



26 May 2021

## DE LA RUE 2020/21 FULL YEAR RESULTS

De La Rue plc (LSE: DLAR) (“De La Rue”, the “Group” or the “Company”) announces its full year results for the year ended 27 March 2021 (the “period”, “FY” or “full year”). The comparative period was the twelve months ended 28 March 2020.

### Highlights:

- Adjusted operating profit increased by 60.8% to £38.1m (FY 2019/20: £23.7m)
- IFRS operating profit of £14.5m reflecting significant exceptional item charges
- Turnaround Plan savings completed, delivering a cumulative £36m of annualised cost out due to the programme from the end of FY 2020/21
- Substantial growth in revenue and profitability in ongoing Authentication and Currency divisions, achieving an adjusted operating profit of £27.5m (FY 2019/20: £1.4m)
- Authentication saw good growth in H2 2020/21 and secured orders with expected total multi-year lifetime contract value of £195m from start of FY 2020/21 to date
- Currency 100% banknote capacity utilisation in H2 2020/21 with strong margin progression during year
- Bank of England majority polymer contract won starting July 2021; SAFEGUARD® now selected for all Sterling denominations
- Net debt substantially reduced to £52.3m (FY 2019/20: £102.8m)
- £100m equity capital raise completed July 2020

Financial Summary	FY 2020/21 £m	FY 2019/20 <sup>(3)</sup> £m	Change %
<b>Adjusted Revenue (FY 2019/20 restated<sup>(3)</sup>)*</b>	<b>388.1</b>	<b>432.0</b>	<b>-10.2%</b>
Currency	286.8	281.6	1.8%
Authentication	77.6	73.8	5.1%
Identity Solutions	23.7	76.6	-69.1%
<b>IFRS Revenue (FY 2019/20 restated<sup>(3)</sup>)*</b>	<b>397.4</b>	<b>472.1</b>	<b>-15.8%</b>
<b>Gross Profit</b>	<b>107.8</b>	<b>105.9</b>	<b>1.8%</b>
<b>Adjusted operating expenses<sup>*(1)</sup></b>	<b>-69.7</b>	<b>-82.2</b>	<b>-15.2%</b>
<b>Adjusted operating profit<sup>*(1)</sup></b>	<b>38.1</b>	<b>23.7</b>	<b>60.8%</b>
<b>IFRS operating profit/(loss)</b>	<b>14.5</b>	<b>42.8</b>	<b>-66.1%</b>
<b>Net debt<sup>(5)</sup></b>	<b>52.3</b>	<b>102.8</b>	<b>-49.1%</b>
<b>Adjusted EPS basic (p)<sup>*(2)</sup></b>	<b>14.7p</b>	<b>11.1p<sup>(4)</sup></b>	<b>32.4%</b>
<b>IFRS EPS basic (continuing operations) (p)</b>	<b>3.7p</b>	<b>30.3p<sup>(4)</sup></b>	<b>-87.8%</b>

### FY 2020/21 financial performance

- Authentication revenue full year growth of 5.1%; the increase tempered by £1.6m of revenue contracts that were sold with the International Identity Solutions business in H2 2019/20. H2 2020/21 saw growth of 27.8% compared to same period in prior year reflecting growth from a new contract win and strong volume growth in Government Revenue Solutions (GRS), despite COVID-19 related impact on two contracts offsetting negative growth seen in H1 2020/21.
- Currency revenue grew due mainly to increased banknote volumes, and higher security features sales.
- Gross profit of £107.8m (FY 2019/20: £105.9m), reflecting improved mix through H2 2020/21 and increased efficiencies and volumes in Currency and increased Authentication volumes, offset by lower gross profit in Identity Solutions.
- Total gross profit for our two ongoing divisions, Authentication and Currency, grew by 30.5% to £95.3m (FY 2019/20: £73.0m).

- Adjusted operating profit of £38.1m (FY 2019/20: £23.7m), represents a significant improvement resulting from the ongoing implementation of the Turnaround Plan, including benefits from the reorganisation and cost reduction programmes. Adjusted operating profit for our two ongoing divisions, Authentication and Currency, performed strongly delivering £27.5m (FY 2019/20: £1.4m) being mainly driven by the improvement in the Currency division which grew adjusted operating profits to £16.2m from a loss of £9.4m in FY 2019/20. This performance more than offset the lower adjusted operating profits from the Identity Solutions division.
- IFRS operating profit of £14.5m (FY 2019/20: £42.8m) was substantially lower than adjusted operating profit due mainly to the recognition of substantial asset impairment and reorganisation charges relating to the cessation of banknote manufacturing at the Gateshead facility. IFRS operating profit in FY 2019/20 also included the gain on the sale of International Identity Solutions of £25.3m (excluding associated disposal costs).
- Adjusted basic EPS was 14.7p (FY 2019/20: (restated) 11.1p) reflected the improvement in adjusted profits which was mitigated by the higher number of shares post equity raise.
- IFRS basic EPS from continuing operations of 3.7p (FY 2019/20: (restated) 30.3p) reflected the recognition in FY 2020/21 of significant net exceptional charges (before tax) of £22.6m, compared to a net exceptional item credit (before tax) of £20.0m in the prior year in addition to the impact of a higher number of shares post equity raise.
- Net debt of £52.3m (FY 2019/20: £102.8m), reduction principally due to completion of equity capital raise in July 2020 offset in part by capital expenditure under the Turnaround Plan (which is below expectations primarily due to timings of expenditure) and the impact of a negative movement in working capital of £39.8m. The working capital movement reflects the timing of cash collections on certain material customer contracts, the impact of which will unwind in H1 FY 2021/22 and the impact of the payments relating to the close out of the UK Passport contract. Cash generated from operating activities included approximately £11m of cash payments related to exceptional items and discontinued.

### Business update

- Authentication secured £195m of expected total multi-year lifetime contracts from start of FY 2020/21 to date, and re-iterates guidance of £100m in revenue in FY 2021/22.
- Currency 100% utilisation of banknote printing capacity during H2 2020/21 with good margin progression during year.
- Turnaround Plan savings completed, delivering a cumulative £36m of annualised cost out from the end of FY 2020/21. Actions from Turnaround Plan have delivered £6m of in year savings in FY 2019/20 and £23m of in year savings in FY 2020/21, with a further £7m of in year savings to come in FY 2021/22.
- Company continues to manage business effectively during the COVID-19 pandemic.

