned shares are ordinary.

Country of incorporation	Name and Registered Office address and operation	Activities	De La Rue interest %
Europe			
United Kingdom	DLR (No.1) Limited	Holding company	100
	DLR (No.2) Limited[1]	Holding company	100
	De La Rue Holdings Limited	Holding and general commercial activities	100
	De La Rue International Limited	Trading	100
	De La Rue Overseas Limited	Holding company	100
	De La Rue Finance Limited	Internal financing	100
	De La Rue Investments Limited	Holding company	100
	Portals Group Limited[2]	Holding company	100
	De La Rue Consulting Services Limited	Trading	100
	De La Rue Healthcare Trustee Limited	Dormant	100
	De La Rue Pension Trustee Limited	Dormant	100
	De La Rue Scandinavia Limited	Holding company	100
	Harrison & Sons Limited	Non-trading	100
	Portals Holdings Limited	Dormant	100
	Portals Property Limited	Trading	100
	De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS, United Kingdom		
Guernsey	The Burnhill Insurance Company Limited Level 5, Mill Court, La Charroterie, St Peter Port, GY1 1EJ, Guernsey	Insurance	100
	De La Rue (Guernsey) Limited PO Box 142, The Beehive, Rohais, St Peter Port, GY1 3HT, Guernsey	Non-trading	100
Ireland	Thomas De La Rue and Company (Ireland) Limited 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland	Dormant	100
Malta	De La Rue Currency and Security Print Limited B40/43 Industrial Estate, Bulebel, Zejtun, Malta	Trading	100
Netherlands	De La Rue BV Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands	Non-trading	100
Poland	Harrison & Sons Sp. Zo. o. 02-013 Warszawa, ul.Lindleya 16, Poland	Dormant	100
Sweden	De La Rue (Sverige) AB Box 6343, 102 35 Stockholm, Sweden	Non-trading	100
Switzerland	Thomas De La Rue A.G. Rue de Morat 11, 1700 Fribourg, Switzerland	Holding company	100
North America			
USA	De La Rue North America Holdings Inc.[3]	Holding company	100
	De La Rue Authentication Solutions Inc. 1750 North 800 West, Logan, Utah 84321, USA	Trading	100
Canada	De La Rue Canada One Limited 1400-340 Albert Street, Ottawa, ON K1R 0AS, Canada	Trading	100
South America			
Brazil	De La Rue Cash Systems Industrias Limitada[4]	Non-trading	100
	De La Rue Cash Systems Limitada[4] Rua Boa Vista, 254, 13th Floor, Suite 41, Centro, Sao Paulo, 01014-907	Trading	100

Notes to the accounts continued

31 SUBSIDIARIES AND ASSOCIATED COMPANIES AS AT 27 MARCH 2021 CONTINUED

Country of incorporation	Name and Registered Office address and operation	Activities	De La Rue interest %
Africa			
Kenya	De La Rue Currency and Security Print Limited	Trading	100
	De La Rue Kenya EPZ Limited ABC Towers, 6th Floor, ABC Place, Waiyaki Way, Nairobi, Kenya	Trading	60
Nigeria	De La Rue Commercial Services Limited 7th Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria	Trading	100
Senegal	De La Rue West Africa SARL Ouakam, derrière l'hôpital, Lot No 43, Dakar, Senegal	Trading	100
South Africa	De La Rue Global Services (SA) (Pty) Limited 3rd Floor, 54 Melrose Boulevard, Melrose Arch, Gauteng, 2196, South Africa	Non-trading	100
Ghana	De La Rue Buck Press Limited Buck Press Building, Accra-Nsawam Hwy, Accra, Ga West, Greater Accra, P.O. Box AN 12321, Accra GA/R, Ghana	Trading	49
Australia and Oceania			
Australia	De La Rue Australia Pty Limited Level 7, 151 Clarence Street, Sydney NSW 2000, Australia	Trading	100
Far East and Asia			
China	De La Rue Security Technology (Beijing) Co. Ltd 1011, 10F Office Building No.1 Guanghua Road Chaoyang District, Beijing, China	Trading	100
Hong Kong	Thomas De La Rue (Hong Kong) Limited Suite 1106-8, 11/F Tai Yau Building, No 181 Johnson Road, Wanchai, Hong Kong	Trading	100
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited No 9/5 Thambiah Avenue, Colombo 7, Sri Lanka	Trading	60
India	De La Rue India Private Limited 604, A09, GDITL North Ex Tower (A-09), Netaji Subhash Place, Pitampura, Delhi, 110034, India	Trading	100
Malaysia	De La Rue Asia Sdn. Bhd. No. 256B, Jalan Bandar 12, Taman Melawati, 53100 Kuala Lampur, Wilayah Persekutuan, Malaysia	Trading	100
Qatar	De La Rue Doha LLC Desk BL24, 22nd Floor, Tornado Tower, Westbay, Doha, Qatar	Trading	100
Singapore	De La Rue Currency and Security Print Pte Ltd 80 Raffles Place, #32-01, UOB Plaza, 048624, Singapore	Non-trading	100
United Arab Emirates	De La Rue FZCO Dubai Airport Free Zone Authority, Building 6 West Wing A, Office #820, PO Box 371683, Dubai	Trading	100
Saudi Arabia	De La Rue Communication and Information Technology Co LLC Akaria Plaza, Gate "D", Level 6, Olaya Main St, Riyadh, 1148, Kingdom of Saudi Arabia	Trading	100
Associates			
Switzerland	Fidink S.A.	Trading	33

Notes:
1 Ordinary shares held directly by De La Rue plc.
2 Ordinary shares, cumulative preference shares and deferred shares.
3 Common stock.
4 Quotas.

