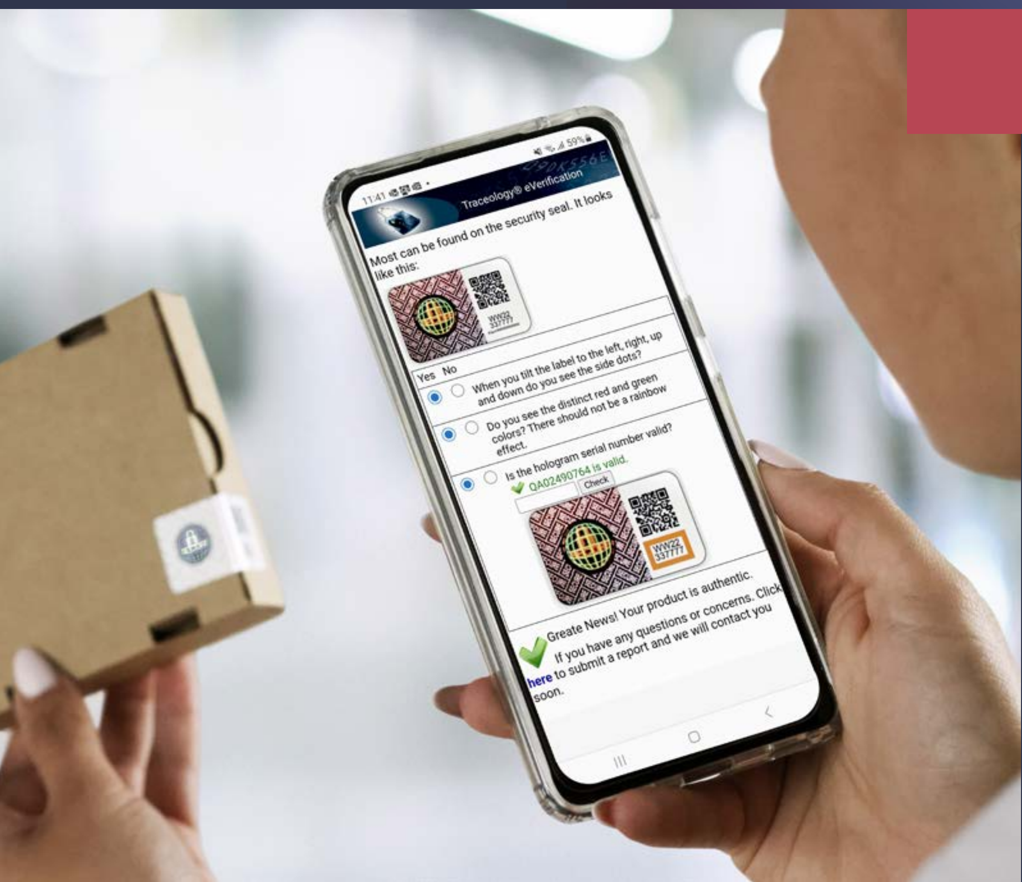
DeLaRue

De La Rue plc
Annual Report 2023



About De La Rue

Authentication

De La Rue's Authentication division enables governments and commercial organisations to protect their citizens and consumers, revenues and reputations. We provide high security digital and physical solutions, such as comprehensive supply chain traceability, physical authentication tokens and ID security components.

Currency

Our Currency division provides market-leading end-to-end currency solutions to over half the central banks and issuing authorities around the world, from finished banknotes to secure polymer substrate, banknote security features and design services.

Who we are

De La Rue provides governments and commercial organisations with products and services that underpin the integrity of trade, personal identity and the movement of goods.

With a rich history dating back over 200 years, we have built strong relationships with governments, international brands and central banks around the world, developing leading-edge traceability software while staying at the forefront of material science and design.

What we do

Our highly secure digital and physical solutions provide surety and control. Our digital authentication solutions provide transparency, engagement and control across supply chains.
Our physical features and documents leverage our design expertise to meet the needs of a diverse range of stakeholders and scenarios.

Protecting goods, supply chains and identities

- Government Revenue Solutions
- Brand Protection
- ID Security Solutions

Revenue

£91.7m

+1.6%

For more information:
delarue.com/authentication

Secure, durable and sustainable banknotes that enable financial inclusion

- Banknotes
- Design services
- Polymer substrate
- Security features

Revenue

£254.6m

-9.4%

For more information:
delarue.com/currency

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

At De La Rue, we are driven by a desire to enable businesses and individuals to participate securely in the global economy, and to protect them from the impact of counterfeiting and illicit trade. We do this by producing secure documents, providing international support, and offering physical and digital tools that authenticate goods and protect identities.

Why it matters

Strong economies and thriving societies require trust. Counterfeits and illicit trade represent a multi-trillion dollar issue and 3.3% of global trade, with the potential to undermine that trust. Our solutions help to secure trust and both physical and digital solutions play an important role in this.

Our digital authentication solutions provide transparency, engagement and control across supply chains.

However 5 billion people are not connected or poorly connected online. To put the global digital infrastructure in place to connect them would require over $400bn.

Physical banknotes include everyone financially, while contributing towards a more resilient payments landscape and protecting the fundamental right to privacy. Tax stamps, brand protection physical tokens and passports provide standalone off-line surety and enable quick visual authentication.

Contents

10bn+

unique products are tracked annually, via our ***digital traceability systems***

60%

of all commercially printed banknotes ***designed by De La Rue*** since 2020

Authentication
Page 11

Currency
Page 12

Why invest?
Page 15

CEO review
Page 10

We are ideally placed to ***benefit from future growth*** in our markets

De La Rue operates in a truly global market, with customers in every continent other than Antarctica. In countries where we have customers, it is hard to find a consumer without one of our products in their pocket or bag. Both Authentication and Currency divisions are therefore subject to a range of global trends.

140

countries in which we have customers

30

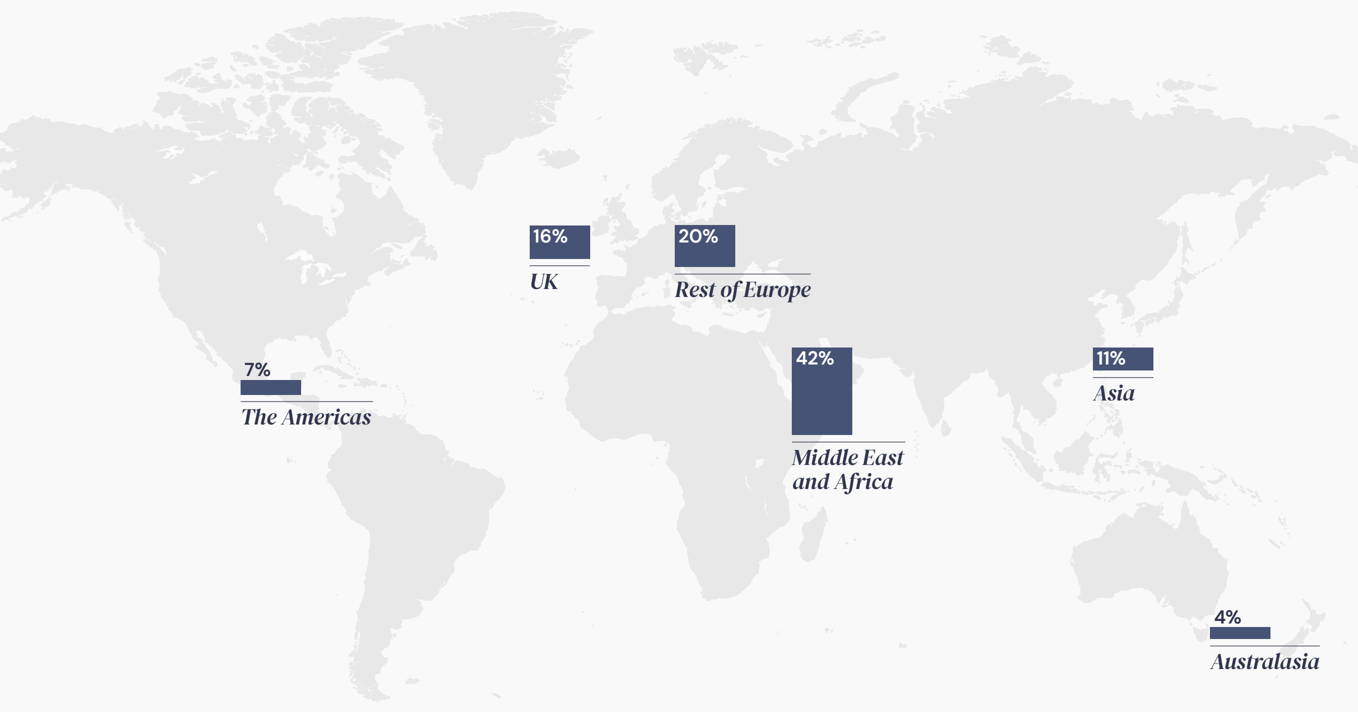
countries with SAFEGUARD® polymer substrate banknotes

48

countries signed to World Health Organization Framework Convention on Tobacco Control but without compliant tax stamp scheme

Read more:
CEO review – page 10
Our business model – page 16
Our strategy – page 18

Group revenue split per region



Banknotes maintain dominance *in the global payments landscape*

Why use banknotes in the 21st century?

- Privacy, including protection from identity theft
- Does not require electricity or internet access
- Needs no change of habit or additional education to use new technology
- Acts as a storage of value, particularly in difficult times
- Increases margins, particularly for small businesses, due to lower transaction fees
- Can help budgeting
- Sustainable – uses only 17.5% of the energy consumed by the global payments industry, according to the IMF

Electronic payment methods remain out of reach for many

- 1.4bn do not have a bank account[1]
- 5bn have poor or no internet access[2]
- 43% of adults in developing countries have not made a digital payment[1]
- 65 countries pay at least a quarter of their adults in cash[1]
- Over $400bn needed, mostly in emerging market economies, to get a global digital infrastructure in place according to IMF[2]

Demand for banknotes is driven by three things:

- To increase the value of cash in circulation
- To transition to a new series of banknotes
- To replace banknotes that have reached the end of their useful life

Value of cash in circulation continues to increase

- 4.9% increase in the volume of banknotes in circulation in 2022
- 96 of 98 issuing authorities surveyed saw an increase in cash in circulation March 2023 vs 2020
- Inflation was over 10% in 71 countries in 2022
- Growth in the absolute number of transactions, caused by a growing and more economically active population, also increases use of cash

Benefits of polymer substrate

Ten years ago De La Rue introduced SAFEGUARD® polymer substrate and remains one of the two substantial manufacturers in this growing market. Compared to paper, polymer banknotes are:

- more durable
- harder to counterfeit, particularly through use of transparent windows
- more easily recycled
- more accessible as they can incorporate durable blind recognition functionality

Banknote series are renewed every 7 to 10 years on average, to remain ahead of counterfeiters. Often the old notes are replaced rather than being allowed to wear out.

Annual demand for commercially printed banknotes (in billions)

De La Rue is the largest commercial designer of banknotes, creating 60% of new designs since 2020. We saw an increase in new design requests in FY23, an early indicator that several banknote series are about to be upgraded.

Notes:
1. Global Findex 2021 survey
2. IMF Spring Meeting 2023: Analytical Corner: Tackling the Digital Divide

For more information:
delarue.com/currency

Authentication:
Global counterfeits and illicit trade

The proliferation of illicit economic activity is a ***key global risk*** according to the World Economic Forum

Illicit economic activity:
- undermines excise revenues
- damages businesses
- harms consumers
- benefits criminals, including funding terrorism
- innovation is not rewarded
- goods are produced and supplied without needing to meet the health, safety, legal or environmental requirements of a legitimate supplier

Governments need to minimise the impact of illicit trade and protect tax revenue and identities in order to:
- fulfil a financial and moral duty
- meet legal obligations, such as the WHO Framework Convention on Tobacco Control
- decrease tax leakage and so generate revenue
- provide security for jobs, increase trade and protect the health and wellbeing of their citizens

Countries that fail to build strong tax administrations are missing a 'tremendous opportunity to improve the quality of life for their citizens. In a rapidly developing economy, a 10 to 15% increase in tax revenues often translates into an ability to double expenditures on, for example, health care or education' according to McKinsey[1].

The size of the problem

- Sale of counterfeit and pirated goods represents somewhere between $1.7trn and $4.5trn per annum according to the US Patent and Trademark Office
- 2.5% of all global trade per OECD
- 5.8% of all goods entering the EU – across all channels – are illicit[2]
- 25.8% of global alcohol consumption involves illicit products[3]
- Estimated to cost 2.5m jobs every year
- All industries are impacted
- Rise of e-commerce, social media platforms and cryptocurrencies provide fertile grounds for the sale of counterfeit goods
- Weak and disrupted supply chains also provide avenues for counterfeits to enter legitimate channels

Types of illicit trade

- Smuggling is the movement of products between tax jurisdictions
- Counterfeiting involves the production of fake goods, often at scale
- Tax evasion arises from undeclared goods, overproduction in country or falsification of shipping and taxation documents, allowing criminals to take advantage of different tax levels between territories, without necessarily moving products

Impacts of illicit trade

Risk to life and public health:
- 1 in 10 medical products in low and middle income countries are substandard or counterfeit according to WHO

Risk to livelihood:
- Africa loses up to 70% of food production because of low-quality or counterfeit seeds
- Non-genuine pesticides account for around 30% of the domestic agrochemical market in India
- A threat to international security
- Financing of organised crime and terrorism[4]
- Economic losses and destabilisation of legitimate industries
- Environmental damage
- Intellectual property infringement

Preventing illicit trade

- Digital traceability is essential to combat smuggling
- Physical tokens, increasingly in combination with digital solutions, help distinguish real products from fake ones
- Volume verification of production, through the use of tax markings and data analytics, ensures that excise revenues are correctly aligned with the actual volume of goods manufactured
- Protection of travel documents to protect supply chains from bad actors and aid law enforcement

De La Rue provides digital and physical end-to-end authentication solutions that are reliable, adaptable, and rapid to implement to protect revenue and reputations.

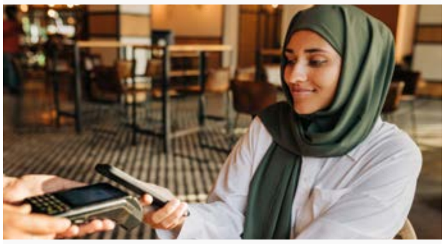
We offer comprehensive traceability software which, together with physical security token and documents, make our expertise in preventing illicit and counterfeit trade world class.

Notes:
1. McKinsey & Company – Unlocking tax-revenue collection in rapidly growing markets http://www.mckinsey.com/insights/public_sector/ten_quick_steps_to_unlocking_taxrevenue_collection_in_rapidly_growing_markets
2. https://dfworldcouncil.com/wp-content/uploads/2022/09/TTS-Duty-Free-paper-2022_FINAL.pdf
3. "Size and Shape of the Global Illicit Alcohol Market", Euromonitor International (2018)
4. https://www.un.org/securitycouncil/ctc/sites/www.un.org.securitycouncil.ctc/files/ctc_cted_factsheet_cft_oct_2021.pdf

For more information:
delarue.com/authentication

Global macro trends

Trend:
Rise in electronic payments



Why this is important
The rise in electronic payments is driven by technological advancements and changing consumer behaviour. This is expected to continue as a steady trend. In a minority of countries, such as the UK, concerns about access to cash in the future are triggering protective measures and laws.

Our response
While increasing electronic payments represent more of a risk than an opportunity for the Currency business of De La Rue, in many of the significant countries in which De La Rue operates, the infrastructure, cultural habits and global financial literacy levels mean rapid changes are not expected:
- For central banks and governments recognising that cash will have a significant role to play even in a less-cash society, De La Rue's SAFEGUARD® polymer banknotes offer a more cost-effective solution to maintaining a functioning cash cycle, compared with paper banknotes.
- De La Rue is keeping a watching brief over the rise of digital currencies and is pro-active in influencing discussions about access to cash and central bank digital currencies.

People without a bank account

*1.4bn**

* Source: World Bank

Trend:
Rise in online purchases

Why this is important
Online purchases are rising generally. Without the ability to physically inspect goods at the point of sale, this offers more potential for counterfeiters. The rise in online shopping is linked to increases in counterfeit and illicit trade, creating significant issues for brand owners and governments hoping to reduce this activity.

Our response
De La Rue's brand protection solutions and tax excise schemes provide ways of verifying genuine products, combating the spread of counterfeit goods.

Percentage of retail sales made online in UK

Source: Office for National Statistics

Trend:
Move to digital from physical solutions

Why this is important
There is a trend towards providing digital solutions, either in combination with traditional physical ones or as stand-alone solutions. Our digital products must evolve to keep pace with technological advances and our physical solutions need to interact seamlessly with them.

Our response
Within Authentication, our solutions are now digital enabled or digital based. Our Government Revenue Solutions (GRS)and Brand systems, DLR Certify™ and Traceology®, offer digitally enabled end-to-end track and trace systems together with customer digital verification. Our solutions are designed with the needs of all stakeholders along the supply chain in mind and built on the best technological solution to deliver against their needs. Our solutions are fast to use and easy to implement.

Global macro trends

Trend:
Inflation

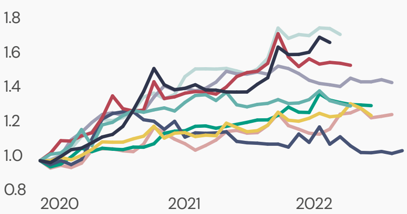
Why this is important
Many countries are experiencing a resurgence of inflation as the world recovers from the Covid-19 pandemic, exacerbated by rapidly rising energy prices following Russia's invasion of Ukraine.

Our response
Inflation is both a challenge and an opportunity for De La Rue.

Inflation provides us with cost challenges. We have reduced our FY23 cost risk by managing existing suppliers, realigning and dual sourcing. We also fixed our UK energy costs substantially below both spot prices and the Government's winter price cap.

Inflation also provides an opportunity to our Currency division. Countries with high levels of inflation require more banknotes as the purchasing power of a single denomination drops and 'storage-of-value' banknotes become transactional. Some countries need to introduce higher value banknotes to keep their cash volumes at manageable levels.

Rise in currency in circulation



Lines represent selected De La Rue customers.
Value relative to value in circulation at 1 Jan 2020 = 1.
Source: IMF IFS Currency in Circulation

Trend:
Population growth in developing countries

Why this is important
Populations are still growing in developing countries. This leads to a greater need for goods, services and identification documents and helps sustain the use of cash over time.

Our response
De La Rue is well placed geographically to provide banknotes for most countries where cash will remain a significant payment tool. We are also well-placed to deliver solutions for the growing markets for excisable goods and identification documents that population growth brings.

Percentage revenue from Asia, Middle East and Africa

53%

Trend:
Aftermath of Covid-19

Why this is important
Many countries stocked up with banknotes at the beginning of the Covid-19 pandemic. Several of these used up foreign currency reserves during the pandemic and now have little hard currency in reserve to replace banknotes.

Our response
Currency volumes have been subdued. We are repositioning our operations within this division to optimise efficiency during this time of low banknote demand, while retaining the ability to scale up operations when the market returns.

Estimated fall in commercially produced banknotes in 2022

c.15-20%

Trend:
Increasing sophistication of counterfeiters

Why this is important
Counterfeiters are becoming ever more sophisticated over time and take advantage of the developments in commercially available equipment and materials to produce additional and more realistic fake products. Counterfeit goods undermine consumer trust, expose consumers to greater risk and weaken economies.

Our response
Whether it is the use of laminated polycarbonate in the production of ID documents or the use of increasingly sophisticated combinations of components in banknotes, all De La Rue products and solutions are designed with the aim of deterring counterfeiters. Our solutions are extremely challenging, and consequently expensive, for counterfeiters to simulate.

Annual trade in counterfeit and pirated goods

$1.7trn+*

* Source: US Patent and Trademark Office

Case study:
Authentication

Our track and trace software systems read ***billions*** of unique DLR codes with ***sub-second response*** times

DLR Certify™ and Traceology®
De La Rue has two proprietary software systems for the tracking and tracing of goods.

DLR Certify™ manages products covered by our GRS schemes and is compliant with the WHO FCTC. Our brand protection schemes use our Traceology® system.

Both systems trace goods through the supply chain to end user by assigning a unique code to each product.

Within DLR Certify™, enforcement teams can rapidly read the DLR codes to confirm authentic product and that duty has been paid. For both systems, consumers can use a smartphone app to reassure them that goods are genuine.

Case study:
Currency

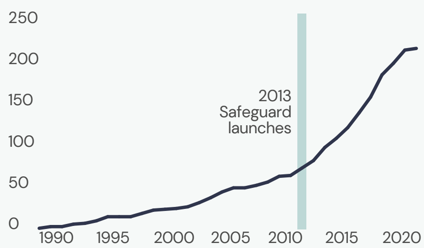
100 notes are now on our SAFEGUARD® ***polymer substrate***

Continued conversion of banknotes to polymer
The introduction of SAFEGUARD® ten years ago marked an acceleration in the rate that central banks converted to polymer, providing a second source of supply and removing any business continuity risks. The recently introduced new Jamaican series of banknotes marked SAFEGUARD® tipping over 100 notes.

The launch of the first two SAFEGUARD® Egyptian banknotes and continuation of the UAE series on to polymer demonstrates De La Rue's strategy to grow revenue by selling more to state print works.

The move towards ASSURE™ level three covert taggant, only detectable by central banks, embedded in the core of SAFEGUARD® opens up new customers. Polymer now offers every type of security provided by paper substrate.

Number of Polymer Denominations in Circulation



Well positioned *in growing markets*

Clive Vacher
Chief Executive Officer

Following a significant downturn in Currency demand over the past 18 months, there are encouraging signs of recovery. In addition, our Authentication division is on track for significant revenue growth in FY24.

The actions we have taken over the past few months, implementing a range of initiatives about which we provide further detail below have stabilised the Company. Specifically, we have renegotiated terms with our lenders, leading to covenant relaxation, and agreed a substantial deferral to our pension deficit repair contributions. These factors have allowed us to remove the 'material uncertainty' cited at the Interims in November 2022, and to reiterate our guidance for adjusted operating profit for FY24.

We set out below more detail on these recent initiatives, together with narrative on the results for FY23, where adjusted operating profit and net debt for the FY23 were in line with guidance previously given in April 2023.

In FY23 the Currency division was profitable at the adjusted operating profit level, generating £13.6m despite the low levels of demand across the industry. This compares with £19.5m in FY22, but demonstrates a continuation of our commitment, made in FY20, that the Currency division will be profitable at this level during downturns, breaking the historical cycle of losses during market lows.

Amended bank facilities

Following extensive negotiations with our banking syndicate, we have agreed revised terms, which include substantial relaxations of the covenant ratios to which we have hitherto been subject. This reflects the reality of the higher interest rate environment in which we now find ourselves, given recent increases in base rates, which rose 350bps over the course of FY23 and, with inflation still at high levels, the prospect of further rises still to come.

We would like to thank our lenders for their understanding and pragmatism in reaching this revised agreement, recognising the challenging competitive and global economic environment in which we are operating.

For the remainder of the term of the loan, which runs to 1 January 2025, the interest covenant ratio to which De La Rue is subject has been relaxed to a minimum of 1.0 times from its current minimum of 3.0 times. The limit on the gearing covenant ratio is relaxed to a maximum of 4.0 times until March 2024 and then 3.6 times for the remaining life of the facility. For comparison, at the end of FY23 our interest cover ratio stood at 3.03 and our gearing ratio at 2.21.

An additional liquidity covenant will be introduced, requiring De La Rue to maintain 'headroom' of at least £25m on its £175m facilities.

The new facility is subject to a 1% arrangement fee, reduced to 0.5% if the facilities are refinanced prior to 31 December 2023. It is payable on the earlier of 1 January 2025 or the refinancing of the facility. However, the margin that we pay at any particular gearing ratio will not be changing, other than recognising additional rachets given the higher ceiling this ratio now has.

Further details of the terms of the new facility are given within the Financial Review section on pages 50 to 55.

We remain focused on generating free cash flow to reduce the average level of debt.

Our systems track billions of products with sub-second response times through *supply chain from manufacturer to end-user*

100%

of tax stamp schemes in Gulf Cooperation Council area are De La Rue schemes

In FY23 the Authentication division produced an adjusted operating profit of £14.3m (FY22: £16.3m) on revenue of £91.7m (FY22: £90.3m).

In FY23 the division benefited from significant revenue from the contract to supply ID datapages for the new Australian passport. The division also onboarded new GRS schemes in Bahrain, Oman and Qatar, with all three schemes generating revenue from the first half of FY23.

With these three latest schemes on board, De La Rue now runs Framework Convention for Tobacco Control (FCTC) compliant schemes across all countries that have implemented a scheme in the Gulf Cooperation Council area (totalling five out of the six countries in the bloc), a 100% win rate. Our other Government Revenue Solutions contracts performed as expected.

In the Brand segment our business with Microsoft was impacted by the fall in PC sales globally, with International Data Corporation (IDC) noting a 16.5% year on year fall in PC demand/shipments in 2022, and a 29% drop in the first calendar quarter of 2023, compared to the same quarter in 2022.

Adjusted operating profit was impacted by sales mix, and the division also attracted a greater proportion of central overheads, having generated a greater proportion of Group revenue in the year.

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

Within GRS, the World Health Organization has been pushing signatories of their FCTC for compliance by the promised dates (for example at the Meeting of the Parties in October 2022). Linked to this, our level of pre-sales activity is also increasing: we are in direct conversation with multiple countries in our focus regions of Africa and the Middle East who have expressed an intention to tender for Digital Tax Stamp solutions within the next 18 months. Our win rate for tenders in this space since 2020 is over 50%.

In Brand protection we are targeting expansion of the customer base, with investment in the sales force and implementation of a partner model to boost opportunities. This approach is already bearing fruit, with three-year contracts recently agreed with a multinational pharmaceutical company and a wholesale parts manufacturer. A strong pipeline of further opportunities is being explored.

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

Based on that commitment, we have invested in a second line to produce polycarbonate datapages for ID documents in Malta. This is now fully operational, with available capacity initially earmarked to allow the APO to build up buffer stocks.

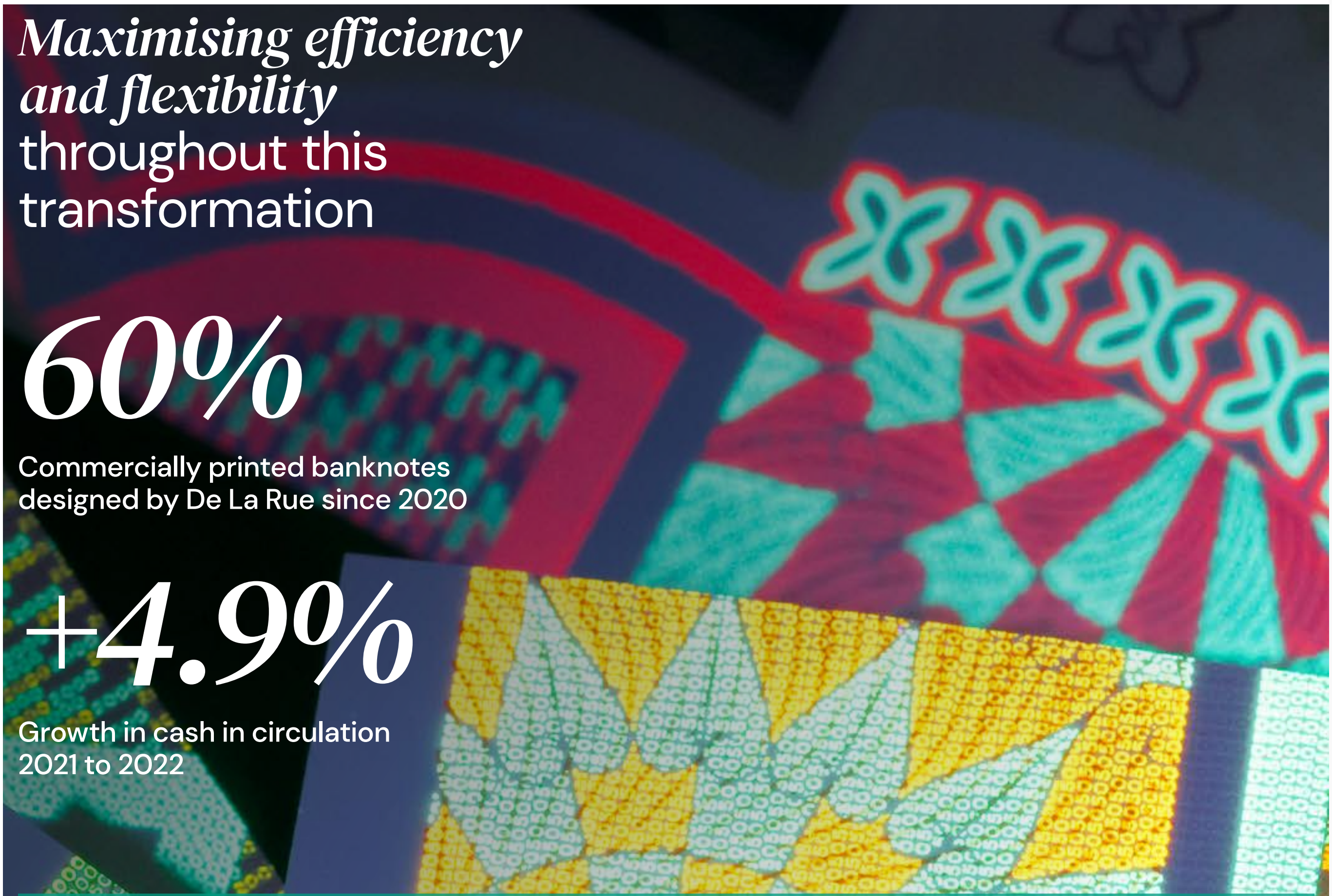
The commissioning of the ID data page second line is the first fully-implemented part of our Malta expansion. The remaining expansion for the Authentication division will considerably increase our capacity for printing tax stamps and is expected to be fully operational by the second half of FY24.

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

For more information:
delarue.com/authentication

Strategic report
Governance report
Financial statements

Currency



Maximising efficiency and flexibility throughout this transformation

60%

Commercially printed banknotes designed by De La Rue since 2020

+4.9%

Growth in cash in circulation 2021 to 2022

The Currency division in FY23 saw revenues fall to £254.6m (FY22: £280.9m) and saw an adjusted operating profit of £13.6m (FY22: £19.5m).

Currency was impacted by the downturn in activity in the wake of the Covid pandemic when central banks stocked up with currency, and subsequently the global economic slowdown. This is an industry-wide trend, as evidenced by recent public statements made by a number of competitor companies. This is also evidenced by our win rate on bids, which remains at the same high level as it has been since we implemented the initial changes back in FY20 and FY21. The amount of cash in circulation continues to rise, growing 4.9% between 2021 and 2022, indicating that central banks have been working down the banknote inventory buffer they built in response to the Covid pandemic.

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

In 2020 we made a clear pledge to transform Currency, so that it is profitable on an adjusted operating profit basis even in downturns. While it is accepted that Currency has fallen short of expectations in recent times, the FY23 results of this division bear out that pledge. In FY20, the Currency division demonstrated an adjusted operating loss of £9.4m. In the three subsequent years, FY21 to FY23, the division's adjusted operating profits have been £16.2m, £19.5m and £13.6m respectively. This includes the severe downturn in FY23, from which the market is beginning to recover.

De La Rue has significantly enhanced its competitiveness, refining its manufacturing footprint and cost base, and is well positioned for when the market returns.

The termination of the long-term supply agreement for banknote paper with Portals in July 2022, eliminating £119m in commitments for a cash payment of £16.7m represented a further step in our transformation. We give more detail on this and progress on paper tendering below. The recently completed wind down of the Kenyan facility further right-sizes our manufacturing facilities, focusing on those with the greatest capability, while maintaining De La Rue's position as the number one commercial printer of banknotes worldwide.

The expansion of our Malta site, where our new Currency operations will progressively come online from the first half of FY25, further refines that operational flexibility.

For more information:
delarue.com/currency

Deferral of pension deficit reduction contributions

We have also successfully concluded negotiations with the Trustee of the De La Rue Pension Fund, overseen by the Pensions Regulator, to defer £18.75m of deficit reduction contributions.

The Trustee has agreed that we will defer our deficit reduction contributions of £3.75m per quarter from that due on 5 April 2023, up to and including the payment that was due on 5 April 2024, less an amount equivalent to the arrangement fee agreed with our lenders on the covenant package, due on or after 5 April 2024. During the second quarter of FY25, deficit reduction contributions will recommence at the rate of £3.75m per quarter. 'Catch up' payments, to put the Scheme in funds for the £17.5m deferred, will start from July 2025 and will continue from FY26 to FY29.

The next actuarial valuation of the scheme is due based on the funding position as of April 2024.

This deferral significantly eases the short-term cash outflow for the business and builds upon the actions previously taken, such as the March 2022 agreement with the Pension Scheme Trustees to lower cash payments that fund the pension deficit. After the deferral expires, cash payments to repair the pension deficit will still be £9.5m per annum lower than they would have been without this March 2022 agreement.

Going concern

The agreements with our banking syndicate and the pension fund trustee are key elements in the Directors' assessment of going concern, which has concluded that there is no material uncertainty with respect to going concern. A full description of the process and judgements made in reaching this conclusion is set out in Going Concern on pages 65 to 67.

Divisional performance

We set out on pages 11 and 12 more detail on the trading during FY23 and since year end within each division of the business.

Cost base

We made substantial progress during the year in limiting supply chain headwinds in a period which saw a step change in global rates of inflation. We used a combination of dual sourcing, tendering and robust negotiation to maintain a competitive raw material price base. Our UK energy costs are fixed to at least September 2024, providing us with a good degree of forward cost visibility.

The termination of the contract with Portals Paper to supply banknote paper in July 2022 marked another step in our journey to resolve the legacy issues that have impacted the efficiency of the business. We have since qualified multiple additional suppliers and validated the predicted future cost savings.

Kenya

As referenced above, in January 2023, the Group determined that, owing to current market demand, and no expectation of new banknote orders from the Central Bank of Kenya for a considerable period, De La Rue Kenya (a joint venture with the Government of Kenya) would suspend banknote printing operations in the country. Furthermore, operations in our Authentication division in Kenya have been wound down.

As a result of the review of the business in Kenya, an exceptional charge of £12.6m (FY22: £nil) was made in FY23. This included redundancy charges of £5.5m, property, plant and equipment asset impairments of £4.9m, and inventory impairments of £2.0m

Malta

The substantial expansion to our Malta facility is progressing well. An additional line producing ID datapages is now fully operational and the remaining additional Authentication space should be completed in the second half of FY24. The Currency facilities, including a new vault, should be ready in FY25.

When complete, the new facilities will substantially increase our capacity within Authentication and add significantly to our Currency capabilities within Malta.

Outlook

As noted above, despite the low order book going into FY24, there are encouraging signs that the Currency market is recovering. We expect revenue in the Authentication division to exceed £100m for the first time in FY24, driven by existing contracts, including the full year impact of the Qatar, Bahrain and Oman GRS programmes, and a substantial increase in demand from the Australian passport programme.

On 12 April 2023, De La Rue announced that the Board expected full year adjusted operating profit for FY24 to be in the low £20m range. Trading for the first two months of FY24 has been in line with this and it remains the Board's expectation for the full year, albeit with H1 being broadly break-even at Group level due to the timing of the recovery in Currency orders.

Over the last three years we have taken decisive steps to restructure the business, driving efficiencies and innovation, and reducing costs. In FY24 we are continuing this journey, including making the final payment for the Portals exit, thereby finally closing out another major legacy issue. This year, we expect net debt to rise to around £100m by both the half year and the year end.

Conclusion

I would like to express my thanks to my colleagues throughout the Group, who have remained focused and resilient through significant changes in the business, and through a historically low demand period in Currency. As we go forward, we will redouble our efforts to develop the Company, with a strong operational plan, now underpinned by the amendment to the banking arrangement, a deferral of immediate pension contributions, and a going concern assessment that has not identified any 'material uncertainty'.

FY23 has been a challenging year for the Company and its stakeholders. We remain resolute in our determination to build on the ongoing transformation actions and create a positive future.

Clive Vacher
Chief Executive Officer

29 June 2023

Case study: Authentication

Renewal of GRS contract in Cameroon

In FY23 De La Rue signed a two-year contract renewal with Cameroon for the supply of a digital tax stamp solution for tobacco goods and wines and spirits via DLR Certify™. This extension builds on successful cooperation with the Government of Cameroon and the ongoing deployment of a GRS solution since 2010.

Case study: Currency

Production of new ***King Charles III notes*** for Bank of England

De La Rue has been working with the Bank of England since 2003, including on the conversion to polymer banknotes which were first issued in 2016.

In December 2022 the Bank of England unveiled updated notes featuring a portrait of His Majesty King Charles III. These are a continuation of the current series of notes and represent some of the most technically advanced banknotes in the world. The new notes are due to enter circulation by mid-2024.

Our values

Trust & Transparency

We are honest and transparent and always act with integrity.

Customer Focus

We seek to understand the needs of our customer be that internal or external, through insight and data. We challenge the speed of delivery and quality of output to exceed their expectation.

Collaboration

We are inclusive and embrace differences, working together to deliver results through our collective knowledge.

Challenge

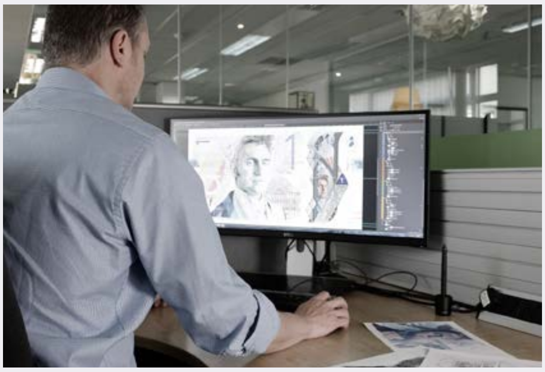
We challenge ourselves and each other to deliver the best results we can, to continuously improve and to learn from our mistakes. We are courageous and don't shy away from difficult situations.

Problem Solving & Innovation

We create solutions that solve real challenges by applying new thinking and concepts for both ourselves and our customers.

Why invest?

De La Rue is well positioned *in our chosen markets*



Unique product offering
De La Rue is at the forefront of delivering currency products and authentication solutions. We specialise in design, material sciences, international manufacturing and digital solutions. Our products and services protect economies, revenue sources and reputations.

Well positioned in growing markets
We are one of only two significant producers of polymer banknote substrate. Just 5% of banknotes are made of polymer, though this is steadily increasing. We design more banknotes than other commercial manufacturers.

We provide technologically advanced solutions that verify bona fide goods and documents, combating the $3 trillion annual trade in counterfeit goods. We provide solutions to enable government tax excise schemes.

Operational resilience
Over the past few years we have reshaped our manufacturing footprint to a modern, flexible base, adaptable to the demands of our customers. We also are honing our operational delivery to use our assets optimally, with our products meeting the highest quality standards.

Moving towards free cash flow generation
We have simplified the business, addressing legacy issues to improve profitability and cash flow. We expect to move towards free cash flow generation.

Leaders in responsible business
Engaging in business responsibly lies at the heart of what we do. We work to improve the world around us: for our customers, employees, suppliers and the wider community.

How we *create value*

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

The resources we require

Our people
- We have dedicated and passionate employees around the world who work closely with our customers.

1,800
employees

Suppliers and partners
- We work with suppliers and partners all over the world to ensure ethical, sustainable and reliable delivery to our customers.

A
grade issued by CDP for supplier engagement on climate change*

Manufacturing and development capability
- We are investing in world class facilities for banknote and authentication product manufacturing in Malta, along with targeted investments to grow our authentication software, security features, polycarbonate datapages and SAFEGUARD® polymer substrate.

14,500m²
extension in collaboration with Malta Enterprise

Design expertise
- We have our own design studio, with a team that has over 350 years of design and engraving experience. We work with customers from concept development through to proofing, trials, qualification and production.

350
years of experience

Patents and know-how
- As well as a wealth of technical know-how, we have a portfolio of over 850 patents granted, with 370 patents pending. We specialise in a range of surface-relief micro-structures, with proprietary equipment and patents going out into the late 2030s.

1,000+
patent portfolio

Strong balance sheet
- A strong balance sheet enables us to compete efficiently and invest for the future.

* formerly Carbon Disclosure Project

How we add value

Excellence in

Design and technical know-how

- We design products and solutions that can be produced at scale by us and are easy to authenticate, but also resistant to counterfeiting.
- We combine national symbols, security features, logos, colour and substrate to produce an attractive, cost effective, resilient end product, whether a banknote, brand protection label, tax stamp or software solution.
- Our brand protection labels and digital tax stamps are designed to interact with our digital software offerings.

Understanding customer needs

- Our customers are largely national tax authorities, international brand owners, state printing works and banknote issuing authorities. We understand the significance of the introduction of a new banknote series, ID document or a new tax stamp scheme and work closely with them on design and implementation.
- We have built up strong working relationships with many authorities and some major brand owners, up to the highest level over the years.
- Our solutions are increasingly sustainable, with a general focus on reducing the impact of our business operations, the use of durable recyclable polymer banknotes in Currency and the ability to introduce more sustainable physical components into Authentication solutions.
- Our research and development activities provide focused innovation, leveraging our deep knowledge of our customer needs.