Clive Vacher, Chief Executive Officer of De La Rue, said:

*“Both our ongoing divisions are performing well and the Group has delivered good growth in adjusted operating profits as we complete the first full year of our Turnaround Plan. We saw good growth in adjusted operating margins for Currency in the year and Authentication has secured £195m of expected multi-year lifetime contracts from April 2020 to date. We have made encouraging progress in our polymer growth plans, securing a new site to double capacity during FY 2021/22.*

*“We see a strong pipeline of business for FY 2021/22 and continue to expect to deliver the full financial and operational benefits of the Turnaround Plan during the year.”*

(1) Excludes exceptional items net charges pre-tax of £22.6m (FY 2019/20: net credits pre-tax of £20.0m) and amortisation of acquired intangible assets pre-tax of £1.0m (FY 2019/20: £0.9m)

(2) Excludes exceptional items net charges post-tax of £18.4m (FY 2019/20: net credits post-tax £22.5m) and amortisation of acquired intangible assets post-tax of £0.6m (FY 2019/20: £0.7m)

(3) 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 24.

(4) Restatement of earnings per share reflects adjustments associated with the Equity Capital raise with regards to weighted average number of shares

\* This is a non-IFRS measure. Adjusted revenue excludes “pass through revenue” relating to non-novated paper business contracts where the group earns nil margin. See note 14 for reconciliation of non-IFRS measures to comparable IFRS measures.

We announce today that the Board has decided to appoint Margaret Rice-Jones as Senior Independent Director with immediate effect.

### Enquiries:

<b>De La Rue plc</b>	<b>+44 (0) 7387 122645</b>
Clive Vacher	Chief Executive Officer
Rob Harding	Chief Financial Officer
Matthew Rose	Director of Tax, Treasury and Investor Relations
Kirstie Thomas	Investor Relations Manager

<b>Brunswick</b>	<b>+44 (0)207 404 5959</b>
Stuart Donnelly	
Ed Brown	

A conference call will take place at 8:30 am on 26 May 2021, which is also accessible via webcast on [www.delarue.com](http://www.delarue.com).

For the live webcast, please register at [www.delarue.com/investors/results-and-reports](http://www.delarue.com/investors/results-and-reports) where a replay will also be available subsequently.

De La Rue plc's LEI code is 213800DH741LZWJXP78

## **BUSINESS UPDATE**

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### **Group reorganisation**

In these results, 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 function (such as HR, Legal, Finance and IT) cost allocation) for the current period (see note 14 for definition of controllable operating profit and reconciliation to equivalent IFRS measure).

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 of our expected and forecast 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.

We note that the UK Passport contract provided a significant proportion of the adjusted operating profit for Identity Solutions and the Group in FY 2020/21 and will contribute no profits in the future.

### **Turnaround Plan**

On 25 February 2020, we announced details of the Turnaround Plan (the "Turnaround Plan") for the Company. Key highlights on our progress to date include:

**Cost reduction:** 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 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 FY2019/20). 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.

**Authentication:** 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. Working across the commercial and government sectors, we address consumer and brand owner demand for protection against counterfeit goods. De La Rue continues to target Authentication division revenues of £100m in FY 2021/22, with strong operating margins and strong year-on-year growth in this division during the three-year period of the Turnaround Plan, as more countries adopt tobacco tax stamp schemes to comply with the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC).

The traditional tax stamp market covering tobacco and alcohol has evolved to include digital solutions and tobacco track-and-trace. The combined physical and digital solutions provided by the Group support governments to protect tax revenue and to comply with intergovernmental policies and international treaties such as the EU Tobacco Products Directive and the World Health Organisation FCTC.

During FY 2020/21 to date, Authentication secured £195m of expected lifetime multi-year contract value. The two new GRS contracts in our announcement of 13 May 2021 are with the General Tax Authority of Qatar and the National Bureau for Revenue of Bahrain, and these schemes follow the same model as our current digital tax stamp solutions in the Gulf Cooperation Council area. The contract with the Ghana Revenue Authority announced earlier in the year is now operational and contributed to revenue growth in H2 2020/21.

In addition to the five year renewal of our contract with Microsoft to provide innovative authentication products to Microsoft's OEM, Retail and Xbox channels, thereby extending the 25 year relationship until 2026 (which was announced on 13 May 2021), we have secured further wins in brand protection, including Tier 1 companies in the technology and healthcare sectors.

Government Revenue Solutions performed well in FY 2020/21, despite a 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. We also saw an additional contract impacted by the pandemic.

Although we saw negative growth in H1 2020/21, we saw good year-on-year revenue growth for Authentication during H2 2020/21, as we began production of tax stamps for our new contract in Ghana and completed the software implementation for the HMRC ID Issuer contract.

**Currency:** 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.

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 (before allocation of enabling function overhead – see note 14 for definition of adjusted controllable operating profit and reconciliation to comparable IFRS measure).

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.

Given the ongoing and expected demand for polymer, we plan to spend approximately £20 million on new polymer capacity, an increase on the approximately £15 million previously indicated. In January 2021, we secured a new building 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.

In paper security features, thread sales continue to grow and new banknotes containing KINETIC STARCHROME®, PUREIMAGE™, IGNITE® and NEXUS™ have been issued into circulation, with further issuance on these threads during the next 12 months. NEXUS™ and IGNITE® were also launched as part of the Qatar new family of banknotes.

We ceased banknote printing operations at Gateshead in December 2020, although the site remains in use for other activities. UK Passport operations, also in Gateshead, ceased operations during H1 2020/21. These actions will not lead to a reduction of the Company's worldwide printing capacity. Following a period of transition and the relocation of equipment

from Gateshead to other sites, we will retain the same capacity while operating with four currency print factories, down from five.

On 30 October 2020, we announced that the Bank of England has confirmed it will exercise its option to extend its existing banknote print contract by three years, maintaining De La Rue's exclusivity in printing Bank of England banknotes and operating the Bank's facility in Debden, Essex, until 2028.