32 NON-CONTROLLING INTEREST

The Group has three subsidiaries with material non-controlling interests. The are De La Rue Lanka Currency and Security Print (Private) Limited, whose country of incorporation and operation is Sri Lanka; De La Rue Kenya EPZ Limited, whose country of incorporation and operation is Kenya and De La Rue Buck Press Limited, whose country of incorporation is Ghana. De La Rue Kenya EPZ Limited was 100% owned until 16 April 2019, see further disclosure below. The accumulated non-controlling interest of the subsidiary at the end of the reporting period is shown in the Group balance sheet. The following table summarises key information relating to this subsidiary, before intra-group eliminations:

	2021 £m	2021 £m	2021 £m	2020 £m	2020 £m
	De La Rue Buck Press Limited	**De La Rue Lanka Currency**	**De La Rue Kenya EPZ Limited**	De La Rue Lanka Currency	De La Rue Kenya EPZ Limited
Non-current assets	**–**	**11.0**	**6.4**	13.2	7.2
Current assets	**5.1**	**27.4**	**23.1**	22.0	20.5
Non-current liabilities	**–**	**(0.7)**	**–**	(0.5)	–
Current liabilities	**(5.2)**	**(11.4)**	**(14.7)**	(8.7)	(14.6)
Net assets (100%)	**(0.1)**	**26.3**	**14.8**	26.0	13.1
Revenue	**5.6**	**34.8**	**29.4**	27.8	36.7
Profit for the year	**–**	**2.6**	**3.1**	2.4	2.2
Non-controlling interest percentage	**51%**	**40%**	**40%**	40%	40%
Profit allocated to non-controlling interest	**–**	**1.0**	**1.2**	0.9	0.8
Dividends paid to non-controlling interest	**–**	**0.6**	**0.4**	0.6	–
Cash flows from operating activities	**1.4**	**(0.1)**	**1.5**	6.0	1.6
Cash flows from investment activities	**–**	**0.5**	**(0.8)**	(0.3)	(1.8)
Cash flows from financing activities	**–**	**(1.5)**	**(1.0)**	(0.6)	–
Net increase/(decrease) in cash and cash equivalents	**1.3**	**(1.1)**	**(0.4)**	5.1	(0.2)

Transactions with non controlling interests

On 16 April 2019 the Group commenced a commercial partnership with the Government of Kenya on our currency and secure printing site in Nairobi, Kenya. Under the terms of the agreement, the National Treasury of Kenya acquired a 40% stake in De La Rue's previously wholly owned subsidiary De La Rue Kenya EPZ Limited, for a consideration of £5 million, which was received in September 2017 and included within advance payments on the balance sheet as at 31 March 2019.

In the prior period, the Group recognised an increase in non controlling interests of £4.2m and an increase in equity attributable to owners of the parent of £0.8m. The effect on the equity attributable to the owners of De La Rue plc during the prior period on completion of the transaction is summarised as follows:

	2020/21 £m	2019/20 £m
Consideration received	**–**	5.0
Carrying amount of non controlling interests disposed of	**–**	(4.2)
Excess of consideration received recognised in the transactions with non controlling interests reserve within equity	**–**	0.8

Ghana JV

On 8 June 2020 the Group and Buck Press Limited ("BPL") established a new Joint Venture company in Ghana for the distribution of printed and personalized excise tax stamps – De La Rue Buck Press Limited, which is owned by the Group (49%) and BPL (51%). This was to enter into a contract with the Ghana Revenue Authority which is expected to run for 5 years.

This contract builds on the Group's long and successful history of supplying security products in Ghana and more widely across Africa.

In applying the definitions of control identified in IFRS 10, it has been determined that the Group controls De La Rue Buck Press Limited due to the fact that it has a majority of the Board membership and is able to use this to control the key business decisions of the JV. As such the results of the subsidiary are fully consolidated into the Group's financial statements. A nominal value of share capital was invested in the JV on formation.

Company balance sheet
at 27 March 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Investments in subsidiaries	4a	**154.5**	123.2
		154.5	123.2
Current assets			
Debtors receivable within one year	5a	**96.1**	33.1
Cash at bank and in hand		**14.4**	1.9
		110.5	35.0
Creditors:			
Amounts falling due within one year	6a	**(0.6)**	(17.4)
		(0.6)	(17.4)
Net current assets		**109.9**	17.6
Total assets less current liabilities		**264.4**	140.8
Net assets		**264.4**	140.8
Capital and reserves			
Share capital	7a	**88.6**	47.8
Share premium account		**42.3**	42.2
Capital redemption reserve		**5.9**	5.9
Other reserve		**51.9**	–
Retained earnings		**75.7**	44.9
Total shareholders' funds		**264.4**	140.8

The profit for the year of the Company was £30.7m (FY 2020: loss £32.5m).