Manufacturing

- We produce goods of the highest quality at volume.
- To be verifiable each banknote or tax stamp must be designed for recognition and authentication, but at the same time to be traceable, they must have unique identifiers.

Operations

- Our physical products are produced and shipped securely on time.
- Our digital solutions are secure, robust and reliable. They are designed for speed of operations and ease of implementation.
- In order to meet customer timetables and run our manufacturing facilities efficiently, we plan our production timetables across our sites carefully.
- We focus on the environmental efficiency of our operations to make sure that they are as sustainable as possible, complying to ISO 14001 and international best practice to drive continuous improvements.

The value we create for stakeholders

Our products in use in the world

- Enable secure participation in the economy.
- Help deliver confidence in the economy.
- Support social and financial inclusion.
- Protect tax revenues.
- Tackle counterfeit goods and illicit trade.

Customers gain

- Authentication solutions that provide security and ability to trace products.
- Durable, high quality banknotes reflecting key aspects of the country they represent, embedding a combination of features that make counterfeiting as hard as possible.

Suppliers gain

- A long term working relationship with an ethical partner.
- Repeat orders from a customer that treats them with respect.

Employees

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

Communities and the environment

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

Shareholders

- Our strategy (see page 18) is designed to achieve sustainable profitability and cash flow and create long term shareholder value.

The De La Rue strategy undergoes a *formal review and approval process* each year

In 2022 we considered the evolution of both the markets in which we operate and the capabilities of De La Rue in the three years since we set out the Turnaround Plan. We refined our strategy accordingly.

Our focus can be summarised in three broad pillars: grow repeatable business, drive efficient operations and invest for the future. These broad pillars cover Government Revenue Solutions (GRS), Brand Protection and ID Security Solutions in Authentication. In Currency they cover security features, polymer substrate and banknotes.

These are explained in more detail below:

Grow repeatable business

Increasing our revenue through relationships providing ongoing income

Drive efficient operations

Streamlining our business to minimise cost while retaining flexibility

Invest for the future

Focusing our technical expertise to develop the solutions of the future

▲ Group-wide
● Authentication
■ Currency

	Business area
Grow repeatable business	
Expand the GRS offering: – to cover other excisable goods – in targeted areas, focusing on the GCC and beyond	●
Within Brand Protection, grow sales of our highly secure labels and digital end-to-end traceability	●
Build on the success of our world-leading polycarbonate datapage	●
Target the large market of state printworks for sales of: – polymer – security features and – overspill services	■
Continue to supply secure, innovative banknotes of the highest quality to our customers	■
Drive efficient operations	
Stabilise the funding position of the Group	▲
Right-size Currency operations to match anticipated demand	■
Resolve remaining legacy issues affecting shareholder value	▲
Deliver further operational efficiency improvement, with strong focus on cash generation	● ■ ▲
Deliver seamlessly for our customers	● ■
Invest for the future	
Commercialise the next generation of effects, security features and product formats using our expertise in surface-relief micro-structures and volume holography	● ■
Implement best practice to enhance our digital offering in Authentication	●
Evolve SAFEGUARD® for the next generation of security features and maintain 'best for printers' position	■

Engaging with our stakeholders

While their primary duty is to deliver a return to shareholders that is sustainable over the long term, the Directors are aware of their wider obligations, both to direct stakeholders and to society more generally. We rely on a number of internal and external parties and counterparties in order to run our business. Similarly, our business and operations have an impact on a wide range of stakeholders, as well as the natural environment. We have direct relationships with many of these stakeholders, but rely on, impact or interact with others with whom we have an indirect relationship only.

We have identified our principal stakeholders as being:

	Internal stakeholders	*External stakeholders – direct relationships*	*External stakeholders – indirect relationships*
Corporate	– Employees/workforce – Pension Scheme members – Independent non-executive directors of subsidiary companies	– Shareholders and potential investors – Lending banks and other funders – Pension Scheme trustee – Tax authorities – Insurers – Auditors – Suppliers of goods and services	– Stock market users – Regulators – Proxy advisory firms – Sustainability rating agencies – Media
Authentication	– Currency division – Employees/workforce – Pension Scheme members – Trade Unions – Third party partners	– Minority shareholders in Group companies – Suppliers of goods and services – Customers – governments, tax/revenue authorities and passport offices – Customers – brand owners, manufacturers of goods carrying tax stamps – Certification agencies – Trade bodies	– Communities close to our operations – as a source of our workforce, and as a group potentially impacted by our business – Natural environment – Competitors – Trade press – Potential distributors – Wider society as end users of our products and services
Currency	– Authentication division – Employees/workforce – Pension Scheme members – Trade Unions – Third party partners	– Minority shareholders in Group companies – Suppliers of goods and services – Customers – governments, central banks, state print works and papermakers – Certification agencies – Trade bodies (International Currency Association, Banknotes Ethics Initiative etc)	– Communities close to our operations – as a source of our workforce, and as a group potentially impacted by our business – Natural environment – Competitors – Trade press – Wider society as end users of our products and services

Stakeholder interactions

The Executive Directors and the other members of the Executive Leadership Team, supported by a number of senior managers, undertake the vast majority of our engagement with stakeholders. All of our internal and external relationships are built on trust and we recognise that while this is earned over a long period, it can be lost in an instant. Communication is key to our success and there are clear accountabilities for relationship management across the business, to ensure that we protect and develop our reputation with all our partners and counterparties.

The Chairman and Non-executive Directors also meet stakeholders whenever needed. This is either to supplement the work done by management, or where engagement by them would be more appropriate. The experience or roles of the Non-executive Directors can sometimes mean that they are particularly well placed to discuss issues with a counterparty: for example, the Chairman of the Audit Committee routinely meets or holds calls with the internal auditors and external auditors. All of our Board members are encouraged to spend time in the business and to meet De La Rue's workforce.

Managing relationships for long term *success*

In their discussions and decision making during the year to 25 March 2023, the Directors have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard to stakeholders' interests and specifically each of the matters set out in section 172(1) (a)–(f) of the Companies Act 2006. That includes:

The likely consequence of any decision in the long term

The Directors recognise that many of the decisions they make will influence or drive our long term success. The principal focus for the Board and executive management in the year was on delivering the longer term outcomes set out in our business strategy. As well as delivering in-year results, the Board continues to oversee capital expenditure to generate transformational change and a repositioning of the Group's technology and manufacturing base for the long term.

The Directors continue to pursue longer term sustainability goals, including carbon targets for 2030 and 2050, in each case supported by action plans.

The interests of our employees and wider workforce

While we are a relatively capital-intensive business, we also rely on our highly skilled workforce to deliver our business results. The Directors and Board understand the strategic importance of these important stakeholders to our future and always have due regard to the interests of our employees, contractors and other members of the workforce. There is always the necessity of balancing competing interests and not every decision we make will necessarily result in a positive outcome for each of these stakeholders. Protecting our workforce in Sri Lanka, during a time of significant uncertainty and challenge in that country, was a concern for the Board during the year. The Board and its Committees have had numerous other discussions in relation to people matters with the CEO and other members of the Executive Leadership Team.

The Board has designated an independent Non-executive Director to lead on workforce engagement and Employee Voice Forum meetings were held during the year with workers at several of our sites globally, with findings and recommendations relayed to the Board. For further information see page 79.

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

We are proud that we have served a large number of our customers for many years and, in some cases, decades. We have similarly longstanding relationships with key suppliers of goods and services. The Directors and Board understand the strategic importance of these and other stakeholders to our business.

We strive to develop and maintain business relationships based on mutual understanding, respect and trust. While most of the engagement with customers and suppliers is led by executive management, the Board kept the status of our supply chain under review during the year.

The impact of our operations on the community and environment

The Directors and Board understand the importance of De La Rue being a 'good neighbour'. Specifically, they recognise our responsibilities and obligations in relation to climate change and the environment. The Directors have adopted action plans designed to achieve carbon neutrality for our own operations by 2030 and we are aligning ourselves with the UK Government's targets, aiming to reach net zero across our business by 2050. In 2023 we were pleased to be ranked in the top quartile of the Financial Times/Statista Climate Leaders index, for the third consecutive year.

During the year the Board reviewed the outcomes from the first year of implementing our sustainability strategy, building on our sector-leading approach to climate change.

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

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

During the year the Board reviewed and approved a new Code of Business Principles which was launched across the business in January 2023. They also considered and approved a Human Rights Policy Statement.

The Ethics Committee monitors the work being done to drive a healthy corporate culture, including monitoring reports made to our CodeLine whistleblowing service. The Committee also reviews the completion of compliance training and considers employee awareness programmes to ensure that colleagues are aware of expected standards of ethical behaviour.

The need to act fairly as between our shareholders

Our shareholders collectively provide core funding for our business. Every share carries equal rights, whether held by an institutional investor or a retail shareholder. The views of all of our investors are an important consideration and are regularly summarised and presented to the Board.

Well over 80% of our shares are held by institutional investors. We engage proactively with the fund managers who control these shares and discuss a range of strategic and operational issues though, importantly, they are given no privileged access to information.

The balance of our shares are held by employees or retail shareholders, with just over 4,500 registered holders. While it is more challenging to deal directly with the retail investor audience, we use the AGM as our primary means of engagement but will also listen and, where necessary, respond whenever views are expressed to us. We provide a Q&A facility on our website in advance of general meetings, including the AGM.

Case study: Currency

Successful conversion of the LE10 to polymer

In July 2022 the Central Bank of Egypt issued polymer banknotes for the first time, a milestone reflecting an ongoing partnership with De La Rue supporting the central bank from design through to manufacture.

Polymer substrate was selected due to the increased cleanliness, durability, cost effectiveness and the overall reduced environmental impact of polymer substrate over other substrates.

The Central Bank of Egypt considers the introduction of the polymer LE10, printed at a new state of the art site in the New Administrative Capital, to have been a great success and of significant benefit to the Egyptian public.

Key decisions made in FY23

The examples below show how the Directors and Board followed the principles described in the rest of this Section 172 Statement, when dealing with major decisions taken during the year:

Case study: Authentication
New polycarbonate production line in Malta

Investing and using our technical expertise *for the future*

In June 2022 the Board approved capital expenditure by the Authentication division on a new, second production line for polycarbonate datapages to be used in passports. Our key customer, Note Printing Australia (NPA) who act in partnership with the Australian Passport Office, significantly increased their volume requirement for polycarbonate datapages for Australian passports over the remaining four years of the existing contract. In recognition of the capital expenditure by De La Rue, NPA offered to extend the contract for the sole-source supply of the polycarbonate datapages by a further five years, so that this is now secured until 2032. We announced this publicly in September 2022.

Having established the customer's requirements, we worked with the suppliers of the key equipment we needed to install and selected our Malta site, where the first production line is located, as the best home for this. We worked in partnership with Malta Enterprise, one of our key stakeholders, as well as our existing employees and the local contractors who installed and commissioned the new production line.

The new production line became fully operational in May 2023. The benefits of this investment will be enhanced revenue, operating profits and cash flow from FY24 onwards, to the benefit of the Company's investors, lenders and the pension scheme, as a major creditor. It should also provide job security for our workforce in Malta and work for the suppliers of the raw materials and other consumables used in the production of the datapages, which includes embedded silicon chips sourced from a number of suppliers. The ultimate beneficiary of this investment will be Australian citizens looking to obtain new or replacement passports.

For more information see page 11.

Case study: Currency
Exit from the Portals Relationship Agreement

A decision with financial benefits in *the short term and long term*

In July 2022 we announced that we had successfully negotiated the termination of the long term Relationship Agreement (RA) with Portals Paper. We entered into the RA when we disposed of that business in 2018 and it committed the Group to purchase fixed minimum volumes of security paper, for Currency banknote printing, until 2028. We paid £16.7m to exit the RA, which relieved De La Rue of the obligation to pay £119m, in addition to the cost of the paper we purchased, over the remaining term of the contract.

We worked with the owners of Portals Paper, Epiris, who treated the termination of the RA as a catalyst for the closure of Portals' main production site at Overton, Hampshire.

The Board identified a number of stakeholders in this process. These included third party paper suppliers (who had to be able to meet our needs) and our customers (whose acceptance of paper sourced from those suppliers was critically important).

Other key considerations were the financial interests of our shareholders and our lending banks in funding the settlement payments and avoiding the future liabilities to which we were otherwise committed.

To date, we have achieved savings in the cost of paper for banknote printing by running competitive international tenders, with a range of suppliers pre-qualified and acceptable to our customers.

We have successfully protected the long term interests of our financial stakeholders (investors, lenders and the pension scheme, as a major creditor) by achieving these savings and avoiding the fixed payments that would otherwise have been owed to Portals.

For more information see page 12.

Responsible business report

Our Authentication and Currency divisions enable our customers to deliver sustainable services underpinning the integrity of economies and trade. To achieve our overarching purpose of securing trust between people, businesses and governments, it is crucial that we uphold the highest environmental, social, human rights, ethical and governance standards in the way we conduct our business.

Our commitments

Environment

- We are committed to leading the industry on environmental sustainability, and achieving carbon neutrality for our own operations by 2030.
- To minimise the impact of our operations on the environment we set clear environmental goals.

Find out more on page 26.

People

- We treat everyone in an ethical and respectful way, promoting an inclusive culture that values diversity, and protecting human rights both within our business and in our wider supply chain.
- We prioritise the health, safety and wellbeing of our people
- We work hard to maintain regular engagement with our stakeholders including investors, customers, suppliers, and the communities in which we work.

Find out more on page 37.

Business standards

- Our Code of Business Principles sets out core principles which define the way we behave and work daily.
- Our governance system helps us deliver on our responsibilities to stakeholders through the operation of robust policies, processes and monitoring systems.

Find out more on page 43.

This responsible business report outlines some of the ways we are fulfilling these commitments, upholding the principles of the UN Global Compact, and contributing to the UN Sustainable Development Goals. Further information demonstrating how Environmental, Social and Governance (ESG) considerations are embedded in our performance and strategy to support the long term interests of the business and its stakeholders can be found throughout the annual report and on our website www.delarue.com.

WE SUPPORT

UN GLOBAL COMPACT

'De La Rue has been a participant in the UN Global Compact since 2016 and remains committed to the initiative.'

Clive Vacher
CEO

FTSE4Good

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

Governance and management

The Board has oversight of all our ESG initiatives through regular reporting, both on a standalone basis and as part of wider strategic initiatives. Kevin Loosemore was the nominated Non-Executive Director with overall responsibility for our sustainability strategy until his resignation from the Board effective 1 May 2023. Clive Whiley will have responsibility for our sustainability strategy in the future. Governance of ESG-related matters is embedded within our existing Board and committee structure. See page 75 for an overview of this structure. The Executive Leadership Team (ELT) plays a key role, with responsibility for strategy implementation, setting targets, ensuring ongoing monitoring of performance and that ESG issues are an integral part of day-to-day business decision making.

For further information about environmental governance, see page 32.

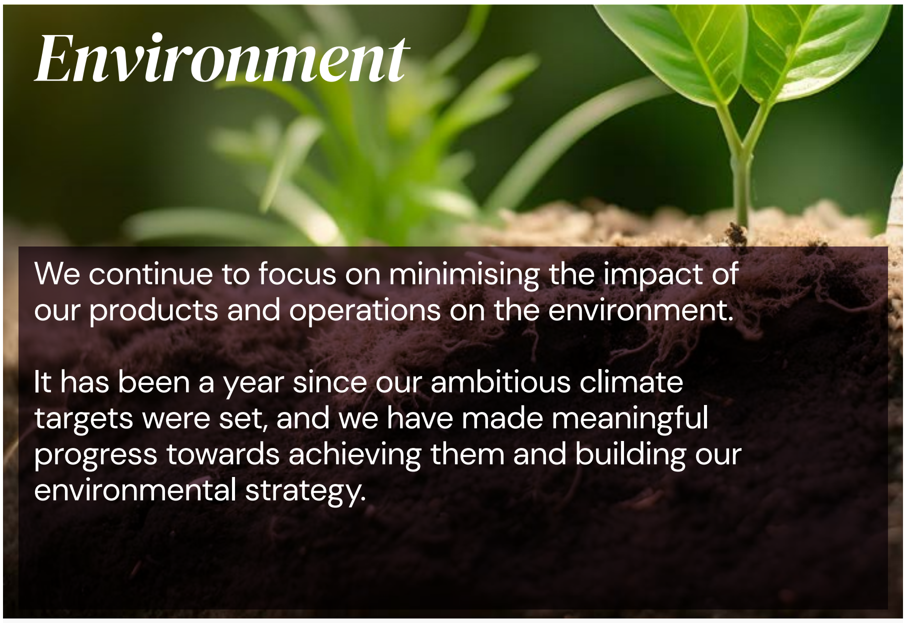
United Nations Sustainable Development Goals

We believe that, in delivering our purpose of securing trust between people, businesses and government, and adopting internal polices and processes which have a positive impact on our stakeholders, we make a significant contribution to the following of the 17 United Nations Sustainable Development Goals:

UN SDG	*How De La Rue contributes*
1 NO POVERTY	Our highly secure physical and digital solutions underpin the integrity of economies and trade. Our Currency products and services enable all citizens, including those with little or no access to the banking system, to participate in the global economy. Protecting government revenues supports the provision of health, education and infrastructure to alleviate poverty. See pages 5, 6 and 17 for further information about our impact.
3 GOOD HEALTH AND WELL-BEING	Our Authentication products help to tackle illicit trade, protecting populations from counterfeit goods, including medicines, food and drink which may be harmful to health. Through our track and trace solutions we directly contribute to strengthening the implementation of the World Health Organization Framework Convention on Tobacco Control, a key target of SDG3. See pages 6 and 17 for further information about our impact.
5 GENDER EQUALITY	We are proud of our diversity, equity and inclusion programme and have a gender target for our management population which is a KPI. We participated in the UN Global Compact Target Gender Equality initiative and report and publish information in line with our obligations under the UK Equality Act (Gender Pay Gap Information) Regulations. See pages 37, 38 and 49 for further information about our impact.
8 DECENT WORK AND ECONOMIC GROWTH	We work with governments to secure trust and build strong economies by providing solutions which underpin the integrity of economies and trade. We protect labour rights and promote safe and secure working environments for our workers and expect our suppliers to do the same. See pages 5, 6, 37 and 40 for further information about our impact.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	We are committed to leading our industry in sustainability, working on the sustainability credentials of our products through their lifecycle and investing in recycling and waste management initiatives and carbon footprint models. We participate annually in the CDP (formerly known as the Carbon Disclosure Project), have SBTi targets approved, and support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). See pages 26 and 34 for further information about our impact.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Our GRS and brand protection solutions prevent counterfeiting and illicit trade, contributing to combatting organised crime. The provision of secure components for identity documents, including holograms and polycarbonate datapages, supports the target under this SDG to provide legal identity for all. See pages 6 and 17 for further information about our impact.
17 PARTNERSHIPS FOR THE GOALS	By delivering on our purpose and working closely with governments, central banks and commercial organisations, we provide products which improve economies, particularly amongst developing countries. See pages 5 and 6 for further information about our impact.

We also make a positive contribution to the following SDGs:

4 QUALITY EDUCATION
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
13 CLIMATE ACTION



Environment

We continue to focus on minimising the impact of our products and operations on the environment.

It has been a year since our ambitious climate targets were set, and we have made meaningful progress towards achieving them and building our environmental strategy.

Climate change is a material environmental issue for De La Rue. Credible low carbon strategies require science-based emission reduction pathways, and the Science Based Targets Initiative (SBTi) has approved our near term science-based emissions reduction target. In line with the target level of the Paris Agreement of keeping global temperature increases below 1.5°C, De La Rue commits to reduce our absolute Scope 1 and 2 GHG emissions by 46.2% by FY30 from a FY20 base year. We also commit to reducing our absolute Scope 3 GHG emissions by 46.2% within the same timeframe. We are committed to consistency and transparency, and review our targets. If necessary we will recalculate and revalidate the targets in line with SBTi policy.

We recognise the importance of carbon offsets and therefore we pledged in FY23 to become carbon neutral by 2030 for Scope 1 and Scope 2 emissions through a phased offsetting programme. This will complement our decarbonisation journey and support increased investment in the world's carbon sinks. De La Rue will only invest in carbon offset credits which at a minimum will be purchased from projects aligned with PAS 2060, a recognised carbon neutrality standard. Projects will be procured from retailers with due accreditation – i.e. Quality Assurance Standard (QAS) – to ensure due and timely credit retirements are made and independently audited.

De La Rue captures and addresses environmental initiatives through our Transform Sustainability programme, which identifies, assesses and manages environmental initiatives throughout the Group. This includes progress against our climate targets, and initiatives on other material topics including energy, waste, single-use plastics and sustainable procurement. We regularly review our environmental initiatives to ensure we are addressing the most material issues to the business. There were no significant environmental incidents during the year. Material issues are those that are considered as a principal risk to the business, such as Sustainability and Climate Change, as it could affect our business performance. In addition, issues are considered material if they are important to our key stakeholders, our partners, our customers, and our suppliers and people.

We actively contribute to the International Currency Association's Sustainability Charter and are a member of their Sustainability Committee. In terms of external assurance, the business has a Group Environmental Management System that is certified to ISO 14001, a standard first achieved by the business over 16 years ago, which is externally audited by Lloyd's Register Quality Assurance. We also carry out internal group audits against the requirements of our corporate environmental standards.

CDP SUPPLIER ENGAGEMENT LEADER 2022

CDP (formerly Carbon Disclosure Project)

We have been disclosing to the CDP since 2010 and publicly since 2013. We are proud of the progress we have made: following our 2022 submission we achieved a score of A for supplier engagement on climate change and maintained our overall B climate change score. In 2022 we also made our first water security submission, achieving a C rating. Our aim is to continue to improve on our climate change practices as we transition to a low carbon economy.

Our material issues

Impact of products: We evaluate the impact of our products throughout their lifecycle and therefore we will continue to invest in and develop our product lifecycle assessment (LCA) models and continue to reduce our emissions.

Water consumption: We understand the importance of sustainable consumption and have monitored and reduced our water consumption throughout the years. We are on track to hit our 2% per year water reduction target for FY24.

Waste management: We are building responsible waste management practices throughout the Group. We will always look for the most sustainable end of life treatment for our waste and we have a zero waste to landfill by 2030 target.

Energy: We are investing in energy efficiency and renewable energy is key to environmental and business targets. We look to increase the proportion of energy supplied from renewable sources and further develop energy reduction schemes.

Single-use plastics: We are ensuring the packaging we use for our products is sustainable and aligned with our responsible consumption practices.

Risks and opportunities

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

Significant environmental risks are identified through the Group Risk Register which covers Group strategic risks and site tactical risks. The register is reviewed at the Group Health, Safety and Sustainability Committee (GHSSC) twice-yearly and on a quarterly basis at the Risk Committee (RC). It is evaluated using our risk matrix as outlined on page 56.

Sustainability and Climate change has been a principal risk for the business since FY21. Climate-related risks and opportunities are therefore reviewed by the GHSSC and the RC and integrated into our enterprise risk management. The process for assessing and identifying climate-related risks is the same for all principal risks and is described on page 56. We have carried out Climate Scenario Analysis (CSA) to understand the potential financial impact of climate-related risks and inform our strategy and financial planning in alignment with the TCFD recommendations. Further information on CSA and identified risks and opportunities can be found on pages 32 to 34.

Environment continued

Greenhouse gas emissions

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

	FY23			FY22			FY21		
	UK and offshore	Global*		UK and offshore	Global*		UK and offshore	Global*	
Type of emissions	tCO_2e		% of total	tCO_2e		% of total	tCO_2e		% of total
Direct (Scope 1)	**6,820**	**430**	**2.9**	6,122	537	3.9	5,913	754	4.6
Indirect (Scope 2 – market-based)	**0**	**4,341**	**1.7**	0	6,111	3.6	328	8,009	5.7
Indirect (Scope 2 – location-based)	**3,191**	**8,128**		4,036	8,633		3,889	9,038	
Scope 1 & 2 (market-based)	**6,820**	**4,771**	**4.6**	6,122	6,648	7.4	6,241	8,763	
Indirect other (Scope 3)**	**241,863**		**95.4**	159,206		92.6	130,576		89.7
Purchased goods and services	**162,446**		**64.1**	106,573		62.0	101,742		69.9
Upstream transport and distribution	**55,333**		**21.8**	28,676		16.7	14,606		10.0
Capital goods	**10,160**		**4.0**	4,537		2.6	0		0.0
All other categories	**13,924**		**5.5**	19,420		11.3	14,228		9.8
Total gross emissions (market-based)	**253,454**		**100**	171,976		100	145,580		100
Intensity ratio Tonnes of gross CO_2e (market based) per £m turnover (Scope 1 & 2)	**33.1**			34.0			38.7		
Energy consumption used to calculate Scope 1 and 2 emissions/kWh	**35,092,849**	**23,189,524**		31,055,320	25,173,111		31,697,918	24,152,529	

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

Streamlined Emissions and Carbon Reporting

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

The Greenhouse Gas Protocol Corporate Standard methodology has been applied to calculate the GHG emissions associated to De La Rue's operational activities, along with the UK Government GHG Conversion Factors for Company Reporting 2022, IEA Emissions Factors and AIB6 Residual Mix Emissions Factors.

In FY23, De La Rue continued to procure 100% renewable electricity for all our UK facilities. In addition, we have purchased Guarantees of Origin (GoOs) to partially offset electricity consumption in Malta and I-RECs that ensured the Sri Lanka facility ran on 100% renewable electricity for FY23. In addition to this, the site at Westhoughton began to generate its own electricity through solar panels installed on the roof. Lastly, there were energy efficiency upgrades that took place on equipment at the Malta facility.

The emissions for previous years have been restated within this year's report. This is due to new evidence and historical data on process emissions becoming available. The methodology to account for this new information is aligned to the latest reporting requirements.

We reported an increase in Scope 1 emissions, primarily due to an operating inefficiency at our Westhoughton site which has now been isolated and is being rectified. In contrast, overseas facilities showed a reduction in Scope 1 emissions, which decreased by 20% compared to FY22. Investment in purchased renewable electricity overseas has also seen our Scope 2 emissions decreasing by 29% on a year-on-year basis. Despite an increase in our Scope 1 emissions this year, we are seeing a 37% decrease against our FY20 base year for our Scope 1 and 2 SBTi target. We have also seen a sustained reduction in the total Scope 1 and 2 (market-based) gross normalised emissions, which have seen a decrease of 2.8% from 34.04 to 33.10 tCO_2e per £m revenue in FY23 compared to FY22.

Scope 3 emissions account for over 95% of our total carbon footprint. The majority of these emissions arise from our Purchased Goods and Services accounting for roughly 64% of total emissions. Due to the current lack of visibility of supplier-specific emissions data, De La Rue uses a spend-based emissions factor method. In FY23, there was significant increase in spend-based emissions driven largely by a 43% increase in the average emission factors used for our supply chain. This has resulted in emissions in this category increasing by over 50% and contributing to a correlating rise in total Scope 3 emissions. As we improve on our sustainable procurement strategy and continue to lead engagement with our suppliers, including through EcoVadis, we envisage using supplier-specific emission factors for more reliable and accurate calculations. Furthermore, we were affected by global supply chain and transport disruptions which is why we see an increase in emissions for upstream distribution and transport.

De La Rue remains committed to our journey to decarbonise our operations. We have seen continual decreases in emissions for our operations (Scope 1 and 2) and we are working towards our goal of increasing visibility of our supply chain and beyond for more accurate and transparent disclosures. This year, De La Rue commissioned an independent third party limited verification of its direct (Scope 1) and market-based indirect (Scope 2) greenhouse gas emissions for FY22 aligned with the ISO 14064-3:2019 standard. This FY22 verification did not take into account the restatement made in this year's Annual Report but it will be in scope for the FY23 verification which will take place during FY24. In addition, as we look towards our goal of achieving carbon neutrality for Scope 1 and Scope 2 emissions by FY30, we have offset 30% of FY22's Scope 1 and 2 emissions in line with our phased offsetting programme.

Environment continued

Task Force on Climate-related Financial Disclosures (TCFD)

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

In meeting the requirements of Listing Rule 9.8.6.R we have concluded that we are aligned with recommended TCFD disclosures regarding governance, strategy, risk management and metrics and targets. We acknowledge that there is an ongoing action for De La Rue to improve on our alignment with the TCFD recommendations as we refine our approach on Climate Scenario Analysis (CSA), with a focus on delivering insight for our internal and external stakeholders. We aim to better integrate the financial impacts of climate-related risks and opportunities into future strategic reports.

TCFD at a glance

Pillar	Recommended Disclosures	Actions	Location in Annual Report	FY22	FY23	FY24
GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities.	Ensure governance structure is maintained.	page 75	A	A	M
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Executive targets to be aligned with carbon reduction targets.	page 119	A	A	C
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Annual review and further incorporation into business strategy.	page 32	P	A	C
	b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Quantify the impacts on our financial planning.	pages 33 and 34	P	A	C
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Develop robust scenario analyses to test the resilience of the business.	page 32	–	A	C

P Partially aligned
A Aligned
C Continuous improvement
M Maintain

Pillar	Recommended Disclosures	Actions	Location in Annual Report	FY22	FY23	FY24
RISK AND RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	Review process for identifying and managing climate-related risks.	page 33	A	A	C
	b) Describe the organisation's processes for managing climate-related risks.	Review our process for managing climate-related risks.	page 33	A	A	C
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Review our process for integrating climate-related risks.	pages 33 and 56	P	A	M
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Review and monitor targets.	pages 35 and 36	A	A	C
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Disclose and monitor our GHG commitments.	pages 28 and 29	A	A	C
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Review and monitor targets.	pages 35 and 36	A	A	C

Environment continued

Governance

The Board has overall accountability for the management of all risks and opportunities, including climate change. Further detail on our ESG and Risk Management governance structure can be found on pages 57 and 75. While the Board has overall accountability for climate change-related matters, our Chief Financial Officer and Executive Leadership Team member, Rob Harding, was responsible for oversight of our climate change agenda during the year under review. When Rob Harding leaves the business, Charles Andrews, Interim Chief Financial Officer will assume this responsibility. The Board delegates specific climate change matters to the following Board committees:

- Audit Committee: oversees the monitoring and reviewing of our internal control and risk management systems including a synopsis of material risks which include sustainability and climate change from the Risk Committee chair. This includes reviewing the scope and results of any internal and external assurance activities obtained over the disclosures (See page 89).
- Risk Committee: oversees the identification, evaluation and monitoring of climate-related risks. This includes reviewing the mitigations and controls relating to those risks (see page 97).
- Remuneration Committee: oversees the remuneration policy and supports the alignment of De La Rue's incentive plan to the sustainability agenda and ambitions (see page 102).

The Board is supported by the Executive Leadership Team (ELT) and the Group Health, Safety and Sustainability Committee (GHSSC). In FY23, the ELT discussed key strategic sustainability matters in their monthly meetings with sustainability subject matter experts invited to discuss progress against our climate targets and agenda. The GHSSC oversees progress against key sustainability obligations and targets including compliance.

Executive remuneration for the Executive Directors and senior executives reporting to the Chief Executive Officer, are set by the Remuneration Committee. Changes to the Annual Bonus Plan (ABP) in FY23, resulted in ESG metrics accounting for 0% of the weighting attached to the ABP. Further details can be found on the pages 105 and 119.

Strategy

Sustainability and climate change is one of our principal risks and therefore we consider it to have the potential to significantly affect our business and financial results. Climate related risks for De La Rue comprise physical risks arising from the effects of climate change and transition risks associated with the shift to a low carbon economy. The process for assessing and identifying climate-related risks is the same for all principal risks and is described on page 56. More details on the risks, opportunities and mitigating actions De La Rue is taking can be found on pages 33 to 34.

Scenario analysis:
In alignment with the TCFD recommendations, we have conducted qualitative scenario analyses using two scenarios, including a well-below 2°C. In developing the scenario analysis, we considered a well-below 2°C scenario by 2100 and a 4°C by 2100 scenario to map the potential financial impacts of climate change on our business using the International Energy Association (IEA) Net Zero Emissions by 2050 (NZE) and the UN's Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) 8.5, respectively. We used these two scenarios to model a simple and discrete narrative where a well-below 2°C would primarily model transition risks and a 4°C scenario physical risks, with no significant transition risks assumed. This approach was decided to be suitable for our first iteration of CSA, with an ongoing action to improve our scenario analyses and quantify financial impacts with greater clarity.

Well-below 2°C assumptions (NZE)	4°C assumptions (RCP 8.5)	General assumptions
– Rapid and persistent transition to a zero-carbon economy driven by strengthened policy, legislation and behaviour change – Universal global climate action cooperation	– Global demand for fossil fuels increases due to rising population and the growing middle class – Increased climate adaptation efforts required	– No De La Rue response – FY22 baseline for scenario analysis

Key risks and opportunities

In developing our scenario analysis, we took the two pathways and considered a range of risk and opportunity types using the TCFD framework. Risks were evaluated as transition (market, technology, policy and legal, reputation) and physical (acute and chronic). Opportunity types considered include resource efficiency, resilience and innovation. The scope of our assessment included our operations, our supply chain, our products and investment in research and development.

We have identified the risks and opportunities which we believe are significant and have the potential to impact our business financially. In alignment with our viability statement (see page 64) and due to the nature of climate risks we have considered the following time periods for our analyses – short term (within 3 years), medium term (between 3 to 10 years) and long term (greater than 10 years).

Below we have summarised our key climate-related risks and opportunities relevant to De La Rue's business and activities for both scenarios. All the risks noted below are applicable to both our divisions unless stated otherwise. These risks and opportunities were identified through group forums and discussions with De La Rue internal stakeholders and subject matter specialists. The impacts are not listed in order of significance, nor are they meant to be exhaustive. In disclosing the financial impact of risks and opportunities, any assessment is scenario based and thus should not be considered as a financial forecast.

Risks

Risk	Type of risk	Time period	Description and impact on De La Rue	De La Rue resilience
Embedding climate action and progress into strategy	Transition – Reputation	Short term	As a listed company, De La Rue could face reputational risks related to climate change from a variety of stakeholders. As ESG and in particular climate action become embedded within financial disclosures, a perceived lack of action could lead to divestment from De La Rue. Certain customers may choose to limit or stop work with the company if they perceive us as not adequately addressing climate change. This may have a resulting impact on revenue and brand perception. In addition, our ability to externally finance the company may be impacted.	De La Rue is well positioned to respond to this risk. With Sustainability and Climate Change as one of our principal risks, we have implemented several actions to build resilience including science-based targets. An opportunity arising from demonstrating our climate commitments is the ability to improve our brand image, attract a wider talent pool, and retain current employees.
Increased scrutiny on plastic (Currency)	Transition – Market	Medium term	There has been increased global focus on plastic and more specifically single-use plastics. A potential risk is the cross-over of lobbying action against polymer banknotes which is a core aspect of our business. This may result in a loss of orders and limited market interest which is likely to impact our revenue figures.	We consider ourselves to be very well positioned to respond to this risk. Polymer banknotes have been proven to have a lower carbon footprint compared to conventional paper banknotes and are also increasingly secure making them a desirable option for our customers. Furthermore, as a secure product, it is rare for banknotes to be discarded freely and as a polymer product, these banknotes have multiple recycling options. With each polymer banknote launch, De La Rue has worked with central banks and issuing authorities in developing public education programmes on the benefits of polymer banknotes. In a recent survey conducted by De La Rue, 82% of the world's polymer banknotes are recycled. To support our customers further, we have established a process for identifying end-of-life options to provide the most sustainable disposal route.

Environment continued

Risk	Type of risk	Time period	Description and impact on De La Rue	De La Rue resilience
Less visibility on future trends	Transition – Market	Medium term	A rapidly changing market which responds to new climate legislation and changes in consumer behaviour may lead a move to shorter term contracts or more stringent contractual provisions. As a result, De La Rue may lose its ability to predict cost models beyond a five year period as change requests may come more frequently. Decreased visibility of trends may also reduce our ability to respond to any changes to the production schedule which may lead to increased costs.	A significant proportion of our contracts are long term enabling us to predict cost models and reduce the impact of any short term contracts. In addition, we actively engage with our suppliers to ensure fair pricing in our contracts.
Cotton shortage (Currency)	Physical – Acute/ Chronic	Short term	De La Rue continues to promote the growth of polymer banknotes, however conventional paper banknotes are still a significant part of the business. The raw materials for paper banknotes come from cotton. Extreme weather and extended droughts are likely to have a significant effect on cotton production resulting in crop output decreases. This will increase the costs associated with purchasing cotton which is likely to affect De La Rue.	De La Rue has built relationships and engaged with multiple paper suppliers that are geographically diverse. This will help De La Rue to mitigate the impacts of cotton shortages.
Customer expectations for lower carbon intensive products	Transition – Market	Short term	As the world transitions to net zero, there will be increasing demand to lower the carbon intensity of products. This may lead to revenue loss as inaction could make De La Rue's products undesirable. In addition, slow action would require rapid investment which would lead to higher costs for De La Rue.	De La Rue's Transform Sustainability programme is aimed at reducing the environmental impact of our products (see page 26). In addition, our SBTi targets have increased focus on decarbonising the business and we are defining our strategy to transition into a low carbon future.

Opportunities

Opportunity type	Time period	Description
Products and services	Medium term	Reducing the carbon footprint of our products and activities will help De La Rue transition into the zero-carbon economy. For example, the switch to polymer from paper banknotes allowed De La Rue to offer a more environmentally friendly option. Polymer banknotes have been proven to have a longer lifecycle and are able to be recycled at end-of-life. By developing our product Life Cycle Assessments we are investing in an opportunity to understand the carbon impact of our products and subsequently to lower our footprint.
Resilience	Short/Medium term	Building resilience as we transition to the low carbon economy is vital. This is why De La Rue has submitted science-based targets to reduce our carbon footprint and lower our impact. We expect this will come with an associated cost and as such we are reviewing our trajectory and aligning it with our financial planning for FY24 and beyond.

Next steps

De La Rue has previously reported on our efforts to mitigate impacts of climate change on the business; however, this was our first attempt at evaluating our exposure to the impacts of climate change. For FY23 we used two distinct scenarios and completed a qualitative analysis to understand the potential impacts on our financial planning. In FY24 and beyond, we expect to review and build upon our analyses to better quantify the impacts of our significant climate related risks.

Risk management

The Risk and Risk Management section on pages 56 to 63 describes our risk framework and how we identify, assess and manage all principal risks. This includes sustainability and climate related risk which is mentioned on page 60.

Metrics and targets

Performance against FY23 climate objectives

Objective	Outcome
Submit our CDP response for FY22	Achieved. We submitted responses for Climate and Water questionnaires and scored B and C, respectively. In addition, we achieved a Supplier Engagement score of A.
Further alignment of risk management with TCFD recommendations	Achieved. We have completed a qualitative climate scenario analysis to support our risk management process and compliance with the TCFD recommendations.
Conduct a review on the impact of our facilities on biodiversity with internal ecological site surveys	Achieved. Our sites in Westhoughton and Malta have completed environmental surveys considering biodiversity. We look to build upon this further in FY24.
Complete initial review of plastics across sites	Achieved. We have begun the process of identifying the current gaps in our data collection and what we can do to improve.
Reduce absolute energy use by 3%	Not achieved. Unprecedented and greater than expected usage of natural gas at Westhoughton Sites 1 and 2 severely impacted our progress against this Scope 1 target and it was not achieved in FY23.
Reduce energy use per tonne of good output by 7.5%	Not achieved. This target was set prior to the beginning of the financial year. FY23 production volumes varied, decreasing our ability to operate efficiently, meaning that we did not achieve this target.
Reduce waste generated by good tonne of output by 5.5%	Not achieved. This target was set prior to the beginning of the financial year and production volumes varied meaning that we did not achieve this target in FY23. The destruction of secure waste delayed to after the pandemic also affected our ability to meet this target.

