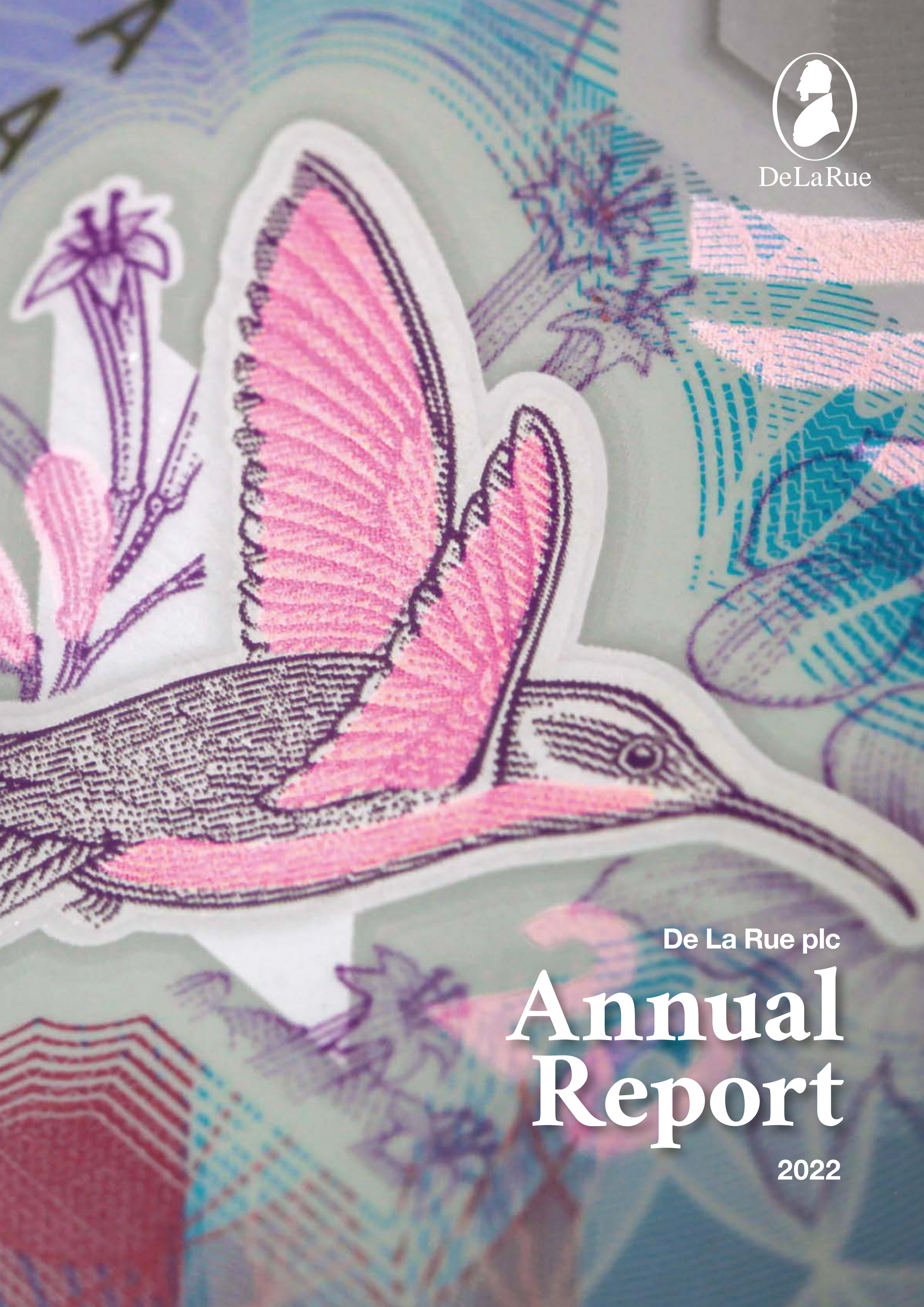


DeLaRue

De La Rue plc

Annual Report

2022

Our purpose is to secure trust between people, businesses and governments.

Our Authentication and Currency divisions provide highly secure physical and digital solutions that underpin the integrity of economies and trade. They do this by being the trusted partner of choice for governments, central banks and businesses seeking to secure their global supply chains and cash cycles.

Strategic report

Corporate Governance

Financial statements

The shape of our business

Our two operating divisions, Authentication and Currency, offer customers a combined expertise in secure design and technology, global manufacturing and software solutions.

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

Employees by region (%)

2,311

UK	68.2%
Asia Pacific	15.3%
Middle East and Africa	13.3%
North America	3.2%

See pages 153 to 155
for a reconciliation of adjusted and IFRS measures.

Authentication

We protect our customers' revenues and reputations through the provision of physical and digital solutions to governments and commercial organisations. We also manufacture financial documents and ID security components.

Revenue

£90.3m (+16.3%)

For more information
See Our Markets on pages 12 to 13.

Government Revenue Solutions

Solutions to support excise collection and the fight against illicit trade.

- Received five new contract awards
- Planned expansion of Malta operations will more than double capacity

Brand Protection

Solutions to secure commercial supply chains and protect consumers.

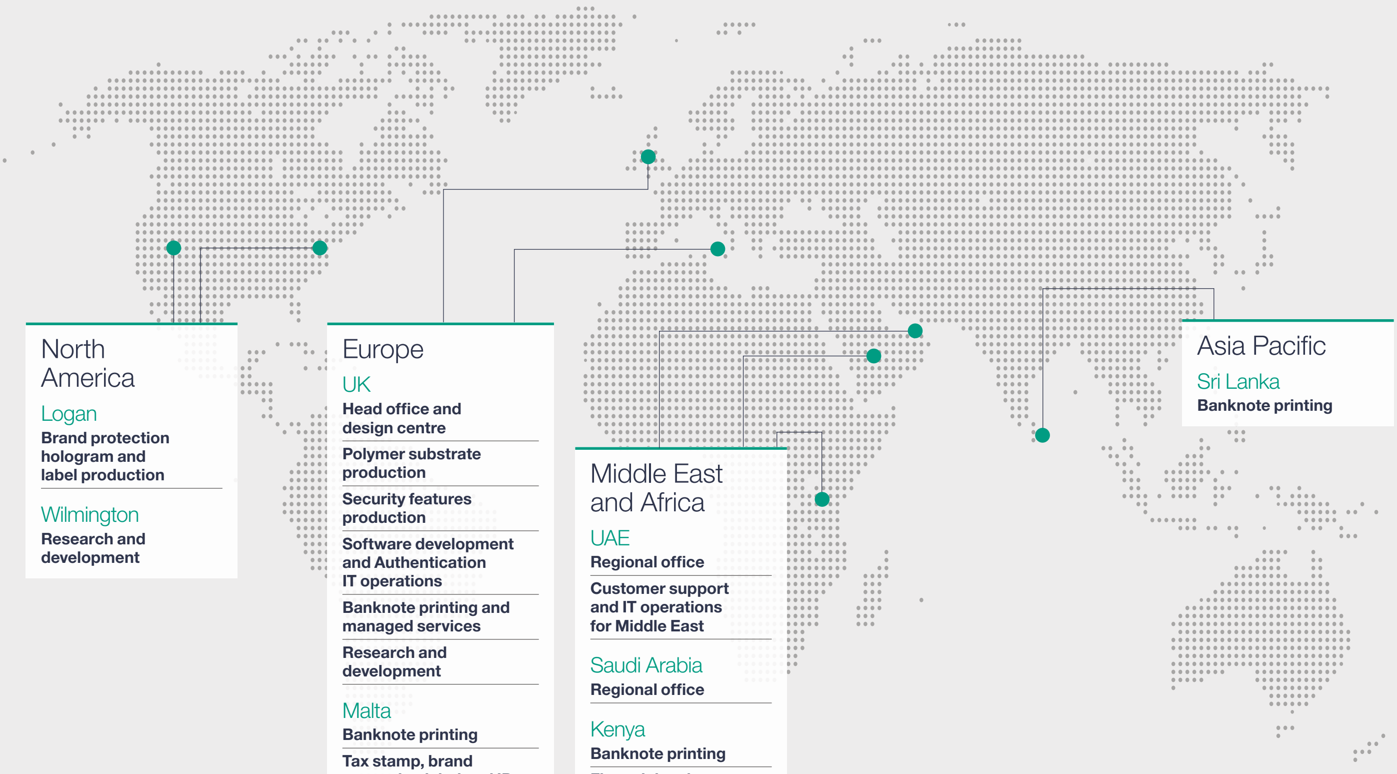
- Strong demand from technology and pharmaceutical sectors

ID and Financial and Secure Documents

Security components for ID; cheques, bank cards and secure print.

- First supply of polycarbonate ID pages under multi-year Australian contract

Our global presence



North America

Logan
Brand protection hologram and label production

Wilmington
Research and development

Europe

UK
Head office and design centre
Polymer substrate production
Security features production
Software development and Authentication IT operations
Banknote printing and managed services
Research and development

Malta
Banknote printing
Tax stamp, brand protection label and ID security feature production

Middle East and Africa

UAE
Regional office
Customer support and IT operations for Middle East

Saudi Arabia
Regional office

Kenya
Banknote printing
Financial and secure document production

Asia Pacific

Sri Lanka
Banknote printing

Currency

We provide market-leading end-to-end currency solutions, from fully finished banknotes, to secure polymer substrate and banknote security features, to over half the central banks and issuing authorities around the world.

Revenue

£280.9m (-2.1% adjusted basis, -5.0% IFRS basis)

For more information
See Our Markets on pages 12 to 13.

Banknotes

- Production sites fully utilised, despite Covid-19 challenges

Polymer

- Sales volumes continue to grow – new line doubles capacity

Security features

- Provide a range of features to central banks, state printing works, state paper mills and other commercial entities

Our purpose in practice

De La Rue's purpose is to secure trust between people, businesses and governments.

Our vision is to enable every business and citizen to participate securely in the global economy and to support a world where people are protected from the impact of counterfeiting and illicit trade.

To achieve this we aim to provide highly secure physical and digital solutions that underpin the integrity of economies and trade. We aim to do this by being the trusted partner of choice for governments, central banks and businesses seeking to secure their global supply chains and cash cycles.

Our business principles reflect our long-held belief that we have a responsibility to operate in a way that improves the world around us: for our customers, our employees and the wider communities in which we work:

- providing governments and commercial organisations with products and services that underpin the integrity of economies and trade;
- leading our industry in sustainability;
- protecting and respecting our people; and
- maintaining the highest ethical and governance standards in the conduct of our business.

Our ways of working

Our business is inherently one where we build long term relationships with our customers, working closely with them as they develop new banknotes or authentication systems – products which by their very nature have a life of several years. This means we have to give careful consideration to the ways in which our teams work, and design our internal systems with this business model in mind.

Finding such solutions, working with both state and commercial organisations around the world, requires a collaborative approach both internally and with external partners, respecting diversity of opinion, culture and approach. Wherever we work, we need to act ethically and in a way that engenders trust.

For more information
See our Business Model on pages 14 to 17.

Business focus

In February 2020 we announced a Turnaround Plan for the Group.

It has three key pillars:

In Authentication, to deliver growth through geographical expansion in government and commercial contracts;

In Currency, to focus on the transition to polymer banknotes and high-tech security features; and

To reduce Group costs to allow us to compete effectively.

Our CEO, Clive Vacher, discusses the progress on these three elements during the year on pages 8 and 9.

For more information
See Operational Performance of our divisions on pages 18 to 19.

Microsoft

We have signed a five-year renewal of our contract with Microsoft to provide authentication products – thereby extending the 25-year relationship until 2026.

As a Microsoft secure print partner, De La Rue wanted to support Microsoft's carbon reduction goals and has designed the new labels to deliver a lower carbon footprint than previous versions.

Authentication

We recognised that the Authentication division had opportunities to grow sales in the areas of both government revenue schemes and brand authentication.

Within Government Revenue Solutions, tax stamp schemes to comply with the World Health Organisation (WHO) Framework Convention on Tobacco Control were singled out as a particular opportunity. We have signed agreements as targeted with several countries each year and continue to add to that list. These are multi-year exclusive supply contracts in nature with any incremental investment only required once a contract is signed. In many instances the use of De La Rue labels is specified in legislation, providing an additional barrier to entry.

Beyond tobacco, we also offer tax stamp schemes to cover other goods such as alcohol and soft drinks. Such schemes are advantageous to governments as they offer the ability to trace and so collect excise revenue efficiently and also protect consumers from exposure to risky, unregulated counterfeit goods.

Brand protection is another focus for growth with new contracts in the pharmaceutical, information technology and vaping sectors.

In parallel, we continue to invest in technology, especially in its successful suite of software solutions which combine with our labels to allow efficient tracking and tracing of the products to which they are attached throughout the product lifecycle.

Currency

Part of our plan was to support our customers with the significant trend of transition from paper to polymer notes. Polymer notes are generally more durable, cleaner and easier to recycle than their paper equivalents.

As one of only two established manufacturers of polymer substrate worldwide, De La Rue has established a leading position in polymer since 2013, during which time the number of banknote denominations on polymer has more than tripled. Despite this growth, only around 4% of the world's banknotes by volume and 14% by denomination have moved to polymer, leaving us with plenty of future opportunity for expansion in this market. While there is the potential for additional market entrants in the future, we believe our manufacturing capabilities represent a clear barrier to entry.

With established products and recent innovations, De La Rue has also built a portfolio of industry-leading security features for both paper and polymer-based banknotes that are the choice of a growing range of customers.

In the currency printing market, De La Rue continues to increase its competitiveness and has the world's most extensive experience of security printing, both on paper and polymer. We therefore have the flexibility to address a range of customers, from those who are looking for supply of one element such as a security thread or polymer substrate within a banknote that they produce themselves, to those who are looking for a turnkey solution including design and manufacture of all elements of their notes.

As explained further in Our Markets on page 12, we see good growth in polymer in the medium term and believe there remain attractive growth opportunities to move banknotes from paper to polymer with both existing customers and state printworks.

For more information
See Our Markets on page 12.

Costs and supply chain

The Turnaround Plan set out a £36m cost reduction scheme, which we completed last year and saw the full impact of in FY22.

However, as the world moves into a more inflationary phase as economies bounce back from the Covid pandemic and sanctions on Russia cause oil and gas prices to soar, we are experiencing similar cost increases to many other businesses.

We are monitoring these increases carefully, fixing our energy costs in the UK and looking at other mitigations such as alternative supply sources.

Where possible we source raw materials from more than one supplier, and we are actively working to increase the proportion of our supply base where multiple sources of supply are qualified. We are also working in partnership with our key suppliers to understand and mitigate risks in their own supply chains to increase resilience.

14 Award-winning banknotes

De La Rue designed and manufactured banknotes were recently prize-winners in the prestigious High Security Print Regional Banknote & ID Document of the Year Awards.

The award-winning banknotes were:

- Bank of England £50 – Best New Banknote 2021 (EMEA region)
- Reserve Bank of Fiji $50 – Best New Commemorative Banknote 2021 (Asia region)
- Qatar Central Bank – Best New Banknote Series 2021 (EMEA region)
- Eastern Caribbean Central Bank – Best New Banknote Series 2022 (LatAm region)

These awards recognise outstanding achievement in banknote design, with the key judging criteria being that banknotes should combine visual artistry and high levels of technical and security sophistication, with considerable emphasis placed on reflecting the cultural heritage of the issuing country.

The banknotes reflect some of the latest market trends, with seven banknotes on SAFEGUARD® polymer substrate and the awards for paper banknotes encompassing De La Rue's micro-optic embedded stripe NEXUS™, next generation holographic thread PUREIMAGE™ and the latest combinational thread IGNITE®.

Solid progress

In the FY22 financial year, De La Rue continued to grow operating profit in both its ongoing business divisions. Progress was slowed due to a number of external factors. While this has resulted in a delay to reaching the Turnaround Plan's objectives, we remain committed to its execution and to building an even stronger company going forward.

"De La Rue continued to grow adjusted operating profit in both its business divisions."

Kevin Loosemore
Chairman

Company performance

We continued to see the benefits of the Turnaround Plan this year as we moved into the second year of its implementation.

Authentication revenue grew 16.4% to £90.3m, driven by strong demand across all areas of the division, but particularly in the provision of tax stamps within our government revenue solutions business. Multi-year supply contracts with customers give us confidence for the future performance of this division.

In Currency, adjusted revenue* fell 2.1% to £280.9m. Polymer substrate production volumes were up 40% on last year as our strategy of responding to the growing global demand for polymer and continued to bear fruit. Our additional polymer substrate manufacturing facility at Westhoughton will allow us to continue to address increasing demand, as one of only two banknote polymer substrate manufacturers globally. As well as the strength in polymer volumes, a number of factors impacted performance in the Currency division over the year. The market for banknotes returned to lower than normal demand levels following the high demand experienced during the Covid-19 pandemic, resulting in lower overall volumes in banknote printing and security features. Increased staff absence levels because of Covid-19 over December 2021 and January 2022 in the UK and Malta also had some impact on production.

The Authentication and Currency divisions together posted a 30.2% improvement in adjusted operating profit*. Over the last two years, since we set out our Turnaround Plan, adjusted operating profit* generated by these two divisions has moved from just above breakeven at £1.4m in FY20 to £35.8m in FY22. This improvement in profitability in the ongoing business has largely offset the loss of contribution from the legacy Identity Solutions business which continued to contribute strongly to operating profit for the Group in the previous financial year but did not during FY22.

13.0p
Adjusted basic EPS*
(FY21: 14.7p)

11.0p
IFRS basic EPS
(FY21: 3.4p)

* These are Non-IFRS measures. The reconciliation of IFRS to adjusted measures can be found on pages 153 to 155.

Pension scheme

As well as focusing on operational performance, the Group continues to look proactively to minimise future cash outflows.

With the agreement of the trustees of the De La Rue pension scheme, the actuarial valuation of the defined benefit pension plan was brought forward from December 2022 to 5 April 2021. This valuation showed a reduced scheme deficit of £119.5m against the previous schedule of deficit repair contributions totalling £177m through to March 2029. As a result of this new valuation the scheme actuary confirmed that the deficit can be funded through a payment of £15m per year to March 2029. At the same time the scheme was granted equal 'pari passu' status with our banking facility. The new agreement results in a £57m reduction in cash payments by De La Rue over the period from 2023 to 2029, while preserving the future benefits and enhancing protections for scheme members.

Responsible business

De La Rue's purpose of securing trust between people, businesses and governments reflects the Group's long-held belief to operate in a way that benefits the world around us: for our customers, our employees, the wider communities in which we work and the natural environment. Our strategy encompasses clear commitments to lead our industry in sustainability, to protect and respect our people and to maintain the highest ethical and governance standards in the conduct of our business. To that end the Board approved a new sustainability strategy in the last financial year.

De La Rue has taken steps to lead our industry on environmental sustainability for many years. We have been certified for ISO 14001 in the UK since 2003 and for all our manufacturing sites globally since 2011. In March 2022 we added to our suite of ISO certifications with the award of ISO 37001 for our anti-bribery management system.

In early 2022 we submitted targets to the Science Based Targets Initiative to ensure our reduction in greenhouse gas emissions is sufficient to support limiting global temperature increases to no more than 1.5°C. We will achieve this by reducing all our emissions (scope 1, 2 and 3) by 45% by 2030. In addition, we have committed to achieve carbon neutrality for our own operations by 2030.

Our leadership in energy efficiency has been recognised externally as De La Rue retained its position among the top European Climate Leaders according to the 2022 Financial Times Statista survey. This independent evaluation ranks De La Rue at position 41 out of 400 climate leading European companies, based on the Group's ongoing reduction in greenhouse gas emissions intensity.

The Board

We welcomed Ruth Euling, Executive Director and Managing Director, Currency to the Board on 1 April 2021. Maria da Cunha informed us of her intention to retire from the Board following the conclusion of this year's Annual General Meeting. We would like to thank Maria for her contribution and expertise provided to De La Rue over the last seven years.

Margaret Rice-Jones took up the position of Senior Independent Director on 26 May 2021 and it is intended that she will also take on the role of Chairman of the Remuneration Committee later this year following Maria's retirement from the Board.

With a 50:50 gender split at both Board and Executive Leadership level and four independent Non-Executive Directors on the Board, we are committed to the benefits that a diverse organisation brings.

Our stakeholders

This year has again posed many challenges for our employees, contending with the myriad of constraints and business disruptions caused as the Covid-19 pandemic waxed and waned, as well as the inevitable internal upheaval as the Group went through reorganisation. The Board would like to thank all De La Rue's employees for their hard work and dedication during this time.

We would also like to thank our customers around the world for their help and cooperation in this difficult environment, as well as the suppliers who worked with us in a flexible way to help us minimise any disruption in our supply chain often during challenging circumstances.

Outlook

As Clive sets out in more detail within his CEO review, the external economic and geopolitical environment has deteriorated significantly since the end of our financial year. We are experiencing both the broad cost inflation experienced by many, and specific concerns about the economic crisis in Sri Lanka given our operations based there.

With this background, it is only prudent to take a cautious approach and consequently we expect adjusted operating profit for FY23 to be at around the same level as the year just ended. As well as risks, there are a number of significant opportunities, including tackling some of the remaining legacy issues.

Our objective remains to generate cashflows capable of supporting sustainable dividends to shareholders. For this to happen, we need stabilisation of the external cost environment and to resolve some of the outstanding legacy issues in the business.

Kevin Loosemore
Chairman

24 May 2022

Focused execution and resilience

Despite the challenging external environment, our teams have continued to drive the business forward. We have become more cost competitive, enhanced our market positions, and made substantial progress in our plans to transform the Company.

"We are now building on the strong foundations created by the Turnaround Plan, looking for further cost and manufacturing efficiencies, accelerating research and development to deliver the innovations of tomorrow, and increasing our manufacturing capacity and flexibility."

Clive Vacher
Chief Executive Officer

Overall performance

We have made progress in our £79.8m investment programme in FY22, building on the strengthened financial position achieved in FY21 as a result of the equity raise and the performance of the business last year. Our cost base has been transformed, with the removal of £36m in costs, and we continue to look for further efficiencies. This, along with continued progress in our operational excellence programmes and design capability, has transformed our market position in both divisions. We now win a high proportion of the contracts for which we compete, and we are either number one or a strong number two challenger in our markets.

The Turnaround Plan, first set out in February 2020, was designed to stabilise, and increase efficiency in lower-margin banknote printing activities, and broaden the business further into the higher-margin, technology-led sections of our business. I am pleased with the progress in this regard: our four banknote printing facilities globally have been profitable throughout FY22, with a strong mix of customers worldwide. Central banks around the world have continued to convert their currency to polymer, and we have announced some significant new security features to supplement the growing trend of polymer banknotes. Our Authentication division showed strong growth in both Government Revenue Solutions and Brand Protection, with GRS receiving five contracts during the year and with Brand Protection, excluding Microsoft which remains a strong and stable customer, up 44% versus last year.

Finally, and very importantly, the actions of the De La Rue teams since 2020 have significantly de-risked the Company. Whereas previously the Company was heavily dependent on a small number of large customers, now no single customer accounts for more than 10% of our revenue annually.

Against this background of strong execution, we have faced some significant headwinds that were not anticipated when the Turnaround Plan was originally designed.

£36.4m

Adjusted operating profit*
(FY21: £38.1m)

£29.7m

IFRS operating profit
(FY21: £14.5m)

* These are Non-IFRS measures. The reconciliation of IFRS to adjusted measures can be found on pages 153 to 155.

There have been three main effects on our business: first, as they emerge from the Covid-19 pandemic, governments have been slower than anticipated to contract and implement new GRS schemes or return to the travel required to enact new banknote series; second, during the year, we have faced significant Covid-related factory absences, most notably with the Omicron variant in our higher-cost European factories; and thirdly we have faced supply chain shortages and inflation. These external effects have combined to slow our progress, and we grew adjusted operating profit* for Currency and Authentication by 30.2% against an original target of 65%, as communicated to our stakeholders on 24 January 2022.

That said, we believe the fundamentals of the strategy set out in the Turnaround Plan remain solid, and we expect these to continue to drive stronger financial performance going forward.

Authentication

The Authentication division has produced a positive performance in FY22, achieving revenue growth of 16.4% and an increase in adjusted operating profit* of 44.2%. Government Revenue Solutions benefited from a full year of Ghanaian tax stamp and HMRC tobacco track and trace revenue. However, growth here was not as strong as originally predicted. Certain Government Revenue Solutions contracts took longer than expected to be implemented as countries managed the Covid pandemic and emerged from it in differing ways.

The visibility of revenue for 2022 and beyond was strengthened by recent Government Revenue Solution contract wins, including a 100% success rate amongst the Gulf Cooperation Council states. These contracts are typically of five year duration, with De La Rue providing exclusive supply.

Trading was also strong in the brand protection area, with excellent growth in revenue, up 44% excluding sales to Microsoft, driven by demand from the pharmaceutical, consumer electronics and vaping sectors. A new five year contract signed with Microsoft early in 2021 also helped to deepen our relationship with this established customer and we have seen strong sales in this area since. We have also begun to supply the polycarbonate data pages for the new Australian passport under our five year contract with the Australian government.

We believe that demand for our Authentication solutions will continue to grow, particularly as we combine our long-standing expertise in security printing techniques with world-leading digital track and trace systems. To that end we are investing into the further development of our Certify™ and Traceology® systems.

Given the continuing growth in demand for our authentication labels, in September 2021 we announced the expansion of our site in Malta, to create a 29,000m² state-of-the-art manufacturing site.

The new facility, when completed in 2024, will create around 100 new jobs across the business and allow us to double our production of these labels.

Currency

The Turnaround Plan set out our ambition to improve the profitability of banknote printing by increasing the utilisation rate from a smaller number of facilities, to support customers around the world who wish to convert to polymer with its greater improved recycling profile, and to develop a portfolio of security features that are the choice of a growing range of customers. We have made further progress in all three of these areas this year.

We have endeavoured to maximise efficiency and flexibility throughout this transformation. Having stopped manufacturing in Gateshead, we relocated several machines from there to our other sites to maximise utilisation of assets.

Our flexibility will be enhanced by the new line at Westhoughton, which will more than double our capacity for manufacturing polymer substrate, as demand for polymer banknotes continues to rise. In addition, the expansion of the Malta facility will expand our banknote printing capacity, as well as production of authentication labels.

The market for banknotes in FY22 returned to lower than normal demand levels following the high demand experienced during the Covid-19 pandemic.

As a result, the division produced lower overall volumes in banknote printing and security features year on year, which was partially offset by the continued growth in polymer substrate sales. Increased staff absence in the UK and Malta during December 2021 and January 2022 because of Covid-19 also had some impact on production.

Conversion to polymer continues as expected with a number of countries including Egypt, Libya and Jamaica recently announcing the introduction of polymer notes, with De La Rue's SAFEGUARD® selected, as well as the Bank of England completing its conversion to polymer with the launch of the new £50 in summer 2021. In FY22 our volumes of polymer produced increased by 40% over the prior year.

The cost reduction plan and the operational efficiencies that we have gained over the last two years had a beneficial effect on divisional adjusted operating profit*, increasing 20.4% to £19.5m in FY22 with adjusted operating margin rising 130 basis points to 6.9%. Legacy contract issues continue to represent a drag of approximately 2.5% to 3% on Currency margins.

Innovative security features continue to appeal to our customers and we continue to develop new products in this area.

Currency
New colours of NEXUS™

Most recently in February 2022 we launched SAFEGUARD® ASSURE™, an embedded covert security feature for polymer which can be detected by central banks even if no other aspect of the banknote is remaining. The launch of ASSURE™ means that SAFEGUARD® is the most complete banknote substrate available – no other substrate allows for customisable windows, durable blind recognition features and covert embedded security together in one substrate.

Central bank digital currencies remain an area of ongoing interest for many central banks. This is a new area, with the underlying risks, opportunities and benefits not yet clear in many instances. There are many questions still to answer in this space. De La Rue has been working closely with technology providers and central banks to develop our position in this area.

For more information
See our Review of Operations on pages 18 to 19.

Full year performance

Overall Group adjusted revenue* for the year was £375.1m, down 3.3% on prior year. The Authentication division saw a rise in revenue of 16.4% to £90.3m for the year. The Currency division saw a slight fall in adjusted revenue* of 2.1% to £280.9m, lower than initially expected as described above. As noted at the time of announcement of last year's results, the contribution from the Identity Solutions business fell substantially with residual revenues of just £3.9m, following the end of the run off from the UK Passport contract during FY21.

Adjusted operating profit* for the ongoing businesses of Authentication and Currency was £35.8m, up 30.2% on last year. For the Group as a whole, including profits from the Identity Solutions business, adjusted operating profit* was down 4.5% at £36.4m. Identity Solutions only generated £0.6m of operating profit this year (FY21: £10.4m).

On an IFRS basis, Group revenue was down 5.6% at £375.1m (FY21: £397.4m), with pass through revenue dropping to zero this year, and IFRS operating profit rose 104.8% to £29.7m (FY21: £14.5m), reflecting substantially lower exceptional item charges of £5.7m (FY21: £22.6m).

Earnings per share from continuing operations were 10.6p (FY21: 3.7p) on an IFRS basis, reflecting the higher IFRS profits, and 13.0p (FY21:14.7p) on an adjusted basis*.

Our net cash flow reflected the bulk of the cash spend for the expansion at Westhoughton during the year, offsetting cash generated from operating activities. Investing activities will continue next year as the expansion of the Malta site continues. As expected, our net debt rose at year end to £71.4m (FY21: £52.3m), but net debt/EBITDA of 1.46 was still comfortably below its covenant limit of 3.0 times.

For more information
See our Financial Review on pages 20 to 23.

* These are Non-IFRS measures. The reconciliation of IFRS to adjusted measures can be found on pages 153 to 155.

Covid-19

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

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

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

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

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

Supply chain

Like many businesses, we have encountered a number of external supply chain pressures this year, as supply chains were affected by a combination of the Covid-19 pandemic and its aftermath. Additionally, energy, commodity and logistics prices spiked sharply at the time of Russia's invasion of Ukraine.

We have employed several strategies to mitigate these pressures where we can. For example, in the UK, where energy prices for business are not government controlled, we have fixed our supply costs until September 2024, removing this uncertainty from the budgeting process for over two years.

Authentication
PURE™ Security Labels

Elsewhere we are looking at other cost inflation mitigations, such as arranging insurance for cyber tech PI through a subsidiary company licensed to write insurance policies or investigating alternative supply sources, as well as passing on those costs where appropriate to our customers.

Employees

It has been particularly important to look out for the welfare of our staff during these challenging times. We have maintained high levels of engagement during the pandemic, including running various forums and surveys and offering staff a variety of wellbeing initiatives, including on site accredited Mental Health First Aiders and webinars on a range of wellbeing related subjects. We continue to see learning and development as an important part of looking after our staff. We provide content through our highly flexible Learning Management System, which this year has focused on developing an understanding of self and others and how to lead with inclusion.

Our 2021 employee engagement survey showed an extremely high satisfaction rate across the organisation – 83% of our employees responded to the survey, giving us a strong data set – 79% of respondees said that they would recommend De La Rue as a great place to work, a wonderful endorsement.

With this background, we have reached a pay deal with our UK union that extends out to July 2023 which was satisfactory to all parties. We also reached settlements with our overseas sites that extend until at least the end of this year. This provides us with certainty and clarity in this area for some time.

Looking forward

Since the end of our financial year, the geopolitical and economic environment around the world has deteriorated substantially. Russia's invasion of Ukraine sparked a spike in oil, gas and commodity prices, which caused knock-on rises in energy, raw material and logistics costs. In April 2022 the IMF increased its inflation projection for 2022 to 5.7% in advanced economies and 8.7% in emerging economies. As explained above, we are working hard to mitigate the impact of these costs and pass on those elements which we are able to our customers but we are still facing a net supply chain cost increase of around £5m.

In addition to the general inflationary environment that is challenging all businesses, De La Rue is also exposed to the specific uncertainty caused by the economic crisis in Sri Lanka, where we have a manufacturing operation. The monetary impacts of the currency devaluation and changes to rules relating to capital flows are being actively monitored by the Group, in addition to the overall security situation for our staff. We recognised an initial exchange loss of £0.5m (of which £0.4m was classified as exceptional) in FY22 and the currency has fallen against GBP since the year end. However, the net foreign exchange impact on cash balances held now should be tempered over the coming year by the revised GBP equivalent cost base.

Taking all these uncertainties and headwinds into account and looking at trading to date for the current financial year, our prudent best estimate for adjusted operating profit for FY23 is at around the same level as for the year just ended. We also expect to return to our historic profile of earnings weighted towards the second half of the year.

The uncertainty of the current economic environment has necessitated us to take a prudent approach. As well as risks, there are a number of significant opportunities, including incremental sales, operational efficiencies and tackling some of the remaining legacy issues within the business, which may allow us to improve the outturn for the current year.

In the two and a half years since I was appointed as CEO, we have resolved a number of legacy issues that were facing the business, including restructuring the divisions, rightsizing central functions to the size of the ongoing business, raising funds to safeguard the future of the business and minimise future cash payments to fund the pension plan. Other areas, such as transforming the manufacturing base, increasing the speed of uptake of GRS contracts and meeting customer demand for polymer banknotes are well on their way to being resolved, but there remain further issues that remain unresolved. These include various legacy supplier contracts and improvements to the efficiency of internal systems.

Within De La Rue we are going to be working tirelessly to make these opportunities a reality, building on the strong foundations created by implementing the Turnaround Plan. We have a business with the potential to be highly cash generative, once the external cost environment stabilises and with certain of the outstanding legacy issues resolved.

At the same time we continue to improve quality and to ensure sound environmental performance. We do this while practising the highest ethical business principles and prioritising staff welfare. I would like to thank my colleagues for all their hard work over the last year and our customers, suppliers and investors for their cooperation and continued support.

I believe that the actions that we have taken over the last two years, and the work we are continuing to do, allow us to address our markets competitively, flexibly and efficiently, enabling us to move forward together with confidence.

Clive Vacher
Chief Executive Officer

24 May 2022

Focusing on growing markets

We operate in two markets – Authentication and Currency. We offer a range of flexible secure solutions for governments around the world and global brands.

Authentication

We protect our customers' revenues and reputations through the provision of physical and digital solutions to governments and commercial organisations. We also manufacture financial documents and ID security components.

Authentication is our fastest-growing division

Most revenues come from government and commercial contracts in the areas of government revenue solutions and brand protection.

The OECD estimates that illicit trade in goods represents around 2.5% of global trade and is growing rapidly with governments, brand owners and consumers all affected by lost tax revenues, eroded brand value and lack of consumer confidence in the marketplace. Ultimately, illicit trade poses widespread challenges to an innovation-driven society.

Government Revenue Solutions

Governments across the world have put in place digital tax stamp schemes to allow the tracking and tracing of exercisable goods. DLR Certify™ enables our partners to monitor the flow of goods and to protect tax revenue, synergising physical and digital security. De La Rue solutions allow governments to comply with international treaties such as the World Health Organization Framework Convention on Tobacco Control (FCTC). Growth in this market is currently being driven by the requirement to follow regulations and to maximise tax collection for infrastructure and public services.

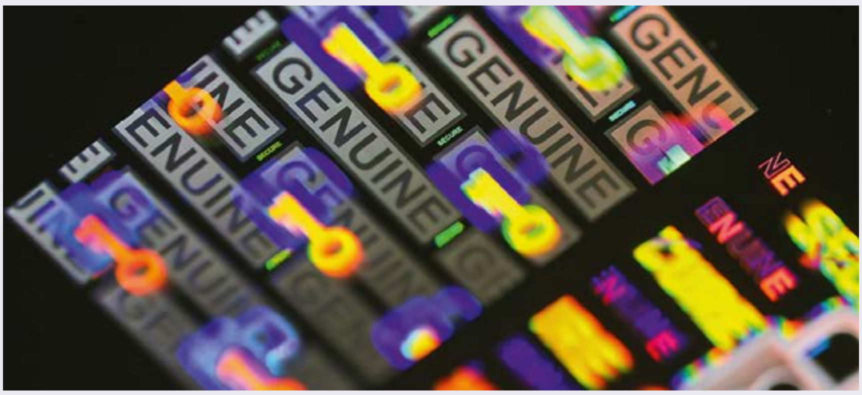
Typically, these schemes involve multi-year contracts. As implementation of the contract often requires the passing of legislation, there is often a delay between a contract being signed and us realising revenues. As well as tobacco products, we are seeing increasing demand for solutions in alcohol and soft drinks. De La Rue is number two by volume among the suppliers of both physical tokens and end-to-end software in this market so we are well positioned during this growth phase.

Brand Protection

As e-commerce continues to surge, so does the spread of fake and often dangerous products. Brands require anti-counterfeit solutions to comply with regulations and protect brand equity. Now consumers need reassurance that the products they receive are genuine.

The counterfeiters did not go into lockdown during the pandemic, which has driven strong growth in the brand protection market. This highly fragmented market offers partial solutions – but a growing demand for integrated solutions is evident. De La Rue is well placed to address the demand for end-to-end solutions by leveraging our expertise in supply chain track and trace from the Government Revenue Solutions business, together with our highly secure brand protection labels. We expect to see continued growth as brands look to protect revenues and improve customer experiences.

Increasingly, brands require visibility and control in the supply chain – we create global trust networks with digital tools and on-product security. De La Rue builds resilience for global partners, empowering supply-chain participants and delivering brand intelligence to fight illicit trade.



Authentication
Secure hologram

ID and Financial and Secure Documents

While De La Rue no longer manufactures complete passports, we do supply polycarbonate for use in passport datapages and ID cards, where it can be personalised to carry the document holder's details. We have now started to supply a polycarbonate data page for the new Australian passport under a five year agreement. The datapage construction enables the integration and layering of security features protecting the page, most notably windows, holography and hinge technology alongside security print as well as the passport chip and antenna.

In addition, we manufacture a range of financial and secure documents including bank cards, cheques, vouchers, certificates and ballot papers.

For more information
See Our Strategy on pages 4 to 5 and Review of Operations on pages 18 to 19.

Currency

We provide market-leading end-to-end currency solutions, from fully finished banknotes, to secure polymer substrate and banknote security features, to over half the central banks and issuing authorities around the world.

Currency is our largest division by revenue

We estimate that the overall demand for cash remains strong despite the growing popularity of digital payments in some countries. Population growth, global instability, a desire for privacy and other macro-economic factors, such as inflation, are behind this need. During the last two years the COVID-19 pandemic has led to a surge in demand as central banks have maintained high stocks of cash.

While there is a decline in cash in circulation for some developed economies, this is not the case for the countries to which we supply most of our banknote production. Cash is useful in that it is ubiquitous, and it is the only physical way to pay and transact. It also has global infrastructure already in place and therefore it continues to possess benefits, resilience and functionality that are not provided by other payment mechanisms. We expect that cash will remain central to the global economy for many years, in parallel to the rise of alternative payment systems.

The global market for banknotes is approximately 175 billion per year, with the majority being printed by state printworks. The commercial banknote market –the one in which De La Rue operates for banknote print – represents around 18-25 billion banknotes per year. This can be broken down into two elements – printing for Governments who do not have a state printworks, and providing additional capacity, known as overspill, for those who do. The overspill market historically has been unpredictable and, combined with the central banks that place multi-year orders instead of more frequent orders, creates volatility in the commercial printing market.

Polymer

Polymer banknotes generally have a greater durability and recyclability than cotton paper banknotes, lasting on average two and a half times longer in circulation and being totally recyclable at the end of their life. In addition, being non-porous, polymer banknotes are generally cleaner than their paper equivalents.

De La Rue is one of the two global providers of polymer substrate for banknotes, with our SAFEGUARD® substrate. This can either be used in house to create finished banknotes or supplied as substrate to another printer for further processing. While polymer represents just 4% of the global market for banknotes, it represents around 14% of banknote denominations, both our market share and the demand for the product is increasing.

By March 2022, there were 63 denominations on De La Rue SAFEGUARD® polymer substrate and 26% of all issuing authorities now have at least one banknote denomination on polymer. With many more denominations expected to move to this substrate, we expect this market to continue to grow strongly in the next few years. The addition of an extra production line for SAFEGUARD® at our Westhoughton facility will more than double capacity in this area.

Print

The commercial print market for banknotes has more suppliers than the polymer market and De La Rue represents the largest market share, at around 30%. In addition to two other companies of size, there are several smaller suppliers in this market.

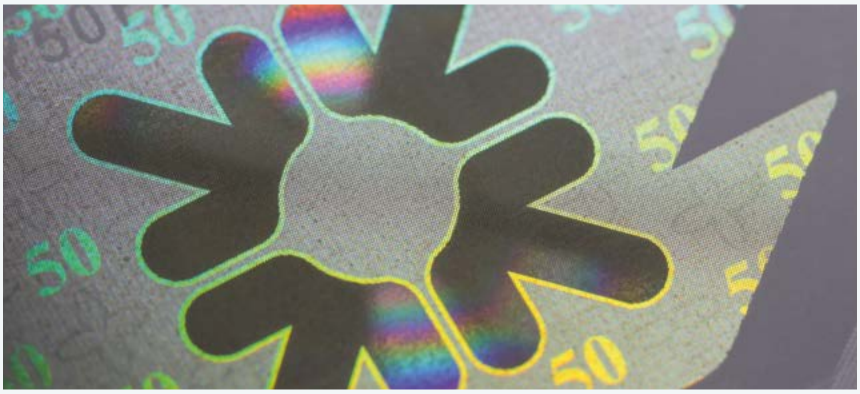
Security features

Security features encompass a range of elements that can be added to a banknote to increase its complexity. While most banknotes now use security threads, applied features such as holographic stripes have grown in popularity as banknotes become more complex and holographic foils are the most popular public security feature for polymer banknotes.

Almost all countries, including those that print their banknotes at state printworks, buy security features or IP licences from the commercial market.

The market for security features is fragmented, with products made by both integrated providers such as De La Rue and from companies which do not produce other elements of banknotes. As banknotes increase in complexity, they increasingly incorporate a range of security features which combine different technologies. De La Rue addresses that trend by offering one of the most diverse portfolios of security features in the market, covering threads, applied features, print features and covert features, encompassing colourshift, holographics and micro-optics technologies.

For more information
See Our Strategy on pages 4 to 5 and Review of Operations on pages 18 to 19.



Currency
Royal Bank of Scotland Fresnel – digital holographic effect

How we create value

World leaders in our field, De La Rue provides expertise in secure design, global manufacturing and software solutions to businesses and governments worldwide.

Our unique resources and relationships

For more information
See page 16.

2,311
Our people
We have dedicated and passionate employees across four continents who work closely with our customers.

6
Manufacturing capability
World-class facilities for banknote and authentication product manufacturing.

#1
Suppliers and partners
We work with suppliers and partners all over the world to ensure ethical and reliable delivery to our customers.

1,000+
Intellectual Property
Our know-how and innovation is reflected in our patent portfolio which continues to grow.

200 years
Design capability
We have over 200 years of creating bespoke solutions for customers with our own design studio and software capability.

£161.8m net assets
Strong balance sheet
Our equity capital raise in 2020 catalysed the implementation of our Turnaround Plan.

The value we create for our stakeholders

For more information
See page 17.

Employees
We promote an inclusive culture that values diversity, the health and wellbeing of our employees where they can achieve their full potential.

Customers
Benefit from our expertise and our experienced global sales team. Our products help protect brands from fraud, protect Government tax revenues and enable world trade.

The world around us
Our products secure trust between people businesses and governments, enabling trade and social inclusion.

Suppliers
We have healthy relationships with key suppliers. We value them highly and treat them with respect.

Community and the environment
We are conscious of our responsibilities to the communities in which we work and are committed to minimising the impact of our operations on the environment.

Shareholders
Our Turnaround Plan is making progress to achieve sustainable profitability and long term shareholder value.

Value proposition

For more information
See pages 4 to 5 for Our Strategy.

Authentication

We design, supply and operate highly secure solutions to protect our customers' revenues and reputations. Combining a range of physical and digital solutions allowing product verification and full track and trace capability, our products include:

- Tax stamps
- Authentication labels
- ID security components including polycarbonate
- Cheques and bank cards

Combined with our digital solutions these provide lifecycle traceability – DLR Certify™ (for Government Revenue Solutions), Traceology® (for brand protection) and a dedicated licensing platform, used for Microsoft.

A dedicated global sales force

Customers

Government revenue solutions account for around 54% of revenue while the remaining 46% is from the brand protection sector, ID security features and financial and secure documents.

Currency

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

- Produce SAFEGUARD® polymer substrate used for banknotes
- Design bespoke banknotes with our design studio in the UK
- Print currency securely in four locations worldwide
- Manufacture security features such as IGNITE® and KINETIC STARCHROME®
- Provide analytical software services which support data analytics of cash in circulation

An experienced sales force and technical experts around the world

Customers

Our Currency division derives its revenues from central banks, commercial and state printing works and paper mills.

Our unique resources and relationships

Capabilities

In our Authentication division the main resources needed are: the design of the physical token in the UK and secure print, storage and shipment in Malta; software design and development; IT support and customer services providing 24/7 coverage from our centres in Dubai, Riyadh and the UK; holographic design and origination in the UK and the USA; secure international logistics using full track and trace from our facility to customer; polycarbonate production in Malta and cheque and card printing and personalisation in Kenya. We have significant capability and capacity for the tax stamp and secure brand label market and now supply around 14 billion physical markers (up from in excess of 9 billion last year) from our sites in Malta and the USA, and more than 2 billion secure digital codes.

The key resources used in our Currency division include our design studio, origination and proofing capabilities, our SAFEGUARD® polymer production facilities in the UK, banknote print capacity in the UK, Malta, Sri Lanka and Kenya, security feature production capabilities in the UK and software engineering capabilities in the UK.

Increasing Supply to State Printworks

FY22 saw an increase in security feature and polymer substrate orders to state print works. Both the Thailand 20 Baht and the UAE 50 converted to polymer, with De La Rue supplying SAFEGUARD® for some of the 20 Baht and all of the UAE 50 requirements.

Furthermore, as part of its new "Great Silk Road" series of banknotes, the Central Bank of Uzbekistan issued new notes in December 2021. The banknotes were produced by the State Unitary Enterprise "Davlat Belgisi" and featured De La Rue's IGNITE® security thread, with the "Drive" effect in blue to green colourshift.

People

Underlying all these resources are our people – 2,311 worldwide at 31 March 2022 – who have worked tirelessly through the past year to deliver for our customers despite the constraints of the Covid-19 pandemic. Both divisions are supported by an intellectual legacy with extensive know-how in the very specialised, technical area of security printing and more than 1,000 patents to our name.

Customers

Our two divisions have differing customer relationships due to the variation in product offering and customer requirements.

Our Authentication division operates in both government and commercial sectors. In the main government revenue solutions are sold to governments and brand protection solutions are sold directly to commercial entities. Our sales force interacts directly with customers around the world such as government agencies and major brands and we endeavour to locate sales forces in the markets that they support.

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

While a major part of our revenue in Currency is for our integrated banknote offering, there is demand for customers towards purchasing security features or polymer substrate independently and our sales force is also focused towards selling these features as standalone products.

Suppliers and partners

We work with a set of key partners and suppliers in order to deliver products and solutions to our customers.

Raw materials which we use in our manufacturing processes include polymer base films, inks papers and chemicals used to manufacture polymer film, security features, banknotes, authentication labels and polycarbonate. De La Rue sold its paper business in 2018, but we have a multi-year partner agreement arising from that sale to purchase paper in place to supply our Currency division. In addition we purchase capital goods which are installed in our manufacturing facilities, such as our printing presses.

We have relationships with a number of service providers. For example we work with logistics partners to move our products around the world, professional services firms to support our Group functions and software partners to provide flexible capacity to augment our in-house development teams, as well as technology partners that bring capability to enhance the De La Rue software offer. In addition our in-house sales force is supplemented by a network of trusted sales agents in certain territories.

Value proposition

De La Rue has in-depth experience in the field of security printing and can offer either an end-to-end solution and/or individual components within both divisions. We create bespoke work for our customers at volume, together with the digital tools to track and trace that work.

In Authentication, we protect our customers' revenue and reputations through the application of modular physical and digital solutions which are secure, cost effective and sufficiently flexible to allow rapid deployment to deliver the benefits to our customers. Our products are easily incorporated into manufacturing processes and provide labels which work with our digital solutions to enable complete track and tracing. We combine De La Rue's strong print and holographic heritage with our software capabilities.

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

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

Oman Tax Stamp Win

We have signed a five year contract with the Tax Authority of Oman to implement a Digital Tax Stamp Solution for a range of excisable goods. This project complies with the requirements of the WHO Framework Convention on Tobacco Control (FCTC).

A spokesperson for the Sultanate of Oman, commented: "The Oman Tax Authority are delighted to be working with one of the world leaders, De La Rue, on this important project for driving improved excise tax revenues."

De La Rue is now responsible for securing excise revenues across the five Gulf Cooperation Council (GCC) countries that have implemented the common taxation treaty.

The value we create for our stakeholders

The world around us

Our products are designed to:

- Enable everyone's secure participation in the economy.
- Help deliver confidence in the economy by ensuring a secure cash cycle.
- Support social and financial inclusion by securing legal identities and providing currency.
- Contribute to economic growth and stability by protecting tax revenues and tackling illicit trade.

Customers

- We have long term relationships with many customers globally and work collaboratively with them, respecting their diversity of opinion and approach.
- Our customers benefit from the knowledge of our experienced global team, helping them to pinpoint and solve problems they encounter, while our products enable world trade, protect Government tax revenues and help protect brands from fraud.
- Our customers benefit from our investment in innovation to remain at the cutting edge of technical and digital developments provide even more flexible and secure solutions.

Suppliers

- We value our suppliers highly and they benefit from doing business with a customer who looks to maintain harmonious, long term and productive working relationships and works in an ethical manner.
- We communicate openly with them and listen to their views to help drive improvements.
- We work with them to improve sustainability.

Employees

- Ensuring the health, wellbeing and fair treatment of our employees is a top priority for the business.
- We are committed to creating a culture of respect and inclusivity for every individual we employ.
- Talent reviews are an important underpinning activity in the business, supported with learning and development interventions, personal development plans and exposure in the business to build experience.
- We have a global learning and development policy and actively encourage the use of the apprenticeship levy in the UK for both continuous professional development and for building skills and capability.
- We give particular emphasis to supporting the mental health and wellbeing of our people.

For more information
See Responsible Business on pages 32 to 45.

Environment

- Our strategy encompasses clear commitments to lead our industry in sustainability.
- We have quantified targets for reducing emissions and increasing energy efficiency across the business.
- We aim to be carbon neutral from our own operations by 2030.

For more information
See Responsible Business on pages 32 to 45.

Community

- We are conscious of our responsibilities to the wider communities in which our operations are based and strive to have a workforce representative of those communities and support their wider activities where possible.
- We maintain the highest ethical and governance standards in the conduct of our business.

Investors

- The Board highly values our shareholders and recognises the importance of building strong relationships with them and other key investors. We look to engage with shareholders, both institutional and retail, whenever possible.
- We run an active investor relations programme with our major shareholders, led by the CEO, CFO and Head of Investor Relations but in which the Chairman and the Senior Independent Director are also active participants.

A solid performance

In this review, we report on the financial performance of the Authentication and Currency divisions, together with the impact of operational costs incurred centrally.

Authentication

	FY22	FY21	Change
Non-IFRS financial measures			
Adjusted revenue (£m)	**90.3**	77.6	+16.4%
Adjusted operating profit (£m)*	**16.3**	11.3	+44.2%
Adjusted operating margin (%)*	**18.1**	14.6	+350bps
Adjusted controllable operating profit (£m)	**23.7**	18.3	+29.5%
Adjusted controllable operating margin (%)	**26.2**	23.6	+260bps
IFRS measures			
Revenue (£m)	**90.3**	77.6	+16.4%
Gross profit (£m)	**34.5**	29.9	+15.3%
Gross profit margin (%)	**38.2**	38.5	-30bps
Operating profit (£m)	**15.1**	9.9	+52.5%
Operating profit margin (%)	**16.7**	12.8	+390bps

Note:
* Excludes exceptional item charges of £0.2m (FY21: £0.4m) and amortisation of acquired intangibles of £1.0m (FY21: £1.0m).

Currency

	FY22	FY21	Change
Non-IFRS financial measures			
Adjusted revenue (£m)*	**280.9**	286.8	-2.1%
Adjusted operating profit (£m)**	**19.5**	16.2	+20.4%
Adjusted operating margin (%)**	**6.9**	5.6	+130bps
Adjusted controllable operating profit (£m)	**42.5**	41.7	+1.9%
Adjusted controllable operating margin (%)	**15.1**	14.5	+60bps
IFRS measures			
Revenue (£m)	**280.9**	295.7	-5.0%
Gross profit (£m)	**63.2**	65.3	-3.2%
Gross profit margin (%)	**22.5**	22.1	-40bps
Operating profit (loss) (£m)	**15.0**	(4.4)	n/a
Operating profit margin (%)	**5.3**	(1.5)	+680bps

Notes:
* Excludes 'pass through' revenue of £nil (FY21: £8.9m) related to non-novated paper contracts relating to the Portals De La Rue sale.
** Excludes exceptional item net charge of £4.5m (FY21: £20.6m).

A reconciliation of IFRS measures to Non-IFRS financial measures above can be found on pages 153 to 155.

To provide increased insight into the underlying performance of our business, we have reported revenue, gross profit and operating profit on an IFRS and adjusted basis, together with adjusted controllable operating profit (adjusted operating profit before enabling function cost allocation), for both ongoing operating divisions.