Approved by the Board on 25 May 2021.

Kevin Loosemore
Chairman

Clive Vacher
Chief Executive Officer

Company statement of changes in equity
for the period ended 27 March 2021

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total equity £m
Balance at 30 March 2019	47.7	42.1	5.9	–	95.1	190.8
Share capital issued	0.1	0.1	–	–	–	0.2
Loss for the financial year	–	–	–	–	(32.5)	(32.5)
Dividends paid	–	–	–	–	(17.3)	(17.3)
Other movements	–	–	–	–	0.3	0.3
Employee share scheme:						
– value of services provided	–	–	–	–	(0.7)	(0.7)
Balance at 28 March 2020	47.8	42.2	5.9	–	44.9	140.8
Share capital issued	–	0.1	–	–	–	0.1
Equity capital raise	40.8	–	–	51.9	–	92.7
Profit for the financial year	–	–	–	–	30.7	30.7
Employee share scheme:						
– value of services provided	–	–	–	–	0.1	0.1
Balance at 27 March 2021	88.6	42.3	5.9	51.9	75.7	264.4

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

Capital redemption reserve
This reserve represents the nominal value of shares redeemed by the Company.

Other reserve
On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a "cash box" structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue's turnaround plan, which was first announced by the Company earlier in the year. The cashbox completed on 7 July 2020 and consisted of a firm placing, placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of 44 152/175p, at a price of 110p per share (giving gross proceeds of £100m). A "cash box" structure was used in such a way that merger relief was available under Companies Act 2006, section 612 and thus no share premium needed to be recorded and instead an 'other reserve' of £51.9m was recorded. This section applies to shares which are issued to acquire non-equity shares (such as the Preference Shares) issued as part of the same arrangement.

The Group recorded share capital equal to the aggregate nominal value of the ordinary shares issued (£40.8m) and merger reserve equal to the difference between the total proceeds net of costs and share capital. As the cash proceeds received by DLR plc where loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 27 March 2021. This judgement might be revised in future periods, subject to certain internal transactions enabling the settlement of intercompany positions.

Accounting policies – Company

Basis of preparation

The financial statements of De La Rue plc (the Company) have been prepared in accordance with the revised Financial Reporting Standard 102. The presentation and functional currency of these financial statements is GBP.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In accordance with FRS 102, the Company meets the definition of a qualifying entity and has therefore taken advantage of the exemptions from the following disclosure requirements listed below:

- Disclosures in respect of transactions with wholly owned subsidiaries
- Cash Flow Statement and related notes
- Key Management Personnel compensation

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- 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;
- 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; and
- The Company proposes to continue to adopt FRS 102 with the above disclosure exemptions in its next financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 117.

Critical accounting estimates and judgement

Impairment reversal of subsidiary

In the prior period, the Company booked an impairment in its subsidiary of £31.3m based on an equity valuation of £123.7m. The impairment was based on an equity value calculated by management with support from external experts.

For the prior year impairment, management calculated two equity values, one assuming the proposed equity capital raise was successful (the funded scenario) and one that it was not (the unfunded scenario).

Management based its probability weightings for the likelihood of the funded and unfunded scenarios occurring based on the best information they had available to them at 28 March 2020.

On 6 July 2020 the equity capital raise was approved by shareholders. Management has reassessed the impact of this on the year-end valuation of the investment in subsidiaries balance as at 27 March 2021. Management has used the same valuation methodology as used in the prior period and prepared an updated impairment assessment based on Group's latest approved budgets and longer term cashflows as used in its Viability Statement modelling. Management has also used an updated post-tax discount rate of 10.5% (which was applied to the post-tax cashflow) which management considers to be appropriate after the successful completion of the equity capital raise. Management determined that the impact of using pre-tax cashflows as a pre-tax discount rate, would not be material. In the current period impairment review management has determined a 3% terminal value to be appropriate.

As a result of the above revised impairment test, an equity valuation in excess of the subsidiary value of £155m as at 28 March 2020 prior to the impairment recorded in the prior period of £31.3m was determined. As a result management has fully reversed the impairment of £31.3m taken in the prior period resulting in a revised carrying value of investment in subsidiaries of £155m. Management notes that this is considered appropriate given the increase in its equity valuation of the Group and also notes that the Group's market capitalisation has also significantly increased since 28 March 2020 to approximately £300m (after deduction of the £100m proceeds received from the equity capital raise) as at 27 March 2021.

The Directors consider the 3% terminal growth rate reasonable, as currency circulation is expected to continue to grow at a modest rate in the long term with growth in the Currency division further enhanced by the Group's Polymer growth and Security Features on Polymer strategy. In addition, continued growth in Authentication is expected at a rate that supports a terminal growth rate of 3%. The Directors also consider that a 3% terminal growth rate can be supported by the ability to maintain operating margins in later years. The combination of these factors led the Directors to be comfortable with a 3% terminal growth rate.