Environment continued

Ongoing climate objectives

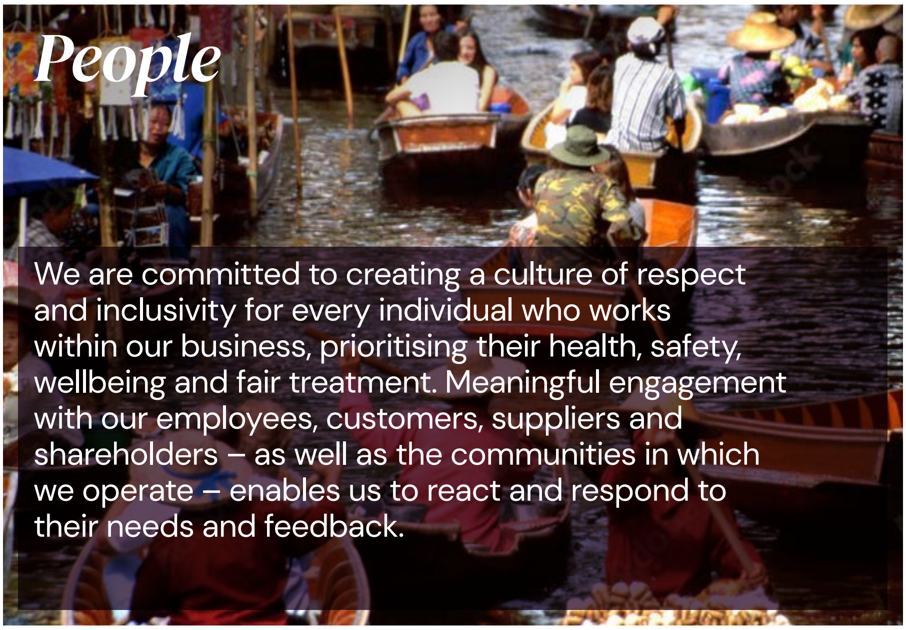
Our short and medium term climate metrics and targets are as follows:

Future goals	Target	Performance to date
Reducing the carbon impact from our operations and activities	SBTi near term targets, Scope 1, 2 & 3 -46.2% against FY20 base year by FY30	We have achieved a 37% reduction against our FY20 baseline for Scope 1 and 2 emissions putting us well on target to meet our goals in FY30. We saw an increase in Scope 3 emissions for FY23 against our baseline year, however, we are still within our allocated carbon budget to achieve our SBTi target, and we have identified pathways to have more accurate calculations of our Scope 3 impact.
	Reduce Scope 1 & Scope 2 by 23% against FY20 base year by FY26	We remain on track to achieve this target by FY26.
	Suppliers accounting for 80% of total procurement spend to be invited to complete/share an EcoVadis scorecard	Since launching our EcoVadis programme in FY22, suppliers accounting for 40% of our total spend have now shared or completed an assessment on EcoVadis. Through our ongoing EcoVadis programme, we are able to understand how our suppliers are engaging on key ESG topics.
Targeting energy efficiency and renewable energy within the business	Reduce absolute energy use by 20% FY26 vs FY20 base year	We have currently achieved an energy reduction of 6% against our FY20 base year.
	10% group power use from onsite renewable sources by FY27	We have installed solar panels at our Westhoughton site and we are looking to have solar installations in Malta and Sri Lanka.
Sustainable consumption and nature solutions	Reduce waste to landfill by 45% by FY26 against FY23 baseline. (Zero waste to landfill by 2030)	This goal was introduced during FY23 and we will report against our target from FY24 against an FY23 baseline.
	Solid waste tonnes per tonne of good output -3% by FY24 against FY23 performance	This goal was introduced during FY23 and we will report against our target from FY24 against an FY23 baseline.
	Reduce water consumption by 4% by FY24 against FY22 baseline	We have achieved a 2% reduction in FY23 against our FY22 baseline, and we consider ourselves on track to hit this target.

In FY23, De La Rue conducted a review of all our reporting performance indicators and targets to assess their suitability for the business. The targets for FY24 detailed in the table above align with what we consider our most material environmental issues: carbon, energy, waste and water management. We believe these targets will help build resilience as we transition towards a low carbon economy. Our GHG emissions including Scope 1, 2 and 3 emissions for FY23 can be found on page 28.

In addition, we plan to review our internal carbon tax for relevancy and better integration into our strategy. In FY23, De La Rue has used an internal carbon price of $50 per tonne of carbon which is primarily used to evaluate internal projects from a carbon perspective. Changes within the business and our carbon reduction targets warrant this review to inform future Group strategy.

We believe the targets we have set are correct for the Group and have captured the key strategic goals including reducing the carbon and environmental impact of our products. Regarding our long term carbon reduction target, we are aligning ourselves with achieving net zero by 2050, or before, in line with the UK Government. We continue to develop our pathways to achieve these goals.



People

We are committed to creating a culture of respect and inclusivity for every individual who works within our business, prioritising their health, safety, wellbeing and fair treatment. Meaningful engagement with our employees, customers, suppliers and shareholders – as well as the communities in which we operate – enables us to react and respond to their needs and feedback.

Human rights

De La Rue fully supports the principles set out in the UN Declaration of Human Rights and we have effective management systems in place to protect human rights. De La Rue has been a participant in the UN Global Compact (UNGC) since 2016 and is committed to its principles which include human rights and labour issues.

De La Rue's Human Rights Policy Statement, which is published on our website, confirms our commitment to fair pay and working conditions, freedom of association and collective bargaining, the elimination of forced, compulsory and child labour, health, safety and wellbeing, our expectations of our suppliers and ways to raise concerns.

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

Our Supplier Code of Conduct also covers human rights issues. See page 44 for further information.

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

Further information outlining our approach to specific human rights matters is detailed below.

Modern slavery

De La Rue directly employs c. 1,800 people and provides livelihoods to thousands more indirectly. We are committed to preventing slavery and human trafficking in our operations and in our supply chain. Our modern slavery statement, available on our website, details the preventative steps we take and how we comply with the UK Modern Slavery Act 2015. Online modern slavery training is mandated for relevant employees. Suppliers are obliged to abide by the United Nations Convention on the Rights of the Child and International Labour Conventions 138 and 182. Our supplier onboarding process considers modern slavery risk.

Diversity, equity and inclusion

Diversity, equity and inclusivity in the broadest sense remain a key focus at De La Rue. We continue to promote diversity in all respects through proactive initiatives including training, awareness and continued robust recruitment, succession and development practices. We are confident that this will help us to continue to make De La Rue a place where differences are embraced.

Our participation in the UN Global Compact (UNGC) Target Gender Equality initiative enabled us to self-assess our current practices and identify areas for improvement such as a review of some of our family-friendly policies and practices.

People continued

While legislation in many countries prevents us from asking candidates for diversity data, the UK data that we collect tells us we attract a broad range of people across different diversity types including age, ethnicity and beliefs and we continue to look for opportunities to improve our recruitment and retention practices.

Over the past 12 months, through our internal communications, we have been celebrating different cultural events around the world and asking employees to share their own stories and photos with us. For International Women's Day in March 2023 we asked employees to share stories of inspirational women in their lives. These included colleagues, friends and family.

Our refreshed company Values and Code of Business Principles emphasise the expected behaviours of our people managers, employees and partners in relation to creating an inclusive environment where everyone is treated with fairness and respect.

As at 25 March 2023 the male:female gender split across the organisation was 72/28 (versus a target of an average male/female ratio of 70/30 or better by FY23) and in management the split was 65/35 (against a target of 60/40). We continue to work on initiatives to support the achievement of our gender targets.

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

UK gender pay gap

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

Since 2017, any UK organisation that has 250 or more employees must publish and report specific figures about their gender pay gap on an annual basis.

The gender pay gap is the difference between the average earnings of men and women relative to men's earnings.

Since we began reporting in 2018, our gender pay gap has shown improvement each year in large part as a result of a greater number of promotions and appointments to managerial grades among women.

Our current gender pay gap report is based on a snapshot of data taken at 5 April 2022.

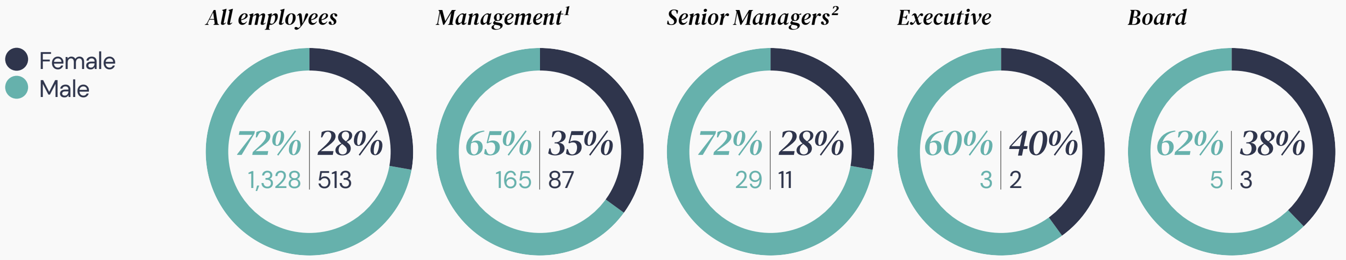
Further promotions within the managerial positions, for example senior managers to directors, have seen the gap close even further to its position in the latest snapshot of 3.1% (median), equivalent to women earning 97p for every £1 men earn, and 1.8% (mean). We believe that anywhere within the region of +/- 3% is a healthy number and will continue to monitor this. The manufacturing industry gender pay gap in 2021 was 11.7% (median) and 8.1% (mean) so it is most encouraging that the wider industry is also moving in the right direction.

We remain proud that our data, as at April 2022, continues to be significantly better than the average.

The full report can be found on our website, www.delarue.com

A full breakdown of our workforce by gender can be found below.

Gender diversity statistics at 25 March 2023



Notes:
1. All managerial employees including senior managers but excluding executives.
2. Includes executive management.

Employee engagement and culture

We recognise the importance of regularly engaging with our employees and particularly during periods of change. We share regular communications at group, divisional and site level and provide many opportunities for employees to give us feedback and ask questions.

Many of our sites run local employee groups to talk about what matters to them and organise staff events. Examples of this include an Employee Involvement Group in our Debden, UK site who have been discussing wellbeing; and the ACE (Activities, Culture and Engagement) team in Logan, USA who organise charitable collections and seasonal events. Our Malta site also has a well-established employee-led Sports and Social Committee who meet regularly to plan social activities.

During the year Catherine Ashton took over from Maria Da Cunha as our Non-executive Director responsible for workforce engagement and attended 'Employee Voice' meetings held at our Westhoughton and Basingstoke sites to find out first-hand what it is like to work at De La Rue and what our employees think is working well and what can be improved.

Our UK National Employee Forum and European Employee Forum meet regularly with senior leaders to discuss company matters. They represent the views of all employees, whether covered by a collective bargaining agreement or not. All available executives and a Board member attended the Forums' joint annual meeting in June and December 2022, and feedback from our employee representatives who attend the meeting is consistently positive.

We are extremely grateful to all our employees and in particular our representatives who give up their time alongside their day jobs to show their commitment to constructive engagement.

In January 2023 we refreshed our Values to better reflect our organisation and culture. These Values are a framework of common behaviours that underpin how we work with each other and with our external stakeholders. They help us make the right decisions in the right way and set out how we expect everyone to behave, providing stability, particularly during periods of change.

We recognise that our line managers have additional responsibilities to their team and to the business. We have therefore developed our People Managers' Charter that we expect every manager to abide by to build strong and successful teams and outcomes.

Employees and people managers will be invited to attend workshops to explore what the Values and Charter mean to them. The Values and Charter have been incorporated into our policies and processes such as our employee induction, our performance management standards and our new Code of Business Principles.

Our Values

Trust & Transparency
We deliver on our promises to each other, our customers and shareholders. We are honest and transparent and always act with integrity.

Customer Focus
We seek to understand the needs of our customer be that internal or external, through insight and data. We challenge the speed of delivery and quality of output to exceed their expectation.

Collaboration
We are inclusive and embrace differences, working together to deliver results through our collective knowledge.

Challenge
We challenge ourselves and each other to deliver the best results we can to continuously improve and to learn from our mistakes. We are courageous and don't shy away from difficult situations.

Problem Solving & Innovation
We create solutions that solve real challenges by applying new thinking and concepts for both ourselves and our customers.

Our refreshed values reflect our organisation and culture.

People continued

Health, safety and wellbeing

Occupational health and safety

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

All significant incidents are reported to the executive leadership team on a monthly basis to support and agree any corrective actions required. During the year we have had major development and change projects ongoing at Westhoughton, Malta and Gateshead and we have had no significant incidents resulting in harm (injury or ill-health) to our employees.

Performance against FY23 health and safety objectives

Objective	Outcome
Zero lost time to accidental injuries and a lost time injury frequency rate (LTIFR) per 200,000 worked hours of ≤0.32 over 12 months.	Achieved. Our end of year LTIFR rate outcome is 0.30; globally we had six lost time accidents of which two were government reportable. Severity of these lost time accidents was reduced compared to the previous year.
Ensure that ≥80% of all operational line managers and process leaders are trained to IOSH Managing Safely level, or an equivalent or higher qualification within 12 weeks of starting a new role.	Achieved. Despite many operational changes the percentage of managers and process leaders trained or holding certified qualifications has averaged 85% within 12 weeks. The exception was our Sri Lanka site due to ongoing Covid travel restrictions.
Increase the number of reported near miss/my safety concerns and achieve a five day closure rate of ≥85% at all facilities.	Achieved. There has been a 5% increase in near miss reports per employee per year. The near miss closure rate has exceeded 90% on average over the full year.
Achieve a ≥90% compliance to our area Safe, Secure and Sustainable inspection programmes.	Not achieved. Compliance to this programme has run at an average of 85% over the year due to a significant number of operational changes and various headcount reductions.
Continue to increase the volume, quality and variety of online health and safety training available for employees and reintroduce some face-to-face training post Covid-19.	Achieved. We have increased the breadth of online H&S training available to our employees and added some further environmental modules to our Venture in-house training platform. We have also increased our face-to-face HSE training post Covid-19.
Achieve good HSE training delivery performance of over ≥1,700 8hr person days per year.	Achieved. We have achieved this HSE training target (1,742) without factoring in employee headcount reductions.

FY24 health and safety objectives

Objective
Zero lost time accidental injuries and to achieve a lost time injury frequency rate (LTIFR) per 200,000 worked hours ≤50% below the UK Labour Force Survey average calculated LTIFR rate.
Maintain our operational manager and supervisor IOSH Managing Safely (or equivalent or higher qualification) training at over 80% within 12 weeks of starting a new role.
Increase our near miss/my safety concern reporting to an average of at least 1.4 near misses per employee, with a five day closure rate of ≥85% at all facilities.
Conduct a review of our safe, secure, and sustainable inspection programmes with a view to achieving ≥87% compliance at all sites.
Track our HSE person days of training to ensure we achieve ≥90% of employee end of year headcount in a year of further change, with a strong focus on environmental training.

Wellbeing

Wellbeing support is widely available in all our sites and we monitor and compare what we offer to ensure levels of support are comparable.

In the past year across different countries we have provided information and support on a broad range of topics including men's and women's health, musculoskeletal health, neurodiversity and financial wellbeing.

We offer free services such as flu vaccines, health check ups and access to GP and occupational health services as well as comprehensive Employee Assistance Programmes.

Where possible, we have retained hybrid working to give employees flexibility to their working hours and location and have also started bringing people together face to face to collaborate and create a sense of community.

All our sites have accredited Mental Health First Aiders (or equivalent, where this exists) and we ensure they receive regular training and support.

Training and development

We provide all employees with access to our Learning Management System (LMS) covering an array of learning and development materials. This gives employees the opportunity to access content that aligns their learning styles and preferences. The content has recently been aligned to our company Values.

Some training modules are mandatory and, where required, the content is delivered face to face as well as on our LMS.

Employees and managers hold development conversations as part of our performance management process to agree what training is required and our in-house learning and development team can support these requests.

We continue to focus on virtual classroom delivery of workshops such as understanding self and leading with inclusion as well as storytelling.

We encourage the use of the apprenticeship levy for both continuous professional development and for building skills and capability across all sites in the UK, covering areas such as professional coaching, software development, finance, project management and IT.

We have recently launched a comprehensive training programme to support our people managers and leaders.

Working with our unions

We maintain strong and productive relationships with the unions in the countries where we have manufacturing operations and in FY23 we recognised the following unions: UNITE (UK), General Workers Union (Malta), Kenya Union of Printing, Publishing, Paper Manufacture, Pulp & Packaging Industries (Kenya) and De La Rue Branch – Internal Company Employees Union (Sri Lanka). Overall, around 62% of our employees globally are part of a collective agreement. During the year some of the key areas where we worked closely with our unions were:

- Consultation in our Gateshead, Debden and Westhoughton sites to reduce headcount and align shift patterns to meet changing business requirements reflecting external market demand.
- Consultation in our Kenya site to reduce operational activity and headcount in line with market demand.
- Commencing negotiations in relation to a revised collective bargaining agreement in Sri Lanka and Malta.
- Attendance from UNITE UK and General Workers Union external officials at our annual UK and European Employee Forum.

Raising concerns

We encourage our employees to speak up about any concerns regarding behaviours or business practices. Internal reporting via line managers, senior management, Ethics Champions or our Human Resource teams are encouraged, but our CodeLine whistleblowing service, operated by an independent third party, is available for all employees to use and gives them the opportunity to report anonymously. Regular communications are issued regarding the importance of speaking up about ethical issues and how to do so, as well as ensuring posters are on display at sites to ensure awareness of the service is maintained. Further information about the service can be found in the Ethics Committee report on page 99.

External stakeholder engagement

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

Investors

The Board values the importance of building strong relationships with shareholders and other investors. A planned roadshow following full and half year results where the CEO and CFO meet significant shareholders is supplemented by a range of other meetings and calls. The last planned roadshow which took place following the announcement of half year results in November 2022 included meetings with a number of active managers, together holding 62% of the share register.

Further detail can be found in the Section 172 statement on pages 21 to 23 and in the Corporate Governance report on page 79.

People continued

Customers
De La Rue maintains close contacts with many of our business, government and central bank customers, frequently updating them on our latest news, developments and initiatives. Our in-person interactions are supported by digital marketing activities that enable interactions via social media, emails and the delarue.com website.

A multi-tiered approach is taken towards customer needs. Macro-level analysis (e.g. PESTLE – political, economic, social, technology, legal, environmental – analysis of our markets) supports some customer conversations (e.g. future of banknote demand). Structured surveys, such as net promoter score, and voice-of-the-customer interviews are carried out, feeding into Market Requirements Documents and product portfolio considerations. Account management and support team feedback is also regularly captured and used across the business.

The various interactions happen virtually, via territory visits, via visits to De La Rue sites and at a range of conferences. This includes our own events, for instance De La Rue recently hosted central banks from Africa, the Middle East, Central America, Central Asia and Europe at a two-day event to open the new polymer line in our Westhoughton site. In Authentication the inside sales team engages with our loyal, existing customer base on a weekly/monthly/quarterly basis as appropriate to ensure they are receiving the right support, they know who to speak to and they are aware of De La Rue's solutions.

Suppliers
We have been working in close partnership with our key suppliers, including work with our new portfolio of banknote paper suppliers, to mitigate and manage the impact of the current global supply chain challenges and inflationary headwinds associated with the global cost of energy, oil and oil derivatives, and supply disruptions following the pandemic and the impact of the war in Ukraine.

We have continued with our Scope 3 analysis work, recognising this significant carbon impact, and are currently engaging with a range of our key suppliers who collectively account for 80% of our total procurement spend across the business. During the year we launched the Ecovadis programme and have invited more than 50 suppliers to participate in the assessment programme. This will enable us to drive both improved understanding and visibility of our suppliers' ESG impacts and sustainability improvements across our supply chain. We look forward to widening this approach to all of our key suppliers during FY24.

The progress of our work with suppliers on ESG through these initiatives has resulted in De La Rue achieving an A score (the highest score available) in the CDP Supplier Engagement Rating, putting us in the top 8% for supplier engagement on climate change.

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

In addition to ongoing support for several educational initiatives, examples of charitable activities around our sites during the year included:

- Our Malta site launched a collaboration with the Foodbank Lifeline Foundation that assists people who find themselves in financial difficulty by giving them a supply of staple food items. The site also participated in an event to support cancer charities.
- Colleagues in our Logan site in Utah, USA collected around 30 warm coats which were donated to a charity that supports abuse prevention.
- In our head office in Basingstoke UK we organised a fundraising event for the national cancer support charity, Macmillan and held a Christmas Jumper Day in aid of Save The Children charity. We also supported a local primary school for children with special needs and provided each pupil with a Christmas gift.




Images of some of the charitable activities undertaken by colleagues during the year.

Business standards

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

De La Rue's ethical framework

The graphic below summarises our ethical governance framework.

Code of Business Principles	Supporting policies	Processes
Our people Health, safety and wellbeing Fairness and respect Human rights and modern slavery	Inclusivity Modern Slavery and human trafficking Stress management Human rights policy statement Group HSE Sustainability policy Occupational Health and Safety manual	Global health and safety standards and monthly reporting ISO management systems Safe and Secure audits Grievance and disciplinary processes
Our business standards Environmental sustainability Bribery and corruption Gifts and hospitality Fair competition Conflicts of interest Fraud, tax evasion and money laundering Sanctions	Anti-bribery and corruption Competition and anti-trust Conflicts of interest Recruitment of PEPs Prevention of tax evasion Gifts and hospitality Supplier Code of Conduct Fraud Group HSE Sustainability policy and EMS manual Sanctions Expenses Charitable giving	Gifts register Expenses vetting Third party onboarding processes Legal department guidelines Environmental reporting Global environmental standards ISO management systems
Our information Records and reports Protecting personal information Confidential information and information security Market abuse and insider trading	Acceptable use of Information systems Data protection Document retention Group Baseline Security Manual Confidential Information and Dealing Operational Delegation of Authority Securities Dealing Code Social Media	Compliance declarations Separation of duties External Monitoring Procedures for managing confidential & inside information Controls over share dealing Data protection annual returns

Oversight, control and communication

Training & induction
Benchmarking
CodeLine
ISO certifications
Specialist audits
BnEI accreditation
Internal audit
External audit
Risk reviews
UN Global Compact
SharePoint intranet
Employee surveys
Ethics Committee
Sanctions Board

Business standards continued

The Board encourages a culture of strong governance across the business. Our ethical credentials are monitored by the Ethics Committee, via formal internal and external audits and senior management review forums. In addition to the governance activities described earlier in this responsible business report, further details about the activities of the Board and its Committees can be found in the Corporate Governance section of this Annual Report on pages 74 to 127.

Code of Business Principles

In January 2023 we launched our new Code of Business Principles, bringing our guidance up to date to reflect legislation and current best practice. The Code is available in English, Maltese and Sinhala to ensure accessibility for all colleagues.

The new Code is divided into three sections: Our People, Our Business Standards and Our Information. Further details about the subject areas covered in each section are shown in the graphic on page 43. The Code includes an ethical decision guide, scenarios based on each subject covered, and details on how to raise ethical concerns.

Every employee is required to either attend a training session in person or complete an online training module and confirm that they understand and will adhere to the Code and will speak up if they become aware of any breaches. Our people managers are asked to complete a version of the online training which highlights their enhanced responsibilities under the Code.

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

Ethics champions

The Group's network of Ethics Champions ensures that each site has local support and representation for Code of Business Principles matters and continues to play an integral part in ensuring that strong ethical values are embedded across the business. All new Ethics Champions receive one-to one training. Ethics Champions have been involved with the rollout of the new Code of Business Principles and, where possible, are involved with employee inductions to ensure new starters know who they can approach with questions around ethical practices.

Anti-bribery and corruption

We have a zero tolerance policy on bribery and corruption and have implemented a robust framework of polices and processes to prevent our employees, contractors, third party partners, consultants and other representatives from engaging in bribery or other corrupt practices. All employees are made aware of our stance through their acknowledgement of our Code of Business Principles and those in roles which may have a higher potential exposure to bribery and corruption risk are required to complete detailed mandatory online training every two years.

During the year, an anti-bribery management system review board was established. This forum is attended by senior managers from enabling functions and the divisions and its role is to monitor the continuing suitability, adequacy and effectiveness of the management system. The activities of this forum are reported to the Ethics Committee.

We have a clear approval process for gifts, entertainment and hospitality offered by or given to our employees. All employees are required to comply with the gifts and hospitality policy which requires all gifts, entertainment and hospitality above a nominal value which are given or received to be recorded on a central gift register. This register is regularly reviewed by executive management. Colleagues who have regular contact with customers and suppliers are asked to acknowledge annually their understanding of and adherence to our gifts and hospitality policy.

Third party partner sales consultants (TPPs) and suppliers

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

Our Supplier Code of Conduct clearly sets out the ethical standards to which we expect our suppliers to adhere, including in relation to bribery and corruption and human rights. Further progress has been made with the rollout of our online onboarding system for new suppliers and the cyclical screening of existing suppliers.

During the year an ethical risk assessment and management process was developed and is applied to all key suppliers. A supplier ethics forum comprising representatives from divisional and group procurement teams and the ethics team has been established and meets bi-monthly to discuss any ongoing or emerging issues, and to ensure that any risks or issues, once flagged, are escalated and resolved to our satisfaction.

Training

Regular, relevant and focused training is important to support high standards of business behaviours. During the period, in addition to training on our new Code of Business Principles mentioned above, we continued our mandatory online training programme, allocating anti-bribery and corruption, competition law, modern slavery, sanctions, and gifts and hospitality training to new joiners in relevant roles. The Ethics Committee reviews compliance training completion information.

Tax transparency

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

Cyber security and data privacy

De La Rue takes the protection and security of its internal and customer information very seriously; the information security and assurance team who perform the internal governance and audit function have a separate reporting line to both the customer and corporate IT teams to ensure there is no conflict of interest and clear segregation of duties. Further information can be found in the Risk and Risk Management report on page 56.

Following a review by external experts, De La Rue's data protection policies, procedures and documents have been enhanced to bring them in line with best practice.

Accreditations and certifications

De La Rue is an accredited member of the Banknote Ethics Initiative (BnEI), which was established to promote ethical business practice in the banknote industry. The initiative sets out a robust framework for promoting high ethical standards with a focus on the prevention of corruption and on compliance with anti-trust law. Members are required to commit to the Code of Ethical Business Practice developed in partnership with the Institute of Business Ethics. Compliance with the code is subject to an external independent audit every three years which rigorously tests anti-bribery and anti-trust processes, procedures and controls against an audit framework. De La Rue is accredited at Level 1, the highest level.

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

Non-financial information statement

This section (pages 24 to 45) provides information as required by regulation in relation to:

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

Other related information can be found as follows:

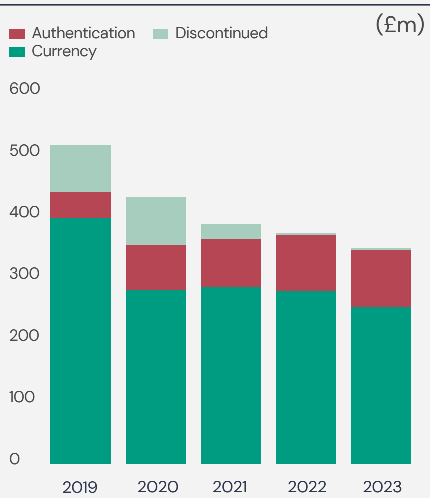
- Our business model
  Pages 16 to 17
- Key performance indicators
  Pages 46 to 49
- Non-financial key performance indicators
  Page 49
- Risk and risk management
  Pages 56 to 63
- Corporate governance
  Pages 75 to 76 and 78 to 79
- Ethics Committee
  Pages 99 to 100
- Directors' report
  Page 128

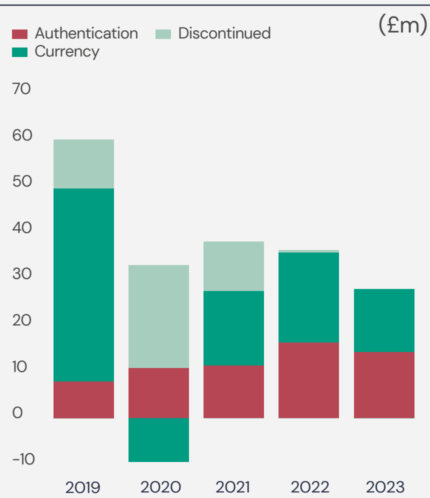
Key performance indicators

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

	Revenue	***Adjusted operating profit***
	Link to our strategic pillars	Link to our strategic pillars
	Link to remuneration	Link to remuneration R
Definition	We measure IFRS revenue from each division, less, in FY21 and before, 'pass through' revenue relating to non-novated contracts following the sales of certain historic businesses.	IFRS operating profit, less exceptional items and amortisation on acquired businesses.
Why it is important	Increasing revenue is the bedrock upon which the business is able to grow	This key performance measure of profitability is followed closely both within the business and externally.
Performance	Revenue in Authentication rose marginally as additional GRS contracts came online and sales of datapages for Australian passports offset weaker Brand sales. Currency revenues fell by 9.4% as the impact of weak market demand was felt	Adjusted operating profit fell 24.2% in FY23, driven by lower revenue in Currency, a sales mix which had an adverse impact on margin and inflationary pressures which were partially, but not completely, offset by cost savings.

Historic performance





Our strategic pillars

- Grow repeatable business
- Drive efficient operations
- Invest for the future

R Find out more in Remuneration

Adjusted EBITDA and free cash flow

Link to our strategic pillars

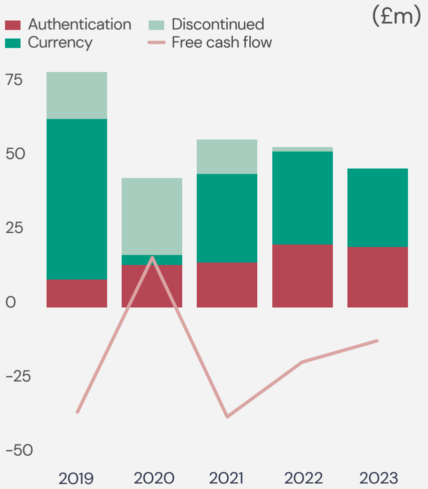
Link to remuneration

R

Adjusted EBITDA is operating profit less exceptional items, depreciation and amortisation. Free cash flow is net cash flow before financing activities, plus interest paid, lease payments and dividends paid to minorities.

Adjusted EBITDA gives an indication of how much cash the Group is generating from operations. Free cash flow shows how much cash is being generated for shareholders and is a metric used in assessment of our Performance Share Plan.

Group adjusted EBITDA fell by 13.3% in FY23. However the outflow of free cash slowed, from £18.6m in FY22 to £11.4m in FY23. The business generated cash at the operating cash level, but paid out £17.4m to cover exceptional costs, £16.5m of pension deficit repair contributions and £21.4m of capital expenditure.



Net debt/EBITDA covenant ratio

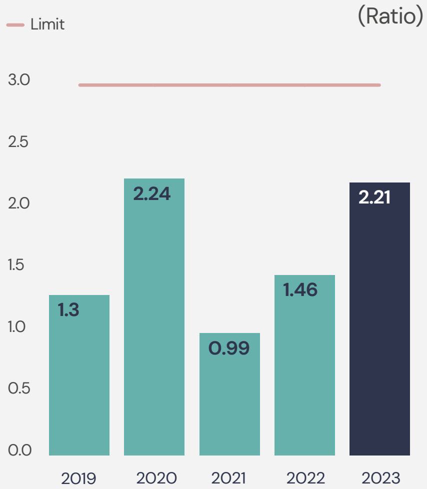
Link to our strategic pillars

Link to remuneration

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

Maintenance of this ratio below a certain level, for FY23 less than 3.0, is a key covenant within our historic banking agreements. This ratio has superseded EBITDA margin as a KPI as it is of more relevance in managing the business.

This covenant ratio was 2.21 at 25 March 2023, within the limit set out in our banking agreements. The ratio has increased this year given the increase in net debt and fall in EBITDA.



EBIT/net interest covenant ratio

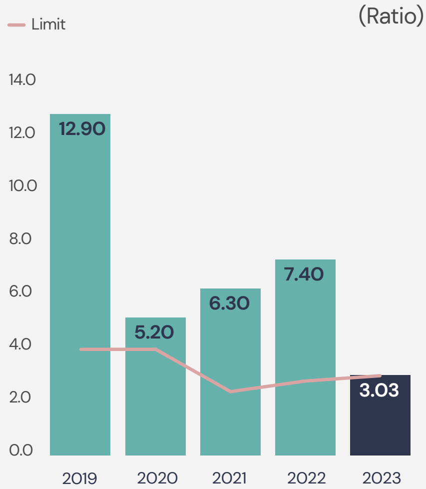
Link to our strategic pillars

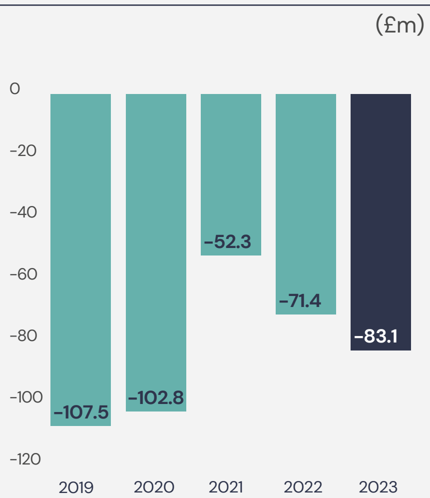
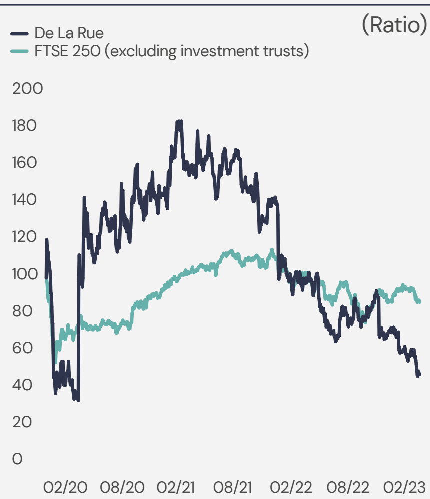
Link to remuneration

This is the ratio between adjusted EBIT and net interest payable, both adjusted in accordance with the definition of the covenant within our banking agreements.

Maintenance of this ratio above a certain level, for FY23 more than 3.0, is a key covenant within our historic banking agreements.

This covenant ratio was 3.03 at 25 March 2023, within the limit set out in our banking agreements. The fall in the ratio compared with prior year was mostly caused by the increase in interest payable, driven by the 450bp increase in Bank of England base rates over the period.

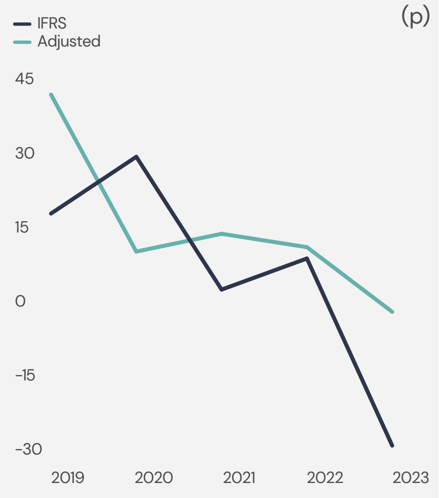


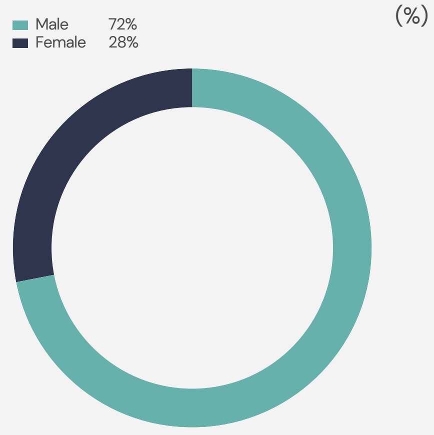
	Net debt	*Total shareholder return*
	Link to our strategic pillars Link to remuneration R	Link to our strategic pillars Link to remuneration R
Definition	The net of borrowings and cash and cash equivalents.	Total shareholder return of De La Rue shares compared with that of the FTSE 250 index. The graph below has been rebased to 100 at 24 February 2020, the day before the Turnaround Plan was announced.
Why it is important	This is a key measure of our indebtedness, monitored both internally and externally.	This is a performance measure under the Performance Share Plan.
Performance	Net debt increased by £11.7m in FY23, as there was an overall net cash outflow in the business as explained in the EBITDA KPI opposite.	Share performance over FY23 was adversely impacted by market reaction to the trading updates that took place before and during the year.
Historic performance		

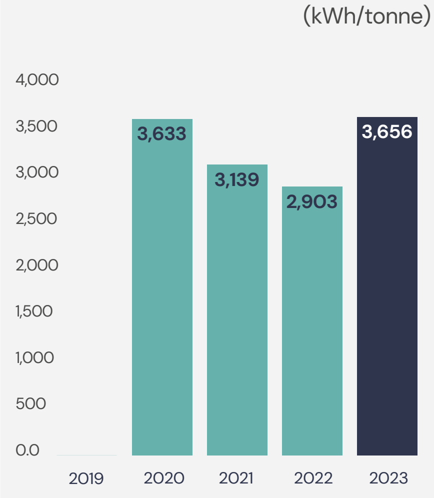
Our strategic pillars
- Grow repeatable business
- Drive efficient operations
- Invest for the future

R Find out more in Remuneration

Adjusted basic earnings per share	*Gender diversity in management*	*Energy used per tonne of good output*
Link to our strategic pillars Drive efficient operations	Link to our strategic pillars Invest for the future	Link to our strategic pillars Drive efficient operations, Invest for the future
Link to remuneration R	Link to remuneration	Link to remuneration
Adjusted basic earnings per share is calculated as the earnings attributable to equity shareholders excluding amortisation and exceptional items, divided by the average number of ordinary shares outstanding during the year.	We monitor our gender diversity among our management team, looking to reach 60/40 male/female split by FY23.	We measure our energy efficiency in terms of the energy used per tonne of good output, targeting a 7.5% fall this year.
This is a performance measure under the Performance Share Plan.	This is a key target that we set to encourage gender diversity at a senior level within the business.	We believe this is a representative indicator of the energy efficiency of our operations.
Adjusted basic EPS fell to a loss of 1.1p in FY23 due to a fall in adjusted operating profit and an increase in net finance expense as explained above.	We did not achieve our target this year. 28% of the management team were female at 25 March 2023. We continue to work on initiatives to support the achievement of this target.	We did not achieve our target this year, due to the drop in volume of output. We will continue to measure this ratio, but are not setting direct targets for FY24 due to the unpredictability of volume of output.







Building the *business*

Rob Harding
Chief Financial Officer

In FY23 we contended with reduced revenue, an adverse sales mix and inflationary headwinds. We have worked hard to implement cost savings which have helped to mitigate this impact.

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 EBITDA and adjusted controllable operating profit (adjusted operating profit before enabling function cost allocation), for both ongoing operating divisions.

Over 99% of Group revenue for FY23 of £349.7m (FY22: £375.1m) originated from our ongoing operating divisions of Currency and Authentication.

Together Currency and Authentication delivered adjusted operating profit of £27.9m (FY22: £35.8m), a fall of £7.9m year-on-year. This largely reflects lower revenue from the Currency division, adverse mix and a slight increase in operating expenses. Identity Solutions generated an adjusted operating loss of just £0.1m in the current financial year with minimal remaining activity (FY22: £0.6m profit).

Authentication

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

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

In addition our ID business has grown strongly with our contract with Note Printing Australia (NPA) meeting scheduled volumes during FY23, securing sufficient semi-conductors despite general supply shortages of these components. The NPA contract reached full production volumes shortly after the year end on the newly commissioned additional production line in Malta.

In contrast, our Brand business saw lower than expected sales, with Microsoft particularly impacted during the year by the fall in PC sales globally, with International Data Corporation (IDC), a well-respected industry observer, noting a 16.5% year on year fall in PC demand/shipments in 2022, and a 29% drop in the first calendar quarter of 2023, compared to the same quarter in 2022.

The supply of Covid vaccine brand protection seals, strong in FY22, also fell away due to a change in strategic focus by the customer.

Overall these movements led to revenue for the year of £91.7m (FY22: £90.3m), a slight increase over last year.

Gross profit fell slightly in both absolute and margin terms with gross profit margin falling by 110 basis points to 37.1% (FY22: 38.2%), impacted by sales mix despite careful cost control.

Authentication

	FY23 £m	FY22 £m	Change
Revenue	**91.7**	90.3	+1.6%
Gross profit	**34.0**	34.5	-1.4%
Adjusted controllable operating profit*	**23.0**	23.7	-3.0%
Adjusted operating profit*	**14.3**	16.3	-12.3%
Operating profit	**5.4**	15.1	-64.2%
	%	**%**	
Gross profit margin	**37.1**	38.2	-110bps
Adjusted controllable operating profit margin*	**25.1**	26.2	-110bps
Adjusted operating profit margin*	**15.6**	18.1	-250bps

* Non-IFRS measure.

Adjusted operating profit in Authentication fell 12.3% to £14.3m (FY22: £16.3m), mostly driven by a less profitable mix of sales this year, a rise in depreciation on capitalised software development costs and a greater proportion of enabling costs being allocated to the Authentication division, given the higher percentage of revenue it contributed to the overall business.

Adjusted profit before controllable costs also fell marginally, down 3.0% to £23.0m (FY22: £23.7m), hit by an adverse sales mix. On an IFRS basis, operating profit of £5.4m (FY22: £15.1m) was impacted by lower underlying profits and exceptional costs, relating to asset impairment and restructuring costs, that were £7.7m higher than prior year.

Currency

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

Revenue of £254.6m in FY23 (FY22: £280.9m) for the Currency division was down 9.4% on the previous year. The fall in revenue was mostly due to lower banknote volumes, with a fall in polymer substrate volumes seen as well.

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

The demand for banknotes has recently been at low levels. As at 25 March 2023, the De La Rue Currency division's total order book stood at £136.8m (26 March 2022: £170.8m), a lower level at this time of year than in any of the last five years. The twelve month order book as at 25 March 2023 stood at £131.7m (26 March 2022: £163.5m).

There are encouraging signs that the market is recovering, with a number of substantial new tenders underway since the year end, but the timing of this recovery remains uncertain. As of 16 June 2023, we had secured the substantial majority of the planned FY24 revenue.

Strong cost control and operational efficiency, together with the benefits of the Portals agreement termination, meant that gross profit margin rose slightly to 22.9% (FY22: 22.5%), though, given the fall in revenue, gross profit fell 7.9% in absolute terms to £58.2m (FY22: £63.2m).