De La Rue's total aggregate 3-year investment for the Turnaround Plan is in line with expectations. Spending includes a reduction in Authentication capex from £35.2m as previously indicated, due in part to moving to the cloud from hardware-based solutions.

## OUTLOOK

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Trading for the first two months of FY 2021/22 has been positive and in line with management expectations.

The Directors believe that the equity capital raise completed in July 2020 provided the Company and its management with operational and financial flexibility to implement the Turnaround Plan.

We have a target of returning the Company to a strong financial position and an operating platform which will deliver sustainable growth at high operating margins and strong cash generation in the medium term. Following an initial period of cash outflow to fund the Turnaround Plan, we continue to aim for the Group to be generating cash flow capable of supporting sustainable cash dividends to shareholders by the end of the Turnaround Plan in FY 2022/23.

## EQUITY CAPITAL RAISING, DEBT REFINANCING AND PENSION RECOVERY PLAN

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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 Credit 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 RCF 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.

## COVID-19

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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.

Within the UK and across many of the other countries in which the Group operates, many of the Group's products and services are considered by customers, governments and other relevant stakeholders to be essential to the underpinning of trade integrity, personal identity and/or the movement of goods.

The Group has implemented actions to mitigate the impact of COVID-19, including steps to protect its employees in line with guidance from governments, and whilst there remains considerable uncertainty in relation to the COVID-19 pandemic

(including in relation to 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 and our Malta and Kenya sites and our two facilities in the United States continued to operate with minimal disruption and 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 and despite the suspension the site delivered its printing target for the year.

Our supply chain across both our Currency and Authentication divisions has remained materially unaffected since the outbreak of the COVID-19 pandemic, due to robust and Group led incident management framework.

The Group received credits via the Coronavirus Job Retention Scheme (CJRS) of c£0.4m from the UK Government during the period, in respect of employees who were unable to operate in their roles fully due to the impact of COVID-19. The Group repaid these amounts in April 2021.

## **BREXIT**

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We have been undertaking preparations for Brexit since 2018 and have held frequent risk reviews and updates and enact contingency measures to ensure preparedness and business continuity. These reviews and updates have continued since the United Kingdom formally exited its transition period with the European Union 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 engaged with key suppliers relating to 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 on-going 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 are not expected to increase in the coming financial year.

The Group continues to seek opportunities to minimise the administration involved and mitigate tariff and duty outlays and costs for the group including making applications for designated Customs Warehousing arrangements and Inward Processing Relief for manufacturing processes where appropriate.

## **FINANCIAL RESULTS SUMMARY**

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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 24.

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 International 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.

Adjusted operating expenses excluding the impact of exceptional items and amortisation of acquired intangibles were £69.7m (FY 2019/20: £82.2m), reflecting the fall in adjusted operating expenses following the benefit of our cost reduction initiatives, the sale of the International Identity Solutions business in October 2019 and the completion of Her Majesty's Passport Office (HMPO) contract.

Adjusted operating profit of £38.1m (FY 2019/20: £23.7m) reflected the benefit of lower adjusted operating expenses which more than offset the impact of lower adjusted revenues. The adjusted operating profit margin improved to 9.8% (FY 2019/20: 5.5%).

Our two ongoing operating divisions, Authentication and Currency (excluding Identity Solutions, which includes the UK Passport contract) delivered adjusted operating profit of £27.5m (FY 2019/20: £1.4m) an improvement of £26.1m year-on-year. This reflects stronger gross profitability of £95.3m (FY 2019/20: £73.0m) and the reduction in adjusted operating expenses.

IFRS operating profit of £14.5m (FY 2019/20: £42.8m) was substantially lower than adjusted operating profit due to the recognition of significant net exceptional item charges of £22.6m primarily relating to asset impairment and reorganisation charges relating to the cessation of banknote manufacturing at the Gateshead facility. IFRS operating profit in FY 2019/20 included net exceptional item credits of £20.0m. Further details are provided below.

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 raise. IFRS basic EPS from continuing operations was 3.7p (FY 2019/20: (restated) 30.3p) reflected the recognition in the current period of significant net exceptional charges of £22.6m compared to the impact of a net exceptional item credit of £20m in the prior period in addition to the impact of the higher number of shares post equity raise.

Cash generated from operating activities was an outflow of £5.6m (FY 2019/20: inflow £1.5m), as profits from operating activities were partly offset by an adverse working capital movement of £39.8m (for further detail see below) and pension funding contributions of £11.4m. Cash generated from operating activities is also stated after approximately £11.0m of payments relating to exceptional items and discontinued operations and the forecasted substantial payments relating to the close-out of the UK Passport contract (which were fully accrued over the life of the contract).

The total net inflow including net proceeds of £92.7m from the equity capital raise, but excluding £39.3m of net repayments on Group borrowings in the period was £50.8m (FY 2019/20: inflow of £4.7m), and includes proceeds from the sale of a non-operational property of £2.7m, offset by capital expenditure of £21.1m (net of grants received), payments of £4.8m of transaction costs in relation to the debt refinancing and net interest payments of £5.5m. The total net increase in cash and cash equivalents in the period was £11.5m (FY 2019/20: increase of £3.2m).

As at 27 March 2021, EBIT/net interest payable was 6.3 times (covenant of  $\geq 2.4$  times in this financial year), and net debt/EBITDA was 0.99 times (covenant of  $\leq 3.0$  times), as calculated in accordance with banking covenant definitions.

## OPERATING PROFIT AND OPERATING COSTS

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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;
- 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. 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.

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

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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

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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' below 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

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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

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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.

## CASH FLOW AND BORROWING

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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: £22.1 m 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 2021/22, 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 collections 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 above, 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  $\geq 2.4$  times in this financial year), net debt/EBITDA 0.99 times (covenant of  $\leq 3.0$  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.

## PENSION DEFICIT AND FUNDING

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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.

## OPERATING REVIEW

### Authentication

The **Authentication** division comprises mainly GRS and brand protection products, and includes elements of the identity business that were not transferred as part of the sale of International Identity Solutions.