The accounts have been prepared as at 27 March 2021, being the last Saturday in March. The comparatives for the 2019/20 financial period are for the period ended 28 March 2020.

The following accounting policies have been applied consistently to all periods presented in these financial statements.

Measurement convention
The financial statements are prepared on the historical cost basis.

Foreign currencies
Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate period end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included within the interest section of the profit and loss account except for exchange gains and losses associated with hedging loans that are taken to reserves.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account.

Dividends
Under FRS 102, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Investments in subsidiaries
These are separate financial statements of the Company. In the transition to FRS 102 the Company took the first time adoption exemption for separate financial instruments and as such the carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at transition date, 30 March 2014.

Employee benefits
Defined benefit plans
The pension rights of the Company's 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 largely closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer but the Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Company, De La Rue International Limited, which pays all contributions to the scheme and hence these are not shown in the Company accounts. Full details of the scheme and its deficit can be found in note 26 to the consolidated financial statements.

Share based payment transactions
Full details of the share based payments Schemes operated by the Group are found in note 23 to the consolidated financial statements.

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1a EMPLOYEE COSTS AND NUMBERS

Employee costs are borne by De La Rue Holdings Limited. For details of Directors' remuneration, refer to disclosures in the Directors' remuneration report on pages 71 to 89.

	2021 number	2020 number
Average employee numbers	**2**	4

2a AUDITOR'S REMUNERATION

Auditor's remuneration is borne by De La Rue Holdings Limited. For details of auditor's remuneration, see note 4 to the consolidated financial statements.

3a EQUITY DIVIDENDS

For details of equity dividends, see note 10 to the consolidated financial statements.

4a INVESTMENTS

Investments are stated at deemed cost in the balance sheet, less provision for impairment.

	2021 £m	2020 £m
Investments comprise:		
Investments in subsidiaries	**123.2**	155.0
Cost at 29 March 2020 and 31 March 2019	**123.2**	155.0
Additions	**–**	(0.5)
Reversal of impairment/Impairment	**31.3**	(31.3)
Cost at 27 March 2021 and 28 March 2020	**154.5**	123.2

Where the Company grants share options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

Share based payments prior to the period ended 30 March 2019 were recharged to subsidiaries and recorded via the intercompany loan account.

For further details on the impairment, see the 'Critical accounting estimates and judgements' section on page 164 of Account Policies.

For details of investments in Group companies, refer to the list of subsidiary and associated undertakings on pages 159 to 160.

5a DEBTORS

Other receivables are measured at amortised cost, which approximates to fair value. Trade and other receivables are discounted when the time value of money is considered material.

	2021 £m	2020 £m
Amounts due within one year		
Amounts owed by Group undertakings	**96.1**	33.1

6a OTHER CREDITORS

	2021 £m	2020 £m
Amounts falling due within one year		
Bank overdrafts	–	17.1
Accruals and deferred income	**0.6**	0.3
Other creditors	**0.6**	17.4

7a SHARE CAPITAL

For details of share capital, see note 22 to the consolidated financial statements.

8a SHARE BASED PAYMENTS

The Company operates various equity and cash settled option schemes although the majority of plans are settled by the issue of shares. The 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 shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 102 has been applied to share settled share options granted after 7 November 2002.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

For details of share based payments, see note 23 to the consolidated financial statements and the Directors' remuneration report on pages 71 to 89.

9a RELATED PARTY TRANSACTIONS

The Company has no transactions with or amounts due to or from subsidiary undertakings that are not 100% owned either directly by the Company or by its subsidiaries. For details of key management compensation, see note 30 to the consolidated financial statements.

Non-IFRS measures

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of acquired intangibles. Amortisation of acquired intangible assets and exceptional items are excluded as they are not considered to be representative of underlying business performance. The measures the Group uses along with appropriate reconciliations to the equivalent IFRS measures where applicable are shown in the following tables.

The Group's policy on classification of exceptional items is also set out below:

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the GMPs, and non-recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations.

All exceptional items are included in the appropriate income statement category to which they relate.

Adjusted revenue

Adjusted revenue excludes "pass through" revenue relating to non-novated contracts following the paper and international identify solutions business sales. The following amounts of "pass through" revenue have been excluded: Paper £8.9m (FY 2020: £33.5m) and Identify Solutions: £0.4m (FY 2020: £6.6m).

	2020[1] £m	**2021 £m**
Revenue on an IFRS basis	472.1	**397.4**
– exclude pass-through revenue	(40.1)	**(9.3)**
Adjusted revenue	432.0	**388.1**

Note:

1 FY 2019/20 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported. For further information see page 113.

Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	2020 £m	**2021 £m**
Operating profit from continuing operations on an IFRS basis	42.8	**14.5**
– Amortisation of acquired intangible assets	0.9	**1.0**
– Exceptional items	(20.0)	**22.6**
Adjusted operating profit from continuing operations	23.7	**38.1**

Adjusted basic earnings per share

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	2020 £m	**2021 £m**
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	34.4	**6.4**
– Exceptional items	(20.0)	**22.6**
– Amortisation of acquired intangibles	0.9	**1.0**
– Tax on amortisation of acquired intangibles	(0.2)	**(0.4)**
– Tax on exceptional items	(2.5)	**(4.2)**
Adjusted profit attributable to equity shareholders of the Company from continuing operations	12.6	**25.4**
Weighted average number of ordinary shares for basic earnings[1]	113.7	**172.4**

