

DE LA RUE FY22 FULL YEAR RESULTS

De La Rue plc (LSE: DLAR) (“De La Rue”, the “Group” or the “Company”) announces its full year results for the year ended 26 March 2022 (the “period”, “FY22” or “full-year”). The comparative period was the twelve months ended 27 March 2021 (“FY21”).

- **Adjusted operating profit of £36.4m (FY21: £38.1m) is consistent with guidance in January 2022.**
- **IFRS operating profit increased to £29.7m (FY21: £14.5m)**
- **Adjusted operating profit growth of over 30% year-on-year in ongoing divisions to £35.8m, consisting of 20.4% growth in Currency and 44.2% growth in Authentication**
- **Authentication revenue growth of 16.4% to £90.3m**
- **Currency adjusted revenue decline of 2.1% to £280.9m**
- **IFRS revenue was £375.1m for the year (FY21: £397.4m)**
- **Polymer volumes increased 40% versus prior year, with continuing strong customer conversion to polymer banknotes**
- **Agreement secured with the Pension Trustees to reduce cash payments to the De La Rue Pension Scheme by £57m between 2023-29**
- **Net debt comfortably within market expectations and banking covenants, through strong cash management; balance sheet remains strong**
- **Strong operating cash flow generation of £18.3m (FY21: £5.6m net outflow)**

Outlook

Since the end of our financial year, De La Rue has experienced further headwinds that are anticipated to have an impact on adjusted operating profit in FY23. While the Company is making significant progress in its transformation programme, the external environment is providing a substantial degree of uncertainty in the outlook. In particular, supply chain inflation is anticipated to increase Group operating costs by an additional net of £5m this financial year, and there is a possibility that disruption may affect revenue. For this reason, the Board now expects that adjusted operating profit for FY23 will be broadly flat versus FY22, and weighted towards the second half.

Despite the unprecedented macro environment, De La Rue continues to make progress with addressing legacy issues and streamlining its operations. The markets in which the company operates remain strong, and De La Rue continues to improve its market position across both business divisions. The Board remains confident of De La Rue future prospects as a strong, cash-generative company.

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

“Despite unprecedented global events, we grew adjusted operating profit in our two ongoing divisions by 30.2% year-on-year, with Currency up 20.4% and Authentication up 44.2%. This performance was against the background of supply chain inflation, and the various impacts of Covid-19, none of which were anticipated in the original Turnaround Plan of February 2020. We have made significant further progress in the execution of our operational transformation, enhanced our market positions in both divisions, and driven further efficiency improvements across the Group.”

“Across the board, De La Rue has taken a number of actions since 2020 to de-risk the Company significantly, and we continue to address legacy issues. Successfully agreeing a £57m reduction in cash payments to the pension scheme, while enhancing protections for scheme members, is the latest example of delivering for all stakeholders. We are advancing our investment programme, with the significant majority of Currency’s planned capital expenditure already paid and contributing to overall performance. Our Authentication division continues to grow, and good progress has been made in implementing the contracts already won.”

“We have prudently revised our outlook for the financial year 2022/23 adjusted operating profit, due to further headwinds experienced since the end of our financial year, and a realistic expectation of how far we can mitigate them. While this means that our progress is slowed, we remain strongly on the right path strategically and operationally to create a strong, cash-generative company in the medium term.”

Financial Summary	FY22 £m	FY21 £m	Change %
Non-IFRS Financial Measures			
Adjusted Revenue*	375.1	388.1	(3.3)%
- Authentication	90.3	77.6	16.4%
- Currency	280.9	286.8	(2.1)%
- Identity Solutions ¹	3.9	23.7	(83.5)%
Adjusted operating expenses*²	(61.2)	(69.7)	12.2%
Adjusted operating profit*²	36.4	38.1	(4.5)%
- Authentication	16.3	11.3	44.2%
- Currency	19.5	16.2	20.4%
- Identity Solutions ¹	0.6	10.6	(94.3)%
Adjusted basic EPS (p)*³ – continuing operations	13.0p	14.7p	(11.6)%
Net debt⁴	71.4	52.3	(36.5)%
Statutory Results			
Revenue - continuing operations	375.1	397.4	(5.6)%
Gross Profit – continuing operations	97.6	107.8	(9.5)%
Operating profit – continuing operations	29.7	14.5	104.8%
Basic EPS (p) – continuing operations	10.6p	3.7p	186.5%