	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%	

\*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 note 14 for reconciliation of non-IFRS measures to comparable IFRS measures.

\*\* 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 24.

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 to as part of the International Identity Solutions Business disposal, and lower volumes on two contracts due to COVID-19 (one in GRS as noted earlier) 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 (see above for further details).

Adjusted controllable operating profit for FY 2020/21 was £18.3m, with no comparator to the prior year due to the Group reorganisation (see note 14 for further details). This equates to a controllable operating profit margin of 23.6%.

### Currency

The **Currency** division comprises banknote print, polymer and security features.

	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)	65.3	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%	

\*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 note 14 for reconciliation of non-IFRS measures to comparable IFRS measures.

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 (see note 14 for further details). 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 people) due to the cessation of banknote production at our Gateshead facility.

IFRS operating margin improved to -1.9% from -3.1% in FY 2019/20 as the impact of a lower operating loss more than offset the impact of lower IFRS revenues.

## Identity Solutions

**Identity Solutions** comprises our passport and other personal identity products. We sold International Identity Solutions in October 2019, which impacted FY 2019/20 revenue and profitability.

	FY 2020/21	FY 2019/20	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%	

\* 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 note 14.

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 DSA 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.

We worked with Her Majesty's Passport Office on the completion of the transition to the new supplier for the UK Passport production contract, and we expect no revenue or operating profits from this contract going forward.

## BOARD CHANGES

On 17 June 2020, we announced that Sabri Challah has informed the Board of his intention to step down as a Director due to his other commitments. Sabri stood down as the Senior Independent Director and Board member at the Annual General Meeting on 6 August 2020.

On 22 September, we announced the immediate appointments of Rt Hon Baroness Catherine Ashton and Margaret Rice-Jones as a Non-executive Directors of the Company. Both Directors have become members of the Audit, Remuneration, Nomination and Ethics Committees.

On 1 October 2020, we announced the appointment of Rob Harding as Chief Financial Officer and as an Executive Director on the Board of the Company to take effect immediately. Rob joined De La Rue as Interim Chief Financial Officer on 9 March 2020.

On 23 March 2021, we announced that Ruth Euling, Managing Director of Currency, was appointed to the Board of De La Rue as an Executive Director, with effect from 1 April 2021.

We are also announcing today that the Board has decided to appoint Margaret Rice-Jones as Senior Independent Director with immediate effect.

**Clive Vacher**  
**Chief Executive Officer**  
**26 May 2021**

## **Cautionary note regarding forward-looking statements**

These results include statements that are, or may be deemed to be, "forward-looking statements". 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. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results 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 involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. 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, investors or potential investors should not place undue reliance on these forward-looking statements. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods.

Other than in accordance with its legal or regulatory obligations, De La Rue does not undertake any obligation to update these forward-looking statements, which speak only as at the date of this document, and will not publicly release any revisions that may be made to these forward-looking statements, which may result from events or circumstances arising after the date of this document.

## DIRECTORS REPORT

Throughout its global operations De La Rue faces various risks, both internal and external, which could have a material impact on the Group's performance. The Group manages the risks inherent in its operations to mitigate exposure to all forms of risks, where practical, and to transfer risk to insurers, where cost effective.

The Group analyses the risks that it faces under the following broad headings: strategic risks (technological revolution, strategy implementation, changes to the market environment and economic conditions), operational risks, legal/ regulatory, information risks and financial risks (currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk).

The principal risks and uncertainties were outlined in the 28 March 2020 Annual Report and Accounts. Since the publication of these, the risks have been reviewed considering the ongoing turnaround plan, successful equity capital raise and bank refinancing and now include; bribery and corruption, quality management and delivery failure (encompassing both Divisions), failure to Implement the Turnaround Plan and run the business, loss of a key site or process, sustainability and climate change, breach of information security, failure of a key supplier, breach of product security, sanctions and COVID-19.

A copy of the Annual Report and Accounts for the year ended 28 March 2020, is available on the Company's website [www.delarrue.com](http://www.delarrue.com).

### 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  $\leq 3.0$  times and an EBIT/net interest payable covenant of  $\geq 2.4$  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 FY2021/22 and Q1 of FY2022/23, 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 FY2021/22 and Q1 of FY2022/23 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 be 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](http://www.delarue.com) or on request from the Company's registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS

## **Statement of Directors' responsibilities**

Each of the Directors confirms that, to the best of their knowledge:

- The preliminary financial information, which has been 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 or loss of the Company on a consolidated and individual basis; and
- The preliminary announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks that it faces.

For and on behalf of the Board

**Kevin Loosemore**  
**Chairman**  
**26 May 2021**



# Consolidated income statement

for the period ended 27 March 2021

	Notes	2021 £m	2020 £m (restated) <sup>(1) (2)</sup>
<b>Revenue from customer contracts</b>	3	<b>397.4</b>	472.1
Cost of sales		<b>(289.6)</b>	(366.2)
<b>Gross Profit</b>		<b>107.8</b>	105.9
Adjusted operating expenses		<b>(69.7)</b>	(82.2)
<b>Adjusted operating profit</b>		<b>38.1</b>	23.7
<b>Adjusted Items:</b>			
– Amortisation of acquired intangibles		<b>(1.0)</b>	(0.9)
– Net exceptional items	5	<b>(22.6)</b>	20.0
<b>Operating profit</b>		<b>14.5</b>	42.8
Interest income		<b>0.8</b>	1.0
Interest expense		<b>(7.1)</b>	(6.1)
Net retirement benefit obligation finance income/(expense)		<b>1.7</b>	(1.6)
<b>Net finance expense</b>		<b>(4.6)</b>	(6.7)
<b>Profit before taxation from continuing operations</b>		<b>9.9</b>	36.1
Taxation	7	<b>(1.4)</b>	–
<b>Profit from continuing operations</b>		<b>8.5</b>	36.1
Loss from discontinued operations	4	<b>(0.4)</b>	(0.3)
<b>Profit for the year</b>		<b>8.1</b>	35.8
<b>Attributable to:</b>			
– Owners of the parent		<b>5.9</b>	34.1
– Non-controlling interests		<b>2.2</b>	1.7
<b>Profit for the year</b>		<b>8.1</b>	35.8
<b>Earnings per ordinary share <sup>(2)</sup></b>			
<b>Basic</b>	8		
Basic EPS continuing operations		<b>3.7p</b>	30.3p
Basic EPS discontinued operations		<b>(0.3)p</b>	(0.3)p
<b>Total Basic EPS</b>		<b>3.4p</b>	30.0p
<b>Diluted</b>	8		
Diluted EPS continuing operations		<b>3.7p</b>	30.2p
Diluted EPS discontinued operations		<b>(0.3)p</b>	(0.3)p
<b>Total Diluted EPS</b>		<b>3.4p</b>	29.9p