Note:

1 Prior year share numbers are restated following the equity capital raise.

	2020 pence per share	**2021 pence per share**
Basic earnings per ordinary share continuing operations on an IFRS basis	30.3	**3.7**
Basic adjusted earnings per ordinary share for continuing operations	11.1	**14.7**

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items. The adjusted EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £388.1m which excludes the Portal pass through revenue of £9.3m in 2021 (FY 2020: £40.1m). The EBITDA margin on an IFRS basis is a percentage against the reported revenue of £397.4m (FY 2020: £472.1m).

As previously noted, the Group has adopted the modified retrospective approach available within the new IFRS 16 accounting standard and therefore have not restated the comparative disclosures for the impact of IFRS 16, which came into effect from 1 January 2019. The statutory results have been split out to show the IFRS 16 impact to aid comparison period on period.

	2020 £m	**2021 £m**
Profit before interest and taxation from continuing operations on an IFRS basis	42.8	**14.5**
– Depreciation	16.9	**15.4**
– Amortisation	3.9	**4.2**
EBITDA on an IFRS basis	63.6	**34.1**
– Exceptional items	(20.0)	**22.6**
Adjusted EBITDA	43.6	**56.7**
EBITDA margin on an IFRS basis	13.5%	**8.6%**
Adjusted EBITDA margin	10.1%	**14.6%**

Adjusted controllable operating profit by division

Adjusted controllable operating profit represents earnings from continuing operations of the on-going divisions adjusted to exclude exceptional items and amortisation of acquired intangible assets and costs relating to the enabling functions such as Finance, IT, HR and Legal that are deemed to be attributable only to the on-going two divisional structure model. Key reporting metrics for monitoring the divisional performance will be linked, going forward, to gross profit and controllable profit (being adjusted operating profit before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall business key turnaround objectives.

The group has considered the requirements of IFRS 8 with regards to the need to restate segmental results and concluded that the Group is unable to make this restatement. This is due to the cost base and employee structure of the business under the previous functional model being materially different to the new divisional structure. Therefore, it is not possible to undertake a like-for-like reallocation of costs for new divisions for the comparative period. Although comparatives have not been restated, in the commentaries included in this release, we have provided commentary on the changes in divisional cost base, to enable a year-on-year performance by division. The Group has also determined, for the same reasons as set out above, that it is unable to calculate the current period segmental results on the original basis for comparability purposes.

2020/21 Full Year	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Central £m**	**Total of continuing operations £m**
Operating profit/(loss) on IFRS basis	**(4.4)**	**9.9**	**10.2**	**(1.2)**	**14.5**
Amortisation of acquired intangibles	–	1.0	–	–	1.0
Net exceptional items	20.6	0.4	0.4	1.2	22.6
Adjusted operating profit/(loss)	**16.2**	**11.3**	**10.6**	**–**	**38.1**
Enabling function overheads	25.5	7.0	–	(32.5)	–
Adjusted controllable operating profit/(loss)	**41.7**	**18.3**	**10.6**	**(32.5)**	**38.1**

Non-IFRS measures continued

Adjusted operating expenses reconciliation

Due to the cost base and employee structure of the business under the previous functional model being materially different to the new divisional structure, the table below is presented to show the Group adjusted operating expenses make-up for FY 2020 and FY 2021:

2020/21 Full Year	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Central £m**	**Total of continuing operations £m**
Gross Profit	**65.3**	**29.9**	**12.6**	**–**	**107.8**
Divisional overhead	(23.6)	(11.6)	(2.0)	(32.5)	(69.7)
Adjusted controllable operating profit/(loss)	**41.7**	**18.3**	**10.6**	**(32.5)**	**38.1**
Enabling function overhead base allocation	(25.5)	(7.0)	–	32.5	–
Adjusted operating profit/(loss)	**16.2**	**11.3**	**10.6**	**–**	**38.1**
Amortisation of acquired intangibles	–	(1.0)	–	–	(1.0)
Net exceptional items	(20.6)	(0.4)	(0.4)	(1.2)	22.6
Operating profit/(loss) on IFRS basis	**(4.4)**	**9.9**	**10.2**	**(1.2)**	**14.5**

2019/20 Full Year	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Gross Profit	**44.2**	**28.8**	**33.4**	**(0.5)**	**105.9**
Divisional overhead	–	–	–	–	–
Adjusted controllable operating profit/(loss)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Central overhead base	(53.6)	(18.0)	(10.6)	–	(82.2)
Adjusted operating profit/(loss)	**(9.4)**	**10.8**	**22.8**	**(0.5)**	**23.7**
Amortisation of acquired intangibles	–	(0.9)	–	–	(0.9)
Net exceptional items	(0.5)	(0.2)	24.8	(4.1)	20.0
Operating profit/(loss) on IFRS basis	**(9.9)**	**9.7**	**47.6**	**(4.6)**	**42.8**

Return on capital employed (ROCE)

ROCE is the ratio of the operating profit before exceptional items and adjusting items over capital employed. In 2020 the Performance share plan measures were revised and TSR (Total Shareholder Return relative to FTSE 250 companies, measured over three calendar years) was used in replacement of ROCE, to align to planned growth over the three-year period of the Turnaround Plan, so that appropriate focus is placed on the key business imperative of restoring value to shareholders.