Currency

	FY23 £m	FY22 £m	Change
Revenue	**254.6**	280.9	-9.4%
Gross profit	**58.2**	63.2	-7.9%
Adjusted controllable operating profit*	**37.6**	42.5	-11.5%
Adjusted operating profit*	**13.6**	19.5	-30.3%
Operating (loss)/profit	**(24.8)**	15.0	n/a
	%	**%**	
Gross profit margin	**22.9**	22.5	+40bps
Adjusted controllable operating profit margin*	**14.8**	15.1	-30bps
Adjusted operating profit margin*	**5.3**	6.9	-160bps

* Non-IFRS measure.

Adjusted operating profit in the Currency division fell 30.3% to £13.6m (FY22: £19.5m), impacted mostly by the fall in revenue but also partly by the rise in enabling function costs in absolute terms, despite a smaller proportion of those overall costs being allocated to the division. Further detail about enabling function costs is given below.

On an IFRS basis, the division moved into an operating loss of £24.8m (FY22: profit of £15.0m) with £38.4m of exceptional costs attributed to the division (FY22: £4.5m), comprising £17.0m of costs relating to the termination of the agreement with Portals Paper, £8.5m of credit loss provision on Portals loan notes and £12.9m of restructuring and relocation costs.

Putting aside the impact of exceptional items and the divisional allocation of costs incurred centrally by enabling functions discussed below, we also saw a slight fall in adjusted controllable operating profit to £37.6m (FY22: £42.5m) driven by the fall in revenue, though amid a background of cost inflation, controllable operating profit margin fell only slightly to 14.8% (FY22: 15.1%).

Identity solutions

As noted above, the legacy Identity Solutions business saw minimal activity in FY23 with an operating loss of just £0.2m (FY22: operating profit of £0.6m).

Enabling function costs

In FY23 enabling function costs of £32.7m (FY22: £30.4m) rose by 7.6% and represented 9.4% of Group revenue (FY22: 8.1%). The rise in enabling function costs came from the non-recurrence of various credits received last year, a reclassification of entity costs previously deemed discontinued, IBRN (incurred but not recorded) insurance claims covering the risk that a claim may be made in the future related to cyber security and audit fee increases.

Exceptional items

Exceptional items during the period constituted a net charge of £47.1m (FY22: £5.7m) before tax.

Exceptional charges included:

- £17.0m (FY22: nil) relating to the payments agreed to terminate the long-term supply agreement with Portals Paper
- £12.6m (FY22: nil) in relation to redundancy charges and asset impairments associated with the wind down of activity in our Kenyan operations. Of this, £6.9m relates to fixed asset and inventory impairments which are non-cash items.
- £2.9m (FY22: nil) impairment of capitalised product development costs within Authentication in relation to two programs on which work was mothballed during FY23.
- £1.4m (FY22: £nil) impairment of software assets relating to the Currency where future revenue relating to these assets are minimal.
- £4.2m (FY22: £1.8m) of other site relocation and restructuring expenses incurred in connection with cost out initiatives designed to right-size both divisions for future operations.
- £8.5m (FY22: £3.1m) recognition of credit loss provision on other financial assets. Other financial assets comprise securities held in the Portals International Limited group which were received as part of the consideration for the paper disposal in 2018, together with accrued interest. In accordance with IFRS 9, management has assessed the recoverability of the carrying value of these financial assets and recorded an expected credit loss provision of £8.5m in exceptional items. The net amount remaining on the balance sheet for other financial assets was £nil (FY22: £7.4m). This provision will not impact our efforts to work with the Portals Group companies to recover these investments.
- £0.5m (FY22: £0.4m) in relation to legal fees incurred on rectification of certain discrepancies identified in the Pension Scheme rules net of amounts recovered.

Tax related to exceptional items amounted to £5.1m (FY22: tax credit of £1.8m). As well as the tax impact of the items detailed above, it included £4.0m (FY22: £1.5m) of charge related to the derecognition of a deferred tax asset relating to the pension scheme and £6.1m (FY22: nil) relating to the expected utilisation of tax credits in Malta, which are expected to be surrendered for capital grants against future capital expenditure there.

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

Finance charge

The Group's net interest charge was £9.3m (FY22: £5.5m). This included interest income of £1.2m (FY22: £0.9m), interest expense of £11.6m (FY22: £6.2m) and retirement benefit finance income of £1.1m (FY22: expense of £0.2m).

Interest income of £1.2m (FY22: £0.9m) included interest accrued on loan notes and preference shares held in the Portals International Limited Group of £1.1m (FY22: £0.8m). Interest received on loan notes and preference shares is excluded from the Group's covenant calculations.

Interest expense included interest on bank loans of £7.2m (FY22: £3.1m), interest on lease liabilities of £0.5m (FY22: £0.6m), net charges relating to the November 2022 debt modification of £0.7m (FY22: £nil) and other including amortisation of finance arrangement fees of £3.2m (FY22: £2.5m). The increase in bank loan interest paid in FY23 was largely attributable to the rises in Bank of England base rates which moved from 0.75% to 4.25% over the period and now stand at 5.0%.

The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets, was a credit of £1.1m (FY22: £0.2m charge). The credit in the year was due to the opening IAS 19 pension valuation being a surplus of £29.8m.

The net charges relating to the debt modification of £0.7m (FY22: nil) relate to a loss in carrying value of the banking facilities incurred when they were modified in November 2022, net of the amortisation of this loss over the period. The transaction costs will be amortised over the period of the loan.

Taxation

The effective tax rate on continuing operations before exceptional items and the amortisation of acquired intangibles was 123.2% (FY22: 11.0%). This includes the impact of provisions against deferred tax asset balances, changes in uncertain tax provisions and the impact of tax rate changes in Sri Lanka; the underlying effective tax rate excluding these items was 24.9% (FY22: 19.4%).

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 £27.6m (FY22: £1.4m).

The net tax charge relating to exceptional items in the period was £5.1m (FY22: tax credit 1.8m). A tax credit of £0.3m (FY22: tax credit £0.3m) was recorded in respect of the amortisation of acquired intangibles.

The Group paid tax of £1.0m in FY23 (FY22: £1.8m).

The underlying effective tax rate for FY24 on continuing operations before exceptional items and amortisation of acquired intangibles is expected to be between 70-80%. This appears disproportionately high due to the impact of expected corporate interest restrictions in the UK.

Earnings per share

The basic weighted average number of shares for earnings per share ('EPS') purposes was 195.4m (FY21: 195.2m).

Adjusted basic loss per share was 1.5p (FY22: EPS of 13.0p), reflecting the fall in adjusted basic earnings. IFRS basic loss per share from continuing operations was 28.6p (FY22: EPS of 10.6p) reflecting a basic loss of £55.9m (FY22: earnings of £20.7m).

Cash flow and borrowing

Cash flow from operating activities was a net cash inflow of £23.8m (FY22: £16.5m inflow), generated after taking into account:

- £29.6m loss before tax (FY22: £25.1m profit)
- £9.3m of net finance expense (FY22: £5.5m)
- £20.0m of depreciation and amortisation (FY22: £18.6m)
- £18.3m net working capital inflow (FY22: £17.2m outflow). This included:
  - £0.5m decrease in inventory (FY22: decrease £3.4m);
  - £6.0m decrease in trade and other receivable and contract assets (FY22: decrease £22.6m) mainly due to timing of cash collections on certain material customer contracts; and
  - £11.8m increase in trade and other payables and contract liabilities (FY22: £43.2m decrease), including the final settlement payment of £7.5m relating to Portals Paper being accrued at year end but not paid until April 2023.
- £16.5m of pension fund contributions of (FY22: £16.4m) including amounts related to administrative costs of running the Scheme
- £13.9m of non-cash provisions within exceptional items (FY22: £3.0m), namely £5.4m (FY22: £0.1m credit) of asset impairments and £8.5m (FY22: £3.1m) of credit loss provision on Portals loan notes

The cash outflow from investing activities was £20.8m (FY22: £25.8m) driven by capital expenditure of £21.4m (FY22: £26.9m) as the Turnaround Plan investment nears completion and we continue to invest in the capabilities of our software based products. Capital expenditure is stated after cash receipt from grants received of £4.2m (FY22: £1.5m), largely relating to the construction of our expanded facility in Malta.

The cash inflow from financing activities was £12.6m (FY22: £7.7m), including £27.0m net draw down of borrowings (FY22: draw down of £17.0m), £10.3m (FY22: £6.2m) of interest payments and £2.4m (FY22: £2.2m) of IFRS 16 lease liability payments. Debt issue costs of £0.9m (FY22: nil) were also paid on the amendment and extension of the banking facilities agreed in November 2022.

As a result of the cash flow items referred to, Group net debt moved from £71.4m at 26 March 2022 to £83.1m at 25 March 2023.

The Group had Bank facilities of £275.0m including a Revolving Credit Facility (RCF) cash drawdown component of up to £175.0m and bond and guarantee facilities of a minimum of £100.0m, with a maturity date of 1 January 2025 following an extension signed in November 2022.

The £100m of bond and guarantee facilities provided guarantees or bonds to participate in tenders and function as back up to contracts, where the customers require a guarantee as part of their procurement process. In addition, the facilities underpin some advance payments from customers. The Group considers the provision of such bonds to be in its ordinary course of business.

At year end the RCF cash component stood at £175.0m and the bond and guarantee component stood at £100.0m.

As at 25 March 2023, the Group, as part of the £175.0m RCF cash component, has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £53.0m (26 March 2022: £55.0m in more than one year). The amount of loans drawn at 25 March 2023 on the £175.0m RCF cash component is £122.0m (26 March 2022: £95.0m). As at 25 March 2023 guarantees of £52.1m (26 March 2022: £55.6m) were used from the £100.0m guarantee facility. The accrued interest in relation to cash drawdowns outstanding at 25 March 2023 is £0.3m (26 March 2022: £nil).

During FY23 the financial covenants required that the ratio of EBIT to net interest payable will not be less than three times and the net debt to EBITDA ratio will not exceed three times. At the period end the specific covenant tests were as follows: EBIT/net interest payable of 3.03 times, net debt/EBITDA of 2.21 times. The covenant tests use earlier accounting standards and exclude adjustments including IFRS 16.

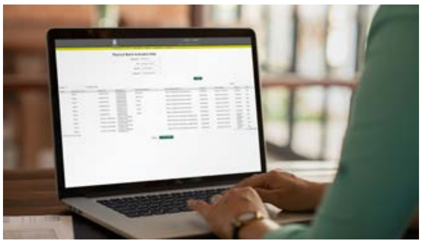
On 29 June 2023 the Group reached agreement with its lenders to significantly relax its financial covenants as outlined in the 'CEO review' above. In addition to amending the interest cover and net leverage ratio, the Company has also agreed to maintain a minimum liquidity ratio of £25m. The minimum liquidity ratio is defined as available cash and the undrawn portion of the available RCF. The ratio is tested monthly but on a weekly basis covering a 13-week historic, actuals and a 13-week forward basis, effective from I July 2023. The Group must ensure liquidity must not drop below the £25m level in any two week consecutive period either looking historically or forward.

Furthermore, the Group has granted fixed and floating security over certain material assets of the Group and has cancelled £25.0m of the £100.0m bond and guarantee line. The Group now has access to £75.0m of bond and guarantee lines.

Pension scheme

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

To conserve cash, we have agreed with the Pension Scheme Trustee to defer £18.75m of deficit reduction contributions. We will defer our deficit reduction contributions of £3.75m per quarter from that due on 5 April 2023, up to and including the payment that was due on 5 April 2024, less an amount equivalent to the arrangement fee agreed with our lenders on the covenant package, due on or after 5 April 2024. During the second quarter of FY25, deficit reduction contributions will recommence at the rate of £3.75m per quarter. 'Catch up' payments, to put the Scheme in funds for the £17.5m deferred, will start from July 2025 and will continue through FY26 to FY29.



In order to preserve and support the position of the scheme, with the support of the lenders, the scheme will be provided with security on a pari passu basis together with the lenders, as well as an enhanced information sharing protocol to ensure ongoing communication between the Group and the Trustee remains comprehensive.

On 24 May 2022, the Trustees of the Main Scheme entered into a partial pensioner buy-in contract for a proportion of pension members. In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The premium paid to the insurer was £319.0m. As at 25 March 2023, the value of the buy-in contract was £220.6m. The impact of the partial pensioner buy-in has been recognised as a loss on the scheme assets within the comprehensive statement of income. This buy-in reduces the overall future volatility of the pension fund by fixing the liabilities of a subset of pensioners.

The valuation of the Group's UK defined benefit pension scheme (the "Scheme") on an IAS 19 basis at 25 March 2023 is a net liability of £51.3m (26 March 2022: net surplus £31.6m). The movement in the IAS 19 valuation from a net surplus at 26 March 2022 was mainly as a result of losses on assets, as well as inflation experience on liabilities (due to actual inflation being higher than assumed). This was partially offset by gains on the Scheme's liabilities as a result of changes to the actuarial assumption – the discount rate assumption increased from 2.85% to 4.70% – and changes to the mortality assumption resulting in lower expectations on future life expectancy of members.

The charge to adjusted operating profit in respect of the Scheme in the period was £1.6m (FY22: £1.8m). Under IAS 19 there was a finance credit of £1.1m (FY22: £0.2m charge) arising from the difference between the interest cost on liabilities and the interest income on scheme assets.

Capital structure

At 25 March 2023 the Group had net assets of £35.0m (26 March 2022: £161.8m).

The movement year-on-year included:

	FY23 £m	FY22 £m
Opening net assets	**161.8**	111.4
(Loss)/Profit for the year	**(57,2)**	23.7
Remeasurement (loss)/gain on retirement benefit obligations	**(100.3)**	35.7
Tax related to remeasurement of net defined benefit liability	**24.2**	(8.8)
Other movements in other comprehensive income	**5.5**	(0.9)
Employee share scheme charges	**1.9**	1.7
Other	**(0.9)**	(1.0)
Closing net assets	**35.0**	161.8

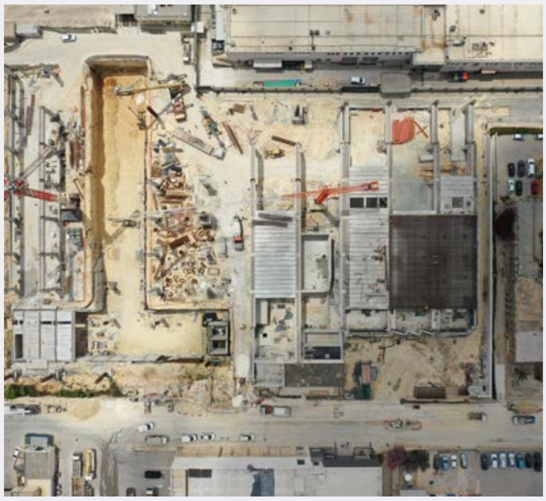
Case study:
Authentication

Australian passport ***polycarbonate*** datapage

Just seven months after the contract went live, Note Printing Australia expressed their confidence in the highly secure and durable polycarbonate datapages produced by De La Rue for the new Australian passport by extending our relationship, by five years, to cover a full decade. This extension helped us to have the confidence to ramp up production further and invest in a second polycarbonate line in Malta which is now operational.

Case study:
Malta expansion

Our Maltese expansion increases our capability with ***efficient use of capital***



De La Rue is expanding the Malta facility by 14,500m² to provide significantly greater capacity for the production of tax stamps and polycarbonate datapages in Authentication, together with additional banknote printing capability.

The build is being developed in conjunction with Malta Enterprise, the Maltese economic development agency, with De La Rue taking a lease on the building.

As part of the expansion a range of machinery, previously used at Gateshead in banknote manufacture, is being relocated to use in Malta, maximising the cost efficiency of the overall project.

The extension is being built in stages, with the additional polycarbonate datapage line already operating. The remaining additional Authentication space should be completed in the second half of FY24 with the Currency facilities, which include a new vault, ready by the first half of FY25.

The overall project provides substantial additional manufacturing capacity for the Authentication division and additional capability for the Currency business.

How we manage our principal ***risks and uncertainties***

How we manage risk

Risk management is the responsibility of the Board, supported by the Risk Committee, which comprises members of our Executive Leadership Team (ELT) and is attended by the Group Director of Security, HSE and Risk. The Risk Committee is accountable for identifying, mitigating and managing risk. Further details about the Committee can be found on page 97. Our formal risk identification process evaluates and manages our significant risks in accordance with the requirements of the UK Corporate Governance Code. Our divisional risk registers feed into a group risk structure that identifies the risks, their potential impact and likelihood of occurrence, the key controls and management processes. We then establish how to mitigate these risks, and the investment and timescales required to reduce the risk to an acceptable level within the Board's risk appetite.

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

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

Management is responsible for implementing and maintaining controls, which have been designed to manage rather than eliminate risk. These controls can only provide reasonable, but not absolute, assurance against material misstatement or loss. See page 58 for further information regarding internal controls.

Principal risks and uncertainties

The following pages set out the principal risks and uncertainties that could crystallise over the next three years. The Board has undertaken a robust risk assessment to identify these risks, which are referred to as principal risks to the business. There may be other risks that we currently believe to be less material. These could become material, either individually or simultaneously, and significantly affect our business and financial results. We have modelled potential scenarios of these risks crystallising to support the disclosures in the Viability Statement and assess the Group's risk capacity. See page 64 for further details. Due to the nature of risk, the mitigating factors stated cannot be viewed as assurance that the actions taken or planned will be wholly effective.

Risk appetite

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

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

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

De La Rue's risk management framework

Board of Directors and Company Secretary

Audit Committee

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

Ethics Committee

- Reviews ethical risks, policies and standards

Risk Committee

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

Sanctions Board

- Responsible for ensuring internal control procedures are in place to mitigate the risk of breaching applicable trade sanctions and embargoes

Executive Leadership Team (ELT)

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

Group Health, Safety and Sustainability (Global HSS) Committee

- Sets Health, Safety and Sustainability standards
- Agrees and monitors implementation of HSE strategy
- Monitors Health, Safety and Sustainability performance

Group policies

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

Functional management

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

How we manage principal risks

Risk	*Internal controls*	*External assurance*	*Oversight forum*	*Change*
Bribery and corruption The pressure to meet sales targets, on either a third party or an employee, could increase the risk of the payment of a bribe on behalf of De La Rue or anti-competitive behaviour, leading to damage to our reputation from a successful prosecution, financial loss and disbarment from tenders and substantial fines. Link to our strategic pillars	– Whistleblowing policy and associated procedures are integral aspects of the compliance framework, which is complemented by a whistleblowing hotline. – Mandatory training on anti-bribery and corruption, and competition law. – Our rigorous process for the appointment, management and remuneration of third party partners (TPPs), operating independently from the sales function. – We have a focus on raising awareness through local Ethics Champions.	– We have Level 1 accreditation to the Banknote Ethics Initiative (BnEI), which provides governments and central banks assurance regarding our ethical standards and business practices. – We maintain certification to ISO 37001, the anti-bribery management system, which assists the organisation to prevent, detect and address bribery attempts. – External PwC audit of TPP fee structure.	Ethics Committee Risk Committee Audit Committee	
Quality management and delivery failure A failure in our Quality Management System, including specification, controls and enforcement issues, could lead to a major customer quality incident, resulting in late delivery penalty clauses and increased costs. Link to our strategic pillars	– Implementing a product quality strategy to reduce instances and costs of quality incidents. – Operational management boards monitoring KPIs. – Design approval process. – Regular reviews and audits of critical suppliers to ensure standardisation. – Central quality team inspect and test regime for all processes and features. – Service monitoring tools in place to manage performance and response times to remain within SLAs. – 24/7 support and IT coverage to minimise downtimes. – In process inspection systems validating key areas.	– All sites are certified to ISO 9001, quality management system. – Regular customer quality audits.	Divisional business reviews Business Process Review (BPR) updates Risk Committee	

Change in risk levels in FY23 (last 12 months)
Increased
Static
Decreased
New risk

Risk	*Internal controls*	*External assurance*	*Oversight forum*	*Change*
Macroeconomic and geo-political environment As a manufacturing business operating worldwide, the Group is exposed to the challenges of the prevailing macro-economic environment, inflationary pressures, supply chain headwinds and stress to sales pipelines which could impact its operations and ability to financially forecast accurately. The Group also maintains both Authentication and Currency operations in territories that are exposed to economic and/or political instability. This type of instability, which includes the uncertainties of regime change, creates risks both for our manufacturing footprint and locally based direct sales operations. Link to our strategic pillars	– A robust prioritisation process with regular reviews of programmes and projects. – A robust incident management framework, including annual exercising. – Procurement conducting single and sole source supplier reviews as well as risk assessments on financial and operational risks from suppliers – Regular reviews of the anticipated impacts of pricing pressures in the Supply Chain fed into the established BPR and budget review processes. – Maintain strong employee relations in all locations. – A comprehensive travel management programme. – A comprehensive insurance programme. – Consideration of contracts being designated in GBP or hard currency, if possible, subject to local regulations. – Regular monitoring of financing and fiscal matters, seeking early advice, diversification, longer term funding, and hedging, if facilities are available. – ELT monthly functional review meetings.	– Third party risk management alerting (hotspots/regions of concern) and risk reporting. – External auditing of risk and resilience.	Divisional business reviews Business Process Review updates Risk Committee	
Loss of key site or process The loss of a key site or process, due to external threats or internal system failures, could lead to reduced operational capacity and result in disruption to customer service delivery, brand damage and increased costs. Link to our strategic pillars	– We invest in capacity, equipment and facilities, multiple sources of supply to drive down single points of failure. – We hold business continuity planning (BCP) stock for critical activities. – Monthly KPI's monitor BCP preparedness. – Internal audit of all manufacturing sites, including BCP preparedness. – Supplier strategy and sourcing reviews. – Business Continuity coordinators at all sites, supported by a central coordinator.	– Under a central certification we are certified at Head Office and all production and storage sites to ISO 22301:2019 standards, ensuring a robust business continuity management system throughout the Group. – External PwC compliance audits were conducted in 2021 including benchmarking to international standards and industry best practice. – The appropriate levels of business interruption insurance are in place to satisfy the needs of the business.	Group integrated security and business continuity steering committee Risk Committee Audit Committee	

Risk	*Internal controls*	*External assurance*	*Oversight forum*	*Change*
Sustainability and climate change Climate change is recognised as a significant global and business risk. Governments, the financial community, and businesses (including our own and our customers) see the current decade 2020-2030 as a call to action, with major new commitments to achieving net zero emissions by 2050. Link to our strategic pillars	– De La Rue is committed to be carbon neutral for our own operations by 2030 through using a phased carbon offset programme for Scope 1 and Scope 2 emissions within our control. – Our own internal audit programme verifies the Group environmental management system and assures good practices. – We are tracking our annual progress against our approved Science Based Targets (SBTi) – We have subscribed to EcoVadis, a global sustainability rating system for suppliers and are targeting our most significant suppliers regarding engagement with this. – We embarked upon a Transform Sustainability Project in 2020, which has 11 workstreams centred around carbon reduction, reduced energy usage and waste management – monitored by a project board monthly. – We have mandated environment and sustainability awareness training at all sites.	– All our manufacturing sites are certified to ISO 14001 standard which helps the organisation reduce its environmental impact. – We participate in the CDP (formerly Carbon Disclosure Project) and have submitted data for the past 11 years, enabling us to review and reduce our carbon impact. – Our alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is described within Responsible Business on pages 24 to 45. – We have structured Science Based Targets (SBTi) in support of keeping global temperature increases below the 1.5°C limit. – We comply with the TCFD recommended disclosures and have completed a qualitative climate scenario analysis which can be found on pages 24 to 45.	Risk Committee. Global Health, Safety and Sustainability (HSS) Committee Monthly ELT updates	
Loss of key talent Due to external pressures on the Group there is a reduced ability to attract and retain key talent, with the required skills and knowledge. This is likely to impact the organisational ability to deal with the current level of change. Link to our strategic pillars	– Remuneration structure designed to support retention. – Organisational talent process and succession planning to provide early identification of single points of failure and capability gaps. – Set clear objectives for the coming financial year that people can align around. – Train Senior Leaders and Managers on expectations and how to deliver against these.	– Benchmarking to known best practice. – External auditing of people risk.	HR Leadership Team reviews. Talent Board reviews annually. Risk Committee.	

Change in risk levels in FY23 (last 12 months)
Increased
Static
Decreased
New risk

Risk	*Internal controls*	*External assurance*	*Oversight forum*	*Change*
Breach of information security A breakdown in the control environment: – Including collusion or non-compliance (excluding external attack) could lead to a breach of data. – Resulting in an external attack (including malware, ransomware and/or hacking). Either of which could lead to a cyber security breach/incident impacting the confidentiality, integrity and/or availability of customer and/or other critical data. Link to our strategic pillars	– We have implemented control measures around customer, company, and employee data, demonstrating a clear approach to identify and mitigate information security risks. – On an annual basis we conduct internal audits of our customer and ISO standards to an agreed plan. Any findings are risk assessed and remediation activities agreed and tracked. – Data classification policy and handling process with monitoring of classification changes and email traffic. – We have cyber awareness training at all levels of the business. – Group policies support and enable our integrated security management system. – IT technical controls include security incident and event management software (SIEM), event logging and management, managed by an in-house security operations centre (SOC). Ensuring information security is designed in from the ground up for all deployed hardware and software, including the use of multi-factor authentication (MFA) where appropriate. – Due diligence performed on software and suppliers. – Contractually bound data protection with third parties handling personal data.	– Under a central certification we are certified across the Group to ISO 27001 standards, ensuring we manage information security under a robust framework. – The appropriate levels of professional indemnity and cyber insurance are in place to satisfy contractual and business requirements, including internal and external incident response support. – External PwC compliance audits are conducted on a regular basis, including benchmarking to international standards. – We have instigated a programme of both internal and external penetration and vulnerability testing on corporate and customer facing systems. – Regular customer compliance and regulatory audits.	Group integrated security and business continuity steering committee Monthly ELT updates Risk Committee Audit Committee Board briefings	Static

Risk	*Internal controls*	*External assurance*	*Oversight forum*	*Change*
Supply chain failure The failure of a key supplier to deliver the products or services that we need on time or to specification, through either a supply failure or a business failure, could lead to disruption to our operations and associated costs, an inability to fulfil customer contractual requirements, resulting in penalties and forfeit of performance bonds, loss of customer contracts and reputational damage. The ethical failure of a key supplier, such as a failure to adhere to our requirements on Modern Slavery or Bribery and Corruption in our supply chain, could lead to major reputational and financial damage and potentially prosecution, and a failure to control and limit price inflation in our supply chain could lead to significant erosion of our profitability. Link to our strategic pillars	– Key supplier risk assessments reviewing the risk of supply failure, credit risk, price increases and ethical failure. – Prioritised, supplier-specific action plans for key risks with monthly reporting on progress to ELT. – Supplier vetting platform to risk assess all key and new suppliers, engaging SMEs to review standards across ethics, quality, information and product security and environmental management. – Regular reviews of the risk assessment to ensure that it remains up to date with latest available data. – Ensure that all key strategic supplier contracts are fit for purpose. – Deepened Supplier Relationship Management programme, with direct and regular engagement at executive level with all key suppliers, to provide early warning of issues and ensure that De La Rue's needs are prioritised by our key suppliers. – Utilise and fully deploy spend analytics tool to increase visibility of the full supply base and drive integrated data-driven action planning.	– We are externally audited for ISO 14298 (Security Print), ISO 22301 (Business Continuity) and PwC on procurement and supply chain controls. – Supplier Quality Audit programme.	Monthly divisional and ELT updates Board updates	
Breach of security – product security A breakdown in the control environment, including collusion, non-compliance, or an external attack, could lead to a security breach resulting in the loss of client-sensitive product and significant damage to De La Rue's reputation. Link to our strategic pillars	– Monthly security KPIs monitor and maintain the holistic security environment. – We ensure that all shipment routes and transit plans are appropriately risk assessed and have appropriate mitigations in place, by air, sea, or road. – Dedicated security professionals at all sites, supported by a central function. – Layered auditing at all sites, enhancing security behaviours and culture. – Materials control to ensure product security verification and reconciliation.	– All manufacturing sites certified to ISO 14298 and INTERGRAF Certification to the highest possible levels, which ensures an aligned security print management system across the Group. – We are subject to regular regulatory and customer compliance audits.	Group integrated security and business continuity steering committee Risk Committee	

Change in risk levels in FY23 (last 12 months)

- ⌃ Increased
- − Static
- ⌄ Decreased
- \+ New risk

Risk	*Internal controls*	*External assurance*	*Oversight forum*	*Change*
Sanctions Entering a contract or other commitment with a customer, supplier or partner which is subject to a sanction or trade embargo could lead De La Rue to be in breach of sanctions. Breach could result in imprisonment and substantial fines for individuals, the leadership team (including the Board) and De La Rue. In addition, it may lead to a withdrawal of our banking facilities, as well as disbarment from future tenders. De La Rue may be unable to effect payments or to be paid by customers due to compliance matters when operating in higher risk and sanctioned territories. Additionally banking partners may not be willing to support bonds or guarantees for some countries. Link to our strategic pillars	– A robust request for approval (RFA) process ensures commercial bid teams to consider risk. – As a responsible business we ensure the monitoring and due diligence of customers, suppliers and partners. – We conduct an Internal audit of sanctions compliance programme annually. – We mandate sanctions training to raise awareness of risks and to clarify escalation routes for concerns. – Sanctions impact reviewed on a case-by-case basis against a known list of sanctioned territories and potential customers.	– We ensure both internal and external audit of sanctions compliance programme.	Sanctions Board Audit Committee Board briefings	−
Banking facilities The Group maintains banking facilities that provide liquidity (ensure all liabilities can be funded), bonding (to support existing contracts and new contracts where bonding is required) and ancillary lines. The main facilities will mature on 1 January 2025. The Group will be seeking to extend these facilities in what remains a challenging competitive and global economic environment. The ability to access bonding services to the Group in our existing facility given the regions we operate in and our lenders appetite to that risk is also becoming increasingly complex. If alternative capacity for foreign exchange transactions cannot be secured from main rated banks, then the Group may need to either operate with less hedging or consider unrated counterparties for foreign exchange contracts. Link to our strategic pillars	– Manage and develop relationships with existing and new banks to continue to support the business in its liquidity, bonding and ancillary needs. – Regular dialogue with ELT, banking partners and other stakeholders. – Active monitoring of the available limits and proactive management for both cash and borrowings as well as guarantees to make best use of capacity. – Continue to seek additional counterparties for foreign exchange. – Compliance with financial covenants	– External auditing by EY. – Due diligence by banks and their agents prior to agreement to a covenant amendment.	Functional risk reviews ELT reviews Risk Committee	+

Viability statement and *going concern assessment*

Viability statement

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

The Directors when determining the Viability assessment period took consideration to the existing facility agreement ending on 1 January 2025. The Directors will be looking to extend/renew the facility by November 2023 and are of firm belief that, for the reasons set out in the Going Concern assessment on pages 65 to 67, there are reasonable prospects for this extension being given.

The Directors believe that an appropriate period to consider the Group's viability is over a two-year period from the balance sheet date (FY24 and FY25) or 21 months from the date of approval of these financial statements, to 29 March 2025. This includes the period to the end of the existing facility agreement and an assumption this facility would be renewed with a target date set for November 2023 until at least the end of the viability period.

Since the FY23 strategy process was completed by the Board in October 2023, key strategic decisions have been taken on footprint reduction in the group which will be incorporated into the next 3 year strategic cycle, which is to be developed later in FY24. This, combined with a business that is inherently less predictable beyond this two year period as good visibility of the order book is only available over this shorter-term horizon, justifies the current two-year cycle selected (which is a reduction to the three year cycle adopted in the prior year).

In assessing the viability of the Group, the Directors have reviewed the principal risks as set out in pages 56 to 63 and considered foreseeable scenarios of one or more of the principal risks crystallising in the same time period in the context of its strategic plan.

The main risks modelled to have an impact on the viability of the Group are set out below, with the quantitative impacts modelled being consistent with those adopted for the Going Concern period as set out in page 65 to 67:

- Risk 1 Bribery and Corruption – illicit trade impact on Authentication business
- Risk 3 Macroeconomic and geo-political
- Risk 10 Banking facilities – including possible cash collateral requirements vs advanced payments
- Risk 11 Kenya taxation and exit strategy
- Risk 13 Currency pipeline

The Directors have focused on principal risks that could plausibly occur and result in the Group's future operational results, financial condition and future prospects to materially differ from current expectations. The Directors believe that to maximise stakeholder value refinancing is required over the period of recovery and ahead of the maturity date of 1 January 2025 (with a target date set for November 2023). This will allow business as usual in Authentication and for recovery in the Currency business and the solidification of growth. A key area of focus has been the impact of these principal risks to the recovery and the impact on the financial covenants:

The Financial quarterly and monthly liquidity testing levels are as set out below.

a. EBIT/net interest payable more than or equal to 1.0 times (3.0x times previously)
b. Net debt/EBITDA less than or equal to 4.0x times until the Q4 2024 testing point, reducing to less than or equal to 3.6x times from Q1 FY25 through to the end of the current agreement to 1 January 2025 (3.0x times previously)
c. Minimum Liquidity testing monthly, testing at each week-end point on a four week historical basis and 13 week forward looking basis. The minimum liquidity is defined as 'available cash and undrawn RCF greater than or equal to £25m', although reduces to £20m if £5m or more of cash collateral is in place to fulfil guarantee or bonding requirements.

There are a number of additional requirements under the recently amended facility agreement and pensions Trustee arrangements that include conventional enhanced monitoring measures and progress on the development of future options. Progress has already been made on ensuring that the right processes are in place to be able to meet the non-financial conditions and terms agreed with the lenders, and the Directors are confident that all of these additional conditions and terms will be met in the timeframe required.

There are certain scenarios that the Directors have not individually modelled (e.g. a terrorist attack or an event of nature) as either sufficient insurance coverage exists or the risk is covered by the modelling performed on certain scenarios for other principle risks.

The Directors have assumed that the current revolving credit facility (with the new recently amended terms) remains in place with the same covenant requirements through to 29 March 2025, and that the Group would either renew the facility thereafter, or have sufficient time to agree an alternative source of finance, on terms which are broadly consistent with the current facility for the remainder of the viability assessment period. In the event the current lenders were not supportive of an extension to the facility at FY24 Half Year, the Group would consider and implement alternative financing options at that time. The directors continue to assess these alternative financing options, including but not limited to: alternative lenders; alternative finance vehicles; equity injections; and/or the sale of trade and assets. However, the Directors are confident this scenario won't manifest given its confidence in refinancing and extending the facility at FY24 Half Year.

In the event that the risks modelled in the severe but plausible downside were to materialise together, the Group would be able to continue operating within its covenants and the Group's credit facilities would not be exhausted.

The result of reviewing plausible downside scenarios is that the Directors have a reasonable expectation that the Group is viable and will be able to meet its obligations as they fall due up to 29 March 2025.

Going concern

Background and relevant facts

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 4 to 63 of the Strategic Report. In addition, pages 176 to 185 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 50 to 54 of the Strategic Report.

Following the interim results for the period ended 24 September 2022 there has been a difficult period of trading and rising market interest rates, meaning the Group forecast that they would breach financial covenants in their going concern period to 29 June 2024. As a result, they entered into extensive negotiations with the pension trustee and the Group's banking syndicate. A deferral letter from the trustee was signed on 28 June 2023 agreeing to deferral of deficit repair contributions as set out in the paragraph below and an amended facility agreement for the Group's financing facilities was signed on 29 June 2023, which includes a relaxation of the financial covenant ratios along with the introduction of a new minimum liquidity requirement.

Deferral of deficit repair contributions

The Group has successfully concluded negotiations with the Trustee of the De La Rue Pension Fund to defer £17.5m of the £18.75m of deficit repair contributions that was targeted in the Group's April trading update.

The Trustee has agreed to defer the Group's deficit repair contributions of £3.75m per quarter from that due on 5 April 2023 up to and including that payment that was due on 5 April 2024. From July 2024, deficit repair contributions will recommence at the previously agreed £3.75m per quarter. 'Catch up' payments for the £18.75m of deferred payments will start from FY26 and will continue through to FY29.

This deferral significantly eases the short term cashflow burden on the business and has been incorporated into all modelling.

Amended Facility Agreement

Under the amended facility agreement, which was executed by all parties on the 29 June 2023, the Group continues to have access to a revolving credit facility ('RCF') of £250m that expires on 1st January 2025, which allows the drawing down of cash up to the level of £175m and the use of bonds and guarantees up to the level of £75m. The amendment to the debt agreement reduces the available facility by £25m from £275m to £250m, with the cash draw-down component remaining unchanged and the use of the bonding and guarantee lines reduced to £75m from the prior £100m level.

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

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

From 1 July 2023, the revised financial covenants and spread levels were as follows:

- EBIT/net interest payable more than or equal to 1.0 times, (3.0 times previously)
- Net debt/EBITDA less than or equal to 4.0 times until the Q4 2024 testing point, reducing to less than or equal to 3.6 times from Q1 FY25 through to the end of the current agreement to 1st January 2025. (3.0 times previously)
- Minimum Liquidity testing monthly, testing at each weekend point on a 4 week historical basis and 13 week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £25m", although reduces to £20m if £5m or more of cash collateral is in place to fulfil guarantee or bonding requirements (new test)
- Increases in spread rates on the leverage ratio as a result of the relaxation of levels:

Leverage (consolidated net debt to EBITDA)	Margin (% per annum)
Greater than 3.5:1	4.35
Greater than 3.0:1 and less than or equal to 3.5:1	4.15
Greater than 2.5:1 and less than or equal to 3.0:1	3.95

In order to determine the appropriate basis of preparation for the financial statements for the year ended March 2023 the Directors must consider whether the Group can continue in operational existence for a period until 29th June 2024 taking into account the above liquidity and covenant requirements.

Testing assumptions and headroom level

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 29th June 2024 (Q1 FY25), the going concern period, and this includes the following quarters: Q1, Q2, Q3, Q4 FY24 & Q1 FY25 as well as monthly liquidity testing points throughout this period.

Management's assessment is that a period of 12 months to 29 June 2024 is an appropriate going concern period for the following reasons:

- A 12 month period is consistent with De La Rue modelling and approach over a number of years, which in prior periods has also included a facility termination shortly after the going concern period (such as in FY22).
- The Directors have considered events after the end of this period, including the re-financing requirement for the RCF which is at 1 January 2025, which is considered further below

Base case assumptions and headroom

The base case forecasts over the going concern period have been built taking into consideration the uncertainty around the timing of the Currency market recovery. Revenue growth in Authentication to over £100m is expected to be driven from the annualization of contracts already won in prior periods. The base financials over the going concern period reflect further restructuring and refinancing costs that have already been initiated. This will help to right size the business for the current demand with any ramp up required over the going concern period to be carefully managed in line with pipeline capacity requirements and orders to avoid significant negative fluctuations vs base plans.

The Group entered FY24 with the Currency total order book at £136.8m (25 March 2022: £170.8m) and the 12 month order book at £131.7m (25 March 2022: £163.5m). The win rate of over 70% since 2020 on Currency bids remains high. By 16 June 2023, over 80% of the Currency business plans revenues for FY24 are secured, with key wins in Asia providing a solid foundation for expectations for the year.

The Group's base case modelling shows headroom on all covenant thresholds and the minimum liquidity requirement across the period.

Severe yet plausible downsides and headroom

The downside modelling produced has factored in the Directors' assessment of events that could occur in a "severe yet plausible downside" scenario. The risks modelled are directly linked to the Risk Committee "principal risks" described on pages 56 to 63 of the annual report. The most significant material risks modelled were as follows;

Risk 3 Macroeconomic and geo-political risk

- Authentication new wins and implementations are not achieved in the timescales modelled in the base case. In the severe yet plausible downside scenario 100% of revenues with new customers have been excluded.

Risk 10 Banking Facilities

- Following the recent interest rate rises, the Group will be paying an interest rate on its facilities of approximately 8.5% based on the current SONIA rate of 5% and the applicable margin. Based on the base case numbers in FY24, the combined rate would need to reach c16% before a breach in the interest covenant would be triggered, with an implied SONIA rate of 9.2%. Whilst management had used 5.3% as their interest rate in a severe but plausible scenario, based on the stress testing procedures described above, they have assessed the risk of a breach triggered by rising interest rates as remote given the current SONIA rate applicable is 5%, the sensitivity, and that these sensitised rates would need to apply for the entire FY24 period.

Risk 11 Kenya taxation and exit strategy

- Cash outflow assumed over and above the base case, which includes acceleration of outflows for site exit and legal settlements.

Risk 13 Currency pipeline

- Volumes and budget margins not achieved as forecasted in the going concern period. For currency pipeline downside risks modelled, margins have been determined using the average production cost as opposed to using the facilities with the lowest production costs where there is modelled capacity. As at 26 March 2023, Currency total order book at £136.8m (25 March 2022: £170.8m) and the 12-month order book at £131.7m (25 March 2022: £163.5m). By 16 June 2023, over 80% of the Currency business plan revenues for FY24 are secured, with key wins in Asia providing a foundation for expectations for the year.
- As a result of the new liquidity testing requirement, the Directors also considered historical monthly working capital swings over the last three years as well as weekly cash outflow averages to ensure that adequate considerations have been made to capture "in month" working capital swings that the Group can see given the volatility of working capital in the Currency business in particular. A £20m working capital outflow was demonstrated to be suitable for a plausible severe downside to apply monthly to liquidity testing, assuming no mitigation at all on liquidity at any given testing period.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still meet its required covenant ratios and liquidity requirements.