**Note:**

- (1) 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. For further information see page 24.
- (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
<b>Profit for the year</b>		<b>8.1</b>	35.8
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to profit or loss:</b>			
Remeasurement (loss)/gain on retirement benefit obligations		<b>(95.6)</b>	114.1
Tax related to remeasurement of net defined benefit liability	7	<b>18.2</b>	(20.5)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations		<b>(3.9)</b>	3.3
Foreign currency translation difference reclassified to income statement on disposal of subsidiary		<b>–</b>	1.3
Change in fair value of cash flow hedges		<b>(0.3)</b>	1.4
Change in fair value of cash flow hedges transferred to profit or loss		<b>(0.4)</b>	1.4
Income tax relating to components of other comprehensive income	7	<b>(0.2)</b>	–
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>(82.2)</b>	101.0
<b>Total comprehensive income for the year</b>		<b>(74.1)</b>	136.8
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		<b>(71.9)</b>	135.1
Non-controlling interests		<b>2.2</b>	1.7
		<b>(74.1)</b>	136.8

# Consolidated balance sheet

at 27 March 2021

	Notes	2021 £m	2020 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		100.0	114.6
Intangible assets		32.3	31.0
Right-of-use assets		14.6	12.9
Retirement benefit obligations		–	64.8
Other financial assets		8.8	8.0
Deferred tax assets		19.7	5.5
Derivative financial assets		0.1	2.1
		175.5	238.9
<b>Current assets</b>			
Inventories		54.5	53.9
Trade and other receivables		98.8	67.1
Contract assets	3	14.8	18.3
Current tax assets		0.4	0.3
Derivative financial assets		7.4	14.5
Cash and cash equivalents		25.7	14.6
		201.6	168.7
<b>Total assets</b>		<b>377.1</b>	<b>407.6</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
<b>Borrowings</b>	10	-	(116.6)
Trade and other payables	3	(120.5)	(133.6)
Current tax liabilities		(13.6)	(12.5)
Derivative financial liabilities		(8.2)	(14.0)
Lease liabilities		(2.7)	(2.8)
Provisions for liabilities and charges		(9.6)	(10.6)
		(154.6)	(290.1)
<b>Non-current liabilities</b>			
Borrowings	10	(74.2)	-
Retirement benefit obligations		(20.5)	(1.8)
Deferred tax liabilities		(2.6)	(8.8)
Derivative financial liabilities		(0.1)	(2.1)
Provisions for liabilities and charges		–	–
Lease liabilities		(13.0)	(11.1)
Other non-current liabilities		(0.7)	(0.5)
		(111.1)	(24.3)
<b>Total liabilities</b>		<b>(265.7)</b>	<b>(314.4)</b>
<b>Net assets/(liabilities)</b>		<b>111.4</b>	<b>93.2</b>

<b>EQUITY</b>			
Share capital		<b>88.8</b>	47.8
Share premium account		<b>42.2</b>	42.2
Capital redemption reserve		<b>5.9</b>	5.9
Hedge reserve		<b>(0.8)</b>	0.1
Cumulative translation adjustment		<b>5.7</b>	9.6
Other reserve		<b>(31.9)</b>	(83.8)
Retained earnings		<b>(14.9)</b>	56.2
<b>Total equity attributable to shareholders of the Company</b>		<b>95.0</b>	78.0
<b>Non-controlling interests</b>		<b>16.4</b>	15.2
<b>Total equity</b>		<b>111.4</b>	93.2

Approved by the Board on 26 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	Attributable to equity shareholders			Non- controlling Interests £m	Total equity £m
					Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m		
<b>Balance at 31 March 2019</b>	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
Other movements	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	2.6	4.6	–	127.9	1.7	136.8
<b>Transactions with owners of the Company recognised directly in equity:</b>									
Transactions with non- controlling interests (see note 33 of Annual Report and Accounts 2020)	–	–	–	–	–	–	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)
<b>Balance at 28 March 2020</b>	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)
<b>Transactions with owners of the Company recognised directly in equity:</b>									
Transactions with non- controlling interests (see note 33 of Annual Report and Accounts 2020)	–	–	–	–	–	–	–	–	–
Share capital issued	0.2	–	–	–	–	–	–	–	0.2
Employee share scheme:									

– value of services provided	–	–	–	–	–	–	0.2	–	0.2
Equity Capital raise	40.8	–	–	–	–	51.9	–	–	92.7
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	–	–	(1.0)	(1.0)
<b>Balance at 27 March 2021</b>	<b>88.8</b>	<b>42.2</b>	<b>5.9</b>	<b>(0.8)</b>	<b>5.7</b>	<b>(31.9)</b>	<b>(14.9)</b>	<b>16.4</b>	<b>111.4</b>

#### 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.

#### 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 £52.1m 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 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. 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
<b>Cash flows from operating activities</b>			
Profit before tax*		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
<b>Cash generated from operating activities</b>		<b>(5.6)</b>	1.5
Net tax (paid)/refund		(2.4)	3.5
<b>Net cash flows from operating activities</b>		<b>(8.0)</b>	5.1
<b>Cash flows from investing activities</b>			
Proceeds from the sale of subsidiary (net of cash disposed and associated disposal costs)		(1.9)	42.0
Purchases of property, plant and equipment <sup>(1)</sup>		(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
<b>Net cash flows from investing activities</b>		<b>(20.2)</b>	25.6
<b>Net cash flows before financing activities</b>		<b>(28.2)</b>	30.7
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		92.7	0.2
Net draw down of borrowings <sup>(2)</sup>		(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)
<b>Net cash flows from financing activities</b>		<b>39.7</b>	(27.5)
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>11.5</b>	3.2

Cash and cash equivalents at the beginning of the year		14.5	11.3
Exchange rate effects		(0.3)	–
<b>Cash and cash equivalents at the end of the year</b>		<b>25.7</b>	<b>14.5</b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		25.7	14.6
Short term deposits		–	–
Bank overdrafts		–	(0.1)
		<b>25.7</b>	<b>14.5</b>

**Note:**

\* Profit before tax includes continuing and discontinued operations.