Footnotes:

* These are non-IFRS measures. The definition and reconciliation of adjusted revenue, adjusted operating profit and adjusted basic EPS can be found in Non-IFRS financial measures section of this Full Year Results announcement.

1. Identity solutions in FY22 includes sales made under the Design and Supply Agreement (“DSA”) arrangement with HID Corporation Limited (“HID”) entered into following the sales of the International Identity Solutions business in October 2019. FY21 includes sales relating to the UK passport contract in addition to DSA sales.
2. Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £5.7m (FY21: £22.6m) and pre-tax amortisation of acquired intangible assets £1.0m (FY21: £1.0m).
3. Adjusted basic EPS excludes post-tax exceptional items of £3.9m (FY21: £18.4m) and post-tax amortisation of acquired intangible assets £0.7m (FY21: £0.6m).
4. The definition of net debt can be found in note 9 to the financial statements.

FY22 financial performance

- Substantial growth in profitability in ongoing Authentication and Currency divisions, achieving an adjusted operating profit of £35.8m (FY21: £27.5m)
- Authentication saw growth across the division: revenues rose 16.4% to £90.3m (FY21: £77.6m)
 - Government Revenue Solutions (“GRS”) benefitted from a full year of Ghanaian tax stamp and HMRC tobacco track and trace revenue
 - Certain GRS contract implementations delayed by Covid-19 restrictions
 - GRS received five additional contracts for the supply of tax stamps and solutions, most recently from Oman Tax Authority
 - Brand Protection saw strong growth with pharmaceutical, information technology and vaping sectors
 - Identity pages for Australian passport contract have started to be delivered
- Currency saw a slight fall in adjusted revenue of 2.1% to £280.9m (FY21: £286.8m)
 - Demand for polymer continues: polymer volumes increased by 40% over the prior year
 - Market for banknotes fell to lower-than-normal demand levels following the high demand experienced during the pandemic. As a result, volumes in banknote printing and security features were lower.
 - Staff absence due to Covid-19 in UK and Malta in December and January impacted production
- Revenue from legacy Identity Solutions business dropped 83.5% to £3.9m (FY21: £23.7m) and adjusted operating profit dropped 94.3% to £0.6m (FY21: £10.6m) as minimal activity remains now
- Costs impacted by supply chain shortages and cost inflation in the second half
 - Full year impact of £7m of savings, achieving £36m cost reduction in the Turnaround Plan

- Exceptional charges of £5.7m (FY21: £22.6m) comprised:
 - £1.8m (FY21: £21.4m) of site relocation and restructuring
 - £3.1m (FY21: £nil) expected credit loss provision on other financial assets held in Portals
 - £0.4m (FY21: £0.6m) legal fees in relation to the pension scheme rules
 - £0.4m (FY21: £nil) loss on devaluation of the Sri Lankan rupee in March 2022
- IFRS operating profit rose 104.8% to £29.7m (FY21: £14.5m) as exceptional charges of £5.7m (FY21: £22.6m) were much lower than last year
- Adjusted basic EPS were 13.0p (FY21: 14.7p), reflecting an increase in profits offset by the full year impact of a higher number of shares post equity raise in 2020
- IFRS basic EPS from continuing operations of 10.6p (FY21: 3.7p) reflected the higher IFRS profits earned this year, mitigated by the full year impact of a higher number of shares post equity raise in 2020
- Net debt of £71.4m (FY21: £52.3m) comfortably within banking covenants
 - Operating activities provided £18.3m of net cash inflow (FY21: £5.6m net outflow)

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A briefing to analysts will take place at 9:00 am on 25 May 2022, which is accessible via webcast on www.delarue.com.