Our two ongoing operating divisions, Currency and Authentication delivered adjusted operating profit of £35.8m (FY21: £27.5m), an improvement of £8.3m year on year. This reflects stronger gross profits of £97.7m (FY21: £95.2m) and a reduction in operating expenses. In addition, Identity Solutions generated minimal adjusted operating profit of just £0.6m in the current financial year as the remaining activities have run down (FY21: £10.6m).

Authentication

The Authentication division 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.

A number of contracts won during the previous financial year became fully operational, and so revenue producing, for the current financial year. These included a major polycarbonate supply contract for the Australian passport and a Government Revenue Solutions (GRS) contract with Ghana for tax stamps used on a range of products, though levels of supply of the passport polycarbonate were affected by semiconductor shortages.

During FY22, our GRS business received five contracts for the supply of tax stamps and solutions, including most recently with the Oman Tax Authority to implement a digital tax stamp solution for excisable goods.

However, we have seen some delays in the implementation of GRS contracts already signed due to variability between countries in the return to normal work patterns following the Covid pandemic.

Brand protection also saw healthy sales growth, notably in the pharmaceutical, information technology and vaping sectors.

The strong revenue growth seen in the Authentication division in the first half continued in to the second half, with revenue for the year of £90.3m (FY21: £77.6m), up 16.4% on prior year. We expect the signed GRS contracts to start delivering revenue during FY23.

The increase in sales volumes had a beneficial effect on gross profit in absolute terms, although gross profit margin fell slightly by 30 basis points to 38.2% (FY21: 38.5%), reflecting the increasing pressure of rising raw material and energy costs.

Adjusted operating profit in Authentication rose 44.2% to £16.3m (FY21: £11.3m), mostly driven by the additional gross profit on increased sales, but also because of the benefit of a full year's impact of the cost savings from the Turnaround Plan, despite a greater proportion of enabling costs being allocated to the Authentication division, given its greater contribution to the overall business this year. Adjusted profit before controllable costs also increased, up 29.5% to £23.7m (FY21: £18.3m). On an IFRS basis, operating profit of £15.1m (FY21: £9.9m) benefited from the higher underlying profits.

Currency

The Currency division is focused on: improving profitability of banknote production by increasing the utilisation rate from a smaller number of facilities, supporting customers around the world who wish to convert to polymer with its improved recycling profile, investing in R&D, and developing a portfolio of security features that are the choice of a growing range of customers, whether they use paper or polymer substrates.

Adjusted revenue of £280.9m in FY22 (FY21: £286.8m) for the Currency division was down 2.1% on the previous year. Lower demand for banknotes following high demand during the pandemic was tempered by higher demand for polymer substrate. In addition, in the second half, production in the UK and Malta was affected by staff absences due to Covid-19.

At 26 March 2022, the 12-month order book for Currency was £163.5m (26 September 2021: £190.7m, 27 March 2021: £225.0m) and the total order book for Currency was £170.8m (26 September 2021: £213.6m, 27 March 2021: £265.5m).

Gross profit on adjusted sales fell slightly in both absolute and margin terms, reflecting the product mix, with gross profit margin of 22.5% (FY21: 22.1%).

IFRS revenue of £280.9m (FY21: £295.7m) was equal to adjusted revenue as 'pass through' revenue dropped to zero this year (FY21: £8.9m) as the contracts covered by these arrangements completed in FY21.

Despite the lower revenue, adjusted operating profit from the Currency division grew 20.4% to £19.5m (FY21: £16.2m), reflecting the cost reduction measures of the Turnaround Plan.

On an IFRS basis, the division moved into an operating profit of £15.0m (FY21: loss of £4.4m) with a lower level of exceptional charges as the reorganisation plans set out in the Turnaround Plan to remove costs came towards its completion. Last year's exceptional charges included £11.9m of asset impairments and accelerated depreciation charges and £9.5m of restructuring costs (primarily people-related) due to the cessation of banknote production at our Gateshead facility.

Putting aside the impact of exceptional items and the divisional allocation of costs incurred centrally by enabling functions, we also saw a slight increase in adjusted controllable operating profit to £42.5m (FY21: £41.7m) as the full benefits of the cost savings element of the Turnaround Plan were experienced the first time.

Again, this performance was achieved amid a background of cost inflation and equates to a controllable operating profit margin of 15.1% (FY21: 14.5%).

Enabling function costs

In FY22 enabling function costs of £30.4m (FY21: £32.5m) represented 8.1% of adjusted Group revenue (FY21: 8.3%). Overall this cost ratio benefited from a portion of the additional turnaround cost savings referred to above.

Bank of England completes its conversion to polymer substrate

The Bank of England completed the conversion of its banknotes to polymer with the launch of its new £50, in July 2021. These notes are among the most technically complex banknotes in the world and feature the scientist Alan Turing, best known for his code-breaking work in the Second World War.

The Bank of England has transitioned to polymer banknotes as they are more durable than paper notes, remain in better condition throughout their life and are much harder to counterfeit. The series shares common security features (holograms and windows).

De La Rue worked collaboratively to realise the Bank's vision and direction of the design. The aesthetic design of the new £50 was created by the Bank of England, then passed over to De La Rue to convert it into a functional, printable banknote, optimised for security and manufacturing efficiency.

De La Rue is the sole printer for the Bank of England, with all denominations printed in Debden, UK. From July 2021 every Bank of England denomination is printed on De La Rue's SAFEGUARD®, under the Bank's dual supply strategy.

Building the business

The financial performance of the business has continued to improve this year, though progress has been slower than we had originally hoped.

"We have continued to work hard to improve the financial performance of the business, both at an operational level and from a financing perspective, to drive future cash generation."

Rob Harding
Chief Financial Officer

Revenue and gross profit

Authentication saw an increase in revenue to £90.3m (FY21: £77.6m), with 16.4% revenue growth driven by strong demand across all areas of the division, but particularly in the provision of digital tax stamps within our government revenue solutions business. During FY22 our Government Revenue Solutions business signed five contracts for supply of tax stamps and solutions including, most recently with the Oman Tax Authority to implement a digital tax stamp solution for excisable goods. The nature of this business, with multi-year supply contracts agreed with customers, gives us confidence for the future performance of this division.

During FY22 in Currency we saw good volume growth in polymer, offset by paper volume decline as central bank buying patterns returned to pre-pandemic levels and second half production was impacted by Covid-19. This resulted in adjusted* revenue of £280.9m (FY21: £286.8m). Currency IFRS revenue was £280.9m and equal to adjusted revenue (FY21: £295.7m) as pass-through revenue dropped to zero as the contracts covered by these arrangements completed in FY21.

As expected, we also saw a decline in adjusted* revenue for Identity Solutions in FY22, due to the completion of the UK Passport production contract during FY21. Revenue reported in FY22 relates to the DSA supply agreement entered into with HID at the time of the International Identity Solutions business disposal in October 2019. Identity Solutions IFRS revenue declined to £3.9m from £24.1m in FY21 and was equal to adjusted revenue following the completion of the contracts covered by this arrangement completing in FY21.

Overall, Group IFRS revenue reduced by 5.6% to £375.1m (FY21: £397.4m), showing a higher rate of decline than in adjusted* revenue, due to 'pass-through' revenue on non-novated contracts for Paper and Identity Solutions which completed in FY21 dropping to zero.

Gross profit was £97.6m (FY21: £107.8m), reflecting increased Authentication gross profitability due to higher volumes driven by growth in GRS, Brand and Authentication ID products. GRS benefited from the full year of revenue on the revenue authority contract which commenced in the FY21 and the annualisation benefit of the completion of the software implementation for the HMRC ID Issuer during the second half of FY21.

* This is a non-IFRS measure, see page 153 to 155 for the reconciliation of non-IFRS measures to comparable IFRS measures.

The Authentication ID business has seen year-on-year increased volumes with the benefit of the go-live in the fourth quarter of FY22 of the new ID passport win with NPA. Offsetting the above growth, Currency had lower overall volumes in the division driven by paper banknote printing and associated paper security features volume reduction year on year but the impact of this is partially offset by continued growth in polymer bank notes. Identity Solutions gross profitability declined as expected following the UK Passport contract completion in FY21.

Operating profit and operating costs

Adjusted operating profit* in FY22 was £36.4m (FY21: £38.1m) and reflected:

- An adjusted operating profit* of £19.5m in Currency (FY21: £16.2m) despite lower overall revenues in the division driven by an improved mix, along with the annualised benefit of last year's cost out initiatives and ongoing tight control of the cost base of the overall Group driving operating profit growth;
- An adjusted operating profit* in Authentication of £16.3m (FY21: £11.3m) reflecting volume growth through FY22 due to the implementation of new contracts and the full year impact of contracts won in FY21, along with ongoing control of the cost base in FY22; and
- An adjusted operating profit* in Identity Solutions of £0.6m (FY21: £10.6m).

On an IFRS basis, an operating profit of £29.7m was recorded in FY22 (FY21: £14.5m) including, in addition to the factors referred to above, net exceptional charges of £5.7m (FY21: £22.6m), significantly lower than last year. FY21 included substantial asset impairment and restructuring charges associated with cessation of banknote production at our Gateshead facility, in addition to charges 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.

Exceptional items in FY22 included costs of relocating assets from the Gateshead facility to other Group manufacturing sites and further cost out initiatives.

For more information
See 'Exceptional items on page 22.

Authentication
Enforcement officer authenticating products with DLR Certify™

Finance charge

The Group's net interest charge was £5.5m (FY21: £4.6m). This included interest income of £0.9m (FY21: £0.8m), interest expense of £6.2m (FY21: £7.1m) and retirement benefit expense of £0.2m (FY21: £1.7m income).

Interest income of £0.9m (FY21: £0.8m) included interest on loan notes and preference shares held in the Portals International Limited Group of £0.8m (FY21: £0.8m), received as part of the of the consideration for the Portals paper disposal, in addition to a further amount subscribed for as part of a pre-emptive offer in the year. The loan notes and preference shares are included in the balance sheet as Other Financial Assets. Interest received on loan notes and preference shares is excluded from the Group's covenant calculations.

Interest expense included interest on bank loans of £3.1m (FY21: £3.6m), interest on lease liabilities of £0.6m (FY21: £0.6m) and other including amortisation of finance arrangement fees of £2.5m (FY21: £2.9m).

The IAS19 related finance cost, which represents the difference between the interest on pension liabilities and assets was a charge of £0.2m (FY21: £1.7m income). The charge in the year was due to the opening pension valuation on an IAS 19 basis as at 27 March 2021 being a net deficit of £18.5m.

Exceptional items

Exceptional items during the period constituted a net charge of £5.7m (FY21: £22.6m).

Exceptional items included:

- £1.8m (FY21: £21.4m) of site relocation and restructuring. Of this, £1.3m (FY21: £1.6m) of restructuring costs (primarily employee related) due to further divisional and enabling function restructuring, and a further £0.9m (FY21: £7.9m) of charges relating to machine moves net of grant income received of £1.0m, offset by a reversal of £0.4m of the assets impairments made in FY21 no longer required (FY21: £11.9m impairment charge).
- £3.1m (FY21: £nil) recognition of expected credit loss provision on other financial assets. Other financial assets comprise securities interests held in the Portals International Limited group which were received as part of the consideration for the paper disposal in 2018. The amount presented on the balance sheet within other financial assets as at 26 March 2022 includes the original principal received and accrued interest amounts. In accordance with IFRS 9, management has assessed the recoverability of the carrying value on the balance sheet and recorded an expected credit loss provision of £3.1m in exceptional items.
- £0.4m (FY21: £0.6m) in relation to legal fees incurred on rectification of certain discrepancies identified in the pension Scheme rules net of amounts recovered.
- £0.4m (FY21: £nil) relating to a significant devaluation of Sri Lankan Rupee versus the British Pound which occurred in March 2022 following the decision on 9 March 2022 by the Sri Lanka Government to free float the exchange rate. This period of significant devaluation is deemed an exceptional item as it is considered to be non-trading in nature resulting from of an external event being the impact of the exchange rate change triggered by the free-float of the exchange rate.

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

For more information
See note 5 to the accounts 'Exceptional items' on pages 116 to 117.

Currency
Polymer window, ARGENTUM™ and MASK™ on Libyan 5 Dinar

Taxation

The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 11.0% (FY21: 17.9%). This includes the impact of the UK tax rate change on deferred tax balances; the effective tax rate excluding this was 19.1%.

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 £1.4m (FY21: £1.3m).

Net tax credits relating to exceptional items in the period were £1.8m (FY21: tax credit £4.2m). A tax credit of £0.3m (FY21: tax credit £0.4m) was recorded in respect of the amortisation of acquired intangibles.

The underlying effective tax rate for FY23 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 17%-19%.

Earnings per share

The full year impact of 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 195.2m (FY21: 172.4m).

Adjusted basic EPS was 13.0p (FY21: 14.7p). reflecting an increase in basic earnings, offset by a higher weighted average number of shares. IFRS basic EPS from continuing operations was 10.6p (FY21: 3.7p) and was higher than the prior years reflecting a higher basic earnings of £20.7m (FY21: £6.3m).

Cash flow and borrowing

Cash flows from operating activities were a net cash inflow of £18.3m (FY21: £5.6m outflow). Profits from operating activities were £25.1m (FY21: £9.4m) were offset by:

- A net working capital outflow of £17.2m (FY21: £39.8m outflow). This included:
  - A decrease in inventory of £3.4m (FY21: increase £4.0m) driven by the selling plan profile over the final month of the year leading to lower stock levels than previous years;
  - A decrease in trade and other receivable and contract assets of £22.6m (FY21: increase £19.8m) mainly due to timing of cash collections on certain material customer contracts; and
  - A decrease in trade and other payables and contract liabilities of £43.2m (FY21: £16.0m) mainly due to a reduction in payments on account and accrued expenses.
- Pension fund contributions of £16.4m (FY21: £11.4m) including amounts related to administrative costs of running the Scheme.

The cash outflow from investing activities was £25.8m (FY21: £20.2m) driven by capital expenditure of £26.9m (FY21: £21.1m) as we continue to invest in the business. Capital expenditure is stated after cash receipt from grants received of £1.5m (FY21: £3.5m).

The cash inflow from financing activities was £7.7m (FY21: £39.7m), including £17.0m net draw down of borrowings (FY21: repayment £39.3m), £6.2m (FY21: £5.7m) of interest payments and £2.2m (FY21: £2.2m) of IFRS 16 lease liability payments.

As a result of the cash flow items referred to, Group net debt increased from £52.3m at 27 March 2021 to £71.4m at 26 March 2022.

The Group has Bank facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which currently are due to mature in December 2023. The Group can convert (in blocks of £25.0m) up to £50.0m 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 £25.0m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised. The Group has reallocated £25.0m of the cash component to the bond and guarantee component, such that at present £150.0m in total is available on the RCF cash component.

As at 26 March 2022, the Group, as part of the £150.0m RCF cash component, has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £55.0m (27 March 2021: £72.0m in more than one year). The amount of loans drawn at 26 March 2022 on the £150.0m RCF cash component is £95.0m (27 March 2021: £78.0m). Guarantees of £55.6m (27 March 2021: £78.2m) have been utilised from the £125.0m guarantee facility. The accrued interest in relation to cash drawdowns outstanding at 26 March 2022 is £nil (27 March 2021: £nil).

The financial covenants require that the ratio of EBIT to net interest payable will not be less than 2.8 times (subsequently increasing up to 3.0 times for each relevant period after 31 March 2022) and the net debt to EBITDA ratio will not exceed three times. At the period end the specific covenant tests were as follows: EBIT/net interest payable of 7.4 times, net debt/EBITDA of 1.46 times. The covenant tests use earlier accounting standards and exclude adjustments including IFRS 16.

Pension deficit and funding

As well as focusing on operational performance, the Group continues to look proactively to minimise future cash outflows.

With the agreement of the trustees of the De La Rue pension scheme, the actuarial valuation of the defined benefit pension plan was brought forward from December 2022 to 5 April 2021. This valuation showed a reduced scheme deficit of £119.5m against a previous schedule of deficit repair contributions totalling £177m through to March 2029. As a result of this new valuation, the scheme actuary confirmed that the deficit can be funded though an annual payment of £15m to March 2029. The previously agreed schedule included a step up in the annual payment from £15m to £24.5m for the period from April 2023 to March 2029. At the same time the scheme was granted equal 'pari passu' guarantor recourse ranking to the Group's banking facility. The new agreement therefore results in a £57m reduction in cash payments by De La Rue over the period from 2023 to 2029, while preserving the future benefits and enhancing protections for scheme members.

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

Capital structure

At 26 March 2022 the Group had net assets of £160.7m (27 March 2021: £111.4m). The movement year-on-year included:

- profit for the year of £23.7m;
- a remeasurement gain on retirement benefit obligations of £35.7m, offset by £8.8m of related deferred taxation, as a result of the movement of IAS 19 UK defined benefit pension valuation from a deficit of £18.5m to a surplus of £31.6m.

Key performance indicators

We use a balance of financial and non-financial key performance indicators to measure our performance.

Definition	Performance	Historic performance

Authentication adjusted revenue

IFRS revenue from the Authentication division, less ‘pass through’ revenue relating to non-novated contracts following the sales of certain historic businesses.

Authentication revenues were driven by strong growth in both in Government Revenue Solutions and in Brand Protection.

2022	**90.3**
2021	77.6
2020	73.8
2019	42.7
2018	40.1

£90.3m

+16.4%

Currency adjusted revenue

IFRS revenue from the Currency division, less ‘pass through’ revenue relating to non-novated contracts following the sales of certain historic businesses.

Currency revenues were slightly down on last year. Increased sales, particularly in polymer, in the first half saw a slow down as staff shortages due to Covid and central banks’ return to pre-pandemic order patterns hit production volumes later in the year.

2022	**280.9**
2021	286.8
2020	281.6
2019	398.9
2018	344.1

£280.9m

-2.1%

Adjusted EBITDA

Group IFRS profit before interest and tax, less depreciation, amortisation and exceptional items.

EBITDA increased by 15.4% to £53.2m in the ongoing Authentication and Currency divisions. The fall in adjusted EBITDA for the Group this year reflects the fall in profit in the Identity Solutions business.

2022	**54.0**
2021	56.7
2020	43.6
2019	79.3
2018	87.3

£54.0m

-4.8%

Adjusted EBITDA margin

Adjusted EBITDA divided by adjusted revenue for the Group.

EBITDA margin has been impacted by a combination of improved contribution from the ongoing divisions offset by contribution from the Identity Solutions division dropping to almost zero this year.

2022	**14.4**
2021	14.6
2020	10.2
2019	15.4
2018	17.7

14.4%

-20bps

Adjusted operating profit

IFRS operating profit less exceptional items and amortisation of acquired intangible assets.

Adjusted operating profit increased by 28.0% to £35.7m in the ongoing Authentication and Currency divisions. The fall in adjusted operating profit for the Group reflects the fall in profit in the Identity Solutions business.

2022	**36.4**
2021	38.1
2020	23.7
2019	60.1
2018	62.8

£36.4m

-4.5%

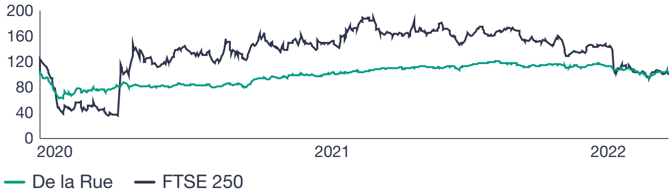
Definition	Performance	Historic performance

Total shareholder return

Total shareholder return compared with that of the FTSE 250 index. Graph shows the evolution of TSR since 24 February 2020, the day before the Turnaround Plan was announced.

This measure has replaced return on capital employed as a KPI as the Performance Share Plan awards for the last two years have used this metric as a performance measure.

Source: FactSet



Net debt/EBITDA covenant ratio

This is the ratio between year end net debt and adjusted EBITDA, both adjusted in accordance with the definition of the covenant within our banking agreements.

The increase in the covenant ratio reflects the increase in net debt as we invest in additional facilities, most particularly in Westhoughton and Malta. It is well within the limit of 3.0.

2022	**1.46**
2021	0.99
2020	2.24
2019	1.30
2018	0.66

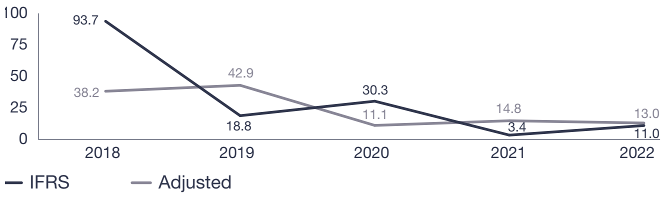
1.46

+47.5%

Basic and adjusted earnings per share

Adjusted earnings per share is calculated as the earnings attributable to equity shareholders excluding amortisation and exceptional items, divided by the average number of ordinary shares outstanding during the year.

IFRS basic earnings per share have risen as profits have risen this year mostly due to lower exceptional charges. Adjusted basic earnings per share have fallen with lower adjusted profits and a higher average number of shares in issue this year.



Gender diversity in management

We monitor our gender diversity among our management team. We are targeting a male:female gender ratio of 60:40 among our management by the end of FY23.

During FY22 the proportion of female managers in the Group has remained stable compared with the previous year.

Male	**64%**
Female	36%

Energy used per tonne of good output

We measure our energy efficiency in terms of the energy used per tonne of good output, and targeted a 7.5% fall this year.

We increased our energy efficiency again to meet this targeted fall in energy intensity.

2022	**2,903**
2021	3,139
2020	3,633

2,903kWh

-7.5%

Viability statement and going concern assessment

Viability statement

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

The Group has a three-year strategic planning horizon as the financial performance of the Group is inherently less predictable beyond this period because good visibility of the order book is over a shorter-term horizon and consequently this period has been used in making this Viability Statement.

In assessing the viability of the Group, the Directors have reviewed the principal risks as set out in pages 27 to 31 and considered foreseeable scenarios of one or more of the principal risks crystallising in the same time period in the context of its strategic plan.

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

- Risk 2 (a,b) Quality Management and Delivery failure (Currency)
- Risk 3 Macroeconomic and geopolitical
- Risk 6 and 8 Breach of Information Security covering loss of data and ransomware
- Risk 7 Failure of a Key Supplier to deliver
- Risk 9 Breach of Sanctions

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

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

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

The result of reviewing plausible downside scenarios is that the Directors have a reasonable expectation that the Group is viable and will be able to meet its obligations as they fall due up to March 2025.

Going concern

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

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 30 June 2023. 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 in addition to continued careful management of costs. 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 FY23 and Q1 of FY24, 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 FY23 and Q1 of FY24 is the limiting factor, rather than the overall facility or the EBIT/ net interest payable covenant in this period. The Directors have therefore completed a reverse stress test of the forecasts to determine the magnitude of downturn which would result in a breach to this covenant in the going concern period. Management have included a number of potential downsides including significant further supply chain cost pressures and revenue and margin levels being below current forecasts.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still just meet its net debt/EBITDA covenant ratio after taking into account mitigating actions which the Director's considered to be within the management's control. This modelling demonstrated that a cumulative decline of 30% in EBITDA compared with the base case without any mitigation would need to occur in the going concern period for the net debt/EBITDA covenant to breached. Taking into account mitigating actions considered to be within the control of management, a fall in EBITDA of 42% from base case would need to occur in the going concern period before the net debt/ EBITDA covenant would be breached.

These reductions in EBITDA are considered to be remote by management taking into account order cover for the same period (see page 19) and other controllable mitigating actions available to management. Additionally, the SONIA rate would need to rise to 8.0% in FY23 to trigger a breach in the interest covenant. Management have assessed this risk as remote given that the current SONIA rate applicable is less than 1%.

The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to its current expiry date (December 2023), which is beyond the end of the period reviewed for Going Concern purposes. The Directors have assessed that the Group will either renew the facility thereafter or have sufficient time to agree an alternative source of finance for the subsequent period.

Accordingly, 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 these Consolidated Annual Financial Statements.

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

How we manage our principal risks and uncertainties

How we manage risk

Risk management is the responsibility of the Board, supported by the Risk Committee which comprises members of our Executive Leadership Team (ELT) and is attended by the Group Director of Security, HSE and Risk. The Risk Committee is accountable for identifying, mitigating, and managing risk. Further details about the Committee can be found on page 68. Our formal risk identification process evaluates and manages our significant risks in accordance with the requirements of the UK Corporate Governance Code. Our divisional risk registers feed into a Group risk structure that identifies the risks, their potential impact and likelihood of occurrence, the key controls and management processes. We then establish how to mitigate these risks, and the investment and timescales required to reduce the risk to an acceptable level within the Board's risk appetite.

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

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

Management is responsible for implementing and maintaining controls, which have been designed to manage rather than eliminate risk. These controls can only provide reasonable but not absolute assurance against material misstatement or loss. See page 36 for further information regarding internal controls.

Principal risks and uncertainties

The following pages set out the principal risks and uncertainties that could crystallise over the next three years. The Board has undertaken a robust risk assessment to identify these risks. There may be other risks that we currently believe to be less material. These could become material, either individually or simultaneously, and significantly affect our business and financial results. We have modelled potential scenarios of these risks crystallising to support the disclosures in the Viability Statement and assess the Group's risk capacity. See page 26 for further details. Due to the nature of risk, the mitigating factors stated cannot be viewed as assurance that the actions taken or planned will be wholly effective.

Risk appetite

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

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

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

De La Rue's risk management framework

Board of Directors and Company Secretary

Audit Committee

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

Risk Committee

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

Ethics Committee

- Reviews ethical risks, policies and standards

Health, Safety and Environment (HSE) Committee

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

Executive Leadership Team

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

Group policies

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

Functional management

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

How we manage principal risks

Bribery and Corruption

Risk
The pressure to meet sales targets, on either a third party or an employee, could increase the risk of the payment of a bribe on behalf of De La Rue or anti-competitive behaviour, leading to damage to our reputation from a successful prosecution, financial loss and disbarment from tenders and substantial fines.

Internal Controls
- Whistleblowing policy and associated procedures are integral aspects of the compliance framework, which is complemented by a whistleblowing hotline.
- Mandatory training on anti-bribery and corruption, and competition law.
- Our rigorous process for the appointment, management, and remuneration of third party sales consultants operating independently from the sales function.
- We have a focus on raising awareness through local Ethics Champions.

External Assurance
- We have Level 1 accreditation to the Banknote Ethics Initiative (BnEI), which provides governments and central banks assurance regarding our ethical standards and business practices.
- In March 2022 we successfully gained certification to ISO 37001, the anti-bribery management system, which assists the organisation to prevent, detect and address bribery attempts.
- External PwC audit of TPP fee structure.

Oversight Forum
Ethics Committee.

Risk Committee.

Audit Committee.

Change
↔

Quality Management and Delivery Failure

Risk
A failure in our Quality Management System, including specification, controls, and enforcement issues, could lead to a major customer quality incident, resulting in late penalty clauses and increased costs.

Internal Controls
- Operational management boards monitoring KPIs.
- Design approval process.
- Regular reviews of critical suppliers.
- Central quality team inspect and test regime for all processes and features.
- Service monitoring tools in place to manage performance and response times to remain within SLAs.
- 24/7 support and IT coverage to minimise downtimes.
- In process inspection systems validating key areas.

External Assurance
- All sites are certified to ISO 9001, quality management system.
- Regular customer quality audits.

Oversight Forum
Divisional business reviews.

Business Plan Review updates.

Risk Committee.

Change
↔

Macroeconomic and Geopolitical Environment

Risk
As an international company, the Group is exposed to the global challenges of an unstable macro-economic environment, inflationary pressures and supply chain headwinds which could impact its operations and ability to deliver the Turnaround Plan.

The Group also maintains both Authentication and Currency operations in territories that are exposed to economic and/or political instability which can impact operational efficiency and output.

Internal Controls
- ELT monthly functional reviews with weekly divisional leadership meetings, in addition to site reviews.
- A robust prioritisation process with regular reviews of programmes and projects.
- A robust incident management framework, including annual exercising.
- Single and sole source supplier reviews as well as risk assessments on financial and operational risks from suppliers.
- Regular communication and consultation with staff, unions and other relevant stakeholders.
- A comprehensive travel risk management programme for employees, providing situational updates and risk alerting.
- A comprehensive insurance programme, covering all key risks, including business interruption.
- Regular monitoring of financing and fiscal matters, seeking early advice, diversification, longer-term funding and hedging, if facilities are available.

External Assurance
- External auditing of risk and resilience.
- Provision of multiple third-party security, supply chain, risk and incident management alerts relating to De La Rue countries of interest, to horizon scan for upcoming issues and implement mitigation measures as necessary and as early as reasonably practicable.

Oversight Forum
ELT updates.

Board briefings.

Divisional business reviews.

Risk Committee.

Change
+

Change in risk levels in FY22 (last 12 months)

↑ Increased ↔ Static ↓ Decreased + New Risk

Loss of Key Site or Process

Risk

The loss of a key site or process, due to external threats or internal system failures, could lead to reduced operational capacity and result in disruption to customer service delivery, brand damage and increased costs.

Internal Controls

- We invest in capacity, equipment and facilities, multiple sources of supply to drive down single points of failure.
- We hold BCP stock for critical activities.
- Monthly KPI's monitor BCP preparedness.
- Internal audit of all manufacturing sites, including BCP preparedness.
- Supplier strategy and sourcing reviews.
- Business Continuity coordinators at all sites, supported by a central coordinator.

External Assurance

- Under a central certification we are certified at Head Office and all production and storage sites to ISO 22301:2019 standards, ensuring a robust business continuity management system throughout the Group.
- External PwC compliance audits were conducted in 2021 including benchmarking to international standards and industry best practice.
- The appropriate levels of business interruption insurance are in place to satisfy the needs of the business.

Oversight Forum

Group integrated security and business continuity steering committee.

Risk Committee.

Audit Committee.

Change

↔

Sustainability and Climate Change

Risk

The world is facing unprecedented challenges in the face of climate change, sustainable practices and environmental aspects that have social impact. We recognise that De La Rue must undergo a climate change-related transition by addressing carbon reduction, energy usage, waste management and use of plastics in our operations.

Internal Controls

- De La Rue is committed to be carbon neutral for our own operations by 2030 through using a phased carbon offset programme for Scope 1 and Scope 2 emissions in our control.
- Our alignment with the TCFD recommendations is set out in the Responsible Business section on page 35 of this Annual Report.
- Our own internal audit programme verifies the Group environmental management system and assure good practices.
- We embarked upon a Transform Sustainability Project in December 2020, which has 10 workstreams centred around carbon reduction, reduced energy usage and waste management – monitored by a project board monthly.
- We have mandated environment and sustainability awareness training at all sites.

External Assurance

- All our manufacturing sites are certified to ISO 14001 standard which helps the organisation minimise how our operations negatively affect the environment.
- We participate in the CDP and have submitted data for the past 11 years, enabling us to review and improve on our carbon impact.
- We have submitted our SBTi targets in support of keeping global temperature increases below the 1.5°C limit.

Oversight Forum

Risk Committee.

Global HSE Committee.

Monthly ELT updates.

Change

↔

Change in risk levels in FY22 (last 12 months)

↑ Increased ↔ Static ↓ Decreased + New Risk

Breach of Information Security

Risk

Internal

A breakdown in the control environment, including collusion, non-compliance could lead to a security breach/incident resulting in the loss of critical data.

External

A breakdown in the control environment because of an external attack, could lead to a cyber security breach resulting in the compromise of confidentiality, integrity, or availability of critical data.

Internal Controls

- We have implemented control measures around customer, company, and employee data, demonstrating a clear approach to identify and mitigate information security risks.
- On an annual basis we conduct a gap analysis against all customer and regulatory standards to ensure compliance at the highest levels and this year we have completed a legal review of compliance with GDPR.
- Due to the pandemic and remote working practices we have implemented a zero-trust cyber strategy, ensuring no reportable data breaches.
- We have cyber awareness training at all levels of the business.
- Group policies.
- IT technical controls include security incident and event management software (SIEM), event logging and management. Ensuring information security is designed in from the ground up within all deployed hardware and software.

External Assurance

- Under a central certification we are certified across the Group to ISO 27001 standards, ensuring we manage information security under a robust framework.
- The appropriate levels of professional indemnity and cyber insurance are in place to satisfy contractual and business requirements, including internal and external incident response support.
- External PwC compliance audits are conducted on a regular basis, including benchmarking to international standards.
- We have instigated a programme of both internal and external penetration and vulnerability testing on corporate and customer facing systems.
- Regular customer compliance and regulatory audits.
- Both internal controls and external assurance have ensured the Group has not suffered a significant external breach within the last three years.

Oversight Forum

Group integrated security and business continuity steering committee.

Monthly ELT updates.

Risk Committee.

Audit Committee.

Board briefings (risk, particularly IS risk, is discussed several times yearly).

Change

↑

Failure of a Key Supplier to Deliver

Risk

Failure of a key supplier (on which we are dependent for specialist components) to deliver products on time or to specification could lead to our inability to fulfil customer contractual requirements, resulting in penalties and forfeit of performance bonds, loss of customer contracts and reputational damage.

Internal Controls

- Minimum quarterly updates to key supplier risk assessment and monthly reporting on risks and mitigations to ELT, with periodic updates to the Board.
- We have initiated a robust supplier quality audit programme.
- Key risks are monitored monthly.
- We conduct key supplier risk assessments, constantly reviewing the risk of supply failure.
- The use of external databases and alerting to allow notifications of degradation in supplier credit scores across full supply base to a dedicated procurement team.

External Assurance

- We are externally audited for ISO 14298 (Security Print), ISO 22301 (Business Continuity) and PwC on procurement and supply chain controls.

Oversight Forum

Monthly divisional and ELT updates.

Board updates.

Change

↑

Breach of Security – Product Security

Risk

A breakdown in the control environment, including collusion, non-compliance, or an external attack, could lead to a security breach resulting in the loss of client-sensitive product and significant damage to De La Rue's reputation.

Internal Controls

- Monthly security KPI's monitors and maintains the holistic security environment.
- We ensure that all shipment routes and transit plans are appropriately risk assessed and have appropriate mitigations in place, by air, sea, or road.
- Dedicated security professionals at all sites, supported by a central function.
- Group policies.

External Assurance

- All manufacturing sites certified to ISO 14298 and INTERGRAF Certification to the highest possible levels, which ensures an aligned security print management system across the Group.
- We are subject to regular regulatory and customer compliance audits.

Oversight Forum

Group integrated security and business continuity steering committee.

Risk Committee.

Change

↔

Sanctions

Risk
Entering a contract or other commitment with a customer, supplier or partner which is subject to a sanction or trade embargo could lead DLR to be in breach of sanctions. Breach could result in imprisonment and substantial fines for individuals, the leadership team (including the Board) and De La Rue. In addition, it may lead to a withdrawal of our banking facilities, as well as disbarment from future tenders.

De La Rue may be unable to effect payments or to be paid by customers due to banking compliance restrictions when operating in higher risk and sanctioned territories.

Internal Controls
- Sanctions Board met on a monthly basis.
- A robust RFA process ensures commercial bid teams consider sanctions risk.
- As a responsible business we ensure the monitoring and due diligence of customers, suppliers, and partners.
- We conduct internal audits of sanctions compliance programme regularly.
- We mandate sanctions training to raise awareness of risks and to clarify escalation routes for concerns.

External Assurance
- We ensure both internal and external audit of sanctions compliance programme.

Oversight Forum
Sanctions Board.

Audit Committee.

Board briefings.

Change
↔

Covid-19

Risk
The Covid-19 pandemic could have a material adverse effect on the Group's supply chain, distribution network, manufacturing operations and/or weakening customer demand.

If current measures fail to adequately mitigate the impact of the Covid-19 pandemic in the countries in which the Group has a manufacturing presence, there is also a risk that one or more of the Group's manufacturing sites may be forced to cease operations partially or fully for a prolonged period as a result of the introduction of more stringent restrictions by the relevant authorities and/or the absence of a significant number of employees for pandemic related reasons.

Internal Controls
- As part of De La Rue's response to Covid-19, the business has invoked a long-standing Pandemic Incident Management Plan throughout the Group, and all sites are working towards the following four key objectives:
  1. Ensuring the safety of our employees and their families.
  2. Playing our part in restricting the spread of the virus.
  3. Continuing to run the business, serving our customers worldwide with the timely provision of high-quality products and services.
  4. Ensuring that De La Rue emerges resilient to the impact of the pandemic.

Our manufacturing sites are spread across several sites in the UK, Malta, Kenya, North America, and Sri Lanka which allows us the ability to reprioritise and potentially relocate production in the event of a business continuity incident.

A robust incident management framework has re-aligned the Group from incident management to a recovery mindset – focusing on the effective mitigation of Covid-19 as a business-as-usual task, rather than a unique incident-based focus to ensure longevity of compliance.

External Assurance
- Regular due diligence and customer auditing relating to Covid-19 response.
- External audits of our sites since the beginning of the pandemic by public health and health and safety authorities found minimal or no areas for improvement.

Oversight Forum
ELT updates.

Board briefings.

Change
↓

Responsible business

Our business purpose is securing trust between people, businesses and governments. This reflects our long held belief that as a business we have a responsibility to operate in a way that improves the world around us: for our customers, our employees and the wider communities in which we work.

Our strategy encompasses clear commitments to lead our industry in sustainability, to protect and respect our people and to maintain the highest ethical and governance standards in the conduct of our business.

Our Currency and Authentication divisions enable our customers to deliver sustainable services underpinning the integrity of economies and trade. We have supported central banks globally during the pandemic to help maintain financial stability through the provision of banknotes and currency services. We have authenticated and tracked more than nine billion products in FY22 to support economic stability and prosperity.

De La Rue has been a participant in the UN Global Compact (UNGC) since 2016 and I am pleased to confirm our ongoing commitment to the initiative. This responsible business report demonstrates how De La Rue is fulfilling its commitment to uphold the principles of the UNGC commitments and progress towards the UN Sustainable Development Goals.

De La Rue has been independently assessed and has satisfied the requirements to remain a constituent of the FTSE4Good Index Series. This Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Further information demonstrating how ESG considerations are embedded in our performance and strategy to support the long term interests of the business and its stakeholders can be found throughout the annual report and on our website www.delarue.com.

Clive Vacher
Chief Executive Officer

Environment

We are committed to leading the industry on environmental sustainability. To minimise the impact of our operations on the environment we set clear environmental goals and have recently submitted targets to the Science Based Targets Initiative (SBTi) to ensure we are making a meaningful difference via a reduction in our greenhouse gas emissions. We have committed to achieve carbon neutrality in our own operations by 2030.

Find out more on page 34.

People

We treat everyone in an ethical and respectful way, promoting an inclusive culture that values diversity. The health, safety and wellbeing of our employees is a top priority for the business and we take all possible steps to protect human rights both within our business and in our wider supply chain. We work hard to maintain regular engagement with our stakeholders including investors, customers, suppliers and the communities in which we work.

Find out more on page 38.

Business standards

It is crucial that we uphold the highest ethical standards in the way we conduct our business and Our Code of Business Principles sets out core principles which define the way we behave and work on a daily basis. Our governance system helps us deliver on our responsibilities to stakeholders through the operation of robust policies, processes and monitoring systems.

Find out more on page 43.

Governance and management

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

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

For further information
About environmental governance, see page 35.

De La Rue's ESG governance structure

Board

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

Audit Committee

- Reviews ESG-related internal controls and risk management systems

Risk Committee

- Identification, evaluation and monitoring of ESG risks

Group HSE Committee

- Monitoring compliance with HSE obligations

Ethics Committee

- Oversight of ethical matters

Executive Leadership Team

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

Transform Sustainability Programme Board

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

Social and Governance initiatives

- Human Resources
- Ethics
- Security (data protection, information, accreditations)
- Tax

Non-executive Director responsible – Kevin Loosemore

- Oversight of all workstreams
- Six monthly updates from Transform Sustainability Programme Board

Environment

We have a responsibility to ensure that the products and services we offer are sustainable, and we are committed to minimising the impact of our operations on the environment. As part of the sustainability strategy approved by the Board we have submitted ambitious SBTi targets to reduce our Scope 1, 2 and 3 emissions by over 45% by 2030 in support of keeping global emissions below the 1.5°C level, with 2019 as our base year. At the date of this report De La Rue is in the process of obtaining validation with the SBTi.

De La Rue is also committing to be carbon neutral for our own operations by 2030 through using a phased carbon offset programme for Scope 1 and Scope 2 emissions in our control. We will ensure that these offsets are aligned to PAS2060, a carbon neutrality standard. Our targets have given us a distinct competitive advantage in the field, and we are leading the industry in the fight against climate change with the Financial Times naming us in the top quartile of European Climate Leaders for the second year running.

We recognise and acknowledge the risks associated with climate change and the need to align our business strategy as part of our response to transition towards a low carbon future. Our Transform Sustainability programme addresses key areas of the business that can be transformed to reduce our environmental impact. We are focusing on energy reduction, increasing our use of renewables, reducing our waste, and reducing our reliance on the use of plastics in packaging. End of life for our polymer banknotes has been an area of focus. 100% of UK polymer waste is recycled and our SAFEGUARD® polymer substrate is fully recyclable.

Environmental initiatives

De La Rue has developed and launched several environmental initiatives to reduce our environmental impact.

Working with our Customers: De La Rue uses a carbon footprint model that aligns to PAS 2050 to help reduce the embedded carbon in our products. During the year we offset some product elements as agreed with our customers and will continue to offer this carbon offsetting service where possible. We have offered a carbon offsetting service since 2019, allowing central banks to purchase banknotes that are overall carbon neutral throughout their lifecycle.

Products: We are evaluating the carbon footprint of products in Currency and Authentication. We are developing a product elements carbon score card to support customer decisions. We offer our customers support and advice on waste segmentation and end of life recycling for polymer banknotes and polymer substrate waste generated in state print works.

Plastics: We are reviewing our plastic usage and evaluating methods to reduce/remove plastics used in packaging products. We understand the importance of the end of life for our products, and we want to ensure any plastics used in packaging are recyclable at their end destination.

Waste: De La Rue uses internal KPIs to monitor waste generation and we have reduced waste by improving the efficiency of our manufacturing processes. We are actively exploring solutions to reduce our waste to landfill for several of our sites.

Water: De La Rue's water consumption has been significantly reduced by 16% in the last four years, affected partly by the stopping of production at out Gateshead site. We continue to track our water consumption aiming to reduce our usage of this valuable global resource.

Energy: De La Rue uses 100% renewable electrical power for all our UK sites and as a Group we are focusing on increasing our usage of renewable energy to more than 50%. The commissioning of the solar panel installation at our second Westhoughton site this year and in Malta and Sri Lanka in the upcoming years demonstrates the actions we are taking to achieve this ambition. We have set a target to reduce our absolute energy usage across the business by 3% for the next financial year through increasing our energy efficiency. We will be carrying out energy surveys for sites and increasing our coverage of metering to be able to assess where we can make changes to current practices.

Biodiversity: De La Rue recognises the importance of maintaining natural habitats and protecting the rich biodiversity of our planet. During our business developments and expansions, we consider habitats and biodiversity and look to maintain these at our facilities where we can. For our expansion at Westhoughton, we conducted initial habitat work and are planting two trees for every one we had to remove. We will go beyond compliance for our Malta expansion project where we will plant 10 trees for every one we must remove. In the upcoming year, De La Rue will undertake a review of the impact of our facilities on biodiversity.

We actively contribute to the International Currency Association's Sustainability Charter and are a member of their Sustainability Committee. In terms of external assurance, the business has a Group Environmental Management System that is certified to ISO 14001:2015, a standard first achieved by the business over 15 years ago which is externally audited by LRQA. We also carry out internal Group audits against the requirements of our corporate environmental standards.

Meeting the growing demand for polymer

Central banks around the world are converting to polymer banknotes because of their increased durability and the ability to recycle the product at end-of-life. Our expansion into a second site in Westhoughton is integral to our strategic commitment to convert our customers to polymer and implement environmentally sustainable initiatives that result in lower carbon products.

Our expansion is designed to create an environmentally friendly low carbon factory for the future. All main machinery is metered – this ensures future proofing and allows for future carbon reduction initiatives to be identified. Our compressed air and vacuum systems are energy-efficient and we continue to focus on implementing additional energy efficient systems.

Energy efficiency improvements in Sri Lanka

At our site in Malwana we have invested in a more energy-efficient chiller, improving the capability of our current HVAC system. The addition of this chiller aligns with De La Rue's sustainability goals enabling us to save c.100,000kWh on our annual energy consumption and reduce carbon emissions by 637 tonnes per year. Furthermore, the new air compressor at site will reduce the energy costs for compressed air by 14% and our GHG emissions by 23 tonnes per year.

Carbon Disclosure Project (CDP)

The CDP is a not-for-profit charity that has run a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impact for more than 20 years. De La Rue participates in the CDP and has submitted data for the past 11 years, which has required us to build an in-depth understanding of climate related risk, enabling us to review and improve on our carbon impact. We have steadily improved our CDP score each year and during FY22 achieved a score of B based on data submitted for FY21.

Risks and opportunities

We look at environmental sustainability in a balanced way. We strive to manage our environmental impact to manage risk and to harness opportunities to achieve cost savings for our business, secure competitive advantage and enhance our partnerships with customers and other stakeholders. Significant risks are identified through the Group Risk Register which covers Group strategic risks and site tactical risks.

We consider other climate related risks and opportunities using the CDP categories. HSE risks and opportunities including climate related risks are reviewed twice annually at the Group HSE Committee and at the management reviews for the environment. Any risks and potential opportunities are compared and aligned with the annual climate related risk assessment process and assessed for significance using our risk matrix. Sustainability and climate change is now one of the principal risks reviewed by the Risk Committee.

Task Force on Climate related Financial Disclosures (TCFD)

De La Rue supports the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), which was established by the Financial Stability Board with the aim of improving the reporting of climate related risks and opportunities. De La Rue has publicly declared our support for the TCFD recommendations and has joined the TCFD Supporters Group to work with like-minded organisations on acknowledging that climate change represents a financial risk.

In meeting the requirements of Listing Rule 9.8.6.R we have concluded that we are aligned with recommended TCFD disclosures regarding governance, and partially aligned with recommended disclosures regarding strategy, risk management and metrics and targets. We expect to achieve alignment across all four pillars as we carry out climate scenario analysis (CSA) and refine our plans following validation of SBTi targets. Further comments and plans to achieve full alignment are detailed below.

Governance

The overall governance structure for ESG matters is shown on page 33.

The De La Rue Board has responsibility for agreeing and monitoring objectives for the business, including the high-level targets for energy efficiency and carbon reduction targets. In addition, the Board retains overall responsibility for identifying, evaluating, managing and mitigating the principal risks faced by the Group.

The Risk Committee meets at least three times each year. It reports to the Audit Committee after each meeting and to the Board once a year. It has identified sustainability and climate change as a principal risk and currently supports the assessment of climate related risk and opportunities and strategy in the short term (up to 18 months), medium term (18 months to three years), and long term (between three and five years) time horizons. The risk management process is integrated into a multi-disciplinary company-wide risk management framework which is described in more detail on page 27.

The Group HSE Committee sets HSE standards, agrees and monitors implementation of the HSE strategy, and monitors HSE performance. The Committee cascades down any decisions, objectives, and targets to site level, including individual site action plans and targets. Climate related risks are reviewed twice yearly at the Group HSE Committee, and any risks and opportunities are compared and aligned with the annual climate related risk review process and assessed for significance using our risk matrix. At present, a substantive risk would have an impact that is equivalent to a 5-10% loss of Group operating profit and a 30-50% likelihood of occurring.

Any substantive risks identified by the Group HSE Committee are reported to the Risk Committee. This is expanded on in further detail in our Risk and Risk Management section on pages 27 to 31.

Strategy

At De La Rue, we consider a variety of risk types including current and emerging regulation, acute and chronic risks, as well as physical and transitional risks as part of our risk management process. Identifying these risks enables De La Rue to embed climate change related strategies into our business plan and actions. This is expanded on in further detail in our Risk and Risk Management section on pages 27 to 31.

A transitional opportunity highlighted by our climate related risk assessment is the change from paper to polymer notes, following customers' requests for more sustainable banknotes with a lower carbon footprint. The lifetime of a polymer banknote is much longer due to improved technology in printing and manufacture, leading to a lower carbon footprint of the product and enabling end of life recycling. Using our criteria, this was found to be a substantive opportunity, that we have since built upon in our Turnaround Plan.

Submitting our SBTi targets as mentioned on page 34, has helped us to build resilience against climate-related risks. We intend to use CSA to develop our strategy and this will be carried out in the next two years. The CSA will consider two temperature scenarios with the scope of the assessment to cover our facilities globally and the associated physical and transitional risks for the business. The CSA will inform De La Rue's strategy on building resilience and the potential risks, opportunities and impacts that may arise in the future for the specific climate related issues and the appropriate time horizons to be considered.

The impact of climate related issues on our business and strategy remains under review and while we have identified a few key climate related risks such as flooding at our sites and the associated financial implications, the CSA will better inform De La Rue's financial planning in response to climate related risks and opportunities and help to make our strategy more resilient. We will ensure that progress against our low carbon transition plans is communicated annually to shareholders.

Risk management

The Risk and Risk Management section on pages 27 to 31 describes our risk framework and how we identify, assess and manage all principal risks. This includes sustainability and climate-related risk which is mentioned on page 29.

Market, reputation, acute physical and acute chronic risks are assessed under the sustainability and climate change principal risk mentioned on page 29. Current and emerging regulation as well as legal risks are assessed on an ongoing basis at all sites. The table on page 36 provides a list of key risks identified by De La Rue as being substantive for each type of risk we consider. These are the risks identified through our current risk management framework and we expect to identify further risks and opportunities, as well as their prioritisation and relative significance, through the CSA.

Key climate related risks identified by De La Rue

Risk		Internal Controls
Current and emerging regulation	Legislation change. An example is the ban on single-use plastics in Kenya which came into effect in 2020.	De La Rue switched from plastic bags to netting for our waste in Kenya, and we are now evaluating our usage of plastics across the Group with a dedicated procurement team.
Technology	Customer expectations on carbon reductions need to be met by De La Rue.	De La Rue is working to introduce low-carbon technologies within our manufacturing process to reduce our manufactured product emissions and exceed our customers' expectations.
Legal	Failure to react to the introduction of new legislation could impact us both financially and reputationally.	Legal risks are assessed on an ongoing basis and annually by our ISO 14001:2015 management review. All sites are certified to ISO 14001:2015 and hold legal registers and we review compliance annually and audit against compliance.
Market	Customers prefer more sustainable banknotes with a lower carbon footprint.	De La Rue identified an opportunity to focus on polymer banknotes as they have a lower carbon footprint.
Reputation	Environmental sustainability and climate change risks include failures of our management system or internal controls that cause a major environmental incident, which could damage De La Rue's reputation.	We review our compliance annually and hold scheduled audits to minimise the likelihood of such an incident.
Acute physical	Climate related flooding risks at our UK sites.	This has been identified as a particular risk for our Gateshead site and a full risk assessment of the flooding risk has been conducted.
Chronic physical	Long term change in precipitation patterns due to climate change.	This would pose a risk in particular to our Sri Lanka site and an assessment of the risks associated with this change was carried out.

As mentioned above in our strategy disclosures, the CSA will help us determine the specific climate-related issues potentially arising in each time horizon (short, medium and long term) that could have a material financial impact on the organisation.

Metrics and targets

De La Rue monitors the carbon emissions for our own operations, which have been measured in accordance with the GHG Protocol Standard. The Group remains firm in our commitment to reduce GHG emissions by reducing the carbon footprint of our products, our business operations and our supply chain. As such we have submitted our SBTi absolute carbon reduction targets for Scope 1, 2 and 3 emissions, which are aligned with the Paris Agreement's aspiration to limit global warming to 1.5°C by 2030. This strengthens our ability to align with the UK Government's Net Zero target by 2050 in respect of our UK operations in particular.

We review and set targets for key focus areas identified in our risk management process. These targets will help us reduce our environmental impact in areas of concern and they align with our SBTi targets as we await validation, supporting our transition towards a low carbon future. For example, we measure and track our water usage with an aim of reducing our annual consumption by 2% each year to get our consumption below 75,000 m^3.

Environmental objectives for FY23 are detailed on page 37.

We identify and evaluate other metrics and targets opportunities through our Transform Sustainability Programme and through an internal carbon pricing mechanism we are able to evaluate the financial impact of climate related risks and opportunities. We have set an internal carbon price of £37/tCO_2e, which we use to estimate carbon cost savings when investing in resource efficiency measures across the business to guide decision making.

We incorporate climate-related targets into executive objectives which determine bonuses awarded. See the Remuneration Report on page 78 for further information.

Greenhouse gas emissions

De La Rue reports on all the mandatory non-financial disclosures required by the UK Companies Act including our Greenhouse Gas (GHG) emissions required by the Streamlined Emissions and Carbon Reporting (SECR) regulation.