The ROCE measure is still applicable to current PSP share awards which will vest between 2021 and 2022, with the last vesting date in July 2022.

	2020 £m	**2021 £m**
Adjusted operating profit	23.7	**38.1**
– Property, plant and equipment	114.6	**100.0**
– Intangible assets	31.0	**32.3**
– Right of use assets	12.9	**14.6**
– Other financial assets	8.0	**8.8**
– Inventories	53.9	**54.5**
– Trade and other debtors	67.1	**98.8**
– Contract assets	18.3	**14.8**
– Derivative financial assets	14.5	**7.4**
– Trade and other creditors	(133.6)	**(120.5)**
– Derivative financial liabilities	(14.0)	**(8.2)**
Capital Employed	172.7	**202.5**
ROCE = EBIT/Average Capital Employed		
EBIT	23.7	**38.1**
Average Capital Employed	163.2	**187.5**
ROCE	14%	**20.3%**

Five year record

Income statement

	2017 £m	2018 £m	2019 £m	2020[1] £m	**2021 £m**
Revenue	461.7	493.9	564.8	472.1	**397.4**
Operating profit					
– Adjusted operating profit	70.7	62.8	60.1	23.7	**38.1**
– Amortisation of acquired intangible assets	(0.1)	(0.7)	(0.7)	(0.9)	**(1.0)**
Exceptional items – operating	(0.4)	60.9	(27.9)	20.0	**(22.6)**
Profit before interest	70.2	123.0	31.5	42.8	**14.5**
Interest expense	(4.6)	(3.8)	(4.5)	(6.1)	**(7.1)**
Interest income	–	–	0.6	1.0	**0.8**
Retirement benefit obligation net finance expense/income	(7.4)	(5.6)	(2.1)	(1.6)	**1.7**
Profit before taxation	58.2	113.6	25.5	36.1	**9.9**
Taxation	(8.7)	(16.8)	(4.8)	–	**(1.4)**
Profit after taxation from continuing operations	49.5	96.8	20.7	36.1	**8.5**
Profit/(loss) from discontinued operations	(6.4)	(1.8)	(2.4)	(0.3)	**(0.4)**
Equity non-controlling interests	(1.6)	(1.4)	(1.3)	(1.7)	**(2.2)**
Profit for the year attributable to equity shareholders	41.5	93.6	17.0	34.1	**5.9**
Dividends	(25.4)	(25.4)	(25.7)	–	**–**
Retained (loss)/profit for the period	16.1	68.2	(8.7)	34.1	**5.9**
Basic earnings per ordinary share continuing operations	47.2	93.7	18.8	30.3	**3.7**
Basic earnings per ordinary share discontinued operations	(6.3)	(1.8)	(2.3)	(0.3)	**(0.3)**
Diluted earnings per share continuing operations	46.6	92.8	18.8	30.2	**3.7**
Diluted earnings per share discontinued operations	(6.2)	(1.8)	(2.3)	(0.3)	**(0.3)**
Adjusted basic earnings per ordinary share continuing operations	47.1	42.9	42.9	11.1	**14.7**
Dividends per ordinary share	25.0p	25.0p	25.0p	n/a	**n/a**

	£m	£m	£m	£m	**£m**
Balance sheet					
Non-current assets	242.9	169.0	174.2	233.2	**175.5**
Net current (liabilities)/asset[2]	(16.2)	(43.2)	(13.0)	(19.2)	**21.3**
Net debt	(120.9)	(49.9)	(107.5)	(102.8)	**(52.3)**
Non-current liabilities	(248.6)	(96.6)	(82.9)	(22.8)	**(33.1)**
Equity non-controlling interests	(7.9)	(8.9)	(9.9)	(15.5)	**(16.4)**
Total equity attributable to shareholders of the Company	(150.7)	(29.6)	(39.1)	72.2	**95.0**

Notes:

1 FY 2019/20 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods sold rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £5.3m with no overall impact on profits compared to the figures originally reported. For further information see page 113.

2 Excludes amounts included in net debt.

Shareholder information

Warning to shareholders – investment fraud

We are aware that some of our shareholders have received unsolicited telephone calls or correspondence offering to buy or sell their shares on very favourable terms. The callers can be very persuasive and extremely persistent and often have professional-looking websites and telephone numbers to support their activities. These callers will sometimes imply a connection to De La Rue and provide incorrect or misleading information. This type of call should be treated as an investment scam – the safest thing to do is hang up and ignore any written communications.

You should always check that any firm calling you about potential investment opportunities is properly authorised and regulated by the FCA. If you deal with an unauthorised firm you will not be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website www.fca.org.uk/consumers, or by calling the FCA's helpline on 0800 111 6768.

If you have already paid money to share fraudsters contact Action Fraud immediately on 0300 123 2040 or through their website, www.actionfraud.police.uk.