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

De La Rue plc's LEI code is 213800DH741LZWJXP78.

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.

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. 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%-3% on Currency margins.

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

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 runoff 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: £10.6m).

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.

* These are Non-IFRS measures. The reconciliation of IFRS to adjusted measures can be found in the Non-IFRS financial measures of this report.

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.

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 respondents 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

REVIEW OF OPERATIONS

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 margin (%)	16.7	12.8	+390bps

* 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 margin (%)	5.3	(1.5)	+680bps

* 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).

The reconciliation of IFRS to adjusted measures can be found in the Non-IFRS financial measures of this report.

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-19 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: £256.5m).

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.

Clive Vacher

Chief Executive Officer

24 May 2022

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.

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.

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.

* This is a non-IFRS measure. For a reconciliation of IFRS to adjusted measures refer to the Non-IFRS measures section of this report.

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 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.

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 year's reflecting 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 and takes into account lease payments made.

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 through 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.

Rob Harding

Chief Financial Officer

24 May 2022

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 cases, 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 document 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.

DIRECTORS' REPORT

Principal risks and uncertainties

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

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

The principal risks and uncertainties are reviewed at least quarterly and updated. Currently they include:

- bribery and corruption;
- quality management and delivery failure;
- macroeconomic and geopolitical environment;
- loss of key site or process;
- sustainability and climate change;
- breach of information security;
- failure of a key supplier to deliver;
- breach of security – product security; and
- sanctions;
- Covid-19

Full details of the above risk will be included in the FY22 Annual Report and Accounts.

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 be 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 Review of Operations - Currency) 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 Condensed Consolidated Interim 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.

Related Party Transactions

Details of the related party transactions that have taken place in the year are provided in note 12 to the Financial Statements. None of these have materially affected the financial position or the performance of the Group during that period, and there have been no changes during the first six months of the financial year in the related party transactions described in the last annual report that could materially affect the financial position or performance of the Group.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

- The preliminary financial information, which has been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company on a consolidated and individual basis; and
- The preliminary announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks that it faces.

The Board of Directors of De La Rue plc at 1 April 2021 and their respective responsibilities can be found on pages 50 and 51 of the De La Rue plc Annual Report 2021. There have been no changes since that date.

For and on behalf of the Board

Kevin Loosemore
Chairman
24 May 2022

Consolidated income statement

for the period ended 26 March 2022

	Notes	2022 £m	2021 £m
Revenue from customer contracts	3	375.1	397.4
Cost of sales		(277.5)	(289.6)
Gross Profit		97.6	107.8
Adjusted operating expenses		(61.2)	(69.7)
Adjusted operating profit		36.4	38.1
Adjusted Items¹:			
Amortisation of acquired intangibles		(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		0.9	0.8
Interest expense		(6.2)	(7.1)
Net retirement benefit obligation finance (expense)/income	10	(0.2)	1.7
Net finance expense		(5.5)	(4.6)
Profit before taxation from continuing operations		24.2	9.9
Taxation	6	(1.3)	(1.4)
Profit for the year from continuing operations		22.9	8.5
Profit/(loss) from discontinued operations	4	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	13	2.2	2.2
Profit for the year		23.7	8.1
Earnings per ordinary share			
Basic	7		
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	7		
Diluted EPS continuing operations		10.5p	3.7p
Diluted EPS discontinued operations		0.4p	(0.3)p
Total Diluted EPS		10.9p	3.4p