	FY22			FY21			FY20		
	UK and offshore	**Global***		UK and offshore	Global*		UK and offshore	Global*	
Type of emissions	**tCO_2e**		**% of total**	tCO_2e		% of total	tCO_2e		% of total
Direct (Scope 1)	**3,949**	**570**	**2.6%**	4,073	754	3.4%	4,262	842	2.3%
Indirect (Scope 2 – market-based)	**0**	**6,111**	**3.6%**	329	8,009	5.8%	1,210	10,244	5.2%
Scope 1 + 2	**3,949**	**6,681**	**6.2%**	4,401	8,763	9.2%	5,471	11,086	7.5%
Indirect other (Scope 3)**	**160,603**		**93.8%**	130,576		90.8%	204,774		92.5%
Purchased goods and services	**111,098**		**64.9%**	101,742		70.8%	158,871		71.8%
Upstream transport and distribution	**28,676**		**16.7%**	14,606		10.2%	28,960		13.1%
End of life treatment of sold products	**9,607**		**5.6%**	7,129		5.0%	5,837		2.6%
All other categories	**11,222**		**6.6%**	7,100		4.9%	11,106		5.0%
Total gross emissions (tCO_2e)	**171,232**		**100.0%**	143,740		100.0%	221,332		100.0%
Indirect (Scope 2 – location-based)	**4,036**	**9,742**		3,889	9,038		5,304	10,244	
Intensity ratio UK and Global: Tonnes of gross CO_2e per £m turnover	**457**			370			512		
Energy consumption used to calculate Scope 1 and 2 emissions/kWh	**32,350,448**	**25,396,356**		31,697,918	24,152,529		35,208,116	25,613,721	

Notes:
* Global includes all sites out of the UK.
** Three most material Scope 3 categories reported individually.

In FY22, total gross GHG emissions increased by 19% compared to FY21 due to an increase in Scope 3 emissions. That increase was driven by several factors. Firstly, as we refine our approach to calculating Scope 3 emissions, we have updated the methodology used for calculating Category 12 – End-of-Life Treatment of Sold Products to reflect more data being collected from each facility and the application of more accurate emission factors. This has resulted in that category being included as one of the most material in Scope 3 this financial year and prior year figures have been adjusted to reflect the updated methodology. In addition, emissions from Purchased Goods and Services increased, a significant part of which was 'direct' spend, as a result of increased production at our Westhoughton site. The increase in emissions from upstream transport and distribution compared with the previous year was due to global shipping supply chain issues, meaning more air transportation had to be used. In other Scope 3 categories, increases of note included business travel due to the easing of Covid-related global travel restrictions and well to tank emissions due to an increase in electricity consumption and global business travel.

Despite an increase in emissions, we continue to make progress in reducing our overall carbon footprint, which is down 23% since FY20 and we have reduced our Scope 1 and Scope 2 emissions by 19% compared with FY21.

In FY22, we purchased renewable energy at all our UK sites. This, combined with production in Gateshead stopping during the year, has enabled us to report a 100% decrease in emissions from electricity consumption at our UK sites under the GHG Protocol Scope 2 market-based method. Furthermore, De La Rue has expanded the use of renewable energy to its global operations by retiring 7,000MWh of high-quality Guarantees of Origin (GoOs). This has partially offset the electricity consumed at the Malta facility.

In addition to the energy efficiency improvements in Sri Lanka detailed on page 35, further future energy improvement projects have been identified such as the installation of solar panels at Westhoughton, Sri Lanka and Malta, and purchasing more GoOs to offset electricity consumption in Malta. Reducing Scope 3 emissions is key to achieving our SBTi target. Through our partnership with EcoVadis, we will gain a wider understanding of our supply chain and increase engagement with suppliers to develop an action plan to improve data quality and reduce emissions in our most material categories.

Methodology

As a large, listed company, De La Rue is required to report its energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The data detailed above represents emissions and energy use for which De La Rue is responsible, including electricity, gas use, process, and fugitive emissions in offices.

The main requirements of the Greenhouse Gas Protocol Corporate Standard were used to calculate De La Rue's emissions, along with the UK Government GHG Conversion Factors for Company Reporting 2021.

Performance against FY22 environmental objectives

Objective	Progress
Register with the SBTi and set appropriate targets	During this financial year, we have set and submitted our SBTi targets, and we are now awaiting approval from the organisation.
Scope 3 and supply chain review	We carried out a Scope 3 analysis this year and have identified key categories which we aim to review further this year. We have partnered with EcoVadis to evaluate the sustainability ratings of our supply chain to inform our future roadmap of decisions this year.
Energy used per tonne of good output	We have achieved our target of reducing our energy used per tonne of output by 7.5% over the year.

Environmental objectives for FY23

Q1
We will be submitting our CDP response for 2022 and through this submission we aim to review our risk management to align more closely with the TCFD recommendations.

Q2
We are aiming to conduct a review of the impact of our facilities on biodiversity beginning with internal ecological surveys that will be carried out at sites.

Q3
We aim to complete an initial review of the plastics we use in our organisation in the move to offer low carbon alternatives to our customers.

We will work with our customers to develop low carbon product offerings.

Q4
We are aiming to reduce our absolute energy usage across sites by 3% and our energy used per good tonne of output by 7.5% by the end of the year. We are also aiming to reduce waste generated per good tonne of output by 5.5% by the end of the year.

People

We are committed to creating a culture of respect and inclusivity for every individual we employ, prioritising their health, wellbeing and fair treatment. We fully support the principles set out in the UN Declaration of Human Rights and we have effective management systems in place to protect human rights. De La Rue has been a participant in the UN Global Compact (UNGC) since 2016 and is committed to its principles which include human rights and labour issues.

Meaningful engagement with our employees, customers, suppliers and shareholders – as well as the communities in which we operate – enables us to react and respond to their needs and feedback.

Diversity, equity and inclusion

Inclusivity is at the core of our ways of working. We believe in treating our colleagues, suppliers, customers and the communities in which we operate in an ethical and respectful way. Our principle of 'Be heard, be valued, be you' underpins the way in which we build the strength of diversity of the people within De La Rue. It articulates our focus on demographic, organisational and cognitive diversity.

We are proud of our 50:50 male/female ratio at both Board and Executive Leadership Team level. At De La Rue we believe that diversity in its broadest sense is a key factor in our future success. We recognise that everyone is unique and we are working hard to create an environment where everyone can thrive and feel included and to achieve a culture of trust and respect.

Our commitments to diversity, equity and inclusion are centred around three areas of focus detailed in the diagram below.

We believe every one of us is personally and collectively responsible for creating an inclusive environment and we ask everyone to make their own commitment to this.

While we have an active focus on diversity, equity and inclusion we realise there is more we can do and so continue to make this a priority area during FY23 and beyond.

Our employees are treated fairly and equally irrespective of any factor including gender, transgender status, sexual orientation, religion or belief, marital status, civil partnership status, age, colour, nationality, national origin, disability or trade union affiliation.

We publish information in line with our obligations under the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Demographic diversity – be you

As a global business we believe it is important to understand, represent and support the communities where our people live and work.

We address diversity at the hiring stage by:
- Training our managers in hiring best practice
- Using inclusive language in our job adverts
- Measuring the diversity of our applicant pool

We promote the importance and the value of diversity in the workplace by:
- Proactively educating our workforce on the value of diversity and inclusion

We challenge our teams to reflect diversity by:
- Embedding performance and talent processes that promote diversity
- Targeting a 60/40 male:female gender ratio among our management by the end of FY23

Organisational diversity – be heard

We will only truly improve what we do by listening to the views of others, both internally and externally.

We give our people a voice through:
- Forums and networks and mechanisms to share ideas, views and opinions and raise concerns
- Using engagement surveys to gather feedback (target >85% response rate)

We keep people informed about the business and encourage feedback:
- Global announcements, CEO calls and Divisional updates
- Site briefings and communications cascade
- Feedback channels between all levels

We benchmark ourselves externally by participating in:
- UNGC Target Gender Equality initiative (see case study on page 40 for more information)
- Our supplier fairness and respect forum

Cognitive diversity – be valued

We focus on creating engagement through a culture of trust and respect.

We care about our people's physical and mental wellbeing and provide both internal and external professional support

We equip our people with the skills to understand and develop themselves and others with access to a wide range of training programmes and materials

We value the behaviours that encourage collaboration and teamwork

We actively manage these behaviours through our appraisal and performance processes

UK gender pay gap

We publish information in line with our obligations under UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. This year we believe our report reflects the positive effect of our diversity initiatives, as more and more women are being appointed to senior roles from both internal and external candidate pools.

In 2020, the proportion of women in the highest paid roles (upper quartile) was 23%, shifting to 28% in 2021. As at the April 2021 snapshot date, De La Rue International Limited has a male to female ratio of 72:28 meaning that women are now represented in the most senior positions in keeping with their overall representation in the workforce.

The Gender Pay Gap for the snapshot date of April 2021 was 4.6% (median) and 5.2% (mean) while the industry average is currently 15% (median) and 9.8% (mean) (ONS, Manufacturing, 2020).

Our gender ratio on the Executive Committee remains at 50:50 and the appointment of Ruth Euling to the Board of Directors in April 2021 saw our gender ratio for Directors also move to 50:50 (Female:Male).

We are pleased with the progress we are making in relation to gender diversity and remain confident that we do not have issues of equal pay. We will continue to focus on increasing diversity of all types through proactive initiatives including training and continued robust recruitment, succession and development practices. We are confident that this will help maintain the low gender pay gap we have achieved.

The gender breakdown of our Board and workforce as at 26 March 2022 is illustrated in the graphics (right).

Gender diversity

(as at 26 March 2022)

All employees

1,638 male (71%)
673 female (29%)

Management[1]

185 male (64%)
105 female (36%)

Senior managers[2]

34 male (69%)
15 female (31%)

Executive

3 male (50%)
3 female (50%)

Board

4 male (50%)
4 female (50%)

Notes:

1. All managerial employees including senior managers.
2. Includes executive management.

Employee engagement and culture

Meaningful engagement with our employees, as well as with customers, suppliers and shareholders and the communities in which we operate, considered later in this report, enables us to react and respond to their needs and feedback.

One of the ways we do this is by seeking employee feedback in many ways including various forums and surveys.

We have maintained high levels of engagement during the pandemic and in FY22 we ran a global employee engagement survey[3].

83% of our employees responded to the survey, giving us a strong and representative set of data to work from. Overall, the scores to the questions we asked were extremely high, with an average agreement score across all questions of 85%. To provide context to that metric, it is considered that organisations that achieve over 75% agreement are deemed to have highly engaged employees.

In addition 79% of our employees told us that they would recommend De La Rue as a great place to work.

Understanding the views and perspectives of our employees is crucial to determining how we progress as a business. The feedback received through the survey enables us to identify strengths, as well as areas for improvement, at team, departmental, site, divisional and Group level. Each line manager received a report for their team and was encouraged to hold workshops to agree priorities and an action plan.

Certain questions are asked every time we run a survey – for example around ethics, health and safety and diversity and inclusion – in order to identify changes or trends and in 2021 also included a new set of questions around cultural norms to help us understand what it feels like to work at De La Rue particularly under the divisional structure we implemented in 2020.

In FY22 we also continued our Employee Engagement Forums where a group of employees from each site was able to talk with Maria Da Cunha, our Non-executive Director responsible for workforce engagement. As well as site specific matters which we can address quickly, a summary of the main themes that come out of these discussions is shared with the Board. Further information can be found on page 55.

During the year we successfully and safely onboarded more than 350 new colleagues despite the restrictions as a result of the pandemic such as periods of lockdown and remote working.

3. At the time of running the survey we did not include our Sri Lanka site due to the impact of Covid-19 at that time. However, the same survey will take place for these employees during 2022.

Target Gender Equality

Target Gender Equality is a gender equality accelerator programme for participating companies of the UN Global Compact. Through facilitated performance analysis, capacity building workshops, peer to peer learning and multi-stakeholder dialogue at the country level, Target Gender Equality support companies engaged with the UN Global Compact in setting and reaching ambitious corporate targets for women's representation and leadership.

As an active participant in the UNGC Target Gender Equality initiative in FY22, we have been able to benchmark ourselves and share learnings and best practice around diversity and inclusion with other companies.

Performance against FY22 health and safety objectives

Objective	Outcome
Aiming for zero lost time accidental injuries and to achieve a lost time injury frequency rate (LTIFR) per 200,000 worked hours of ≤0.32 over 12 months.	Our goal is always zero. Our 12 month rolling LTIFR reverted to 0.32 at the year end, having been higher than this for much of the period.
To ensure that greater or equal to 90% of all operational line managers and process leaders are trained to IOSH managing safely level, or an equivalent or higher qualification within 12 weeks of starting a new role.	We achieved an average of 88% versus our target of 90% to train supervisors and other line managers to IOSH Managing Safely, its equivalent level or higher by introducing some online IOSH managing safely certified training, a good achievement during Covid-19.
To increase the numbers of reported near miss/my safety concerns and achieve a five day closure rate of greater or equal to 85% at all facilities.	The numbers of near misses reported reduced from 3,600 to 3,000. This was due to the stopping of production in Gateshead and the reduced number of employees across several sites. The near miss reporting levels are still good and help reduce the hazards and risks. Closure rates exceeded 85% consistently.
To achieve greater or equal to 95% of compliance to our zone safe and secure inspection programmes.	During the year we took the opportunity to update our Safe & Secure area inspection process to include sustainability. Following the relaunch with additional criteria we achieved 80%.
To increase the volume, quality and variety of online health and safety training available for employees.	We increased our online training over the year, introduced several new courses on two platforms which has proved to be very beneficial during the Covid-19 pandemic.
To maintain our strong HSE training delivery performance of over 1,500 person days per year.	We increased our training days to 2,024 during the year which included covering homeworking risks during the hybrid working programme.

Training and development

Learning and development continues to be an important and underpinning element of our journey. Ensuring we have relevant and timely content available to help our people take ownership of their development and growth enables De La Rue to continue to grow and succeed.

Content is available through our Learning Management System (LMS) and through virtual classroom which gives people flexibility in learning approach. The LMS hosts a broad range of content covering compliance, skills and behaviours in bite sized format they can read or watch on the go. The virtual classroom provides the richness of conversation and discovery with others.

This year we have maintained a focus on developing an understanding of self and others and leading with inclusion. This empowers everyone in our business to bring their whole self to work and contributes to a culture of being valued and heard, driving faster decision making and innovation. We actively promote learning through others' experience with our mentoring scheme which is open to everyone in the business, and through sharing content and experience in clubs we manage on the LMS. We encourage the use of the apprenticeship levy for both continuous professional development and for building skills and capability across all sites in the UK.

Health, safety and wellbeing

Occupational health and safety

We continued to prioritise health and safety during the global pandemic. Through our robust internal controls using our business pandemic incident plan involving a bronze, silver and gold communications structure, we succeeded in limiting the impact on production and our delivery commitments.

Going forward, the health, safety and wellbeing of our employees continues to be of paramount importance. All our main manufacturing sites have transitioned to ISO 45001:2018 the international standard for occupational health and safety management systems which is externally audited by accredited providers. We ensure all our health and safety processes are robust and meet our responsibility to keep our employees and everyone visiting our sites safe and secure. This is done through clearly defined responsibilities, good communication and training, risk assessment and the implementation of appropriate controls. We continue to track several key metrics regarding health and safety including government reportable incidents, lost time accidents, near miss reporting and corrective actions and minor first aid incidents. This takes place alongside more proactive measures such as HSE training, compliance to our safe, secure and sustainable inspection programme and by providing specific health and safety training for managers.

All significant incidents are reported to the Executive Leadership Team on a monthly basis to support and agree any corrective actions required.

Objectives for FY23

Our health and safety objectives for FY23 are:

- Aiming for zero lost time accidental injuries and to achieve a lost time injury Frequency rate (LTIFR) per 200,000 worked hours of ≤0.32 over 12 months.
- To ensure that greater or equal to 80% of all operational line managers and process leaders are trained to IOSH managing safely level, or an equivalent or higher qualification within 12 weeks of starting a new role. Despite this target being lower than previous years, following organisational changes and Covid it is considered more realistic.
- To increase the numbers of reported near miss/my safety concerns and achieve a five day closure rate of ≥85% at all facilities.
- To achieve ≥90% compliance to our area Safe, Secure & Sustainable inspection programmes.
- To continue to increase the volume, quality and variety of online health and safety training available for employees and reintroduce some face to face training post Covid-19.
- To achieve good HSE training delivery performance of over 1,700 person days per year.

Wellbeing

The health and safety of our people remains a top priority and we give particular emphasis and support to their mental health and wellbeing.

We hold regular events and communications around topics such as sleep, stress awareness and nutrition.

All our sites have accredited Mental Health First Aiders (or equivalent) and we ensure they receive regular training and support. Other help and support available in different sites includes weekly fitness classes and webinars provided by medical professionals.

For our office based staff, following 18 months of working from home, September 2021 saw the introduction of our pilot hybrid working policy. This came about after asking our employees about their experience of working from home and their expectations going forward. This enables us to give teams the flexibility to work where best suits their specific needs while also benefiting the business in terms of engagement, productivity, retention and recruitment.

All sites have access to occupational health support and in the UK all employees have access to a free 24/7 virtual GP service as well as a mental wellbeing app.

In addition to physical and mental wellbeing we recognise the need to support financial wellbeing – this is done through access to financial advice, support and modelling tools.

Human rights

We fully support the principles set out in the UN Declaration of Human Rights and we have effective management systems in place to protect human rights. Our Code of Business Principles covers human rights issues including employment principles, health and safety, anti-bribery and corruption and the protection of personal information. The Code also highlights that we seek to provide an environment where employees can raise any concerns via a variety of mechanisms, including a whistleblowing hotline known as CodeLine which is managed by an external third party, and a network of Ethics Champions across the Group so issues can be raised in confidence.

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

Modern slavery

De La Rue directly employs more than 2,000 people and provides livelihoods to thousands more indirectly. We are committed to preventing slavery and human trafficking in our operations and in our supply chain and our modern slavery statement, available on our website, details the preventative steps we take and how we comply with the UK Modern Slavery Act 2015.

During the year we have extended our online modern slavery training module to additional colleagues.

Suppliers are obliged to abide by the United Nations Convention on the Rights of the Child and International Labour Conventions 138 and 182. Our new supplier onboarding process takes into account modern slavery risk.

Working with our unions

We continue to have long-established, strong and productive relationships with the unions in the countries where we have manufacturing operations and we recognise the following unions: UK (UNITE), Malta (General Workers Union), Kenya (Kenya Union of Printing, Publishing, Paper Manufacture, Pulp & Packaging Industries) and Sri Lanka (De La Rue Branch – Internal Company Employees Union). Overall, around 60% of our employees globally are part of a collective agreement.

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

- Successful consultation in our Debden and Westhoughton sites to align shift patterns in order to meet changing business requirements.
- Signing a new two-year collective bargaining agreement in Sri Lanka and a two-year pay deal agreement in the UK.
- Continued successful management through Covid-19 to minimise risks and impact on production contributing to delivering on production plans and safeguarding jobs across all sites.
- Reviewing the health and safety of employees globally in relation to Covid-19 and post pandemic management.
- Successful conclusion of UK pension consultation to change employer contributions.
- Attendance from UNITE UK external official at our annual UK and European Employee Forum.

Raising concerns

We encourage our employees to speak up about any concerns regarding behaviours or business practices. Internal reporting via line managers, senior management, Ethics Champions or our Human Resource teams are encouraged, but our CodeLine whistleblowing service, operated by an independent third party, is available for all employees to use and gives them the opportunity to report anonymously. Regular communications are issued, as well as ensuring posters are on display at sites to ensure awareness of the service is maintained. Further information about the service can be found in the Ethics Committee report on page 67.

External stakeholder engagement

Engagement with our customers, suppliers and shareholders, as well as the communities in which we operate, is crucial to the success of our business. Some of the ways we interact with them are summarised below.

Investors

The Board values the importance of building strong relationships with shareholders and investors. Further detail can be found in the Section 172 statement on pages 46 and 47 and in the corporate governance report on page 55.

Customers

De La Rue has maintained an adaptable and flexible approach to customer engagement during Covid-19.

In Authentication we held our first virtual expo – 'Technology Day' and further information can be found below.

In Currency we completed the sixth and final webinar in the 'Sustainable Confidence' series as the industry returned to physical conference. The Banknote and Currency Conference in February 2022 was the first global physical event joined since before the pandemic. May 2022 saw the inaugural Global Currency Forum and the rest of FY23 will have a regular series of regional and global events in currency.

We have expanded on our digital marketing, introducing an augmented reality app that allows central banks to explore our content and interact with our product collateral in a way not previously possible.

Suppliers

Our Supplier Code of Conduct clearly sets out the ethical standards to which we expect our suppliers to adhere.

Good progress has been made with the rollout of our online onboarding system for new suppliers and the cyclical screening of existing suppliers – 80% of our spend with third party suppliers is now with suppliers who have been qualified and approved through our onboarding and screening platform.

We have been working in close partnership with our key suppliers across the past year to mitigate and manage the impact of the current global supply chain challenges associated with the ongoing pandemic.

We have continued with our Scope 3 analysis work, recognising this significant carbon impact and are currently engaging with a subset of our key suppliers for our polymer banknote substrate. In FY23 we are looking forward to widening this approach across all our key suppliers through our EcoVadis subscription to drive improved understanding and visibility of our suppliers' ESG impacts and to drive sustainability improvements across our supply chain.

Technology Day

Our first virtual expo – 'Technology Day' commemorated the achievements of De La Rue's scientists, researchers, engineers and designers that have contributed towards authentication and traceability solutions.

We welcomed brands, governments, and enforcement agencies from all over the world. Four interactive sessions showcased the latest innovations made across a few of our technology platforms in the pursuit of anti-counterfeit solutions, supply chain transparency, and the latest tools available to verify genuine products.

Session 1: The Latest Innovations in Holography

Session 2: The Vision for Security Digital Print

Session 3: New Developments in Traceability Software

Session 4: The Future of Brand Protection

Charitable and community activities

We are conscious of our responsibilities to the wider communities in which our operations are based. We focus our charitable activities on the local community to ensure we are having a positive impact.

Recent examples include:

To mark International Women's Day 2022 our head office and Malta site employees donated essential items to women and children escaping domestic violence. At Christmas head office colleagues also donated educational toys to a local school for children with special educational and medical needs.

Our Westhoughton site ran a competition for children of employees to brighten up the site by creating artwork to express their experience of living through the Covid-19 pandemic.

Colleagues in Kenya collected and donated food and clothing to a local home for the elderly which was delivered in person in order to be able to interact with the home's residents.

In Sri Lanka employees visited a local hospital to donate much needed supplies and equipment to the Covid-19 ward.

Business standards

It is vital that we treat our colleagues, suppliers, customers and communities in an ethical and respectful way and conduct our business with integrity, honesty and transparency. The risks of unethical conduct are recognised and managed through a robust governance and compliance structure, underpinned by our Code of Business Principles, and comprising internal policies, process and oversight and compliance assurance standards. The graphic on page 45 summarises our ethical governance framework.

The Board encourages a culture of strong governance across the business. Our ethical credentials are monitored by the Ethics Committee and via formal internal and external audits. In addition to the governance activities described earlier in this responsible business report, further details about the activities of the Board and its various committees can be found in the Corporate Governance section of this Annual Report.

Code of Business Principles

Our Code of Business Principles focuses on nine core principles which define the way in which we conduct ourselves and work on a daily basis. On joining the business, and at regular intervals, all employees are required to confirm that they understand and abide by the Code. In summer 2021 employees were asked to reaffirm their understanding of and compliance with the Code.

If an employee is found to have acted in breach of the Code, the Group takes appropriate action to address that breach including disciplinary action and ultimately terminating employment in the most serious cases. Contractors and all those acting on our behalf are also expected to adhere to these standards.

Ethics Champions

The Group's network of Ethics Champions ensures that each site has local support and representation for Code of Business Principles matters and continues to play an integral part in ensuring that strong ethical values are embedded across the business. All new Ethics Champions receive one-to-one training and regular sessions are held to provide ongoing interactions with our Ethics Champions as a group. During the year these sessions included a refresher and update on our CodeLine whistleblowing service and the kick-off of a review of our current Code of Business Principles. Where possible Ethics Champions also get involved with employee induction to ensure new starters know who they can approach with questions around ethical practices.

Anti-bribery and corruption

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

De La Rue is one of the founding members of the Banknote Ethics Initiative (BnEI) which was established to promote ethical business practice in the banknote industry. The initiative sets out a robust framework for promoting high ethical standards with a focus on the prevention of corruption and on compliance with anti-trust law. Members are required to commit to the Code of Ethical Business Practice developed in partnership with the Institute of Business Ethics. Compliance with the code through processes, procedures and controls is rigorously tested through an audit framework developed in conjunction with GoodCorporation, recognised as a leading company in the field of corporate responsibility assurance and business ethics. De La Rue is accredited at Level 1, the highest level.

In March 2022 we also achieved ISO 37001 (anti-bribery management system) accreditation for our head office site.

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

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

During the year colleagues who have regular contact with customers and suppliers were asked to acknowledge their understanding of and adherence to our gifts and hospitality policy.

Third party partner sales consultants (TPPs)

We recognise that as well as our employees, TPPs who represent us or act on our behalf around the world could be exposed to ethical risks. There is a continuing requirement for TPPs to undergo our mandatory training programme and to conduct business in compliance with our expected ethical standards. Due diligence is undertaken on all our TPPs before they are engaged and this process is reviewed on a regular basis. TPPs are given regular training to ensure they remain alert to potential risks. We have risk management measures and controls in place including in relation to remuneration of TPPs. Fees are based on time and effort and milestone deliverables to ensure accountability and transparency. Activities are monitored through regular reporting and we ensure that the remuneration structure does not incentivise unethical behaviour.

Training

Regular, relevant and focused training is important to ensure the highest standards of business behaviours. During the period, we ran mandatory online training to raise awareness about the Criminal Finances Act 2017, continued to allocate anti-bribery and corruption and competition law training to new joiners and extended training to promote awareness of modern slavery issues. The Ethics Committee reviews compliance training completion information.

Tax transparency

It is important that the Group pays the right amount of tax at the right time, complying with all relevant tax laws and regulations in the jurisdictions in which we do business while both respecting existing arrangements or seeking to reach agreements with tax authorities. De La Rue's tax strategy is reviewed annually by the Board and published on our website.

Cyber security and data privacy

De La Rue takes the protection and security of its internal and customer information very seriously; the information security and assurance team who perform the internal governance and audit function have a separate reporting line to both the customer and corporate IT teams to ensure there is no conflict of interest and clear segregation of duties. Further information can be found in the risk report on page 30.

A review of De La Rue's data protection policies, procedures and documents by external experts has been completed and recommendations are being implemented to ensure they are fully compliant with all applicable legislation and regulation and are in line with current best practice.

Accreditations and certifications

In addition to the BnEI accreditation, De La Rue maintains ISO standards for anti-bribery (ISO 37001), health and safety (ISO 45001), environment management (ISO 14001), information security (ISO 27001), security printing (ISO 14298), quality management (ISO 9001) and business continuity management systems (ISO 22301). Our ISO standards are all certified by a UKAS, INTERGRAF or international equivalent certified auditing body. Further information on the auditing and scope of each standard can be found on our website.

BnEI
Banknote Ethics Initiative

CERTIFIED ANTI-BRIBERY MANAGEMENT SYSTEM
UNITED REGISTRAR OF SYSTEMS URS ISO 37001

To complement our existing BnEI certification, in March 2022 we were pleased to achieve ISO 37001:2016 (anti-bribery management systems) accreditation, further underlining our commitment to maintaining the highest ethical standards in the conduct of our business.

Non-financial information statement

This section (pages 34 to 44) provides information as required by regulation in relation to:

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

Other related information can be found as follows:

– Chairman's statement	See pages 6 to 7.
– Our business model	See pages 14 to 17.
– Key performance indicators	See pages 24 to 25.
– Non-financial key performance indicators	See page 25.
– Risk and risk management	See pages 27 to 31.
– Corporate governance	See pages 54 and 58.
– Ethics Committee	See page 67.
– Directors' report	See page 85 to 88.

Strategic Report

This Strategic Report (comprising pages 1 to 47 inclusive) was approved by the Board on 24 May 2022.

By order of the Board

Jane Hyde
Company Secretary

24 May 2022

Code of Business Principles

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

Backed up by policies

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

Supported by processes

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

Underpinned by oversight, controls and communication

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

Engaging with our stakeholders

In their discussions and decision-making during the year to 26 March 2022, the Directors have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard to stakeholders' interests and specifically each of the matters set out in section 172(1) (a)-(f) of the Companies Act 2006. That includes:

The likely consequence of any decision in the long term:

The Directors recognise that the many of the decisions they make can influence or drive our long-term success. The principal focus for the Board and executive management in the year was on delivering the longer-term outcomes set out in our business strategy, the Turnaround Plan. As well as in-year results, this also involves significant transformational change and capital expenditure to re-position the Group's manufacturing base for the long term. The Directors have also considered longer term sustainability goals, including setting targets for 2030 and 2050, in each case supported by action plans.

The interests of our employees and wider workforce:

While we are a relatively capital-intensive business, we also rely on our highly skilled workforce to deliver our business results. The Directors and Board understand the strategic importance of these important stakeholders to our future and always have due regard to the interests of our employees, contractors and other members of the workforce. There is always the necessity of balancing competing interests and not every decision we make will necessarily result in a positive outcome for each of these stakeholders.

Maria da Cunha acted as the independent Non-executive Director designated to lead on workforce engagement during the year and held a series of Employee Voice Forum meetings with workers at the substantial majority of our sites globally, relaying her findings and recommendations to the Board.

Keeping our people safe, especially through the Covid-19 pandemic, has been a material concern for the Board throughout the year.

The Board has also reviewed the results of our annual Group-wide employee survey during the year, details of which can be found on page 41.

The Board and its Committees have had numerous other discussions in relation to people matters with the CEO and other members of the Executive Leadership Team during the year.

The need to foster business relationships with our suppliers, customers and other key stakeholders:

We are proud that we have served many of our customers for many years and, in some cases, decades. We have similarly longstanding relationships with many key suppliers of goods and services. The Directors and Board understand the strategic importance of these and other stakeholders to our business. We strive to develop and maintain business relationships based on mutual understanding, respect and trust.

While most of the engagement with customers and suppliers is led by executive management, the Board reviewed the status of our entire supply chain during the year, recognising the pressures that many suppliers were experiencing due to global macro-economic conditions. The Board also considered the potential impact of these issues on our ability to continue to meet our commitments to our customers.

The impact of our operations on the community and environment:

The Directors and Board understand the importance of De La Rue being a 'good neighbour'. Specifically, they recognise our responsibilities and obligations in relation to climate change and the environment.

During the year the Board adopted a new sustainability strategy, building on our sector-leading approach to climate change. The Directors have adopted action plans to achieve carbon neutrality for our own operations by 2030 and set a target of reaching net zero across out business by 2050.

This year we have also implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). See page 35 for our response to TCFD.

The desirability of maintaining a reputation for high standards of business conduct:

The Board acknowledges its responsibility for establishing the purpose, values and strategy of the Company and ensuring that the culture, including adhering to high standards of business conduct, is aligned with these goals. The Directors and Board recognise that trust has to be earned over years and can be lost in minutes.

The Ethics Committee monitors the work being done to drive a healthy corporate culture, including monitoring reports made to our CodeLine whistleblowing service.

During the year the Board reviewed supplier risk which included ethical risk considerations (including modern slavery risks). They also considered and approved an updated anti-bribery policy, and progress made with the roll-out of a new fee model for Third Party Partner sales consultants (TPPs) who represent us in certain countries. The Ethics Committee reviewed the control environment in relation to TPP appointment, including terms of engagement and incentivisation, to assess potential risks and the mitigations in place to ensure that we do business in the right way.

The need to act fairly as between our shareholders:

Our shareholders collectively provide the core funding for our business. Every share carries equal rights, whether held by an institutional investor or a retail shareholder. The views of all of our investors are an important consideration and are regularly summarised and presented to the Board. Over 90% of our shares are held by institutional investors. We engage proactively with the fund managers who control these shares and discuss a range of strategic and operational issues though, importantly, they are given no privileged access to information. The balance of our shares are held by employees or retail shareholders, being just under 5,000 shareholders. While it is more challenging to deal directly with this audience, we use the AGM as our primary means of engagement but will also listen and, where necessary, respond whenever views are expressed to us. We provided a Q&A facility on our website in advance of the 2021 AGM and an audio webcast for those unable to attend in person because of Covid restrictions.

Key decisions made in FY22

The three examples below show how the Board followed the principles described opposite when dealing with three of the major decisions taken during the year:

Malta Phase 2 investment

The decision to expand the capacity of our production site in Malta is a hugely important part of the Group's strategic development, that will enhance both capacity and capability across our Authentication and Currency businesses.

We identified the key stakeholders at an early stage, including our existing employees and wider workforce locally as well as the Government of Malta and certain of its agencies. The decision to expand in Malta also recognised the potential for the use of solar power at the site, which helps to minimise the carbon footprint of the expanded production capacity. As Malta is one of our lower cost operational facilities but in an EU member state with a robust legal system, the interests of our investors and lending banks were also recognised and addressed.

We engaged heavily with the Government and Malta Enterprises, despite the challenges of Covid-19, to maximise the financial benefit of our decision to invest in the country.

The Board considered the interests of our workforce, present and future, in Malta when approving the investment. The potential to fit the factory roof with solar panels at a relatively low cost and secure our own supply of renewable energy (and so de-couple the site from the market price of electricity) was an important consideration. We have also committed to plant 10 trees for each one removed in the site development. The financial partnership and structure that we agreed with the government was also a material part of the Board's decision-making.

For more information see page 9.

Pension Scheme funding

Agreement was reached with the trustees of the UK defined benefit pension scheme during the year to revise the funding plan for the pension scheme, avoiding the 'step up' in contributions from £15m to £24.5m for the period April 2023 to March 2029. This reduces the Group's cash contributions to the scheme by £57m, with a clear benefit for our long-term cash generation.

The stakeholders in this decision were the trustees, representing the interests of the pension scheme and, indirectly, those employees and ex-employees with DB pension benefits. To provide additional comfort for the trustees, we agreed that the trustees could be offered equal 'pari passu' recourse ranking, by way of guarantees from the same Group companies that guarantee the Group's borrowings. By reducing the cash outflow to the pension scheme, the interests of the Group's shareholders were recognised.

In reaching its decision, the Board was essentially balancing the interests of the trustees and employees against those of the Company's shareholders. The position of the Group's lending banks was another important consideration and we are pleased that we were able to implement our agreement with the trustees with the support of our lenders. The Board is confident that the overall outcome is beneficial for all the parties involved.

Sustainability strategy

The Board approved a new sustainability strategy, which recognised the interests of our customers, lending banks and shareholders, who all want assurance that we are meeting our responsibilities in helping to address climate change. Being able to demonstrate our industry-leading sustainability credentials and plans is a crucial part of our marketing strategy and should help us retain and win customer contracts that could run for multiple years. The same plans will also secure access to sources of finance, including lending banks, debt and equity capital markets, as well as satisfying our existing shareholders, whose expectations of investee companies are ever-increasing.

The Board considered the costs associated with implementing the sustainability strategy, which are more than compensated by the benefits that are expected to accrue from strong customer relationships and protecting our access to finance and capital markets. The Board also took into account the direct environmental benefits of a reduced carbon footprint and lower amounts of waste, including that sent to landfill. Additional intangible benefits identified by the Board include our ability to retain and attract employees and other members of our workforce, who increasingly want to see that their employer does business responsibly and ethically.

02

Corporate Governance

Chairman's introduction

De La Rue's purpose is securing trust between people, businesses and governments. We operate globally in markets where security, integrity and accountability are paramount. To earn and repay our stakeholders' trust, we are forging an innovative, responsive and high-performing culture.

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

Kevin Loosemore
Chairman

Dear Shareholder,

Our purpose requires that we maintain high ethical standards and behaviour. This commitment is implemented through our Code of Business Principles, which all employees and contractors, business partners and other third party suppliers must follow.

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

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

The section 172 statement on pages 46 and 47 describes how the Board took its wider responsibilities into account during the year. While our primary duty remains to deliver economic returns to shareholders sustainably over the long term, we recognise that this cannot be done unless we also understand and respect the interests of a much wider range of stakeholders.

Our workforce is a vitally important stakeholder. To enable the Board to understand the views of the workforce at all levels of the organisation and to inform its decision making, there is a designated Non-executive Director responsible for workforce engagement. For the last three years this role has been performed by Maria da Cunha. This responsibility will be assumed by Catherine Ashton when Maria leaves the board. For further information on how we engage with our workforce and other key stakeholders, please see the Responsible Business section on pages 32 to 42.

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

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

We have implemented a robust governance framework, including defined roles for the Board and its Committees, with the aim of best supporting the delivery of our business goals. This framework was developed in line with the requirements and recommendations of the July 2018 edition of the UK Corporate Governance Code (the Code). During the year, we adopted a new sustainability strategy as part of how we do business.

Board changes and succession planning

On 1 April 2021 we appointed Ruth Euling, MD of the Currency business, as an Executive Director and Ruth has further strengthened the executive contribution to the Board's deliberations, drawing on her vast experience of the currency industry.

After 7 years as a Non-executive Director, Maria da Cunha has decided not to seek re-election this year and will retire from the Board at the 2022 AGM. I would like to thank Maria for her unwavering commitment and the significant contribution she has made to De La Rue during her time as a Director. Maria will be replaced in her role as Remuneration Committee Chair by Margaret Rice-Jones and as the Non-executive Director responsible for leading workforce engagement by Catherine Ashton.

As at 26 March 2022 the Board had eight Directors, four of whom are women. This will reduce to seven Directors following the AGM, and we continue to keep the blend of backgrounds, skills, experience available at our Board table and the diversity of our Board Directors under review.

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

Board effectiveness

An evaluation of the Board and its Committees has been undertaken in 2022, using an external facilitator from Lintstock. As a result of the evaluation, the Board concluded that both it and its Committees are currently operating effectively. The Board felt that two changes should be made to its future ways of working, relating to succession planning and its visible leadership of the Group. For details of the process followed and the changes we are implementing, please see pages 58 and 59.

Kevin Loosemore
Chairman

24 May 2022

Compliance statement

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

The Board considers that it and the Company have, throughout the period to 26 March 2022, complied with all of the provisions of the Code, save in relation to Provision 12. As noted in last year's Annual Report, we did not have a Senior Independent Director (SID) from the start of the year until the Board meeting on 25 May 2021, when Margaret Rice-Jones was appointed as the new SID.

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

Board of Directors

A successful Company led by an effective and efficient Board. Brief biographies of the Directors and the Company Secretary, together with details of their other business interests and the Board committees on which they serve, are set out below:

Kevin Loosemore
Chairman

E N

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

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

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

Clive Vacher
Chief Executive Officer

N Ri

Appointed to the Board on 7 October 2019

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

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

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

Rob Harding
Chief Financial Officer

Ri

Appointed to the Board on 1 October 2020

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

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

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

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

Margaret Rice-Jones
Senior Independent Director

A E N Re

Appointed to the Board on 22 September 2020

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

Career, skills and experience
Margaret has extensive experience within innovative technology businesses, bringing particular expertise in software and digital platforms. She has an engineering background and has operated at board level in a number of executive and non-executive roles. Margaret was Chair of Skyscanner Limited from 2013 to 2016, when it was sold to CTrip for £1.4 bn, Chair of Confused.com until its sale in 2021, and a director of Xaar plc from 2015 to 2020, where she was the Senior Independent Director and Chair of the Remuneration Committee. Margaret was previously CEO of Aircom International Limited, a global software and services company and held senior executive positions at Motorola Inc. and Psion UK plc.

Nick Bray
Independent Non-executive Director

A E N Re

Appointed to the Board on 21 July 2016

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

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

Ruth Euling
Executive Director & MD, Currency

Ri

Appointed to the Board on 1 April 2021

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

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

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

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

A E N Re

Appointed to the Board on 22 September 2020

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

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

Maria da Cunha
Independent Non-executive Director

A E N Re

Appointed to the Board on 23 July 2015

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

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

Jane Hyde
General Counsel & Company Secretary

Ri

Appointed as General Counsel on 20 January 2020 and as Company Secretary with effect from 22 January 2020

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

Key for committees

- A Audit Committee
- N Nomination Committee
- Ri Risk Committee
- E Ethics Committee
- Re Remuneration Committee
- ◯ Committee Chair

Corporate Governance report

This report provides an overview of the work undertaken by the Board and its Committees in fulfilling their governance responsibilities and describes how the principles of the Code have been applied during the period to 26 March 2022.

Board leadership and company purpose

An effective and efficient Board

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

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

The Board sets the Group's purpose, strategy and goals and monitors the delivery of these. The Company's purpose is clear – that of securing trust between people, businesses and governments – and the medium term strategy is similarly clear; delivery of the Turnaround Plan in which our shareholders and lending banks invested. The strategy is explained on pages 4 and 5. Business is about taking considered risks to earn a return, and a key responsibility of the Board is in overseeing and monitoring (with the support of the Audit Committee and Risk Committee) our risk management programme and internal control environment.

For further details of our risk management programme and the principal risks that the Group faces, please see pages 27 to 30. For further information on our internal control environment, please see pages 59 and 66.

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

Put resources in place and measure performance

The diverse range of skills and experience that the Chairman and the Non-executive Directors bring to the Company means that they are well-qualified to understand the resources needed to run the business properly and sustainably. As 'critical friends', they scrutinise performance and provide support and constructive challenge to the Executive Directors and wider leadership team as appropriate.

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

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

Effective engagement with shareholders and other stakeholders

While their primary duty is to deliver a sustainable, long term return to shareholders, the Directors are aware of their wider obligations, both to direct stakeholders and to society more generally. The section 172 statement on pages 46 and 47 explains how the Board took the interests of key stakeholders into account in its discussions and decision making on the key topics considered during the year.

During the year, Maria da Cunha has continued in her role as the Non-executive Director responsible for workforce engagement. In this capacity, Maria gathers the views of the workforce at all levels throughout the organisation and shares these views with the Board at relevant points in its discussions and decision making. During FY22 she held 'Employee Voice Forum' sessions with employees at all of the Group's major employment locations in the UK, Dubai, Kenya, Malta, Saudi Arabia, Sri Lanka and the USA. Due to Covid restrictions, most of these sessions were conducted remotely. The feedback from these was presented to the Board in October 2021. In addition, Maria attended a two-day in-person meeting of our UK/European Employee Forum in November 2021. This comprises elected representatives from our workforce in the UK and EU countries and enables management to present business updates and issues while listening and responding to questions and concerns the attendees may raise. The EEF enables the general sentiment of our workforce to be assessed, which Maria then reports back to the Board.

These activities complement the data and information gathered through formal surveys and working groups as part of the normal management process. Where appropriate, actions to address concerns raised by employees are then resolved and communicated to employees via various internal newsletters and direct all-employee communications by the Chief Executive Officer. Further details of progress made this year are set out in the Responsible Business report on pages 32 to 44.

We believe that this approach works well for the Company and Catherine Ashton has agreed to replace Maria da Cunha as the Non-executive Director responsible for workforce engagement after Maria retires from the Board at the 2022 AGM.

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

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

While our principal engagement with the retail shareholder base is at the AGM, we also welcome contacts from them throughout the year. All Directors attend the AGM, where the Committee Chairs are available to take questions. All votes are taken on a poll to enable the proxy votes cast by those unable to attend the meeting are counted.

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

Workforce policies and practices to support long term sustainable success

Every business depends on a skilled, dedicated and motivated workforce to deliver the business results it seeks. It is critical that the way in which the Company manages its workforce supports the long term sustainable success of the Group and we have adopted a range of policies and practices with this aim. Our values inform much of this and establishing two-way communications with our workforce and, where relevant, their elected representatives, is an important factor in achieving that success. The work undertaken by Maria da Cunha during the year to undertake direct workforce engagement on behalf of the Board is an important bolstering of our existing processes. This work will be continued by Maria's successor, Catherine Ashton, when Maria retires from the Board at this year's AGM.

A dedicated whistleblowing hotline allows our workforce to raise concerns about ethical breaches confidentially, or anonymously if preferred, by a range of methods. For further information, please see the Ethics Committee report on page 67.

An effective Board with clear responsibilities

The role of the Chairman

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

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

An appropriate Board composition

As at 26 March 2022 the Board had eight members, being the Chairman, three Executive Directors (the CEO, the CFO and the MD, Currency) and four independent Non-executive Directors. Biographies setting out the skills and experience of the Directors are set out on pages 52 and 53.

All of the Non-executive Directors are considered by the Board to be independent, both in thought and relative to the criteria set out in the Code. Kevin Loosemore worked for the Company from 1997 to 1999 and now receives a small pension from the Company's defined benefit pension scheme. Margaret Rice-Jones worked for the Company from 1997 to 2000 and has a deferred pension entitlement in the same scheme, as does Ruth Euling, whose accrual of benefits ceased in March 2013. These potential conflicts of interest have been declared to and authorised by the Board, under its normal processes.

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

The Board has established a process to review at least annually any actual or potential conflict of interest. The most recent review was in March 2022. Any transactional conflicts are required to be notified, and would be reviewed, as they arise.

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

The Directors are, individually and collectively as a Board, accountable to shareholders for their performance. Each Director will retire from office at the AGM on 27 July 2022 and offer themselves for re-election, other than Maria da Cunha, who has decided not to seek re-election this year and will therefore retire from the Board at the 2022 AGM.

The role and contribution of the Non-executive Directors

The basis on which the Board identifies the skills, experience and personal attributes required of the Non-executive Directors is described in the Nomination Committee report on pages 60 and 61. As part of the selection process, candidates are asked to confirm that they will have sufficient time to meet their responsibilities as Directors and undertake not to accept further appointments without first clearing this with the Chairman.

The role of the Non-executive Directors is described in the table on page 55 but is essentially to provide constructive challenge, strategic guidance, offer specialist input and hold management to account. The Non-executive Directors come from diverse backgrounds and have a wide range of skills and experience. We believe that there is a distinct synergy benefit from this diversity and that the Board's discussions benefit from the range of perspectives it provides.

An effective and efficient Board

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

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

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

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

Where the Board's oversight responsibilities require dedicated focus on specific areas, the Board has established Committees to provide the relevant insight, whose roles and activities are explained on pages 60 to 85.

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

The Board met formally on six occasions during the period ended 26 March 2022. Five of these meetings were held in person and one was held by video-conference call due to Covid-related precautionary measures that were in force at the time.

Attendance at those meetings and at those of the Committees is shown in the table below. Where a Director is unable to participate in a Board or Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Chairman of the Board or the relevant Board Committee Chair.

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

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

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

Directors' attendance[1]	Board[2]	Audit Committee	Nomination Committee	Remuneration Committee	Ethics Committee
Catherine Ashton	6 (6)	4 (4)	3 (3)	4 (4)	2 (2)
Nick Bray	6 (6)	4 (4)	3 (3)	4 (4)	2 (2)
Maria da Cunha	6 (6)	4 (4)	3 (3)	4 (4)	2 (2)
Ruth Euling[3]	6 (6)	n/a	n/a	n/a	n/a
Rob Harding	6 (6)	4 (4)	n/a	n/a	2 (2)
Kevin Loosemore	6 (6)	4 (4)	3 (3)	4 (4)	2 (2)
Margaret Rice-Jones	6 (6)	4 (4)	3 (3)	4 (4)	2 (2)
Clive Vacher	6 (6)	4 (4)	3 (3)	4 (4)	2 (2)

Notes:
1. Figures in brackets denote the maximum number of meetings that could have been attended.
2. In addition to the meetings detailed within the table above, there were a further six ad hoc Board calls and meetings that did not require the participation of the full Board. These generally dealt with matters that had been previously discussed and largely agreed, but where formal final authorisation was required in accordance with the Group's internal approvals process.
3. Ruth Euling joined the Board on 1 April 2021.

Our governance framework

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

Remuneration Committee

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

For more information
see pages 69 to 84.

Risk Committee

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

For more information
see page 68.

Audit Committee

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

For more information
see pages 62 to 66.

Board of Directors and Company Secretary

Kevin Loosemore
Chairman

Clive Vacher
CEO

Rob Harding
CFO

Margaret Rice-Jones
Senior Independent Director

Catherine Ashton
Independent
Non-executive Director

Nick Bray
Independent
Non-executive Director

Ruth Euling
Executive
Director

Maria da Cunha
Independent
Non-executive Director

Jane Hyde
General Counsel and
Company Secretary

Nomination Committee

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

For more information
see pages 60 and 61.

Ethics Committee

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

For more information
see page 67.

Disclosure Committee

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

Chief Executive Officer

Executive Leadership Team

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

For more information
see page 56.

Group Health, Safety and Environment Committee

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

For more information
see pages 32 to 35 and page 38.

Board composition, succession and evaluation

Appointing the right people in the right way

Securing the best possible candidate for every role is critical. The Nomination Committee report on pages 60 to 61 provides more information on how we create the candidate specification for a Director appointment, including diversity considerations, and then identify and appoint candidates.

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

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

Skills, experience and knowledge of the Board

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

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

Annual evaluation of the Board's effectiveness

The Chairman is responsible, with the support of the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity. The Company conducts a formal annual performance evaluation process for the Board, its Committees and individual Directors. A performance evaluation was conducted in 2022, using an external independent facilitator, Lintstock Limited, which has no other connection with the Company or individual Directors.

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

Board activity during the year

During the period ended 26 March 2022, the Board continued to focus on the execution and delivery of the strategic objectives contained in the Turnaround Plan, while also addressing the wider responsibilities that fell within its remit. For details of how stakeholders' interests were identified and considered, please see the section 172 statement on pages 46 and 47.

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

Strategy	– Received presentations from different parts of the business on product portfolios, progress with agreed strategy and potential business opportunities – Held the annual strategy review meeting in July 2021 – Approved the FY23 budget and medium term plans in the context of the Turnaround Plan and agreed strategy – Reviewed progress on implementation of the Turnaround Plan through regular reports from the Chief Executive Officer – Approved implementation of the projects underpinning the Turnaround Plan, including the phase 2 investment at the Westhoughton and Malta sites – Adopted a Sustainability strategy	**For more information** see page 4.
Shareholder engagement	– Reviewed reports from brokers on shareholder feedback and market perceptions of De La Rue – Consulted with shareholders and proxy voting bodies on resolutions put to the AGM	**For more information** see pages 46 to 47 and page 54.
Performance monitoring	– Reviewed reports on the Group's operating performance from the Chief Executive Officer – Reviewed reports on the Group's financial position from the Chief Financial Officer – Reviewed the year end and interim results and trading updates	**For more information** see pages 18 to 25.
People	– Received an update from the Group Director of Human Resources on people capability, employee engagement and progress on the culture change journey – Succession planning including in relation to Maria da Cunha retiring from the Board at this year's AGM – Reviewed the results of the 2021 employee survey – Reviewed workforce engagement across the business – Received reports from Maria da Cunha on the views of the workforce – Considered the views of employees and their representatives on changes to terms and conditions of employment and the restructuring of our central enabling functions and operational sites – Considered the views of the trustees of the Group's pension schemes and agreed a revised actuarial valuation of the De La Rue Pension Scheme and deficit contribution plan	**For more information** see pages 38 to 41.
Governance and risk	– Assessed the Group's principal risks and risk appetite – Monitored the management of risk within the business – Monitored the Group's response to the Covid-19 pandemic – Monitored the management of HSE risks generally, including those in relation to the implementation of the Turnaround Plan – Approved changes to the composition of the Board – Discussed the results of the Board performance evaluation	**For more information** on principal risks see pages 27 to 31. on our Board Committees see pages 60 to 89.
Accountability	– Approved the 2021 annual report and accounts and the 2021 notice of AGM	

The results of the effectiveness review of the Board and each of the principal Committees were compiled by Lintstock and presented to the Board in May 2022. The conclusions were that the performance of the Board, its Committees and individual Directors was effective but the Board felt that two changes should be made to its future ways of working. The first of these relates to succession planning. After a period of rapid and fundamental change in management two years ago, the Board believes that it should now devote more attention to developing a longer-term succession plan for roles in the executive leadership team and senior management. The second area is increasing the Board's visibility to the wider Group. The Board is conscious of the importance of regular contact with the business and operational management but, due to the Covid 19 pandemic, the previous pattern of site visits was unavoidably disrupted. The Board will reintroduce a regular programme of site visits and meetings, commencing with a visit to the polymer production site at Westhoughton in July 2022.

The Chairman and each Committee Chairman have discussions with each Director or Committee member based on the report. During the period in 2021 when there was no formally appointed SID, the Chairman of the Remuneration Committee appraised the Chairman's performance in discussions with the Non-executive Directors and the Executive Directors, in his absence. The Chairman holds one-to-one meetings with all Directors to review their contribution to the Board. All of these processes were carried out satisfactorily during the year.

Audit, risk and internal control

Internal and external audit and the integrity of financial reporting

The Board has delegated power to the Audit Committee so that it has primary responsibility for providing oversight of the integrity of the Group's financial statements and associated narrative reporting and acting as guardians of the independence and effectiveness of the internal audit function and external audit process. For further details, please refer to the Audit Committee report on pages 62 to 66.

Fair, balanced and understandable reporting

The Directors believe that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy. For details of the process that was followed to enable the Board to make this statement, please refer to the Audit Committee report on pages 62 to 66.

Management of risk and oversight of internal control

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

The Board has determined the Company's risk appetite, being the nature and extent of the principal risks it is willing to take in order to achieve its long term strategic objectives. The most recent assessment of this was in March 2022. The Board has carried out a robust assessment of the Company's principal and emerging risks. Further details of the principal risks and the Group's approach to risk management can be found in the risk management section on pages 27 to 31, with a description of how this is overseen by the Risk Committee on page 68.

The Board oversees the Group's internal control framework, with the Audit Committee taking a leading role in this work. The Board has carried out a review of the effectiveness of the Company's systems of risk management and internal control, covering all material controls, including financial, operational and compliance controls. For further details, please refer to the Audit Committee report on pages 62 to 66.

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

Appropriate remuneration

Linkage of remuneration to strategy and performance

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

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

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

The remuneration arrangements we have put in place are clearly aligned with the Company's purpose and values. For further information, please refer to the Remuneration Committee report on pages 69 to 84.