Registered Office and Company Secretary

De La Rue House,
Jays Close, Viables,
Basingstoke,
Hampshire RG22 4BS

Telephone: +44 (0)1256 605000
Fax: +44 (0)1256 605336

De La Rue plc is registered in England & Wales with company number: 3834125

Company Secretary: Jane Hyde

E-mail: companysecretarial@delarue.com

Annual General Meeting

The AGM will be held at 10:30am on 29 July 2021 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS.

Due to the UK government restrictions on public gatherings to contain the COVID-19 pandemic, and mindful of public health concerns, we are asking our shareholders not to attend the annual general meeting in person this year, and to submit their proxy form in advance, appointing the Chairman of the meeting as their proxy or representative rather than a named person.

Shareholders can instead follow the annual general meeting online via a live webcast. For details, please refer to the AGM circular sent to shareholders with this Annual Report.

Further information is also available on the Group's website, www.delarue.com, where there is a page containing a range of materials relating to the 2021 AGM.

Website

There is a wide range of information on the Group and its business available on the Company's website www.delarue.com, including:

- Information on our business – Currency and Authentication
- Share price information
- Shareholder services information
- Financial information – annual and interim reports, financial news and presentations
- Regulatory news and press releases, including an archive
- A Q&A facility for the 2021 AGM

Registrar

Computershare Investor Services PLC,
The Pavilions,
Bridgwater Road,
Bristol BS99 6ZZ

Telephone: +44 (0)370 703 6375
Fax: +44 (0)370 703 6101

Shareholder enquiries

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare. Details of your shareholding(s) and how to make amendments to personal details can be viewed online at www.investorcentre.co.uk

Shareholder helpline telephone:
+44 (0)370 703 6375

Electronic voting

All shareholders can submit proxies for the AGM electronically by logging onto Computershare's website at www.investorcentre.co.uk/eproxy

Electronic shareholder communications

Shareholders can register online at www.investorcentre.co.uk/ecomms to receive statutory communications electronically rather than through the post. Shareholders who choose this option will receive an email notification each time the Group publishes new shareholder documents on its website.

Shareholders will need to have their shareholder reference number (SRN) available when they first log in. This 11 character number (which starts with the letter C or G) can be found on share certificates and dividend tax confirmations. Shareholders who subscribe for electronic communications can revert to postal communications or request a paper copy of any shareholder document at any time in the future.

Consolidation of shares

Where registered shareholdings are represented by several individual share certificates, shareholders may wish to have these replaced by one consolidated certificate.

The Company will meet the cost for this service. Share certificates should be sent to the Company's registrar together with a letter of instruction.

Capital gains tax March 1982 valuation

The price per share on 31 March 1982 was 617.5p.

Shareholders are advised to refer to their brokers/financial advisers for detailed advice on individual capital gains tax calculations.

Share dealing facilities

Computershare, the Company's registrar, provides a simple way to sell or purchase De La Rue plc shares. For further information please visit their website, www.computershare.com/dealingUK or telephone +44 (0)370 703 0084 between 08:00 and 16:30 (UK time) on Monday to Friday, excluding UK bank holidays.

Services include online, postal and telephone dealing, on either a certificated or uncertificated basis. Fees apply and are explained on Computershare's share dealing website, www.computershare.com/dealingUK.

Glossary

Images featured in this year's report

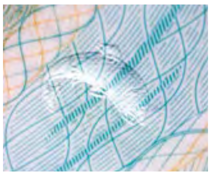
Banknotes
Specialist Technology:
NEXUS™, IGNITE® and PUREIMAGE™ threads, as well as holographic patches
Client:
Qatar Central Bank
Featured:
Page 2

Polymer
Specialist Technology:
Safeguard® and Rotate
Client:
Reserve Bank of Fiji
Featured:
Page 2

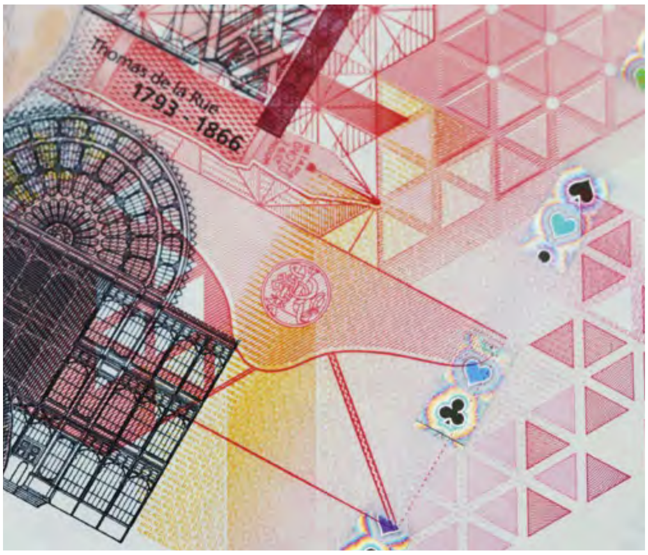
Security features
Specialist Technology:
IGNITE®, KINETIC STARCHROME® and PUREIMAGE® Threads
Featured:
Page 2