There remains headroom against all covenant thresholds in a "severe yet plausible" downside scenario across the going concern period.

Minimum Liquidity testing monthly

Company modelling of the severe but plausible downside (including taking into account working capital swings and potential cash collateral requirements) also shows headroom to the liquidity requirement throughout the period, with further controllable mitigations such as reduction in discretionary capex that could be applied.

The level of reduction that would be required to breach the liquidity covenant is considered to be remote by management on the basis that in the tightest observable period of the severe but plausible downside scenario in £27m and £17m if taking into account working capital swings and potential cash collateral requirements. This assessment excludes the potential further mitigations available.

Stress-Testing

Under the base case modelling, EBIT and EBITDA would need to drop by £10m (46)% and £11m (27%) respectively, or liquidity would need to drop £30m from the lowest point, for any breach to occur. In the severe but plausible scenario modelling, EBIT and EBITDA would need to drop by £6m (32%) and £6m (15%) respectively, or liquidity would need to drop £27m from the lowest point (£17m including a negative working capital swing of £20m and cash collateralisation savings of £10m), for any breach to occur. Management concluded that a breach is remote given that:

- Trading to the end of P2 indicates the Group is on-track to deliver the FY24 budget from an EBIT and EBITDA perspective. The Group has experienced working capital drag which has led to Net Debt levels being worse than those forecast in the base case scenario. The working capital drags are in line with those modelled in the severe but plausible downside scenario and the Group has seen positive movements to recover working capital in P3.
- Liquidity stress testing excluded controllable mitigating actions (as described above) that management could employ and still showed headroom.
- Management are comfortable that any non-financial conditions and reporting requirements can be achieved. The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to its current expiry date (1 January 2025), which is beyond the end of the period reviewed for Going Concern purposes. The Directors have concluded that the Group will either renew the facility thereafter or have sufficient time to agree an alternative source of finance from 1 January 2025 onwards.

Other Requirements

As referred to earlier, there are a number of additional requirements under the recently amended facility agreement and pensions Trustee arrangements that include conventional enhanced monitoring measures and progress on the development of future options. Progress has already been made on ensuring that the right processes are in place to be able to meet the non-financial conditions and terms agreed with the lenders, and the Directors are confident that all of these additional conditions and terms will be met in the timeframe required.

Reasonable prospects beyond the going concern period

The Directors have also considered the pension trustee's and the lenders' on-going support for the business given that further refinancing discussions are likely to occur over the going concern period with the current facility due to terminate on 1st January 2025. Specifically, an extension by November 2023 is necessary to have adequate facility duration for going concern purposes at FY24 Half Year.

Management has concluded that there are realistic prospects for refinancing to occur ahead of facility termination as a result of:

- Lenders have continued to support the Group through a amended facility agreement. This was signed on 29 June 2023, and the covenants (financial and non-financial) were set to levels that allows the Group to continue to meet its covenant in a severe but plausible downside scenario. The Directors see no reason that the lender's support will not continue given the level of relaxation of covenants that has been agreed.
- As stated above, prior to the 30th September 2023 Half-Year announcement in November 2023, the Group will have to agree an extension with its existing lenders for the facility that comes to end on 1 January 2025. Discussions will commence over the coming months with the banks on the future options open to the Group, and subject to the Group achieving specific financial and non-financial milestones that the Directors are confident in achieving. To maximise stakeholder value for all parties, the lenders would need to provide the business with continued support through the Currency market recovery and continued growth in the Authentication division. It is the Directors' judgement that based on the current support of the lenders the extension will be achieved.
- In the event the current lenders were not supportive of an extension to the facility at FY24 Half Year, the Group would consider and implement alternative financing options at that time. The directors continue to assess these alternative financing options, including but not limited to: alternative lenders; alternative finance vehicles; equity injections; and/or the sale of trade and assets. However, the Directors are confident this scenario won't manifest given its confidence in refinancing and extending the facility at FY24 Half Year.

The Directors have therefore assessed that the Group will either renew the facility or have sufficient time to agree an alternative source of finance. The costs of refinancing are included in the base case.

Conclusion

The base and severe but plausible forecasts show headroom above the covenant levels agreed with the lenders and support the position that the Group will be able to operate within its available banking facilities and covenants throughout the going concern period to 29 June 2024.

Accordingly, the Directors are satisfied that the Group is able to manage its business risks and to continue in operational existence for the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Strategic Report

This Strategic Report (comprising pages 1 to 67 inclusive) was approved by the Board on 29 June 2023.

By order of the Board

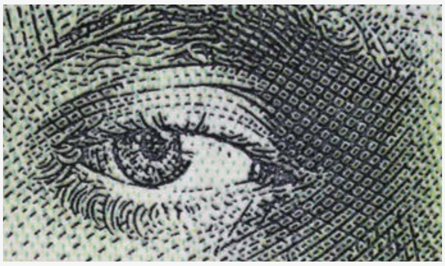
Jon Messent
Company Secretary

29 June 2023

High standards of corporate governance are vital in helping *create and protect value*

Induction in action
Page 87

How we engage with
our workforce
Page 79



How we manage the
relationship with our auditors
Page 94

Board statement on corporate governance

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

We operate globally in markets where security, integrity and accountability are paramount.

Delivering our purpose requires clear and visible leadership, the right culture and robust corporate governance. This enables us to earn and repay our stakeholders' trust.

Dear Shareholder,

The last nine months have been a difficult time for De La Rue. The market conditions in which each of our Authentication and Currency divisions are operating are discussed in the Strategic report, but have created unprecedented challenges.

As a Board, we retain a deep conviction that the fundamentals of De La Rue's business remain sound. We are approaching the future with energy and urgency and are confident that we will chart a course through to calmer waters.

The Company's businesses have significant market opportunities and clear plans for how to address these. While the recent past has been immensely challenging, there are now clear signs that the markets in which we operate are improving.

The right conditions for success are in place

Delivering our purpose requires clear and visible leadership, the right culture and robust corporate governance. We believe that we have all three of these in place.

The Board and our Executive Leadership Team (ELT) each comprise leaders drawn from a diverse range of backgrounds and provide clear direction to the business. Through a divisional structure with clear goals, expectations and accountabilities, we provide clarity to the organisation.

We are operating in very volatile times with rapid and significant changes in the business environment and the markets in which we operate and compete. At the same time, our strategy requires that the Group is transforming at a significant pace.

As a Board, we closely monitor the culture, practices and behaviour within the Company to ensure that they are aligned with our values and strategy and will support the long term sustainable success of the Group. This is crucial in maintaining the trust of our employees and wider workforce, our customers, suppliers and other key stakeholders. The ELT members and our divisional leadership teams play an integral role in our governance framework by exhibiting and promoting positive behaviour.

We have a strong corporate governance framework. While it is unlikely that good governance will, in itself, create value, it is certainly the case that it can help preserve value. As Board members, we all seek to provide the critical challenge that is essential in reaching the best decisions in the face of often dynamic and uncertain situations. Our governance framework also creates checks and balances within the business, with every employee encouraged to speak out if they can see ways of improving our performance.

While our primary duty remains to deliver economic returns to shareholders, sustainably over the long term, we recognise that this cannot be done unless we also understand and respect the interests of a much wider range of stakeholders. The section 172 statement on pages 21 to 23 describes how we took our wider responsibilities into account during the year.

Board changes and succession planning

At the AGM in July 2022, Maria da Cunha retired from the Board after seven years' service as a Non-executive Director, as advised in this report a year ago.

In September 2022 we were delighted to welcome Mark Hoad as a Non-executive Director. A chartered accountant, he is the Chief Financial Officer of TT Electronics plc and brings vast knowledge and experience to our deliberations. Mark will take over the chairmanship of the Audit Committee from the 2023 AGM. Nick Bray, who currently chairs the Audit Committee, has served as a Non-executive Director since July 2016 and has agreed to extend his tenure for a further term beyond the 2023 AGM. Given that we have a new lead audit engagement partner and a new Chief Financial Officer, Nick's knowledge and experience will provide invaluable continuity and support to the Audit Committee and, of course, to the Board as a whole.

In January 2023 the Company announced that Rob Harding, our Chief Financial Officer, had resigned to take on a new role as Chief Financial Officer of PayPoint plc. Rob will leave us in July 2023 and we thank him for his contribution and wish him all the very best in his next role. In April 2023 Charles Andrews joined us as interim Chief Financial Officer and as a member of the ELT but not as a Director. There has been a successful handover from Rob to Charles, who brings wide-ranging experience and a proven ability to lead change and transformation at an executive level.

On 1 May 2023 Kevin Loosemore resigned as a Director and as the Chairman of the Board. On 12 June Catherine Ashton resigned as a Non-executive Director in order to create time to take up future international commitments. On 19 June we announced that Margaret Rice-Jones had decided not to seek re-election at the 2023 AGM, in light of her other business commitments. We would like to acknowledge the significant contributions that each of them has made to De La Rue and thank them for their service and commitment.

On 18 May 2023 we appointed Clive Whiley as a Director and as the Chairman of the Board, following an accelerated search process. We believe that Clive's breadth and depth of experience and skills are what is required to pilot the business.

On 26 June 2023 we appointed Dean Moore as a Non-executive Director. He has deep experience of listed companies across a wide range of industry sectors, both as a senior executive and as a non-executive director.

We are confident that both Clive and Dean will be valuable additions to the Board team.

We will continue to keep the Board's composition, and in particular the diversity and blend of backgrounds, skills, experience present at the Board, under review.

Our succession plans extend further than just the Board. During the year the Nomination Committee reviewed succession plans for members of the Executive Leadership Team and their first and second reports. Succession planning is important in ensuring that management is fully prepared for planned or sudden departures from key positions. This remains an ongoing focus and our goal is the development of a diverse pipeline of talented and experienced people supporting us and the ELT in delivering our strategic goals and fulfilling our purpose.

People

As a Board we are, as always, deeply impressed by the commitment of our people, who have been through significant change over the last three years. Redesigning and repositioning an organisation is never straightforward and we have asked much of our workforce, who have been required to deliver immense change. We all feel privileged to be part of an organisation that has delivered such a fundamental transformation since 2020 and immensely grateful for the efforts of every one of our people during that time. We will, of necessity, continue to ask them to deal with more change, but are confident that this will leave us well placed for success in the short and long term.

Responsible business

As noted opposite, we have responsibilities to a wide range of stakeholders. Delivering business results is clearly of huge importance, but how we go about delivering those results is equally important. We are striving to build a sustainable business that can deliver profits and cashflow throughout the economic cycle. Of necessity, this means that we have to take a long term view and ensure that whatever we do is done properly. Everyone who works in our business, from the factory floor to the Boardroom, is aware of the importance of conducting our business responsibly, taking stakeholders' interests into account.

Looking forward

We believe that De La Rue is at an inflection point. The second half of FY23 has by any historical measure been exceptionally challenging, but we are confident that we can weather the storm.

We are confident that we and the ELT are providing the leadership necessary to take the business forward. De La Rue has a positive, proactive and responsible corporate culture that gets the right things done in the right ways. Our robust corporate governance framework, described on the following pages, helps create the checks and balances needed so that we deliver the business outcomes and financial results that we and our shareholders wish to see.

By order of the Board

Jon Messent
Company Secretary

29 June 2023

Board of Directors

The Board provides leadership to the Company.

The responsibilities of the Board, and how it discharges its duties, are explained in this Corporate Governance report.

Key for committees
- A Audit Committee
- N Nomination Committee
- Ri Risk Committee
- E Ethics Committee
- Re Remuneration Committee
- Committee Chair

Clive Whiley
Chairman
E N

Appointed to the Board on 18 May 2023

Current directorships and business interests
– Mothercare plc, Chairman
– Sportech plc, Senior Independent Director
– Griffin Mining Limited, Senior Independent Director

Career, skills and experience
Clive has 40 years' experience, both as an executive and non-executive director, across a wide range of industries and geographies in regulated and listed company governance positions. He was previously Chairman of Dignity plc and a non-executive director of Grand Harbour Marina plc (listed in Malta), Camper & Nicholsons Marina Investments Limited and Stanley Gibbons Group plc.

Clive was responsible for successfully guiding Mothercare's emergence as an internationally-focused brand business alongside, at Dignity, leading 12% of the UK funeral market in the eye of the Covid-19 pandemic.

Contribution to long term sustainable success
Clive's track record demonstrates that he is capable of operating in all operational, financial or regulatory circumstances and the Board believes his depth of experience and skills are what is required to pilot the business.

Clive Vacher
Chief Executive Officer
N Ri

Appointed to the Board in October 2019

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

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

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

Contribution to long term sustainable success
Clive has a strong track record of delivering successful turnaround strategies in a range of industries.

Rob Harding
Chief Financial Officer
Ri

Appointed to the Board in October 2020 and will leave our employment and the Board in July 2023

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

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

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

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

Rob resigned as Chief Financial Officer in January 2023 in order to take up the position of Chief Financial Officer of PayPoint plc after the expiry of his notice period at the end of July 2023.

Ruth Euling
Executive Director & MD, Currency
Ri

Appointed to the Board in April 2021

Career, skills and experience
Ruth joined De La Rue in 1988 as a graduate trainee and has spent over 30 years working in the international government sector, living and working in the UK, Mexico, Colombia, Spain and Malaysia.

During her career at De La Rue, she has held a number of executive management positions within the Currency, Identity and Brand businesses in Sales, Marketing, Manufacturing and General Management. Ruth was appointed Managing Director of the Currency Division in 2019. Prior to that she was Sales Director for the Currency businesses from 2012 until 2019.

In 2018, Ruth joined the advisory board of the International Currency Association, helping lead the currency industry in creating a single, cohesive voice. She was elected its Vice-Chair in 2022. She is also a member of the advisory council for Commonwealth Enterprise and Investment Council.

Contribution to long term sustainable success
Ruth has an unrivalled knowledge of the international currency market, and extensive contacts in finance ministries, central banks and state print works around the world.

Margaret Rice-Jones

Senior Independent Director

A E N Re

Appointed to the Board in September 2020 and is not seeking re-election at the 2023 AGM

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

Career, skills and experience
Margaret has an extensive background in innovative technology businesses, bringing particular expertise in software and digital platforms and M&A. Building on an engineering and product marketing background she has operated at board level for over 20 years. Amongst these roles she was Chair of Confused.com until its sale in 2021 and Chair of Skyscanner Limited from 2013 until its sale in 2016 to Ctrip for £1.4bn. She is now Chair at the ScaleUp Institute, a not-for-profit company working with government and industry to build the right environment in the UK for scaling businesses. On the public markets she was a director of Xaar plc from 2015 to 2020, where she was Senior Independent Director and Chair of the Remuneration Committee. She is currently a non-executive director of AIM-quoted test and measurement provider Calnex Solutions plc.

Contribution to long term sustainable success
Margaret has extensive experience of guiding and leading the strategic development of a range of businesses, particularly in the IT and tech sectors.

Nick Bray

Independent Non-executive Director

A E N Re

Appointed to the Board in July 2016

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

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

Contribution to long term sustainable success
Nick is a chartered accountant and highly experienced CFO, with strong strategic management skills.

Mark Hoad

Independent Non-executive Director

A E N Re

Appointed to the Board on 28 September 2022

Current directorships and business interests
– TT Electronics plc, CFO and Executive Director

Career, skills and experience
Mark is a chartered accountant with a deep understanding of finance and operational activities, acquired during a career spent in senior finance/management roles with FTSE listed companies. He has been a director of TT Electronics plc and its Chief Financial Officer since January 2015 and previously held equivalent roles with BBA Aviation plc. His other previous experience includes several years working in a variety of management roles in Continental Europe and Australia, as well as a strong focus on driving business transformation in the US.

Mark has spent the last 25 years working in global industrial businesses and has extensive experience of driving business and functional re-structuring and transformation, M&A, and equity and debt capital markets.

Contribution to long term sustainable success
Mark is a strategically-minded chartered accountant, with extensive financial management experience in complex global manufacturing businesses and strong experience in listed companies and public markets.

Dean Moore

Independent Non-executive Director

A E N Re

Appointed to the Board on 26 June 2023

Current directorships and business interests
– Cineworld Group plc, Senior Independent Director
– Griffin Mining Ltd, independent Non-executive Director
– THG plc, independent Non-executive Director
– Volex plc, Senior Independent Director

Career, skills and experience
Dean is a chartered accountant with over 35 years of public company experience in companies operating in many different sectors and environments. He is a highly respected finance professional and non-executive director with a proven track record.

He was previously chief financial officer at Dignity plc, Cineworld plc (on an interim basis), N Brown Group plc, T&S Stores plc and Graham Group plc, and formerly Non-Executive Chair at Tuxedo Money Solutions Limited and independent Non-Executive Director at Dignity plc.

Contribution to long term sustainable success
Dean's significant experience of the strategic development of listed companies, in both senior executive roles and in non-executive appointments is ideally suited to supporting the Board and the executive team in delivering future growth.

Jon Messent

General Counsel and Company Secretary

Ri

Appointed as General Counsel on 3 April 2023 and as Company Secretary on 11 April 2023

Career, skills and experience
Jon brings to De La Rue a wealth of experience in Company Secretarial, Legal and Governance, having held numerous executive roles in both listed and private companies operating in industrial, manufacturing, property, security and the defence sectors. His most recent role was as Group General Counsel and Company Secretary with QinetiQ Group plc, a multi-national FTSE 250 operating primarily in the defence, security and critical national infrastructure markets.

In addition to the Directors named above, three other Directors held office during FY23:

– Maria da Cunha served as a Non-executive Director until she retired from office at the AGM on 27 July 2022.
– Kevin Loosemore served as a Non-executive Director and as Chairman of the Board throughout FY23. Shortly after the year end he resigned as a Director and ceased to hold office on 1 May 2023.
– Catherine Ashton served as a Non-executive Director throughout FY23. She resigned as a Director and ceased to hold office on 12 June 2023.

Governance at a glance

Corporate governance is the system by which companies are directed and controlled, being a combination of ***people, structures and processes***

Governance in support of the corporate purpose

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

To enable us to fulfil our purpose and support our customers and others who benefit from our products and services, De La Rue needs robust internal structures and processes. These are designed to ensure, as far as possible, that we are ourselves deserving of our stakeholders' trust.

Those structures and processes combine to make up our corporate governance framework. By training our people in what is expected of them and how we expect things to be done, we create the conditions under which we will fulfil our corporate purpose.

Corporate governance framework

The Company's governance structure is intended to ensure that the right people are able to focus on the right issues, at the right time. The goal is to create and preserve value for all our stakeholders, including our shareholders.

As well as the Board Committees recommended by the UK Corporate Governance Code (the Code) we have created a mix of Board and management bodies and meetings to consider some of the key issues and risks facing the Company. This enables groups with the required subject matter expertise to devote time and attention to the areas where they can make a difference.

Reports from the principal Board Committees are included later in this Corporate Governance report.

Compliance statement

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

The Board considers that it and the Company have, throughout the period to 25 March 2023, complied with all of the provisions of the Code.

Our governance framework

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

- Board
- Board committees
- Management committees

The Board

CEO

Provides leadership to the business and sets 'tone from the top'. Develops strategic recommendations for the Board and then implements agreed business plans. Oversees relations with stakeholders.

For more information on the CEO's role: *see page 81*

For Clive's biography: *see page 72*

Disclosure Committee

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

Ethics Committee

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

For more information: *see page 99*

Remuneration Committee

Implements the approved Directors' remuneration policy, sets pay for the Chairman and Executive Directors and monitors the policies and practices applied to senior management remuneration.

For more information: *see page 102*

Audit Committee

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

For more information: *see page 89*

Nomination Committee

Reviews the structure, size and composition of the Board and its Committees, managing succession planning to ensure a balance of skills, knowledge and experience and having regard to diversity considerations.

For more information: *see page 85*

Sanctions Board

Responsible for ensuring internal control procedures are in place to mitigate the risk of breaching applicable trade sanctions and embargoes.

Risk Committee

Oversees the Group's risk management framework. Identifies, evaluates and monitors the principal risks facing the Group and reviews mitigation activities.

For more information: *see page 97*

Executive Leadership Team

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

For more information: *see page 82*

Transform Sustainability Programme Board

- Addresses the Group sustainability and climate change risk
- Reviews the key improvement workstreams on a monthly basis to create accountability
- Reviews any significant planned expenditure relating to sustainability
- Reviews any key actions related to workstreams and the Transform Sustainability programme

For more information: *see page 34*

Group Health, Safety and Sustainability Committee

- Makes recommendations on health & safety and sustainability strategy
- Monitors compliance with H&S and sustainability obligations
- Tracks key H&S and sustainability KPIs
- Recommends appropriate training and actions to maintain H&S and sustainability improvements and performance

For more information: *see page 27*

Key matters considered by the Board in FY23

During the year ended 25 March 2023 the Board considered a wide range of matters, alongside its normal oversight of operational and financial performance. The table below shows some of the key matters considered by the Board and the business outcomes that flowed from these.

Topic and link to strategy pillars	*Key matters considered*	*Outcomes*
Developing and implementing strategy	– Review of implementation of strategy	– Approval of capex for Authentication and Currency in Malta
	– Business plan and budget for FY23	– Refined the FY23 budget
	– Review of new strategy to end FY25	– Approval of strategy
	– Future of the Kenyan operations	– Cessation of operations in Kenya
	– Business plan and budget for FY24	– FY24 budget reviewed and approved
Monitoring and managing risk	– Covid-19 response	– Confirmed that Covid-19 should be treated as a business as usual risk
	– Economic situation in Sri Lanka	– We were able to keep the production site running throughout the local disruption
	– Review of principal risks and risk appetite	– Confirmed the risk appetite and which risks should be insured
Business and stakeholder imperatives	– Economics of the Portals Relationship Agreement	– Termination of the Relationship Agreement
	– Funding of the business	– Amendment and extension of the bank facilities
	– Feedback following engagement with Crystal Amber	– Decision to hold a General Meeting in December 2022
	– Feedback from Employee Voice Forum sessions	– Focus on means of enhancing internal communications
	– Review of the ESG strategy	– Re-confirmed support for the ESG strategy
	– Review of material new contracts	– Approval of tenders, TPP appointments
Reporting and accountability	– Reviewed financial performance through the year	– Scrutinised performance against prior year outcomes and current year budget and forecasts
	– Reviewed results of the auditor's interim review and full year statutory audit	– Interim results released; full year results announcement and Annual Report released
	– Matters to be proposed at the 2023 AGM	– All Directors standing for re-election reappointed; adoption of new Sharesave Scheme
Ensuring good governance	– Succession planning for retirement of Nick Bray	– Appointed Mark Hoad as a Non-executive Director
	– 2022 Board effectiveness review	– Site visit to Westhoughton to demonstrate visible leadership to the business and familiarise the directors with this key site
	– Feedback from institutional investor roadshows following results announcements	– Refinement of market messaging
	– 2023 Board effectiveness review	– Strengthening of the Board's processes

Attendance at scheduled Board and Committee meetings

The Board met on six scheduled occasions during the year, with additional meetings held as required to provide approvals or discuss matters at short notice, which did not always require attendance from all Board members. Attendance at the scheduled Board meetings and at all Committee meetings is shown below.

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

Key: ● meeting attended ○ meeting missed

Director	*Board*	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*	*Ethics Committee*
Kevin Loosemore[1]	●●●●●●		●●		●●
Clive Vacher	●●●●●●		●●		
Rob Harding	●●●●●●				
Ruth Euling	○●●●●●				
Catherine Ashton[2]	●●●●●●	●●●●●	●●	●●●●●●●	●●
Nick Bray	●●●●●●	●●●●●	●●	●●●●●●●	●○
Maria da Cunha[3]	●	●		●●●	
Mark Hoad[4]	●●●●	●●●	●	●●●	●
Margaret Rice-Jones	●●●●●●	●●●●●	●●	○●●●●●●	●●

Notes
1. Following the year end, Kevin Loosemore resigned as a Director with effect from 1 May 2023.
2. Following the year end, Catherine Ashton resigned as a Director on 12 June 2023.
3. Retired from the Board on 27 July 2022.
4. Appointed to the Board on 28 September 2022.

Section 1: Board leadership and company purpose

Code Principle A:

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Board is committed to pursuing the highest standards of corporate governance, which it believes are critical to creating and preserving value for shareholders and other stakeholders. The Company's purpose is securing trust between people, businesses and governments and our business model and strategy are explained on pages 16 to 19. The Board believes that its business model is sustainable on a long term basis as we expect there to be resilient demand for the Currency and Authentication products and services we offer. The Company's strategy pre-empts market changes in some areas, for example the ongoing transition from paper to polymer banknotes within our Currency business. Where new risks emerge or existing risks evolve, the Board's processes for the governance of risk should enable us to identify these on a timely basis and adapt our strategies and plans accordingly. In this way, the Board seeks to balance its leadership of the Group's business with a clear focus on risk and control.

The Board is highly entrepreneurial, with two Executive Directors who are directly profit-accountable, a commercially-minded CFO and Non-executive Directors who have played senior executive roles in growing successful multi-billion pound revenue companies. The Directors' experience also includes the strategic design and delivery of corporate transactions that created significant value for shareholders.

The Board is cognisant of its duties to a wide range of stakeholders, though its overriding purpose is the delivery of returns to shareholders sustainably over the longer term. For more details of our approach to stakeholders' interests, please see the section 172 statement on pages 21 to 23.

Code Principle B:

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Board sets the Group's purpose, strategy and goals and monitors the delivery of these. The Company's purpose is clear – that of securing trust between people, businesses and governments. The corporate strategy is explained on pages 18 and 19. Business is about taking considered risks to earn a return, and a key responsibility of the Board is in overseeing and monitoring (with the support of the Audit Committee, the Risk Committee and the Ethics Committee) our risk management programme and internal control environment.

For further details of our risk management programme and the principal risks that the Group faces, please see pages 56 to 63. For further information on our approach to audit, risk and internal control, please see section 4 of this Corporate Governance report on pages 88 to 100.

Having the right corporate culture is a critical enabler for both the delivery of profits and the maintenance of effective risk management and internal control. The Board continues to develop a framework through the Executive Leadership Team (ELT) for regular oversight of the culture within the Group. In so doing, the Directors are aware that they must lead by example, setting tone from the top, promoting integrity and ethical behaviour in line with the Company's standards. We continue to build a high-performance culture across the business to support the delivery of our strategy and during the year we refreshed our corporate values and launched a revision of our Code of Business Principles. This was supplemented by the launch of a People Managers Charter, which sets out our expectations for all levels of leadership.

The intention is to ensure De La Rue's values are integral to the performance management of the senior leadership group and other employees, and that the incentive structure in place supports and encourages behaviours consistent with those values. Training and development activities, covering job-related, inter-personal skills and general personal development, are provided for our employees on an ongoing basis.

Code Principle C:

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

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

In recent years, we have significantly reviewed and refined the resources that the Group needs to deliver on its objectives. We will continue to do so in the light of volatile market conditions, both locally in our production sites and sales offices and centrally. The Board and its Committees continue to monitor the effectiveness of the management structure in delivering operating and financial results.

Our internal control environment is well established. For further information please see section 4 of this Corporate Governance report on page 96.

Code Principle D:

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

The section 172 statement on pages 21 to 23 explains how the Board took the interests of key stakeholders into account in its discussions and decision making on the key topics considered during the year.

The Board has asked one of the Non-executive Directors to take responsibility for leading its workforce engagement activities. Until her retirement at the 2022 AGM, Maria da Cunha held this role, which was then assumed by Catherine Ashton. The designated Non-executive Director gathers the views of the workforce at all levels of the organisation and shares these views with the Board at relevant points in its discussions and decision making. We believe that this approach works well for the Company, the Board and, most importantly, our workforce.

During FY23 we continued to operate our regular 'Employee Voice Forum' sessions across our sites. These complement the other formal and informal workplace forums and networks we operate. Sessions were held in person at the Westhoughton production site and at our Basingstoke offices, with further sessions planned for the production plants in Sri Lanka, Malta, Debden and Logan to ensure that on a rolling basis the Board is able to interact with the workforce across all our major locations. In addition, Catherine attended a one day in-person meeting of our UK/European Employee Forum in December 2022. The Forum comprises elected representatives from our workforce in the UK and EU countries and enables management to present business updates while listening and responding to whatever questions and concerns the attendees may raise. The Forum enables the general sentiment of our workforce to be assessed.

Feedback from all of these meetings was presented to the Board in March 2023. The key message was for the Board and senior management to continue to communicate, openly and frankly, with the Group's entire workforce. For details of how we do this, please see page 130.

Subsequent to the year end, Catherine Ashton resigned as a Non-executive Director on 12 June 2023. The Board recognises the importance of the role of the workforce engagement director and currently intends to appoint another Non-executive Director in this capacity.

These activities complement the data and information gathered through formal surveys and working groups as part of the normal management process. Where appropriate, actions to address concerns raised by employees are then resolved and communicated to employees via various internal newsletters and direct all-employee communications by the Chief Executive Officer. Further details of progress made this year are set out in the Responsible Business report on pages 24 to 45.

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

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

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

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

Code Principle E:

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

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

The work undertaken by Maria da Cunha and Catherine Ashton during the year in direct workforce engagement on behalf of the Board is an important bolstering of our existing processes.

A dedicated whistleblowing hotline allows our workforce to raise concerns about ethical breaches confidentially, or anonymously if preferred, by a range of methods. For further information, please see the Ethics Committee report on page 99.

Section 2: Division of responsibilities

Code Principle F:

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

The Chairman is responsible for leadership of the Board, including its overall effectiveness in directing the Company's affairs. While the Chairman is not regarded as an independent Director under the Code, the Board is satisfied that Kevin Loosemore demonstrated independent and objective judgement throughout his tenure. The Board believes that Clive Whiley will also demonstrate independent and objective judgement.

The role of the Chairman at Board meetings is primarily to facilitate constructive Board relations and the effective contribution of all Directors, promoting a culture of openness and debate. He has primary accountability, with the support of the Company Secretary, for ensuring that the Directors receive accurate, timely, clear and complete information.

Code Principle G:

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

As at 25 March 2023 the Board had eight members, being the Chairman, three Executive Directors (the CEO, the CFO and the MD, Currency) and four independent Non-executive Directors. Biographies setting out the skills and experience of the Directors are set out on pages 72 and 73.

As noted on pages 70 and 71 there has been a material change in the Board's composition since the year end. In addition, the current CFO, Rob Harding, will leave the Company's employment in July 2023 and the Senior Independent Director, Margaret Rice-Jones, has decided not to seek re-election at the 2023 AGM due to the time demands of her other business commitments.

All of the Non-executive Directors who served during the year and to the date of this report are considered by the Board to be independent, both in thought and relative to the criteria set out in the Code.

Kevin Loosemore worked for the Group from 1997 to 1999 and receives a small pension from the Company's defined benefit pension scheme. Similarly, Margaret Rice-Jones worked for the Group from 1997 to 2000 and has a deferred pension entitlement in that scheme, as does Ruth Euling, whose accrual of benefits ceased in March 2013. These potential conflicts of interest have been declared to and authorised by the Board, under its normal processes.

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

The Board has established a process to review at least annually any actual or potential conflict of interest. The most recent review was in March 2023. Any transactional conflicts are required to be notified, and would be reviewed, as they arise.

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

The Directors are, individually and collectively as a Board, accountable to shareholders for their performance. Each Director serving at the date of this report will retire from office at the AGM on 7 September 2023 and offer themselves for re-election, other than Rob Harding, and Margaret Rice-Jones, as noted above.

Chairman	– Provides leadership of the Board, setting its agenda, style and tone to promoting constructive challenge and debate. – Ensures good information flows from the Executive Directors to the Board, and from the Board to key stakeholders. – Takes overall responsibility for the composition and capability of the Board, its Committees and senior management, including acting as Chair of the Nomination Committee. – Ensures that high standards of corporate governance and probity are maintained throughout the Group.
Chief Executive Officer	– Maintains and motivates a senior management team with the appropriate knowledge, experience, skills and drive to manage the Group's day-to-day activities. – Demonstrates personal leadership and a management style which encourages excellent and open working relationships at all levels within the Group. – Ensures, through the Chief Financial Officer, the implementation, control and coordination of the Group's financial and funding policies approved by the Board. – Ensures that the Group has in place appropriate systems of risk management and internal control, including in relation to the health, safety and well being of its workforce. – Proposes for Board approval operational plans and financial budgets to deliver the agreed strategy for creating value for shareholders. – Communicates with the Company's shareholders and other key stakeholders and briefs the Board on any material views and issues.
Senior Independent Director	– Available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve, or for which such contact is inappropriate. – Available to the other Directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman. – The Senior Independent Director will also lead any recruitment of a new Chairman, other than when being considered for the position themself.
Other Executive Directors	– The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's finance strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the Finance function. – The MD, Currency reports to the CEO and has executive responsibility for delivery of her division's operational and financial performance. – As members of the ELT, each of the Executive Directors has a wider responsibility for monitoring the delivery of intended goals across the entire business, and for implementing and maintaining appropriate risk management and internal controls.
Independent Non-executive Directors	– Strategy: constructively challenge and contribute to the development of strategy. – Performance: review the performance of management in meeting agreed goals and objectives and delivering against business plans and budgets or forecasts. – Reporting to shareholders: monitor the accuracy and completeness of financial and narrative information provided to the market. – Risk and internal control: as part of the Board, establish a framework of prudent and effective controls, which enable risk to be assessed and ensure that the systems of risk management and internal control are robust and defensible. – People: monitor succession planning and management development. Ensure that the voice of the workforce and other stakeholders is considered by the Board.
General Counsel and Company Secretary	– Supports the Chairman in ensuring a timely flow of high quality information to the Directors – Advises the Board on matters of corporate governance and supports the Chairman and Non-executive Directors individually. – The point of contact for investors on matters of corporate governance. – Ensures probity and good governance practices at Board level and throughout the Group.

Code Principle H:

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The basis on which the Board identifies the skills, experience and personal attributes required of the Non-executive Directors is described in the Nomination Committee report on pages 85 to 87. As part of the selection process, candidates are asked to confirm that they will have sufficient time to meet their responsibilities as Directors and to undertake not to accept any further appointment without first clearing the proposed role with the Chairman.

The role of the Non-executive Directors is described in the table on page 81. The Non-executive Directors come from diverse backgrounds and have a wide range of skills and experience. We believe that there is a distinct synergy benefit from this diversity and that the Board's discussions benefit from the range of perspectives it provides.

Code Principle I:

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

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

The Board meets regularly throughout the year and follows a formal work programme to ensure that all matters are considered on a timely basis. For more detail of the key matters discussed during FY23, please see page 76. To ensure that the Directors maintain overall control over strategic and other material issues, the Board has adopted a schedule of matters which are required to be brought to it for decision.

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

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

Where the Board's oversight responsibilities require dedicated focus on specific areas, the Board has established Committees to provide the relevant insight, whose roles and activities are explained later in this Corporate Governance report.

The matters reserved to the Board and the terms of reference for each of its Committees, which are reviewed regularly, can be found on the Company website at www.delarue.com. These were last reviewed in March 2023 and are compliant with the recommendations of the Code.

The Board met formally on six occasions during FY23, with additional meetings held as required to provide approvals or discuss matters at short notice, which did not always require attendance from all Board members. Attendance at the scheduled meetings and at those of the Committees is shown in the table on page 77. Where a Director is unable to participate in a Board or Committee meeting, they review the meeting materials and communicate their opinions and comments on the matters to be considered to the Chairman of the Board or the relevant Board Committee Chair.

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

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

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

Section 3: Composition, succession and evaluation

Code Principle J:

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

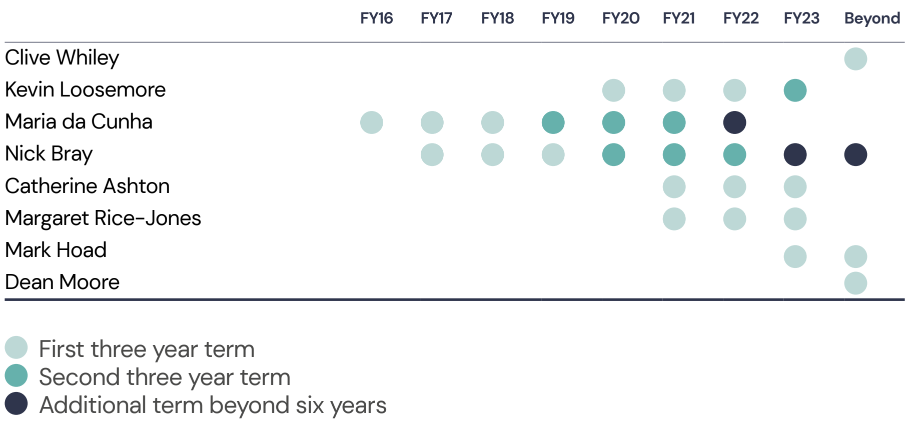
Securing the best possible candidate for every role is critical. The Nomination Committee report on pages 85 to 87 provides more information on how we create the candidate specification for a Director appointment, including diversity considerations, and then identify and appoint candidates. The Board recognises the importance of having an inclusive culture and the value that diversity brings to De La Rue and aims to reflect this within the composition of the Board.

Code Principle K:

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

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

Non-executive Directors' tenure



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

All new Directors receive a tailored induction on joining the Board, including meetings with senior management, key advisors and visits to key Group locations. They also receive a detailed briefing which includes details of their duties and responsibilities as a Director and other governance-related issues. For further information on how this operates in practice, please see page 87 where Mark Hoad explains the process he followed on joining the Board.

Directors are continually updated on the Group's businesses, the markets in which the Group operates and changes to the competitive and regulatory environments. All Directors are encouraged to undertake additional training where it is considered appropriate for them to do so and to visit the Group's production sites.

Code Principle L:

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

The Chairman is responsible, with the support of the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity. The Company conducts a formal annual performance evaluation process for the Board, its Committees and individual Directors, including the Chairman. The Chairman routinely holds one-to-one meetings with all Directors to review their contribution to the Board.

As explained in last year's annual report, the Board commissioned a performance evaluation in FY22, using an external independent facilitator, Lintstock Limited, which has no other connection with the Company or individual Directors. This was presented to the Board in May 2022. The conclusions were that the performance of the Board, its Committees and individual Directors was effective but the Board felt that two changes should be made to its future ways of working. These changes, and what was done during the year are:

Agreed change	*What happened in FY23?*
Succession planning – after a period of rapid and fundamental change in management, the Board believes that it should now devote more attention to developing a longer term succession plan for roles in the executive leadership team and senior management	– The Nomination Committee reviewed succession plans for the top three levels of management (being the ELT members, and their first and second reports) – The Nomination Committee also reviewed the Company's processes for identifying, nurturing and retaining high potential individuals who could become the future leaders of the Company
Visible leadership – reintroduce a regular programme of site visits and meetings	– The Board visited polymer production site at Westhoughton in July 2022, meeting a wide range of employees and managers. The visit spanned both the original production hall and the new facility completed during 2022 – Mark Hoad also visited Westhoughton as part of his induction programme, after he joined the Board in September 2022

During FY23 we undertook performance evaluations of the Directors (including the Chairman) and of the Board and its Committees. The processes used for these reviews were as follows:

Review of the Chairman's effectiveness

A set of structured questions was circulated to each Director by Margaret Rice-Jones, the Senior Independent Director	The Directors met without the Chairman present, in a private session led by Margaret, using the questions as a guide to their discussions	Feedback was provided to the Chairman privately in a face-to-face meeting

The conclusion was that Kevin Loosemore was highly effective as Chairman of the Board, with a deep understanding of the Company's businesses and playing a significant role in helping the Board focus on the key strategic drivers of performance.

Review of the Board's and Committees' effectiveness

A tailored set of questions was developed by the Company Secretary and the Chairman	Each Director completed the tailored questionnaire, using an online system managed by Lintstock	Lintstock produced a report summarising the results of the survey, with both quantitative and qualitative data	The Board discussed the report of the survey's findings and agreed what actions it would take in response

The conclusion was that the Board and its Committees were functioning effectively. There were two procedural changes that were agreed by the Board, both of which have already been actioned:

Agreed change	*What has happened subsequently?*
Each Board meeting should commence with a private session for the Chairman and other Non-executive Directors, and be followed by a joint session with the Chief Executive Officer	– All scheduled (and, where appropriate, ad hoc) Board meetings now begin with these private sessions – These allow the Non-executive members of the Board to share any concerns or specific matters that they wish to see discussed in the formal part of the Board meeting
During a period of significant uncertainty in the Company's markets and the challenging business context that this creates, to re-introduce a Directors' call in those months with no scheduled Board meeting, following publication of the management accounts	– These calls have been scheduled for the first six months of FY24, after which the Board will review whether the practice should continue

Review of the individual Directors' effectiveness

Following the year end, the Nomination Committee reviewed the effectiveness, commitment and contribution of each Director. They concluded that each Board member was performing at or beyond the required standard and recommended to the Board that those Directors who intended to stand for re-election at the 2023 AGM should do so, and that the Board should recommend to shareholders that each of those Directors should be appointed. The Board supported this recommendation.

Nomination Committee

Clive Whiley
Chairman of the Nomination Committee

"Ensuring we have a Board of Directors and leadership team possessing the skills, knowledge and experience to drive the evolution of the Group's business."