Procedures for developing policy and determining pay

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

For further information, please refer to the Remuneration Committee report on pages 69 to 84.

Exercise of independent judgement and discretion

Each of the Remuneration Committee members is an independent Non-executive Director. They exercise their independence and personal judgement when considering pay arrangements and remuneration outcomes and will exercise discretion whenever and wherever warranted. The Committee members have regard to Company performance and wider circumstances, as well as individual performance, in determining pay. For further information, please refer to the Remuneration Committee report on pages 69 to 84.

Nomination Committee

"It is important that we have an inclusive and diverse culture, and we aim to reflect this in the Board's composition."

Members & attendance

Member	Directors' attendance
Kevin Loosemore (Chairman)	3 (3)
Clive Vacher	3 (3)
Nick Bray	3 (3)
Maria da Cunha	3 (3)
Catherine Ashton	3 (3)
Margaret Rice-Jones	3 (3)

Notes:
Figures in brackets denote the maximum number of meetings that could have been attended.
Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.
Biographical details of the members of the Board who held office up to the date of this report can be found on pages 52 and 53.

Principal responsibilities

Board composition

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

Succession

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

Effectiveness

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

Dear Shareholder,

I am pleased to present the Nomination Committee report for the period ended 26 March 2022.

Operation of the Committee

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

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

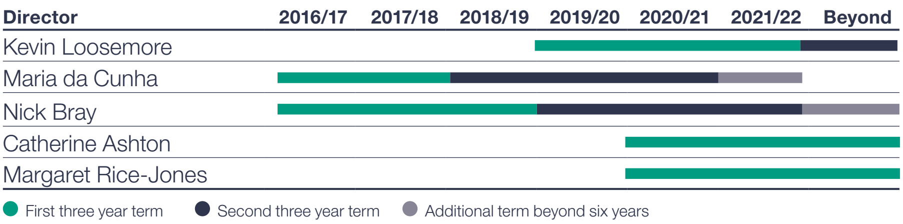
Activities during the period

The Committee met three times during the period ended 26 March 2022. The principal matters considered at its meetings were:

- A recommendation to the Board to appoint Margaret Rice-Jones as the Senior Independent Director
- A recommendation to the Board to extend Nick Bray's tenure as a Non-executive Director by a further year beyond the end of his second three-year term
- Considering the potential recruitment of an additional Non-executive Director, to ensure that the skills and experience available at the Board table remain appropriate and taking into account external expectations in relation to diversity considerations
- A recommendation to the Board to extend the Chairman's term of office for a second three year term
- Recommending the appointment of Margaret Rice-Jones as Chair of the Remuneration Committee and Catherine Ashton as the Non-executive Director responsible for employee engagement, in each case following Maria da Cunha's retirement from the Board at the 2022 AGM
- Review of the commitment, contribution and effectiveness of the Non-executive Directors seeking re-election at the AGM, following a formal performance appraisal process.

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

Non-executive Directors' tenure



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

Approach to succession planning and talent

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

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

The Board meets the ELT members and other key managers both formally and informally to exchange views and ideas. During the period, the Board undertook a succession planning review which included considerations in relation to diversity.

Board diversity policy and practice

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

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

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

Board appointments and process followed

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

Re-election of Directors

All Directors will stand for re-election at the 2022 AGM with the exception of Maria da Cunha, who has decided not to seek re-election after seven years' service as a Non-executive Director.

The Board has carried out a formal performance evaluation (details of which can be found on page 58) and considers each of the Directors to be effective in their respective roles. It judges that they demonstrate commitment and is of the opinion that all Directors continue to provide valuable contributions to the long term success of the Company. The Board strongly supports their re-election to the Board and recommends that shareholders vote in favour of the resolutions at the AGM.

Kevin Loosemore
Chairman of the Nomination Committee

24 May 2022

Gender balance

(As at the date of this report)

Male	4
Female	4

Male	3
Female	3

Male	19
Female	16

Audit Committee

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

Members & attendance

Member	Directors' attendance
Nick Bray (Chairman)	4 (4)
Maria da Cunha	4 (4)
Catherine Ashton	4 (4)
Margaret Rice-Jones	4 (4)

Notes:
Figures in brackets denote the maximum number of meetings that could have been attended. Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.

Principal responsibilities

Financial reporting

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

External audit

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

Internal audit

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

Risk management and internal control

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

Dear Shareholder,

I am pleased to present the Audit Committee report for the period ended 26 March 2022.

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

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 52 and 53.

Operation of the Committee

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

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

The Committee's effectiveness was reviewed as part of the overall Board effectiveness review. For further information over how this was conducted, please see page 58.

Activities during the period

The Committee met four times during the period ended 26 March 2022. The principal matters considered at its meetings were:

- The half and full year financial statements, including any key accounting matters and the annual report and other narrative reporting
- The external auditors' reviews of the financial statements and the annual report
- Plans and fees for the external audit and the auditors' review of the half year results
- The effectiveness, independence and objectivity of the external auditors
- The use of the going concern basis of accounting
- The basis of preparation of the long term viability statement
- The internal audit programme and the alignment of this with the Group's principal risks and the interaction with the work of the external auditors
- The Group's principal risks and uncertainties
- The assurance available in relation to the Group's risks, including:
  - Internal audit findings and recommended improvement actions
  - Review of the effectiveness of the systems of internal control and risk management
  - Business continuity planning
  - Review of the annual policy and control self-assessment declarations
  - The results of other compliance audits
- The Committee also considered the UK government's consultation document *Restoring Trust in Audit and Corporate Governance* and the evolution of risk in the Company's supply chain.

Financial Reporting

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

Key accounting matters in relation to FY22

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

Revenue recognition

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

UK post-retirement benefit obligations

The Committee received and considered reports from management based on analysis prepared by independent actuaries and the external auditors in relation to the valuation of the UK defined benefit pension scheme and challenged the key actuarial assumptions used in calculating the scheme liabilities, especially in relation to discount rates, RPI and CPI inflation rates and mortality. The Committee discussed the reasons for the movement on the IAS 19 valuation from a net deficit to a net surplus. The Committee was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in note 24. The Committee also noted that approximately £63m of the UK defined benefit pension scheme assets were valued at 31 March 2022 as opposed to the year end date of 26 March 2022 as for these investments a valuation at the year end date was not available. The Committee considered reports presented by management, with support from actuarial specialists, which estimated the impact of the difference in valuation date to be less than £1m. The Committee considered this to not be significant when compared to total UK defined benefit pension scheme assets of circa £1bn and that no better valuation than that at 31 March 2022 was available. However, the Committee decided that a critical accounting judgement on this should be disclosed – see page 112.

Accounting implications of the cessation of banknote production at Gateshead

The Committee reviewed management's updated judgement on the property, plant and equipment at the Gateshead facility that no further impairment charges were needed in FY22 based on current expectations for the ongoing use of these assets within the business.

The Committee carefully considered management's future plans for the expansion in certain locations based on future business needs and concluded that for the remaining assets not impaired in the prior period, their value could be supported based on their anticipated ongoing use after a period of relocation.

The Committee concluded that it was comfortable with the accounting judgements and treatments applied in the financial statements. However, in light of the judgements made and the materiality of the balances, concluded that disclosure of a critical accounting judgement should be included in the annual report and accounts (see page 111).

Recoverability of Other Financial Assets

The committee noted that in accordance with IFRS 9, management had assessed the recoverability of the other financial assets on the balance sheet as at 26 March 2022 based on information available to them and performed probability weighted modelling against three scenarios. As a result, an expected credit loss provision of £3.1m was calculated. The committee challenged the scenarios modelled and the probability weightings assigned to each and concluded that management's judgements and level of expected credit loss provision posted was reasonable.

The committee noted that if factors change in the future, this may alter the judgements made as to the probabilities to be assigned to each scenario in the modelling, resulting in a revision to the value of expected credit loss provision to be recognised. For this reason, it was agreed that a critical accounting estimate would be disclosed in the annual report and accounts, refer to page 111.

Estimation of accruals and provisions

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

The financial statements also included a small number of onerous contract provisions for loss-making contracts. The Committee reviewed management's judgements in arriving at the required level of provisioning including how, in accordance with IAS 37, the lowest unavoidable costs of exiting or fulfilling the contract have been calculated.

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

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

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

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

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

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

The Group is disputing a number of tax assessments received from the tax authority of a country in which the Group operates. The disputed tax assessments are at various stages in the local appeal process, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice), and is appealing previous judgements and communicating with the tax authority in relation to the disputed tax assessments. The Company's expected outcome of disputed tax assessments is held within the relevant provisions in the 2022 financial statements. The Group has also recorded provisions for taxes other than income taxes which are recorded under IAS 37.

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

Valuation of inventory

The Committee reviewed the Group's policies and procedures over the valuation and recoverability of inventory (£50.2m). The Committee received confirmation that the valuation principles had been consistently applied and noted that the majority of inventory items were made to order rather than held for generic stock and hence the recoverability risk was low.

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

Classification of exceptional items

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

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

Going concern

The Committee gave careful consideration to the going concern statements made in the half and full year financial statements. The Committee conducted rigorous reviews of the Group's financial forecasts, challenging key assumptions and giving careful consideration to the plausible downside scenarios modelled, when assessing the impact these would have on the going concern status of the Group.

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

Fair, balanced and understandable view

At its May 2021 meeting, at the Board's request, the Committee reviewed the content of the 2021 Annual Report and Accounts and advised the Board that, in its view, when taken as a whole that document is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The same process has been followed by the Committee in relation to the Annual Report for FY22.

In making its recommendation to the Board the Committee drew on its experience during FY22 and prior years, supplemented by:

- Reviews of the monthly management accounts, enabling trends and key business dynamics to be monitored through the year
- Clear guidance provided to all section authors on the requirement to draft in a fair, balanced and understandable way
- Reviews of the annual report undertaken at different levels of the Group and by the Executive Leadership Team, with an opinion that the reporting meets the required standards confirmed in writing to the Committee
- The review of the narrative reporting conducted by the external auditors' as part of their review
- Reviews of the narrative reporting by the Audit Committee Chairman and other Directors prior to formal consideration of the draft Annual Report by the Board.

External audit

Relationship with the external auditors

Ernst & Young LLP (EY) have been the Company's auditors since June 2017, when they were appointed by the Board following a competitive tender that was led by the Committee. They have been re-appointed by shareholders at each subsequent AGM. The lead audit engagement partner, Kevin Harkin, has been in this role since EY's tenure commenced and this year's audit will be his last in this capacity. The Committee is grateful for his approach to the external audit and management of the process throughout his time as the signing partner. An orderly handover to his successor is underway to mitigate the risk of any loss of knowledge in the transition.

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

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

Independence and objectivity of external auditors

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

Use of the auditors to provide non-audit services

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

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

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

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

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

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

£'000	**FY22**	FY21	FY20
Audit fees	**740**	778	1,027
Audit-related fees (review of interim financial statements)	**80**	77	74
Non-audit services	**–**	–	3
Total fees paid	**820**	855	1,104
Non-audit fees relative to audit fees (%)	**11%**	10%	7%

Over the three financial years non-audit fees have averaged 9% of the audit fee.

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

Effectiveness of the external auditors and proposed re-election

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

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

The Committee is satisfied that the external auditors remain fully independent, objective and effective and has recommended to the Board that a resolution for the re-appointment of Ernst & Young LLP should be put to shareholders at the 2022 AGM.

Internal audit

Internal auditors

The internal audit function provides an important assurance role and is complementary to the work of the external auditors. PricewaterhouseCoopers LLP (PwC) have provided internal audit services to the Group since FY2013/14. The personnel involved in the internal audit team have changed over PwC's tenure and the Committee is satisfied that they have maintained their independence.

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

The FY22 internal audit plan was approved by the Committee in March 2021 and kept under review during the year. All internal audit assignments were completed during the period. In March 2022 the Committee reviewed and approved the internal audit charter and plan for FY23.

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

Internal control and risk management

Internal control

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

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

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

Internal controls over financial reporting

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

Risk management

The key elements of the Group's risk management framework and procedures are set out on pages 26 to 31. At each meeting the Committee reviews the principal risks facing the Group and reviews the emerging risks throughout the year, receiving reports from the Risk Committee on the matters they have considered. In addition, each of the principal risks is discussed by the Board at various points during the year.

Combined assurance model

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

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

Effectiveness review

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

Nick Bray
Chairman of the Audit Committee

24 May 2022

Ethics Committee

"We must uphold the highest ethical standards in the way we conduct our business."

Members & attendance

Member	Directors' attendance
Kevin Loosemore (Chairman)	2 (2)
Nick Bray	2 (2)
Maria da Cunha	2 (2)
Catherine Ashton	2 (2)
Margaret Rice-Jones	2 (2)

Notes:
Figures in brackets denote the maximum number of meetings that could have been attended.
Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.

Principal responsibilities

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

Dear Shareholder,

I am pleased to present the Ethics Committee report for the period ended 26 March 2022.

Operation of the Committee

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

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

Activities during the period

During the period to 26 March 2022, the Committee focused on the following activities:

CBP-related initiatives, including:

- Monitoring the launch of online compliance training modules including anti-bribery and corruption, competition law and sanctions awareness
- Ongoing and planned awareness-raising initiatives and training to ensure expected ethical standards are maintained and further embedded throughout the organisation
- Review and approval of the anti-bribery and corruption policy

The management of the TPP programme including:

- Reviewing progress with the rollout of a new fee model and the findings of an internal audit into the monitoring of partner activity reports and invoice payments

Oversight of other business ethics matters:

- Update on activities related to the ISO 37001 anti-bribery management systems and the Banknotes Ethics Initiative (BnEI) accreditations
- Review of sanctions risks and actions undertaken or planned to manage those risks, including updates regarding sanctions monitoring
- Review of the gift register for Executive Directors
- Review of reports on issues raised through the whistleblowing hotline – CodeLine – and other channels and review of results of any investigations into ethical or compliance breaches or allegations of misconduct

Ethical risks

It is vital that we uphold the highest ethical standards in the way we conduct our business in order to maintain the trust and confidence of customers and everyone we deal with. We recognise that our business is exposed to risks of unethical conduct because of the nature and value of many of our contracts, and because standards of integrity may not be consistent across all the countries in which we operate. We have a robust compliance programme in place to manage these risks. Further information, including a description of our ethical framework can be found in the Responsible Business report on pages 32 to 45.

Training

Regular, relevant and focused training on ethics-related subjects is important and the Committee receives regular reports about our ethics and compliance training programme. Training during the period included:

- Confirmation by colleagues that they understand and continue to comply with the Code of Business Principles
- Anti-bribery and competition law training where relevant for new starters and those changing roles
- Sanctions awareness training
- Online training modules for TPPs and relevant employees
- One-to-one training for new site Ethics Champions
- Criminal Finance Act awareness training
- Modern slavery awareness training
- Confirmation of understanding of and adherence to gifts and hospitality policy

Whistleblowing

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

Kevin Loosemore
Chairman of the Ethics Committee

24 May 2022

Risk Committee

> **The Risk Committee supports the Board by identifying and evaluating the risks facing the Group.”**

Members & attendance

Member	Members’ attendance
Jane Hyde (Chairman)	4 (4)
Clive Vacher	4 (4)
Natasha Bishop	4 (4)
Andrew Clint	3 (4)
Ruth Euling	4 (4)
Rob Harding	4 (4)

Notes:
Figures in brackets denote the maximum number of meetings that could have been attended.
Where a Director is unable to participate in a Committee meeting they will review the meeting materials and communicate their opinions and comments on the matters to be considered to the Committee Chairman.

Principal responsibilities

- Developing and monitoring the risk management policy and overseeing the implementation of the Group-wide risk management framework for identifying and managing risks
- Identifying and keeping under review the principal risks faced by the Group, and reviewing the mitigations and controls relating to those risks
- Identifying and assessing any emerging or developing risks
- Providing appropriate reporting on the status of risk management within the Group
- Promoting a risk management culture and control environment
- Reviewing the effectiveness of the Group’s system of risk management

Dear Shareholder,

I am pleased to present the Risk Committee report for the period ended 26 March 2022.

Operation of the Committee

The Directors have overall responsibility for the Group’s systems of internal control and risk management, which includes the identification of the Group’s principal and emerging risks. Details of how the Directors fulfil this responsibility and the principal risks the Group faces can be found on pages 27 to 31.

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

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

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

Activities during the period

The Committee met four times during the period and considered the following material items:

As routine items considered at every meeting:

- The Group’s principal risks and uncertainties (for details of these risks, please refer to pages 27 to 31) and the status of the mitigating actions and controls relating to those risks
- Reviews of emerging risks not included in the Group risk register, including ‘horizon scanning’ sessions

In addition the following matters were also considered during the period:

- Review of the risk disclosures and the Committee’s report within the 2021 Annual Report
- ‘Deep dive’ sessions with operational or functional risk owners:
  - Breach of Security or Product Security
  - Quality management in our Authentication and Currency businesses
  - Failure of a Key Supplier
  - Sustainability and Climate Change
  - Sanctions
- The disclosure of risk in the interim statement
- Insurance market conditions in relation to terrorism aspects of our material damage and business interruption insurance, and the cyber-risk market. The Committee also reviewed the status of the Group’s information security arrangements in readiness for the insurance renewal
- Review of our risk management policy and framework

The Committee’s work interfaces with that of a number of other Board Committees, most notably the Audit Committee. The Committee Chairman reports on the material matters discussed at each Committee meeting to the next meeting of the Audit Committee. The minutes of meetings of the Risk Committee are shared with the Directors. Feedback from the Board or Audit Committee is shared at the next following Committee meeting.

The Committee is supported in its work by other management meetings and committees, including divisional and central enabling functions risk committees and other meetings and bodies dealing with specific risk areas such as sanctions, HSE and security and the Ethics Committee.

Jane Hyde
Chair of the Risk Committee

24 May 2022

Chair's introduction

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

Members & attendance

Member	Directors' attendance
Maria da Cunha (Chair)	4 (4)
Nick Bray	4 (4)
Catherine Ashton	4 (4)
Margaret Rice-Jones	4 (4)

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

Principal responsibilities

Remuneration

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

Incentive plans

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

Governance and compliance

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

This report is presented in three main sections: an annual statement from the Chair of the Committee; the annual report on remuneration for FY22; and the Directors' remuneration policy. The Directors' remuneration policy was approved by shareholders at the AGM on 6 August 2020 and had a binding effect at that date. The policy is not subject to a vote at the 2022 AGM.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' remuneration report for the period ended 26 March 2022. This will be my third and last report as Chair of the Remuneration Committee. I am delighted that Margaret Rice-Jones who has been a member of the committee since 22 September 2020 will succeed me.

This has been another challenging year when the Company has faced significant headwinds from increased supply chain costs and the production impacts resulting from increased absence due to Covid 19. Management took action to tackle these challenges by focusing on proactive cash management and delivering further cost and operational efficiencies across the business, while continuing to target market growth in all product areas. The pension valuation was brought forward reducing the schedule of contributions by £57m over the period from 2023 to 2029, while preserving all future benefits and providing enhanced protection for scheme members. The business has continued to take further steps to invest in the right production capacity through the new polymer line in Westhoughton and the Malta expansion. These investments will double our Polymer, tax stamps and brand protection labels capacity and create the largest banknote facility in our portfolio. Throughout the year, Management remained focused on employees with a continued emphasis on building a culture of respect and inclusivity for every individual, prioritisation of our employees' health, wellbeing and fair treatment, resulting in strong employee engagement levels globally.

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

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

This year, I would like to focus on three themes: the performance of the Group in the financial year that ended on 26 March 2022; the inclusion of ESG metrics into incentives and the application of the remuneration policy for FY23 with reference to the remuneration principles to the wider workforce.

Committee meetings

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

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

Activities in the period

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

Government support

No Government Covid-19 support was utilised during the period.

Application of remuneration policy

Our remuneration policy is key to delivering both in year performance and the longer term transformation of De La Rue.

The current policy is not due for review until next year and continues to support the delivery of the Turnaround Plan in its ambition to return to progressive margin growth in Currency and strong year on year growth in Authentication.

The primary focus for the business during the FY22 financial year has been:

- Increased focus on driving efficiency and greater cost competitiveness to help offset the challenges faced throughout the year, helping to mitigate supply chain cost inflation
- Proactive procurement strategies to manage raw material shortages
- Targeted profitable growth and conversion of customers, in key product segments of Polymer, Features and both Brand and GRS
- Ongoing footprint and capacity review adding production capability and flexibility with Malta expansion and new polymer line at Westhoughton
- Positive cash management
- Continuing to mitigate and manage the impacts of Covid and protecting both the health and wellbeing of the workforce and the financial security of the business
- Releasing a clearly articulated ESG strategy outlining the key priorities and targets set out under all areas
- Supporting high levels of employee engagement and communication
- Creating certainty on potential future cost pressures by securing structured pay awards while maintaining focus on balanced rewards and wellbeing for all employees
- Continuing to align executive and shareholder interests

No changes were made to the application of the policy this year.

Employee experience

During FY22, our operating sites in the UK, Malta, Kenya and the US remained operational. We experienced Covid related disruption in Sri Lanka which was carefully managed. Our employees worked tirelessly throughout the period, and despite significant Covid-related factory absences, our factories remained full and we delivered as promised to customers with minimal disruption across both Divisions.

The impact on the overall business performance is reflected appropriately in the outturn of the Annual Bonus Plan. However, we are pleased that, as a result of the strong focus on cost management, growth and transformation activity completed during the year, we will be making a bonus payment to all eligible employees under the Annual Bonus Plan for FY22 year.

We also conducted a salary review during the year for all eligible employees. This was deferred to October 2021 for the majority of employees. For those employees in Collectively bargained areas eligible for review we were able to secure certainty for both employees and the business negotiating multi-year pay deals into FY23. These changes in wider workforce remuneration were taken into account in our decisions on executive remuneration.

We also took steps to ensure appropriate wellbeing benefits and support in all locations, including provision of specific Covid support such as testing and vaccinations to those employees unable to receive that support locally.

There were no extensive redundancies during the year. However, ongoing steps were taken to ensure the cost base was appropriate and activity flows were optimal, including relevant shift and other working patterns across all our sites.

The engagement of our workforce remained high despite the challenges experienced through the year. Our 2021 employee engagement survey showed improved engagement scores in all areas vs prior surveys and 79% of respondees would recommend De La Rue as a great place to work.

Shareholder experience

We entered the second year of the Turnaround Plan with strong profile of ongoing growth, an improved cost base, and competitive product portfolio. The business was impacted by the significant headwinds as a result of supply chain cost inflation, increased absence levels, materials shortages in key areas and governments being slower than anticipated to contract and implement new GRS schemes. This resulted in slower progress against our original plan with adjusted operating profit for Currency and Authentication combined growing by 28.9%.

Over the last two years, since we set out our Turnaround Plan, adjusted operating profit generated by these two divisions has moved from just above breakeven at £1.4m in FY20 to £35.8m in FY22.

The Board does not expect to pay dividends unless and until the Company is generating sustainable positive free cash flow.

Remuneration outcomes

As reported elsewhere in this annual report, the business continued to prioritise focus on the key elements of the Turnaround Plan. The significant disruption and pressure described above, combined to slow our progress as announced on 24 January 2022.

Our Currency business benefited from the cost reduction and operation efficiencies reporting an increase in divisional adjusted operating profit of 20.4%. Conversion to polymer continues to grow with Polymer volumes produced in FY22 up 40% on prior year.

Authentication has delivered positive performance in FY22, further expanding its customer base in GRS and improving performance in Brand. They have achieved revenue growth of 16.4% and an increase in adjusted operating profit of 44.2%.

The committee reviewed all remuneration outcomes in context of the business outcomes and the experience of the shareholders and the wider workforce.

In order to address the continued headwinds, a further cost out programme delivered additional improvements to the overall cost base of the organisation. Strong cash management has led to an improved net debt position despite significant investment in the business in both our Westhoughton and Malta sites to support future growth in both Currency and Authentication.

In reviewing the outcome of the ABP against the targets set for Executive Directors, the Committee considered the broad aspects of the Company's performance during the year, including the outcomes for shareholders, customers and employees as described above.

ABP scorecard financial measures account for 80% of maximum ABP with the remaining 20% based on achievement against strategic personal objectives. Under the plan structure, both revenue and adjusted operating targets were not met while average net debt was achieved. Executives will be awarded 30% of the maximum 80% available under the ABP. The Committee considered that the formulaic outcomes under the scorecards for Executive Directors were reflective of the underlying performance and decided against exercising discretion (positive or negative).

Further details on our performance against bonus measures is set out on page 75.

The performance period for the 2019 PSP period concluded March 2022.

No Executive Directors were made an award under the Performance Share Plan (PSP) in 2019 therefore no payments will be due for award under any plan for this period. The performance period for 2020 PSP will conclude in 2023 and will be measured accordingly against its performance over the period at that time.

We still think the measures for ABP are the right ones and believe that the balance of both short and long term incentives is appropriate in a turnaround situation.

The Committee has been reviewing emerging best practice on inclusion of ESG performance measures in incentive plans. During the year, the Company's ESG strategy was updated and approved by the Board in January 2022. In the coming year, as part of the broad review of Directors remuneration policy, the Committee will consider whether to amend the plans to align with the refreshed strategy.

For FY23, ESG will form part of the strategic personal component, with Executive Directors having a 10% weighting attached to a target reduction of solid waste per good output.

The Committee is pleased with the performance of the remuneration policy and the impact it has had on driving focus and delivery against the Turnaround Plan. Our aim is to continue to deliver an appropriate balance between incentivising Executive Directors to deliver what remains a challenging plan and ensuring that variable remuneration remains payable on performance that continues to deliver sustainable value to shareholders.

We believe that structure of remuneration provides the right balance of these elements and therefore we will continue to apply this model into the forthcoming year with no material change, while maintaining the rigour in setting and cascading targeted objectives designed to deliver growth in line with the long-term aims of the business.

We remain committed to maintaining open and transparent engagement on remuneration with our shareholders. We are very pleased that our previous Remuneration report was strongly endorsed by shareholders at the AGM on 29 July 2021, with over 98% of votes cast in favour. We welcome the constructive feedback our shareholders have provided in the last year, which will continue to inform our deliberations and shape our approach to remuneration.

In accordance with the regulations we will be asking shareholders to provide an advisory vote on the annual report on remuneration as set out on pages 74 to 84 which provides details of the remuneration earned by Directors for performance in the period to 26 March 2022.

A full copy of the remuneration policy can be found in the 2020 Annual Report on the Company's website: www.delarue.com and on page 83.

Executive Director changes

As indicated in last year's annual report, Ruth Euling, MD Currency, was appointed as an Executive Director on 1 April 2021 and is subject to the requirements of the remuneration policy. There were no further changes to the Executive Directors in the last year.

Priorities for 2022/23

Work of the Committee in FY23 will continue to focus on ensuring that executives are fairly rewarded for their contribution to the Group and incentivised to deliver returns for shareholders while driving a strong culture aligned to its ESG strategy.

The Committee is supportive of the adoption of specific Environment, Social and Governance (ESG) measures in remuneration during FY23. Key metrics on Health and Safety, diversity and specific steps to support the environmental sustainability journey will also continue to form part of personal strategic objectives for Executive Directors and the wider management population.

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

Maria da Cunha
Chair of the Remuneration Committee

24 May 2022

Current ABP structure and weighting %

Revenue	20
Profit	30
Net Debt	30
ESG	10
Strategic personal objectives	10

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as amended, the UK Corporate Governance Code and the FCA's Listing Rules and takes into account the policies of shareholder representative bodies. The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on pages 90 to 99 and to state that this section has been properly prepared in accordance with these regulations.

Directors' Remuneration Policy

Summary of remuneration policy

The overriding objective continues to be ensuring that the executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value and aligning Executive Directors interests with those of shareholders.

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

The Committee has decided to add an additional metric in relation to ESG accounting for 10% of the maximum 20% strategic personal objectives. The decision was taken to ensure that ESG has appropriate focus in the outcomes of the business.

Fixed Pay

Base Salary

Benefits

Pension

Variable Pay

Annual Bonus Plan

80% Group financial performance*

20% strategic personal objectives*

60% cash
40% deferred shares

Performance Share Plan

50% EPS*

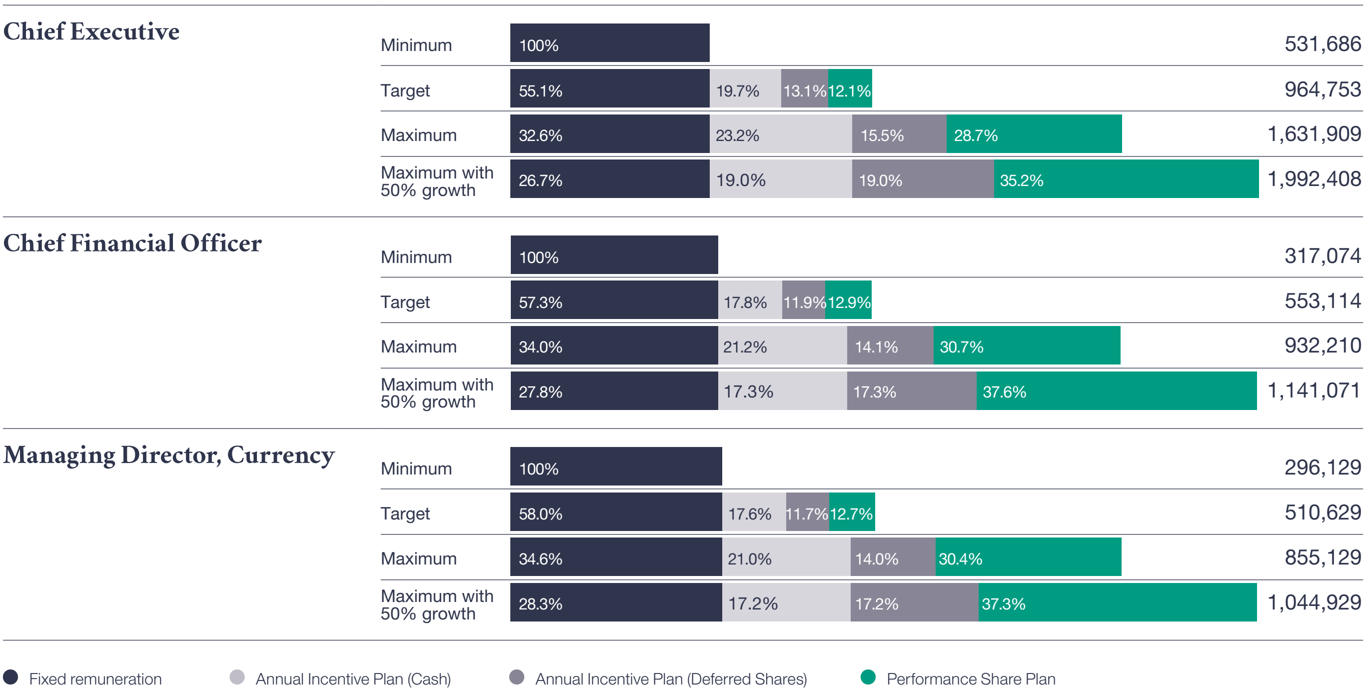
50% TSR*

Performance-tested vesting after 3 years
2-year post-vesting holding period

Malus and clawback and shareholding requirements

Illustration of the application of remuneration policy

The following charts illustrate the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 26 March 2022.



Illustrative scenario charts

Performance scenarios for the ABP and PSP assume the following:

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

Assumptions for the scenario charts

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

Executive Director remuneration mix FY23

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

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

The remuneration mix above is based on the remuneration policy as it is intended to be operated for FY23. For further information on the Director's Remuneration Policy please see page 83.

Annual Report on Remuneration

This section of the Directors' remuneration report shows how the Remuneration Committee implemented the policy on Directors' remuneration for the financial year 2021/22 including all elements of remuneration received by Executive Directors and the incentive outturns for FY22.

Single figure of remuneration for each Director (audited)

The table below shows how we have applied the current remuneration policy during FY22. It discloses all the elements of remuneration received by the Directors during the period.

	Fixed							Variable						
	Salary and fees[a]		Benefits (excluding pensions)[b]		Pensions[e]		Total Fixed	Bonus[c]		Long term incentive (PSP) (vested)[d]		Total Variable	Total	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	**2022 £'000**	2021 £'000
Executive Directors														
Clive Vacher	**464**	450	**17**	17	**46**	46	**527**	**265**	593	**–**	–	**265**	**792**	1,106
Rob Harding (Appointed to the board 1 October 2020)	**283**	138	**17**	7	**17**	8	**317**	**138**	160	**–**	–	**138**	**455**	313
Ruth Euling (Appointed to the board 1 April 2021)	**260**	–	**36**	–	**0**	–	**296**	**126**	–	**–**	–	**126**	**422**	–
	1,007	588	**70**	24	**63**	54	**1,140**	**529**	753	**–**	–	**529**	**1,669**	1,419
Chairman														
Kevin Loosemore (Became Chairman on 1 October 2019)	**202**	200	**–**	–	**–**	–	**202**	**–**	–	**–**	–	**–**	**202**	200
Non-executive Directors														
Nick Bray	**59**	58	**–**	–	**–**	–	**59**	**–**	–	**–**	–	**–**	**59**	58
Maria da Cunha	**59**	62	**–**	–	**–**	–	**59**	**–**	–	**–**	–	**–**	**59**	62
Margaret Rice-Jones (Appointed to the board 22 September 2020)	**57**	26	**–**	–	**–**	–	**57**	**–**	–	**–**	–	**–**	**57**	26
Catherine Ashton (Appointed to the Board 22 September 2020)	**51**	26	**–**	–	**–**	–	**51**	**–**	–	**–**	–	**–**	**51**	26
Aggregate emoluments	**1,435**	980	**47**	24	**86**	54	**1,568**	**529**	753	**–**	–	**529**	**2,097**	1,811

Notes:
The figures in the single figure table above are derived from the following:
a. Base salary and fees: the actual salary and fees received during the period.
b. Benefits (excluding pensions): the gross value of all taxable benefits received in the period, including for example car or car allowance and private medical and permanent health insurance.
c. Bonus: A description of the performance measures that applied for the year FY22 is provided on page 75 and 76.
d. PSP: no PSP awards have vested for current Executive Directors since appointment.
e. See page 79 for further details of pension arrangements.

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

Changes in Executive Directors during the year

Ruth Euling appointment

Ruth Euling, Managing Director of the Currency Division, joined the Board as an Executive Director on 1 April 2021. Ruth was appointed on a base salary of £260,000 and was not eligible for inclusion in the salary review in October 2021.

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

Individual elements of remuneration

Base salary and fees (audited)

Base salaries for Executive Directors are normally reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities, Group performance, affordability and market competitiveness.

Executive Directors, Clive Vacher and Rob Harding were both awarded a 2% increase in line with the wider workforce in October 2021.

They will remain eligible for the salary review related to the FY23 in July 2022.

	Base salary level October 2021 £'000	Base salary level April 2021 £'000	Increase %
Clive Vacher	**468**	459	2
Rob Harding	**286**	280	2
Ruth Euling[1]	**260**	N/A	N/A

Note:
1. Ruth Euling's salary increased to reflect her appointment to Executive Director on 1 April 2021. Ruth had no further increase to pay in FY22.

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

During FY22 Clive Vacher's pension contributions remained in line with those available to the workforce, he will receive a pension contribution of 10% on the basis of a 6% individual contribution. All other Executive Directors also received a pension contribution in line with levels available to the workforce no greater than 10% employer contribution.

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

Fees payable to Non-executive Directors had remained unchanged since FY18 and we reviewed fees for Non-executive Directors in October 2021 aligned with the timing of a review of salary levels for the wider workforce. Fees payable were increased by 2% in line with the wider workforce.

The fees for 2022 are as follows:

Non-executive Director fees	**October 2022 £'000**	April 2021 £'000
Basic fee	**51**	50
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

The Chairman's fee was reviewed in October 2021 and increased by 2% in line with the wider workforce to £204,000. Both the fees for the Non-executive Directors and the Chairman will be increased by 1.5% effective in July 2022 aligned with the timing of a review of salary levels for the wider workforce.

External directorships of Executive Directors

The Board considers whether it is appropriate for an Executive Director to serve as a non-executive director of another company.

Clive Vacher, Rob Harding and Ruth Euling hold no remunerated external directorship appointments.

Variable remuneration (audited)

Annual bonus for FY22

The Annual Bonus Plan for FY22 was issued with the following financial structure and targets:

Measure	Threshold	Target	Maximum	Actual	% of maximum achieved
Group adjusted revenue	£388.4m	£399.0m	£416.6m	£375.1m	0%
Group adjusted operating profit	£38.0m	£46.1m	£47.3m	£36.4m	0%
Average net debt	£100.0m	£91.1m	£77.4m	£57.4m	100%

Under the Group adjusted revenue metric, the target award under the plan was based on the market consensus expectation with Maximum award at stretch above expectations to prioritise strong focus on revenue generation through increased sales of higher margin product. Operating profit and average net debt metrics were equally based on target award at market consensus and maximum award being achieved at published turnaround targets. Payout was achieved only under the Average Net Debt metric as outlined above.

Twenty per cent of the Executive Directors' bonus is based on achievement of personal objectives. Personal strategic objectives were aligned to the delivery of the Turnaround Plan and comprised of both tactical and transformational targets focused on the achievement of core strategic priorities. The detail of the objectives, for all Executive Directors, which were consistently aligned, are outlined below:

Summary of personal strategic objectives	Summary of performance
Currency Market Leadership – Deliver target revenue and Divisional operating profit levels. – Deliver significant polymer growth converting 4 more customer denominations to polymer. – Secure 4 new foil on polymer customers. – Develop commercialisation and strong returns from product development.	**Partially achieved** – Divisional OP and Revenue were not achieved to plan however polymer growth targets achieved and new foil on polymer target achieved in full. – R&D roadmap completed and new products launched to market (should we name them).
Authentication Growth Deliver target revenue and Divisional operating profit levels. – Deliver GRS expansion with a further 5 new customers. – Deliver Brand growth setting path for mid-teens operating profit by end of FY22.	**Partially achieved** – Revenue and operating profit were not achieved in line with plan but GRS expansion to a further 5 new customers achieved and Brand growth achieved.
Transformation – Deliver Malta expansion phase 1 and Phase 2 milestones. – Deliver milestones for second polymer line in Westhougton.	**Achieved in full** – Malta expansion on track, Polymer line in place in Westhoughton fully operation in FY23.
Value Stream Excellence – Deliver further cost our programme. – Ensure the ESG strategy can be clearly articulated to internal and external stakeholders.	**Achieved in full**
Component 20% of maximum award	**Award achieved 12%**

In reaching its decision on ABP outcome, the Committee reviewed the formulaic outcome of the targets as well as the Company's underlying financial, operational and strategic progress during the year, as set out in the Committee Chair's letter on page 70 and also took into account wider stakeholder perspectives. The Committee considered that the formulaic outcomes for Executive Directors were reflective of the underlying business performance and decided not to apply discretion (positive or negative). Executive Directors will therefore receive an award of 30% of the maximum bonus based on achievement of financial targets and 12% of maximum bonus based on strategic personal objectives. 60% of the bonus is settled in cash, with the remaining 40% settled in shares under the Deferred Bonus Plan vesting in two equal tranches, one after 12 months and the other after 24 months. DBP awards are not subject to a post-grant performance condition.

Long term incentive – Performance Share Plan (PSP)

The PSP is a share settled long-term incentive aligned closely with business strategy and the interests of shareholders through the performance measures chosen and the link to share price. The PSP is designed to provide Executive Directors and selected senior managers with a long-term incentive that promotes sustainable and long-term performance and reinforces alignment between participants and shareholders.

Performance measures applying to PSP awards

As noted in last year's report the awards made under the PSP 2016-2019 were subject to a combination of average annual cumulative growth in adjusted basic EPS and cumulative growth in ROCE, in each case measured over three financial years. In 2020 the PSP measures were revised and RTSR (Total Shareholder Return relative to FTSE 250 companies, measured over three years) was used instead of ROCE alongside the previous EPS metric, which the Committee believes will ensure that appropriate focus is placed on the key business imperative of restoring value to shareholders.

The performance condition target targets for 2020 and 2021 are aligned to the challenging growth objectives of the Turnaround Plan.

All awards are made as conditional shares based on a percentage of salary and the value is divided by the average share price over a period before the date of grant, in accordance with the rules of the PSP. In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. Any adjustments will depend on the nature, timing and materiality of any contributory factors.

PSP award vesting in 2022

No Executive Director received an award under the PSP in 2019 and therefore no awards vested under the PSP in FY22 for any current or former Executive Director.

PSP awards made in June 2021 (audited)

The Remuneration Committee gave detailed consideration to the most appropriate PSP performance measures that provide a strong link between the Turnaround Plan execution, business performance and executive reward. For awards made in FY22 the Remuneration Committee concluded that PSP would remain at the same target levels, and that performance would be measured against two Group targets: EPS (50% weighting) and RTSR (50% weighting). The measures and targets were confirmed at the time of grant via a Regulatory News Service announcement.

The 2021 award remains aligned to the Turnaround growth plans over the three-year performance period recognising that we expect to see the accelerated growth of both revenue and operating profit under the Turnaround Plan to stabilise by FY24. This means that the growth targets for the 2021 award were lower in percentage growth than for the 2020 award. This is as a result of the 2021 plan being based off of a higher growth achievement against the Turnaround Plan as reported in our year end results.

A summary of the performance levels and award vesting levels that apply to awards under the 2021 PSP are shown in the table below:

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	EPS Growth % required for threshold	EPS Growth % required for maximum
2021	EPS[1]	25	100	8.5	16.7
	RTSR	25	100	Median	Upper Quartile
2020	EPS[1]	25	100	11	19.2
	RTSR	25	100	Median	Upper Quartile

Note:
1. Underlying earnings per share. Based on average annual cumulative growth during the performance period.

Executive Directors received PSP awards during FY22 in line with the existing Directors' remuneration policy as follows:

	Number of shares awarded	Date of award	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
Clive Vacher	239,361	30 June 2021	97	459	25	May 2024
Rob Harding	146,276	30 June 2021	97	280	25	May 2024
Ruth Euling	135,586	30 June 2021	97	260	25	May 2024

All awards were granted as nil-cost options, with the number of shares based on a percentage of salary and the average share price over a five-day period prior to the date of grant, being 191.76p. Face value is the maximum number of shares that could vest multiplied by the closing share price of 186.2p on the date of grant. The Remuneration Committee may add dividend shares that would have accrued during the performance period and extended vesting period on that part of the award that may ultimately vest.

Implementation of the remuneration policy in FY23

The remuneration arrangements in FY23 will operate in line our current remuneration policy.

Salary and benefits

As noted in last years remuneration report, the Committee decided to appoint Clive at a salary below market median, with an intent that should Turnaround Plan strategic objectives and performance be delivered as planned in FY22, a review of Clive Vacher's base pay based on all relevant factors including scope and performance in role. The decision has been made to defer that review but to award Clive a salary increase effective 1 July 2022 of 2.5% in line with the wider workforce.

Ruth Euling and Rob Harding will also be awarded a 2.5% increase effective 1 July 2022 in line with increases in the wider workforce.

The Committee remain aware of the need for salary levels to continue to be competitive and commensurate with performance.

ABP FY23

The Remuneration Committee has carefully considered bonus performance measures for FY23, taking into account the delay in the delivery of the Turnaround Plan announced in trading update in January 2022. The Committee concluded that the current measures set out in the table on page 78 remain highly relevant. Cost competitiveness, improved efficiency and strong cash management remain key to support growth in both Currency and Authentication.

Adjusted revenue, profit and net debt targets ensure focus remains on maintaining profitable growth and strong cash management. Financial targets will remain in line with the adjusted Turnaround Plan financials to ensure that executives remain incentivised and rewarded for the delivery of the adjusted growth plans. In prior years a 20% weighting on personal strategic targets has been applied ensuring that Executive Directors are incentivised on the delivery of clear financial metrics and good management of the business in line with the Turnaround Plan.

The current maximum entitlement of the Chief Executive Officer under the ABP remains 135% of salary and the Chief Financial Officer and the other Executive Directors remains at 115% of salary. An additional metric for ESG has been added in FY23 accounting for 10% weighting while strategic personal objective has been reduced to 10%. to ensure focus continues in this important area and Executives are incentivised accordingly. As a result an adjustment has been made to the weightings. The structure and weightings will be as follows:

Structure & weighting	Weighting
Adjusted revenue	20%
Adjusted operating profit	30%
Average net debt[1]	30%
ESG	10%
Group strategic personal objectives	10%

Note:
1. Average of the 12-month end net debt positions over the course of the year.

No payment will be made on any element of bonus (including the personal element) if a minimum adjusted operating profit is not achieved.

Personal strategic objectives for the Chief Executive Officer and other Executive Directors are focused again on the key strategic priorities aligned to the Turnaround Plan and will include the following items:

- Deliver profitable growth for the Currency Division through continued delivery of transformation and a focus on operational improvements and efficiencies. Securing targeted Polymer and features volume growth and deliver targeted FY23 revenue and divisional adjusted operating profit.
- Achieve sustained growth in Authentication through targeted GRS expansion, delivering Brand revenues and margins in line with the planned targets and maximising delivery of key contracts. Deliver targeted FY23 revenue and divisional adjusted operating profit.
- Continue to prioritise all areas of value stream excellence including efficiencies in ways of working and delivering in line with our ESG strategy with a focus on environmental and sustainability targets, maintaining high standards of HSE and improved organisational diversity.

The Committee is committed to assessing the achievement of these objectives on a quantifiable and objective basis and to clear retrospective disclosure in the Directors' remuneration report.

The Committee will rigorously review incentive outturns and will consider the overall performance of the business, not just the outcome of each measure.

The specific performance targets are not disclosed while still commercially sensitive but will be disclosed the following year.

Performance measures applying to PSP awards to be made in 2022

The Remuneration Committee has given detailed consideration to the most appropriate PSP performance measures that provide a strong link between the Turnaround Plan execution, business performance and executive reward. For awards to be made in FY23 under the share plans rules approved at the 2020 AGM, it was felt that the same metrics as used in 2021 (absolute EPS growth and relative TSR compared to the constituents of the FTSE 250 index) will provide appropriate incentivisation and will ensure that sufficient focus is placed on the key business imperative of restoring value to shareholders.

The EPS performance targets applicable to 2022 awards will take into account both internal business plans and market expectations over the three-year performance period, recognising the FY22 performance outturn and ongoing challenges in market conditions that the business will face in the coming years. To take into account recent shareholder experience of a fall in the share price and to avoid the potential for windfall gains if the share price recovers over the vesting period, the Remuneration Committee has determined that the face value of awards will be scaled back compared to 2021 award levels. Further work is underway to calibrate performance targets and determine the level of scale back. Full details of these points will be disclosed via an RNS announcement at the time of award.

The award will vest on the third anniversary of award, subject to meeting performance criteria, but any shares which vest will be subject to a further two-year holding period and only become capable of exercise on the fifth anniversary of the grant of the award.

Shareholding requirements

Executive Directors are required to build up a shareholding equivalent to 200% of salary over a five-year period. It is intended that this is met by Executive Directors retaining 100% of vested post-tax Deferred Bonus shares, restricted shares and performance shares until the requirement is met in full.

The policy has a post-employment shareholding requirement of 200% of salary (or the actual shareholding if lower) for the first year following exit and 50% of this guideline level for the second year following exit.

Executive Directors' service contracts

The table below summarises the notice periods contained in the service contracts for Executive Directors in office as at 26 March 2022.

	Date of contract	Date of appointment	Notice from Company	Notice from Director
Clive Vacher	6 October 2019	7 October 2019	6 months	6 months
Rob Harding	1 October 2020	1 October 2020	6 months	6 months
Ruth Euling	1 April 2021	1 April 2021	6 months	6 months

Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors have letters of appointment rather than service contracts.

Non-executive Director	Date of appointment	Current letter of appointment end date
Catherine Ashton	22 September 2020	22 September 2023
Nick Bray	21 July 2016	20 July 2022
Maria da Cunha	23 July 2015	27 July 2022
Kevin Loosemore	1 October 2019	30 September 2022
Margaret Rice-Jones	22 September 2020	22 September 2023

Total pension entitlements (audited)

The Group's UK pension schemes are funded, HMRC registered and approved schemes. They include both defined contribution and defined benefit pension schemes, with the DB plans being closed to new entrants and to future accrual.

None of the Executive Directors in the period were a member of the legacy defined benefit schemes. All the Executive Directors have opted out of the defined contribution plan and receive a cash allowance in lieu of a pension contribution.

Clive Vacher received a pension contribution of 10% of salary on the basis of a 6% individual contribution, in line with levels available to UK-based employees.

Rob Harding received a pension contribution of 9% of salary on the basis of 6% individual contribution in line with levels available to newly appointed UK-based employees. Any new Executive Director will likewise receive pension contributions in line with levels available to the workforce.

Ruth Euling received a pension contribution of 10% of salary based on 6% individual contribution, in line with levels available to the wider UK based employees.

Payments for loss of office (audited)

There were no payments for loss of office during the period.

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 26 March 2022:

			Unvested awards					
			Subject to performance conditions	Not subject to performance conditions			Vested shares	
	Current shareholding ordinary Shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Performance Share Plan	Deferred Bonus Plan	SAYE	Vested shares unexercised during the period	Vested shares exercised during the period
Executive Directors								
Clive Vacher	201,049	47	936,197	–	127,400	12,851	–	–
Rob Harding	–	–	354,168	–	34,435	11,393	–	–
Ruth Euling	35,977	15	317,019	–	51,337	–	21,154	
Non-executive Chairman								
Kevin Loosemore	947,840	N/A	–	–	–	–	–	–
Non-executive Directors								
Catherine Ashton	–	N/A	–	–	–	–	–	–
Nick Bray	26,375	N/A	–	–	–	–	–	–
Maria da Cunha	29,533	N/A	–	–	–	–	–	–
Margaret Rice-Jones	–	N/A	–	–	–	–	–	–

There have been no changes in Directors' interests in ordinary shares in the period from 27 March 2022 to 24 May 2022. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary during the period are calculated using the closing De La Rue plc share price of 109p on 25 March 2022.

Directors' interests in vested and unvested share awards (unaudited)

The awards over De La Rue plc shares held by Executive Directors under the DBP and PSP and Sharesave scheme during the period are detailed below:

	Date of award	**Total award as at 27 March 2021**	Awarded during the year	Exercised during the year	Lapsed during the year	**Awards held at 26 March 2022**	Awards vested (unexercised) during the year	Strike price (pence)	Market price per share at exercise date (pence)	Date of vesting	Expiry date
Clive Vacher											
Deferred Bonus Plan[1]	Jul 21	**–**	63,700	–	–	**63,700**	–	186.16[3]	–	Jul 22	Jul 22
	Jul 21	**–**	63,700	–	–	**63,700**	–	186.16[3]	–	Jul 23	Jul 23
Performance Share Plan	Jan 20	**356,649**	–	–	–	**356,649**	–	131.80[2]	–	Jan 25	Jan 30
	Jul 20	**340,187**	–	–	–	**340,187**	–	132.28[3]	–	Jul 25	Jul 30
	Jun 21	**–**	239,361	–	–	**239,361**	–	191.76[3]	–	Jun 26	Jun 31
Total		**696,836**	366,761			**1,063,597**					
Sharesave options[1]	Jan 20	**1,458**	–	–	–	**1,458**	–	118.67[4]	–	Mar 23	Aug 23
	Jan 21	**8,704**	–	–	–	**8,704**	–	131.10[4]	–	Mar 24	Aug 24
	Jan 22	**–**	2,689	–	–	**2,689**	–	112.43[4]	–	Mar 25	Aug 25
Rob Harding											
Deferred Bonus Plan[1]	Jul 21	**–**	17,218	–	–	**17,218**	–	186.16[3]	–	Jul 22	Jul 22
	Jul 21	**–**	17,217	–	–	**17,217**	–	186.16[3]	–	Jul 23	Jul 23
Performance Share Plan	Jul 20	**207,892**	–	–	–	**207,892**	–	132.28[3]	–	Jul 25	Jul 30
	Jun 21	**–**	146,276	–	–	**146,276**	–	191.76[3]	–	Jun 26	Jun 31
Total		**207,892**	180,711			**388,603**					
Sharesave options[1]	Jan 21	**8,704**	–	–	–	**8,704**	–	131.10[4]		Mar 24	Aug 24
	Jan 22	**–**	2,689	–	–	**2,689**	–	112.43[4]	–	Mar 25	Aug 25
Ruth Euling (appointed to the Board on 1 April 2021)											
Deferred Bonus Plan[1]	Jul 21	**–**	25,669	–	–	**25,669**	–	186.16[3]	–	Jul 22	Jul 22
	Jul 21	**–**	25,668	–	–	**25,668**	–	186.16[3]	–	Jul 23	Jul 23
Performance Share Plan	Dec 13[1]	**11,023**	–	–	–	**11,023**	11,023	892.90[3]	–	Dec 16	Dec 23
	Jun 15	**2,531**	–	–	–	**2,531**	2,531	541.00[3]	–	Jun 18	Jun 25
	Jun 15	**1,799**	–	–	–	**1,799**	1,799	541.00[3]	–	Jun 19	Jun 25
	Jun 16	**2,655**	–	–	–	**2,655**	2,655	520.85[3]	–	Jun 19	Jun 26
	Jun 16	**1,858**	–	–	–	**1,858**	1,858	520.85[3]	–	Jun 20	Jun 26
	Jun 17	**773**	–	–	–	**773**	773	680.10[3]	–	Jun 20	Jun 27
	Jun 17	**515**	–	–	–	**515**	515	680.10[3]	–	Jun 21	Jun 27
	Jun 17	**116[5]**	–	116	–	**–**	–	680.10[3]	186.60	Jun 21	Jun 27
	Jul 20	**181,433**	–	–	–	**181,433**	–	132.28[3]	–	Jul 25	Jul 30
	Jun 21	**–**	135,586	–	–	**135,586**	–	191.76[3]	–	Jun 26	Jun 31
Total		**202,703**	186,923			**389,510**					
Sharesave options	–	**–**	–	–	–	**–**	–	–	–	–	–

Notes:
1. These awards do not have any performance conditions attached.
2. Mid-market share value of a De La Rue plc ordinary share as at 6 January 2020.
3. Mid-market share value of a De La Rue plc ordinary share averaged over the five dealing days immediately preceding award date.
4. For Sharesave options the share price shown is the exercise price which was 80% of mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date.
5. Vesting and exercise of an award granted under the PSP on 27 June 2017 by Ms Euling's spouse.