(1) Purchases of property, plant and equipment are stated net of grant income received of £3.5m (2020: £3.8m).

(2) In the period FY2020/21 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.

## 1 Basis of preparation and accounting policies

### *Statement of compliance*

These consolidated financial statements have been prepared on the going concern basis and using the historical cost convention, modified for certain items carried at fair value, as stated in the Group's accounting policies.

The financial information set out above does not constitute the Group's statutory accounts for the periods ended 27 March 2021 or 28 March 2020. Statutory accounts for the periods ended 28 March 2020 have been delivered to the registrar of companies and those for the period ended 27 March 2021 will be delivered in due course. The auditor has reported on the accounts for the periods ended 27 March 2021 and 28 March 2020. Their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The above notwithstanding, the auditor's report for the period ended 28 March 2020 drew attention to, without modifying its conclusion, the Group's Shareholder approval for the equity capital raise. Refer to the Going Concern Statement on page 15 for further details of the Director's Going Concern Statement.

### **Adoption of new International Reporting Standards adopted by the Group**

There have been no new accounting standards implemented by the Group during the year and no revisions to accounting standards have had a material impact on the Group's Financial Statements.

### **International Financial Reporting Standards issued but not yet effective**

The standards that are issued but not yet effective are not expected to have any material impact on the Group.

### **Restatement of FY 2019/20 revenue and cost of goods sold figures**

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.



## 2 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.
- 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 14 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	–	–	–	–	–
<b>Revenue from contracts with customers</b>	<b>295.7</b>	<b>77.6</b>	<b>24.1</b>	<b>–</b>	<b>397.4</b>
Cost of sales	(230.4)	(47.7)	(11.5)	–	(289.6)
<b>Gross Profit</b>	<b>65.3</b>	<b>29.9</b>	<b>12.6</b>	<b>–</b>	<b>107.8</b>
Adjusted operating expenses	(49.1)	(18.6)	(2.0)	–	(69.7)
<b>Adjusted operating profit</b>	<b>16.2</b>	<b>11.3</b>	<b>10.6</b>	<b>–</b>	<b>38.1</b>
<b>Adjusted items:</b>					
– Amortisation of acquired intangible	–	(1.0)	–	–	(1.0)
– Net exceptionals	(20.6)	(0.4)	(0.4)	(1.2)	(22.6)
<b>Operating profit</b>	<b>(4.4)</b>	<b>9.9</b>	<b>10.2</b>	<b>(1.2)</b>	<b>14.5</b>
Interest income	0.8	–	–	–	0.8
Interest expense	(1.7)	(0.2)	–	(5.2)	(7.1)
Net retirement benefit obligation finance income	–	–	–	1.7	1.7
<b>Net finance expense</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>–</b>	<b>(3.5)</b>	<b>(4.6)</b>
<b>Profit before taxation</b>	<b>(5.3)</b>	<b>9.7</b>	<b>10.2</b>	<b>(4.7)</b>	<b>9.9</b>
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	(14.7)	2.8	(0.4)	(1.0)	(19.0)
Capital grants received	0.7	2.8	-	-	3.5
Capital expenditure on intangible assets	(0.5)	(5.1)	-	-	(5.6)
Impairment of Property, plant and equipment and intangible assets and accelerated depreciation charges included within exceptional items <sup>(1)</sup>	(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)

(1) Impairments and accelerated depreciation of £11.9m have been included within exceptional items (see note 4)

Unallocated assets principally comprise deferred tax assets of £19.7m (FY 2020: £5.5m), cash and cash equivalents of £25.7m (FY 2019: £14.6m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £7.5m (FY 2019: £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 2019: £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	Authentication £m (restated *)	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m
Total revenue from contracts with customers	315.1	73.8	83.2	-	472.1
Less: inter-segment revenue	-	-	-	-	-
<b>Revenue from contracts with customers</b>	<b>315.1</b>	<b>73.8</b>	<b>83.2</b>	<b>-</b>	<b>472.1</b>
Cost of sales	(270.9)	(45.0)	(49.8)	(0.5)	(366.2)
<b>Gross Profit</b>	<b>44.2</b>	<b>28.8</b>	<b>33.4</b>	<b>(0.5)</b>	<b>105.9</b>
Adjusted operating expenses	(53.6)	(18.0)	(10.6)	-	(82.2)
<b>Adjusted operating profit</b>	<b>(9.4)</b>	<b>10.8</b>	<b>22.8</b>	<b>(0.5)</b>	<b>23.7</b>
<b>Adjusted items:</b>					
- Amortisation of acquired intangible	-	(0.9)	-	-	(0.9)
- Net exceptionals	(0.5)	(0.2)	24.8	(4.1)	20.0
<b>Operating profit</b>	<b>(9.9)</b>	<b>9.7</b>	<b>47.6</b>	<b>(4.6)</b>	<b>42.8</b>
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)
<b>Net finance expense</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>	<b>(6.5)</b>	<b>(6.7)</b>
<b>Profit before taxation</b>	<b>(10.0)</b>	<b>9.6</b>	<b>47.6</b>	<b>(11.1)</b>	<b>36.1</b>
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)

\* 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 24.

## Geographic analysis of non-current assets

	2021 <sup>(1)</sup> £m	2020 <sup>(2)</sup> £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
	<b>146.9</b>	238.9

(1) Other financial assets, deferred tax assets and derivative financial instruments are excluded from the analysis shown above for FY2021

(2) FY2020 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 FY20 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.