Notes: 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	10	35.7	(95.6)
Tax related to remeasurement of net defined benefit liability	6	(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		(0.6)	(0.3)
Change in fair value of cash flow hedges transferred to profit or loss		0.8	(0.4)
Tax related to cash flow hedge movements	6	0.1	(0.2)
Income tax relating to components of other comprehensive income	6	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		102.7	100.0
Intangible assets		37.5	32.3
Right-of-use assets		12.9	14.6
Retirement benefit obligations	10	31.6	–
Other financial assets		7.4	8.8
Deferred tax assets		11.2	19.7
Derivative financial assets		0.1	0.1
		203.4	175.5
Current assets			
Inventories		50.1	54.5
Trade and other receivables		89.0	98.8
Contract assets		8.0	14.8
Current tax assets		0.4	0.4
Derivative financial assets		3.3	7.4
Cash and cash equivalents	9	24.3	25.7
		175.1	201.6
Total assets		378.5	377.1
LIABILITIES			
Current liabilities			
Trade and other payables		(80.0)	(120.5)
Current tax liabilities		(13.9)	(13.6)
Derivative financial liabilities		(4.8)	(8.2)
Lease liabilities		(2.7)	(2.7)
Provisions for liabilities and charges		(5.9)	(9.6)
		(107.3)	(154.6)
Non-current liabilities			
Borrowings	9	(92.6)	(74.2)
Retirement benefit obligations	10	(1.8)	(20.5)
Deferred tax liabilities		(2.4)	(2.6)
Derivative financial liabilities		-	(0.1)
Lease liabilities		(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

Consolidated balance sheet (continued)
at 26 March 2022

	Notes	2022 £m	2021 £m
EQUITY			
Share capital		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

	Attributable to equity shareholders							Non-	Total
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Other Retained reserve earnings £m	controlling	equity	
							Interests	£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
Equity capital raise	40.8	-	-	-	-	51.9	-	-	92.7
Employee share scheme:									
- value of services provided	-	-	-	-	-	-	0.2	-	0.2
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
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

Consolidated statement of changes in equity (continued)

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 were loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit and hence not currently considered distributable as at 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

	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	5.5	4.6
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
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	(0.1)	11.8
Share based payment expense	1.8	0.4
Pension Recovery Plan and administration cost payments ¹	(16.4)	(11.4)
Increase/(decrease) in provisions	(3.7)	(0.9)
Loss on disposal of subsidiary (net of associated costs)	-	0.3
Non-cash credit loss provision – other financial assets	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)

Notes

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.

Consolidated cash flow statement (continued)

for the period ended 26 March 2022

	2022 £m	2021 £m
Cash generated from/(used in) operating activities	18.3	(5.6)
Net tax (paid)/refund	(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	(0.9)	-
Purchases of property, plant and equipment ¹ - gross	(19.6)	(19.0)
Purchases of property, plant and equipment – grants received	1.5	3.5
Purchase of software intangibles and development assets capitalised	(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 of borrowings ²	17.0	(39.3)
Payment of debt issue costs	-	(4.8)
Lease liability payments	(2.2)	(2.2)
Interest paid	(6.2)	(5.7)
Dividends paid to non-controlling interests	(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	20.3	25.7
Short term deposits	4.0	-
	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.

1 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 FY21 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.

2 Basis of preparation and accounting policies

Statement of compliance

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

The financial information set out above does not constitute the Group's statutory accounts for the periods ended 26 March 2022 or 27 March 2021. Statutory accounts for the periods ended 27 March 2021 have been delivered to the registrar of companies and those for the period ended 26 March 2022 will be delivered in due course. The auditor has reported on the accounts for the periods ended 26 March 2022 and 27 March 2021. Their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Refer to the Going Concern Statement below for further details of the Director's Going Concern Statement.

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 'Critical accounting estimates, assumptions and judgements'.

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 fulfill 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 be 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 Review of Operations - Currency) 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 Condensed Consolidated Interim 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 26 March 2022 financial statements based on the current position.

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 Risk Free Rates (“RFRs”) 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 (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., 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 per cent’ 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 have a material impact on the Consolidated Financial Statements.