GRS
Specialist Technology:
Tax Stamps
Client:
Austria, Cyprus, France & UK
Featured:
Page 2

Brand Protection
Specialist Technology:
PURE™ Zircon label – advanced embossed holographic PET label
Featured:
Page 2



ID Secure Components
Specialist Technology:
Polycarbonate
Featured:
Page 2



Security Features
Specialist Technology:
PUREIMAGE™ Thread
Client:
1st Edition Feature Series Housenote
Featured:
Page 7

Security Features
Specialist Technology:
SAFEGUARD® with Holographic Stripe
Client:
Bank of Ireland
Featured:
Page 7

GRS
Specialist Technology:
Tax Stamps
Client:
U.A.E
Featured:
Page 7

Security Features
Specialist Technology:
NEXUS™ embedded micro-optic stripe
Client:
Qatar Central Bank
Featured:
Page 10

Brand Protection
Specialist Technology:
PURE™ Garnet Label – advanced embossed holographic paper label
Featured:
Page 11

Polymer
Specialist Technology:
SAFEGUARD® with Holographic Stripe and MASK™
Client:
Danske Bank
Featured:
Page 12

Brand Protection
Specialist Technology:
PURE™ advanced embossed holographic Quartz labels
Featured:
Page 12

Banknotes
Specialist Technology:
GEMINI™ UV Print Feature
Client:
1st Edition Feature Series Housenote
Featured:
Page 14

GRS
Specialist Technology:
Tax Stamps
Client:
Cyprus
Featured:
Page 14

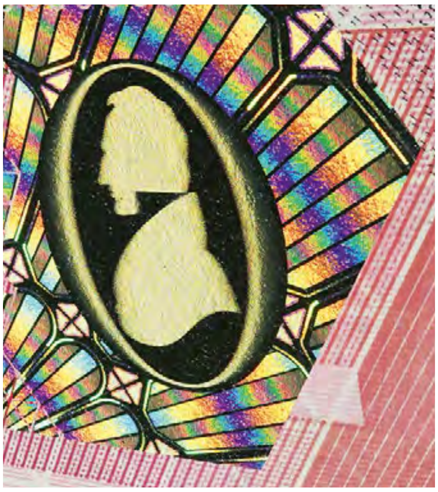
Brand Protection
Specialist Technology:
IZON® – Lippmann holographic label
Featured:
Page 15

Banknotes
Specialist Technology:
NEXUS™, SAFEGUARD® and Argentum™
Client:
1st Edition Feature Series Housenote
Featured:
Page 16

Brand Protection
Specialist Technology:
PURE™ – embossed holographic Zircon labels
Featured:
Page 17

Banknotes
Specialist Technology:
SAFEGUARD® with Argentum™
Client:
Central Bank of Libya
Featured:
Page 18

GRS
Specialist Technology:
Tax Stamps
Client:
Austria Tax Stamp
Featured:
Page 18



Security Features
Specialist Technology:
PUREIMAGE™ Holographic Patch
Client:
1st Edition Feature Series Housenote
Featured:
Page 18

Cautionary note regarding forward-looking statements

Certain statements contained in this document relate to the future and constitute ‘forward-looking statements’. These forward-looking statements include all matters that are not historical facts. In some case, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “may”, “will”, “could”, “shall”, “risk”, “aims”, “predicts”, “continues”, “assumes”, “positioned” or “should” or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the Group’s control, and which may cause the Group’s actual results of operations, financial condition, liquidity, dividend policy and the development of the industry and business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group’s actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue in the future. Accordingly, readers of this documents are cautioned not to place undue reliance on these forward-looking statements.

Other than as required by English law, none of the Company, its directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur, in part or in whole. Additionally, statements of the intentions of the Board and/or Directors reflect the present intentions of the Board and/or Directors, respectively, as at the date of this document, and may be subject to change as the composition of the Company’s board of directors alters, or as circumstances require.

The forward-looking statements contained in this document speak only as at the date of this document. Except as required by the UK’s Financial Conduct Authority, the London Stock Exchange or applicable law (including as may be required by the UK Listing Rules and/or the Disclosure Guidance and Transparency Rules), De La Rue expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

De La Rue is a registered trademark of De La Rue Holdings Limited.

DLR Analytics™, DLR Certify™, and PureImage™ are trademarks of De La Rue International Limited.

Safeguard®, IgniteTM, Enigma®, Izon®, Traceology® are registered trademarks of De La Rue International Limited.

This report is printed on Amadeus Silk paper. This paper has been independently certified as meeting the standards of the Forest Stewardship Council (FSC®), and was manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards.

Designed and produced by Radley Yeldar www.ry.com

Photography and images by Andy Sharp – Technical Photography DLR Design™

Dan Eynon – Pencil Portraits – DLR Design™

Printed at Pureprint Group that is ISO14001 certified, CarbonNeutral® and FSC certified. The inks used are all vegetable oil based.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

De La Rue plc
De La Rue House
Jays Close
Viables
Basingstoke
Hampshire
RG22 4BS

T +44 (0)1256 605000
F +44 (0)1256 605004

www.delarue.com