## 3 Revenue from contracts with customers

Information regarding the Group's major customers, and a segmental analysis of revenue is provided in note 2.

Timing of revenue recognition across the Group's revenue from contracts with customers is as follows:

FY 2020/21	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

FY 2019/20	Currency £m	Authentication £m (restated) *	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

\* 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 24.

## Geographic analysis of revenue by destination

	FY 2020/21 £m	FY 2019/20 £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
	<b>397.4</b>	472.1

## Contract balances

The contract balances arising from contracts with customers are as follows:

	FY 2020/21 £m	FY 2019/20 £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 where cash has been collected prior to revenue being recognized under IFRS 15.

Set out below is the amount of revenue recognised from:

	FY 2020/21 £m	FY 2019/20 £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 of the Annual Report and Accounts 2020 in 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.

	FY 2020/21 £m	FY 2019/20* £m
Within 1 year	51.8	23.0
Between 2 – 5 years	35.7	24.0
5 years and beyond	–	–
	87.5	47.0

**Note:**

\* All within the currency division.

## 4 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.

## 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 on disposal of subsidiary	(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.

### ***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 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.

### ***Gain/(Loss) on disposal of subsidiary and associated costs***

In FY2019/20, following the sale of the Group's International Identity 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 exceptional items arising in the period was £4.2m (FY 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
<b>Total assets</b>	<b>37.4</b>
Trade and other payables	(17.4)
Lease liabilities	(0.4)
Provisions	(0.3)
<b>Total liabilities</b>	<b>(18.1)</b>
<b>Net assets</b>	<b>19.3</b>

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)
<b>Total disposal consideration</b>	<b>45.9</b>
Net assets and liabilities disposed	(19.3)
<b>CTA reclassified on disposal</b>	<b>(1.3)</b>
<b>Gain on disposal (before associated costs)</b>	<b>25.3</b>
Costs associated with disposal of subsidiary	(3.3)
<b>Gain on disposal (after associated costs)</b>	<b>22.0</b>

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. During FY 2020/21 the final working capital balance has been agreed with HID which resulted in an additional £0.3m loss being recorded (see note 5 exceptional items).

## 7 Taxation

	2021 £m	2020 £m
<b>Consolidated income statement</b>		
Current tax		
UK corporation tax:		
– Current tax	2.4	4.7
– Adjustment in respect of prior years	0.1	0.6
	<b>2.5</b>	<b>5.3</b>
Overseas tax charges:		
– Current year	1.7	1.8
– Adjustment in respect of prior years	1.7	(0.3)
	<b>3.4</b>	<b>1.5</b>

Total current income tax charge	<b>5.9</b>	6.8
Deferred tax:		
– Origination and reversal of temporary differences, UK	<b>(2.3)</b>	(6.4)
– Origination and reversal of temporary differences, overseas	<b>(2.3)</b>	(0.4)
Total deferred tax charge/(credit)	<b>(4.6)</b>	(6.8)
Income tax expense reported in the consolidated income statement in respect of continuing operations	<b>1.4</b>	–
Income tax expense/(credit) in respect of discontinued operations (note 4)	<b>(0.1)</b>	–
Total income tax charge in the consolidated income statement	<b>1.3</b>	–
Tax on continuing operations attributable to:		
– Ordinary activities	<b>6.0</b>	2.7
– Amortisation of acquired intangible assets	<b>(0.4)</b>	(0.2)
– Exceptional items	<b>(4.2)</b>	(2.5)
<b>Consolidated statement of comprehensive income:</b>		
– On remeasurement of net defined benefit liability	<b>(18.2)</b>	20.5
– On cash flow hedges	<b>0.2</b>	0.2
– On foreign exchange on quasi-equity balances	<b>0.1</b>	(0.2)
Income tax (credit)/charge reported within other comprehensive income	<b>(17.9)</b>	20.5
<b>Consolidated statement of changes in equity:</b>		
– On share options	<b>(0.3)</b>	0.4
Income tax charge reported within equity	<b>(0.3)</b>	0.4



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	Exceptional items £m	Movement on acquired intangibles £m	Total £m	Before exceptional items £m	Exceptional items £m	Movement on acquired intangibles £m	Total £m
Profit before tax	<b>33.5</b>	<b>(22.6)</b>	<b>(1.0)</b>	<b>9.9</b>	17.0	20.0	(0.9)	36.1
Tax calculated at UK tax rate of 19% (FY 2019/20: 19%)	<b>6.4</b>	<b>(4.3)</b>	<b>(0.2)</b>	<b>1.9</b>	3.2	3.8	(0.2)	6.8
Effects of overseas taxation	<b>0.7</b>	–	–	<b>0.7</b>	(1.0)	–	–	(1.0)
(Credits)/charges not allowable for tax purposes	<b>0.2</b>	<b>0.2</b>	–	<b>0.4</b>	0.9	(6.2)	–	(5.3)
Tax attributes not previously recognised for deferred tax	<b>(1.9)</b>	–	–	<b>(1.9)</b>	–	–	–	–
(Utilisation)/increase in unrecognised tax losses	<b>(1.4)</b>	–	–	<b>(1.4)</b>	–	–	–	–
Adjustments in respect of prior years	<b>2.0</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>1.7</b>	(0.6)	(0.1)	–	(0.7)
Change in UK and overseas tax rate	–	–	–	–	(0.2)	–	–	(0.2)
Tax charge/(credit)	<b>6.0</b>	<b>(4.2)</b>	<b>(0.4)</b>	<b>1.4</b>	2.7	(2.5)	(0.2)	–
Underlying effective tax rate (Tax charge/Profit before tax)	<b>17.9%</b>				15.8%			

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 defensible 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.

## 8 Earnings per share

	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*)
<b>IFRS earnings per share</b>						
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
<b>Adjusted earnings per share</b>						
Basic earnings per share	14.7	n/a	n/a	11.1	n/a	n/a

\*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 share 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	6.4	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	25.4	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

\*The prior years have been restated following the equity capital raise.

## 9 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.

## 10 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	-	<b>(78.0)</b>
Cash and cash equivalents	14.5	11.5	(0.3)	<b>25.7</b>
Net debt <sup>1</sup>	(102.8)	50.8	(0.3)	<b>(52.3)</b>

	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 <sup>1</sup>	(107.5)	4.7	(102.8)

**Note:**

<sup>1</sup> 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

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.