Dear Shareholder,

I am pleased to present the Nomination Committee report for the period ended 25 March 2023.

Committee members

The members of the Committee during FY23 were:
- Kevin Loosemore (Committee Chair)
- Clive Vacher
- Catherine Ashton
- Nick Bray
- Maria da Cunha (until 27 July 2022)
- Mark Hoad (from 28 September 2022)
- Margaret Rice-Jones

Members' attendance at Committee meetings is shown in the table on page 77.

Following the year end, Kevin Loosemore resigned as a Director with effect from 1 May 2023, and Clive Whiley was appointed as a member and the Chairman of the Committee on 18 May 2023.

Operation of the Committee

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

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

Activities during the period

The Committee met twice during FY23. The principal matters considered at its meetings were:
- Recommending to the Board that Mark Hoad should be appointed as a Non-executive Director, to ensure that the skills and experience available at the Board table remain appropriate. The recruitment process took diversity considerations into account
- Considering whether the Directors collectively possessed sufficient skills, knowledge and experience of technology to drive the evolution of the Group's business
- Reviewing succession plans for the top three levels of management (being the ELT members, and their first and second reports) and the Company's processes for identifying, nurturing and retaining high potential individuals
- Reviewing the commitment, contribution and effectiveness of the Directors seeking re-election at the AGM, following a formal performance appraisal process

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

Principal responsibilities

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

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

Effectiveness
- Review the independence and time commitment of the Non-executive Directors
- Act on the results of effectiveness reviews in relation to individual Directors

Nomination Committee continued

Gender balance
As at 25 March 2023

Approach to succession planning and talent

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

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

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

Board appointments and process followed

As noted in the 'Activities' section above, the Committee oversaw a process to find a new Non-executive Director with the skills and experience to chair the Audit Committee of the Board, as well as making a positive contribution to the Board's wider discussions and the strategic development of the Company.

A detailed role and candidate specification was drawn up and an executive search consultancy, Russell Reynolds (which has no other connection with the Company or any of its Directors) was retained to identify suitable individuals, with the benefits of diversity stressed in the brief provided to them. This process culminated in the Committee recommending to the Board that Mark Hoad should be appointed as a Non-executive Director. The Board appointed Mark on 28 September 2022 and he will take over as Chair of the Audit Committee following the 2023 AGM.

Board diversity policy and practice

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

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

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

Gender balance of the Board and Executive Leadership Team (ELT)
As at 25 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (ELT)	Percentage of executive management (ELT)
Men	5	62%	3	3	60%
Women	3	38%	1	2	40%
Not specified/prefer not to say	n/a	n/a	n/a	n/a	n/a

The Committee has followed the development and implementation of the new Listing Rules requirements in relation to diversity. As these only apply to accounting periods commencing on or after 1 April 2022, they do not apply to the Company in respect of FY23.

As at 25 March 2023, the gender balance of the Board and Executive Leadership Team (ELT) was as shown in the table above. Shareholders will note that at the year end date, one of the four senior positions on the Board of Directors was held by a woman, being the Senior Independent Director, Margaret Rice-Jones.

The Committee intends to review its diversity, equity and inclusion policy early in FY24 to take into account the policy and reporting requirements of the new Listing Rules.

Subsequent to the year end, Catherine Ashton resigned as a Director on 12 June 2023 and on 19 June 2023 we announced that Margaret Rice-Jones had decided not to seek re-election at the 2023 AGM, in each case to create time to be able to fulfil external commitments.

On 26 June 2023 Dean Moore was appointed as an independent Non-executive Director.

Re-election of Directors at the 2023 AGM

All Directors serving at the date of this report will stand for re-election at the 2023 AGM, with the exceptions of Rob Harding, who leaves our employment in July 2023 and Margaret Rice-Jones who will retire in order to devote more time to her other business interests.

The Committee has carried out a formal performance evaluation (as explained above) and considers each of the Directors to be effective in their respective roles. It judges that they demonstrate commitment and is of the opinion that all Directors continue to provide valuable contributions to the long term success of the Company. The Board strongly supports their re-election to the Board and recommends that shareholders vote in favour of the relevant resolutions at the 2023 AGM.

Clive Whiley
Chairman of the Nomination Committee

29 June 2023

Mark Hoad on: Induction in action

I joined the Board in September 2022. While I am an experienced CFO and executive director of listed companies, this is my first non-executive role.

The induction process I followed was tailored to my main role responsibilities as the chairman-designate of the Audit Committee. The key activity was 1:1 meetings with the audit engagement partner and key members of his audit team, the senior members of the internal audit team and all the key people within the Company's finance team. I also met senior managers from key central functions including legal and risk. In relation to my duties as non-executive director of a listed company, I met with the Company's brokers and corporate lawyers.

As I joined the Board, it was considering an evolution and refinement of the corporate strategy, which provided a good introduction to De La Rue's business and market opportunities. I also visited the polymer production site at Westhoughton, which provided a practical glimpse into the sheer scale of the Company's operations.

Overall, the induction process covered the finance and governance issues thoroughly and gave me the opportunity to glean insights from and build relationships with key individuals. I have provided feedback to the Company Secretary on the process, which will help inform induction activities for future Board appointees.

Mark Hoad
Independent Non-executive Director

Section 4:
Audit, risk and internal control

Code Principle M:

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Board has delegated power to the Audit Committee so that it has primary responsibility for providing oversight of the integrity of the Group's financial statements and associated narrative reporting and acting as guardians of the independence and effectiveness of the internal audit function and the external audit process.

For further details, please refer to the Audit Committee report on pages 89 to 96.

Code Principle N:

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Directors believe that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy.

For details of the process that was followed to enable the Board to make this statement, please refer to the Audit Committee report below.

Code Principle O:

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

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

The Board has determined the Company's risk appetite, being the nature and extent of the principal risks it is willing to take in order to achieve its long term strategic objectives. The most recent assessment of this was in March 2023. The Board has carried out a robust assessment of the Company's principal and emerging risks. Further details of the principal risks and the Group's approach to risk management can be found in the risk management section on pages 56 to 63, with a description of how this is overseen by the Risk Committee on page 97 and an explanation of how the Audit Committee oversees this on page 96.

The Board oversees the Group's internal control framework, with the Audit Committee taking a leading role in this work. The Board has carried out a review of the effectiveness of the Company's systems of risk management and internal control, covering all material controls, including financial, operational and compliance controls. For further details, please refer to the Audit Committee report on pages 89 to 96.

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

Nick Bray
Chairman of the Audit Committee

"Ensuring our internal and external audits take account of the Group's risks, and monitoring the Group's financial and narrative reporting."

Dear Shareholder,

I am pleased to present the Audit Committee report for the period ended 25 March 2023.

Committee members

The members of the Committee during FY23 were:

- Nick Bray (Committee Chair)
- Catherine Ashton
- Maria da Cunha (until 27 July 2022)
- Mark Hoad (from 28 September 2022)
- Margaret Rice-Jones

All members of the Committee are independent Non-executive Directors.

Members' attendance at Committee meetings is shown in the table on page 77.

Nick Bray is a chartered accountant and is regarded by the Board as having relevant and recent financial experience by virtue of his long career as a senior finance professional and his current position as Chief Financial Officer of Travelport.

Mark Hoad is also regarded by the Board as having relevant and recent financial experience. He is an experienced chartered accountant and currently serves as a director and the Chief Financial Officer of TT Electronics plc.

The Board is also satisfied that the Committee as a whole has competence relevant to the sector in which the Group operates. No member of the Committee has any connections with the external auditors.

Nick Bray will retire as Committee Chair at the conclusion of the 2023 AGM, from which time Mark Hoad will serve in that capacity. Nick will remain as a member of the Committee to provide continuity, given the recent change in lead audit engagement partner and the imminent change of CFO.

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 72 and 73.

Principal responsibilities

Financial reporting

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

External audit

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

Internal audit

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

Risk management and internal control

- Monitor and review the effectiveness of the systems of internal control and risk management

Audit Committee continued

Operation of the Committee

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

Committee meetings are attended, by invitation, by the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, General Counsel and Company Secretary and the Group Financial Controller, as well as the internal and external auditors.

The Group Director of Security, HSE and Risk and the Group Director of Tax and Treasury also attend Committee meetings as required. The internal auditors and external auditors each meet the Committee members without Executive Directors or other employees being present.

The Committee's effectiveness was reviewed as part of the overall Board effectiveness review. For further information on how this was conducted, please see page 84.

Activities during the period

The Committee met five times during the period ended 25 March 2023. The principal matters considered at its meetings were:

- The half and full year financial statements, including any key accounting matters
- The annual report and other narrative reporting
- Plans and fees for the external audit and the auditors' review of the half year results
- The effectiveness, independence and objectivity of the external auditors
- The representation letters to be provided to the external auditors
- The external auditors' reviews of the financial statements and associated narrative reporting
- The use of the going concern basis of accounting
- The basis of preparation of the long term viability statement
- The internal audit programme and the alignment of this with the Group's principal risks and the interaction with the work of the external auditors
- The Group's principal risks and uncertainties, informed by reviews of these by the Risk Committee
- The assurance available in relation to the Group's risks, including:
  - Internal audit findings and recommended improvement actions
  - Reviews of the effectiveness of the systems of internal control and risk management
  - Business continuity planning
  - Review of the annual policy and control self-assessment declarations
  - The results of other compliance audits
- Approval of an updated version of the Fraud Policy and a review of the procedures for whistleblowing in relation to fraud and financial misstatements
- The further implementation of the Company's ERP system and further enhancements of the internal control environment,
- The resourcing and maturity of the Company's cyber security arrangements and the approach to the 2023 insurance renewal.

Financial reporting

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

Key accounting matters in relation to FY23

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

Topic	*What is the risk?*	*What did the Committee do?*	*What conclusion did it reach?*
Revenue recognition	Revenue (and therefore profit) is not recorded in the correct financial year, resulting in an incorrect statement of performance	The Committee considered the Group's revenue recognition policies and procedures to ensure that they remained appropriate and that the Group's internal controls were operating effectively in this area. Feedback was also sought from the external auditors over the application of the revenue recognition policy including ongoing compliance with IFRS 15. Specific focus was given to revenue recognised on a 'bill and hold' basis and where revenue on new contracts entered into in the year was being accounted for on an 'over time basis'.	Following a review of the varied sources of information received, the Committee concluded that the accounting treatments and judgements were reasonable and appropriate.
UK post-retirement benefit obligations	The valuation of the pension scheme assets and/or liabilities is incorrectly or inappropriately valued. This would result in the balance sheet being misstated	The Committee received and considered reports from management based on analysis prepared by independent actuaries and the external auditors in relation to the valuation of the UK defined benefit pension scheme and challenged the key actuarial assumptions used in calculating the scheme liabilities, especially in relation to discount rates, RPI and CPI inflation rates and mortality. The Committee discussed the reasons for the movement on the IAS 19 valuation from a net surplus to a net deficit. The Committee was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in note 24. The Committee also noted that the UK Multi Asset Credit and secured Finance funds account for approximately £61m and £139m of the pension assets respectively (FY22: £63m and £143m respectively). During the period from 28 February to 25 March, based on the movement in relevant market indices, we have estimated that the value of the funds has decreased by £4.4m. The total UK pension scheme assets value is £678.2m. This £4.4m decrease includes £3.9m relates to the updated third-party valuation data as at the year end date and the remaining £0.5m is based on day-to-day market volatility of high yield market indices. A 0.1% change in these market indices would result in a £0.6m increase in the pension scheme assets. 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 Committee considered the difference in valuation caused by the year end and reporting dates to not be significant when compared to total UK defined benefit pension scheme assets of circa £0.7m. However, the Committee decided that the critical accounting judgement on this should be disclosed – see pages 158 and 159.

Audit Committee continued

Topic	*What is the risk?*	*What did the Committee do?*	*What conclusion did it reach?*
Recoverability of other financial assets	The carrying value of the investments made by the Group in entities within the Portals group is recognised at an incorrect or inappropriate value in the balance sheet, resulting in an under- or over-statement of assets	The Committee noted that management has carefully assessed the recoverability of the other financial assets on the balance sheet as at 25 March 2023 based on information available to them determining that an expected credit loss provision of £8.5m (see note 5 exceptional items for further details) is required which will fully impair these other financial assets. Management had considered the following factors in making this determination: 1) The public announcements from the Portals group relating to the wind down of the Overton paper mill and its sale of assets. 2) The latest available financial position of Portals International Limited group as presented in its 2022 consolidated financial statements including significant losses for the period and a net liabilities position. 3) The announcement of the sale of the Fedrigoni business to IN Groupe in May 2023. This provision accounts for the risk that the full amounts due will not be recovered rather than the instruments being credit impaired.	The Committee has concluded that it supports the expected credit loss provision of £8.5m that has been recorded in FY23. The Committee noted that if factors change again in the future, this may alter the judgements made resulting in a revision to the value of expected credit loss provision to be recognised.
Estimation of and provisions	The value of provisions at the balance sheet are incorrectly or inappropriately calculated, resulting in a misstatement of profits for the year and of the closing balance sheet position	The Group holds a number of provisions relating to warranties for defective products and contract penalties. The Committee reviewed and discussed reports from management and the external auditors concerning the significant provisions held for such matters including any provisions with notable movements and challenged management over the judgements applied in determining the value of provisions required. The Committee enquired of management and the external auditors as to the existence of other matters potentially requiring a provision to be made. The Committee concluded that it was satisfied with the value of provisions held.	The Committee has considered the latest available information provided by management including the latest view of external advisers and is confident with the judgements made in preparing the financial statements in the current period.
Replacement of Savings Related Share Scheme granted	The accounting for the new Save As You Earn ('SAYE') share option grant made under modification accounting should have been cancellation accounting instead.	The Committee reviewed Managements assessment that judged the new grant as a replacement award for two SAYE grants which are due to vest in FY24 and FY25 that were cancelled by employees at the time of the new grant and applied modification accounting rather than cancellation accounting.	The Committee concluded that the accounting treatment was appropriate.
Recoverability assessment and impairment charges related to plant and machinery and capitalised product development costs	The impairment assessments carried out by the Group have not identified all applicable impairments.	The Committee reviewed Management's assessment of impairments made in the year in particular in relation to the wind down of the Kenya operations and capitalised product development costs.	The Committee concluded that the impairments made in the year were appropriate.

Topic	*What is the risk?*	*What did the Committee do?*	*What conclusion did it reach?*
Accounting for the extension of the factory site in Malta	The timing of the accounting for new lease on the Malta site extension was not recorded appropriately.	The Committee reviewed Management's judgement as to whether the Company has control of the Malta site during the construction period. If the Group has the right to control the use of the identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. In order to control the asset, the lessee must have the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. It was determined that control exists only after the build is completed and site becomes available for use. Management considers that given the building was under construction at the year-end date and therefore there were no economic benefits as the asset was not ready for use at that time. Therefore, management have concluded that no lease should be recognised in FY23. The lease will be recognised when the building becomes available for use.	The Committee concluded that Management's assessment that the lease will be recognised when the building becomes available for use is appropriate.
Classification of exceptional items	Costs or income are incorrectly categorised as, or omitted from, exceptional items, resulting in a misstatement of profits for the year	As part of the Committee's deliberations over whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, the Committee also considered the amounts disclosed as exceptional items. The nature of the items classified as operating exceptional items during the period is described in note 5. The Committee considered the accounting treatment and disclosure of these items in the financial statements including seeking the views of the external auditors.	On the basis of its review, the Committee concluded that the accounting treatment and disclosures in relation to these items were appropriate.
Impairment of investment in subsidiaries in the Company (only) financial statements	The carrying value of the investment in subsidiaries in the Plc Company financial statement is misstated	The Committee considered management's assumptions and decision to record an impairment against the investment in subsidiaries in the parent company (only) financial statements of £85.6m for FY23.	The Committee considers this appropriate given the significant reduction in the market capitalisation of the group to approximately £71m at 27 June 2023 versus approximately £214m market capitalisation as at 26 March 2022 given the resetting of market expectations on FY24 and revised outlook guidance.
Going Concern	The use of an inappropriate basis of accounting, should the Group prove not have access to sufficient liquidity to pay its debts as they fall due in the near term.	The Committee gave careful consideration to the going concern statements made in the half and full year financial statements. The Committee conducted rigorous reviews of the Group's financial forecasts, challenging key assumptions and giving careful consideration to the plausible downside scenarios modelled, when assessing the impact these would have on the going concern status of the Group.	The Committee concluded that the Group had adequate resources to continue in operational existence for the required period and that it was appropriate for the Directors to use the going concern basis of accounting.

Audit Committee continued

Fair, balanced and understandable view

At its May 2022 meeting the Committee reviewed, at the Board's request, the content of the 2022 Annual Report and Accounts and advised the Board that, in its view, when taken as a whole that document is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The same process has been followed by the Committee in relation to the Annual Report for FY23. In making its recommendation to the Board the Committee drew on its experience during that and prior financial years, supplemented by:

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

External audit

Relationship with the external auditors

Ernst & Young LLP (EY) have been the Company's auditors since June 2017, when they were appointed by the Board following a competitive tender that was led by the Committee. They have been re-appointed by shareholders at each subsequent AGM. The original lead audit engagement partner, Kevin Harkin, retired from the audit team at the 2022 AGM in accordance with the mandatory five year partner rotation requirement. The statutory audit of the FY23 financial statements is therefore the first to be undertaken under the leadership of the new lead audit engagement partner, San Gunapala.

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

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

Audit quality: Independence and objectivity of external auditors

The Committee places great emphasis on audit quality. This encompasses monitoring the skills and knowledge of the audit team, their mindset and culture and the quality of the judgements reached by the senior members of the audit team. In terms of approach, the objectivity of the Company's auditors in reviewing the financial statements that are issued to shareholders is of crucial importance. In all of their dealings with key members of the audit team, the Committee looks for evidence that their work is being done from a position of independence, with an entirely objective eye and appropriate professional scepticism. The Committee also receives the views of senior members of the finance team on their, and their teams', dealings with the external auditors and whether there are any indications that audit quality is being compromised in any way, or means by which it could be further enhanced.

In turn, EY put safeguards in place to avoid compromising their objectivity and independence. They provide a written report to the Committee on how they comply with professional and regulatory requirements and best practice designed to ensure their independence. Key members of the EY audit team rotate and the firm ensures, where appropriate, that confidentiality is maintained between different parts of the firm providing services to the Group.

The Committee also reviewed two Audit Quality Inspection and Supervision Reports published by the FRC in July 2022; one relating to the larger UK audit firms, the other being specific to EY.

Use of the auditors to provide non-audit services

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

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

To maintain this position, the Committee has adopted a detailed policy, most recently reviewed in November 2022, which requires that no non-audit services may be undertaken by the external auditors unless all the requirements of that policy have been fulfilled. The policy sets out:

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

Over the last three financial years, the fees paid to EY and its associates and the split between audit and non-audit related fees was:

£'000	FY23	FY22	FY21
Audit fees	**869**	740	778
Audit-related fees (review of interim financial statements)	**177**	80	77
Non-audit services	**–**	–	–
Total fees paid to EY	**1,046**	820	855
Non-audit fees relative to audit fees (%)	**20%**	11%	10%

Over the three financial years non-audit fees have averaged 14% of the audit fee. None of the non-audit services provided by the external auditors was regarded as a significant engagement by the Committee.

Effectiveness of the external auditors and proposal for re-election at the AGM

The Committee assesses annually the qualification, expertise, resources and independence of the external auditors, as well as the effectiveness of the external audit process. The Committee's assessment is performed by an audit satisfaction questionnaire completed by the Chairman, Committee members and relevant members of senior management.

The Committee is satisfied that the external auditors remain fully independent, objective and effective and has recommended to the Board that a resolution for the reappointment of Ernst & Young LLP should be put to shareholders at the 2023 AGM.

Internal audit

Internal auditors

The internal audit function provides an important assurance role and is complementary to the work of the external auditors. PricewaterhouseCoopers LLP (PwC) have provided internal audit services to the Group since FY14. The personnel involved in the internal audit team have changed over PwC's tenure and the Committee is satisfied that they have maintained their independence.

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

The FY23 internal audit plan was approved by the Committee in March 2022 and kept under review during the year. All of the internal audit assignments were completed during the period, other than one where fieldwork was deferred to April/May 2023 as a result of an internal reorganisation. In March 2023 the Committee reviewed and approved the internal audit charter and plan for FY24.

A review of the effectiveness of the internal auditors was completed and presented to the Committee in May 2023. This was undertaken by means of a questionnaire circulated to those audited in the year, senior members of the Finance function and the Committee, and supplemented the Committee's ongoing monitoring of PwC's work. The Committee concluded that the quality, experience and expertise of the internal auditors was appropriate for the business and were also satisfied that the actions management has taken to implement agreed improvement actions support the effective working of the internal audit function.

Audit Committee continued

Internal control and risk management

Internal control

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

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

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

Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, including over the Group's consolidation process. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

A comprehensive strategic planning, budgeting and forecasting system is in place. Monthly financial information, including trading results and cash flow statements are reviewed by senior management and reported to the Board. The ELT reviews performance against budget and forecast on a monthly basis and senior financial managers regularly carry out Group consolidation reviews and analysis of material variances.

Risk management

The key elements of the Group's risk management framework and procedures are set out on pages 56 to 63. At each meeting the Committee reviews the principal risks facing the Group and reviews the emerging risks throughout the year, receiving reports from the Risk Committee on the matters they have considered. In addition, each of the principal risks is discussed by the Board at various points during the year.

Combined assurance model

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

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

Effectiveness review: internal control environment

The Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Group's internal control systems, which covers all material controls, including financial, operational and compliance controls and which operates within the corporate culture and values set by the Board.

A formal effectiveness review was performed during the year and considered by the Committee, which concluded that none of the areas identified for enhancement constituted a significant failing or weakness for the Group.

Nick Bray
Chairman of the Audit Committee

29 June 2023

Risk Committee

Jon Messent
Chair of the Risk Committee

"Overseeing the identification and management of risks that could affect our corporate performance."

Dear Shareholder,

I am pleased to present the Risk Committee report for the period ended 25 March 2023.

Committee members

The members of the Committee during FY23 were:

– Clive Vacher (Committee Chair from 27 July 2022)
– Jane Hyde (Committee Chair and member to 27 July 2022)
– Natasha Bishop
– Andrew Clint (to 2 September 2022)
– Ruth Euling
– Rob Harding
– Dave Sharratt (from 12 September 2022)

In addition, Jon Messent joined the Committee on 3 April 2023 and became its Chairman from 18 May 2023.

Operation of the Committee

The Directors have overall responsibility for the Group's systems of internal control and risk management, which includes the identification of the Group's principal and emerging risks. Details of how the Directors fulfil this responsibility and the principal risks the Group faces can be found on pages 56 to 63.

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

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

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

Activities during the period

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

As routine items considered at every meeting:

– The Group's principal risks and uncertainties (for details of these risks, please refer to pages 56 to 63) and the status of the mitigating actions and controls relating to those risks
– Reviews of emerging risks not included in the Group risk register, including 'horizon scanning' sessions

In addition the following matters were also considered during the period:

– Review of the risk disclosures and the Committee's report within the 2022 Annual Report
– Review of the risk disclosures within the FY23 Interim Report

Principal responsibilities

– Monitor and develop the risk management policy and oversee the implementation of the Group-wide risk management framework for identifying and managing risks
– Promote a risk management culture and control environment
– Identify and keep under review the principal risks faced by the Group, and review the mitigations and controls relating to those risks
– Identify and assess any emerging or developing risks
– Review the effectiveness of the Group's system of risk management
– Provide reports on the status of risk management within the Group to the Audit Committee and Board, and externally through this report

Risk Committee continued

- 'Deep dive' sessions with operational or functional risk owners:
  - Breach of Product security with a specific focus on the handling of materials within the Currency business
  - Breach of Information Security, an overall review encompassing the risk of the loss of Company, customer or employee data and the separate risk of an external cyber attack. A subsequent session reviewed an internal audit assignment which had utilised the US National Institute of Standards and Technology's framework to assess the maturity of De La Rue's cyber security arrangements, ahead of the insurance renewal
  - Banking facilities and the Company's ability to operate within the covenants to which the facility is subject
  - Quality management in the Currency business, reviewing the issues that had arisen in the year to date and their root causes
- Performance of, and communications between, our divisional and central enabling functions' risk committees
- Insurance market conditions, particularly in relation to cyber risks insurance
- Business Continuity Planning
- Review of our risk management policy and framework
- Review of the Committee's effectiveness

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

The Committee is supported in its work by other management meetings and committees, including divisional and central enabling functions' risk committees and other meetings and bodies dealing with specific risk areas such as sanctions, HSE and security and the Ethics Committee.

Jon Messent
Chair of the Risk Committee

29 June 2023

Ethics Committee

Clive Whiley
Chair of the Ethics Committee

"Delivering results is important, but delivering those results in the right way is the only basis on which we can be successful on a sustainable basis over the long term."

Dear Shareholder,

I am pleased to present the Ethics Committee report for the period ended 25 March 2023.

Committee members

The members of the Committee during FY23 were:
- Kevin Loosemore (Committee Chair)
- Catherine Ashton
- Nick Bray
- Maria da Cunha (until 27 July 2022)
- Mark Hoad (from 28 September 2022)
- Margaret Rice-Jones

Members' attendance at Committee meetings is shown in the table on page 77.

Following the year end, Kevin Loosemore resigned as a director with effect from 1 May 2023, and Clive Whiley was appointed as a member and the Chairman of the Committee on 18 May 2023.

Operation of the Committee

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

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

Activities during the period

During the period to 25 March 2023, the Committee focused on the following activities:

CBP-related initiatives, including:
- The launch of a new Code of Business Principles in January 2023
- Monitoring the completion of online compliance training modules including anti-bribery and corruption, competition law and sanctions awareness
- Ongoing and planned awareness-raising initiatives and training to ensure expected ethical standards are maintained and further embedded throughout the organisation

The management of the TPP programme including:
- Reviewing the ongoing management of third party sales consultants

Principal responsibilities

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

Ethics Committee continued

Oversight of other business ethics matters:
- Update on activities related to the ISO 37001 anti-bribery management system and the Banknotes Ethics Initiative (BnEI) accreditations including reviewing the findings from the audits of both standards which took place during the year and the responses of the business to the recommended improvements
- Review of sanctions risks and actions undertaken or planned to manage those risks, including updates regarding sanctions monitoring
- Review of the gift register for Executive Directors
- Review of reports on issues raised through the whistleblowing hotline – CodeLine – and other channels and review of results of any investigations into ethical or compliance breaches or allegations of misconduct

Ethical risks

It is vital that we uphold the highest ethical standards in the way we conduct our business in order to maintain the trust and confidence of customers and everyone we deal with. We recognise that our business is exposed to risks of unethical conduct because of the nature and value of many of our contracts, and because standards of integrity may not be consistent across all the countries in which we operate. We have a robust compliance programme in place to manage these risks. Further information, including a description of our ethical framework can be found in the Responsible Business report on pages 24 to 45.

Training

Regular, relevant and focused training on ethics-related subjects is important and the Committee receives regular reports about our ethics and compliance training programme. Training during the period included:
- E-learning and face-to-face training relating to the rollout of the new Code of Business Principles including acknowledgement by colleagues that they understand and will comply with it
- Anti-bribery and competition law training where relevant for new starters and those changing roles and bi-annual refresher anti-bribery training
- Sanctions awareness training
- Online training modules for TPPs
- One-to-one training for new site Ethics Champions
- Modern slavery awareness training
- Confirmation of understanding of and adherence to gifts and hospitality policy

Whistleblowing

We encourage all employees and people acting on our behalf to speak up if they have any concerns. Ethical questions or concerns can be raised through an externally operated confidential reporting service. All reports are taken seriously and investigated as appropriate and all findings and remedial actions are reported in detail to, and reviewed by, the Ethics Committee.

Clive Whiley
Chair of the Ethics Committee

29 June 2023

Section 5: Remuneration

Code Principle P:

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Our remuneration policies and practices are designed to support the delivery of the Group's strategy. During FY23 there was a review of whether the approach followed in recent years truly continues to support the needs of the Company, its shareholders and management. The intention is to provide a range of fixed and variable pay that promotes the success of the Company through the sustained delivery of operational and financial results over the long term.

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

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

The remuneration arrangements we have put in place are clearly aligned with the Company's purpose and values. For further information, please refer to the Remuneration Committee report that follows in this section.

Code Principle Q:

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

While management has the primary role in developing proposals on executive remuneration, at Director level this must be done within the limits set out in the Directors' remuneration policy. This was last approved by shareholders at the 2020 AGM and an amended version will be proposed for approval at the 2023 AGM.

The remuneration arrangements for the first layer of management reporting to the CEO are scrutinised by the Remuneration Committee, which is comprised solely of independent Non-executive Directors.

Pay outcomes are reviewed by the Remuneration Committee, who retain discretion to adjust formulaic outcomes where appropriate. All of our processes are formal and transparent. Save for the Chairman, whose fees are determined by the Remuneration Committee, the fees for the Non-executive Directors are determined by the Board, and the NEDs absent themselves from any discussion or decision-making on this. No Director is involved in deciding their own remuneration outcome.

For further information, please refer to the Remuneration Committee report that follows in this section.

Code Principle R:

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

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

For further information, please refer to the Remuneration Committee report that follows in this section.

Chair's Introduction to Remuneration

Margaret Rice-Jones
Chair of the Remuneration Committee

'Despite progress to continue to address legacy issues and develop an agile footprint which has ensured profitability in a challenging year, the results have remained disappointing and this is reflected in our remuneration outcomes.'

This report is presented in three main sections: an annual statement from the Chair of the Committee; the Directors' remuneration policy; and the annual report on remuneration for FY23. The Directors' remuneration policy was approved by shareholders at the AGM on 6 August 2020 and had a binding effect from that date. An updated policy will be proposed for shareholder approval at the 2023 AGM.

Dear Shareholder,

As Chair of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the period ended 25 March 2023, my first as Chair which has been prepared by the Committee and approved by the Board. I would like to extend my thanks to Maria Da Cunha, who stepped down as Chair of the Committee on 27 July 2022.

This year, I would like to focus on two themes: the changes that we are proposing to make to the remuneration policy which will, if approved by shareholders, apply from the 2023 AGM; and the performance of the Group in FY23, which resulted in no bonus under the Annual Incentive Plan being payable to Executive Directors and the PSP awards granted in 2020 lapsing.

The Committee understands the need to create a remuneration framework that incentivises effectively for significant achievements in performance and associated return to shareholders, and acts as a retention mechanism for senior executives, and we have consulted widely with our shareholders in advance of making recommendations in relation to the policy.

As outlined in earlier sections of this Annual Report, we face continued headwinds to address both the ongoing legacy challenges the business faces while mitigating the continuing impacts of the current macro environment.

We have experienced an unprecedentedly volatile external market impacting us in every market sector in which we operate. Increased materials and energy costs, supply chain challenges and material shortages, increases in inflation and a global pandemic have led to a slower market growth in both Currency and Authentication than originally anticipated.

Principal responsibilities

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

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

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

However, despite these issues, in the last three years we have continued to make progress to ensure we have a strong underlying business and have been able to remain profitable even in the most difficult of market downturns, something that was unachievable three years ago.

The business has introduced a new leadership team into Authentication to focus on accelerating growth, capitalising on existing GRS schemes and expansion of these beyond the GCC countries and driving growth in Brand and ID components. In Currency we have taken significant further cost from the business and redefined the operating model and product roadmap to ensure that we are as optimal and efficient as possible. This allows us to remain competitive in the market against our key competitors.

We continue to tackle many of the legacy issues in our business particularly in addressing our cost base. Over the course of the three years since we commenced turnaround, we have removed in excess of £40m of cost, reducing annual pension payments, saving £57m of future cash spend and exited the Portals Relationship Agreement, avoiding future outlays of £119m. We have equally prioritised a continued focus on creating a flexible and competitive footprint and optimal operating model.

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

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

Committee meetings

The Remuneration Committee consists exclusively of Non-executive Directors, all of whom are regarded as independent.

The Committee met seven times during FY23 and details of attendance can be found in the table on page 77. The Chief Executive Officer and the Group Director of Human Resources attended these meetings by invitation. The General Counsel and Company Secretary, who is the secretary to the Committee, advised on governance issues.

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

Activities in the period

- Approval of the Executive Leadership Team (ELT) group and strategic individual objectives for the year
- Triennial review of Directors Remuneration Policy including extensive consultation
- Review of performance targets for short and long term incentive plans
- Approval of pay awards for the Chairman, the Executive Directors and the other ELT members
- Review and approval of the Directors' remuneration report for FY22
- Review of market trends and latest developments in governance
- Review of inclusion principles for ESG in incentives
- Awards under the UK Sharesave scheme
- Review broader workforce remuneration in consideration of executive remuneration
- Review of the report on gender pay gap and action plan

Structure of Directors' remuneration report

This report is presented in three main sections: an annual statement from the Chairman of the Committee; the Directors' remuneration policy to be approved by shareholders at the 2023 AGM; and the annual report on remuneration for FY23.

In accordance with the regulations, we will be asking shareholders to vote on two separate remuneration resolutions as follows:

- The binding triennial vote on the proposed Directors' remuneration policy as set out on pages 105 to 111 which will, subject to shareholder approval, become formally effective from the 2023 AGM
- An advisory vote on the annual report on remuneration as set out on pages 105 to 125 which provides details of the remuneration earned by Directors for performance in FY23

A copy of the remuneration policy approved in 2020 can be found in the annual report 2020 on the Company's website: www.delarue.com.

Proposed remuneration policy

Our remuneration policy is key to delivering both in year performance and the longer term transformation of De La Rue.

This year we have carried out our triennial review of the policy.

The proposed policy is designed to support the business in delivering a sustainably profitable and cash generative business, targeting growth opportunities in Authentication and, in Currency. We will continue to shape our Currency division's printing capacity to market demand across our sites in Malta, Sri Lanka, and the UK and to address and resolve legacy issues across the group.

Chair's Introduction to Remuneration continued

The last two years have represented a challenging period for the business driven primarily by the delayed impact of Covid-19 creating market pressures and we share our shareholders' disappointment in relation to share price performance during this time. It is with this in mind that we have considered any changes to the remuneration policy.

We are proposing a change to our current long term incentive arrangements by introducing a proportion of higher leveraged reward for both executives and senior management for overachievement of targets that results in an increase in shareprice. Long Term Incentives (LTIPs) have previously been applied as Performance Share Plans (PSP) subject to a three year performance period measured against two equally weighted metrics, followed by a two year holding period.

Following review of appropriate metrics and consultation with our shareholders we are proposing that LTIP will be made up of a mix of PSP and market value options.

Full details of this new plan, to be known as De La Rue Investor Return Plan, are set out in the policy section of the report on pages 105 to 116, and will be subject to a binding shareholder vote at the AGM on 7 September 2023.

The changes proposed will:
- Strongly align executive and shareholder interests
- Allow for common and unified reward amongst all senior management and Executive Directors, aligning all participants
- Provide greater levels of reward where longer term focus results in improving the share price
- Provide a mechanism to attract, retain and motivate executives and leaders over the longer term to deliver our strategic goals
- Promote a high-performance culture

We remain confident that all other aspects of the Policy are fit for purpose and are not proposing any further material changes.

Implementation of the policy in FY24

If approved by shareholders at the forthcoming AGM, the Committee intends to apply the revised remuneration policy as follows:
- Base salary and benefits: No material change to the Executive Directors' base salary level or pension and benefits arrangements.
- Annual Bonus Plan (ABP): For FY24 the current maximum opportunity level of 135% of salary for the CEO will continue to apply, with 60% of any bonus payable in cash and 40% deferred into shares released half after one year and the remaining half after a further year. The Committee has carefully considered bonus performance metrics for FY24 and concluded that the current measures remain highly relevant for the current turnaround situation
- De La Rue Investor Return Plan: The Remuneration Committee has given detailed consideration to the most appropriate Long Term Incentive (LTIP) arrangements that provide a strong link between business performance, shareholder return and executive reward. For awards from FY24 onwards, the Committee proposes to implement a new policy proposal. Plan participants will receive their LTIP award in two elements. Firstly, awards under the existing Performance Share Plan, subject to two performance conditions (Free cash flow and EPS) both equally weighted and measured over three year periods. The second portion of award will be made as market value options, to be granted under the new Investor Return Plan. Vesting of these awards will be subject to an underpin that our Total Shareholder Return at least equals the return of the FTSE mid-250 (excluding Investment Trusts) index measured over a three year performance period

The Committee carried out an extensive consultation exercise in relation to the proposed new policy with our largest shareholders. All key shareholders and main UK institutional investor bodies were written to and encouraged to attend a meeting to discuss proposals in detail. Eight shareholders, collectively holding 48% of our equity, took up this opportunity to discuss proposed policy changes.

The feedback we received was both constructive and in a large measure supportive and it was clear that our shareholders, while understandably disappointed in the share price performance, have a good appreciation of the challenges that De La Rue is dealing with and the need for significant change. I hope you will welcome the conclusions the Committee has reached on this matter as a result of the consultation process which we believe acknowledges the challenges facing the business and demonstrates our commitment to a high level of alignment between the interests of shareholders and the senior management of the business. The Committee believes that the above Policy is in the best interests of shareholders as it will encourage, reinforce and reward the delivery.

Activities in FY23

The primary focus for the business during the FY23 financial year has been:
- Increased focus on driving efficiency and greater cost competitiveness to help offset the challenges faced throughout the year, helping to mitigate supply chain cost inflation
- Proactive procurement strategies to manage raw material shortages
- Targeted profitable growth and conversion of customers, in key product segments of Polymer,
- Features and both Brand and GRS
- Ongoing footprint and capacity review adding production capability and flexibility with Malta expansion and new polymer line at Westhoughton
- Positive cash management
- Releasing a clearly articulated ESG strategy outlining the key priorities and targets set out under all areas
- Supporting high levels of employee engagement and communication
- Creating certainty on potential future cost pressures by securing structured pay awards while maintaining focus on balanced rewards and wellbeing for all employees
- Continuing to align executive and shareholder interests

No changes were made to the application of the policy this year.

Employee experience

During FY23, our operating sites in the UK, Malta, Kenya, Sri Lanka and the US remained operational. Despite significant disruption due to global events including the economic situation in Sri Lanka we were able to deliver in full to customers as required during the financial year.

The impact of the headwinds and slowing of our market on overall business performance is reflected appropriately in the outturn of the Annual Bonus Plan with no eligible employees receiving an award under these plans.

We also conducted a salary review during the year for all eligible employees. The employees in Collectively bargained agreements received the second year increase negotiated through the multi-year pay deals in FY22. The wider workforce remuneration was taken into account in our decisions on executive remuneration.

We have continued to expand our wellbeing benefits and support in all locations, branching out into financial wellbeing alongside both health and mental health wellbeing.

As a result of the changes to market performance we were required to reduce costs and continue to right size our manufacturing footprint and ensure we had optimal structures in both Currency and Authentication. This did mean that redundancy exercises were conducted in both our Kenyan and Westhoughton manufacturing sites as well as across a number of teams and departments both in the UK and internationally.

We continued to maintain all our formal and informal forums and communicate openly and transparently to ensure that our employees remain aware of the business performance and challenges as well as successes and that all views, questions and concerns had a mechanism through which to be raised.

Shareholder experience

Business performance in FY23 was impacted due to the extremely tough trading conditions for both divisions of De La Rue. Currency experienced the worst market background for many years.

While strong supply chain management mitigated much of the cost risks identified at the beginning of the year, adjusted operating profit fell substantially versus prior year which has had a negative impact on the shareprice.

The Board does not expect to pay dividends unless and until the Company is generating sustainable positive free cash flow.

Remuneration outcomes FY23

As discussed elsewhere in the Annual Report, the business faced a number of significant challenges during the year with lower than expected volumes impacting both divisions. This has been well documented throughout the year resulting in a re-basing of profit expectations for the year.

Primarily thanks to the steps the management team have taken to mitigate legacy issues including continuing to reduce complexity in our footprint, reduce costs and improve efficiencies across the Group we have been able to offset the impact of the headwinds reporting an adjusted operating profit of £27.8m in line with revised market expectations.

ABP scorecard financial measures account for 80% of maximum ABP with the remaining 20% based on achievement against strategic personal objectives including a specific ESG metric.

While substantial progress was made during the second half, through a variety of actions, designed to maximise profit despite lower volumes and a continued focus on cash management and a reduction in net debt, overall the performance did not achieve the underpin required above which an annual bonus would have been payable and accordingly no ABP will be paid for FY23.

During FY23 we incorporated ESG on a formulaic basis with having a 10% weighting attached to a target reduction of solid waste per good output.

Further details on our performance against bonus measures is set out on page 118.

We still believe that measures for ABP are the right ones and believe that the balance of remuneration between both short and long term incentives is appropriate for the business.

The performance period for the PSP awards granted in 2020 concluded during the year. Performance did not meet threshold levels and none of these awards have vested.

The Committee reviewed all remuneration outcomes in context of the business outcomes and the experience of the shareholders and the wider workforce. In all cases it decided not to adjust the formulaic outcomes. There was therefore no reward payable under either the ABP or PSP to any Executive Director during FY23.

As outlined we are making proposed changes to the long term incentive arrangements. Our aim is to achieve an appropriate balance between incentivising Executive Directors and ensuring that variable remuneration will only be payable on performance that delivers sustainable value to shareholders. We believe that the changes in our policy in relation to the Long Term Incentive Awards will meet that aim.