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 (note 5).

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.

Incremental borrowing rate for a lease

The incremental borrowing rate for a lease reflects a rate to borrow over a similar lease term, with similar security funds to a similar value to the right-of-use asset in a similar economic environment. The Group has estimated the incremental borrowing rate using the 1) The risk of the asset and similar economic environment has been calculated by reference to the Treasury Bond Curve for the country the lease asset is located in. This is considered to derive the risk-free rate plus the appropriate level of country risk premium. 2) The credit risk factor was calculated based on the credit risk factor of similar corporate bond with a term of 50% of the lease term which is standard convention for the purposes of setting an IBR under IFRS 16.

Management has modelled the impact of change the discount rates for three of its most material leases, with the longest remaining durations by an additional plus and minus 1% and 2% and this demonstrated that the impact on the P&L was immaterial, however the impact on the right of use asset and liability was material.

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

The Group has current tax provisions recorded within Current tax liabilities, in respect of uncertain tax positions. In accordance with IFRIC 23, tax provisions are recognised for uncertain tax positions where it is considered probable that the position in the filed tax return will not be sustained and there will be a future outflow of funds to a taxing authority. Tax provisions are measured either based on the most likely amount (the single most likely amount in a range of possible outcomes) or the expected value (the sum of the probability-weighted amounts in a range of possible outcomes) depending on management's judgement on how the uncertainty may be resolved.

The Group is disputing tax assessments received from the tax authorities of some countries in which the Group operates. The disputed tax assessments are at various stages in the appeal processes, but the Group believes it has a supportable and defensible position (based upon local accounting and legal advice) and is appealing previous 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.

3 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.

	Currency	Authentication	Identity Solutions	Unallocated	Total from Continuing operations
FY22	£m	£m	£m	£m	£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	(1.0)	(7.7)	–	(0.1)	(8.8)
Impairment reversal of property, plant and equipment on intangible assets	0.1	–	–	–	0.1
Depreciation of property, plant and equipment and right-of-use-assets	(10.7)	(2.5)	–	(1.1)	(14.3)
Amortisation of intangible assets	(1.3)	(2.3)	–	(0.7)	(4.3)

	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total from Continuing operations £m
FY21					
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	(0.5)	(5.1)	–	–	(5.6)
Impairment of property, plant and equipment on intangible assets ¹	(11.9)	–	–	–	(11.9)
Depreciation of property, plant and equipment and right-of-use-assets	(12.0)	(2.0)	–	(1.4)	(15.4)
Amortisation of intangible assets	(1.6)	(1.8)	–	(0.8)	(4.2)

Note:

¹ Impairments and accelerated depreciation of £11.9m have been included within exceptional items.

	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.

Revenue from contracts with customers:

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

	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:

	2022 £m	2021 £m
Trade receivables	64.8	69.6
Provision for impairment	(0.8)	(1.5)
Net trade receivables	64.0	68.1
Contract assets	8.0	14.8
Contract liabilities	(0.3)	(1.6)
Payments received on account	(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 of the Annual Report and Accounts 2021 on page 114.

The following table shows the transaction price allocated to remaining performance obligations for contracts with original expected duration of more than one year. The Group has decided to take the practical expedient provided in IFRS 15.121 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

4 Discontinued operations

The Group completed the sale of the entire issued share capital of Cash Processing Solutions Limited and related subsidiaries (together 'CPS') to CPS Topco Limited, a company owned by Privet Capital on 22 May 2016.

The 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.

5 Exceptional Items

	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 "II 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, whilst directly associated with these, did not relate to activities which in accordance with IFRS would qualify for recording in equity or capitalisation on the balance sheet as transaction costs in relation to the debt refinancing. These costs included: £0.7m write-off of prepaid arrangement fees on the previously signed RCF which was amended on 7 July 2020 (due to the substantial repayment of the amounts outstanding at that time this has been accounted for as a settlement); costs of £1.5m associated with advisors fees in connection with the new pension deficit funding plan put in place in July 2020 following the equity raise and bank refinancing and other fees totalling £1.0m related to equity raise and bank refinancing which whilst directly related to these projects, did not meet the IFRS criteria for capitalisation on the balance sheet or recording within equity.