## 11 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\$8million (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

## 12 Related party transactions

During the year the Group traded on an arm's 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 2019: £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

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.

	2021 £m	2020 £m
Salaries and other short-term employee benefits	2.4	2.9
Retirement benefits:		
— Defined contribution	0.1	0.4
Share based payments	–	–
Termination benefits	–	1.1
	2.5	4.4

13 Non-controlling interest	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)
<b>Net assets (100%)</b>	<b>(0.1)</b>	<b>26.3</b>	<b>14.8</b>	<b>26.0</b>	<b>13.1</b>
Revenue	5.6	34.8	29.4	27.8	36.7

Profit for the year	-	2.6	3.1	2.4	2.2
<b>Non-controlling interest percentage</b>	<b>51%</b>	<b>40%</b>	<b>40%</b>	40%	40%
<b>Profit allocated to non-controlling interest</b>	-	<b>1.0</b>	<b>1.2</b>	0.9	0.8
<b>Dividends paid to non-controlling interest</b>	-	<b>0.6</b>	<b>0.4</b>	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)	-
<b>Net increase in cash and cash equivalents</b>	<b>1.3</b>	<b>(1.1)</b>	<b>(0.4)</b>	5.1	(0.2)

## Transactions with non controlling interests

### Kenya JV

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:

	FY 2020/21 £ m	FY 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 entity. 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.

## 14 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 2019/20: £33.5m) and Identify Solutions: £0.4m (FY 2019/20: £6.6m).

	FY 2020/21 £m	FY 2019/20 <sup>(1)</sup> £m
Revenue on an IFRS basis	397.4	472.1
- Exclude pass-through revenue	(9.3)	(40.1)
<b>Adjusted revenue</b>	<b>388.1</b>	<b>432.0</b>

<sup>(1)</sup> 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 24.

### Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	FY 2020/21 £m	FY 2019/20 £m
Operating profit from continuing operations on an IFRS basis	14.5	42.8
- Amortisation of acquired intangible assets	1.0	0.9
- Exceptional items	22.6	(20.0)
<b>Adjusted operating profit from continuing operations</b>	<b>38.1</b>	<b>23.7</b>

### Adjusted basic earnings per share

	FY 2020/21 £m	FY 2019/20 £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	6.4	34.4
- Amortisation of acquired intangible assets	1.0	0.9
- Exceptional items	22.6	(20.0)
- Tax on amortisation of acquired intangibles	(0.4)	(0.2)
- Tax on exceptional items	(4.2)	(2.5)
<b>Adjusted profit attributable to equity shareholders of the Company from continuing operations</b>	<b>25.4</b>	<b>12.6</b>
<b>Weighted average number of ordinary shares for basic earnings*</b>	<b>172.4</b>	<b>113.7</b>

\*Prior year share numbers are restated following the equity capital raise

	FY 2020/21 pence per share	*Restated FY 2019/20 pence per share
Basic earnings per ordinary share continuing operations on an IFRS basis	3.7	30.3
Adjusted basic per ordinary share for continuing operations	14.7	11.1

\*Prior year numbers are restated following the Equity Capital raise

### Net debt

Net debt is a non-IFRS measure. See note 10 for details of how net debt is calculated.

### 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.

FY 2020/21	Currency	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
<b>Operating profit/(loss) on IFRS basis</b>	<b>(4.4)</b>	<b>9.9</b>	<b>10.2</b>	<b>(1.2)</b>	<b>14.5</b>
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	20.6	0.4	0.4	1.2	22.6
<b>Adjusted operating profit/(loss)</b>	<b>16.2</b>	<b>11.3</b>	<b>10.6</b>	<b>-</b>	<b>38.1</b>
Enabling function overheads	25.5	7.0	-	(32.5)	-
<b>Adjusted controllable operating profit/(loss)</b>	<b>41.7</b>	<b>18.3</b>	<b>10.6</b>	<b>(32.5)</b>	<b>38.1</b>

### 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 2019/20 and FY 2020/21.

<b>FY 2020/21</b>	Currency	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
<b>Gross Profit</b>	<b>65.3</b>	<b>29.9</b>	<b>12.6</b>	-	<b>107.8</b>
Divisional overhead	(23.6)	(11.6)	(2.0)	(32.5)	(69.7)
<b>Adjusted controllable operating profit/(loss)</b>	<b>41.7</b>	<b>18.3</b>	<b>10.6</b>	<b>(32.5)</b>	<b>38.1</b>
Enabling function overhead base allocation	(25.5)	(7.0)	-	32.5	-
<b>Adjusted operating profit/(loss)</b>	<b>16.2</b>	<b>11.3</b>	<b>10.6</b>	-	<b>38.1</b>
Amortisation of acquired intangibles	-	(1.0)	-	-	(1.0)
Net exceptional items	(20.6)	(0.4)	(0.4)	(1.2)	22.6
<b>Operating profit/(loss) on IFRS basis</b>	<b>(4.4)</b>	<b>9.9</b>	<b>10.2</b>	<b>(1.2)</b>	<b>14.5</b>

<b>FY 2019/20</b>	Currency	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
<b>Gross Profit</b>	<b>44.2</b>	<b>28.8</b>	<b>33.4</b>	<b>(0.5)</b>	<b>105.9</b>
Divisional overhead	-	-	-	-	-
<b>Adjusted controllable operating profit/(loss)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Central overhead base	(53.6)	(18.0)	(10.6)	-	(82.2)
<b>Adjusted operating profit/(loss)</b>	<b>(9.4)</b>	<b>10.8</b>	<b>22.8</b>	<b>(0.5)</b>	<b>23.7</b>
Amortisation of acquired intangibles	-	(0.9)	-	-	(0.9)
Net exceptional items	(0.5)	(0.2)	24.8	(4.1)	20.0
<b>Operating profit/(loss) on IFRS basis</b>	<b>(9.9)</b>	<b>9.7</b>	<b>47.6</b>	<b>(4.6)</b>	<b>42.8</b>