Chair's Introduction to Remuneration continued

We are pleased that our previous Remuneration report was supported by shareholders at the AGM on 27 July 2022, with almost 87% of votes cast in favour and a minimal level of votes withheld.

We welcome and are grateful for the constructive feedback our shareholders have provided in the last year, which has informed our deliberations and helped shape our approach to remuneration.

Executive Director changes

As announced in January 2023 Rob Harding resigned as Chief Financial Officer and will leave the business in July 2024.

Priorities for FY24

The work of the Committee in FY24 will continue to focus on ensuring that executives are fairly rewarded for their contribution to the Group and incentivised to deliver returns for shareholders, while driving a strong culture aligned to its ESG strategy. The Committee is supportive of the specific Environment, Social and Governance (ESG) measures introduced during FY23. Key metrics on Health and Safety, diversity and specific steps to support the environmental sustainability journey will also continue to form part of personal strategic objectives for Executive Directors and the wider management population.

I trust you will find the policy and implementation reports clear and informative and the Committee can continue to receive your support on both votes at this year's AGM.

Margaret Rice-Jones
Chair of the Remuneration Committee

29 June 2023

Current ABP structure and weighting %

Revenue	20
Profit	30
Net debt	30
Strategic ESG objective	10
Strategic personal objectives	10

Compliance statement

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

Directors' remuneration policy

Introduction

This section of the report contains details of the Directors' remuneration policy that will govern the Company's future remuneration payments.

The Remuneration Committee has established the policy on the remuneration of the Executive Directors and the Chairman. The Board has established the policy on the remuneration of the other Non-executive Directors. Awards and benefits granted under the previous Directors' remuneration policy will be honoured.

Proposed remuneration policy

The Group's remuneration policy aims to align the interests of the Executive Directors and other senior executives with those of shareholders.

The policy will take effect from 7 September 2023, subject to shareholder approval at the AGM. The remuneration policy is designed to ensure execution of the Group's strategy and to align with the interests of shareholders.

As indicated in the annual statement from the Chairman of the Remuneration Committee, we believe that the previous remuneration policy remains in the majority fit for purpose and does not require fundamental change. Therefore, we are only proposing a variation to our Long Term Incentive Arrangements (LTIP).

The Committee believe that with the current external market pressures and a need to capitalise on growth opportunities over the next three years, a change to the LTIP will help ensure we can attract and retain the appropriate talent within the business required to deliver consistent business performance and shareholder return. The changes proposed remain true to the underlying current method of long term reward through Performance Share Plan but provide higher leveraged outcomes for the achievement of significant growth during this period.

The overriding objective of the policy review is to ensure that the executive remuneration policy both encourages, reinforces and rewards the delivery of sustainable shareholder value while providing an effective mechanism to attract, retain and motivate executives and senior management to deliver long term growth and value.

The Remuneration Committee believes executives should be rewarded through performance-related pay scales that are commensurate with the delivery of value for the business and with annual increases comparable to awards across the majority of the workforce.

Incentives and particularly long term incentives should account for a significant proportion of the overall remuneration package of Executive Directors so that their reward is aligned with shareholder interests and the Group's performance, without encouraging excessive risk-taking.

Performance-related elements of remuneration therefore form a significant proportion of the total remuneration packages. This is illustrated on page 115.

The Committee continues to take into account performance on environmental, social and governance matters with annual bonus having a direct link to both delivery against strategic personal objectives and a specific measurable ESG measure.

Policy table

The remuneration package for Executive Directors consists of fixed base salary, pension and other benefits and a significant proportion of variable pay including annual bonus and long term share based incentives. The following table summarises each element of the proposed remuneration policy for the Executive Directors and explains how each works and is linked to the corporate strategy.

Directors' remuneration policy continued

Purpose and link to strategy	*Operation*	*Maximum potential opportunity*	*Performance metrics*
Base Salary			
Fixed competitive remuneration set at levels to recruit and retain talent. Determination informed, but not led, by reference to the marketplace for companies of similar size and complexity. Reflects individual skills, experience and responsibility necessary to deliver business strategy. Rewards individual performance.	Reviewed annually and fixed for 12 months (but may be reviewed more frequently). Influenced by: – Role, experience, responsibilities and performance – Change in broader workforce salary – Group profitability and prevailing market conditions – Salary levels across the Group generally – Eliminating the gender pay gap Increases are not automatic.	To avoid creating expectations of Executive Directors and other employees, no maximum base salary has been set. Increases will not normally exceed the average of increases awarded within the rest of the Group in the UK. Larger increases may be awarded in certain circumstances including, but not limited to: – Increases in scope or responsibility – Where market conditions indicate a lack of competitiveness and risk to attracting or retaining executives Where the Remuneration Committee exercises its discretion to award increases above the average for other employees, a full explanation will be provided in the next annual report on remuneration.	Individual performance is the primary consideration in setting salary alongside overall Group performance, affordability and market competitiveness.
Benefits			
Market competitive benefits sufficient to recruit and retain the talent necessary to develop and execute the business strategy.	Provision of car allowance, life assurance and private medical scheme. Executive Directors are also provided with permanent health insurance. Executive Directors can also participate in the annual leave flexibility scheme. Other benefits may be provided on an individual basis such as, but not limited to, relocation allowances including transactional and legal costs, disturbance and travel and subsistence costs.	While the Remuneration Committee has not set an absolute maximum, benefits will be market competitive taking into account role and individual circumstances.	Not applicable
Pension			
To provide market competitive post-retirement income sufficient to recruit and retain executives.	Executive Directors are offered membership of a defined contribution pension plan or choice of cash in lieu (for example, where contributions to the plan would cause an Executive Director to exceed the HM Revenue and Customs (HMRC) annual allowance or lifetime allowance limits). The contribution rates offered are aligned with pension contributions for the wider workforce and based on base salary only.	The contribution rates for newly appointed Executive Directors will be aligned to rates for the wider workforce at the date of appointment. The Executive Directors may choose to receive a cash allowance in lieu of contributions. The allowance is equal to the pension contribution that would otherwise have been paid less the Company's national insurance contribution to ensure cost neutrality.	Not applicable.

Purpose and link to strategy	*Operation*	*Maximum potential opportunity*	*Performance metrics*
Annual Bonus Plan (ABP)			
To incentivise and reward delivery of financial and personal performance targets that address the distinct commercial and strategic needs of the business, and align with shareholder interests. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To support a pay for performance philosophy. To help attract and retain top talent and be cost effective. Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element.	The Remuneration Committee sets Group financial targets and agrees personal objectives for each Executive Director at the start of each year. Reference is made to the prior year and to budgets and business plans while ensuring the levels set are appropriately challenging but do not encourage excessive risk-taking. Payments are determined by the Remuneration Committee after the year end. The bonus plan is non-contractual and may be offered on a year by year basis. Sixty per cent of annual bonus is payable immediately in cash. Forty per cent of annual bonus is payable in deferred shares (deferred bonus plan) and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions. Fifty per cent of deferred shares are released one year after cash payout and the remaining 50% two years after cash payout. The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest. The deferred share element (DBP) will be disclosed in the annual report on remuneration. The cash and deferred share element are subject to malus and clawback provisions to allow the Company to recoup three years from award in the event of material financial misstatement of results, gross misconduct, other acts or omissions that could bring the business into disrepute and or cause reputational damage or corporate failure. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short and long term plans if there is misalignment with the Group's strategic goals or shareholder interests.	The current annual maximum bonus opportunity of 135% of salary for the Chief Executive Officer and 115% of salary for the Chief Financial Officer linked to business performance will continue to apply. The Remuneration Committee has the discretion to increase the overall maximum bonus level to 150% of salary, subject to this not being above the competitive market range.	The bonus payout level is determined by achievement of Group financial performance measures with an element based on personal objectives. The metrics, while stretching, do not encourage inappropriate risks to be taken. The Remuneration Committee will maintain discretion to consider the financial underpin in respect of awards under the ABP. Financial targets and weightings will be disclosed in the annual report on remuneration.

Directors' remuneration policy continued

Purpose and link to strategy	*Operation*	*Maximum potential opportunity*	*Performance metrics*
Long Term Incentive Plan awards			
A share-settled long term incentive aligned closely to corporate strategy and shareholders interests. Awards under the Performance Share Plan require delivery of key business metrics assessed over a three-year performance period, which should result in the delivery of value to shareholders Awards under the Investor Return Plan will only have value if the share price exceeds the option price, and vesting requires that we have delivered market-competitive total returns to shareholders For Executive Directors, there is a further two-year holding period before any reward can be realised. All awards are share-settled, to further align executives' and shareholders' interests. The strategic alignment is to: – drive performance, measured using key strategically aligned performance metrics, over the longer-term – ensure that shareholder value, and in particular share price growth, is prioritised – ensure that there has been performance before pay can be delivered – attract, retain and motivate talented individuals of the calibre needed to drive the Company's future development and performance	Executive Directors receive share awards annually under either or both of: (a) an award under the existing Performance Share Plan and (b) a market value share option under the proposed Investor return plan. The overall value of award will not exceed the policy limit in any year. PSP awards vest subject to continued employment and meeting stretching performance conditions. These consist of two components, measured separately and in each case over a period of three financial years. IRP awards vest subject to continued employment and an underpin linked to the Company's Total Shareholder Return relative to a market benchmark. Performance metrics while challenging will not encourage excessive risk taking. In each case, vested awards cannot be exercised or received by an Executive Director until after a further two-year holding period. The Committee may determine that the award holder will receive additional shares equal to the value of any dividends which would have been paid (to end of the holding period) on the shares subject to an award which vest. PSP and IRP awards may vest early in 'good leaver' circumstances. This can include on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Committee determines otherwise, pro-rating for time in the performance period. The Committee has the right to impose 'malus' on any unvested awards and to 'claw back' any awards within three years of the vesting where there has been material misstatement of results, gross misconduct, any act or omission that could bring the business into disrepute and or cause reputational damage or corporate failure, for which the participant was culpable. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of any incentive plans if it judges that there is misalignment with the Group's strategic goals or shareholders' interests.	The maximum face value of awards granted to any Executive Director or other eligible employees in any financial year shall be an amount not exceeding 100% of salary as at the award date. The Committee retains discretion in exceptional circumstances to grant awards with a face value of up to 150% of salary.	Awards under the PSP will normally vest subject to the achievement of Group performance over a period of three financial years against key metrics set by the Remuneration Committee which are aligned to commercial business needs and strategy. The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance achieved. Awards under the IRP will only vest subject to an underpin that the Company's Total Shareholder Return matches or exceeds that of the FTSE mid-250 (excluding Investment Trusts) index, measured over an initial three-year period or other suitable underpin as deemed appropriate by the Remuneration Committee. The Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with the Group's business objectives and strategy and retains the discretion to change the measures and their respective weightings to ensure continuing alignment with such objectives and strategy. The Committee maintains the ability to adjust or set different performance measures if events occur or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. If varied or replaced, the amended performance conditions must, in the opinion of the Committee, be materially no more or less difficult than the original condition when set and these will be disclosed in the annual report on remuneration.

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
All employee share plans			
To encourage employees including the Executive Directors to build a shareholding through the operation of all employee share plans such as the HMRC approved De La Rue Sharesave scheme in the UK.	Executive Directors may participate in the Sharesave scheme on the same terms as other employees. Under the UK Sharesave scheme, the option price may be discounted by up to 20%. Accumulated savings through payroll may be used to exercise an option to acquire shares. Under the Employee Share Purchase Plan, employees in the US may be offered the opportunity to purchase the Company's shares at a 15% discount to the market price. Any purchases are funded through accumulated payroll deductions. Shareholders approved the Rules of Sharesave and the ESPP at the 2022 AGM.	The maximum savings is in line with the legislative limit which is currently £500 per month over a three or five year period under the Company's Sharesave scheme. The rules of the scheme provide for savings up to the legislative limit of £500 per month.	No performance measures but employment conditions apply.

Shareholding requirement for Executive Directors

The Remuneration Committee believes that it is vital that the interests of Executive Directors should be closely aligned with those of shareholders. Executive Directors are required to build up a shareholding equivalent to two times salary. It is intended that this is met by Executive Directors retaining 100% of vested post-tax Deferred Bonus shares, restricted shares and performance shares until the requirement is met in full.

A post-employment shareholding requirement will apply of two times salary (or the actual shareholding at date of exit if lower) for the first year following exit and 50% of this level for the second year following exit.

For the purposes of the in-employment shareholding requirement, the following types of shares will be included:
- Fully beneficially owned shares, including shares purchased by the individual out of own funds
- Deferred Bonus shares (on a net-of-tax basis)
- PSP awards, from the point where the performance conditions have been assessed and the award has vested (on a net-of-tax basis)
- IRP options, from the point where the awards has vested (on a net-of-tax basis)

For the purposes of the post-employment holding requirement, the above categories of shares will be required to be held, with the exception of shares purchased by the individual out of own funds, so as to avoid potentially disincentivising share purchases.

Employee considerations

In line with best practice and as outlined in our Responsible Business section of this report, the Remuneration Committee and main Board ensure a constant understanding of the level of engagement and views of our employees through regular and direct contact.

We continue to maintain an appointed Non-executive Director with direct accountability for listening to employee views.

Through this role we have taken steps to engage with employees on European Employee Forum and UK employee forums on the proposed remuneration policy and its application when determining the remuneration arrangements for Executive Directors. Decisions on Executive remuneration consistently take into consideration the pay and conditions of employees throughout the Group.

In particular, the Committee is kept informed of the structure and application of reward policies across the Group, including:
- Salary increases for the general employee population
- Overall spend on variable pay, including annual bonus and other incentive and commission schemes in operation across the Group
- Participation in the ABP and Long Term Incentives
- Gender pay gap
- CEO pay ratio analysis

Directors' remuneration policy continued

Pay review budgets for senior managers and executives are set at levels which are typically lower or the same as those agreed with our trade unions for employees whose pay is collectively bargained. The principle of fair pay aligned to performance operates across the Group at all levels. The remuneration policy applied to the Executive Leadership Team and the most senior executives in the Group is consistent with the policy for the Executive Directors, in that a significant element of remuneration is dependent on Group and individual performance and tied to longer term growth of the business aligned to shareholder interests. The Group aims to offer competitive levels of remuneration, benefits and incentives to attract and retain talented individuals at all levels with the experience and capability to deliver the business strategy.

The Chief Executive Officer consults with the Remuneration Committee on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority, market practice and the key principles of remuneration outlined above.

On authority of the Committee, the Chief Executive Officer has discretion to make Long term incentive awards to a limited number of employees not being Executive Directors or Executive Leadership Team members.

These arrangements ensure that the application of the policy is heavily influenced by remuneration arrangements for all employees.

Remuneration Committee discretion

The Remuneration Committee reserves the right to adjust or set different performance measures for both short and long term plans if events occur or circumstances arise in which performance conditions have ceased to be appropriate. These events include substantial changes in business structure or strategy, acquisition or divestment. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short and long term plans if there is misalignment with the Group's strategic goals or shareholder interests. Any use of this discretion will be carefully considered by the Committee and fully disclosed.

Shareholder views

The Remuneration Committee engages in regular dialogue with shareholders to discuss and take feedback on its remuneration policy and governance matters. The Committee approached the holders of 77% of our equity including the main UK institutional Investor bodies as at March 2023 and extensively engaged with regards to the proposals for the new directors' remuneration policy. The policy remain subject to a binding vote at the AGM on 7 September 2023. The Committee welcomes an open dialogue with shareholders and intends to continue to consult with major shareholders before implementing any significant change to the Directors' remuneration policy.

Service contracts

Current and new Executive Directors are employed on contracts that have a notice period that should not exceed six months.

The Remuneration Committee recognises that in the case of appointments to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to six months after that initial period.

Non-executive Directors

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service contracts for Executive Directors and letters of appointment for Non-executive Directors are available for inspection at the registered office address of the Company.

Payment for loss of office

In determining compensation for early termination of a service contract, the Remuneration Committee carefully considers the specific circumstances, the Company's commitments under the individual's contract and the individual's obligation to mitigate loss. The table below outlines the framework for contracts for Executive Directors. Should additional compensation matters arise, such as a settlement or compromise agreement, the Remuneration Committee will exercise judgement and will take into account the specific commercial circumstances.

Policy	
Notice period on termination by the Company	Maximum of six calendar months. The Remuneration Committee recognises that in the case of appointment to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to six months or less.
Termination payment at the Company's sole discretion	On termination by either the Company or the relevant Executive Director, the Company retains the discretion to make a payment in lieu of notice not exceeding six months' basic salary, excluding bonus but including benefits in kind (including company car or car allowance and private health insurance) and pension contributions (or cash in lieu of pension). Benefits provided in connection with termination payments may also include, but are not limited to, outplacement and legal fees.
Change of control	Under the ABP, share awards will vest in full on change of control. Awards under the PSP or Long term incentives will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time lapsed in the performance period.
Vesting of incentives for leavers	The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an Executive Director leaves. Typically for 'good leavers', bonus amounts (as estimated by the Remuneration Committee) will be pro-rated for time in service to termination and will be subject to performance, paid at the usual time. 'Good leavers' will be those individuals who die in service or leave De La Rue as a result of their ill-health, injury, disability or the sale of their employing company or business out of the Group or in any other circumstances at the discretion of the Committee. – The vesting of share awards is governed by the rules of the appropriate incentive plan approved by shareholders. Typically for 'good leavers': – Under the DBP, the provisions allow awards to vest in full at the normal vesting date or earlier at the discretion of the Remuneration Committee – Under the PSP and the proposed IRP, awards are pro-rated to reflect the proportion of the performance period that was worked (unless the Remuneration Committee determines otherwise), and then vest at the normal vesting date to the extent that the relevant performance targets have been met. Participants then have a short window in which to exercise their options. The Remuneration Committee has the discretion to test the performance targets early and accelerate vesting to the point of cessation of employment – Good leavers under the Sharesave scheme, which is an HMRC tax-advantaged scheme, are entitled to exercise options, using their accumulated savings plus any early closure interest – If awards are made on recruitment, the treatment on leaving would be determined at the time of grant at the Remuneration Committee's discretion, in accordance with the relevant plan rules.
Pension benefits	These will be paid in accordance with the rules of the pension scheme. Where an early retirement pension is paid from a legacy UK defined benefit pension scheme, a reduction will be made to the pension to reflect early receipt using factors determined and set by the Trustees from time to time.

Directors' remuneration policy continued

Remuneration policy for the Chairman and Non-executive Directors

Element	*Operation by the Company*
Chairman fees	The remuneration of the Chairman is set by the Remuneration Committee. Fees are set at a level which reflects the skills, knowledge and experience of the individual, while taking into account market data.
Non-executive Director fees	Non-executive Directors do not have service contracts but are appointed for fixed terms of three years renewable for a further three years. Terms beyond this period are considered on a case-by-case basis. The Board (excluding Non-executive Directors) is responsible for setting Non-executive Directors' fees. Fees are structured as a basic fee for Board and Committee membership. Committee Chairmen and the Senior Independent Director receive an additional fee. Reasonable expenses for attending Board meetings are reimbursed by the Company and the Group may pay any tax due on such benefits. Fees may be paid in the form of De La Rue shares. Total fees paid to Non-executive Directors will remain within the limit set out in the Company's articles of association of £750,000 per annum. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's annual incentive plans, or share option schemes. No compensation is payable to the Chairman or to any Non-executive Director if the appointment is terminated.

Remuneration policy for new appointments

When considering the appointment of Executive Directors, the Committee balances the need to attract candidates of sufficient calibre while remaining mindful of the need to pay no more than necessary. The Committee will typically align the remuneration package with the above remuneration policy. Base salary may be set at a higher or lower level than previous incumbents. Where possible, salary may be set at an initially lower level with the intention of increasing it over the following two years dependent on performance in the role and experience gained. In certain circumstances, to facilitate the recruitment of individuals of the required calibre, incentive arrangements and awards may also be higher. The Remuneration Committee retains the discretion to make payments or awards which are outside the policy to facilitate the recruitment of candidates of the appropriate calibre to implement the Group's strategy. In addition, remuneration forfeited on resignation from a previous employer may be compensated. The form of this compensation would be considered on a case-by-case basis and may comprise either cash or shares.

Generally (though not necessarily in all circumstances) the Committee will favour share awards with appropriately stretching performance targets attached and, at a minimum, expects that:

- If forfeited remuneration was in the form of shares, compensation will be in the form of shares
- If forfeited remuneration was subject to achievement of performance conditions, compensation will be subject to no less challenging performance conditions
- The timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited

A newly-appointed Executive Director may be provided with reasonable relocation support.

Internal appointments will receive a remuneration package that is consistent with the remuneration policy. Legacy terms and conditions would be honoured, including any outstanding incentive awards. Company pension contribution rates would be set in line with the rates available to the wider workforce at the date of appointment.

Subject to the limit on additional maximum variable remuneration set out below, incentive awards may be granted within the first 12 months of appointment above the maximum award opportunities set out in the policy table above. Excluding payments or awards to compensate for remuneration forfeited on resignation from a previous employer, the maximum level of variable remuneration which may be awarded to a new Executive Director, above the maximum levels set out in the policy table above, is one times base salary.

The Remuneration Committee will ensure that variable remuneration is linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Fees payable to a newly-appointed Chairman or Non-executive Director will be in line with the fee policy in place at the time of appointment.

Summary of remuneration policy

The following charts illustrate the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 1 July 2023.

Annual Bonus Plan

80% Group financial performance

10% strategic personal objectives and 10% ESG

60% cash
40% deferred shares

Long Term Incentive Plan

Performance Share Plan

50% EPS

50% free cash flow

Investor Return Plan

TSR underpin*

Performance-tested vesting after three years two year post-vesting holding period

Malus and clawback and shareholding requirements

Note:
* Median performance vs FTSE250 3 year performance

Illustration of the application of remuneration policy

The following charts illustrate the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 26 March 2023

Chief Executive

	Fixed remuneration	Annual Incentive Plan (Cash)	Annual Incentive Plan (Deferred Shares)	Long Term Incentive Plan	
Minimum	100%				544,728
Target	55.1%	19.7%	13.1%	12.1%	988,621
Maximum	32.6%	23.2%	15.5%	28.7%	1,672,458
Maximum with 50% growth	26.7%	19.0%	19.0%	35.3%	2,041,969

Managing Director, Currency

	Fixed remuneration	Annual Incentive Plan (Cash)	Annual Incentive Plan (Deferred Shares)	Long Term Incentive Plan	
Minimum	100%				183.571
Target	58.4%	17.4%	11.6%	12.6%	314.585
Maximum	35.0%	20.9%	13.9%	30.2%	525.000
Maximum with 50% growth	28.6%	17.1%	17.1%	37.2%	640.926

- Fixed remuneration
- Annual Incentive Plan (Cash)
- Annual Incentive Plan (Deferred Shares)
- Long Term Incentive Plan

Directors' remuneration policy continued

Illustrative scenario charts

Performance scenarios for the ABP and LTIP assume the following:

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

Assumptions for the scenario charts

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

Executive Director remuneration mix FY24

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

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

The remuneration mix above is based on the remuneration policy as it is intended to be operated for FY24. For further information on the director's remuneration policy please see pages 105 to 115.

Annual Report on remuneration

This section of the Directors' remuneration report shows how the Remuneration Committee implemented the policy on Directors' remuneration in the year ended 25 March 2023 including all elements of remuneration received by Executive Directors and the incentive outturns for FY23.

Single figure of remuneration for each Director (audited)

The table below shows how we have applied the current remuneration policy during FY23. It discloses all the elements of remuneration received by the Directors during the period.

	Fixed							Variable						
	Salary and fees[a]		Benefits (excluding pensions)[b]		Pensions[e]		Total Fixed	Bonus[c]		Long term incentive (PSP) (vested)[d]		Total Variable	Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2023 £'000	2022 £'000
Executive Directors														
Clive Vacher	**477**	464	**17**	17	**48**	46	**542**	**–**	265	**–**	–	**–**	**542**	792
Rob Harding	**291**	283	**14**	17	**17**	17	**322**	**–**	138	**–**	–	**–**	**322**	455
Ruth Euling	**265**	260	**37**	36	**–**	–	**302**	**–**	126	**–**	–	**–**	**302**	422
	1,033	1,007	**68**	70	**65**	63	**1,166**	**–**	529	**–**	–	**–**	**1,166**	1,669
Chairman														
Kevin Loosemore	**206**	202	**–**	–	**–**	–	**206**	**–**	–	**–**	–	**–**	**206**	202
Non-executive Directors														
Nick Bray	**60**	59	**–**	–	**–**	–	**60**	**–**	–	**–**	–	**–**	**60**	59
Maria da Cunha (Retired on 27 July 2022)	**20**	59	**–**	–	**–**	–	**20**	**–**	–	**–**	–	**–**	**20**	59
Mark Hoad (Appointed on 28 September 2022)	**26**	–	**–**	–	**–**	–	**26**	**–**	–	**–**	–	**–**	**26**	–
Margaret Rice-Jones	**65**	57	**–**	–	**–**	–	**65**	**–**	–	**–**	–	**–**	**65**	57
Catherine Ashton (Resigned 12 June 2023)	**52**	51	**–**	–	**–**	–	**52**	**–**	–	**–**	–	**–**	**52**	51
Aggregate emoluments	**1,462**	1,435	**68**	70	**65**	63	**1,595**		529				**1,595**	2,097

Notes:

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

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

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

c. Bonus: A description of the performance measures that applied for the year FY23 is provided on page 118.

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

e. See page 123 for further details of pension arrangements.

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

Changes in Executive Directors during the year

There were no changes in the Executive Directors during FY23. The Chief Financial Officer, Rob Harding, resigned on 31 January 2023 and will leave employment and the Board in July 2023. For more information, please see page 106.

Annual Report on remuneration continued

Individual elements of remuneration

Base salary and fees (audited)

Base salaries for Executive Directors are normally reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities, Group performance, affordability and market competitiveness.

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

Executive Directors, Clive Vacher and Ruth Euling were both awarded a 2.5% increase in line with the wider workforce in July 2022. The Committee has determined that Clive Vacher and Ruth Euling will not receive a pay rise in 2023.

	Base salary level July 2022 £'000	Base salary level October 2021 £'000	Increase %
Clive Vacher	**480**	468	2.5
Rob Harding	**293**	286	2.5
Ruth Euling	**267**	260	2.5

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

Both the fees for the Non-executive Directors and the Chairman increased by 1.5% effective in July 2022 aligned with the timing of a review of salary levels for the wider workforce. The Committee have determined that no further increase will be made in during FY24.

The fees for 2022 are as follows:

Non-executive Director fees

	July 2022 £'000	October 2021 £'000
Basic fee	**51.7**	51
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

External directorships of Executive Directors

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

Pension contributions (audited)

During FY23 Clive Vacher's pension contributions remained in line with those available to the workforce; he will receive a pension contribution of 10% on the basis of a 6% individual contribution. All other Executive Directors also received a pension contribution in line with levels available to the workforce no greater than 10% employer contribution.

Variable remuneration (audited)

Annual bonus for FY23

The Annual Bonus Plan for FY23 was issued with the following financial structure and targets:

Measure	Threshold	Target	Maximum	Actual	% of maximum achieved
Group adjusted revenue	£370.0m	£378.8m	£395.0m	£349.7m	0%
Group adjusted operating profit	£34.0m	£36.5m	£41.7m	£27.8m	0%
Average net debt	£92.7m	£87.7m	£82.7m	£94.2m	0%

Under the Group adjusted revenue metric, the target award under the plan was based on the budget with Maximum award at stretch aligned with market consensus.

Operating profit and average net debt metrics were equally based on target at budget and maximum award being achieved at market consensus. Financial targets under the ABP for FY23 were not met and as such no award will be made under the plan.

Eighty per cent of award is linked of the achievement of the financial metrics and ten per cent of the Executive Directors' bonus is based on achievement of personal objectives. Personal strategic objectives were aligned to the delivery of the Turnaround Plan and comprised of both tactical and transformational targets focused on the achievement of core strategic priorities. The detail of the objectives, for all Executive Directors, which were consistently aligned, are outlined below:

Summary of personal strategic objectives	*Summary of performance*
Currency Market Leadership – Deliver profitable growth for the Currency Division through a focus on operational improvements and efficiencies. Securing targeted Polymer and features volume growth and delivering targeted FY23 revenue and divisional adjusted operating profit.	**Partially achieved** – Divisional OP and Revenue not achieved to plan and delayed polymer growth plan – Strong cash management and cost reduction delivered ensuring the business remained profitable in a subdued market. – New Polymer launches completed
Authentication Growth – Achieve sustained growth in Authentication through targeted GRS expansion, delivering Brand revenues and margins in line with the planned targets and maximising delivery of key contracts. Deliver targeted FY23 revenue and divisional adjusted operating profit.	**Partially achieved** – Revenue and operating profit were not achieved in line with plan although overall increase in revenue versus FY22. Recent wins in brand and ID growth achieved in year. – Controllable cashflow target achieved
Value Stream Excellence – Focus on improving efficiencies in ways of working and associated cost reduction. – Continuing to address targeted legacy issues – Publishing a targeted ESG strategy with a focus on environmental and sustainability targets – Maintaining high standards of HSE and improved organisational diversity.	**Achieved in full** – ESG Strategy published, and significant progress made as outlined in the Responsible Business Section of this report – Key footprint progress completed – HSE training and other key metrics met in full and DEI reporting in line with plan
ESG – Reduction in solid waste per good output tonne	**Not achieved** – Due to lower production volumes
Component 20% of maximum award	*Award achieved 0%*

In reaching its decision on ABP outcome, the Committee considered the formulaic outcome of the targets as well as the Company's underlying financial, operational and strategic progress during the year, as set out in the Committee Chair's letter on pages 102 to 106 and also took into account wider stakeholder perspectives. Despite progress being made during the year the Committee considered that the formulaic outcomes for Executive Directors were reflective of the underlying business performance, as a result Executive Directors will not receive an award under the plan.

Long term incentive – Performance Share Plan (PSP)

During FY23 the PSP plan as outlined in our current remuneration policy was applied. This is a share settled long term incentive aligned closely with business strategy and the interests of shareholders through the performance measures chosen and the link to share price. The PSP is designed to provide Executive Directors and selected senior managers with a long term incentive that promotes sustainable and long term performance and reinforces alignment between participants and shareholders.

Annual Report on remuneration continued

Performance measures applying to PSP awards

As noted in last year's report the awards made under the PSP 2016-2019 were subject to a combination of average annual cumulative growth in adjusted basic EPS and cumulative growth in ROCE, in each case measured over three financial years. In 2020 the PSP measures were revised and RTSR (Total Shareholder Return relative to FTSE 250 companies, measured over three years) was used instead of ROCE alongside the previous EPS metric, which the Committee believes will ensure that appropriate focus is placed on the key business imperative of restoring value to shareholders.

The performance condition target targets for awards made from 2021-2022 were are aligned to the challenging growth objectives of the Turnaround Plan reflecting the changing market conditions during that period and associated market consensus.

All awards are made as conditional shares based on a percentage of salary and the value is divided by the average share price over a period before the date of grant, in accordance with the rules of the PSP. In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate.

Any adjustments will depend on the nature, timing and materiality of any contributory factors.

PSP award vesting in FY23

PSP grants made in 2020 outlined below have not met performance criteria and therefore no awards vested under the PSP in FY23 for any Executive Director.

PSP awards made in August 2022 (audited)

The Committee granted awards under the PSP on 31 August 2022 to participants including the three Executive Directors. In line with the commitment made in this report a year ago, to take into account recent shareholder experience of a fall in the share price and to avoid the potential for windfall gains if the share price recovers over the vesting period, the Committee reduced the size of each award by 20% from the policy award that would otherwise have been made.

Performance targets applicable to the 2022 awards took into account both internal business plans and market expectations over the three-year performance period, recognising the FY22 performance outturn and ongoing challenges in market conditions that the business anticipated facing in future years. To take into account shareholder experience of a fall in the share price and to avoid the potential for windfall gains if the share price recovers over the vesting period, the Remuneration Committee determined that the face value of awards will be scaled back compared to 2021 award levels. The measures and targets were confirmed at the time of grant via a Regulatory News Service announcement.

A summary of the performance levels and award vesting levels that apply to awards under the 2021-2022 PSP are shown in the table below

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	EPS growth % required for threshold	EPS growth % required for maximum
2022	EPS[1]	25	100	13.9	21.9
	RTSR	25	100	Median	Upper Quartile
2021	EPS[1]	25	100	8.5	16.7
	RTSR	25	100	Median	Upper Quartile
2020	EPS[1]	25	100	11	19.2
	RTSR	25	100	Median	Upper Quartile

Note:
1. Underlying earnings per share. Based on average annual cumulative growth during the performance period.

Executive Directors received PSP awards during FY23 in line with the existing Directors' remuneration policy as follows:

Year of award	Number of shares awarded	Date of award	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
Clive Vacher	454,059	31 August 2022	80	390	25	July 2025
Rob Harding	277,480	31 August 2022	80	239	25	July 2025
Ruth Euling	252,158	31 August 2022	80	217	25	July 2025

All awards were granted as nil-cost options, with the number of shares based on a percentage of salary and the average share price over a five-day period prior to the date of grant, being 84.55p. Face value is the maximum number of shares that could vest multiplied by the closing share price of 86p on the date of grant. The Remuneration Committee may add dividend shares that would have accrued during the performance period and extended vesting period on that part of the award that may ultimately vest.

Implementation of the remuneration policy in FY24

The remuneration arrangements in FY24 will operate in line our proposed remuneration policy.

Salary and benefits

The Committee have determined that no Executive Director will be awarded a salary increase in FY24

The Committee remain aware of the need for salary levels to continue to be competitive and commensurate with performance.

ABP FY24

The Remuneration Committee has carefully considered bonus performance measures for FY24, and concluded that the current measures set out in the table on page 106 remain highly relevant.

Adjusted revenue, profit and net debt targets ensure focus remains on maintaining profitable growth and strong cash management. Cost competitiveness, improved efficiency also remain a key priority, alongside targeted increase in order intake supporting growth in both Currency and Authentication. Financial targets will remain in line with the adjusted market expectation to ensure that executives remain incentivised and rewarded for delivering in line or better than the plans as set out. As outlined in the policy and applied in prior years a 20% weighting on non-financial strategic targets has been applied ensuring that Executive Directors are incentivised on both the delivery of clear financial metrics and good management of the underlying business.

The current maximum entitlement of the Chief Executive Officer under the ABP remains 135% of salary and the Chief Financial Officer and the other Executive Directors remains at 115% of salary. In FY23 an additional metric for ESG was added accounting for 10% of the strategic personal objective to ensure focus continues in this important area. We propose to continue with this approach for the FY24 plan. The structure and weightings will be as follows:

Structure & weighting	Weighting
Adjusted revenue	20%
Adjusted operating profit	30%
Average net debt1	30%
Group strategic ESG	10%
Group strategic personal objectives	10%

Note:
1. Average of the 12 month end net debt positions over the course of the year.

No payment will be made on any element of bonus (including the personal element) if a minimum adjusted operating profit is not achieved.

Personal strategic objectives for the Chief Executive Officer and other Executive Directors are focused again on strategic priorities aligned to the business strategy and plan:
- Grow repeatable and profitable business delivering an improved orderbook across all targeted markets and securing key contract extensions
- Drive efficient operations and continue to remove legacy challenges
- Invest for the future, delivering key product development

The Committee will assess the achievement of these objectives on a quantifiable and objective basis and to clear retrospective disclosure in the Directors' remuneration report.

The Committee will rigorously review incentive outturns and will consider the overall performance of the business, not just the outcome of each measure.

The specific performance targets are not disclosed while still commercially sensitive but will be disclosed the following year.

Annual Report on remuneration continued

Performance measures applying to LTIP awards to be made in 2023

As outlined in our proposed Remuneration policy on page 105 to 115, The Remuneration Committee has given detailed consideration to the most appropriate Long Term Incentive arrangements that provide a strong link between business performance and executive reward.

For awards to be made in FY24 we propose preparing on basis of the proposed policy and the share plans rules we anticipate being approved at the 2023 AGM as outlined below.

	Performance Measure	Weighting	Entry pay-out	Target pay-out	Stretch pay-out
PSP	EPS	20%	0%	50%	100%
	Free cashflow	20%	0%	50%	100%
Market Value Share Options	RTSR Underpin Median performance vs FTSE 250 (3 year performance). Calculated based on a starting net return index (NRI) averaged over a 30 day period ending on the day before the start of the performance period.	Equivalent to 60% of award on a relative face value calculation	100% awarded if underpin met		

Further work is underway to calibrate performance targets. Full details of these will be disclosed via an RNS announcement at the time of award. Should the share price remain subdued we would anticipate the Investor Return Plan is set a premium price ensuring that Executives are awarded for share price growth reflecting appropriate Shareholder return.

The award will vest on the third anniversary of award, subject to meeting performance criteria, but any shares which vest will be subject to a further two year holding period and only become capable of exercise on the fifth anniversary of the grant of the award.

Shareholding requirements

Executive Directors are required to build up a shareholding equivalent to 200% of salary over a five year period. It is intended that this is met by Executive Directors retaining 100% of vested post-tax Deferred Bonus shares, restricted shares and performance shares until the requirement is met in full.

The policy has a post-employment shareholding requirement of 200% of salary (or the actual shareholding if lower) for the first year following exit and 50% of this guideline level for the second year following exit.

Executive Directors' service contracts

The table below summarises the notice periods contained in the service contracts for Executive Directors in office as at 26 March 2022.

Year of award	Date of contract	Date of appointment	Notice from Company	Notice from Director
Clive Vacher	6 October 2019	7 October 2019	6 months	6 months
Rob Harding	1 October 2020	1 October 2020	6 months	6 months
Ruth Euling	1 April 2021	1 April 2021	6 months	6 months

Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors have letters of appointment rather than service contracts.

Non-executive Director	Date of appointment	Current letter of appointment end date
Catherine Ashton	22 September 2020	n/a
Nick Bray	21 July 2016	20 July 2022
Kevin Loosemore	1 October 2019	n/a
Margaret Rice-Jones	22 September 2020	22 September 2023
Clive Whiley	18 May 2023	18 May 2026
Dean Moore	26 June 2023	26 June 2026
Mark Hoad	13 September 2022	29 September 2025

Subsequent to the year end, Kevin Loosemore resigned as the Chairman and as a Director on 1 May 2023. Clive Whiley was appointed as a Director and as Chairman on 18 May 2023. Catherine Ashton resigned as a Director on 12 June 2023. Margaret Rice-Jones has confirmed that she will not be standing for re-election at the AGM.

Total pension entitlements (audited)

The Group's UK pension schemes are funded, HMRC registered and approved schemes. They include both defined contribution and defined benefit pension schemes, with the DB plans being closed to new entrants and to future accrual.

None of the Executive Directors in the period were a member of the legacy defined benefit schemes. All the Executive Directors have opted out of the defined contribution plan and receive a cash allowance in lieu of a pension contribution. Clive Vacher received a pension contribution of 10% of salary on the basis of a 6% individual contribution, in line with levels available to UK-based employees.

Rob Harding received a pension contribution of 9% of salary on the basis of 6% individual contribution in line with levels available to newly appointed UK-based employees. Any new Executive Director will likewise receive pension contributions in line with levels available to the workforce.

Ruth Euling received a pension contribution of 10% of salary based on 6% individual contribution, in line with levels available to the wider UK based employees.

Payments for loss of office (audited)

There were no payments for loss of office during the period.

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 25 March 2023:

			Variable				Vested shares	
			Subject to performance conditions	Not subject to performance conditions				
	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Performance Share Plan	Deferred Bonus Plan	SAYE	Vested shares unexercised during the period	Vested shares exercised during the period
Executive Directors								
Clive Vacher	233,904	26	1,033,607	–	198,330	29,925	–	–
Rob Harding	8,879	2	631,648	–	87,302	11,393	–	–
Ruth Euling	49,217	10	569,177	–	89,357	–	21,154	–
Non-executive Chairman								
Kevin Loosemore[1]	947,840	N/A	–	–	–	–	–	–
Non-executive Directors								
Catherine Ashton[2]	–	N/A	–	–	–	–	–	–
Nick Bray	26,375	N/A	–	–	–	–	–	–
Mark Hoad[3]	–	N/A	–	–	–	–	–	–
Margaret Rice-Jones	–	N/A	–	–	–	–	–	–

Notes:
1. Subsequent to the year end, resigned on 1 May 2023.
2. Subsequent to the year end, resigned on 12 June 2023.
3. Appointed on 28 September 2022.

There have been no changes in Directors' interests in ordinary shares in the period from 26 March 2023 to 28 June 2023. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary during the period are calculated using the closing De La Rue plc share price of 53.1p on 24 March 2023, being the last working day before the end of FY23.