Chief Executive Officer pay, Total Shareholder Return (TSR) and all employee pay

This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the 10 years to 26 March 2022
- A history of De La Rue's Chief Executive Officer's remuneration for the current and previous nine years
- A comparison of the year on year change in De La Rue's Chief Executive Officer's remuneration with the change in the average remuneration across the Group
- A year on year comparison of the total amount spent on pay across the Group with profit before tax and dividends paid

Chief Executive Officer's Pay

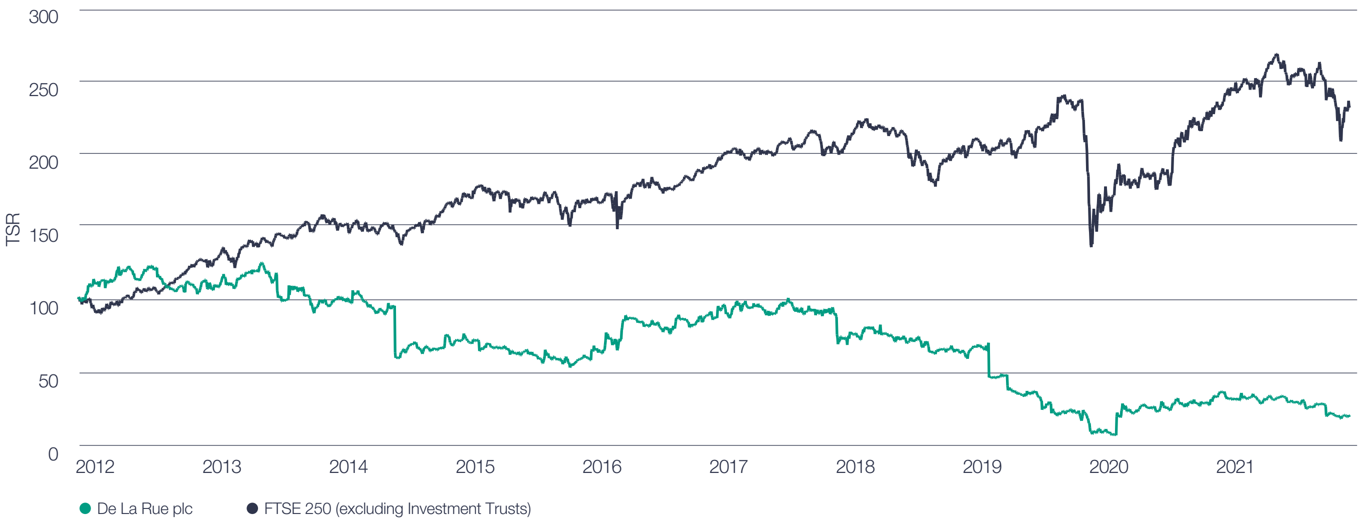
Period ended March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020	**2021**	**2022**
Chief Executive Officer	Tim Cobbold	Tim Cobbold	Tim Cobbold[1]	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland[2]	Clive Vacher[3]	**Clive Vacher**	**Clive Vacher**
Single figure of total remuneration £'000	1,053	634	1,071	1,107	998	899	783	954	340	249	**1,106**	**792**
Annual bonus payout as a % of maximum opportunity	80	Nil	Nil	14	57	40	Nil	29	Nil	Nil	**97.6**	**42**
LTIP vesting against maximum opportunity (%)	Nil	Nil	60	Nil	Nil	Nil	25	25	Nil	Nil	**Nil**	**Nil**

Notes:
1. Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014. Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014).
2. Appointed 13 October 2014, resigned on 7 October 2019.
3. Appointed 7 October 2019.

TSR performance

This graph shows the value, by 26 March 2022, of £100 invested in De La Rue plc on 26 March 2012, compared with the value of £100 invested in the FTSE 250 Index (excl. Investment Trusts) on the same date, assuming that all dividends paid are reinvested and on the other normal principles for assessing Total Shareholder Return (TSR). The other points plotted are the values at intervening financial year ends. De La Rue was a constituent of the FTSE 250 Index for the majority of the period under review.

Total shareholder return
Source: FactSet



Chief Executive Officer pay ratio

The table below sets out the CEO pay ratios from the FY22 comparing the single total figure of the remuneration with the equivalent figures for lower quartile, median and upper quartile UK employees. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 44.1% of the total employee population.

As the quartile individuals are representative of the companies pay distribution the ratios presented are consistent with the pay, reward and progression policies for the UK employees. A significant portion of the CEO remuneration is delivered through variable incentives where awards are linked to business performance over a longer term. This means that ratios may fluctuate year to year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/2022	Option A	21:1	16:1	13:1
2020/2021	Option A	30:1	24:1	18:1

Total pay and benefits amounts used to calculate ratio.

		25th percentile ratio		50th percentile ratio		75th percentile ratio	
Financial year	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2021/2022	Option A	£36,996.54	£28,375.97	£49,614.40	£44,232.96	£62,553.96	£54,285.00
2020/2021	Option A	£37,017.34	£32,584.92	£45,423.49	£41,795.49	£62,770.89	£53,918.64

Percentage change in Directors' remuneration

The table below compares the percentage change in the Directors' salary, bonus and benefits to the average change in salary, bonus and benefits for all UK employees between FY21 and FY22. ABP and Sales Incentive Plans were paid in both financial years. The table shows the UK employee average which includes changes to shift patterns across the UK workforce, lowering the overall average increase to salary. Rob Harding became and Executive Director in October 2020 therefore receiving a lower benefit amount compared to FY22 as shown in the signal figure table on page 74. The ABP outcome in FY22 is lower compared to FY21.

	2021/22			2020/21		
	Salary/fees	**Benefits**	**Annual bonus**	Salary/fees	Benefits	Annual bonus
Clive Vacher	**2.0%**	**0%**	**-55.0%**	104.6%	113.0%	–
Rob Harding	**2.0%**	**148.6%**	**-14%**	–	–	–
Ruth Euling	**–**	**–**	**–**	–	–	–
Kevin Loosemore	**2.0%**	**–**	**–**	92.3%	–	–
Maria da Cunha	**-4.6%**	**–**	**–**	14.8%	–	–
Nick Bray	**2.0%**	**–**	**–**	0%	–	–
Margaret Rice-Jones	**18.3%**	**–**	**–**	–	–	–
Catherine Ashton	**2.0%**	**–**	**–**	–	–	–
UK employee average	**1.5%**	**0%**	**-146.0%**	3.8%	0%	–

Relative spend on pay

The following table sets out the percentage change in payments to shareholders and the overall expenditure on pay across the Group.

	2021/22 £m	2020/21 £m	Change %
Dividends (note 10 to the financial statements)	**–**	–	N/A
Overall expenditure on pay (note 4 to the financial statements)	**97.6**	107.7	-9.4

Statement of shareholder voting

The Directors' remuneration report were approved by shareholders at our AGM on 29 July 2021. Details of the poll voting result on the relevant resolutions are shown below:

	Total votes cast	For[1]	(%)	Against	(%)	Votes withheld[2]
Approval of remuneration report	155,638,332	152,694,360	98.11	2,943,972	1.89	180,480

Notes:
1. The votes 'For' include votes given at the Chairman's discretion.
2. A vote withheld is not legally a vote cast and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

De La Rue carefully monitors shareholder voting on the remuneration policy and implementation and the Company recognises the importance of ensuring that shareholders continue to support the remuneration arrangements. All voting at the AGM is undertaken by poll.

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During FY22, the Committee also received advice from Willis Towers Watson who have no other connection with the Company or individual Directors. Willis Towers Watson has been formally appointed by the Remuneration Committee and advised on the structure, measures and target setting for incentive plans, executive remuneration levels and trends, corporate governance developments and Directors' remuneration report preparation. The Remuneration Committee requests Willis Towers Watson to attend meetings periodically during the year.

Willis Towers Watson is a member of the Remuneration Consultants' Group and has signed up to the code of conduct relating to the provision of executive remuneration advice in the UK. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice has been objective and independent.

Total fees for advice provided to the Remuneration Committee during the year by Willis Towers Watson were £22,867.

Dilution limits

The share incentives operated by the Company comply with the institutional investors' share dilution guidelines. The Directors' remuneration report was approved by the Board on 24 May 2022 and signed on its behalf.

Maria da Cunha
Chair of the Remuneration Committee

24 May 2022

Appendix: Directors' Remuneration Policy

The remuneration package for Executive Directors consists of fixed base salary, pension and other benefits and a significant proportion of variable pay including annual bonus and long term share based incentives. The following table summarises each element of the proposed remuneration policy for the Executive Directors and explains how each works and is linked to the corporate strategy.

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Annual Bonus Plan (ABP)			
To incentivise and reward delivery of financial and personal performance targets that address the distinct commercial and strategic needs of the business, and align with shareholder interests. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To support a pay for performance philosophy. To help attract and retain top talent and be cost effective. Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element.	The Remuneration Committee sets Group financial targets and agrees personal objectives for each Executive Director at the start of each year. Reference is made to the prior year and to budgets and business plans while ensuring the levels set are appropriately challenging but do not encourage excessive risk-taking. Payments are determined by the Remuneration Committee after the year end. The bonus plan is non-contractual and may be offered on a year by year basis. Sixty per cent of annual bonus is payable immediately in cash. Forty per cent of annual bonus is payable in deferred shares (deferred bonus plan) and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions. Fifty per cent of deferred shares are released one year after cash payout and the remaining 50% two years after cash payout. The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest. The deferred share element (DBP) will be disclosed in the annual report on remuneration. The cash and deferred share element are subject to malus and clawback provisions to allow the Company to recoup three years from award in the event of material financial misstatement of results, gross misconduct, other acts or omissions that could bring the business into disrepute and or cause reputational damage or corporate failure. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short- and long-term plans if there is misalignment with the Group's strategic goals or shareholder interests.	The current annual maximum bonus opportunity of 135% of salary for the Chief Executive Officer and 115% of salary for any other Executive Director linked to business performance will continue to apply. The Remuneration Committee has the discretion to increase the overall maximum bonus level to 150% of salary, subject to this not being above the competitive market range.	The bonus payout level is determined by achievement of Group financial performance measures with an element based on personal objectives. The metrics, while stretching, do not encourage inappropriate risks to be taken. The Remuneration Committee will maintain discretion to consider the financial underpin in respect of awards under the ABP. Financial targets and weightings will be disclosed in the annual report on remuneration.

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Performance Share Plan (PSP)			
A share-based long term incentive is aligned closely with business strategy and interests of shareholders through the performance measures chosen. Under the new policy, consistent with market practice, awards will vest, subject to group performance, at the end of a three-year performance period, and will be subject to a two year post-vesting holding period. This supports a pay for performance philosophy. To retain key executives over a longer-term measurement period. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To attract and retain top talent and continue to be cost-effective. To ensure overall cost-efficiency. To ensure any payout is supported by sound profitability. To support the strategic focus on growth and margins.	Directors receive share awards in respect of each financial year with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk-taking. Awards will vest after three years provided Group performance criteria are met. This will be followed by an additional two-year holding period before awards are released to participants. The Remuneration Committee may determine that the award holder will receive additional shares equal to the value of any dividends which would have been paid (by reference to the period beginning on the grant date and ending at the end of the holding period) on the shares subject to an award which vest. Vesting of awards is subject to continued employment until the vesting date but, as described on page 73, PSP awards may also vest in 'good leaver' circumstances. Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time in the performance period. The Remuneration Committee has the right to claw back any PSP awards within three years of the vesting of an award to the extent there has been material financial misstatement of results, gross misconduct, any act or omission that could bring the business into disrepute and or cause reputational damage or corporate failure. Malus provision also applies. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short- and long-term plans if there is misalignment with the Group's strategic goals or shareholder interests.	The maximum number of shares which may be subject to an award granted to eligible employees in respect of any financial year will not have a value (as determined by the Remuneration Committee) exceeding 100% of salary as at the award date. The Committee retains discretion in exceptional circumstances to grant awards with a face value of up to 150% of salary.	Awards will normally vest subject to the achievement of Group performance over a period of three years against key metrics set by the Remuneration Committee which are aligned to commercial business needs and strategy. The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance achieved. The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with the Group's business objectives and strategy and retains the discretion to change the measures and their respective weightings to ensure continuing alignment with such objectives and strategy. The Remuneration Committee maintains the ability to adjust or set different performance measures if events occur or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. If varied or replaced, the amended performance conditions must, in the opinion of the Committee, be materially no more or less difficult than the original condition when set and these will be disclosed in the annual report on remuneration.
All employee Share Plans			
To encourage employees including the Executive Directors to build a shareholding through the operation of all employee share plans such as the HMRC approved De La Rue Sharesave scheme in the UK.	Executive Directors may participate in the Sharesave scheme on the same terms as other employees. Under the UK Sharesave scheme, the option price may be discounted by up to 20%. Accumulated savings through payroll may be used to exercise an option to acquire shares. Under the Employee Share Purchase Plan, employees in the US may be offered the opportunity to purchase the Company's shares at a 15% discount to the market price. Any purchases are funded through accumulated payroll deductions. Shareholders approved the Rules of Sharesave and the ESPP at the 2012 AGM.	The maximum savings is in line with the legislative limit which is currently £500 per month over a three- or five-year period under the Company's Sharesave scheme. The rules of the scheme provide for savings up to the legislative limit of £500 per month.	No performance measures but employment conditions apply.

Directors' report

The Directors present their annual report on the affairs of the Group for the period ended 26 March 2022.

Introduction

De La Rue plc is a public limited company, registered in England and Wales as company number 3834125 and has its registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS. As such, it is subject to the reporting requirements set out in the Companies Act 2006. In addition, the Company is listed in the UK and is therefore subject to the additional reporting requirements of the Financial Conduct Authority's Listing Rules (LR) and Disclosure Guidance and Transparency Rules (DTR).

Our reporting to shareholders

The Strategic Report and this Directors' Report, when read together with the rest of this annual report, taken as a whole form the management report required for the purposes of DTR 4.1.5 R.

The Strategic Report provides an overview of the development and performance of the Group's business for the period ended 26 March 2022 and likely future developments in the Group. The various sections of that report, from page 1 to 47 of this annual report, together provide information which the Directors consider to be of strategic importance to the Group.

The following disclosures are hereby incorporated by reference into, and form part of, this Directors' Report:

– The reporting on corporate governance on pages 48 to 84 and page 89;
– Data on greenhouse gas emissions and other climate change-related disclosures on page 36. This information was included in the Strategic Report as the Directors consider those matters to be of strategic importance to the Group;
– Details of Directors' interests in the shares of the Company, within the Directors' remuneration report on pages 79 and 80;
– Information relating to financial instruments and financial risk management, as provided in note 14 to the financial statements; and
– Related party transactions as set out in note 28 to the financial statements.

Dividends

In November 2019, the Board decided to suspend future dividend payments. In the Turnaround Plan, first announced in February 2020 and subsequently expanded upon in the prospectus published in June 2020, the Board explained that the resumption of dividends would only occur when restrictions agreed with our lending banks fell away and the Company was generating sustainable positive free cash flow. No interim dividend was paid or final dividend recommended in respect of the 2020/21 financial year. The Directors did not declare an interim dividend and do not recommend a final dividend to be paid in respect of FY22. See the Chairman's statement on page 6 and the Financial Review on page 20 for further details.

Directors

The names and biographical details of the Directors of the Company at the date of this report are provided on pages 52 and 53.

Subject to the Company's articles of association, the Companies Act 2006 and any directions given by the Company in general meeting by a special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The powers of the Board are described in the corporate governance statement on pages 54 to 59.

The Directors recognise their duty to have regard to the Company's business relationships with suppliers, customers and others and to consider the long term, environmental and reputational impacts of their decisions. Details of how these considerations were factored into the principal decisions taken during the period can be found in the section 172 statement on pages 46 and 47.

The rules governing the appointment and removal of Directors are set out in the Company's articles of association. Each of the Directors in office at the date of this report will, save for Maria da Cunha, retire at the AGM on 27 July 2022 and, being eligible, offers himself or herself for re-election. After seven years' service as a Non-executive Director, Maria da Cunha has decided not to seek re-election at the 2022 AGM and will retire from the Board at the conclusion of that meeting.

Details of the Company's contracts of service with its Executive Directors can be found on page 79 and details of the Company's letters of appointment for the Non-executive Directors are on page 79.

Details of Directors' remuneration are provided in the Directors' remuneration report on pages 69 to 84. The interests of the Directors and their families in the share capital of the Company are shown in the Directors' remuneration report on page 79.

At the date of this report, the Company has agreed, to the extent permitted by the law and the Company's articles of association, to indemnify its Directors and officers in respect of all costs, charges, losses, damages and expenses arising out of claims made against them in the course of the execution of their duties as a Director or officer of the Company or any associated company. The Company may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine, but any advance must be refunded if the Director or officer is subsequently convicted or found against. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly.

The Group also maintains Directors' and officers' liability insurance cover for the Directors and officers of the Company and of all Group subsidiary companies.

Shares and major shareholdings

Structure of the Company's share capital

As at 26 March 2022, the share capital of the Company comprised 195,157,352 ordinary shares of $44\frac{152}{175}$p each and 111,673,300 deferred shares of 1p nominal value, all of which are credited as fully paid. The ordinary shares therefore comprise approximately 99%, and the deferred shares approximately 1%, of the issued share capital.

The ordinary shares are listed in the UK and admitted to trading on the London Stock Exchange. The rights attaching to these shares are described in the next section of this report.

Deferred shares carry no voting or other participation rights and extremely limited economic rights. They are not listed or admitted to trading on any market and are not transferable except in accordance with the articles of association. Any or all of the deferred shares can be repurchased at any time by the Company without notice for a total consideration of one penny, following which they may be cancelled.

Rights of holders of ordinary shares and restrictions on transfer

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association, a copy of which is available on the Company's website www.delarue.com. The key rights are summarised below:

- Voting – on a show of hands at a general meeting of the Company, each holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, shall have one vote for every ordinary share held. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrar no later than 48 hours before a general meeting.
- Dividends and distributions to shareholders on winding up – holders of ordinary shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to a special resolution of the Company the liquidator may divide among members in specie the whole or any part of the assets of the Company and may, for such purpose, value any assets and may determine how such division shall be carried out.
- Transfer of shares – the Company's articles of association place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them except in very limited circumstances. Certain restrictions, however, may from time to time be imposed by law or regulation.

The articles of association may only be amended by special resolution of the holders of the Company's ordinary shares.

Special rights attaching to shares

There are no shares issued by the Company which confer any special voting or other rights regarding the control of the Company.

Shareholder agreements and consent requirements

There are no known arrangements under which financial rights conferred by any of the shares in the Company are held by a person other than the holders of those shares.

The Company is not aware of any agreements between shareholders that may result in any restriction on the transfer of shares or exercise of voting rights.

Rights attaching to shares under employee share schemes

Options and awards held by relevant participants under the Company's various share plans carry no voting rights until the shares are issued. The trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on existing shares held in the employee trust. No shares are currently held in trust.

Major shareholdings

As at 26 March 2022, the Company had received formal notification of the following holdings in its shares under DTR 5. It should be noted that these holdings, or the percentage of the issued share capital they represent, may have changed since the Company was notified, but notification of any change is not required until the next notifiable threshold is crossed:

Persons notifying	Date of last notification	Nature of interest	% of issued ordinary share capital held at notification date
Schroders plc	10/03/2022	Indirect	15.03
Brandes Investment Partners, L.P.	27/01//2021	Indirect	9.97
Crystal Amber Fund Limited	14/10/2021	Direct	9.95
Jupiter Fund Management PLC	28/06/2021	Indirect	5.46
Aberforth Partners LLP	09/04/2018	Indirect	5.11
Royal London Asset Management Limited	22/08/2019	Direct	4.98
Neptune Investment Management Limited	13/09/2019	Direct	4.98
The Wellcome Trust Limited	26/01/2022	Direct	4.29

There were no changes notified between the end of the period under review and 23 May 2022.

Directors' authorities in relation to share capital

Power to issue and allot

At the AGM held on 29 July 2021 the Directors were generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal value of £29,174,732 (being approximately one third of the Company's then issued share capital) or up to an aggregate nominal value of £58,349,465 (being approximately two thirds of the Company's then issued share capital) in respect of a strictly pro-rata rights issue.

At the 2021 AGM the Directors were also granted additional powers to allot ordinary shares for cash (i) up to a nominal value of £4,376,210 (being approximately 5% of the Company's then issued share capital) and (ii) up to a further nominal value of £4,376,210, in each case without regard to the pre-emption provisions of the Companies Act 2006, provided that the authority under (ii) can only be used in connection with an acquisition or specified capital investment.

These authorities are valid until the conclusion of the next following AGM.

The Directors propose to seek equivalent authorities at the 2022 AGM. The Directors have no current intention of exercising these authorities, if granted, other than to satisfy the exercise of options or vesting of awards under the Company's employee share schemes.

92,972 shares were issued for cash during the period to satisfy the vesting of awards or the exercise of options under the Company's employee share schemes. Details of shares issued during the year and outstanding options and awards are given in notes 20 and 21 to the financial statements, and those notes are incorporated by reference into this report. Details of the share-settled long term incentive schemes are provided in the Directors' remuneration report on pages 69 to 84.

Authority to purchase own shares

At the 2021 AGM, shareholders gave the Company authority to make market purchases of up to 19,506,794 of its own ordinary shares (being approximately 10% of the Company's then issued ordinary share capital). Any shares purchased in this way could either be cancelled or held in treasury (or a combination of these). No purchases have been made under this authority.

The Directors propose to seek an equivalent authority at the 2022 AGM, but have no current intention of using this authority, if granted.

Change of control

Contracts

There are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group.

Banking facilities

The credit facility between the Company and its key relationship banks contains a provision such that, in the event of a change of control, unless agreement is reached to the contrary, the facility will be immediately cancelled and shall cease to be available for any further utilisation and all outstanding loans, together with accrued interest and certain other charges, will become immediately due and payable.

Employees

In the event of a change of control, vesting of awards would occur in accordance with the relevant scheme or plan rules. There are no agreements in force that would provide any Directors or employees with compensation for any loss of office or employment that occurs because of a change of control.

Our employees and workforce generally

Employment of disabled persons

The Group gives full and fair consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by that person. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Employee communications and engagement

The Group provides its entire workforce (including employees) with information on matters that could be of concern to them as our workforce. This includes building common awareness of the financial and economic factors affecting the Group's performance through newsletters, all-employee emails and conference calls with the CEO on the day that our results are announced to the market or there is a material development in the Group's business.

Where appropriate, we consult members of our workforce or their representatives on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

We encourage involvement in the Company's performance by our employees and workforce and offer awards under our discretionary share schemes to those more senior employees who are best placed to influence that performance, and through options granted under our Sharesave scheme to all eligible employees in the UK.

The views of our employees and contractors are important. To make sure that these views are heard and are taken into account, the Board has designated an independent Non-executive Director, Maria da Cunha, to oversee its engagement with the workforce. For further details of how she fulfilled this role and how it informed the Board's discussions during the year, please see pages 39 and 55. Maria will retire from the Board at the 2022 AGM and will be replaced in this role by Catherine Ashton.

Other statutory disclosures

Branches

De La Rue is a global business and our activities and interests are operated through subsidiaries, branches of subsidiaries and associates which are subject to the laws and regulations of many different jurisdictions. Our subsidiaries and associates are listed in note 29 to the financial statements. There were no branches of the Company in existence during the period ended 26 March 2022.

Essential contracts or other arrangements

The Group has a number of suppliers of key goods and services, the loss of any of which could disrupt the Group's ability to deliver on time, in full or at all. For further details, please refer to the discussion of this risk on pages 27 to 31.

Financial risk management

Please refer to the disclosures in note 14 to the financial statements.

Going concern

As described on pages 26 and 106, the Directors continue to adopt the going concern basis of accounting (in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014) in preparing the consolidated financial statements.

Listing Rules compliance

In relation to the disclosures required by LR 9.8.4 R:

(1)	Interest capitalised and any related tax relief	Not applicable
(2)	Publication of unaudited financial information or a profit forecast or estimate	Not applicable
(4)	Details of any long term incentive schemes	Not applicable
(5)	Details of any waiver of emoluments by a Director	Not applicable
(6)	Any waiver of future emoluments by a Director	Not applicable
(7)	Non pre-emptive issues of equity securities for cash	Not applicable
(8)	Non pre-emptive issues of equity securities for cash by major subsidiary undertakings	Not applicable
(9)	Parent company participation in a placing	Not applicable
(10)	Any contract of significance in which a Director or controlling shareholder is interested	Not applicable
(11)	Any contract for the provision of services by a controlling shareholder	Not applicable
(12)	Any waiver of dividends	Not applicable
(13)	Any waiver of future dividends and details of current dividends waived	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

As required by LR 9.8.6(8) R, this annual report includes climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures, which can be found on page 35.

Political donations

The Group's policy is not to make any political donations and none were made during the period. However, the definitions of political donations and expenditure in the Companies Act 2006 are very widely drawn, and it is possible that certain routine activities may unintentionally fall within the scope of the law. The Company is therefore seeking shareholders' renewal of the authority to make political donations at the 2022 AGM, in line with that sought and granted in all recent years.

Research and development

The Group's business is underpinned by a significant amount of intellectual property. The Group holds over 150 families of patents which support its business. There are around 1,300 patents and patent applications, of which over 880 have been granted and circa 420 applications are pending. During the year the Group had 33 patents granted in Europe, UK and the US.

The Group's key activity in the field of research and development is discussed in the CEO review on page 8, the strategy discussion on pages 4 and 5 and in the review of operations on page 18.

Post-balance sheet events

There were no material post-balance sheet events that were required to be disclosed.

Annual General Meeting

The AGM will be held at 10.45am on Wednesday 27 July 2022 at the Marriott Worsley Park Hotel & Country Club, Walkden Road, Worsley Park, Manchester M28 2QT.

We value our engagement with all our shareholders and shareholders will once again be able to ask questions relating to the business of the meeting via our website, www.delarue.com, in advance of the AGM. Full details of how to use the Q&A facility are set out in the AGM Circular sent to you with this annual report.

Auditor

Ernst & Young LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

Disclosure of information to the external auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

This directors' report was approved by the Board on 24 May 2022.

By order of the Board

Jane Hyde
Company Secretary

24 May 2022

Directors' responsibility statement

Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards (IFRSs) and have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)), and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for the period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and, in respect of the Parent Company financial statements, Section 10 of FRS 102) and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs (and, in respect of the Parent Company financial statements, FRS 102) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- In respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- In respect of the Parent Company financial statements, state whether FRS 102 has been followed, subject to any material departures disclosed and explained in those financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that those financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

Each of the Directors at the date of approval of this statement confirms that, to the best of his or her knowledge:

- The Group financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The annual report, including the Strategic Report on pages 1 to 47 and the directors' report on pages 85 to 89, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board of Directors

Kevin Loosemore
Chairman

Rob Harding
Chief Financial Officer

24 May 2022

03

Financial statements

Independent Auditor's Report to the members of De La Rue plc

Opinion

In our opinion:

- De La Rue plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 26 March 2022 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have audited the financial statements of De La Rue plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 26 March 2022 which comprise:

Group	Parent company
Consolidated balance sheet as at 26 March 2022.	Company balance sheet as at 26 March 2022
Consolidated income statement for the period ended 26 March 2022	Company statement of changes in equity for the period ended 26 March 2022
Consolidated statement of comprehensive income for the period ended 26 March 2022	Related notes 1a to 8a to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the period ended 26 March 2022	
Consolidated cash flow statement for the period ended 26 March 2022	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process as well as the review controls in place over the preparation of the group's going concern model and the memoranda on going concern presented to the board of directors.
- We obtained the cash flow, covenant forecasts and sensitivities prepared by management and tested for arithmetical accuracy of the models as well as checking the net debt position at the year-end date which is the starting point for the model. We assessed the reasonableness of the cashflow forecast by analysing management's historical forecasting accuracy and understanding how any anticipated continued impact of COVID-19 has been modelled. We assessed the reasonableness of the forecasts with reference to the level of secured orders and the status of cost-out initiatives.
- We evaluated the key assumptions underpinning the Group's assessment by challenging the measurement and completeness of downside scenarios modelled by management and how these compare with principal risks and uncertainties of the Group. The key sensitivity in management's assessment is the group's ability to continue operating within its bank covenants during the period (specifically the EBITDA/net debt covenant). We therefore ensured

that management performed reverse stress testing scenarios which quantified the downside required to breach the covenants (by modelling both decreased earnings and increased net debt) and evaluated whether the downside in cash flows required for such a scenario to materialise was plausible during the going concern period considering the analysis of fixed versus variable costs, the proportion of revenue secured through orderbook coverage, and recent forecast accuracy.

- We challenged each of the available mitigating actions (e.g. reduced capital expenditure and reductions in discretionary spend) and obtained analysis to determine if these were in the control of management and evaluated the expected impact of the mitigation in the light of our understanding of the business and its cost structures.
- We considered the extent to which emerging climate-related risks may affect the Group's assessment and the assumptions around the costs anticipated in meeting the Group's target to become carbon neutral for its own operations by 2030. This includes the capital expenditure required to enable the Group to reduce its carbon footprint, energy usage, waste, and reliance on plastics. Additionally, we considered other macroeconomic factors such as the rising cost of materials, energy and labour which are critical parts of the Group's operations.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including non-current asset impairment and deferred tax asset recognition.
- We independently confirmed the continued availability of debt facilities through the going concern period and reviewed their underlying terms, including covenants, by examination of executed documentation.
- We held discussions with the Audit Committee and full board of Directors to corroborate the forecasts and their basis as prepared by management.
- We considered whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment and outcomes.

The audit procedures performed in evaluating the director's assessment were performed by the Group audit team, however we also considered the financial and non-financial information communicated to us from our component teams of overseas locations as sources of potential contrary indicators which may cast doubt over the going concern assessment. We determined going concern to be a key audit matter.

Our key observations

In line with the group's Turnaround plan, the Group is forecast to continue to be profitable and generate positive cashflows during the going concern period. The Group is forecast to maintain adequate liquidity and headroom with its covenants and the reverse stress test scenario suggests that the group would need to be exposed to significant downside events impacting profitability and cash flows in order to breach its covenants. In this remote scenario, management still consider that that impact can be mitigated by further cash and cost saving measures which are within their control during the going concern period.

The group's principal source of funding (the revolving credit facility) is set to expire in December 2023, beyond the period of management's assessment (being the period through to 30 June 2023.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern over the period through to 30 June 2023, a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 50 reporting components of the Group, we selected six components as full or specific scope covering entities within United Kingdom, Malta, Sri Lanka, Kenya and Group consolidation adjustments, which represent the principal business units within the Group.

The table below sets out the coverage obtained from the work performed by our audit teams.

	Adjusted EBITDA (%)	Revenue (%)	Total Assets (%)
Full Scope (3 Locations)	100.3	88.8	64.2
Specific Scope (3 Locations)	11.9	2.2	21.1
Specified Procedures (7 Locations)	(1.1)	9.0	13.0
Significant Components Total	111.1	100.0	98.3
Other Procedures (37 Locations)	(11.1)	0.0	1.7
Group Total	**100.0**	**100.0**	**100.0**

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 3 components, an audit of specific balances of 3 components and performed specified procedures for a further 7 components. – The components where we performed full, specific or specified audit procedures accounted for 111% of adjusted EBITDA (being EBITDA adjusted for exceptional items), 100% of Revenue and 98% of Total assets.
Key audit matters	– Revenue recognition – Post-retirement benefits – liabilities – Recoverability of long-term assets relating to Portals Going concern
Materiality	– Overall Group materiality of £1.1m which represents 2% of adjusted EBITDA.

Of the 6 components selected, we performed an audit of the complete financial information of 3 components ("full scope components") which were selected based on their size or risk characteristics.

For the remaining 3 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The remaining coverage (being (1.1%) of adjusted EBITDA) related to specified procedures performed through centralised testing by the group team in 7 further locations. These locations typically represent other small revenue generating entities, overseas cost centres, or holding companies and not the principal business units of the Group. We extend our scope to these entities in order to add an element of unpredictability into our scoping. Specifically, we performed specified procedures on certain aspects of Revenue; Other operating expenses; interest income and expense, provisions, intangible assets and amortisation, in response to our risk assessment for these individual financial statement captions. The audit scope of the components in specific scope or specified procedures may not have included testing of all significant accounts of the component but will have contributed to the metrics provided above for the Group.

Of the remaining 37 components that together represent (11.1%) of the Group's adjusted EBITDA, none are individually greater than (3%) of the Group's adjusted EBITDA. For these components, we performed other procedures, including cash and borrowings verification testing on all material balances and a random selection of additional immaterial balances, analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

In previous periods, we identified the reporting entity which recorded the transactions relating to the Group's UK passport contract as Full Scope. As this contract was completed in the previous period and there has been no further trade, we have no longer included this entity within our audit scope. There have been no other significant changes in the scoping of our Group audit.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The audit procedures on the three full scope components (all of which comprise parts of the UK operating business) were performed directly by the primary audit team. For the three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the year the Group audit team determined not to undertake any planned visits to the specific scope overseas locations. This decision was taken based on the relative contribution of the full scope UK locations to the overall Group (100.3% of the Group's adjusted EBITDA, 88.8% of the Group's Revenue and 64.2% of the Group's Total assets). Detailed instructions were sent to all specific scope overseas locations which covered the significant areas that should be addressed by the component team auditors and the information which should be reported by to the Group audit team. Furthermore, the number of misstatements identified in recent periods across the three locations continues to be low. The primary team interacted regularly with the component teams during various stages of the audit including attending planning, update and closing meetings via conference calls. The primary team reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the group. The Group has determined that the most significant future impacts from climate change on its operations will be from: emerging regulation changes and the Group's ability to react to such changes (for example, the ban on single use plastics in Kenya); the risk of flooding of key sites as a result of rising water levels and precipitation patterns; and the risk of being unable to execute the transition of operations required to effectively reduce its carbon footprint, energy usage, waste, and reliance on plastics in its operations. These are explained on pages 34-37 in the Task Force for Climate related Financial Disclosures and on page 29 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the strategic report, the Group have started the journey to implement the short, medium and long-term actions required to achieve a number of global and local initiatives aligned to the UN Sustainable Development Goals (SDGs). It is also stated that the Group have also started to report against the requirements set out in the Task Force for Climate-Related Financial Disclosures; however, understanding the costs and opportunities of climate change to their business will take some time and they are actively progressing this understanding over the course of the next financial year. The degree of uncertainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 29 and 34-37 have been appropriately reflected in the going concern and viability considerations of the Group, and other key assessments where values are determined through modelling future cash flows including the assumptions around the costs anticipated in meeting the Group's target to become carbon neutral for its own operations by 2030. This includes the capital expenditure required to enable the Group to reduce its carbon footprint, energy usage, waste, and reliance on plastics. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group have stated their sustainability commitments in becoming carbon natural from its own operations by 2030 and to align with the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group are currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue Recognition – £375.1m (FY21 – £397.4m) *Refer to the Audit Committee Report (page 62); Accounting policies (page 108); and Note 2 of the Consolidated Financial Statements (page 115])* We have identified that there is a risk that revenue is manipulated at or near to the period end to meet income statement targets through management override of controls. This cut-off risk manifests itself in different ways based on the terms of the contract and the associated accounting policy under IFRS 15. For contracts where revenue is recognised at a 'point in time' the risk relates to evidencing that control has passed to the customer. In particular, certain contracts include specific terms, for example, complex acceptance criteria or "bill and hold" criteria which adds to the risk that revenue may be recorded in the incorrect reporting period. For contracts where revenue is recognised 'over time' the risk relates to the judgements made in relation to evidencing; an enforceable right to payment in the contract; and completion of inventory or costs incurred compared to total estimated cost to complete. Misstatements that occur in relation to this risk would impact the revenue recognised in the income statement as well as any revenue related balance sheet account such as trade debtors, deferred income and accrued income.	We have performed testing using the lowest end of the performance materiality range applicable for addressing the occurrence assertion impacted by a significant risk. At each full, and specific scope component with significant revenue streams (5 components) including (where relevant) consolidation adjustments, we performed audit procedures which covered 91.0% of the Group's Revenue. We also performed specified procedures on material revenue amounts earned in the remainder of the group, including amounts in the USA and De La Rue Buck Press Limited. The primary audit team and specific scope component teams performed the audit procedures over the Group's revenue. Our procedures included, among others, obtaining an understanding of the revenue recognition process and evaluating the design of internal controls over revenue recognised. We also evaluated the appropriateness of the Group's revenue recognition policy. To address the risk on inappropriate cut-off, we selected a sample of revenue transactions around the period end date and for our sample selected, we tested to ensure there is appropriate evidence to support that control has passed to the customer and this reflected in the period the revenue was recognised. This included checking to third party evidence of delivery, where applicable. For 'bill and hold' contracts we ensured that this arrangement was stipulated in the contractual terms, that the related goods had been manufactured at the year-end date, including physically verifying a sample of these items, and that control had passed to the customer. For over time revenue contracts, we performed a review of all new material underlying agreements to determine that over time revenue recognition is appropriate, including an assessment of performance obligations and any judgements made by management in concluding that the company has an enforceable right to payment, enquiring with external legal counsel where relevant. The group uses the input method to record revenue over time. For all material contracts, we have tested actual costs incurred to underlying supporting documents and challenged the appropriateness of the estimated cost to complete the performance obligation. We have also tested the appropriateness of the margin applied by agreeing the calculations through to contractual terms (e.g. unit prices and total contract value). We have also checked that the correct percentage of completion (POC) has been applied in determining the amount of revenue to be recognised. We performed journal entry testing, applying particular focus to significant manual or unusual journal entries to ensure each entry is supported by an appropriate, underlying business rationale, is properly authorised and accounted for correctly in the correct period. We obtained supporting audit evidence including invoices and credit notes for unusual and/or material revenue journals.	Based on our audit procedures we have concluded that revenue is appropriately recognised in the period and appropriately accrued or deferred at 26 March 2022.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Post-retirement benefit liabilities – £957.1m (FY21: £1,071.8m) *Refer to the Audit Committee Report (page 62); Accounting policies (page 112); and Note 24 of the Consolidated Financial Statements (page 140).* The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. A number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. Misstatements that occur in relation to this risk would affect the retirement benefit obligations account in the balance sheet as well as related accounts in the income statement and statement of other comprehensive income.	We utilised EY pension specialists to assist the primary team in testing the valuation of post-retirement benefit liabilities. Together with our EY pension specialists, we have discussed with the actuaries of the pension scheme to understand the valuation process. We challenged the basis and methodology for setting key assumptions, including, salary increases and mortality rates by comparing them to national and industry averages. We independently checked the discount and inflation rates used in the valuation of the pension liability against our internally developed benchmarks. We assessed the competency of management's expert used in determining the actuarial valuation. We verified the basis of recognition of the UK pension surplus by obtaining Management's legal advice in respect of the scheme rules and considered this against the requirements of IFRIC 14. We assessed the appropriateness of Management's retirement benefit obligation disclosure by reference to the requirements of applicable accounting standards.	Based on our audit procedures, we have concluded that the actuarial assumptions applied within the valuation of post-retirement benefits at period-end are appropriate.
Recoverability of long-term assets relating to Portals £10.3m (gross amount); (FY21: £8.6m) including the appropriateness of the expected credit loss provision £3.1m (FY21: £nil): As part of the disposal of the paper business to Portals De La Rue Ltd in 2018, a portion of the consideration received by the company was deferred in the form of preference shares and loan notes, with interest accruing annually on these amounts and added to the value of the asset. These amounts are repayable at the earliest (in the absence of a triggering event) in 2028. The assessment of the recoverability of these financial assets includes significant judgement. Misstatements could occur where inappropriate judgements have been made in determining the Expected Credit Loss provision required in relation to these financial assets.	We have assessed management's judgement (based on a number of factors) that while there has been a significant increase in credit risk since recognition, the asset is not credit impaired and as such a life time credit loss provisions has been recorded. We audited management's expected credit loss assessment, including the assumptions utilised with regards to the unbiased and probability weighted analysis required by IFRS 9, taking into account all available information on the counterparty and evaluating a range of possible outcomes. We challenged management's assumptions utilised in their assessment, including the relative weighting of each possible outcome and whether any contra-indicators existed which would change the assumptions used. In doing this, we also assessed the current financial position of the counterparty, De La Rue's position in the creditor's hierarchy in regard to their total creditors, and other factors considered by management. We challenged management's disclosures including the requirement to include the methods, inputs and assumptions as well as sensitivity analysis performed.	We concur with management's conclusion that based on available information, the amounts due are not credit impaired but a life-time expected credit loss provisions has been recorded to reflect the significant increase in credit risk since initial recognition. Based on our audit procedures on the probability weighted assessment performed by management, we have concluded that the assessment considers all information available to management and the life-time expected credit loss recorded is reasonable. We have reviewed management's disclosures relating to the expected credit loss provision. We have determined the disclosures to be appropriate.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

– We determined materiality for the Group to be £1.1m (FY21: £1.1m), which is 2% (FY21: 2%) of adjusted EBITDA. Given the focus on the Group's ability to continue operating as a going concern in recent periods which has been addressed through management's execution of the equity raise and ongoing Turnaround plan, we believe that there remains a pivotal focus on the banking covenants applicable to the Company which are based on adjusted EBITDA. As such, we believe that adjusted EBITDA provides us with a reasonable basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be £5.3 million (FY21: £5.3 million), which is 2% (FY21: 2%) of equity.

Our materiality is based on the Group's EBITDA adjusted for exceptional items in order to exclude items which are non-recurring in nature. We have determined the final materiality amount applied in our audit procedures below:

Starting basis	– Group EBITDA £48.3m
Adjustments	– Add back net exceptional items of £5.7m as disclosed on the Group Income statement
Materiality	– Totals £54m – Materiality of £1.1m (2% of adjusted EBITDA)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (FY21: 50%) of our planning materiality, namely £0.5m (FY21: £0.5m). We have set performance materiality at this percentage due to an expectation of possible audit misstatements in the current year driven by the volume and quantum of audit misstatements identified in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.1m to £0.5m (FY21: £0.1m to £0.5m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £54,000 (FY21: £56,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 89, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

– the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

– the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 89;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 32;
- Directors' statement on fair, balanced and understandable set out on page 89;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 89;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 27; and;
- The section describing the work of the audit committee set out on page 62.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 89, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards for the Group financial statements and FRS 102 for the parent company stand alone accounts, in addition to abiding by the Companies Act 2006) and the relevant direct and indirect tax regulations in the United Kingdom.

  In addition, the Company has to comply with laws and regulations relating to its operations, including exports of product and service regulations, offset terms on foreign contracts, UK Anti-bribery act, procurement regulations, Proceeds of Crime Act 2002 and The Money Laundering (Amendment) Regulations 2012, Health and Safety and GDPR.

  Furthermore, the company must comply with Listing Rules (LR requirements, Disclosure & Transparency Rules (DTR) requirements and ESMA Guidelines on Alternative Performance measures, UK Corporate Governance Code (2014 Code).
- We understood how De La Rue plc is complying with those frameworks by making enquiries of management including internal legal counsel to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. Specifically, we inspected the code of conduct and employee handbook issued to each employee, we also verified that specific training on the above frameworks were offered to employees throughout the year; obtaining and inspecting the training compliance report held by the company. Where relevant we liaised with external legal counsel to understand the potential impact of claims brought against the company. We also reviewed correspondence with relevant authorities, including HMRC.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and through assessing revenue as a fraud risk through recognising revenue in the incorrect period. Our procedures to address this involved:
  - Understanding the revenue recognition process, policy and how it is applied, including relevant controls;
  - Selecting a sample of key contracts to test based on various risk criteria. For the same contracts we performed detailed contract reviews, including challenging management assumptions on the revenue recognition process.

- For those contracts where revenue has been recognised over time, our procedures focussed on testing management's underlying assumptions in determining revenue recognised in the period, specifically the judgements made at the year-end date relating to the completion of inventory on those contracts or cost incurred to date compared to estimated cost to complete.
- For point in time revenue, we tested revenue cut-off at the year-end by selecting a sample of revenue transactions and testing whether revenue was recorded in the correct period through agreement to proof of delivery to confirm the period that the revenue relates to; and
- We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing work, with focus on manual transactions recorded at or close to the year-end date.
- Furthermore, given the territories the company operates in, we have applied forensic techniques to review commissions paid to third party agents acting on behalf of the group by obtaining data related to commission invoices during the year and performing a range of tests seeking to highlight any unusual transactions, including an analysis of whether commission payments were aggregated around specific dates (i.e. post year end or month ends) or if unusually large payments were made.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the reporting framework set out above through our walkthrough testing.
- If any instance of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the group level.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 21 September 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. We signed an updated engagement letter on 24 May 2021.
- The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ending 31 March 2018 to 26 March 2022.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

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

Reading

25 May 2022

Consolidated income statement for the period ended 26 March 2022

	Notes	2022 £m	2021 £m
Revenue from customer contracts	2	**375.1**	397.4
Cost of sales		**(277.5)**	(289.6)
Gross Profit		**97.6**	107.8
Adjusted operating expenses	4	**(61.2)**	(69.7)
Adjusted operating profit		**36.4**	38.1
Adjusted Items[1]:			
– Amortisation of acquired intangibles	10	**(1.0)**	(1.0)
– Net exceptional items – expected credit loss	5	**(3.1)**	–
– Net exceptional items – other	5	**(2.6)**	(22.6)
– Net exceptional items – Total	5	**(5.7)**	(22.6)
Operating profit		**29.7**	14.5
Interest income	6	**0.9**	0.8
Interest expense	6	**(6.2)**	(7.1)
Net retirement benefit obligation finance income/(expense)	6, 24	**(0.2)**	1.7
Net finance expense		**(5.5)**	(4.6)
Profit before taxation from continuing operations		**24.2**	9.9
Taxation	7	**(1.3)**	(1.4)
Profit from continuing operations		**22.9**	8.5
Profit/(loss) from discontinued operations	3	**0.8**	(0.4)
Profit for the year		**23.7**	8.1
Attributable to:			
– Owners of the parent		**21.5**	5.9
– Non-controlling interests	30	**2.2**	2.2
Profit for the year		**23.7**	8.1
Earnings per ordinary share			
Basic	8		
Basic EPS continuing operations		**10.6p**	3.7p
Basic EPS discontinued operations		**0.4p**	(0.3)p
Total Basic EPS		**11.0p**	3.4p
Diluted	8		
Diluted EPS continuing operations		**10.5p**	3.7p
Diluted EPS discontinued operations		**0.4p**	(0.3)p
Total Diluted EPS		**10.9p**	3.4p

Note:
1. For adjusting Items, the cash flow Impact of exceptional Items can be found in note 5 and there was no cash flow Impact for the amortisation of acquired Intangible assets.

Consolidated statement of comprehensive income for the period ended 26 March 2022

	Notes	2022 £m	2021 £m
Profit for the year		**23.7**	8.1
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement gain/(loss) on retirement benefit obligations	24	**35.7**	(95.6)
Tax related to remeasurement of net defined benefit liability	7	**(8.8)**	18.2
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(1.5)**	(3.9)
Foreign currency translation differences for foreign operations – non-controlling interests		**0.1**	–
Change in fair value of cash flow hedges	14(a)	**(0.6)**	(0.3)
Change in fair value of cash flow hedges transferred to profit or loss	14(a)	**0.8**	(0.4)
Tax related to cash flow hedge movements	7	**0.1**	(0.2)
Tax related to components of other comprehensive income	7	**0.2**	–
Other comprehensive income/(loss) for the year, net of tax		**26.0**	(82.2)
Total comprehensive income/(loss) for the year		**49.7**	(74.1)
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		**47.4**	(76.3)
Non-controlling interests		**2.3**	2.2
		49.7	(74.1)

Consolidated balance sheet at 26 March 2022

	Notes	2022 £m	2021 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	**102.7**	100.0
Intangible assets	10	**37.5**	32.3
Right-of-use assets	23	**12.9**	14.6
Retirement benefit obligations	24	**31.6**	–
Other financial assets	11	**7.4**	8.8
Deferred tax assets	16	**11.2**	19.7
Derivative financial assets	14	**0.1**	0.1
		203.4	175.5
Current assets			
Inventories	12	**50.1**	54.5
Trade and other receivables	13	**89.0**	98.8
Contract assets	2	**8.0**	14.8
Current tax assets		**0.4**	0.4
Derivative financial assets	14	**3.3**	7.4
Cash and cash equivalents	15	**24.3**	25.7
		175.1	201.6
Total assets		**378.5**	377.1
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(80.0)**	(120.5)
Current tax liabilities		**(13.9)**	(13.6)
Derivative financial liabilities	14	**(4.8)**	(8.2)
Lease liabilities	23	**(2.7)**	(2.7)
Provisions for liabilities and charges	19	**(5.9)**	(9.6)
		(107.3)	(154.6)
Non-current liabilities			
Borrowings	18	**(92.6)**	(74.2)
Retirement benefit obligations	24	**(1.8)**	(20.5)
Deferred tax liabilities	16	**(2.4)**	(2.6)
Derivative financial liabilities	14	**–**	(0.1)
Lease liabilities	23	**(11.5)**	(13.0)
Other non-current liabilities		**(1.1)**	(0.7)
		(109.4)	(111.1)
Total liabilities		**(216.7)**	(265.7)
Net assets		**161.8**	111.4
EQUITY			
Share capital	20	**88.8**	88.8
Share premium account		**42.2**	42.2
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**(0.5)**	(0.8)
Cumulative translation adjustment		**4.2**	5.7
Other reserve		**(31.9)**	(31.9)
Retained earnings		**35.1**	(14.9)
Total equity attributable to shareholders of the Company		**143.8**	95.0
Non-controlling interests		**18.0**	16.4
Total equity		**161.8**	111.4

Approved by the Board on 24 May 2022.

Kevin Loosemore
Chairman

Clive Vacher
Chief Executive Officer

Registered number: 3834125

Consolidated statement of changes in equity for the period ended 26 March 2022

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other reserve £m	Retained earnings £m	Attributable to equity shareholders: Non-controlling Interests £m	Total equity £m
Balance at 28 March 2020	47.8	42.2	5.9	0.1	9.6	(83.8)	56.2	15.2	93.2
Profit for the year	–	–	–	–	–	–	5.9	2.2	8.1
Other comprehensive income for the year, net of tax	–	–	–	(0.9)	(3.9)	–	(77.4)	–	(82.2)
Total comprehensive income for the year	–	–	–	(0.9)	(3.9)	–	(71.5)	2.2	(74.1)
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	0.2	–	–	–	–	–	–	–	0.2
Employee capital raised	40.8	–	–	–	–	51.9	–	–	92.7
Employee share scheme:									
– value of services provided	–	–	–	–	–	–	0.2	–	0.2
Income tax on income and expenses recognised directly in equity	–	–	–	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	–	–	(1.0)	(1.0)
Balance at 27 March 2021	**88.8**	**42.2**	**5.9**	**(0.8)**	**5.7**	**(31.9)**	**(14.9)**	**16.4**	**111.4**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**21.5**	**2.2**	**23.7**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**0.3**	**(1.5)**	**–**	**27.1**	**0.1**	**26.0**
Total comprehensive income for the year	**–**	**–**	**–**	**0.3**	**(1.5)**	**–**	**48.6**	**2.3**	**49.7**
Transactions with owners of the Company recognised directly in equity:									
Share capital issued	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Employee share scheme:									
– value of services provided	**–**	**–**	**–**	**–**	**–**	**–**	**1.7**	**–**	**1.7**
Income tax on income and expenses recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Balance at 26 March 2022	**88.8**	**42.2**	**5.9**	**(0.5)**	**4.2**	**(31.9)**	**35.1**	**18.0**	**161.8**

Notes:

Share premium account – This reserve arises from the issuance of shares for consideration in excess of their nominal value.

Capital redemption reserve – This reserve represents the nominal value of shares redeemed by the Company.

Hedge reserve – This reserve records the portion of any gain or loss on hedging instruments that are determined to be effective cash flow hedges. When the hedged transaction occurs, the gain or loss on the hedging instrument is transferred out of equity to the income statement. If a forecast transaction is no longer expected to occur, the gain or loss on the related hedging instrument previously recognised in equity is transferred to the income statement.

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.