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 Taxation

	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 4)	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 £m	Movement on acquired intangibles £m	Exceptional items £m	Total £m	Before exceptional items £m	Movement on acquired intangibles £m	Exceptional items £m	Total £m
	Profit before tax	30.9	(1.0)	(5.7)	24.2	33.5	(1.0)	(22.6)
Tax calculated at UK tax rate of 19% (FY21: 19.0%)	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 defensible 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.

7 Earnings per share

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	2021
	pence per share	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:

	2022	2021
	£m	£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	1.0	1.0
Less: tax on amortisation of acquired intangibles	(0.3)	(0.4)
Add: exceptional items (excluding non-controlling interests)	5.7	22.6
Less: tax on exceptional items	(1.8)	(4.2)
Earnings for adjusted earnings per share	25.3	25.3

8 Financial instruments

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Fair value hierarchy	Total fair value 2022 £m	Carrying amount 2022 £m	Total fair value 2021 £m	Carrying amount 2021 £m
Financial assets					
Trade and other receivables ¹	Level 3	83.4	83.4	91.7	91.7
Contract assets	Level 3	8.0	8.0	14.8	14.8
Other financial assets ²	Level 3	7.2	7.2	8.6	8.6
Cash and cash equivalents	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	Level 2	(95.7)	(95.7)	(78.0)	(78.0)
Trade and other payables ⁴	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.

Fair Value measurement for derivative financial instruments

Fair value is calculated based on the future principal and interest cash flows, discontinued 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. 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, while 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.

9 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).

	At 27 March 2021 £m	Cash flow £m	Foreign exchange and other £m	At 26 March 2022 £m
Borrowings	(78.0)	(17.0)	(0.7)	(95.7)
Cash and cash equivalents	25.7	(1.6)	0.2	24.3
Net debt	(52.3)	(18.6)	(0.5)	(71.4)

	At 28 March 2020 £m	Cash flow £m	Foreign exchange and other £m	At 27 March 2021 £m
Borrowings	(117.3)	39.3	-	(78.0)
Cash and cash equivalents	14.5	11.5	(0.3)	25.7
Net debt	(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).

10 Retirement benefit obligations

The Group has pension plans, devised in accordance with local conditions and practices in the country concerned, covering the majority of employees. The assets of the Group's plans are generally held in separately administered trusts or are insured.

	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)

The majority of the Group's retirement benefit obligations are in the UK:

	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	(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 (note 5).

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

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). This has no impact on the UK defined benefit pension liability

11 Contingent assets and liabilities

In June 2019 De La Rue International Limited terminated its agency agreement and sales consultancy agreement with Pastoriza SRL, a company which provided agency and sales consultancy services to the Group in the Dominican Republic from 2016 to 2019. Pastoriza SRL disputed the termination and commenced a commercial lawsuit in the Dominican Republic for a claimed amount of approximately US\$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.

12 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	2.2	3.3
Retirement benefits - Defined contribution	0.1	0.1
Share-based payments	0.8	-
	3.1	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.

13 Non-controlling interests

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	Sri Lanka	Kenya	Ghana	Sri Lanka	Kenya
Non-controlling interest percentage	51%	40%	40%	51%	40%	40%
	2022 £m	2022 £m	2022 £m	2021 £m	2021 £m	2021 £m
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
	2022 £m	2022 £m	2022 £m	2021 £m	2021 £m	2021 £m
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 2021 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 5 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.

14 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.

15 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.

NON-IFRS FINANCIAL MEASURES

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of 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	5.7
Adjusted operating profit	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 (loss)/profit 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	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%