Other reserves – On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a “cash box” structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue’s turnaround plan, which was first announced by the Company earlier in the year. The cashbox completed on 7 July 2020 and consisted of a firm placing, placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of 44 152/175p, at a price of 110p per share (giving gross proceeds of £100m). A “cash box” structure was used in such a way that merger relief was available under Companies Act 2006, section 612 and thus no share premium needed to be recorded and instead an ‘other reserve’ of £51.9m was recorded. This section applies to shares which are issued to acquire non-equity shares (such as the Preference Shares) issued as part of the same arrangement. The Group recorded share capital equal to the aggregate nominal value of the ordinary shares issued (£40.8m) and merger reserve equal to the difference between the total proceeds net of costs and share capital. As the cash proceeds received by DLR plc where loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 26 March 2022. This judgement might be revised in future periods, subject to certain internal transactions enabling the settlement of intercompany positions.

Consolidated cash flow statement for the period ended 26 March 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit before tax – continuing operations		**24.2**	9.9
Profit/(loss) before tax – discontinued operations		**0.9**	(0.5)
		25.1	9.4
Adjustments for:			
Finance income and expense	6	**5.5**	4.6
Depreciation of property plant and equipment	9	**12.0**	12.9
Depreciation of right-of-use assets	23	**2.3**	2.5
Amortisation of intangible assets	10	**4.3**	4.2
Gain on sale of property plant and equipment		**(0.5)**	(2.7)
(Impairment reversal)/impairment of property, plant and equipment and intangible assets and accelerated depreciation charges included within exceptional items	9	**(0.1)**	11.8
Share based payment expense	21	**1.8**	0.4
Pension Recovery Plan and administration cost payments[1]		**(16.4)**	(11.4)
Decrease in provisions	19	**(3.7)**	(0.9)
Loss on disposal of subsidiary (net of associated costs)		**–**	0.3
Non-cash credit loss provision – other financial assets	5, 11	**3.1**	–
Non-cash credit loss provision – other		**(0.2)**	0.8
Other non-cash movements		**2.3**	2.3
Cash generated from operations before working capital		**35.5**	34.2
Changes in working capital:			
Decrease/(increase) in inventory		**3.4**	(4.0)
Decrease/(increase) in trade and other receivables and contract assets		**22.6**	(19.8)
Decrease in trade and other payables and contract liabilities		**(43.2)**	(16.0)
		(17.2)	(39.8)
Cash generated from/(used in) operating activities		**18.3**	(5.6)

Note:
1. The £16.4m of pension payments includes £15.0m payable under the Recovery Plan, agreed in May 2020, and a further £1.4m relating to payments made by the Group towards the administration costs of running the scheme.

	Notes	2022 £m	2021 £m
Cash generated from/(used in) operating activities		**18.3**	(5.6)
Net tax paid		**(1.8)**	(2.4)
Net cash flows from operating activities		**16.5**	(8.0)
Cash flows from investing activities:			
Deduction from the sale of subsidiary (net of cash disposed and associated disposal costs)		**–**	(1.9)
Purchase of loan notes	11	**(0.9)**	–
Purchases of property, plant and equipment[1] – gross	9	**(19.6)**	(19.0)
Purchases of property, plant and equipment – grants received	9	**1.5**	3.5
Purchase of software intangibles and development assets capitalised	10	**(8.8)**	(5.6)
Proceeds from sale of property, plant and equipment		**1.9**	2.7
Receipt of research and development tax credit		**0.1**	–
Interest received		**–**	0.1
Net cash flows from investing activities		**(25.8)**	(20.2)
Net cash flows before financing activities		**(9.3)**	(28.2)
Cash flows from financing activities:			
Net proceeds from the equity capital raise		**–**	92.7
Net draw down/(repayment) of borrowings[2]	14(f)	**17.0**	(39.3)
Payment of debt issue costs	14(f)	**–**	(4.8)
Lease liability payments		**(2.2)**	(2.2)
Interest paid		**(6.2)**	(5.7)
Dividends paid to non-controlling interests	30	**(0.9)**	(1.0)
Net cash flows from financing activities		**7.7**	39.7
Net (decrease)/increase in cash and cash equivalents in the year		**(1.6)**	11.5
Cash and cash equivalents at the beginning of the year		**25.7**	14.5
Exchange rate effects		**0.2**	(0.3)
Cash and cash equivalents at the end of the year		**24.3**	25.7
Cash and cash equivalents consist of:			
Cash at bank and in hand	15	**20.3**	25.7
Short term deposits	15	**4.0**	–
	15, 22	**24.3**	25.7

Notes:
1. Purchases of property, plant and equipment excluding down payments and capex creditors of £1.6m (FY21: £2.4m) was £16.5m (FY21: £13.1m).
2. In the period FY21 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.

General information

De La Rue plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

De La Rue plc and its subsidiaries (together 'Group') has two principal segments Currency and Authentication. In Currency we design, manufacture and deliver bank notes, polymer substrate and security features around the world. In Authentication, we supply products and services to governments and Brands to assure tax revenues and authenticate goods as genuine. In addition, there is a third segment, Identity Solutions, which includes minimal non-core activities.

The financial statements have been prepared as at 26 March 2022, being the last Saturday in March. The comparatives for the 2020/21 financial period are for the period ended 27 March 2021.

The consolidated financial statements of the Company for the period ended 26 March 2022 were authorised for issuance by the board of Directors on 24 May 2022.

Company financial statements

The Company has elected to prepare its entity only financial statements in accordance with FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland. These are set out on pages 147 to 152 and the accounting policies in respect of the Company financial statements are set out on page 149.

Significant accounting policies

1 Basis of preparation

The consolidated financial statements of the Company for the period ended 26 March 2022 have been prepared in accordance with UK-adopted International Accounting Standards ('IFRS') in accordance with the requirements of the Companies Act 2006. IFRS includes standards issued by the International Accounting Standards Board ('IASB') that are endorsed for use in the UK.

The consolidated financial statements are prepared on a going concern basis under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in V 'Critical accounting estimates, assumptions and judgements'.

The Directors have considered the impact of the war in Ukraine on the results of the Group and concluded this is be immaterial (note 13).

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or have been incorporated with the relevant notes to the accounts where appropriate. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Climate change

In preparing the Consolidated Financial Statements management has considered the impact of climate change and the actions that the Group will take in order to fulfil its sustainability strategy and satisfy its commitment to become carbon neutral from its own operations by 2030. This includes the estimates around future cash flows used in impairment assessments of the carrying value of goodwill and intangible assets in De La Rue Authentication Inc, recoverability of deferred tax assets and the useful economic life of plant and equipment, especially assets which are very power-intensive and expected to be replaced. This is within the context of the disclosures included in Strategic Report, including those made in accordance with the recommendation of the Taskforce on Climate-related Financial Disclosures this year. These considerations did not have a material impact on the financial reporting judgements and estimates consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment as discussed below.

Going concern

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

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 30 June 2023. 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 in addition to continued careful management of costs. 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 FY23 and Q1 of FY24, 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 FY23 and Q1 of FY24 is the limiting factor, rather than the overall facility or the EBIT/net interest payable covenant in this period. The Directors have therefore completed a reverse stress test of the forecasts to determine the magnitude of downturn which would result in a breach to this covenant in the going concern period. Management have included a number of potential downsides including significant further supply chain cost pressures and revenue and margin levels being below current forecasts.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still just meet its net debt/EBITDA covenant ratio after taking into account mitigating actions which the Director's considered to be within the management's control. This modelling demonstrated that a cumulative decline of 30% in EBITDA compared with the base case without any mitigation would need to occur in the going concern period for the net debt/EBITDA covenant to breached. Taking into account mitigating actions considered to be within the control of management, a fall in EBITDA of 42% from base case would need to occur in the going concern period before the net debt/ EBITDA covenant would be breached.

These reductions in EBITDA are considered to be remote by management taking into account order cover for the same period (see page 19) and other controllable mitigating actions available to management. Additionally, the SONIA rate would need to rise to 8.0% in FY23 to trigger a breach in the interest covenant. Management have assessed this risk as remote given that the current SONIA rate applicable is less than 1%.

The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to its current expiry date (December 2023), which is beyond the end of the period reviewed for Going Concern purposes. The Directors have assessed that the Group will either renew the facility thereafter or have sufficient time to agree an alternative source of finance for the subsequent period.

Accordingly, 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 these Consolidated Annual Financial Statements.

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

Covid-19

The Annual Report for the period ended 27 March 2021 included an assessment of the potential impact of Covid-19 on the financial position of the Group as at March 2021. The Directors still consider this assessment to be appropriate for the 27 March 2022 financial statements based on the current position.

2 New Standards, interpretations and amendments adopted by the Group

Other than as described below, the accounting policies adopted in the preparation of these consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements as at, and for the period ended, 27 March 2021, apart from standards, amendments to or interpretations of published standards adopted during the year.

During the period, the following new and amended IFRS became effective for the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The impacts of applying these policies are not considered material.

Several amendments apply for the first time in FY22, but do not have an impact on these consolidated financial statements of the Group.

Effective for periods commencing after 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16.** The amendment provides temporary reliefs which address the financial reporting effects when an interbank offered rate ('IBOR') is replaced with an alternative nearly risk-free rate ('RFR').

  The amendments include the following practical expedients:

  - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
  - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationships being discontinued.
  - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group.

The Group transitioned from the use of the IBOR benchmark to RFR on 30 September 2021 in the Group's main borrowing facility and as the Group generally borrows for a series of one-month periods the new basis for calculating contractual cash flows is considered economically equivalent to the previous basis. In addition, no existing derivatives have been impacted by the change and there are no financial instruments yet to transition to RFRs.

The IBOR reform has had a minimal impact to the Group's risk management strategy but given the RFR is a backward-looking rate there is naturally less certainty on cashflows until the final RFR and calculation is finalised at the end of the period of any borrowing.

Effective for periods commencing after 1 January 2022, all subject to UK endorsement:

- **Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework.** The amendments are intended to update a reference to the Conceptual Framework without significantly changing the requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework.
- **Amendments to IAS 16 "Property, plant and equipment" – Proceeds before intended use.** The amendment prohibits entities from deducting from the cost of an item of property and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent assets and liabilities" – Onerous Contracts – Costs of Fulfilling a Contract.** These amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (eg, the costs of direct labour and materials) and an allocation of costs directly related to contract activities (eg, depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
- **Amendments to IFRS 9 "Financial Instruments" – Fees in the '10%' test for derecognition of financial liabilities.** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Effective for periods commencing after 1 January 2023, all subject to UK endorsement:

- **Amendments to IAS 1 "Presentation of financial statements" – Classification of Liabilities as Current or Non-current.** The amendments clarify: what is meant by a right to defer settlement; that a right to defer must exist at the end of the reporting period; that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

- **Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – Definition of Accounting Estimates.** The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
- **Amendments to IAS 1 "Presentation of financial statements" – Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.** The amendments aim to help entities provide accounting policy disclosures that are more useful by: replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- **Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.** The amendment narrows the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Other amendments in IFRS 1 ("First time adoption"), IAS 41 ("Agriculture") and IFRS 17 ("Insurance contracts") are not applicable to the Group.

The impact of the amendments and interpretations listed above are not expected to a have a material impact on the Consolidated Financial Statements.

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries prepared at the consolidated statement of financial position date (26 March 2022).

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group is considered to control an entity when it is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through exerting control over the entity.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the date that control commences or until the date that control ceases. Intra-group balances and transactions are eliminated on consolidation. The majority of the subsidiaries prepare their financial statements up to 26 March 2022.

The results of subsidiaries where the financial statements are not prepared to 26 March are still included in the consolidation as at 26 March with the income statement and other financial information being also prepared for the year ended 26 March 2022.

For partly owned subsidiaries, the allocation of net assets and net earnings to outside shareholders is shown in the line "Attributable to Non-controlling interests" on the face of the consolidated statement of comprehensive income and the consolidated statement of financial position.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The consideration transferred and the amount of non-controling interests (as applicable) in the acquisition is measured at fair value as are the identifiable assets and liabilities acquired. The excess of the fair value of consideration transferred over the fair value of net assets acquired is accounted for as goodwill. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred and are presented within exceptional items in accordance with the Group's policy.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been incorporated into the relevant notes where possible. General accounting policies which are not specific to an accounting are set out below.

A Foreign currency

I Foreign currency transactions

These financial statements are presented in sterling, which is the functional and presentational currency of the Company. The functional currency of Group entities is principally determined by the primary economic environment in which the respective entity operates.

Transactions in foreign currencies entered into by Group entities are translated into the functional currencies of those entities at the rates of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary items measured in terms of historical cost are translated at the rate of exchange at the date of the transaction. Exchange differences on non-monetary items measured at fair value are recognised in line with whether the gain or loss on the non-monetary item itself is recognised in the income statement or in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. Refer to note 14 for details of the Group's accounting policies in respect of such derivative financial instruments.

II Translation of foreign operations on consolidation

Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated into GBP (the presentational currency of the Group) at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at average exchange rates (which approximate to actual rates). Exchange differences arising on re-translation are recognised in the Group's currency translation reserve, which is a component of equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

III Net investment in foreign operations

Foreign currency differences arising on the re-translation of a financial liability designated as a hedge of a net investment in foreign operations are recognised in the currency translation reserve to the extent the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised as finance income or costs in the income statement. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

B Revenue recognition

The Group accounts for revenue under IFRS 15. IFRS 15 provides a single, five-step principles-based model to be applied to all contracts with customers which requires identification of the contract for accounting purposes, the separate performance obligations within the contract, the transaction price for the contract, allocation of the transaction price and recognition of revenue on satisfaction of performance obligation.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service/segment	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15
Authentication segment	The Group has certain contracts which operate in the form of an umbrella agreement with the local government which awards the Group to be the provider of an end-to-end authentication track and trace system. The umbrella agreement specifies the nature of services and products to be provided. However, these agreements do not include any purchase commitments from the local government and do not give the Group an enforceable right to payment. Instead, the umbrella agreement allows for the Group to entered into individual agreements with individual manufacturers and provides it with the right to sell physical authentication products (such as tax stamps) thus giving the Group an enforceable right to payment from each individual manufacturer for physical products sold.	The Group has therefore determined that these umbrella contracts do not meet the definition of a contract for IFRS 15 accounting purposes. Instead, the relevant contract for IFRS 15 purposes is the contract with the individual manufacturers in the country. It is the manufacturers which represent the customers from an IFRS 15 perspective. Consequently, as the Group only has one performance obligation in the revenue contract with the manufacturer and only has a right to payment for this performance obligation no revenue is allocated and recognised on delivery of any other deliverables under the umbrella agreement.
	For Authentication contracts entered into with a single party and where multiple performance obligations are included, the transaction price for the contract is allocated to each performance obligation separately identified. Performance obligations include access to systems which incorporates system configuration and integration and the provision of authentication products such as tax stamps.	Revenue on the sale of authenticity products, including tax stamps, is recognised when control passes to the customer based on the standalone selling price of the product. Stand-alone selling prices are typically calculated using the 'expected cost-plus margin' approach. Control generally passes on delivery of the physical product to the customer or the issuance of a digital security key. Revenue in relation to system access is recognised on a straight-line basis over the life of the contract as the customer receives the benefit.
	The Group has determined that for certain authentication contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts, authentication products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, plus a reasonable profit margin.	Revenue for certain Authentication contracts with enforceable right to payment will be recognised over time for physical product produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method based on the cost incurred relative to the expected total cost.
Currency segment: Supply of banknotes	The Group has determined that for certain banknote contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts, currency products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, plus a reasonable margin. For other banknote contracts, where customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer. If the Group has recognised revenue, but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.	Revenue for certain banknote contracts with enforceable right to payment will be recognised over time for banknotes produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method based on the cost incurred relative to the expected total cost. Revenue for other banknote contracts, where customers do not take control of the goods until they are completed is recognised based on contractual terms which will determine when control has passed to the customer. This might include recognition of revenue on inventory placed into storage for the customer, so long as it is demonstrated that control of the product has passed to the customer.
Currency segment: Supply of banknotes along with other services	In addition to the supply of banknotes, which is a separate performance obligation (see above), additional and separate performance obligations such as design and storage services have been identified.	The value attributable to the additional performance obligations is deemed to be immaterial. Accordingly, no separate value will be attributed to these performance obligations; instead, the consideration in the contract will be entirely allocated to the single performance obligation of supplying currency.
IDS segment: IDS contracts including supply of passports, hardware and software and other services	For IDS customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer.	Where customers do not take control of the goods until they are completed is recognised on formal acceptance by the customer.

C Costs to obtain contracts

I Sales commissions

Management expects that incremental commission fees paid to intermediaries and employees as a result of obtaining long term sales contracts are recoverable. The Group therefore capitalises them as contract costs where the contract signed with the customer creates enforceable rights and obligations. If a sales contract takes the form of an over-arching umbrella agreement which does not create such enforceable rights and obligations (ie committed sales volumes and values from the customer) then sales commission payments are not capitalised.

II Capitalised commission fees are amortised when the related revenues are recognised

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

III Bid costs

Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract and would not have been incurred had the contract not been won. There were no capitalised bid costs in FY22 (FY21: £nil) as no costs met this requirement.

IV Deferred costs

The Group incurs costs on certain (mainly Authentication division) contracts in advance of recording revenue. On these contracts costs are capitalised on the balance sheet and recognised in the income statement over the period when revenue is recognised if the following criteria are met:

– the costs relate directly to a contract or to an anticipated identity;
– the costs generate or enhance resources of the entity will be used in satisfying (or continuing to satisfy) performance obligations in the future; and
– costs are expected to be recovered.

D Other revenue recognition matters

I Bill and hold revenue

Certain customers require the Group to store completed inventory for them ahead of them taking delivery once they require it. Revenue is recognised on a bill and hold basis when:

a. It can first be demonstrated that control of the product has passed to the customer – principally because the customer taken has risk and/or title for the product transferred to them and the Group has an enforceable right to payment; and
b. It can be demonstrated that the arrangement is substantive, for example, that the customer has requested it.

II Variable consideration on contracts

The Group has a small number of contracts where the terms with the customers place a limit on the profit margin that can be earned under these. As these profit margin impacts the amount of revenue that the Group can bill the customers, detailed reconciliations of the profit margins earned on these contracts at each reporting period end are completed to ensure that amount of revenue recorded in the year is not overstated using the most likely amount method (ie to ensure the transaction price is 'constrained' in accordance with IFRS 15).

The Group also has other potential forms of variable consideration in the form of prices concessions and discounts which may be offered to customers and penalties or fines which might be incurred if the Group did not fully perform against contract deliverables.

If a discount or price concession is offered to a customer this is taken into account in the estimated transaction price for the contract to ensure it is 'constrained' in accordance with IFRS 15. If the Group anticipates a penalty or a fine to be incurred this is estimated and accounted for as a reduction from the transaction price again to ensure it is 'constrained' in accordance with IFRS 15.

III Warranties

All warranties are considered to be of a standard nature (assurance type) and as such are accounted for under IAS 37 rather than IFRS 15.

5 Critical accounting estimates, assumptions and judgements

Management has discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Management is required to exercise significant judgement in the application of these policies. Estimates are made in many areas and the outcome may differ from that calculated.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

A Critical accounting judgements

Determination of lease term

Management has made certain judgements on lease terms based on the Group's current expectations of whether break or renewal options will be taken. In arriving at these judgements, management has considered its current business plans including the locations in which it wants to operate in addition to the impact of any cost-out programmes it is considering.

Revenue recognition and cut-off

Customer contracts will often include specific terms that impact the timing of revenue recognition. The timing of the transfer of control varies depending on the individual terms of the sales agreement.

For sales of products the transfer usually occurs on loading the goods onto the relevant carrier, however the point at which control passes may be later if the contract includes customer acceptance clauses or control passes on arrival at the customer location. Specific consideration is needed at year end to ensure revenue is recorded within the appropriate financial year.

This judgement is particularly important in the Currency division due to the material nature of certain contracts which may ship near to a reporting period end. Management has carefully reviewed material customer contracts with particular focus on those shipping in the last quarter of the financial period to ensure revenue has been recorded in the correct year.

Revenue recognition and determination of whether an enforceable right to payment exists

For certain customer contracts, revenue is recognised over time in accordance with IFRS 15, as the Group has an enforceable right to payment.

Determination of whether the Group had an enforceable right to payment requires careful analysis of the legal terms and conditions included within the customer contract and consideration of applicable laws and customary legal practice in the territory under which contract is enforceable.

External legal advice is obtained if considered necessary to allow management to make this assessment. Management has carefully reviewed material contracts relating to revenue recognised in the period to determine if an enforceable right to payment exists which results in revenue being recorded 'over-time' rather than 'point in time'.

In FY22 the Group has had customer contracts where revenue is recognised 'over-time' in the Currency and Authentication divisions.

Accounting treatment for sales to Portals

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

Classification of exceptional items

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter.

However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature and non-recurring fees relating to the management of historical scheme issues; restructuring of businesses; asset impairments and costs associated with the acquisition and integration of business combinations.

All exceptional items are included in the appropriate income statement category to which they relate. Refer to note 5 on pages 116 and 117 for further details.

B Critical accounting estimates

Recoverability of other financial assets

Other financial assets comprise securities interests held in companies in the Portals International Limited group (Portals International Limited was previously known as MooreCo Limited) following the Portals paper business disposal in 2018, in addition to a further amount of £0.9m of loan notes which was subscribed for pursuant to a pre-emptive offer in November 2021. The Group also purchases cotton banknote paper under the Relationship Agreement entered into in March 2018 with Portals Paper Limited following the disposal of the paper business.

Management has carefully assessed the recoverability of the other financial assets on the balance sheet as at 26 March 2022 based on information available to them and performed probability weighted modelling against three scenarios determining that an expected credit loss provision of £3.2m (see note 5 exceptional items for further details) is required. Management has considered the following factors in determining which probabilities to be assigned to each scenario:

1) The current financial position of Portals International Limited group as presented in its 2021 consolidated financial statements;
2) The statements made publicly about Portals' plans to improve financial performance over time including the acquisition of Fedrigoni;
3) De Le Rue's expectations for the future of the cotton paper market overall;

This provision accounts for the risk that the full amounts due will not be recovered rather than the instruments being credit impaired.

Management notes that if factors change in the future, this may alter the judgements made as to the probabilities to be assigned to each scenario in the modelling, resulting in a revision to the value of expected credit loss provision to be recognised. Management has also prepared a sensitivity analysis by increasing the weighting applied to the scenario which results in the largest expected credit loss being incurred by 20% and an equivalent 10% decrease each to the scenarios giving rise to the lowest and second lowest expected credit loss and the impact on the overall level of provision was £0.8m.

Recoverability assessment and impairment charges related to plant and machinery

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

Management has, in FY22, made a judgement on what its future plans are for the expansion in certain locations based on future business needs and concluded that for the remaining assets not impaired in the prior period, their value could be supported based on their anticipated ongoing use after a period of relocation.

Post-retirement benefit obligations

Pension costs within the income statement and the pension obligations/assets as stated in the balance sheet are both dependent upon a number of assumptions chosen by management with advice from professional actuaries. These include the rate used to discount future liabilities, the expected longevity for current and future pensioners and estimates of future rates of inflation. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

The Group engages the services of professional actuaries to assist with calculating the pension liability.

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

The UK defined benefit pension scheme assets are made up of a number of separate funds. For the majority of these funds valuations have been available as at the Group's year end of 26 March 2022. However, the Multi Asset Credit funds held by the UK Pension Scheme are valued on a monthly basis only at calendar month ends and the 31 March 2022 fund valuation has been used to determine the IAS19 position as at the 26 March 2022 as it is not practicable to obtain a valuation as at 26 March 2022.

The UK Multi Asset Credit funds account for approximately £63m (FY21: £125m) of the pension assets. If a valuation for these funds were to be conducted as at 26 March 2022 it is estimated the impact would be less than £1m, compared to total UK Pension Scheme assets of £1bn.

The potential impact has been estimated by observing what were considered to be the most relevant comparable indices to establish the level of day-to-day volatility in the market.

The Multi Asset Credit funds are largely composed of sub-investment grade corporate debt and the most relevant indices were determined to be those which measure the return on high yield corporate bonds. Management has therefore made the judgement that valuing the pension assets using the 31 March 2022 valuation for these funds is reasonable given there is no practical way of obtaining a better estimate and a less than £1m difference is not considered significant compared to the total value of the assets in the pension scheme.

Impairment test of goodwill and acquired intangibles

These assets were recognised following the acquisition of De La Rue Authentication Inc in January 2017. Management has considered the Group's short-term and the long-term profitability for this business and determined that the goodwill and acquired intangible asset values are recoverable at 26 March 2022. In making this determination, management has prepared discounted cashflows using its forecasts for the business which include budgeted financial performance for the earlier periods (FY23 and FY24) and growth rates and ratios for the later periods (FY25 onwards) based on management's longer-term expectations for the business which are aligned to the Group's longer term expectations the Authentication division. In order to obtain further assurance as to the recoverability of the goodwill and intangible assets, management has prepared a range of sensitivities to model what adverse changes would need to occur before an impairment was required.

Management modelled the following sensitivities and concluded that:

- Sensitivity 1 (discount rate): The discount rate used for the impairment calculation (assuming the same cashflows as in the base impairment test) would need to increase to 19.9% before an impairment occurred;
- Sensitivity 2 (revenue growth): Forecasts used in the base impairment calculation include strong revenue growth each year from FY23 to FY26 before the growth rate starts to reduce from FY27, management has modelled a scenario of no revenue growth from FY24 and concluded that at this point no impairment would be required;
- Sensitivity 3 (loss of material customers): Management has modelled the impact of the loss in FY25 of a significant customer. Management noted that in this scenario no impairment was needed; and
- Sensitivity 4 (No revenue generated from an expected new significant contract): The base impairment forecasts include revenue from a significant new contract win. Management has modelled the impact on the impairment calculations if no revenue was generated from this new contract. The impact was a significant reduction in headroom but no impairment.

Based on the base impairment forecast prepared and the additional sensitivities referred to above, management is confident that no impairment of the goodwill and intangible asset balances is required as at 26 March 2022.

Tax

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

It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities, the nature and level of any deferred tax liabilities from other items in the accounts such as pension positions, and overseas tax credits that are carried forward for utilisation in future periods, including some that have been allocated to Governmental authorities as part of investment projects.

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

The Group has current tax provisions recorded within Current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and there will be a future outflow of funds to a taxing authority. Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability-weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing tax assessments received from the tax authorities of some countries in which the Group operates. The disputed tax assessments are at various stages in the appeal processes, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice) and is appealing previous judgements 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 2022 Financial Statements.

1 Segmental analysis

The continuing operations of the Group have three main operating units: Currency, Authentication and Identity Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and adjusted operating profit.

The Group's segments are:

- Currency – provides Banknote print, Polymer and Security features;
- Authentication – provides the physical and digital solutions to authenticate products through the supply chain and to provide tracking of exercisable goods to support compliance with government regulators. Working across the commercial and government sectors the division addresses consumer and Brand owner demand for protection against counterfeit goods; and
- Identity Solutions –includes minimal non-core activity in the year and primarily relates to sales under the DSA arrangement with HID following the sale of the International Identity Solutions business in October 2019. In the prior year this also included the results of the Group's UK Passport contract which completed in FY21.

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 other areas of this Annual Report and Accounts. The commentary elsewhere in this Annual Report and Accounts relating to the future strategy only refers to the Currency and Authentication divisions.

Inter-segmental transactions are eliminated upon consolidation.

FY22	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total from Continuing operations £m
Total revenue from contracts with customers	280.9	90.3	3.9	–	375.1
Less: inter-segment revenue	–	–	–	–	–
Revenue from contracts with customers	280.9	90.3	3.9	–	375.1
Cost of sales	(217.7)	(55.8)	(4.0)	–	(277.5)
Gross profit	63.2	34.5	(0.1)	–	97.6
Adjusted operating expenses	(43.7)	(18.2)	0.7	–	(61.2)
Adjusted operating profit	19.5	16.3	0.6	–	36.4
Adjusted items:					
Amortisation of acquired intangible assets	–	(1.0)	–	–	(1.0)
Net exceptionals	(4.5)	(0.2)	–	(1.0)	(5.7)
Operating profit/(loss)	15.0	15.1	0.6	(1.0)	29.7
Interest income	0.9	–	–	–	0.9
Interest expense	(0.8)	–	–	(5.4)	(6.2)
Net retirement benefit obligation finance expense	(0.1)	–	–	(0.1)	(0.2)
Net finance expense	–	–	–	(5.5)	(5.5)
Profit/(loss) before taxation	15.0	15.1	0.6	(6.5)	24.2
Capital expenditure on property, plant and equipment (net of grants received)	(15.7)	(2.0)	–	(0.4)	(18.1)
Capital expenditure on intangible assets (note 10)	(1.0)	(7.7)	–	(0.1)	(8.8)
Impairment reversal of property, plant and equipment on intangible assets (note 9)	0.1	–	–	–	0.1
Depreciation of property, plant and equipment and right-of-use-assets (notes 9, 23)	(10.7)	(2.5)	–	(1.1)	(14.3)
Amortisation of intangible assets (note 10)	(1.3)	(2.3)	–	(0.7)	(4.3)

1 Segmental analysis continued

FY21	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total from Continuing operations £m
Total revenue from contracts with customers	295.7	77.6	24.1	–	397.4
Less: inter-segment revenue	–	–	–	–	–
Revenue from contracts with customers	295.7	77.6	24.1	–	397.4
Cost of sales	(230.4)	(47.7)	(11.5)	–	(289.6)
Gross profit	65.3	29.9	12.6	–	107.8
Adjusted operating expenses	(49.1)	(18.6)	(2.0)	–	(69.7)
Adjusted operating profit	16.2	11.3	10.6	–	38.1
Adjusted items:					
– Amortisation of acquired intangible assets	–	(1.0)	–	–	(1.0)
– Net exceptionals	(20.6)	(0.4)	(0.4)	(1.2)	(22.6)
Operating (loss)/profit	(4.4)	9.9	10.2	(1.2)	14.5
Interest income	0.8	–	–	–	0.8
Interest expense	(1.7)	(0.2)	–	(5.2)	(7.1)
Net retirement benefit obligation finance expense	–	–	–	1.7	1.7
Net finance expense	(0.9)	(0.2)	–	(3.5)	(4.6)
(Loss)/profit before taxation	(5.3)	9.7	10.2	(4.7)	9.9
Capital expenditure on property, plant and equipment (net of grants received)	(14.0)	–	(0.4)	(1.1)	(15.5)
Capital expenditure on intangible assets (note 10)	(0.5)	(5.1)	–	–	(5.6)
Impairment reversal of property, plant and equipment on intangible assets (note 9)[1]	(11.9)	–	–	–	(11.9)
Depreciation of property, plant and equipment and right-of-use-assets (notes 9, 23)	(12.0)	(2.0)	–	(1.4)	(15.4)
Amortisation of intangible assets (note 10)	(1.6)	(1.8)	–	(0.8)	(4.2)

Note:
1. Impairments and accelerated depreciation of £11.9m have been included within exceptional items (see note 5).

	Currency £m	**Authentication £m**	**Identity Solutions £m**	**Unallocated £m**	**Total of Continuing operations £m**
FY22					
Segmental assets	**203.1**	**65.7**	**13.3**	**96.4**	**378.5**
Segmental liabilities	**(53.0)**	**(13.4)**	**(3.1)**	**(147.2)**	**(216.7)**
FY21					
Segmental assets	216.8	57.3	14.4	88.6	377.1
Segmental liabilities	(88.1)	(17.2)	(3.3)	(157.1)	(265.7)

Unallocated assets principally comprise long-term pension assets £31.6m (FY21: £nil), deferred tax assets of £11.2m (FY21: £19.7m), cash and cash equivalents of £24.3m (FY21: £25.7m) which are used as part of the Group's financing offset arrangements and derivative financial instrument assets of £3.4m (FY21: £7.5m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £1.8m (FY21: £20.5m), borrowings of £92.6m (FY21: £74.2m), current tax liabilities of £13.9m (FY21: £13.6m) and derivative financial instrument liabilities of £4.8m (FY21: £8.3m) as well as deferred tax liabilities and centrally held accruals and provisions.

Geographic analysis of non-current assets

	2022 £m	2021 £m
UK	**91.2**	97.2
Malta	**22.9**	15.6
USA	**15.4**	16.0
Sri Lanka	**9.4**	11.0
Other countries	**14.2**	7.1
	153.1	146.9

Note:
1. Other financial assets, retirement benefit obligations, deferred tax assets and derivative financial instruments are excluded from the analysis shown above for FY22 and FY21.

Major customers

The Group had no (FY21: one) major customers from which it derived total revenues in excess of 10% of Group revenue. In FY21 one customer was in the Currency segment with revenue £40.6m which equates to 10.0% of Group revenue.

2 Revenue from contracts with customers

Information regarding the Group's major customers, and a segmental analysis of revenue is provided in note 1.

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

FY22	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Total of Continuing operations £m**
Timing of revenue recognition:				
Point in time	**257.2**	**76.0**	**3.9**	**337.1**
Over time	**23.7**	**14.3**	**–**	**38.0**
Total revenue from contracts with customers	**280.9**	**90.3**	**3.9**	**375.1**

FY21	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

Geographic analysis of revenue by destination

	2022 £m	2021 £m
Middle East and Africa	**196.4**	192.0
Asia	**44.3**	51.3
UK	**65.4**	97.7
The Americas	**28.8**	33.7
Rest of Europe	**37.3**	20.2
Rest of world	**2.9**	2.5
	375.1	397.4

Contract balances

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

	Note	**2022 £m**	2021 £m
Trade receivables	13	**64.8**	69.6
Provision for impairment	13	**(0.8)**	(1.5)
Net trade receivables	13	**64.0**	68.1
Contract assets		**8.0**	14.8
Contract liabilities	17	**(0.3)**	(1.6)
Payments received on account	17	**(14.3)**	(38.0)

Trade receivables have decreased to £64.8m compared to £69.6m in FY21 reflecting timing of payments on certain material customer contracts.

Contract assets have decreased to £8.0m compared to £14.8m in FY21 reflecting the fact that in the current period customer invoicing has more closely matched the timing of revenue recognition.

Payments on account have decreased to £14.3m compared to £38.0m in FY21 reflecting utilisation in the year of £28.3m.

Set out below is the amount of revenue recognised from:

	2022 £m	2021 £m
Amounts included in contract liabilities at the beginning of the year	**1.3**	–
Performance obligations satisfied in previous years	**–**	–

Performance obligations

Information about the Group's performance obligations is summarised in the Accounting Policies section on page 109.

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.

	2022 £m	2021 £m
Within 1 year	**31.3**	51.8
Between 2 – 5 years	**25.8**	35.7
5 years and beyond	**–**	–
	57.1	87.5

3 Discontinued operations

The Group completed the sale of the entire issued share capital of Cash Processing Solutions Limited and related subsidiaries (together 'CPS') to CPS Topco Limited, a company owned by Privet Capital on 22 May 2016.

The gain on discontinued operations in the period of £0.8m (net of associated tax of £0.1m) included £0.3m related to the winding down and finalising of remaining activity related to the CPS contract, which has now ended, and £0.5m foreign exchange gains in the period from a foreign subsidiary in Brazil, where operations have been discontinued.

FY21 was a loss of £0.4m (net of associated tax of £0.1m) and 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 in addition to amounts associated with the winding down of remaining activity related to CPS.

4 Adjusted operating expenses by nature

	Note	**2022 £m**	2021 £m
Depreciation of property, plant and equipment	9	**12.0**	12.9
Impairment of inventories	12	**0.9**	1.6
Amortisation of intangibles	10	**4.3**	4.2
Depreciation of right-of-use assets	23	**2.3**	2.5
Cost of sales relating to inventory		**265.1**	289.6
Expenses related to short-term and low value leases	23	**0.5**	0.3
Research and non-capitalised development expense		**6.3**	5.2
Employee costs (including Directors' emoluments)	25	**97.6**	107.7
Foreign exchange loss/(gains)		**2.2**	(0.8)
Amounts payable to EY and its associates:			
– Audit of these consolidated financial statements		**0.4**	0.4
– Audit of the financial statements of subsidiaries pursuant to legislation		**0.4**	0.4
– Non-Audit Services		**0.1**	0.1
– Taxation services		**–**	–

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.

	2022 £m	2021 £m
Site relocation and restructuring	**1.8**	21.4
Pension underpin costs	**0.4**	0.6
Foreign exchange loss on devaluation of Sri Lankan rupee	**0.4**	–
Costs associated with the equity raise and bank refinancing	**–**	2.9
Loss on resolution of a historical issue relating to UK defined benefit pension scheme	**–**	0.1
Gain on sale of property, plant and equipment	**–**	(2.7)
Loss on disposal of subsidiary	**–**	0.3
	2.6	22.6
Recognition of expected credit loss provision on other financial assets (note 11)	**3.1**	–
Exceptional items in operating profit	**5.7**	22.6
Tax credit on exceptional items	**(1.8)**	(4.2)
Net exceptionals	**3.9**	18.4

The cash flow impact of exceptional items in FY22 was £2.5m (FY21: £11.2m) which included £2.1m (FY21: £10.6m) relating to site relocation and restructuring costs and £0.4m (FY21: £0.6m) relating to pension underpin costs.

Site relocation and restructuring costs

Site relocation and restructuring costs in FY22 of £1.8m (FY21: £21.4m) included:

- the recognition of £0.9m (FY21: £7.9m) of restructuring charges related to the cessation of banknote production at our Gateshead facility primarily relating to the costs, net of grant income received of £1.0m, of relocating assets to different Group manufacturing locations. Since this program commenced, £8.8m of costs have been incurred in relation to this. This relocation of assets will continue into FY23 as the Group continues its expansion of the manufacturing facilities in Malta, net of any grants received;
- a further £1.3m (FY21: £1.6m) of charges relating to other cost out initiatives including the initial Turnaround Plan restructuring of our central enabling functions, selling and commercial functions. Since this program commenced, £2.8m of costs have been incurred in relation to this; and
- offset by a reversal of £0.4m of asset impairments made in FY21 no longer required (FY21: £11.9m of asset impairments and accelerated depreciation charges related to cessation of banknote production at our Gateshead facility).

Pension underpin costs

Pension underpin costs of £0.4m (FY21: £0.6m) relate to legal fees, net of amounts recovered, incurred in the rectification of certain discrepancies identified in the Scheme's rules. The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they continue to assess this.

Recognition of expected credit loss provision on other financial assets

Other financial assets comprise securities interests held in the Portals International Limited group which were received as part of the consideration for the paper disposal in 2018. The amount presented on the balance sheet within other financial assets as at 26 March 2022 includes the original principal received and accrued interest amounts. In accordance with IFRS 9, management has assessed the recoverability of the carrying value on the balance sheet and recorded an expected credit loss provision of £3.1m in relation to the original principal value and interest receivable, which has been recorded in exceptional items consistent with the original recognition as part of the loss on disposal. Further details can be found in "V Critical accounting estimates, assumptions and judgements".

Foreign exchange loss on devaluation of Sri Lankan rupee

Significant devaluation of Sri Lanka Rupee versus the British Pound which occurred in March 2022 where the Rupee/GBP rate moved from 265/£ on 8 March 2022 to 342/£ on 15 March 2022, following the decision on 9 March 2022 by the Sri Lanka Government to free float the exchange rate. This period of significant devaluation is deemed an exceptional item as it is considered to be non-trading in nature resulting from of an external event being the impact of the exchange rate change triggered by the free-float of the exchange rate. An amount of £0.4m has been included in exceptional items.

Costs associated with equity raise and bank refinancing

In FY21 certain costs were incurred in relation to the equity raise and bank refinancing projects that, while 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 while directly related to these projects, did not meet the IFRS criteria for capitalisation on the balance sheet or recording within equity.

Gain on sale of PPE

A £2.7m gain was made in FY21 on the sale of a non-operational property held by the Group net of sales costs.

Loss on disposal of subsidiary and associated costs

During FY21 the final working capital balance relating to the sale of the Group's International Identity Solutions business on 14 October 2014 was agreed with HID, which resulted in an additional £0.3m loss being recorded.

Taxation relating to exceptional items

The overall tax credit relating to continuing exceptional items arising in the period was £1.8m (FY21: tax credit of £4.2m).

Included in the exceptional tax credit is a deferred tax credit of £1.5m (FY21: £nil). This relates to the recognition of a deferred tax asset in relation to restricted UK tax interest amounts that under IAS12 must be recognised even though the amounts are not expected to be fully utilised for the foreseeable future. This is because the large movement in the pension accounting position from a deficit to a surplus in the year has led to a deferred tax liability relating to pensions in the UK, and under IAS any potential deferred tax assets must be recognised against this deferred tax liability. As the majority of the deferred tax in relation to the pension movement is recognised directly in the Statement of Comprehensive Income, to recognise the creation of this asset as an operating item would distort the Operating Effective Tax Rate and therefore considered to be unhelpful for users of the accounts. This movement and any future unwind of this asset is therefore considered to be an Exceptional item for financial reporting purposes where possible.

6 Interest income and expense

Accounting policies

Interest income/expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset/liability to the net carrying amount of that asset/liability.

	2022 £m	2021 £m
Recognised in the income statement		
Interest income:		
– Other interest	**0.1**	–
– Interest on loan notes and preference shares (note 11)	**0.8**	0.8
	0.9	0.8
Interest expense:		
– Bank loans	**(3.1)**	(3.6)
– Other, including amortisation of finance arrangement fees	**(2.5)**	(2.9)
– Interest on lease liabilities (note 23)	**(0.6)**	(0.6)
Total interest expense calculated using the effective interest method	**(6.2)**	(7.1)
Retirement benefit obligation finance (expense)/income (note 24)	**(0.2)**	1.7
Net finance expense	**(5.5)**	(4.6)

All finance income and expense arises in respect of assets and liabilities not restated to fair value through the income statement.

Interest due on the loan notes and preference shares relates to interests held in the Portals International Limited group (formerly Mooreco Limited) (obtained as part of the considered for the Portals paper disposal). The loan notes and preference shares are included in the balance sheet as Other Financial Assets. In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the Other Financial Asset. In the period £0.8m of interest was accrued (FY21: £0.8m).

6 Interest income and expense continued

The gain/(loss) to the income statement in respect of the ineffective portion of derivative financial instruments was £nil (FY21: £nil).

The retirement benefit obligation finance income/expense is calculated under IAS 19 and represents the difference between the interest on pension liabilities and assets. The debit in FY22 of £0.2m (FY21: credit of £1.7m) was due the opening pension valuation on an IAS 19 basis as at 27 March 2021 being a net deficit of £20.5m.

7 Taxation

Accounting policies

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

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are only offset to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities, they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise an asset and settle a liability simultaneously.

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters from which, in the ordinary course of business, uncertainty over the tax treatment can arise. De La Rue assesses whether it is probable or not the tax authority will accept the tax treatment; if probable that the treatment will be accepted then the potential tax effect of the uncertainty is a tax-related contingency. If it is not probable of being accepted, the most likely amount or the expected value is recognised. There are some tax assessments where a provision has been made on the basis of a combination of advice received and management judgement. The amount provided may be less than the headline figures on assessments received from a tax authority and reflect an estimate of a more likely outcome on the basis of current communications with the tax authority. In the possible event that there was an adverse outcome to any dispute this could result in a material outflow.

	2022 £m	2021 £m
Current tax		
UK corporation tax:		
– Current tax	**3.3**	2.4
– Adjustment in respect of prior years	**0.2**	0.1
	3.5	2.5
Overseas tax charges:		
– Current year	**1.7**	1.7
– Adjustment in respect of prior years	**0.2**	1.7
	1.9	3.4
Total current income tax charge	**5.4**	5.9
Deferred tax:		
– Origination and reversal of temporary differences, UK	**(4.1)**	(2.3)
– Origination and reversal of temporary differences, overseas	**0.1**	(2.3)
Total deferred tax credit	**(4.0)**	(4.6)
Total income tax charge in the consolidated income statement	**1.4**	1.3
Included in:		
Income tax expense reported in the consolidated income statement in respect of continuing operations	**1.3**	1.4
Income tax expense/(credit) in respect of discontinued operations (note 3)	**0.1**	(0.1)
Total income tax charge in the consolidated income statement	**1.4**	1.3
Tax on continuing operations attributable to:		
Ordinary activities	**3.4**	6.0
Amortisation of acquired intangible assets	**(0.3)**	(0.4)
Exceptional items	**(1.8)**	(4.2)
	1.3	1.4

	2022 £m	2021 £m
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit/(liability)	**8.8**	(18.2)
– On cash flow hedges	**(0.1)**	0.2
– On foreign exchange on quasi-equity balances	**(0.2)**	–
Income tax charge/(credit) reported within other comprehensive income	**8.5**	(18.0)
Consolidated statement of changes in equity:		
– On share options	**0.3**	(0.2)
Income tax charge/(credit) reported within equity	**0.3**	(0.2)

The tax on the Group's consolidated profit before tax differs from the UK tax rate of 19% as follows:

	2022				2021			
	Before exceptional items	**Movement on acquired intangibles**	**Exceptional items**	**Total**	Before exceptional items	Movement on acquired intangibles	Exceptional items	Total
Profit before tax	**30.9**	**(1.0)**	**(5.7)**	**24.2**	33.5	(1.0)	(22.6)	9.9
Tax calculated at UK tax rate of 19% (FY21: 19%)	**5.8**	**(0.2)**	**(1.1)**	**4.5**	6.4	(0.2)	(4.3)	1.9
Effects of overseas taxation	**0.4**	**(0.1)**	**–**	**0.3**	0.7	–	–	0.7
(Credits)/charges not allowable/taxable for tax purposes	**(1.0)**	**–**	**0.1**	**(0.9)**	0.2	–	0.2	0.4
Tax attributes not previously recognised for deferred tax	**(0.1)**	**–**	**(0.7)**	**(0.8)**	(1.9)	–	–	(1.9)
Utilisation of tax credits upon which no deferred tax was previously recognised	**–**	**–**	**–**	**–**	(1.4)	–	–	(1.4)
Adjustments in respect of prior years	**0.8**	**–**	**0.2**	**1.0**	2.0	(0.2)	(0.1)	1.7
Impact of UK tax rate change on deferred tax balances	**(2.5)**	**–**	**(0.3)**	**(2.8)**	–	–	–	–
Tax charge/(credit)	**3.4**	**(0.3)**	**(1.8)**	**1.3**	6.0	(0.4)	(4.2)	1.4

The underlying effective tax rate excluding exceptional items was 11.0% (FY21: 17.9%).

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes. The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which the Group operates. It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities.

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

The Group has current tax provisions recorded within Current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and there will be a future outflow of funds to a taxing authority. Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing tax assessments received from the tax authorities of some countries in which the Group operates. The disputed tax assessments are at various stages in the appeal processes, but the Group believes it has a supportable and defendable position (based upon local accounting and legal advice) and is appealing previous judgements 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 FY22 Financial Statements.

8 Earnings per share

Accounting policies

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as treasury shares.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the impact of the dilutive effect of share options.

The Directors are of the opinion that the publication of the adjusted earnings per share, before exceptional items, is useful to readers of the accounts as it gives an indication of underlying business performance.

	2022 pence per share	2021 pence per share
Earnings per share		
Basic earnings per share – continuing operations	**10.6**	3.7
Basic earnings per share – discontinued operations	**0.4**	(0.3)
Basic earnings per share – total	**11.0**	3.4
Diluted earnings per share – continuing operations	**10.5**	3.7
Diluted earnings per share – discontinued operations	**0.4**	(0.3)
Diluted earnings per share – total	**10.9**	3.4
Adjusted earnings per share		
Basic earnings per share – continuing operations	**13.0**	14.7
Diluted earnings per share – continuing operations	**12.8**	14.6
Number of shares (m)		
Weighted average number of shares	**195.2**	172.4
Dilutive effect of shares	**2.6**	1.6
	197.8	174.0

Reconciliations of the earnings used in the calculations are set out below:

	Note	**2022 £m**	2021 £m
Earnings for basic earnings per share – Total		**21.5**	5.9
Add: Earnings for basic earnings per share – discontinued operations		**(0.8)**	0.4
Earnings for basic earnings per share – continuing operations		**20.7**	6.3
Add: amortisation of acquired intangibles	10	**1.0**	1.0
Less: tax on amortisation of acquired intangibles	7	**(0.3)**	(0.4)
Add: exceptional items (excluding non-controlling interests)	5	**5.7**	22.6
Less: tax on exceptional items	7	**(1.8)**	(4.2)
Earnings for adjusted earnings per share		**25.3**	25.3

9 Property, plant and equipment

Accounting policies

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated provision for impairment in value. Assets in the course of construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date.

Costs of major maintenance activities are capitalised and depreciated over the estimated useful life for the asset.

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The grant reduces the carrying amount of the asset and then is recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

No depreciation is provided on freehold land. Building improvements are depreciated over their estimated useful economic lives of 50 years. Other leasehold interests are depreciated over the lease term.

Plant and machinery are depreciated over their estimated useful lives which typically range from 10 to 20 years. Fixtures and fittings and motor vehicles are depreciated over their estimated useful lives which typically range from two to 15 years. No depreciation is provided for assets in the course of construction until they are ready for use.

Depreciation methods, residual values and useful lives are reviewed at least at each financial year end, taking into account commercial and technical obsolescence as well as normal wear and tear, provision being made where the carrying value exceeds the recoverable amount.

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings and Motor Vehicles £m	In course of construction £m	Total £m
Cost					
At 28 March 2020	48.7	241.4	33.5	14.5	338.1
Exchange differences	(0.3)	(1.7)	(0.3)	(0.2)	(2.5)
Additions	4.3	(2.9)	–	11.7	13.1
Reclassifications	0.6	4.3	3.5	(10.1)	(1.7)
Disposals	–	(8.1)	(7.6)	(0.3)	(16.0)
At 27 March 2021	**53.3**	**233.0**	**29.1**	**15.6**	**331.0**
Exchange differences	**(0.2)**	**(1.4)**	**–**	**(0.4)**	**(2.0)**
Additions	**–**	**1.0**	**0.5**	**15.0**	**16.5**
Reclassifications	**0.2**	**2.1**	**0.8**	**(3.1)**	**–**
Disposals	**–**	**(7.5)**	**(1.7)**	**(4.1)**	**(13.3)**
At 26 March 2022	**53.3**	**227.2**	**28.7**	**23.0**	**332.2**
Accumulated depreciation					
At 28 March 2020	28.2	169.5	25.3	0.5	223.5
Exchange differences	(0.2)	(1.1)	(0.4)	–	(1.7)
Depreciation charge for the year	1.8	8.8	2.3	–	12.9
Disposals	–	(7.9)	(7.6)	–	(15.5)
Impairments*	0.9	7.9	0.6	2.4	11.8
At 27 March 2021	**30.7**	**177.2**	**20.2**	**2.9**	**231.0**
Exchange differences	**–**	**(1.3)**	**(0.1)**	**–**	**(1.4)**
Depreciation charge for the year	**1.0**	**8.9**	**2.1**	**–**	**12.0**
Disposals	**–**	**(7.5)**	**(1.7)**	**(2.8)**	**(12.0)**
Impairments reversal	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 26 March 2022	**31.7**	**177.3**	**20.5**	**–**	**229.5**
Net book value at 26 March 2022	**21.6**	**49.9**	**8.2**	**23.0**	**102.7**
Net book value at 27 March 2021	22.6	55.8	8.9	12.7	100.0

Note:

* FY21 included £10.3m of impairments which had been presented as part of the £11.9m of impairments and accelerated depreciation shown within exceptional items relating to the cessation of manufacturing at the Gateshead facility.

During the year £1.5m (FY21: £3.5m) of government grants were received by the Group for the purchase of certain items of property, plant and equipment, which is offset against plant and machinery. The following conditions are attached to these grants: to retain an average employment level of 250 workers for a period of eight years and retain qualifying investment project for a minimum of eight years. The investment project began on 1 September 2015, therefore at the year end 1.5 years were left to satisfy the minimum period.

10 Intangible assets

Accounting policies

Impairment of intangible assets

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed for all Cash Generating Units (CGUs) to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For the sensitivity information in impairment of goodwill, refer to “Accounting policies – B – Critical accounting estimates”.

An impairment loss is recognised immediately in the income statement for the amount by which the asset’s carrying value exceeds its recoverable amount, the latter being the higher of the asset’s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In testing intangible assets for impairment, a number of assumptions must be made when calculating future cash flows. These assumptions include growth in customer numbers, market size and sales prices and volumes, all of which will determine the future cash flows.

Other information

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost less accumulated amortisation and impairment losses. Software intangibles are amortised on a straight-line basis over the shorter of their useful economic life or their licence period at rates which vary between three and five years.

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset if the recognition criteria in IAS 38 ‘Intangible Assets’ have been met. Development costs not meeting these criteria are expensed in the income statement as incurred. Capitalised development costs are amortised on a straight-line basis over their estimated useful economic lives, which vary between five and 10 years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Intangible assets purchased through a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial acquisition, intangible assets acquired through a business combination are reported at cost less accumulated amortisation and impairment losses.

Intellectual property recorded on the balance sheet relates to the acquisition of De La Rue Authentication Solutions Inc. and is amortised over its expected life of 10 years. Customer relationships, relating to those acquired in the acquisition of De La Rue Authentication Solutions Inc. are amortised over their expected lives of 10 to 15 years. Trade names relating to the acquisition of De La Rue Authentication Solutions Inc. are amortised over their expected lives of 15 years.

Assets in course of construction relates to internally generated software which is not yet completed.

Goodwill relates to the acquisition in FY17 of De La Rue Authentication Inc. (previously DuPont Authentication Inc). The goodwill has been tested for impairment during the year as IAS 36 requires annual testing for assets with an indefinite life. For the purposes of impairment testing the Cash Generating Unit (CGU) for the Goodwill has been determined as the De La Rue Authentication entity as a whole. This is consistent with the fact that the entity is not fully integrated into the Group and the integrated nature of the Intellectual Property and other assets which collectively generate cash flows. The key sensitivities in the impairment test are discount rate, future growth in revenue and the level of profit margin generated by De La Rue Authentication. For FY22 a discount rate of 11.5% and a long-term growth rate of 2% have been used in the impairment test calculations. A discount rate of over 19% would be required for an impairment to be realised. Based on the impairment test performed no impairment of the goodwill is considered necessary.

	Goodwill £m	Development costs £m	Software assets £m	Distribution rights £m	Intellectual property £m	Customer relationships £m	Trade names £m	In course of construction £m	Total £m
Cost									
At 30 March 2020	9.2	21.3	15.6	0.1	3.5	4.1	0.2	3.6	57.6
Exchange differences	(1.1)	–	0.9	–	(0.4)	(0.5)	–	–	(1.1)
Additions	–	0.1	–	–	–	–	–	5.5	5.6
Disposals	–	(0.4)	(0.3)	(0.1)	–	–	–	(1.4)	(2.2)
Reclassification	–	1.4	(0.7)	–	0.3	0.5	–	0.2	1.7
At 27 March 2021	**8.1**	**22.4**	**15.5**	**–**	**3.4**	**4.1**	**0.2**	**7.9**	**61.6**
Exchange differences	**0.4**	**0.2**	**(0.1)**	**–**	**0.2**	**0.2**	**–**	**(0.1)**	**0.8**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8.8**	**8.8**
Disposals	**–**	**(1.1)**	**(3.7)**	**–**	**–**	**–**	**–**	**–**	**(4.8)**
Reclassification		**5.6**	**0.2**	**–**	**–**	**–**	**–**	**(5.8)**	**–**
At 26 March 2022	**8.5**	**27.1**	**11.9**	**–**	**3.6**	**4.3**	**0.2**	**10.8**	**66.4**
Accumulated amortisation									
At 30 March 2020	–	14.0	8.7	0.1	0.9	1.5	–	1.4	26.6
Exchange differences	–	–	0.9	–	(0.1)	(0.2)	–	–	0.6
Amortisation for the year	–	1.7	1.4	–	0.6	0.4	0.1	–	4.2
Disposals	–	(0.3)	(0.3)	(0.1)	–	–	–	(1.4)	(2.1)
At 27 March 2021	**–**	**15.4**	**10.7**	**–**	**1.4**	**1.7**	**0.1**	**–**	**29.3**
Exchange differences	**–**	**0.1**	**(0.1)**	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Amortisation for the year	**–**	**1.9**	**1.4**	**–**	**0.6**	**0.4**	**–**	**–**	**4.3**
Disposals	**–**	**(1.1)**	**(3.7)**	**–**	**–**	**–**	**–**	**–**	**(4.8)**
At 26 March 2022	**–**	**16.3**	**8.3**	**–**	**2.0**	**2.2**	**0.1**	**–**	**28.9**
Net book value at 26 March 2022	**8.5**	**10.8**	**3.6**	**–**	**1.6**	**2.1**	**0.1**	**10.8**	**37.5**
Carrying value at 27 March 2021	8.1	7.0	4.8	–	2.0	2.4	0.1	7.9	32.3

11 Other financial assets

Accounting policies

As part of the consideration received for the disposal of the Portals De La Rue paper business, the Group received loan notes, preference shares and ordinary shares in the Portals International Limited group (formerly Mooreco Limited), a parent company of the purchaser. The instruments relating to the loan notes and preference shares are being held solely to collect principal and interest payments on specified dates (SPPI) and they meet the business test model to be held at amortised cost. Amortised cost approximated fair value at the date these instruments were received, as they were obtained in an arms-length transaction with a third party and priced accordingly as part of the sales negotiation process. The Group has not chosen to fair value these through the income statement, they are accounted for on an amortised cost basis. The ordinary shares are accounted for as fair value through profit and loss (FVPL) and the value of these represents £0.2m of the amounts shown below.

	Note	**2022 £m**	2021 £m
Opening balance		**8.8**	8.0
Interest accrued in the period	6	**0.8**	0.8
Additional investment in loan notes in the Portals International Limited group		**0.9**	–
Expected credit loss (reported in exceptionals)	5	**(3.1)**	–
Closing balance		**7.4**	8.8

In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the Other Financial Asset. During the period an additional £0.9m was invested in loan notes in the Portals International Limited group (formerly Mooreco Limited).

Management has assessed the recoverability of the other financial assets on the balance sheet as at 26 March 2022 and as a result an expected credit loss was recorded in the period of £3.1m. Further details can be found in "V Critical accounting estimates, assumptions and judgements".

12 Inventories

Accounting policies

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises directly attributable purchase and conversion costs, including direct labour and an allocation of production overheads based on normal operating capacity that have been incurred in bringing those inventories to their present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

Valuation of inventory

At any point in time, the Group has significant levels of inventory, including work in progress. Manufacturing is a complex process and the final product is required to be made to exacting specifications and tolerance levels. In valuing the work in progress at the balance sheet date, assessments are made over the normal levels of waste contained within the product based on the production performance to date and past experience. Any abnormal levels of waste is expensed as incurred.

In assessing the recoverability of finished stock, assessments are made to validate that inventory is correctly stated at the lower of cost and net realisable value and that obsolete inventory, including inventory in excess of requirements, is provided against.

	2022 £m	2021 £m
Raw materials	**25.7**	22.8
Work in progress	**12.3**	11.5
Finished goods	**12.1**	20.2
	50.1	54.5

The replacement cost of inventories is not materially different from original cost. An income statement charges in FY22 with respect of the recognition of inventory provisions of £0.9m (FY21: £1.6m) was recognised in operating expenses – ordinary.

13 Trade and other receivables

Accounting policies

Trade receivables that do not contain a significant financing component are recognised at the transaction price and other receivables are measured at amortised cost. Trade and other receivables are recognised net of allowance for ECL. The Group calculates an allowance for potentially uncollectable accounts receivable balances using the ECL model and follows the simplified approach. The Group has calculated the ECL by segmenting its accounts receivable balances into different segments representing the risk levels applying to those customer groupings and thus allowing for the calculation of the ECL by applying the expected loss rate relevant to each segment. The loss rates applied to each segment are based on the Group historical experience of credit losses in addition to available knowledge of potential future credit risk based on available data such as country credit ratings. The Group reviews the account receivable ledger to identify if there are any collectability issues which might require the recognition of an expected credit loss allowance (ie a specific bad debt provision) in addition to the expected credit loss allowance calculated based on historical experience. The Group's policy for managing credit risk is set out in note 14.

13 Trade and other receivables continued

	2022 £m	2021 £m
Trade receivables[1]	**64.8**	69.6
Provision for impairment[1]	**(0.8)**	(1.5)
Net trade receivables	**64.0**	68.1
Other receivables[2]	**22.1**	26.2
Prepayments	**2.9**	4.5
	89.0	98.8

Notes:
1. In FY21 a receivable from Venezuela of £19.1m was written off during the period and provision was released to off set this.
2. Other receivables of £22.1m in FY22 (FY21: £26.2m) included, £5.1m of VAT recoverable (FY21: £3.2m), £3.2m of project work-in-progress costs (FY21: £1.7m), £2.7m of RDEC (FY21: £2.6m), and £2.2m of deposits for assets under construction (FY21: £2.2m).

The Group has considered the impact of the war in Ukraine on the recoverability of amounts due from customers in Ukraine, Belarus and Russia. At 26 March 2022 there was £0.3m of current balances due relating to Ukraine covered by existing pledges to settle (of which £0.2m has been settled post year-end), a £14k balance relating to Russia, which was settled post year-end and there were no outstanding amounts relating to Belarus. The Group continued to monitor activities in these areas.

The ageing of trade and other receivables (excluding prepayments and provisions for impairment) at the reporting date was:

	Gross 2022 £m	ECL allowance 2022 £m	Gross 2021 £m	ECL allowance 2021 £m
Not past due	**75.2**	**(0.2)**	60.0	(0.2)
Past due 0-30 days	**6.3**	**–**	7.1	–
Past due 31-120 days	**4.9**	**(0.1)**	12.6	(0.4)
Past due more than 120 days	**0.5**	**(0.5)**	16.1	(0.9)
	86.9	**(0.8)**	95.8	(1.5)

The provision for impairment in respect of trade receivables is used to record losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the financial asset directly.

The following expected credit loss rates were applied in the year:

	Government departments and National banks (for Moody's sovereign rating graded as 'speculative' only)	Private or publicly traded organisation
Current not yet due	0.25%	1%
< 6 months overdue	1%	2%
< 1 year overdue	5%	50%
< 2 years overdue	25%	100%
> 2 years overdue	100%	100%

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 £m	2021 £m
Balance at beginning of year	**(1.5)**	(19.9)
Impairment losses recognised	**(0.1)**	(0.8)
Utilised	**0.5**	19.2[1]
Impairment losses reversed	**0.3**	–
Balance at end of year	**(0.8)**	(1.5)

Note:
1. In FY21, the receivable from Venezuela of £19.1m was written off and provision was released to offset this.

14 Financial risk

Financial risk management

The Group's activities expose it to a variety of financial risks, the most significant of which are liquidity risk, market risk and credit risk.

The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The use of financial derivatives is governed by the Group's risk management policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group's treasury department is responsible for the management of these financial risks faced by the Group.

Group treasury identifies, evaluates and in certain cases hedges financial risks in close cooperation with the Group's operating units. Group treasury provides written principles for overall financial risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity.

14(a) Financial instruments

As permitted by IFRS 9, the Group has continued to apply the requirements of IAS 39 only in relation to hedge accounting at the current time. Derivative financial instruments are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The gain or loss on subsequent fair value measurement is recognised in the income statement unless the derivative qualifies for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item also affects the income statement. However, if the hedged item results in the recognition of a non-financial asset or liability, the amounts accumulated in equity on the hedging instrument are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Fair value hedges

For an effective hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in net income. Gains or losses from remeasuring the derivative or, for non-derivatives, the foreign currency component of its carrying value, are recognised in net income.

Embedded derivatives

Derivatives embedded in other financial liability instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Any unrealised gains or losses on such separated derivatives are reported in the income statement within revenue or operating expenses, in line with the host contract.

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	Fair value hierarchy	**Total fair value 2022 £m**	**Carrying amount 2022 £m**	Total fair value 2021 £m	Carrying amount 2021 £m
Financial assets						
Trade and other receivables[1]	13	Level 3	**83.4**	**83.4**	91.7	91.7
Contract assets	2	Level 3	**8.0**	**8.0**	14.8	14.8
Other financial assets[2]	11	Level 3	**7.2**	**7.2**	8.6	8.6
Cash and cash equivalents	15	Level 1	**24.3**	**24.3**	25.7	25.7
Derivative financial instruments:						
– Forward exchange contracts designated as cash flow hedges		Level 2	**1.3**	**1.3**	2.5	2.5
– Short duration swap contracts designated as fair value hedges		Level 2	**–**	**–**	0.1	0.1
– Foreign exchange fair value hedges – other economic hedges		Level 2	**0.9**	**0.9**	4.9	4.9
– Embedded derivatives		Level 2	**1.2**	**1.2**	–	–
Total financial assets			**126.3**	**126.3**	148.3	148.3
Financial liabilities						
Unsecured bank loans and overdrafts[3]	18	Level 2	**(95.7)**	**(95.7)**	(78.0)	(78.0)
Trade and other payables[4]	17	Level 3	**(62.9)**	**(62.9)**	(78.9)	(78.9)
Derivative financial instruments:						
– Forward exchange contracts designated as cash flow hedges		Level 2	**(1.8)**	**(1.8)**	(3.4)	(3.4)
– Short duration swap contracts designated as fair value hedges		Level 2	**–**	**–**	(0.1)	(0.1)
– Foreign exchange fair value hedges – other economic hedges		Level 2	**(2.9)**	**(2.9)**	(1.7)	(1.7)
– Embedded derivatives		Level 2	**(0.1)**	**(0.1)**	(3.1)	(3.1)
Total financial liabilities			**(163.4)**	**(163.4)**	(165.2)	(165.2)

Notes:
1. Excludes prepayments and RDEC of £2.7m (FY21: £2.6m).
2. Excludes ordinary shares of £0.2m which are accounted for as fair value through profit and loss.
3. Excludes unamortised pre-paid loan arrangement fees.
4. Excludes social security amounts, contract liabilities and payments on account.

Trade receivables decreased compared to FY21 reflecting timing of payments on certain material customer contracts. Contract assets have decreased from £14.8m at FY21 to £8.0m at FY22 reflecting the fact that in the current period customer invoicing has more closely matched the timing of revenue recognition.

14 Financial risk continued

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 valuations use observable inputs for the assets or liabilities other than quoted prices
- Level 3 valuations are not based on observable market data and are subject to management estimates

There has been no movement between levels during the current or prior periods.

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation required in arriving at the fair values. See fair value hierarchy above.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Interest rate swaps

Interest rate swaps are measured by reference to third party bank confirmations and discounted cash flows using the yield curves in effect at the balance sheet date.

Embedded derivatives

The fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts and using quoted forward foreign exchange rates at the balance sheet date.

Determination of fair values of non-derivative financial assets and liabilities

Non-derivative financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Hedge reserves

The hedge reserve balance on 26 March 2022 was a loss of £0.5m, (FY21: loss £0.8m). Net movements in the hedge reserve are shown in the Group statement of changes in equity. Comprehensive income after tax was £0.3m (FY21: £0.9m) comprising a loss of £0.6m (FY21: £0.3m) of fair value movements on new and continuing cash flow hedges and a gain of £0.8m (FY21: £0.4m loss) on maturing cash flow hedges. Deferred tax on the gain of £0.2m (FY21: £0.7m loss) amounted to £0.1m (FY21: £0.2m loss). Hedge reserve movements in the income statement were as follows:

	Revenue £m	Operating expense £m	Interest expense £m	Total £m
26 March 2022				
– Maturing cash flow hedges	**0.7**	**(1.5)**	**–**	**(0.8)**
– Ineffectiveness on de-recognition of cash flow hedges	**–**	**–**	**–**	**–**
	0.7	**(1.5)**	**–**	**(0.8)**
27 March 2021				
– Maturing cash flow hedges	0.2	0.4	–	0.6
– Ineffectiveness on de-recognition of cash flow hedges	–	(0.1)	(0.1)	(0.2)
	0.2	0.3	(0.1)	0.4

The ineffective portion of fair value hedges that was recognised in the income statement amounted to £nil (FY21: £nil). The ineffective portion of cash flow hedges that was recognised in the income statement within operating expenses was a £nil (FY21: loss of £0.1m) and within Interest expense was a £nil (FY21: loss of £0.1m).

14(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities where due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

26 March 2022	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities								
Unsecured bank loans and overdrafts	18	**–**	**95.0**	**0.7**	**–**	**95.7**	**–**	**95.7**
Trade and other payables[1]	17	**62.9**	**–**	**–**	**–**	**62.9**	**–**	**62.9**
Obligations under leases	23	**2.6**	**2.6**	**5.7**	**24.9**	**35.8**	**(21.6)**	**14.2**
Derivative financial liabilities								
Gross amount payable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges*		**108.4**	**0.1**	**–**	**–**	**108.5**	**(106.7)**	**1.8**
– Short duration swap contracts designated as fair value hedges*		**11.4**	**–**	**–**	**–**	**11.4**	**(11.4)**	**–**
Fair value hedges – other economic hedges*		**115.8**	**0.6**	**–**	**–**	**116.4**	**(113.5)**	**2.9**
		301.1	**98.3**	**6.4**	**24.9**	**430.7**	**(253.2)**	**177.5**

27 March 2021	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities								
Unsecured bank loans and overdrafts	18	–	–	78.0	–	78.0	–	78.0
Trade and other payables[1]	17	78.9	–	–	–	78.9	–	78.9
Obligations under leases	23	3.0	2.6	6.6	26.6	38.8	(23.1)	15.7
Derivative financial liabilities								
Gross amount payable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges*		94.5	0.8	–	–	95.3	(91.9)	3.4
– Short duration swap contracts designated as fair value hedges*		13.7	–	–	–	13.7	(13.6)	0.1
Fair value hedges – other economic hedges*		95.9	–	–	–	95.9	(94.2)	1.7
		286.0	3.4	84.6	26.6	400.6	(222.8)	177.8

Notes:
* Excludes embedded derivatives.
1. Excludes social security amounts, contract liabilities and payments on account.

The following are the contractual undiscounted cash flow maturities of financial assets, including contractual interest receipts and excluding the impact of netting agreements.

26 March 2022	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets								
Cash and cash equivalents	15	**24.3**	**–**	**–**	**–**	**24.3**	**–**	**24.3**
Trade and other receivables[1]	13	**83.4**	**–**	**–**	**–**	**83.4**	**–**	**83.4**
Contract assets	2	**8.0**	**–**	**–**	**–**	**8.0**	**–**	**8.0**
Other financial assets[2]	11	**–**	**–**	**–**	**7.2**	**7.2**	**–**	**7.2**
Derivative financial assets								
Gross amount receivable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges		**60.7**	**0.7**	**–**	**–**	**61.4**	**(60.1)**	**1.3**
– Short duration swap contracts designated as fair value hedges		**8.1**	**–**	**–**	**–**	**8.1**	**(8.1)**	**–**
Fair value hedges – other economic hedges		**56.9**	**2.0**	**–**	**–**	**58.9**	**(58.0)**	**0.9**
		241.4	**2.7**	**–**	**7.2**	**251.3**	**(126.2)**	**125.1**

14 Financial risk continued

27 March 2021	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets								
Cash and cash equivalents	15	25.7	–	–	–	25.7	–	25.7
Trade and other receivables[1]	13	91.7	–	–	–	91.7	–	91.7
Contract assets	2	14.8	–	–	–	14.8	–	14.8
Other financial assets[2]	11	–	–	–	8.6	8.6	–	8.6
Derivative financial assets								
Gross amount receivable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges*		75.0	0.1	–	–	75.1	(72.6)	2.5
– Short duration swap contracts designated as fair value hedges*		12.9	–	–	–	12.9	(12.8)	0.1
– Fair value hedges – other economic hedges*		146.5	13.2	–	–	159.7	(154.8)	4.9
		366.6	13.3	–	8.6	388.5	(240.2)	148.3

Notes:
* Excludes embedded derivatives.
1. Excludes prepayments and and RDEC of £2.7m (FY21: £2.6m).
2. Excludes ordinary shares of £0.2m which are accounted for as fair value through profit and loss.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and as a current asset or liability if the maturity of the hedged instrument is less than 12 months.

Cash and cash equivalents, trade and other current receivables, contract assets, bank loans and overdrafts, trade payables and other current liabilities have fair values that approximate to their carrying amounts due to their short-term nature.

The Group has Bank facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which currently are due to mature in December 2023. The Group can convert (in blocks of £25.0m) up to £50.0m 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 £25.0m) in order to draw in cash if the bond and guarantee component has not been sufficiently utilised. The Group has reallocated £25.0m of the cash component to the bond and guarantee component, such that at present £150.0m in total is available on the RCF component.

As at 26 March 2022, the Group, as part of the £150.0m RCF cash component, has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £55.0m (27 March 2021: £72.0m in more than one year). The amount of loans drawn on the £150.0m RCF facility is £95.0m (27 March 2021: £78.0m). Guarantees of £55.6m (27 March 2021: £78.2m) have been drawn using the £125.0m guarantee facility. The accrued interest in relation to cash drawdowns outstanding at 26 March 2022 is £0.1m (27 March 2021: £nil).

The financial covenants require that the ratio of EBIT to net interest payable will not be less than 2.8 times (subsequently increasing up to 3.0 times for each relevant period after 31 March 2022) and the net debt to EBITDA ratio will not exceed three times. At the period end the specific covenant tests were as follows: EBIT/net interest payable of 7.4 times, net debt/EBITDA of 1.46 times. The covenant tests use earlier accounting standards and exclude adjustments including IFRS 16.

Forward foreign exchange contracts

The net principal amounts of the outstanding forward foreign exchange contracts at 26 March 2022 are US dollar 125.9m, Euro 18.1m, Swiss franc 15.9m, Saudi Arabian riyal 14.3m, Swedish krona 5.7m, Hong Kong dollar 5.7m and United Arab Emirates dirham 0.9m.

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are Euro 2.2m and US dollar 0.1m. These forward contracts are designated as cash flow hedges or fair value hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 26 March 2022 will be released to the income statement at various dates between one month and 16 months from the balance sheet date. The tables below include all net foreign exchange forward contracts over £500k.

Hedges versus GB Pounds only	Notional amount in currency	Notional amount in £m	Maturity	Average forward rate
As at 26 March 2022				
Forward exchange forward contracts				
USD	**127.2**	**(94.0)**	**2023**	**1.3533**
EUR	**(25.4)**	**22.0**	**2023**	**1.1534**
CHF	**(9.4)**	**7.6**	**2023**	**1.2378**
SAR	**(14.3)**	**2.9**	**2023**	**4.9962**
HKD	**5.7**	**(0.5)**	**2023**	**10.5843**
As at 27 March 2021				
Forward exchange forward contracts				
USD	169.1	(126.1)	2022	1.3417
EUR	(21.5)	18.8	2022	1.1423
CHF	(12.3)	10.1	2022	1.2172
SAR	16.6	(1.4)	2022	11.5044

Note:
Forward sales shown as positive, and purchases shown as negative.

Hedges versus other currencies	Notional amount currency 1 in m	Notional amount currency 2 in m	Maturity	Average forward rate
As at 26 March 2022				
Forward exchange forward contracts				
EUR/CHF	**6.2**	**(6.5)**	**2023**	**1.0608**
EUR/USD	**1.1**	**(1.3)**	**2023**	**1.1780**
27 March 2021				
Forward exchange forward contracts				
EUR/CHF	5.9	(6.4)	2022	1.0766
EUR/USD	1.3	(1.5)	2022	1.1496

Notes:
Forward sales shown as positive and purchases shown as negative.
Notional amount in currency 1 refers to Euro and notional amounts in currency 2 refer to CHF or USD as indicated.
Notional amounts are shown in the currency as stated and not in GBP.

Short duration swap contracts

(i) Cash management swaps

The Group uses short duration currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 26 March 2022 was £nil (27 March 2021: £nil). Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps at 26 March 2022 are US dollar 0.7m, Euro 1.3m, United Arab Emirates dirham 2.6m, Saudi Arabian riyal 2.7m, Canadian dollar 0.1m and Australian dollar 0.1m.

(ii) Balance sheet swaps

The Group uses short duration currency swaps to manage the translational exposure of monetary assets and liabilities denominated in foreign currencies. The fair value of balance sheet swaps as at 26 March 2022 was £nil (27 March 2021: £nil). Gains and losses on balance sheet swaps are included in the consolidated income statement.

The principal amounts outstanding under balance sheet swaps at 26 March 2022 are US dollar 13.5m, Euro 6.6m and Swiss franc 1.2m.

Embedded derivatives

Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The net fair value of embedded derivatives at 26 March 2022 was £1.1m (27 March 2021: £3.1m).

Gains and losses on fair value hedges

The gains and losses recognised in the year on the Group's fair value hedges were a gain of £0.1m relating to balance sheet hedges (FY21: loss £0.9m), gain £1.9m relating to other fair value hedges (FY21: gain £1.6m), and £nil relating to cash management hedges (FY21: loss £0.1m).

14(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The Group uses a range of derivative instruments, including forward contracts and swaps to hedge its risk to changes in foreign exchange rates and interest rates with the objective of controlling market risk exposures within acceptable parameters, while optimising the return. Derivative financial instruments are only used for hedging purposes.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group's risk management policy aims to hedge firm commitments in full, and between 60% and 100% of forecast exposures in each major currency for the subsequent 12 months to the extent that forecast transactions are highly probable.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies and through foreign currency swaps.

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	**2022**	2021
US dollar	**1.37**	1.31	**1.32**	1.38
Euro	**1.18**	1.12	**1.20**	1.17

14 Financial risk continued

Sensitivity analysis

A 10 per cent strengthening of Sterling against the following currencies at 26 March 2022 and 27 March 2021 would have increased/(decreased) profit or loss by the amounts shown below based on the Group's external monetary assets and liabilities.

	2022 £m	2021 £m
XAF	**(0.3)**	(0.2)
EURO	**0.3**	0.2
LKR	**(0.2)**	(0.4)
GHS	**(0.1)**	(0.1)

A 10 per cent weaking of Sterling against the above currencies at 26 March 2022 and 27 March 2021 would have had the following effect:

	2022 £m	2021 £m
XAF	**0.3**	0.2
EURO	**(0.3)**	(0.3)
LKR	**0.2**	0.4
GHS	**0.1**	0.1

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for FY21.

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where the Group has forecast average levels of net debt above £50.0m on a continuing basis, the policy is to use floating to fixed interest rate swaps to fix the interest rate on a minimum of 50% of the Group's forecast average levels of net debt for a period of at least 12 months. This remains the policy in the medium term however the Group has elected not to currently apply this policy and this will be reviewed at least semi-annually.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2022 £m	2021 £m
Variable rate instruments:		
Financial assets	**24.3**	25.7
Financial liabilities	**(95.7)**	(78.0)
	(71.4)	(52.3)

At the year ending 26 March 2022 the Group had no floating to fixed interest rate swaps with financial institutions in place.

Excluded from the above analysis is £14.2m (FY21: £15.7m) of amounts payable under leases, which are subject to fixed rates of interest (note 23).

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
26 March 2022	**(0.6)**	**0.6**	**–**	**–**
27 March 2021	(0.3)	0.3	–	–

14(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced by various factors, largely pertaining to the profile of the customer as acknowledged in our IFRS 9 Receivables segmentation, in particular the customer's status as a Government or Banking institution as compared to that of a private or publicly owned entity. Due to the large make up of Government or central banks at around 80% of the Group's revenues, measuring credit risk is largely driven by factors including the country's sovereign rating, historic knowledge, local market insights, and political factors in country and industry credit risk is not an influencing factor. The Group's long standing historic trade with Government and central bank institutions guides strongly towards the lower credit or doubtful debt risk that these customers represent. Where private or publicly owned Business Trade applies, the Business adopts a conventional and in-depth trading entity credit review. Where appropriate, letters of credit are used to reduce the credit risk for the Business and where possible advanced payments are also requested.

All credit assignment risk is mitigated through a threshold-based sign-off matrix, where larger value credit exposures require multiple and more senior Business sign-off. The Group has processes in place to ensure appropriate credit limits are set for customers and for ensuring appropriate approval is given for the release of products to customers where any perceived risk has been highlighted.

Exposure to credit risk

The carrying amount of financial assets represents the credit exposure at the reporting date. The exposure to credit risk at the reporting date was:

		Carrying amount	
	Notes	**2022 £m**	2021 £m
Trade and other receivables[1]	13	**83.4**	91.7
Contract assets	2	**8.0**	14.8
Other financial assets[2]	11	**7.2**	8.6
Cash and cash equivalents	15	**24.3**	25.7
Forward exchange contracts used for hedging	14(a)	**2.2**	7.5
Embedded derivatives	14(a)	**1.2**	–
		126.3	148.3

Notes:
1. Excludes prepayments and RDEC of £2.7m (FY21: £2.6m).
2. Excludes ordinary shares of £0.2m which are accounted for as fair value through profit and loss.

The maximum exposure to credit risk for trade and other receivables (excluding prepayments and RDEC) by geographic region was:

	Carrying amount	
	2022 £m	2021 £m
UK	**22.7**	22.3
Rest of Europe	**11.5**	13.0
Africa	**17.6**	35.4
Rest of world	**31.6**	21.0
	83.4	91.7

The maximum exposure to credit risk for trade and other receivables (excluding prepayments and RDEC) by type of customer was:

	Carrying amount	
	2022 £m	2021 £m
Banks and financial institutions	**36.0**	43.2
Government institutions	**12.0**	15.1
Other	**35.4**	33.4
	83.4	91.7

Fair value adjustment to credit risk on derivative contracts

The impact of credit related adjustments being made to the carrying amount of derivatives measured at fair value and used for hedging currency and interest rate risk has been assessed and considered to be immaterial. These derivatives are transacted with investment grade financial institutions. Similarly, the impact of the credit risk of the Group on the valuation of its financial liabilities has been assessed and considered to be immaterial.

14(e) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group finances its operations through a mixture of equity funding and debt financing, which represent the Group's definition of capital for this purpose.

	Notes	**2022 £m**	2021 £m
Total equity attributable to shareholders of the Company		**142.7**	95.0
(Deduct)/add back long-term pension surplus/(deficit)	24	**(30.1)**	18.5
Adjusted equity attributable to shareholders of the Company		**112.6**	113.5
Net debt	22	**71.4**	52.3
Group capital		**184.0**	165.6

The long-term pension surplus/(deficit) has been removed as a separate agreement is in place regarding the funding for this deficit which is paid out of cash flows from continuing operations. The Group's debt financing is also analysed in notes 18 'Borrowings' and 22 'Analysis of Net Debt'.

Included within the Group's net debt are certain cash and cash equivalent balances that are not readily available for use by the Group. These balances are not significant and are not readily available due to restrictions within some of the countries in which we operate.

Earnings per share and dividend payments are the two measures which, in the Board's view, summarise best whether the Group's objectives regarding equity management are being met. The Group's earnings and dividends per share and relative rates of growth illustrate the extent to which equity attributable to shareholders has changed. Both measures are disclosed and discussed within the Strategic Report. Earnings per share is disclosed in note 8.

The Group's objective is to maximise sustainable long-term growth of the earnings per share.

14 Financial risk continued

De La Rue's dividend policy is to provide shareholders with a competitive return on their investment over time, while ensuring sufficient reinvestment of profits to enable the Group to achieve its strategy. During the period, the Group invested in ongoing research and development expenditure and capital expenditure. There is no proposed dividend to De La Rue plc shareholders for the year and it should be noted that none are permitted within 18 months of the Refinancing of 7 July 2020. Dividends can be paid pro-rata to all shareholders (including external parties) in respect of Joint Venture companies including those companies treated as consolidated subsidiaries.

The decision to pay dividends, and the amount of the dividends, will depend on, among other things, the earnings, financial position, capital requirements, general business conditions, cash flows, net debt levels and share buyback plans.

There were no changes to the Group's approach to capital management during the year but in the short-term some restrictions apply following the Refinancing.

14(f) Changes in liabilities arising from financing activities

The below analysis provides a reconciliation between the opening and closing positions in the balance sheet for liabilities arising from financing activities excluding movements in cash and cash equivalents.

	Note	At 28 March 2021 £m	Cash flow £m	Exchange Differences and other £m	New leases and modifications £m	Non-cash movements £m	**At 26 March 2022 £m**
Borrowings	18	(78.0)	(17.0)	(0.7)	–	–	**(95.7)**
Prepaid loan arrangement fees	18	3.8	–	–	–	(0.7)	**3.1**
Lease liabilities[1]	23	(15.7)	2.8	(0.2)	(0.5)	(0.6)	**(14.2)**
Liabilities arisings from financing activities		(89.9)	(14.2)	(0.9)	(0.5)	(1.3)	**(106.8)**

	Note	At 29 March 2020 £m	Cash flow £m	Exchange Differences and other £m	New leases and modifications £m	Non-cash movements £m	At 27 March 2021 £m
Borrowings	18	(117.3)	39.3	–	–	–	(78.0)
Prepaid loan arrangement fees	18	0.8	4.8	–	–	(1.8)	3.8
Lease liabilities[1]	23	(13.9)	2.8	0.4	(4.4)	(0.6)	(15.7)
Liabilities arisings from financing activities		(130.4)	46.9	0.4	(4.4)	(2.4)	(89.9)

Note:
1. Lease liability payments include principal of £2.2m (FY21: £2.2m) and interest of £0.6m (FY21: £0.6m).

15 Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

	2022 £m	2021 £m
Cash at bank and in hand	**20.3**	25.7
Short term bank deposits	**4.0**	–
	24.3	25.7

An analysis of cash, cash equivalents and bank overdrafts is shown in the Group cash flow statement. Certain cash and deposits are of a floating rate nature and are recoverable within three months.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 14.

16 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2022 £m	2021 £m
Deferred tax assets	**11.2**	19.7
Deferred tax liabilities	**(2.4)**	(2.6)
	8.8	17.1

The gross movement on the deferred income tax account is as follows:

	2022 £m	2021 £m
Beginning of the year	**17.1**	(3.3)
Exchange differences	**(0.2)**	(0.1)
Income statement credit	**4.0**	4.6
Tax (charge)/credit to OCI and equity	**(12.1)**	15.9
End of the year	**8.8**	17.1

The movement in deferred tax assets and liabilities during the period is as follows:

Deferred Tax Liabilities	Property, plant and equipment £m	Fair value gains £m	Development costs £m	Retirement benefits £m	Total £m
At 28 March 2020	(1.4)	(1.7)	(1.9)	(12.3)	(17.3)
Recognised in the income statement	1.2	0.4	(0.1)	0.1	1.6
Recognised in OCI and equity	–	–	–	12.3	12.3
Exchange differences	0.2	0.2	–	(0.1)	0.3
Subtotal	–	(1.1)	(2.0)	–	(3.1)
Jurisdictional offset					0.5
At 27 March 2021					(2.6)
At 27 March 2021	**–**	**(1.1)**	**(2.0)**	**–**	**(3.1)**
Recognised in the income statement	**–**	**0.3**	**(0.3)**	**–**	**–**
Recognised in OCI and equity	**–**	**–**	**–**	**(7.4)**	**(7.4)**
Exchange differences	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Subtotal	**–**	**(1.0)**	**(2.3)**	**(7.4)**	**(10.7)**
Jurisdictional offset					**8.3**
At 26 March 2022					**(2.4)**

Deferred Tax Assets	Property, plant and equipment £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 28 March 2020	–	0.5	5.1	8.4	14.0
Recognised in the income statement	1.6	0.1	(0.8)	2.1	3.0
Recognised in OCI and equity	–	3.5	–	0.1	3.6
Exchange differences	–	–	–	(0.4)	(0.4)
Subtotal	1.6	4.1	4.3	10.2	20.2
Jurisdictional offset					(0.5)
At 27 March 2021					19.7
At 27 March 2021	**1.6**	**4.1**	**4.3**	**10.2**	**20.2**
Recognised in the income statement	**(1.1)**	**0.3**	**1.9**	**2.9**	**4.0**
Recognised in OCI and equity	**–**	**(4.4)**	**–**	**(0.3)**	**(4.7)**
Exchange differences	**0.1**	**–**	**–**	**(0.1)**	**–**
Subtotal	**0.6**	**–**	**6.2**	**12.7**	**19.5**
Jurisdictional offset					**(8.3)**
At 26 March 2022					**11.2**

Other deferred assets and liabilities include tax associated with provisions of £0.4m (FY21: £0.5m), restricted interest carried forward £3.9m (FY21: £1.2m) and in respect of overseas tax credits £7.0m (FY21: £7.2m).

Deferred tax assets are recognised for tax losses available to carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has not recognised deferred tax assets of £6.4m (FY21: £7.3m) in respect of losses amounting to £27.9m (FY21: £26.9m) that can be carried forward against future taxable income. Similarly, the Group has not recognised deferred tax assets of £19.2m (FY21: £17.3m) in respect of overseas tax credits that are carried forward for utilisation in future periods, including some that have been allocated to Governmental authorities as part of investment projects.

Unremitted foreign earnings totalled £200.6m at 26 March 2022 (FY21: £189.5m). Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries where the timing of the reversal can be controlled and it was considered unlikely that dividends would be paid from those subsidiaries.

UK capital losses of £317.2m are carried forward at 26 March 2022 (FY21: £319.5m). No deferred tax asset has been recognised in respect of these losses.

UK tax rate

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

17 Trade and other payables

Accounting policies

Trade and other payables are measured at carrying value which approximates to fair value.

Payments received on account relate to monies received from customers under contract, as per individual contract agreements, prior to commencement of production of goods or delivery of services. Once the obligation has been fulfilled the revenue is recognised in accordance with IFRS 15.

Contract liability is recognised when a payment from customer is due or already received, before a related performance obligation is satisfied for the contract agreements that have started production of goods or delivery of services.

	2022 £m	2021 £m
Current liabilities		
Payments received on account	**14.3**	38.0
Contract liabilities	**0.3**	1.6
Trade payables	**31.0**	40.2
Social security and other taxation	**2.6**	2.0
Accrued expenses[1]	**25.6**	32.3
Other payables[2]	**6.2**	6.4
	80.0	120.5

Notes:
1. Accrued expenses include commissions £1.8m (FY21: £3.9m), rebate accruals £2.7m (FY21: £2.2m), employee related accruals of £1.5m (FY21: £6.2m) and freight accruals £2.5m (FY21: £1.4m).
2. Other payables include capex creditors £1.2m (FY21: £1.5m) and interest payable £1.4m (FY21: £1.4m).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 14.

18 Borrowings

Accounting policies

Borrowings are recognised at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk (note 14).

	Currency	Nominal interest rate	Year of maturity	**Face value 2022 £m**	**Carrying amount 2022 £m**	Face value 2021 £m	Carrying amount 2021 £m
Non-current liabilities							
Unsecured bank loans and overdrafts	EUR	1.80%	2028	**0.7**	**0.7**	–	–
Unsecured bank loans and overdrafts	GBP	3.64%	2023	**95.0**	**95.0**	78.0	78.0
Total interest-bearing liabilities				**95.7**	**95.7**	78.0	78.0

The total interest-bearing liabilities above is presented excluding unamortised pre-paid borrowing fees of £3.1m (FY21: £3.8m).

In FY21, £53.6m was offset for interest purposes against bank accounts in a credit balance position. Under the new banking arrangements there is no ongoing right of offset and no accounts were in an overdraft position as at 26 March 2022. Overdrafts are presented net in the balance sheet where there is a legally enforceable right of offset against a cash balance and the Group intends to either settle on a net basis or to realise the asset and settle the financial liability simultaneously.

As at 26 March 2022, the Group has a committed revolving facility, all maturing in more than one year, of £275m which depending on the value of guarantees utilised a maximum of £175m can be used as way of cash draw downs.

The drawdowns on the RCF facility are typically rolled over on terms of between one and three months. However, as the Group has the intention and ability to continue to roll forward the drawdowns under the facility, the amount borrowed has been presented as long-term at FY22.

19 Provisions for liabilities and charges

Accounting policies

Provisions are recognised when the Group has a present obligation in respect of a past event, it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are measured at the management's best estimate of the amount required to settle the obligation at the balance sheet date and are discounted where the time value of money is considered material.

	Restructuring £m	**Warranty £m**	**Other £m**	**Total £m**
At 27 March 2021	**0.7**	**3.2**	**5.7**	**9.6**
Charge for the year	**0.3**	**0.6**	**1.0**	**1.9**
Utilised in year	**(0.6)**	**(0.8)**	**(1.2)**	**(2.6)**
Released in year	**–**	**(1.6)**	**(1.4)**	**(3.0)**
At 26 March 2022	**0.4**	**1.4**	**4.1**	**5.9**
Expected to be utilised within 1 year	**0.4**	**1.4**	**4.1**	**5.9**

Restructuring provisions

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

Warranty provisions

Warranty provisions relate to present obligations for defective products. The provisions are management judgements based on information currently available, past history and experience of the products sold. However, it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

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

Other provisions

Other provisions comprise a number of liabilities with varying expected utilisation rates. The liabilities include a small number of onerous contract provisions (£2.3m), employee related liabilities (£1.7m) and other liabilities (£0.1m) arising through the Group's normal operations. Onerous contract provisions arise where the contract is loss making after taking into account all manufacturing and delivery costs and any related contract fines. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

20 Share capital

	2022 £m	2021 £m
Issued and fully paid		
195,157,352 ordinary shares of 44 152/175p each (FY21: 195,064,380 ordinary shares of 44 152/175p each)	**87.7**	87.7
111,673,300 deferred shares of 1p each (FY21: 111,673,300 deferred shares of 1p each)	**1.1**	1.1
	88.8	88.8

	2022		2021	
	Ordinary shares '000	**Deferred shares '000**	Ordinary shares '000	Deferred shares '000
Allotments during the year				
Shares in issue at 27 March 2021/28 March 2020	**195,064**	**111,673**	103,998	111,673
Equity Capital Raise	**–**	**–**	90,909	–
Issued under Savings Related Share Option Scheme	**46**	**–**	5	–
Issued under Annual Bonus Plan	**24**	**–**	68	–
Issued under Performance Share Plan	**23**	**–**	84	–
Shares in issue at 26 March 2022/27 March 2021	**195,157**	**111,673**	195,064	111,673

The deferred shares carry limited economic rights (and no right to receive a dividend) and no voting rights. They are unlisted and are not transferable except in accordance with the articles.

21 Share based payments

Accounting policies

The Group operates various equity settled and cash settled option schemes. On 17 June 2020 De La Rue announced an equity capital raise. The equity capital raise was made on the basis of seven new shares for every 16 existing shares held by qualifying shareholders at the record date.

To adjust for the dilutive impact of the equity capital raise, for share options held that had not vested by 16 June, the Group granted an additional 1.093 (the adjustment factor) share options for every share option that employee held to ensure that the fair value remained unchanged after dilution. For all the 'free share awards' (ie the ABP and PSP awards) the exercise price remained unchanged. For any option with an exercise price (ie Sharesave options), the exercise price per share is reduced by the inverse of the adjustment factor, to ensure that the aggregate exercise price (given that the number of shares is increasing) remains the same.

For equity settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the consolidated income statement, together with a corresponding increase in shareholders' equity, on a straight-line basis over the vesting period, based on the numbers of shares that are actually expected to vest, taking into account non-market vesting conditions (including service conditions). Vesting conditions, other than non-market-based conditions and non-vesting conditions (requirement to save) are taken into account when estimating the fair value.

On the performance related awards, until 2020 performance measure was based on ROCE and EPS. From 2020 ROCE was replaced by TSR, a market-based condition.

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

21 Share based payments continued

At 26 March 2022, the Group has a number of share-based payment plans, which are described below. The compensation cost and related liability that have been recognised for the Group's share-based plans are set out in the table below:

	Expense recognised for the year	
	2022 £m	2021 £m
Annual Bonus Plan	**0.9**	0.1
Performance Share Plan	**0.4**	0.6
Savings Related Share Option Scheme	**0.5**	(0.3)
	1.8	0.4

Note:
The FY22 Performance Share Plan above includes cash settled share-based payments of £nil (FY21: credit £4,241).

The fair value of share options is estimated at the date of grant using a lattice-based option valuation model. The significant assumptions used in the valuation model are disclosed below:

FY22 Arrangements	**Performance Share Plan**		**Savings Related Share Option Scheme**
Dates of current year grants	**30 June 2021**		**5 January 2022**
Performance conditions	**EPS**	**TSR**	**n/a**
Number of options granted	**702,184**	**702,183**	**991,157**
Exercise price	**n/a**	**n/a**	**112.43**
Contractual life (years)	**10**	**10**	**3**
Settlement	**Share**	**Share**	**Share**
Vesting period (years)	**3**	**3**	**3**
Dividend yield	**n/a**	**n/a**	**Nil to 31 March 2023 and 10p per share pa thereafter**
Risk free interest rate	**n/a**	**n/a**	**0.82% pa**
TSR correlation with comparator index	**n/a**	**35% pa**	**n/a**
TSR/Share price volatility	**90% pa**	**90% pa**	**90% pa**
Share price at grant (pence)	**186.2**	**186.2**	**158.2**
Fair value per option at grant date	**191.76**	**144.40**	**101.0**

FY21 Arrangements	Performance Share Plan		Savings Related Share Option Scheme
Dates of current year grants	14 July 2020		6 January 2021
Performance conditions	EPS	TSR	n/a
Number of options granted	925,470	925,470	1,799,163
Exercise price	n/a	n/a	131.1
Contractual life (years)	10	10	3
Settlement	Share	Share	Share
Vesting period (years)	3	3	3
Dividend yield	n/a	n/a	Nil
Risk free interest rate	n/a	n/a	-0.13% pa
TSR correlation with comparator index	n/a	35% pa	n/a
TSR/Share price volatility	90% pa	90% pa	90% pa
Share price at grant (pence)	125.00	125.00	166.40
Fair value per option at grant date	132.28	109.66	104.00

For the Savings Related Share Option Scheme (SAYE) an expected volatility rate of 95% (FY21: 90%) has been used for grants in the period. This rate is based on historical volatility over the last three years to 6 January 2021. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life. The rate applied during the year was 0.82% per annum for a period of three years (FY21: 0.13%).

The 30 June 2021 Performance Share Plan (PSP) award is subject to two components, a TSR test and one subject to an Earnings Per Share ('EPS') test. For this award an expected TSR volatility rate of 90% has been used for grants in the period. This rate is based on historical volatility over the last three years to 30 June 2021. The expected life is the average expected period to exercise. TSR Correlation between the Company and the FTSE 250 (excluding investment trusts) comparators was measured over a 3 -year period and 35% per annum was adopted.

Reconciliations of option movements over the period to 26 March 2022 for each class of share awards are shown on page 137.

Annual Bonus Plan

For details of the Annual Bonus Plan, refer to the Directors' remuneration report on pages 69 to 84 .

	2022 Number of awards '000	2021 Number of awards '000
Share awards outstanding at start of year	23	105
Adjustment post-Equity Capital Raise	–	7
Granted	462	–
Forfeited	(9)	(65)
Vested	(23)	(24)
Outstanding at end of year	**453**	23

During the period the weighted average share price on share awards exercised in the period was 174.4p (FY21: 142.05p).

Performance Share Plan

For details of the Performance Share Plan, refer to the Directors' remuneration report on pages 69 to 84.

	2022 Number of awards '000	2021 Number of awards '000
Share awards outstanding at start of year	2,560	1,538
Adjustment post-Equity Capital Raise	–	55
Granted	1,404	1,851
Forfeited	(466)	(775)
Vested	(13)	(109)
Outstanding at end of year	**3,485**	2,560

During the period the weighted average share price on share awards exercised in the period was 157.07p (FY21: 142.87p).

The awards have been allocated based on a share-prices as follows:

Date of grant	Share price
29 June 2015	541.00p
27 June 2016 grants	520.85p
27 June 2017 grants	680.10p
27 June 2018 grants	551.00p
10 June 2019 grants	298.00p
6 January 2020 grants	37.45p
14 July 2020 grants	132.28p/109.66p
30 June 2021 grants	191.76p/144.40p

Savings Related Share Option Scheme

The scheme is open to all UK employees. Options are granted at the prevailing market price at the time of the grant (with a discretionary discount to the market price) to employees who agree to save between £5 and the maximum savings amount offered per month over a period of three or five years.

There are no performance conditions attached to the options. After the three or five-year term has expired, employees normally have six months in which to decide whether or not to exercise their options. A pre-vesting forfeiture rate of 5%, reflecting leavers or withdrawals, has been assumed on new options granted in the year based on historic experience.

	2022		2021	
	Weighted average exercise price pence per share	Number of options '000	Weighted average exercise price pence per share	Number of options '000
Options outstanding at start of year	151.29	2,803	232.30	1,534
Additional shares granted from equity capital raise	–	–	190.03	103
Granted	149.31	991	131.10	1,799
Forfeited	155.71	(475)	268.71	(493)
Exercised	111.38	(46)	108.55	(5)
Expired	409.64	(100)	411.78	(135)
Outstanding at end of year	**130.91**	**3,173**	151.29	2,803

The range of exercise prices for the share options outstanding at the end of the year is between 108.55p and 403.46p (FY21: between 108.55p and 475.91p). The weighted average remaining contractual life of the outstanding share options is 1.99 years (FY21: 2.43 years).

During the period the weighted average share price on options exercised in the period was 174.17p (FY21: 161.02p).

21 Share based payments continued

Market share purchase of shares by Trustee De La Rue Employee Share Ownership Trust

The De La Rue Employee Share Ownership Trust (Trust) is a separately administered trust established to administer shares granted to Executive Directors and senior employees under the various discretionary share option plans established by the Company. Liabilities of the Trust are guaranteed by the Company and the assets of the Trust mainly comprise shares in the Company. Equiom (Guernsey) Limited is the Trustee. The own shares held by the Trust are shown as a reduction in shareholders' funds. The shares will be held at historical rates until such time as they are disposed of. Any profit or loss on the disposal of own shares is treated as a movement in reserves rather than as an income statement item.

The Trustee held nil shares at 26 March 2022 (27 March 2021: nil).

22 Analysis of net debt

The analysis below provides a reconciliation between the opening and closing of the Group's net debt position (being the net of borrowings and cash and cash equivalents).

	Note	At 27 March 2021 £m	Cash flow £m	Foreign exchange and other £m	At 26 March 2022 £m
Borrowings	18	**(78.0)**	**(17.0)**	**(0.7)**	**(95.7)**
Cash and cash equivalents	15	**25.7**	**(1.6)**	**0.2**	**24.3**
Net debt		**(52.3)**	**(18.6)**	**(0.5)**	**(71.4)**

	Note	At 28 March 2020 £m	Cash flow £m	Foreign exchange and other £m	At 27 March 2021 £m
Borrowings	18	(117.3)	39.3	–	(78.0)
Cash and cash equivalents	15	14.5	11.5	(0.3)	25.7
Net debt		(102.8)	50.8	(0.3)	(52.3)

Net debt is presented excluding unamortised pre-paid borrowing fees of £3.1m (FY21: £3.8m) and £14.2m (FY21: £15.7m) of lease liabilities.

The Group has Bank facilities of £275.0m including an RCF cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, which currently are due to mature in December 2023. The Group can convert (in blocks of £25.0m) up to £50.0m 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 £25.0m) 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.

In the second half of FY21, the Group reallocated £25.0m of the cash component to the bond and guarantee component such that at present, £150.0m in total is available on the RCF component, of which £95.0m was drawn as at 26 March 2022. In the year a separate borrowing facility for financing equipment under construction has been signed and at 26 March 2022 the amount outstanding on this facility is £0.7m.

As at 26 March 2022, the Group had a total of undrawn committed borrowing facilities, all maturing in more than one year, of £55m (27 March 2021: £78.0m, all maturing in more than one year).

23 Leases

Accounting policies

At the inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group accounts for identified leases in accordance with IFRS 16 ('Leases').

Management has made certain judgements on lease terms based on the Group's current expectations of whether break or renewal options will be taken. Judgements have also been made in estimating the incremental borrowing rates to use when discounting lease payments.

Leases are recognised on the balance sheet (unless they are low value or for a term of less than 12 months) with a right to use asset and corresponding lease liability being recorded at the date the lease asset is available for use.

The right to use asset is depreciated over the shorter of, the assets useful economic life and the lease term. Each lease payment is allocated between repayment of the lease liability and finance cost.

The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the remaining lease liability.

At commencement date of the lease, a lease liability is initially recognised on the balance sheet at the present value of future lease payments (including fixed payments and variable lease payments that depend upon an index) and any lease penalties payable on the early exit of a lease if management anticipates taking these, discounted using the incremental borrowing rate appropriate for that lease, absent of the interest rate implicit in the lease being available.

The right to use asset is initially measured at cost, being the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease and any initial direct costs and any restoration costs. Payments in respect of short-term leases (duration of less than 12 months) or low value leases continue to be charged to the income statement on a straight-line basis over the lease term. Right of use assets are tested for impairment when indicators of impairment exist.

The Group has lease contracts for various properties and ground leases in addition to other equipment used in its operations. Leases for property and ground leases range from two years to in excess of 100 years in certain cases. Leases for other equipment used in operations are typically for periods of two to five years. There are several lease contracts which include extensions and termination options and these are discussed below.

The Group also has certain leases that have terms of less than 12 months or lease or where equipment is of a low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions.

Set out below are the carrying amounts of right-to-use assets recognised and the movement during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
At 28 March 2020	12.3	0.6	12.9
Additions – change in lease assessment	4.4	–	4.4
Depreciation expense	(2.4)	(0.1)	(2.5)
Exchange differences	(0.2)	–	(0.2)
At 27 March 2021	**14.1**	**0.5**	**14.6**
Additions – change in lease assessment	0.6	–	0.6
Depreciation expense	(2.2)	(0.1)	(2.3)
Exchange differences	–	–	–
At 26 March 2022	**12.5**	**0.4**	**12.9**

Set out below are the carrying amounts of lease liabilities and the movement during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
At 28 March 2020	(13.3)	(0.6)	(13.9)
Additions – change in lease assessment	(4.4)	–	(4.4)
Accretion of interest (note 6)	(0.6)	–	(0.6)
Lease payments 1	2.7	0.1	2.8
Exchange differences	0.4	–	0.4
At 27 March 2021	**(15.2)**	**(0.5)**	**(15.7)**
Additions – change in lease assessment	(0.5)	–	(0.5)
Accretion of interest (note 6)	(0.6)	–	(0.6)
Lease payments[1]	2.7	0.1	2.8
Exchange differences	(0.2)	–	(0.2)
At 26 March 2022	**(13.8)**	**(0.4)**	**(14.2)**

Note:
1. Lease payments include principal of £2.2m (FY21: £2.2m) and interest of £0.6m (FY21: £0.6m).

	2022 £m	2021 £m
Included within:		
Current liabilities	**(2.7)**	(2.7)
Non-current liabilities	**(11.5)**	(13.0)
	(14.2)	(15.7)

The following amounts have been recognised in the income statement:

	2022 £m	2021 £m
Depreciation of right-of-use assets	**(2.3)**	(2.5)
Interest expense on lease liabilities	**(0.6)**	(0.6)
Expense relating to short term leases	**(0.3)**	(0.2)
Expenses relating to leases of low-value assets	**(0.2)**	(0.1)

The Group had total cash outflows for leases of £3.3m in FY22 (FY21: £3.1m), (including amounts relating to principal payment £2.2m (FY21: £2.2m), interest payments of £0.6m (FY21: £0.6m) and short and low values assets) £0.5m (FY21: £0.3m) in FY22 (FY21: £3.1m). The Group also had non-cash additions to right-of-use assets £0.6m (FY21: £4.4m) and liabilities of £0.6m (FY21: £4.4m). At 26 March 2022, there are no leases entered into which have not yet commenced.

The Group has certain leases that include extension or termination options. Management exercises judgement in determining whether these extensions and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payment relating to the period following the exercise date of extension and termination options that are not included in the lease term:

	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	1.1	0.2	1.3
Termination options expected to be exercised	0.3	–	0.3

24 Retirement benefit obligations

Accounting policies

The Group operates retirement benefit schemes, devised in accordance with local conditions and practices in the country concerned, covering the majority of employees. The assets of the Group's schemes are generally held in separately administered trusts or are insured. The major schemes are defined benefit pension schemes with assets held separately from the Group. The cost of providing benefits under each scheme is determined using the projected unit credit actuarial valuation method. The major defined benefit pension scheme is based in the UK and is now closed to future accrual. The current service cost and gains and losses on settlements and curtailments are included in operating costs in the Group income statement. The interest income on the plan assets of funded defined benefit pension schemes and the imputed interest on pension scheme liabilities are disclosed as retirement benefit obligation net finance expense/income respectively in the income statement.

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

The net liability/surplus recognised in respect of defined benefit pension schemes is the present value of the defined benefit obligation less the fair value of the scheme assets, as determined by actuarial valuations carried out at the balance sheet date. Any net pension surplus is recognised at the lower of the net surplus in the defined benefit pension valuation under IAS 19 and the asset ceiling.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

A trustee board has been appointed to operate the UK defined benefit scheme in accordance with its governing documents and pensions law. The scheme meets the legal requirement for member nominated trustees representation on the trustee board and a professional independent trustee has been appointed as chair of the Board. The members of the trustee board undertake regular training to ensure they are able to fulfil their function as trustees and have appointed professional advisers to give them specialist expertise where required.

The Group has calculated the value of the minimum funding commitments to its schemes and determined that no additional liability under IFRIC 14 is required at 26 March 2022 as the Group has an unconditional right to any surplus. No significant judgements were involved in making this determination. As the Group has assessed that it has an unconditional right to any surplus, it is also considered appropriate to record the full net surplus on an IAS 19 basis within non-current assets on the balance sheet as at 26 March 2022. As the Group did not intend to recover the pension surplus from the pension scheme as a refund, it has been recognised gross of the potential withholding tax if the surplus was to be recovered in this way. Instead, a deferred tax liability has been recognised on the pension surplus, and was included within deferred tax liabilities as at 26 March 2022 (see note 18).

On 2 March 2022, 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 5 April 2021, which was based on intentionally prudent assumptions, revealed a funding shortfall (technical provisions minus the value of the assets) of £119.5m.

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

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

In addition, during FY22, legal fees of £0.2m have been incurred in the rectification of certain discrepancies identified in the Scheme's rules (FY21: £0.6m). The Directors do not consider this to have an impact on the UK defined benefit pension liability at the current time, but they are continuing to assess this.

(a) Defined benefit pension schemes

Amounts recognised in the consolidated balance sheet:

	2022 £m	2021 £m
UK retirement benefit surplus/(liability)	**31.6**	(18.5)
Overseas retirement liability	**(1.8)**	(2.0)
Retirement benefit surplus/(liability)	**29.8**	(20.5)
Reported in:		
Non-current assets	**31.6**	–
Non-current liabilities	**(1.8)**	(20.5)
	29.8	(20.5)

	2022 UK £m	2022 Overseas £m	2022 Total £m	2021 UK £m	2021 Overseas £m	2021 Total £m
Equities	**56.3**	**–**	**56.3**	125.0	–	125.0
Bonds	**154.9**	**–**	**154.9**	123.6	–	123.6
Diversified Growth Fund	**–**	**–**	**–**	54.7	–	54.7
Secured/fixed income	**456.2**	**–**	**456.2**	342.7	–	342.7
Liability Driven Investment Fund	**248.1**	**–**	**248.1**	276.3	–	276.3
Multi Asset Credit	**62.8**	**–**	**62.8**	125.0	–	125.0
Other	**10.4**	**–**	**10.4**	6.0	–	6.0
Fair value of scheme assets	**988.7**	**–**	**988.7**	1,053.3	–	1,053.3
Present value of funded obligations	**(952.8)**	**–**	**(952.8)**	(1,067.0)	–	(1,067.0)
Funded defined benefit pension schemes	**35.9**	**–**	**35.9**	(13.7)	–	(13.7)
Present value of unfunded obligations	**(4.3)**	**(1.8)**	**(6.1)**	(4.8)	(2.0)	(6.8)
Net surplus/(liability)	**31.6**	**(1.8)**	**29.8**	(18.5)	(2.0)	(20.5)

Amounts recognised in the consolidated income statement:

	2022 UK £m	2022 Overseas £m	2022 Total £m	2021 UK £m	2021 Overseas £m	2021 Total £m
Included in employee benefits expense:						
– Current service cost	**–**	**–**	**–**	–	–	–
– Past service cost	**–**	**–**	**–**	0.1*	–	0.1*
– Administrative expenses and taxes	**(1.8)**	**–**	**(1.8)**	(2.1)	–	(2.1)
Included in interest on retirement benefit obligation net finance expense:						
– Interest income on scheme assets	**20.2**	**–**	**20.2**	24.6	–	24.6
– Interest cost on liabilities	**(20.4)**	**–**	**(20.4)**	(22.9)	–	(22.9)
Retirement benefit obligation net finance (expense)/income (note 6)	**(0.2)**	**–**	**(0.2)**	1.7	–	1.7
Total recognised in the consolidated income statement	**(2.0)**	**–**	**(2.0)**	0.3	–	0.3
Return on scheme assets excluding assumed interest income	**(51.2)**	**–**	**(51.2)**	27.0	–	27.0
Remeasurement gains/(losses) on defined benefit pension obligations	**86.9**	**–**	**86.9**	(122.6)	–	(122.6)
Amounts recognised in other comprehensive income	**35.7**	**–**	**35.7**	(95.6)	–	(95.6)

Note:
* Included within exceptional items.

Major categories of scheme assets as a percentage of total scheme assets:

	2022 UK %	2022 Overseas %	2022 Total %	2021 UK %	2021 Overseas %	2021 Total %
Equities	**6**	**–**	**6**	12	–	12
Bonds	**16**	**–**	**16**	12	–	12
Diversified Growth Fund	**–**	**–**	**–**	5	–	5
Secured/fixed income	**46**	**–**	**46**	33	–	33
Liability Driven Investment Fund	**25**	**–**	**25**	26	–	26
Multi Asset Credit	**6**	**–**	**6**	11	–	11
Other	**1**	**–**	**1**	1	–	1
	100	**–**	**100**	100	–	100

The Diversified Growth Fund is a diversified asset portfolio which includes investments in equities, emerging market bonds, property, high yield credit and structured finance and smaller holdings in other asset classes. The Liability Driven Investment (LDI) fund consists of fixed interest bond holdings (approximately 78% of LDI fund value net of repurchase agreements at FY21) and interest and inflation swaps (approximately 22% of LDI fund value at FY21). Derivatives have been valued on a mark to market basis. The LDI is designed to proportionally counterbalance the effect/impact of a decrease/increase in interest rates/inflation on 75% of the funded obligations. The Multi Asset Credit Fund invests in a variety of debt instruments. Multi Asset Credit, Diversified Growth Funds, Secured income and LDI asset categories include certain assets which are not quoted in an active market and are stated at fair value estimates provided by the manager of the investment fund.

Virtually all equity and debt instruments have quoted prices in active markets. Multi Asset Credit, Diversified Growth Funds and LDI asset categories include certain assets which are not quoted in an active market and are stated at fair value estimates provided by the manager of the investment fund.

Other UK assets comprise cash, interest rate swaps and floating rate notes.

24 Retirement benefit obligations continued

Principal actuarial assumptions:

	2022 UK %	2022 Overseas %	2021 UK %	2021 Overseas %
Discount rate	**2.85%**	**–**	1.95%	–
CPI inflation rate	**3.10%**	**–**	2.65%	–
RPI inflation rate	**3.50%**	**–**	3.15%	–

The financial assumptions adopted as at 26 March 2022 reflect the duration of the scheme liabilities which has been estimated to be broadly 15 years (FY21: broadly 16 years).

At 26 March 2022 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2021 (FY21: CMI_2020) with a smoothing parameter of 7.5 and a long-term future improvement trend of 1.25% per annum (FY21: long-term rate of 1.25% per annum) and w2020 parameter of 5% (FY20: no allowance). The resulting life expectancies within retirement are as follows:

		2022	2021
Aged 65 retiring immediately (current pensioner)	Male	**22.0**	22.0
	Female	**24.0**	23.4
Aged 50 retiring in 15 years (future pensioner)	Male	**22.5**	22.9
	Female	**25.4**	24.7

The defined benefit pension schemes expose the Group to the following main risks:

Mortality risk – An increase in the life expectancy of members will increase the liabilities of the schemes. The mortality assumptions are reviewed regularly and are considered appropriate.

Interest rate risk – A decrease in bond yields will increase the liabilities of the scheme. Liability driven investment strategies are used to hedge part of this risk.

Investment risk – The value of pension scheme assets vary with changes in interest rates, inflation expectations, credit spreads, exchange rates, and equity and property prices. There is a risk that asset returns are volatile and that the value of pension scheme assets may not move in line with changes in pension scheme liabilities. To mitigate against investment risk the pension scheme invests in derivatives which aim to hedge a proportion of the movements in assets and liabilities. The pension scheme invests in a wide range of assets to provide diversification in order to reduce the risk that a single investment or type of asset class could have a materially adverse impact on total scheme assets. The investment strategy and performance of investment funds are reviewed regularly to ensure the asset strategy of the pension schemes continues to be appropriate.

Inflation risk – The liabilities of the scheme are linked to inflation. An increase in inflation will result in an increase in liabilities. There are caps in place for UK scheme benefits to mitigate the risk of extreme increases in inflation. Liability driven investment strategies are used to hedge part of this risk. Any increase in the retirement benefit obligation could lead to additional funding obligations in future years.

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

Assumption change	Approximate impact on liability
0.25% decrease in discount rate	Increase in liability of c.£33m
0.25% increase in CPI inflation rate	Increase in liability of c.£15m
Increasing life expectancy by one year	Increase in liability of c.£49m

The liability sensitivities have been derived using the duration of the scheme based on the membership profile as at 5 April 2021 and assumptions chosen for the 2022 year end. The sensitivity analysis does not allow for changes in scheme membership since the 2021 actuarial valuation or the impact of the Scheme or Group's risk management activities in respect of interest rate and inflation risk on the valuation of the Scheme assets.

The largest defined benefit pension scheme operated by the Group is in the UK. Changes in the fair value of UK scheme assets:

UK Scheme assets	2022 £m	2021 £m
At 27 March 2021/27 March 2020	**1,053.3**	1,046.9
Assumed interest income on scheme assets	**20.2**	24.6
Scheme administration expenses	**(1.8)**	(2.1)
Return on scheme assets less interest income	**(51.2)**	27.1
Employer contributions and other income[1]	**16.4**	12.7
Benefits paid (including transfers)	**(48.2)**	(55.9)
At 26 March 2022/27 March 2021	**988.7**	1,053.3

Note:
1. The £16.4m of pension payments includes £15.0m payable under the Recovery Plan, agreed in May 2020, and a further £1.4m relating to payments made by the Group towards the administration costs of running the scheme.

Changes in the fair value of UK defined benefit pension obligations:

UK defined benefit pension obligations	2022 £m	2021 £m
At 27 March 2021/27 March 2020	(1,071.8)	(982.1)
Interest cost on liabilities	(20.4)	(22.9)
Past service cost	–	(0.1)
Effect of changes in financial assumptions	101.0	(139.8)
Effect of changes in demographic assumptions	(2.1)	2.2
Effect of experience items on liabilities	(12.0)	15.0
Benefits paid (including transfers)	48.2	55.9
At 26 March 2022/27 March 2021	**(957.1)**	(1,071.8)

(b) Defined contribution pension plans

The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the year was £4.1m (FY21: £4.6m).

25 Employee information

	2022 number	2021 number
Average number of employees		
United Kingdom and Ireland	985	960
Rest of Europe	558	521
The Americas	63	60
Rest of World	630	640
	2,236	2,181

	2022 number	2021 number
Employee costs (including Directors' emoluments)		
Wages and salaries	83.5	93.4
Social security costs	7.8	8.0
Share incentive schemes	1.3	0.7
Sharesave schemes	0.5	(0.3)
Pension costs	4.5	5.9
	97.6	107.7

More detailed information regarding the Directors' remuneration, shareholdings, pension entitlement, share options and other long term incentive plans is shown in the Directors' remuneration report on pages 69 to 84.

26 Capital and other commitments

	2022 £m	2021 £m
Capital and other expenditure contracted but not provided:		
Property, plant and equipment	10.6	11.8
Intangible assets	–	0.1
Other commitments	364.2	425.6
	374.8	437.5

Other commitments in the table above is an amount in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. As part of the transaction Portals De La Rue Limited will supply paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management has assessed that such supply arrangements and associated commitments form a single agreement for accounting purposes.

27 Contingent assets and liabilities

In June 2019 De La Rue International Limited terminated its agency agreement and sales consultancy agreement with Pastoriza SRL, a company which provided agency and sales consultancy services to the Group in the Dominican Republic from 2016 to 2019. Pastoriza SRL disputed the termination and commenced a commercial lawsuit in the Dominican Republic for a claimed amount of approximately US$8m (plus monthly interest) which was dismissed by the Court in December 2020. Pastoriza appealed the decision but the Court of Appeal dismissed the appeal in May 2021. Pastoriza has now appealed to the Supreme Court, we anticipate a decision being issued in summer 2022, although the Group does not anticipate this appeal will be successful either.

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.

28 Related party transactions

During the year the Group traded on an arm's length basis with the associated company Fidink (33.3% owned). The Group's trading activities with Fidink in the period comprise £20.3m (FY21: £28.2m) for the purchase of ink and other consumables on an arm's length basis. At the balance sheet date there was £4.6m (FY21: £1.5m) owing to this company.

The value of the Group's investment in associate is not material and hence not disclosed on the face of the balance sheet.

Intra-group transactions between the Parent and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

Directors and Key management compensation

Directors	**2022 £m**	2021 £m
Aggregate emoluments	**2,097**	1,811
Aggregate gains made on the exercise of share options	**–**	–
	2,097	1,811

Directors and Key management	**2022 £m**	2021 £m
Salaries and other short term employee benefits	**2.7**	3.3
Retirement benefits – Defined contribution	**0.1**	0.1
Share-based payments	**0.8**	–
	3.6	3.4

Key management comprises members of the Board (including the fees of Non-executive Directors) and the Executive Leadership Team. 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.

29 Subsidiaries and associated companies as at 26 March 2022

A full list of subsidiary and associated undertakings is below. Unless otherwise stated all Group owned shares are ordinary.

Country of incorporation	Name and Registered Office address and operation	Activities	De La Rue interest %
Europe			
United Kingdom	DLR (No.1) Limited	Holding company	100
	DLR (No.2) Limited[1]	Holding company	100
	De La Rue Holdings Limited	Holding and general commercial activities	100
	De La Rue International Limited	Trading	100
	De La Rue Overseas Limited	Holding company	100
	De La Rue Finance Limited	Internal financing	100
	De La Rue Investments Limited	Holding company	100
	Portals Group Limited[2]	Holding company	100
	De La Rue Consulting Services Limited	Trading	100
	De La Rue Healthcare Trustee Limited	Dormant	100
	De La Rue Pension Trustee Limited	Dormant	100
	De La Rue Scandinavia Limited	Holding company	100
	Harrison & Sons Limited	Non-trading	100
	Portals Holdings Limited	Dormant	100
	Portals Property Limited	Trading	100
	De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS, United Kingdom		
Guernsey	The Burnhill Insurance Company Limited Level 5, Mill Court, La Charroterie, St Peter Port, GY1 1EJ, Guernsey	Insurance	100
	De La Rue (Guernsey) Limited PO Box 142, The Beehive, Rohais, St Peter Port, GY1 3HT, Guernsey	Non-trading	100
Ireland	Thomas De La Rue and Company (Ireland) Limited 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland	Dormant	100
Malta	De La Rue Currency and Security Print Limited B40/43 Industrial Estate, Bulebel, Zejtun, Malta	Trading	100
Netherlands	De La Rue BV Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands	Non-trading	100
Poland	Harrison & Sons Sp. Zo. o. 02-013 Warszawa, ul.Lindleya 16, Poland	In liquidation	100
Sweden	De La Rue (Sverige) AB Box 6343, 102 35 Stockholm, Sweden	Non-trading	100
Switzerland	Thomas De La Rue A.G. Rue de Morat 11, 1700 Fribourg, Switzerland	Holding company	100

Country of incorporation	Name and Registered Office address and operation	Activities	De La Rue interest %
North America			
USA	De La Rue North America Holdings Inc.[3]	Holding company	100
	De La Rue Authentication Solutions Inc. 1750 North 800 West, Logan, Utah 84321, USA	Trading	100
Canada	De La Rue Canada One Limited 1400-340 Albert Street, Ottawa, ON K1R 0A5, Canada	Trading	100
South America			
Brazil	De La Rue Cash Systems Industrias Limitada[4] Rua Boa Vista, 254, 13th Floor, Suite 40, Centro, Sao Paulo, State of Sao Paulo, 01014-907, Brazil	Non-trading	100
	De La Rue Cash Systems Limitada[4] Rua Boa Vista, 254, 13th Floor, Suite 41, Centro, Sao Paulo, State of Sao Paulo, 01014-907, Brazil	Trading	100
Africa			
Kenya	De La Rue Currency and Security Print Limited	Trading	100
	De La Rue Kenya EPZ Limited ABC Towers, 6th Floor, ABC Place, Waiyaki Way, Nairobi, Kenya	Trading	
Nigeria	De La Rue Commercial Services Limited 7th Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria	Trading	60
Senegal	De La Rue West Africa SARLOuakam, derrière l'hôpital, Lot No 43, Dakar, Senegal	Trading	100
South Africa	De La Rue Global Services (SA) (Pty) Limited Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg, 2196, South Africa	Non-trading	100
Ghana	De La Rue Buck Press Limited, Buck Press Building, Accra-Nsawam Hwy, Accra, Ga West, Greater Accra, P.O. Box AN 12321, Accra GA/R, Ghana	Trading	49
Australia and Oceania			
Australia	De La Rue Australia Pty Limited Level 7, 151 Clarence Street, Sydney NSW 2000, Australia	Trading	100
Far East and Asia			
China	De La Rue Security Technology (Beijing) Co. Ltd Room 1-053, Building No.1, Yard 4, East Beitucheng Road, Chaoyang District, Beijing, PR, China	Trading	100
Hong Kong	Thomas De La Rue (Hong Kong) Limited Suite 1106-8, 11/F Tai Yau Building, No 181 Johnson Road, Wanchai, Hong Kong	Trading	100
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited Export Processing Zone, Biyagama, Malwana, Sri Lanka	Trading	60
India	De La Rue India Private Limited 312 Vardaan House, 7/28 Ansari Road, Darya Gank, Central Delhi, Delhi, 110002, India	Trading	100
Malaysia	De La Rue Asia Sdn. Bhd. No. 256B, Jalan Bandar 12, Taman Melawati, 53100 Kuala Lampur, Wilayah Persekutuan, Malaysia	Trading	100
Qatar	De La Rue Doha LLC Desk BL24, 22nd Floor, Tornado Tower, Westbay, Doha, Qatar	Trading	100
Singapore	De La Rue Currency and Security Print Pte Ltd 80 Raffles Place, #32-01, UOB Plaza, 048624, Singapore		100
United Arab Emirates	De La Rue FZCO Dubai Airport Free Zone Authority, Building 6 West Wing A, Office #820, PO Box 371683, Dubai	Trading	100
Saudi Arabia	De La Rue Communication and Information Technology Co LLC Akaria Plaza, Gate "D", Level 6, Olaya Main St, Riyadh, 1148, Kingdom of Saudi Arabia	Trading	100
Associates			
Switzerland	Fidink S.A.	Trading	33

Notes:
1. Ordinary shares held directly by De La Rue plc.
2. Ordinary shares, cumulative preference shares and deferred shares.
3. Common stock.
4. Quotas.

30 Non-controlling interest

The Group has three subsidiaries with material non-controlling interests:

- De La Rue Buck Press Limited, whose country of incorporation is Ghana;
- De La Rue Lanka Currency and Security Print (Private) Limited, whose country of incorporation is Sri Lanka; and
- De La Rue Kenya EPZ Limited, whose country of incorporation and operation is Kenya.

The accumulated non-controlling interest of the subsidiary at the end of the reporting period is shown in the Group balance sheet. The following table summarises the key information relating to these subsidiaries, before intra-group eliminations.

	Ghana 2022 £m	**Sri Lanka 2022 £m**	**Kenya 2022 £m**	Ghana 2021 £m	Sri Lanka 2021 £m	Kenya 2021 £m
Non-controlling interest percentage	**51%**	**40%**	**40%**	51%	40%	40%
Non-current assets	**–**	**9.4**	**5.8**	–	11.0	6.4
Current assets	**5.8**	**22.6**	**25.1**	5.1	27.4	23.1
Non-current liabilities	**–**	**(0.3)**	**(0.1)**	–	(0.7)	–
Current liabilities	**(5.1)**	**(3.8)**	**(14.2)**	(5.2)	(11.4)	(14.7)
Net assets (100%)	**0.7**	**27.9**	**16.6**	(0.1)	26.3	14.8
Revenue	**14.3**	**34.4**	**30.5**	5.6	34.8	29.4
Profit for the year	**0.3**	**3.0**	**2.2**	–	2.6	3.1
Profit allocated to non-controlling interest	**0.2**	**1.1**	**0.9**	–	1.0	1.2
Dividends paid to non-controlling interest	**–**	**0.7**	**0.2**	–	0.6	0.4
Cash flows from operating activities	**(0.6)**	**(0.6)**	**0.9**	1.4	(0.1)	1.5
Cash flows from investing activities	**–**	**0.2**	**(0.3)**	–	0.5	(0.8)
Cash flows from financing activities	**0.3**	**(1.8)**	**(0.5)**	–	(1.5)	(1.0)
Net (decrease)/increase in cash and cash equivalents	**(0.3)**	**(2.2)**	**0.1**	1.4	(1.1)	(0.3

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 De La Rue International Limited (49%) and BPL (51%). This was to enter into a contract with the Ghana Revenue Authority which is expected to run for five years.

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.

31 Post balance sheet events

Insurance

Effective 1 April 2022, the Group started to write insurance for Cyber and Tech PI through its subsidiary The Burnhill Insurance Company Limited. This subsidiary is licenced to write insurance. Under these arrangements, the Group has coverage against Cyber and Tech PI claims up to £6m (after deduction of excess) using its own external insurers, but any claim amounts between £6m and £16m would be covered by The Burnhill Insurance Company Limited and would result in a loss in the Group income statement.

Partial pensioner buy-in

On 24 May 2022, the trustees of the De La Rue Pension Scheme ("the Scheme"), entered into a partial pensioner buy-in contract ("the buy-in"). In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The buy-in contract covers approximately 36% of the Scheme liabilities. The price of the buy-in is still to be determined as at the date of this report.

The buy-in is accounted for as a change in the Scheme's investment strategy. From the buy-in date, the value of the buy-in will be included in the fair value of plan assets on the Company balance sheet. The value of the buy-in will be determined as equal to the value of the Scheme's liabilities covered by the buy-in contract, as determined in accordance with the requirements of IAS 19. Any change in the fair value of plan assets arising from the buy-in will be recognised through Other Comprehensive Income at the 25 September 2022.

The buy-in is a non-adjusting post balance sheet event per the guidance set out in IAS 10 as the buy-in contract was executed after the balance sheet date.

Company balance sheet at 26 March 2022

	Notes	2022 £m	2021 £m
Fixed assets			
Investments in subsidiaries	3a	**155.8**	154.5
		155.8	154.5
Current assets			
Debtors: receivable within one year	4a	**111.3**	96.1
Cash at bank and in hand		**0.9**	14.4
		112.2	110.5
Creditors:			
Amounts falling due within one year	5a	**(0.6)**	(0.6)
		(0.6)	(0.6)
Net current assets		**111.6**	109.9
Total assets less current liabilities		**267.4**	264.4
Net assets		**267.4**	264.4
Capital and reserves			
Share capital	6a	**88.8**	88.8
Share premium account		**42.2**	42.2
Capital redemption reserve		**5.9**	5.9
Other reserve		**51.9**	51.9
Retained earnings		**78.6**	75.6
Total shareholders' funds		**267.4**	264.4

The profit for the year of the Company was £1.3m (FY21: profit £30.5m).

Approved by the Board on 24 May 2022.

Kevin Loosemore
Chairman

Clive Vacher
Chief Executive Officer

Company statement of changes in equity for the period ended 26 March 2022

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
Balance at 28 March 2020	47.8	42.2	5.9	–	44.9	140.8
Share capital issued	0.2	–	–	–	–	0.2
Equity capital raise	40.8	–	–	51.9	–	92.7
Profit for the financial year	–	–	–	–	30.5	30.5
Employee share scheme:						
– value of services provided	–	–	–	–	0.2	0.2
Balance at 27 March 2021	88.8	42.2	5.9	51.9	75.6	264.4
Share capital issued	–	–	–	–	–	–
Profit for the financial year	–	–	–	–	1.3	1.3
Employee share scheme:						
– value of services provided	–	–	–	–	1.7	1.7
Balance at 26 March 2022	**88.8**	**42.2**	**5.9**	**51.9**	**78.6**	**267.4**

Share premium account

This reserve arises from the issuance of shares for consideration in excess of their nominal value.

Capital redemption reserve

This reserve represents the nominal value of shares redeemed by the Company.

Other reserve

On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a 'cash box' structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue's turnaround plan, which was first announced by the Company earlier in the year. The cashbox completed on 7 July 2020 and consisted of a firm placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of 44 152/175p, at a price of 110p per share (giving gross proceeds of £100m). A 'cash box' structure was used in such a way that merger relief was available under Companies Act 2006, section 612 and thus no share premium needed to be recorded and instead an 'other reserve' of £51.9m was recorded. This section applies to shares which are issued to acquire non-equity shares (such as the Preference Shares) issued as part of the same arrangement.

The Group recorded share capital equal to the aggregate nominal value of the ordinary shares issued (£40.8m) and merger reserve equal to the difference between the total proceeds net of costs and share capital. As the cash proceeds received by DLR plc where loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 26 March 2022. This judgement might be revised in future periods, subject to certain internal transactions enabling the settlement of intercompany positions.

Basis of preparation

The financial statements of De La Rue plc (the Company) have been prepared in accordance with the revised Financial Reporting Standard 102. The presentation and functional currency of these financial statements is GBP.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In accordance with FRS 102, the Company meets the definition of a qualifying entity and has therefore taken advantage of the exemptions from the following disclosure requirements listed below:

– Disclosures in respect of transactions with wholly owned subsidiaries
– Cash Flow Statement and related notes
– Key Management Personnel compensation

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

– Share based payment – share based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash settled share-based payments, explanation of modifications to arrangements;
– The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1; and
– The Company proposes to continue to adopt FRS 102 with the above disclosure exemptions in its next financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Critical accounting estimates and judgement

Impairment of subsidiary

Management has used the same valuation methodology as used in the prior period and prepared an updated impairment assessment based on Group's latest approved budgets and longer-term cashflows as used in its Viability Statement modelling. Management has also used an updated post-tax discount rate of 11.5% (which was applied to the post-tax cashflow) which management considers to be appropriate after the successful completion of the equity capital raise. Management has performed a sensitivity analysis on the discount rate and noted that a rate of 12.4% would result in headroom being reduced to under £1m.

Management determined that the impact of using pre-tax cashflows as a pre-tax discount rate, would not be material. In the current period impairment review management has determined a 2% terminal value to be appropriate. As a result of the above no impairment has been determined for FY22.

The Directors consider the 2% terminal growth rate reasonable, as currency circulation is expected to continue to grow at a modest rate in the long term with growth in the Currency division further enhanced by the Group's Polymer growth and Security Features on Polymer strategy. In addition, continued growth in Authentication is expected at a rate that supports a terminal growth rate of 2%. The Directors also consider that a 2% terminal growth rate can be supported by the ability to maintain operating margins in later years. The combination of these factors led the Directors to be comfortable with a 2% terminal growth rate.

The accounts have been prepared as at 26 March 2022, being the last Saturday in March. The comparatives for the 2020/21 financial period are for the period ended 27 March 2021.

Other than as described below, the following accounting policies have been applied consistently to all periods presented in these financial statements as at, and for the period ended, 27 March 2021, apart from standards, amendments to or interpretations of published standards adopted during the year.

Effective for periods commencing after 1 January 2021:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS102

The amendment provides temporary reliefs which address the financial reporting effects when an interbank offered rate ('IBOR') is replaced with an alternative nearly risk-free rate ('RFR').

The amendments include the following practical expedients:

– A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
– Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationships being discontinued.
– Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Company has some interest-bearing balances with subsidiaries which transitioned from the use of the IBOR benchmark to RFR for the underlying reference rate component of the interest for the first interest calculation reset date after the end of December 2021, which will be from around the end of March 2022. The new basis for calculating contractual cash flows is considered economically equivalent to the previous basis and there are no existing derivatives in the Company to have been impacted by the change and there are no financial instruments yet to transition to RFRs. The IBOR reform has had a minimal impact to the Company's risk management strategy but given the RFR is a backward-looking rate there is naturally less certainty on cashflows until the final RFR and calculation is finalised at the end of the period of any borrowing.

Measurement convention
The financial statements are prepared on the historical cost basis.

Foreign currencies
Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate period end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included within the interest section of the profit and loss account except for exchange gains and losses associated with hedging loans that are taken to reserves.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account.

Dividends
Under FRS 102, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Investments in subsidiaries
These are separate financial statements of the Company. In the transition to FRS 102 the Company took the first-time adoption exemption for separate financial instruments and as such the carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at transition date, 30 March 2014.

Employee benefits
Defined benefit plans
The pension rights of the Company's employees are dealt with through a self-administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme and is largely closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer but the Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Company, De La Rue International Limited, which pays all contributions to the scheme and hence these are not shown in the Company accounts. Full details of the scheme can be found in note 24 to the consolidated financial statements.

Share-based payment transactions
Full details of the share-based payments Schemes operated by the Group are found in note 21 to the consolidated financial statements.

Taxation
The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1a Employee costs and numbers

Employee costs are borne by De La Rue Holdings Limited. For details of Directors' remuneration, refer to disclosures in the Directors' remuneration report on pages 69 to 84.

	2022 number	2021 number
Average employee numbers	**3**	2

2a Auditor's remuneration

Auditor's remuneration is borne by De La Rue Holdings Limited. For details of auditor's remuneration, see note 4 to the consolidated financial statements.

3a Investments

Investments are stated at deemed cost in the balance sheet, less provision for impairment.

	2022 £m	2021 £m
Investments comprise:		
Investments in subsidiaries	**155.8**	154.5
Cost at 27 March 2021 and 28 March 2020	**154.5**	123.2
Additions	**1.3**	–
Reversal of impairment	**–**	31.3
Cost at 26 March 2022 and 27 March 2021	**155.8**	154.5

Where the Company grants share options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

For further details on the impairment, see the 'Critical accounting estimates and judgements' section on page 149 of Account Policies.

For details of investments in Group companies, refer to the list of subsidiary and associated undertakings on pages 144 to 145.

4a Debtors

Other receivables are measured at amortised cost, which approximates to fair value. Trade and other receivables are discounted when the time value of money is considered material. The amounts owed by Group undertakings are repayable on demand but are not expected to be realised within 12 months.

	2022 £m	2021 £m
Amounts due within one year		
Amounts owed by Group undertakings	**111.3**	96.1

5a Other creditors

	2022 £m	2021 £m
Amounts falling due within one year		
Accruals and deferred income	**0.6**	0.6
Other creditors	**0.6**	0.6

6a Share capital

For details of share capital, see note 20 to the consolidated financial statements.

7a Share based payments

The Company operates various equity and cash settled option schemes although the majority of plans are settled by the issue of shares. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 102 has been applied to share settled share options granted after 7 November 2002.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

For details of share-based payments, see note 21 to the consolidated financial statements and the Directors' remuneration report on pages 69 to 84.

8a Related party transactions

The Company has no transactions with or amounts due to or from subsidiary undertakings that are not 100% owned either directly by the Company or by its subsidiaries. For details of key management compensation, see note 28 to the consolidated financial statements.

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 intangibles acquired through business combinations, 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.

A 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: Currency £nil (FY21: £8.9m) and Identify Solutions: £nil (FY21: £0.4m).

	2022 £m	2021 £m
Revenue on an IFRS basis	**375.1**	397.4
Exclude: pass-through revenue	**–**	(9.3)
Adjusted revenue	**375.1**	388.1

B Adjusted operating profit

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

	2022 £m	2021 £m
Operating profit from continuing operations on an IFRS basis	**29.7**	14.5
Amortisation of acquired intangible assets	**1.0**	1.0
Exceptional items	**5.7**	22.6
Adjusted operating profit from continuing operations	**36.4**	38.1

C Adjusted basic earnings per share

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	2022 £m	2021 £m
Profit attributable to equity shareholders of the Company	**21.5**	5.9
Exclude: discontinued operations	**(0.8)**	0.4
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**20.7**	6.3
Amortisation of acquired intangible assets	**1.0**	1.0
Exceptional items	**5.7**	22.6
Tax on amortisation of acquired intangible assets	**(0.3)**	(0.4)
Tax on exceptional items	**(1.8)**	(4.2)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**25.3**	25.3
Weighted average number of ordinary shares for basic earnings	**195.2**	172.4

Continuing operations	**2022 pence per share**	2021 pence per share
Basic earnings per ordinary share on an IFRS basis	**10.6**	3.7
Basic adjusted earnings per ordinary share	**13.0**	14.7

D Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items. The adjusted EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £375.1m (FY21: £388.1m) which excludes the Portal pass through revenue of £nil (FY21: £9.3m). The EBITDA margin on an IFRS basis is a percentage against the reported revenue of £375.1m (FY21: £397.4m). The covenant test (note 14(b)) uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	2022 £m	2021 £m
Profit for the year	**23.7**	8.1
Add back:		
(Profit)/loss on discontinued operations	**(0.8)**	0.4
Taxation	**1.3**	1.4
Net finance expenses	**5.5**	4.6
Profit before interest and taxation from continuing operations (Operating profit)	**29.7**	14.5
Add back:		
Depreciation of property, plant and equipment	**12.0**	12.9
Depreciation of right-of-use assets	**2.3**	2.5
Amortisation of intangible assets	**4.3**	4.2
EBITDA	**48.3**	34.1
Exceptional items	**5.7**	22.6
Adjusted EBITDA	**54.0**	56.7
Adjusted Revenue £m	**375.1**	388.1
EBITDA margin	**12.9%**	8.8%
Adjusted EBITDA margin	**14.4%**	14.6%

E 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 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 is linked 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 Plan objectives.

FY22	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Central £m**	**Total of continuing operations £m**
Operating profit/(loss) on IFRS basis	**15.0**	**15.1**	**0.6**	**(1.0)**	**29.7**
Amortisation of acquired intangibles	**–**	**1.0**	**–**	**–**	**1.0**
Net exceptional items	**4.5**	**0.2**	**–**	**1.0**	**5.5**
Adjusted operating profit (note 1)	**19.5**	**16.3**	**0.6**	**–**	**36.4**
Enabling function overheads	**23.0**	**7.4**	**–**	**(30.4)**	**–**
Adjusted controllable operating profit/(loss)	**42.5**	**23.7**	**0.6**	**(30.4)**	**36.4**

FY21	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating profit/(loss) on IFRS basis	(4.4)	9.9	10.2	(1.2)	14.5
Amortisation of acquired intangibles	–	1.0	–	–	1.0
Net exceptional items	20.6	0.4	0.4	1.2	22.6
Adjusted operating profit (note 1)	16.2	11.3	10.6	–	38.1
Enabling function overheads	25.5	7.0	–	(32.5)	–
Adjusted controllable operating profit/(loss)	41.7	18.3	10.6	(32.5)	38.1

F Return on capital employed ("ROCE")

ROCE is the ratio of the adjusted operating profit (operating profit before amortisation of acquired intangible assets and net exceptional items) over the average capital employed for the current and prior year.

In 2020 the Performance share plan measures were revised and TSR (Total Shareholder Return relative to FTSE 250 companies, measured over three calendar years) was used in replacement of ROCE, to align to planned growth over the three-year period of the Turnaround Plan, so that appropriate focus is placed on the key business imperative of restoring value to shareholders.

The ROCE measure is still applicable to current PSP share awards which will vest between 2021 and 2022, with the last vesting date in July 2022.

	2022 £m	2021 £m
– Property, plant and equipment	**102.7**	100.0
– Intangible assets	**37.5**	32.3
– Right of use assets	**12.9**	14.6
– Other financial assets	**7.4**	8.8
– Inventories	**50.1**	54.5
– Trade and other receivables	**89.0**	98.8
– Contract assets	**8.0**	14.8
– Derivative financial assets	**3.4**	7.5
– Trade and other payables	**(80.0)**	(120.5)
– Derivative financial liabilities	**(4.8)**	(8.3)
Capital Employed	**226.2**	202.5
ROCE = Adjusted operating profit/Average Capital Employed		
Adjusted operating profit	**36.4**	38.1
Capital Employed – current year	**226.2**	202.5
Capital Employed – prior year	**202.5**	172.7
Average Capital Employed	**214.3**	187.5
ROCE	**17.0%**	20.3%

Income Statement

	2018 £m	2019 £m	2020[1] £m	2021 £m	**2022 £m**
Revenue	493.9	564.8	472.1	397.4	**375.1**
Adjusted operating profit	62.8	60.1	23.7	38.1	**36.4**
– Amortisation of acquired intangible assets	(0.7)	(0.7)	(0.9)	(1.0)	**(1.0)**
– Net exceptional items	60.9	(27.9)	20.0	(22.6)	**(5.7)**
Operating profit	123.0	31.5	42.8	14.5	**29.7**
Interest income	–	0.6	1.0	0.8	**0.9**
Interest expense	(3.8)	(4.5)	(6.1)	(7.1)	**(6.2)**
Retirement benefit obligation net finance expense/income	(5.6)	(2.1)	(1.6)	1.7	**(0.2)**
Profit before taxation from continuing operations	113.6	25.5	36.1	9.9	**24.2**
Taxation	(16.8)	(4.8)	–	(1.4)	**(1.3)**
Profit after taxation from continuing operations	96.8	20.7	36.1	8.5	**22.9**
(Loss)/profit from discontinued operations	(1.8)	(2.4)	(0.3)	(0.4)	**0.8**
Profit for the year	95.0	18.3	35.8	8.1	**23.7**
Equity non-controlling interests	(1.4)	(1.3)	(1.7)	(2.2)	**(2.2)**
Profit for the year attributable to equity shareholders	93.6	17.0	34.1	5.9	**21.5**
Dividends	25.4	25.7	–	–	**–**
Dividends per ordinary share	25.0p	25.0p	n/a	n/a	**n/a**

	£m	£m	£m	£m	**£m**
Earnings per share ('EPS')					
Basic EPS – continuing operations	93.7	18.8	30.3	3.7	**10.6**
Basic EPS – discontinued operations	(1.8)	(2.3)	(0.3)	(0.3)	**0.4**
Diluted EPS – continuing operations	92.8	18.8	30.2	3.7	**10.5**
Diluted EPS – discontinued operations	(1.8)	(2.3)	(0.3)	(0.3)	**0.4**
Adjusted basic EPS – continuing operations	42.9	42.9	11.1	14.7	**13.0**

Balance sheet

	2018 £m	2019 £m	2020[1] £m	2021 £m	**2022 £m**
Non-current assets	169.0	174.2	233.2	175.5	**203.4**
Net current (liabilities)/assets[1]	(43.2)	(13.0)	(19.2)	21.3	**43.5**
Net debt	(49.9)	(107.5)	(102.8)	(52.3)	**(71.4)**
Non-current liabilities[1]	(96.6)	(82.9)	(22.8)	(33.1)	**(13.7)**
Equity non-controlling interests	(8.9)	(9.9)	(15.5)	(16.4)	**(18.0)**
Total equity attributable to shareholders of the Company	(29.6)	(39.1)	72.2	95.0	**143.8**

Note:
1. Excludes amounts included in net debt (note 22).

Shareholder information

Warning to shareholders – investment fraud

We are aware that some of our shareholders have received unsolicited telephone calls or correspondence offering to buy or sell their shares on very favourable terms. The callers can be very persuasive and extremely persistent and often have professional-looking websites and telephone numbers to support their activities. These callers will sometimes imply a connection to De La Rue and provide incorrect or misleading information. This type of call should be treated as an investment scam – the safest thing to do is hang up and ignore any written communications.

You should always check that any firm calling you about potential investment opportunities is properly authorised and regulated by the FCA. If you deal with an unauthorised firm you will not be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website www.fca.org.uk/consumers, or by calling the FCA's helpline on 0800 111 6768.

If you have already paid money to share fraudsters contact Action Fraud immediately on 0300 123 2040 or through their website, www.actionfraud.police.uk.

Registered Office and Company Secretary

De La Rue House,
Jays Close, Viables,
Basingstoke,
Hampshire RG22 4BS

Telephone: +44 (0)1256 605000
Fax: +44 (0)1256 605336

De La Rue plc is registered in England & Wales with company number: 3834125

Company Secretary: Jane Hyde

E-mail: companysecretarial@delarue.com

Annual General Meeting

The AGM will be held at 10:45am on 27 July 2022 at the Worsley Park Marriott Hotel & Country Club, Walkden Road, Worsley Park, Manchester M28 2QT.

Further information is also available on the Group's website, www.delarue.com, where there is a page containing a range of materials relating to the 2022 AGM.

Website

There is a wide range of information on the Group and its business available on the Company's website www.delarue.com, including:

- Information on our business – Currency and Authentication
- Our priorities and activities in the areas of Responsible Business, including Environmental, Social and Governance (ESG) matters
- Share price information
- Shareholder services information
- Financial information – annual and interim reports, financial news and presentations
- Regulatory news and press releases, including an archive
- A Q&A facility for the 2022 AGM

Registrar

Computershare Investor Services PLC,
The Pavilions,
Bridgwater Road,
Bristol BS99 6ZZ

Telephone: +44 (0)370 703 6375

Shareholder enquiries

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare. Details of your shareholding(s) and how to make amendments to personal details can be viewed online at www.investorcentre.co.uk

Shareholder helpline telephone:
+44 (0)370 703 6375

Electronic voting

All shareholders can submit proxies for the AGM electronically by logging onto Computershare's website at www.investorcentre.co.uk/eproxy

Electronic shareholder communications

Shareholders can register online at www.investorcentre.co.uk/ecomms to receive statutory communications electronically rather than through the post. Shareholders who choose this option will receive an email notification each time the Group publishes new shareholder documents on its website.

Shareholders will need to have their shareholder reference number (SRN) available when they first log in. This 11 character number (which starts with the letter C or G) can be found on share certificates and dividend tax confirmations. Shareholders who subscribe for electronic communications can revert to postal communications or request a paper copy of any shareholder document at any time in the future.

Consolidation of shares

Where registered shareholdings are represented by several individual share certificates, shareholders may wish to have these replaced by one consolidated certificate.

The Company will meet the cost for this service. Share certificates should be sent to the Company's registrar together with a letter of instruction.

Capital gains tax

March 1982 valuation

The price per share on 31 March 1982 was 617.5p.

Shareholders are advised to refer to their brokers/financial advisers for detailed advice on individual capital gains tax calculations.

Share dealing facilities

Computershare, the Company's registrar, provides a simple way to sell or purchase De La Rue plc shares. For further information please visit their website, www.computershare.com/dealingUK or telephone +44 (0)370 703 0084 between 08:00 and 16:30 (UK time) on Monday to Friday, excluding UK bank holidays.

Services include online, postal and telephone dealing, on either a certificated or uncertificated basis. Fees apply and are explained on Computershare's share dealing website, www.computershare.com/dealingUK.

Images featured in this year's report

Detail from $20 polymer note

Pictured:
SAFEGUARD® with Iridescence

Client:
Central Bank of Trinidad and Tobago

Featured:
Front cover

Authentication

Pictured:
French tax stamps

Featured:
Inside front cover

Authentication

Pictured:
Alcohol production line

Featured:
Page 2

Authentication

Specialist Technology:
IZON™ security label

Featured:
Page 2

Authentication

Specialist Technology:
Polycarbonate datapage

Featured:
Page 2

Gibraltar £5 note

Pictured:
PUREIMAGE™ thread

Client:
HM Government of Gibraltar

Featured:
Page 3

ECCB 2022 series

Pictured:
SAFEGUARD® with Holographic Stripe and DEPTH™

Client:
Eastern Carribean Central Bank

Featured:
Page 5

Housenotes showcasing NEXUS™

Pictured:
NEXUS™ new colours

Client:
DeLa Rue

Featured:
Page 9

Authentication

Specialist Technology:
PURE™ Security Labels

Featured:
Page 10–11

New £50 polymer note

Pictured:
SAFEGUARD®

Client:
Bank of England

Featured:
Page 3

Bank of Scotland £100

Pictured:
SAFEGUARD® with Holographic Stripe

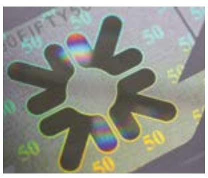
Client:
Bank of Scotland

Featured:
Page 3

Authentication

Specialist Technology:
Secure Hologram

Featured:
Page 12



Detail of £50

Specialist Technology:
Fresnel – digital holographic effect

Client:
Royal Bank of Scotland

Featured:
Page 13

Authentication

Specialist Technology:
Coiled Rope Hologram

Featured:
Page 15

Libyan 5 Dinar note

Pictured:
SAFEGUARD®
and GEMINI™

Client:
Central Bank of Libya

Featured:
Page 15

Increasing supply to state printworks

Pictured:
IGNITE® security thread with Drive effect.

Client:
The Central Bank of the Republic of Uzbekistan

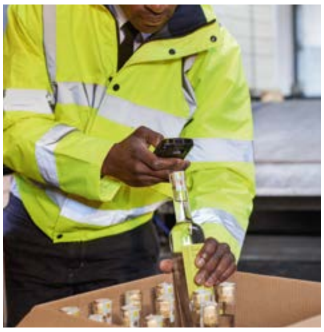
Featured:
Page 16

Detail from new £50 note

Pictured:
SAFEGUARD®

Client:
Bank of England

Featured:
Page 19



Enforcement officer authenticating products with DLR Certify™

Specialist Technology:
DLR Certify™

Featured:
Page 21

Signing ceremony for Omani digital tax stamp scheme

Client:
Tax Authority of Oman

Featured:
Page 17

New machine for producing polymer substrate at Westhoughton

Featured:
Page 34

Energy efficient chiller installed at our Sri Lankan site in Malwana

Featured:
Page 35

First circulating note to feature ARGENTUM™

Specialist Technology:
Polymer window, ARGENTUM™ and MASK™

Client:
Central Bank of Libya

Featured:
Page 22

At announcement of Malta facility expansion; Clive Vacher, De La Rue CEO, Miriam Dalli, Minister for Energy, Enterprise and Sustainable Development, and Prime Minister, Robert Abela

Featured:
Page 47

Authentication

Specialist Technology:
PURE™ Security Label

Featured:
Page 42

Kenyan colleagues donating food to a local home for the elderly

Featured:
Page 42

Sri Lankan employees delivering supplies to the Covid-19 ward of a local hospital

Featured:
Page 42

Authentication

Pictured:
Dragon hologram

Featured:
Page 48

SAFEGUARD® ILLUMINATE desi

Specialist Technology:
SAFEGUARD® ILLUMINATE

Featured:
Page 90

Cautionary note regarding forward-looking statements

Certain statements contained in this document relate to the future and constitute 'forward-looking statements'. These forward-looking statements include all matters that are not historical facts. In some case, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", "could", "shall", "risk", "aims", "predicts", "continues", "assumes", "positioned" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the Group's control, and which may cause the Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry and business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue in the future. Accordingly, readers of this documents are cautioned not to place undue reliance on these forward-looking statements.

Other than as required by English law, none of the Company, its Directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur, in part or in whole. Additionally, statements of the intentions of the Board and/or Directors reflect the present intentions of the Board and/or Directors, respectively, as at the date of this document, and may be subject to change as the composition of the Company's Board of Directors alters, or as circumstances require.

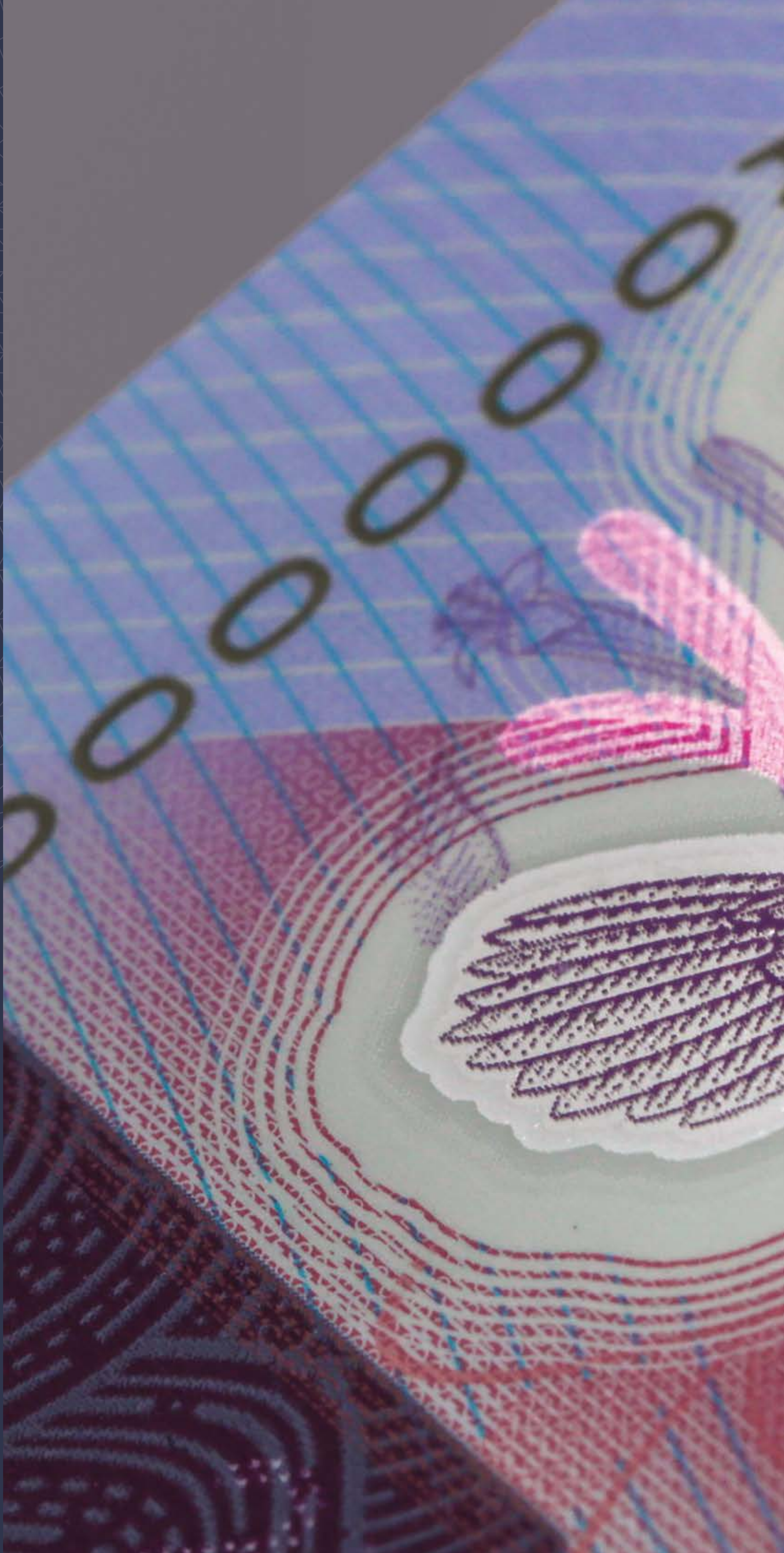
The forward-looking statements contained in this document speak only as at the date of this document. Except as required by the UK's Financial Conduct Authority, the London Stock Exchange or applicable law (including as may be required by the UK Listing Rules and/or the Disclosure Guidance and Transparency Rules), De La Rue expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This report is printed on Amadeus Silk paper. This paper has been independently certified as meeting the standards of the Forest Stewardship Council® (FSC®), and was manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards.

Designed and produced by Radley Yeldar www.ry.com

Printed at Pureprint Group that is ISO 14001 certified, CarbonNeutral® and FSC certified. The inks used are all vegetable oil based.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913



De La Rue plc
De La Rue House
Jays Close
Viables
Basingstoke
Hampshire
RG22 4BS

T +44 (0)1256 605000
F +44 (0)1256 605004

www.delarue.com

FT FINANCIAL TIMES CLIMATE LEADERS 2022 statista