Annual Report on remuneration continued

Directors' interests in vested and unvested share awards (unaudited)

The awards over De La Rue plc shares held by Executive Directors under the DBP and PSP and Sharesave scheme during the period are detailed below:

	Date of award	Total award as at 26 March 2022	Awarded during the year	Exercised during the year	Lapsed/ cancelled during the year	Awards held at 25 March 2023	Awards vested (unexercised) during the year	Strike price (pence)	Market price per share at exercise date (pence)	Date of vesting	Expiry date
Clive Vacher											
Deferred Bonus Plan[1]	Jul 21	**63,700**	–	63,700	–	**–**	–	186.16[3]	80.20	Jul 22	Jul 22
	Jul 21	**63,700**	–	–	–	**63,700**	–	186.16[3]	–	Jul 23	Jul 23
	Jul 22	**–**	67,315	–	–	**67,315**	–	78.87[3]	–	Jul 23	Jul 23
	Jul 22	**–**	67,315	–	–	**67,315**	–	78.87[3]	–	Jul 24	Jul 24
Performance Share Plan	Jan 20	**356,649**	–	–	356,649	**–**	–	131.80[2]	–	Jan 25	Jan 30
	Jul 20	**340,187**	–	–	–	**340,187**	–	132.28[3]	–	Jul 25	Jul 30
	Jun 21	**239,361**	–	–	–	**239,361**	–	191.76[3]	–	Jun 26	Jun 31
	Aug 22	**–**	454,059	–	–	**454,059**	–	84.55[3]	–	Aug 27	Aug 32
Total		**1,063,597**	588,689	63,700	356,649	**1,231,937**					
Sharesave options[1]	Jan 20	**1,458**	–	–	1,458	**–**	–	118.67[4]	–	Mar 23	Aug 23
	Jan 21	**8,704**	–	–	8,704	**–**	–	131.10[4]	–	Mar 24	Aug 24
	Jan 22	**2,689**	–	–	2,689	**–**	–	112.43[4]	–	Mar 25	Aug 25
	Feb 23	**–**	29,925	–	–	**29,925**	–	60.15[5]	–	Apr 26	Sep 26
Rob Harding											
Deferred Bonus Plan[1]	Jul 21	**17,218**	–	17,218	–	**–**	–	186.16[3]	–	Jul 22	Jul 22
	Jul 21	**17,217**	–	–	–	**17,217**	–	186.16[3]	–	Jul 23	Jul 23
	Jul 22	**–**	35,042	–	–	**35,042**	–	78.87[3]	–	Jul 23	Jul 23
	Jul 22	**–**	35,043	–	–	**35,043**	–	78.87[3]	–	Jul 24	Jul 24
Performance Share Plan	Jul 20	**207,892**	–	–	–	**207,892**	–	132.28[3]	–	Jul 25	Jul 30
	Jun 21	**146,276**	–	–	–	**146,276**	–	191.76[3]	–	Jun 26	Jun 31
	Aug 22	**–**	277,480	–	–	**277,480**	–	84.55[3]	–	Aug 27	Aug 32
Total		**388,603**	347,565	17,218		**718,950**					
Sharesave options[1]	Jan 21	**8,704**	–	–	–	**8,704**	–	131.10[4]		Mar 24	Aug 24
	Jan 22	**2,689**	–	–	–	**2,689**	–	112.43[4]	–	Mar 25	Aug 25
Ruth Euling											
Deferred Bonus Plan[1]	Jul 21	**25,669**	–	25,669	–	**–**	–	186.16[3]	–	Jul 22	Jul 22
	Jul 21	**25,668**	–	–	–	**25,668**	–	186.16[3]	–	Jul 23	Jul 23
	Jul 22	**–**	31,845	–	–	**31,845**	–	78.87[3]	–	Jul 23	Jul 23
	Jul 22	**–**	31,844	–	–	**31,844**	–	78.87[3]	–	Jul 24	Jul 24
Performance Share Plan	Dec 13[1]	**11,023**	–	–	–	**11,023**	11,023	892.90[3]	–	Dec 16	Dec 23
	Jun 15	**2,531**	–	–	–	**2,531**	2,531	541.00[3]	–	Jun 18	Jun 25
	Jun 15	**1,799**	–	–	–	**1,799**	1,799	541.00[3]	–	Jun 19	Jun 25
	Jun 16	**2,655**	–	–	–	**2,655**	2,655	520.85[3]	–	Jun 19	Jun 26
	Jun 16	**1,858**	–	–	–	**1,858**	1,858	520.85[3]	–	Jun 20	Jun 26
	Jun 17	**773**	–	–	–	**773**	773	680.10[3]	–	Jun 20	Jun 27
	Jun 17	**515**	–	–	–	**515**	515	680.10[3]	–	Jun 21	Jun 27
	Jul 20	**181,433**	–	–	–	**181,433**	–	132.28[3]	–	Jul 25	Jul 30
	Jun 21	**135,586**	–	–	–	**135,586**	–	191.76[3]	–	Jun 26	Jun 31
	Aug 22	**–**	252,158	–	–	**252,158**	–	84.55[3]	–	Aug 27	Aug 32
Total		**389,510**	315,847	25,669		**679,688**					
Sharesave options	–	**–**	–	–	–	**–**	–	–	–	–	–

Notes:

1. These awards do not have any performance conditions attached.
2. Mid-market share value of a De La Rue plc ordinary share as at 6 January 2020.
3. Mid-market share value of a De La Rue plc ordinary share averaged over the five dealing days immediately preceding award date.
4. For Sharesave options the share price shown is the exercise price which was 80% of mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date.
5. For Sharesave options the share price shown is the exercise price which was 90% of mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date.

Chief Executive Officer pay, Total Shareholder Return (TSR) and all employee pay

This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the 10 years to 25 March 2023
- A history of De La Rue's Chief Executive Officer's remuneration for the current and previous nine years
- A comparison of the year on year change in De La Rue's Chief Executive Officer's remuneration with the change in the average remuneration across the Group
- A year on year comparison of the total amount spent on pay across the Group with profit before tax and dividends paid

Chief Executive Officer's Pay

Period ended March	2013	2014	2015	2016	2017	2018	2019	2020	2020	2021	2022	2023
Chief Executive Officer	Tim Cobbold	Tim Cobbold	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland	Martin Sutherland	Clive Vacher[3]	Clive Vacher	Clive Vacher	Clive Vacher
Single figure of total remuneration £'000	634	1,071	1,107	998	899	783	954	340	249	1,106	**792**	**542**
Annual bonus payout as a % of maximum opportunity	Nil	Nil	14	57	40	Nil	29	Nil	Nil	97.6	**42**	**Nil**
LTIP vesting against maximum opportunity (%)	Nil	60	Nil	Nil	Nil	25	25	Nil	Nil	Nil	**Nil**	**Nil**

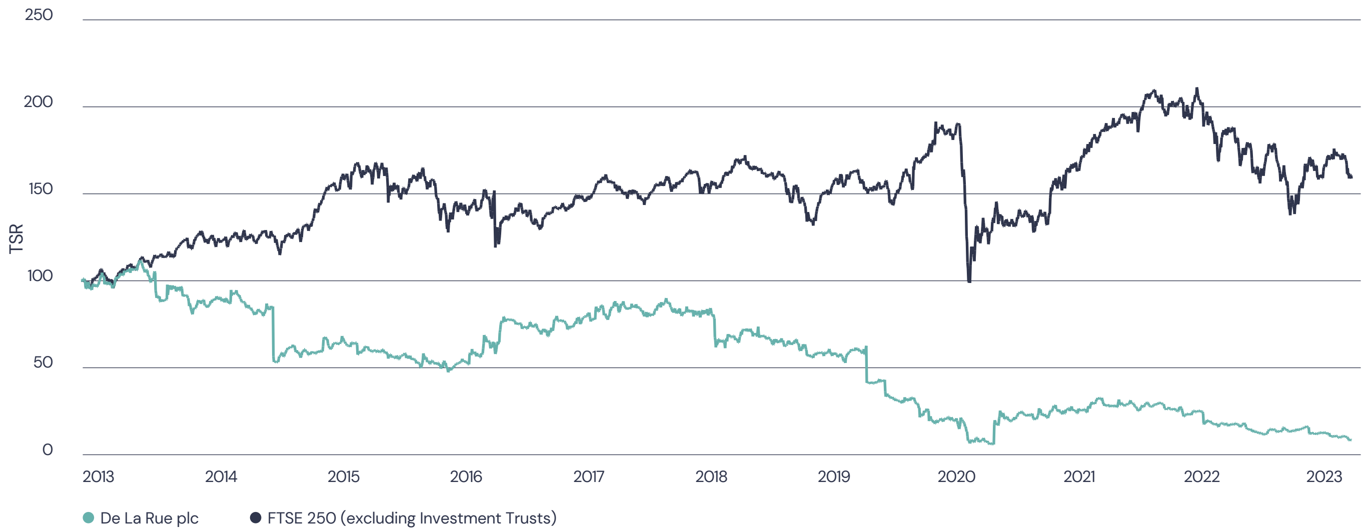
Notes:
1. Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014. Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014).
2. Appointed 13 October 2014, resigned on 7 October 2019.
3. Appointed 7 October 2019.

TSR performance

This graph shows the value, by 25 March 2023, of £100 invested in De La Rue plc on 25 March 2013, compared with the value of £100 invested in the FTSE 250 Index (excluding Investment Trusts) on the same date, assuming that all dividends paid are reinvested and on the other normal principles for assessing Total Shareholder Return (TSR). The other points plotted are the values at intervening financial year ends. De La Rue was a constituent of the FTSE 250 Index for the majority of the period under review.

Total shareholder return

Source: FactSet



Annual Report on remuneration continued

Chief Executive Officer pay ratio

The table below sets out the CEO pay ratios from the FY23 comparing the single total figure of the remuneration with the equivalent figures for lower quartile, median and upper quartile UK employees. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 43% of the total employee population.

As the quartile individuals are representative of the Companies pay distribution the ratios presented are consistent with the pay, reward and progression policies for the UK employees. A significant portion of the CEO remuneration is delivered through variable incentives where awards are linked to business performance over a longer term. This means that ratios may fluctuate year to year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/2023	Option A	14:1	12:1	9:1
2021/2022	Option A	21:1	16:1	13:1
2020/2021	Option A	30:1	24:1	18:1

Total pay and benefits amounts used to calculate ratio.

		25th percentile ratio		50th percentile ratio		75th percentile ratio	
Year	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2022/2023	Option A	£37,556.46	£33,904.94	£46,886.44	£42,659.39	£61,407.42	£56,377.26
2021/2022	Option A	£36,996.54	£28,375.97	£49,614.40	£44,232.96	£62,553.96	£54,285.00
2020/2021	Option A	£37,017.34	£32,584.92	£45,423.49	£41,795.49	£62,770.89	£53,918.64

Percentage change in Directors' remuneration

The table below compares the percentage change in the Directors' salary, bonus and benefits to the average change in salary, bonus and benefits for all UK employees between FY22 and FY23. ABP and Sales Incentive Plans were not paid in FY23. The table shows the UK employee average percentage salary change which is comprised of collective and individual awards throughout the financial year.

	2022/23			2021/22		
	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus
Clive Vacher	**2.5%**	**0%**	–	2%	0%	-55%
Rob Harding	**2.5%**	**0%**	–	2%	148.6%	–14%
Ruth Euling	**2.5%**	**2.4%**	–	–	–	–
Kevin Loosemore	**1.5%**	–	–	2%	–	–
Mark Hoad	–	–	–	–	–	–
Nick Bray	**1%**	–	–	2%	–	–
Margaret Rice-Jones	**14.6%**[1]	–	–	18.3%	–	–
Catherine Ashton	**1.5%**	–	–	2.0%	–	–
UK employee average	**4.8%**	**0%**	–	1.5%	0%	–146%

Note:
1. Margaret Rice-Jones base increase was 1.5%. The remainder was for becoming SID and Remuneration Committee Chair.

Relative spend on pay

The following table sets out the percentage change in payments to shareholders and the overall expenditure on pay across the Group.

	2021/22 £m	2020/21 £m	Change %
Dividends (note 10 to the financial statements)	–	–	N/A
Overall expenditure on pay (note 4 to the financial statements)	97.6	107.7	-9.4

Statement of shareholder voting

The Directors' remuneration report was approved by shareholders at our AGM on 27 July 2022. Details of the poll voting result on the relevant resolutions are shown below:

	Total votes cast	For[1]	(%)	Against	(%)	Votes withheld[2]
Approval of remuneration report	147,547,543	127,958,215	86.72	19,589,328	13.28	190,432

Notes:
1. The votes 'For' include votes given at the Chairman's discretion.
2. A vote withheld is not legally a vote cast and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

De La Rue carefully monitors shareholder voting on the remuneration policy and implementation and the Company recognises the importance of ensuring that shareholders continue to support the remuneration arrangements. All voting at the AGM is undertaken by poll.

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During FY23, the Committee also received advice from Willis Towers Watson who have no other connection with the Company or individual Directors. Willis Towers Watson has been formally appointed by the Remuneration Committee and advised on the structure, measures and target setting for incentive plans, executive remuneration levels and trends, corporate governance developments and Directors' remuneration report preparation. The Remuneration Committee requests Willis Towers Watson to attend meetings periodically during the year.

Willis Towers Watson is a member of the Remuneration Consultants' Group and has signed up to the code of conduct relating to the provision of executive remuneration advice in the UK. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice has been objective and independent.

Total fees for advice provided to the Remuneration Committee during the year by Willis Towers Watson were £31,529.

Dilution limits

The share incentives operated by the Company comply with the institutional investors' share dilution guidelines. The Directors' remuneration report was approved by the Board on 28 June 2023 and signed on its behalf.

Margaret Rice-Jones
Chair of the Remuneration Committee

29 June 2023

Directors' report

The Directors present their annual report on the affairs of the Group for the period ended 25 March 2023.

Introduction

De La Rue plc is a public limited company, registered in England and Wales as company number 3834125 and has its registered office at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS. As such, it is subject to the reporting requirements set out in the Companies Act 2006. In addition, the Company is listed in the UK and is therefore subject to the additional reporting requirements of the Financial Conduct Authority's Listing Rules (LR) and Disclosure Guidance and Transparency Rules (DTR).

Our reporting to shareholders

The Strategic report and this Directors' report, when read together with the rest of this annual report, taken as a whole form the management report required for the purposes of DTR 4.1.5 R.

The Strategic report provides an overview of the development and performance of the Group's business for the period ended 25 March 2023 and likely future developments in the Group. The various sections of that report, from page 1 to 67 of this annual report, together provide information which the Directors consider to be of strategic importance to the Group.

The following disclosures are hereby incorporated by reference into, and form part of, this Directors' Report:

- The reporting on corporate governance on pages 70 to 101 and page 133;
- Data on greenhouse gas emissions and other climate change-related disclosures from page 28 onwards. This information was included in the Strategic report as the Directors consider those matters to be of strategic importance to the Group;
- Details of Directors' interests in the shares of the Company, within the Directors' remuneration report on pages 123 and 124;
- Information relating to financial instruments and financial risk management, as provided in note 14 to the financial statements; and
- Related party transactions as set out in note 28 to the financial statements.

Dividends

In November 2019, the Board decided to suspend future dividend payments. In the Turnaround Plan, first announced in February 2020 and subsequently expanded upon in the prospectus published in June 2020, the Board explained that the resumption of dividends would only occur when restrictions agreed with our lending banks fell away and the Company was generating sustainable positive free cash flow. No interim dividend was paid or final dividend recommended in respect of FY22. The Directors did not declare an interim dividend and do not recommend a final dividend to be paid in respect of FY23.

Directors

The names and biographical details of the Directors of the Company at the date of this report, and the names and dates of service of others who served as Directors during the period. are provided on pages 72 and 73.

Subject to the Company's articles of association, the Companies Act 2006 and any directions given by the Company in general meeting by a special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The powers of the Board are described in the Corporate Governance report on pages 70 to 101.

The Directors recognise their duty to have regard to the Company's business relationships with suppliers, customers and others and to consider the long term, environmental and reputational impacts of their decisions. Details of how these considerations were factored into the principal decisions taken during the period can be found in the section 172 statement on pages 21 to 23.

The rules governing the appointment and removal of Directors are set out in the Company's articles of association.

Each of the Directors in office at the date of this report will, save for Rob Harding who leaves the Company's employment in July 2023 and Margaret Rice-Jones who has decided not to seek re-election due to the time demands of her other business commitments, retire at the AGM on 7 September 2023 and, being eligible, offers himself or herself for re-election.

Details of the Company's contracts of service with its Executive Directors can be found on pages 112-113 and 122 and details of the Company's letters of appointment for the Non-executive Directors are on pages 114 and 122.

Details of Directors' remuneration are provided in the Directors' remuneration report on pages 102 to 127. The interests of the Directors and their families in the share capital of the Company are shown in the Directors' remuneration report on page 123.

At the date of this report, the Company has agreed, to the extent permitted by the law and the Company's articles of association, to indemnify its Directors and officers in respect of all costs, charges, losses, damages and expenses arising out of claims made against them in the course of the execution of their duties as a Director or officer of the Company or any associated company. The Company may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine, but any advance must be refunded if the Director or officer is subsequently convicted or found against. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly.

The Group also maintains Directors' and officers' liability insurance cover for the Directors and officers of the Company and of all Group subsidiary companies.

Shares and major shareholdings

Structure of the Company's share capital

As at 25 March 2023, the share capital of the Company comprised 195,437,227 ordinary shares of 44 152/175p each and 111,673,300 deferred shares of 1p nominal value, all of which are credited as fully paid. The ordinary shares therefore comprise approximately 99%, and the deferred shares approximately 1%, of the issued share capital.

The ordinary shares are listed in the UK and admitted to trading on the London Stock Exchange. The rights attaching to these shares are described in the next section of this report.

The deferred shares carry no voting or other participation rights and extremely limited economic rights. They are not listed or admitted to trading on any market and are not transferable except in accordance with the articles of association. Any or all of the deferred shares can be repurchased at any time by the Company without notice for a total consideration of one penny, following which they may be cancelled.

Rights of holders of ordinary shares and restrictions on transfer

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association, a copy of which is available on the Company's website www.delarue.com.

The key rights are summarised below:

- Voting – on a show of hands at a general meeting of the Company, each holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, shall have one vote for every ordinary share held. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrar no later than 48 hours before a general meeting.
- Dividends and distributions to shareholders on winding up – holders of ordinary shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to a special resolution of the Company the liquidator may divide among members in specie the whole or any part of the assets of the Company and may, for such purpose, value any assets and may determine how such division shall be carried out.
- Transfer of shares – the Company's articles of association place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them except in very limited circumstances. Certain restrictions, however, may from time to time be imposed by law or regulation.

The articles of association may only be amended by special resolution of the holders of the Company's ordinary shares.

Special rights attaching to shares

There are no shares issued by the Company which confer any special voting or other rights regarding the control of the Company.

Shareholder agreements and consent requirements

There are no known arrangements under which financial rights conferred by any of the shares in the Company are held by a person other than the holders of those shares.

The Company is not aware of any agreements between shareholders that may result in any restriction on the transfer of shares or exercise of voting rights.

Rights attaching to shares under employee share schemes

Options and awards held by relevant participants under the Company's various share plans carry no voting rights until the shares are issued. The trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on existing shares held in the employee trust. No shares are currently held in trust.

Major shareholdings

As at 25 March 2023, the Company had received formal notification of the following holdings in its shares under DTR 5. It should be noted that these holdings, or the percentage of the issued share capital they represent, may have changed since the Company was notified, but notification of any change is not required until the next notifiable threshold is crossed:

Persons notifying	Date of last notification	Nature of interest	% of issued ordinary share capital held at notification date
Schroders plc	10/03/2022	Indirect	15.03
Brandes Investment Partners, L.P.	27/01/2021	Indirect	9.97
Crystal Amber Fund Limited	14/10/2021	Direct	9.95
Odey Asset Management Limited	23/03/2023	Indirect	6.89
The Wellcome Trust Limited	21/11/2022	Direct	5.22
Aberforth Partners LLP	09/04/2018	Indirect	5.11
JPMorgan Chase & Co.	22/03/2023	Indirect	5.06
Royal London Asset Management Limited	22/08/2019	Direct	4.98

The following changes have been notified between the end of FY23 and 28 June 2023:

- JPMorgan Chase & Co advised on 30 March 2023 that the nature of their interest had changed and amounted to 5.05% and further advised on 23 May 2023 that they no longer held a notifiable interest.
- Odey Asset Management Ltd advised on 21 June 2023 that their interest had reduced to 2.93% and was no longer notifiable.
- Spreadex Ltd advised on 23 June 2023 that they had an interest in 3.89% of the Company's issued share capital and further advised on 27 June 2023 that their interest had increased to 4.30% and on 28 June 2023 that their interest had increased to 5.25%.
- Richard Griffiths advised on 27 June 2023 that he had an interest (via CFDs) in 4.26% of the Company's issued share capital and further advised on 28 June 2023 that his interest had increased to 5.21%.

Directors' authorities in relation to share capital

Power to issue and allot

At the AGM held on 27 July 2022 the Directors were generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal value of £29,213,815 (being approximately one third of the Company's then issued share capital) or up to an aggregate nominal value of £58,427,630 (being approximately two thirds of the Company's then issued share capital) in respect of a strictly pro-rata rights issue.

At the 2022 AGM the Directors were also granted additional powers to allot ordinary shares for cash (i) up to a nominal value of £4,382,070 (being approximately 5% of the Company's then issued share capital) and (ii) up to a further nominal value of £4,382,070, in each case without regard to the pre-emption provisions of the Companies Act 2006, provided that the authority under (ii) can only be used in connection with an acquisition or specified capital investment. These authorities are valid until the conclusion of the next following AGM.

The Pre-emption Group updated its Statement of Principles in November 2022. Companies are now permitted to seek a general disapplication of pre-emption rights to issue, for cash, equity securities representing no more than 10% of the issued ordinary share capital plus an additional 10% in connection with an acquisition or specified capital investment.

We are seeking authorities in line with the revised Principles at the 2023 AGM, to create flexibility. We are not, however, seeking the additional authority permitted under the Principles for the additional 2% pre-emption disapplication permitted in each case for a 'follow-on' offer.

The Directors have no current intention of exercising these authorities, if granted, other than to satisfy the exercise of options or vesting of awards under the Company's employee share schemes.

279,875 shares were issued for cash during the period to satisfy the vesting of awards or the exercise of options under the Company's employee share schemes. Details of shares issued during the year and outstanding options and awards are given in notes 20 and 21 to the financial statements, and those notes are incorporated by reference into this report. Details of our employee share schemes are provided in the Directors' remuneration report on pages 102 to 127.

Authority to purchase own shares

At the 2022 AGM, shareholders gave the Company authority to make market purchases of up to 19,532,925 of its own ordinary shares (being approximately 10% of the Company's then issued ordinary share capital). Any shares purchased in this way could either be cancelled or held in treasury (or a combination of these). No purchases have been made under this authority.

The Directors propose to seek an equivalent authority at the 2023 AGM, but have no current intention of using this authority, if granted.

Change of control

Contracts

There are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group.

Banking facilities

The credit facility between the Company and its key relationship banks contains a provision such that, in the event of a change of control, unless agreement is reached to the contrary, the facility will be immediately cancelled and shall cease to be available for any further utilisation and all outstanding loans, together with accrued interest and certain other charges, will become immediately due and payable.

Employees

In the event of a change of control, vesting of awards would occur in accordance with the relevant scheme or plan rules. There are no agreements in force that would provide any Directors or employees with compensation for any loss of office or employment that occurs because of a change of control.

Our employees and workforce generally

Employment of disabled persons

The Group gives full and fair consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by that person. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Employee communications and engagement

The Group provides its entire workforce (including employees) with information on matters that could be of concern to them as our workforce. This includes building common awareness of the financial and economic factors affecting the Group's performance through newsletters, all-employee emails and conference calls with the CEO on the day that our results are announced to the market or there is a material development in the Group's business.

Where appropriate, we consult members of our workforce or their representatives on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

We encourage involvement in the Company's performance by our employees and workforce and offer awards under our discretionary share schemes to those more senior employees who are best placed to influence that performance, and through options granted under our Sharesave scheme to all eligible employees in the UK.

The views of our employees and contractors are important. To make sure that these views are heard and are taken into account, the Board has designated an independent Non-executive Director to oversee its engagement with the workforce. For further details of how that duty was fulfilled this role and how it informed the Board's discussions during the year, please see page 79.

Other statutory disclosures

Branches

De La Rue is a global business and our activities and interests are operated through subsidiaries, branches of subsidiaries and associates which are subject to the laws and regulations of many different jurisdictions. Our subsidiaries and associates are listed in note 29 to the financial statements. There were no branches of the Company in existence during the period ended 25 March 2023.

Essential contracts or other arrangements

The Group has a number of suppliers of key goods and services, the loss of any of which could disrupt the Group's ability to deliver on time, in full or at all. For further details, please refer to the discussion of this risk on pages 58 to 63.

Financial risk management

Please refer to the disclosures in note 14 to the financial statements.

Political donations

The Group's policy is not to make any political donations and none were made during the period. However, the definitions of political donations and expenditure in the Companies Act 2006 are very widely drawn, and it is possible that certain routine activities may unintentionally fall within the scope of the law. The Company is therefore seeking shareholders' renewal of the authority to make political donations at the 2023 AGM, in line with that sought and granted in all recent years.

Research and development

The Group's business is underpinned by a significant amount of intellectual property. The Group holds over 140 families of patents which support its business. There are around 1,200 patents and patent applications, of which over 850 have been granted and circa 350 applications are pending. During the year the Group had 29 patents granted in Europe, UK and the US.

The Group's key activity in the field of research and development is discussed in the CEO review on page 10, the business model and strategy summaries on pages 16 to 19 and in other parts of the Strategic report.

Listing Rules compliance

In relation to the disclosures required by LR 9.8.4 R:

(1)	Interest capitalised and any related tax relief	Not applicable
(2)	Publication of unaudited financial information or a profit forecast or estimate	Not applicable
(4)	Details of any long term incentive schemes	Not applicable
(5)	Details of any waiver of emoluments by a Director	Not applicable
(6)	Any waiver of future emoluments by a Director	Not applicable
(7)	Non pre-emptive issues of equity securities for cash	Not applicable
(8)	Non pre-emptive issues of equity securities for cash by major subsidiary undertakings	Not applicable
(9)	Parent company participation in a placing	Not applicable
(10)	Any contract of significance in which a Director or controlling shareholder is interested	Not applicable
(11)	Any contract for the provision of services by a controlling shareholder	Not applicable
(12)	Any waiver of dividends	Not applicable
(13)	Any waiver of future dividends and details of current dividends waived	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

As required by LR 9.8.6(8) R, this annual report includes climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures, which can be found on pages 30 and 31.

Annual General Meeting

The AGM will be held at 10:00am on Thursday 7 September 2023 at the Company's offices, De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

We value our engagement with all our shareholders and shareholders will once again be able to ask questions relating to the business of the meeting via our website, www.delarue.com, in advance of the AGM. Full details of how to use the Q&A facility are set out in the AGM Circular issued with this annual report.

Auditor

Ernst & Young LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Disclosure of information to the external auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

– So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
– The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

As described on pages 64 to 67, the Directors continue to adopt the going concern basis of accounting (in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC in September 2014) in preparing the consolidated financial statements.

Post-balance sheet events

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

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

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

This Directors' report was approved by the Board on 29 June 2023.

By order of the Board

Jon Messent
Company Secretary

29 June 2023

Directors' responsibility statement

Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards (IFRSs) and have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")), and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for the period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and, in respect of the Parent Company financial statements, Section 10 of FRS 102) and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs (and, in respect of the Parent Company financial statements, FRS 102) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- In respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- In respect of the Parent Company financial statements, state whether FRS 102 has been followed, subject to any material departures disclosed and explained in those financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that those financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate Governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

The Directors believe that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy.

For details of the process that was followed to enable the Board to make this statement, please refer to the Audit Committee report on pages 89 to 96.

Responsibility statement

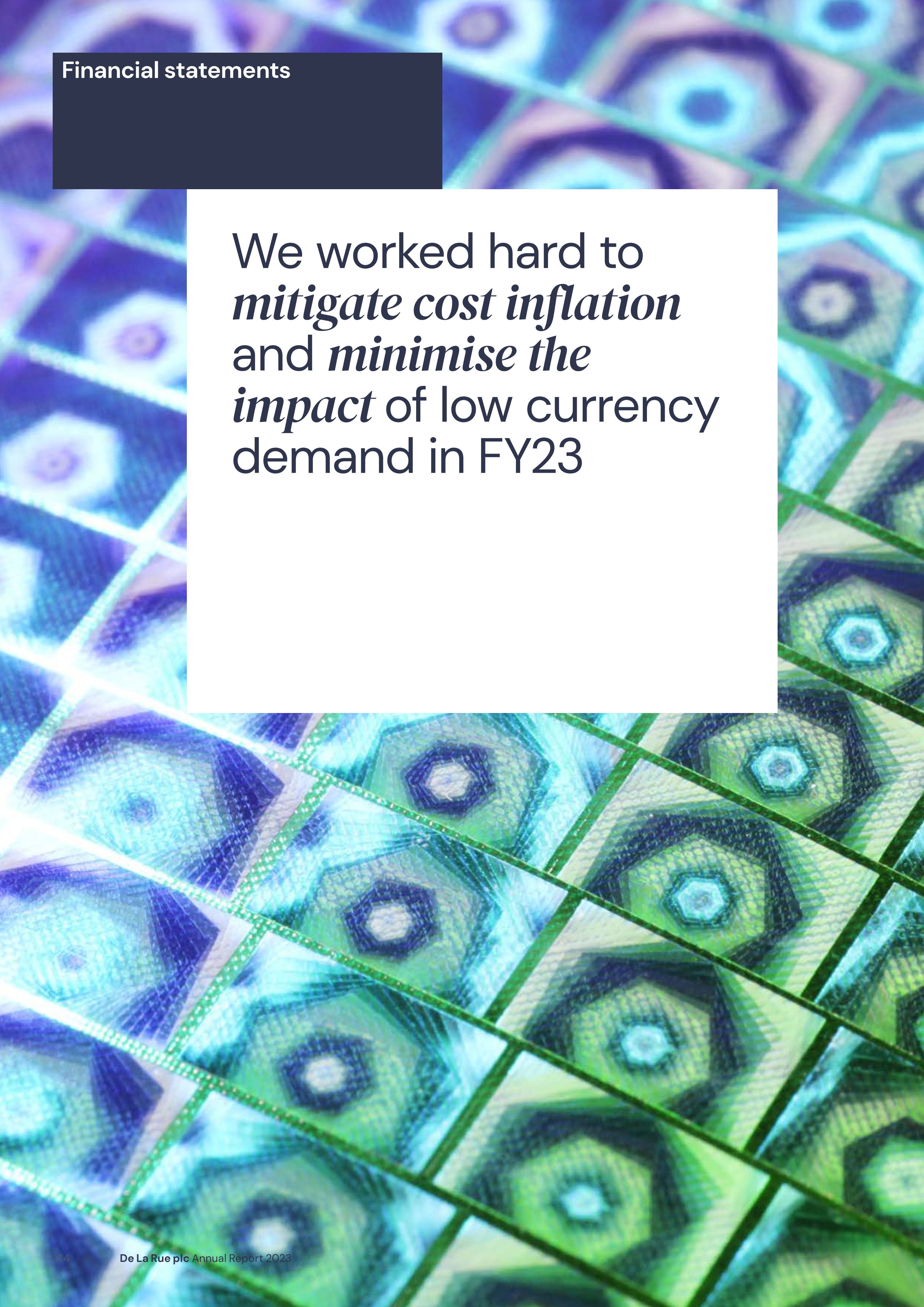
Each of the Directors at the date of approval of this statement confirms that, to the best of his or her knowledge:

- The Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The annual report, including the Strategic report on pages 1 to 67 and the Directors' report on pages 128 to 132, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Jon Messent
Company Secretary

29 June 2023



We worked hard to *mitigate cost inflation* and *minimise the impact* of low currency demand in FY23

Consolidated income statement
Page 145

Five-year record
Page 214

Independent Auditor's Report *to the members of De La Rue plc*

Opinion

In our opinion:

- De La Rue plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 25 March 2023 and of the group's loss for the period then ended as defined within the Group's accounting policies;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of De La Rue plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 25 March 2023 which comprise:

Group	Parent company
Consolidated balance sheet as at 25 March 2023	Company Balance sheet as at 25 March 2023
Consolidated income statement for the period ended 25 March 2023	Company Statement of changes in equity for the period ended 25 March 2023
Consolidated statement of comprehensive income for the period ended 25 March 2023	Related notes 1 to 8a to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the period ended 25 March 2023	
Consolidated cash flow statement for the period ended 25 March 2023	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process as well as the review controls in place over the preparation of the group's going concern model and the memoranda on going concern presented to the board of directors. We also performed procedures in conjunction with internal specialists to test the appropriateness of management's underlying modelling.
- We assessed the appropriateness of the duration of the going concern assessment period to 29 June 2024 ("the going concern period") and considered the existence of any significant events or conditions beyond this period based on our enquiries and knowledge arising from other areas of the audit.

- We obtained the final signed amendment to the Revolving Credit Facility dated 29 June 2023 and assessed the implications of the revised terms in the context of management's assessment, including covenant and liquidity compliance in the going concern period. We considered the changes to the underlying financial covenants, as well as the inclusion of monthly liquidity testing and non-financial requirements, including the need for the company to assess the future options available to them.
- We obtained the signed agreement with the Pension Trustee to defer previously agreed contributions until June 2024. We confirmed that such effects had been appropriately modelled in the forecast cashflow assumptions.
- We obtained the cash flow, covenant forecasts and sensitivities for the going concern period prepared by management and tested for arithmetical accuracy of the models as well as checking the net debt position at the period-end date which is the starting point for the model. Further to this, we reviewed actual post period-end trading against the forecast and considered all relevant factors from the period-end date to the approval date of the financial statements. We assessed the reasonableness of the cashflow forecast by analysing management's historical forecasting accuracy. We also assessed the reasonableness of the forecasts with reference to the level of secured orders, the prospect of securing the pipeline and assumptions including both fixed and variable costs as well as assessing whether all key factors have been considered by management.
- We evaluated the key assumptions underpinning the Group's assessment by challenging the measurement and completeness of downside scenarios modelled by management and how these compare with principal risks and uncertainties of the Group. The key sensitivity in management's assessment is the group's ability to continue operating within all of its bank covenants and liquidity requirements during the going concern period. We reviewed management's reverse stress testing scenarios which quantified the downside required to breach the covenants (by modelling both decreased earnings and increased net debt) or exhaust liquidity and evaluated whether the downside in cash flows, earnings and net debt required for such a scenario to materialise was plausible during the going concern period considering the analysis of fixed versus variable costs, the proportion of revenue secured through orderbook coverage, and recent forecast accuracy.
- We challenged each of the available mitigating actions (e.g. reduced capital expenditure and reductions in discretionary spend) and obtained analysis to determine if these were in the control of management and evaluated the expected impact of the mitigation in the light of our understanding of the business and its cost structures.
- We note that management has performed an assessment to consider whether any events outside of the going concern period beyond 29 June 2024 need to be considered in the context of management's conclusion. Management have identified the successful re-financing of the company's Revolving Credit Facility which expires on 1 January 2025 and continued covenant compliance until then to be such events. We have performed procedures to assess whether management's conclusions in this regard are reasonable, including review of forecasts in this period and discussions with the company's advisors and the lenders in conjunction with internal debt specialists to determine whether the Group has realistic prospects of covenant compliance and a refinancing of the Revolving Credit Facility.
- We considered the extent to which emerging climate-related risks may affect the Group's assessment and the assumptions around the costs anticipated in meeting the Group's target to become carbon neutral for its own operations by 2030. This includes the capital expenditure required to enable the Group to reduce its carbon footprint, energy usage, waste, and reliance on plastics. Additionally, we considered other macroeconomic factors such as the rising cost of materials, energy and labour which are critical parts of the Group's operations.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including non-current asset impairment and deferred tax asset recognition.
- We held discussions with the Audit Committee and full board of Directors to corroborate the forecasts and their basis as prepared by management. Further to this we held discussions with the Company's advisors as well as the lenders to corroborate other key assumptions in management's assessment.
- We considered whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment, key judgements made and outcomes.

The audit procedures performed in evaluating the director's assessment were performed by the Group audit team, however we also considered the financial and non-financial information communicated to us from our component teams of overseas locations as sources of potential contrary indicators which may cast doubt over the going concern assessment. We determined going concern to be a key audit matter.

Our key observations

We note the following key observations in relation to management's assessment and the procedures we have performed as stated above:

- On 29 June 2023 the Company signed an amended agreement with the Lenders on its Revolving Credit Facility which includes updated covenants, a new liquidity requirement and other non-financial milestones to be actioned including the need for the company to assess the future options available to them. On 28 June 2023, the Company signed an agreement with the Pension Trustee on the deferral of previously agreed payments into the scheme.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern over the period through to 29 June 2024, a period of 12 months from when the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 3 components, an audit of specific balances of 3 components and performed specified procedures for a further 7 components. – The components where we performed full audit procedures accounted for 99.1% of adjusted EBITDA (being adjusted for exceptional items), 89.7% of Revenue and 64% of Total assets. The components where we performed full, specific or specified audit procedures in relation to revenue accounted for 100% of Revenue.
Key audit matters	– Revenue recognition – Post-retirement benefit obligations- liabilities & assets
Materiality	– Overall Group materiality of £0.9m which represents 2% of adjusted EBITDA. Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 50 reporting components of the Group, we selected six components as full or specific scope covering entities within United Kingdom, Malta, Sri Lanka, Kenya and Group consolidation adjustments, represents the principal business units within the Group. We selected a further seven components as specified procedures components, for which we performed certain audit procedures on specific accounts within that component which we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of the accounts or their risk profile.

The table below sets out the coverage obtained from the work performed by our audit teams.

	Number of locations	Adjusted EBITDA (%)	Revenue (%)	Total Assets (%)
Full Scope	3	99.1	89.7	64.1
Specific Scope	3	–*	2.1	20.0
Specified Procedures	7	–*	8.2	13.8
Full and specified procedures coverage	13	99.1	100.0	97.9
Remaining components	37	0.9*	0.0	2.1
Total reporting components	**50**	**100.0**	**100.0**	**100.0**

* The contribution of specified procedure components to Group Adjusted EBITDA is included within 'remaining components' as audit procedures were performed on certain, but not all, significant accounts of the specified procedures components contributing to Group Adjusted EBITDA.

Of the 13 components selected, we performed an audit of the complete financial information of 3 components ("full scope components") which were selected based on their size or risk characteristics.

For 3 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

For the remaining seven components (representing -8.3% of adjusted EBITDA) we performed specified procedures performed through centralised testing by the group team. These locations typically represent other small revenue generating entities, overseas cost centres, or holding companies and not the principal business units of the Group. We extend our scope to these entities in order to add an element of unpredictability into our audit procedures Specifically, we performed specified procedures on certain aspects of revenue; other operating expenses; interest income and expense, provisions, intangible assets and amortisation, in response to our risk assessment for these individual financial statement line items. The audit scope of the components in specific scope or specified procedures does not include testing of all significant accounts of the component, but will have contributed to the metrics provided above for the Group.

Of the remaining 37 components that together represent (14.2%) of the Group's adjusted EBITDA, we performed other procedures, including cash and borrowings verification testing on all material balances, analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements. In addition, we have also performed other procedures on a random selection of additional immaterial balances in order to achieve an element of unpredictability in our audit procedures as well as detailed analytical procedures on certain cost centres.

Changes from the prior year

There have been no significant changes in the scoping of our Group audit.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The audit procedures on the three full scope components (all of which comprise parts of the UK operating business) were performed directly by the primary audit team. For the three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the year the Group audit team determined not to undertake any planned visits to the specific scope overseas locations. This decision was taken based on the relative contribution of the full scope UK locations to the overall Group (99.1% of the Group's adjusted EBITDA, 89.7% of the Group's Revenue and 64.1% of the Group's Total assets) Furthermore the significant risks identified relate to the Group and full scope components which are based in the UK and audited by the primary audit team. Detailed instructions were sent to all specific scope overseas locations which covered the significant areas that should be addressed by the component team auditors and the information which should be reported to the Group audit team. The primary team interacted regularly with the component teams during various stages of the audit including attending planning, update and closing meetings via conference calls. The primary team reviewed certain key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Group. The Group has determined that the most significant future impacts from climate change on its operations will be from: emerging regulation changes and the Group's ability to react to such changes (for example, the ban on the single use plastic in Kenya); the risk of flooding of key sites as a result of rising water levels and precipitations patterns; and the risk of being unable to execute the transition of operations required to effectively reduce its footprint, energy usage, waste and reliance on plastics in its operations. These are explained on pages 26 to 36 in the Task Force for Climate related Financial Disclosures and on page 60 in the principal risks and uncertainties. They have also explained their climate commitments on page 35. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of evaluating whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the strategic report how they have reflected the impact of climate change in their financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 26 to 36 and the significant judgements and estimates disclosed on pages 157 to 160 and whether these have been appropriately reflected in the going concern and viability considerations of the Group, and other key assessments where values are determined through modelling future cash flows including assumptions around the costs anticipated in meeting the Group's target to become carbon neutral for its own operations by 2030. Where required by the relevant accounting standard, this includes the capital expenditure required to enable the Group to reduce its carbon footprint, energy usage, waste and reliance on plastics. As part of this evaluation, we performed our own risk assessment supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Whilst the Group have stated their sustainability commitments in becoming carbon natural from its own operations by 2030 and to align with the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group are currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition – £349.7m (FY22 – £375.1m) *Refer to the Audit Committee Report (page 89); Accounting policies (page 151); and Note 2 of the Consolidated Financial Statements (page 163)* **Risk on revenue cut-off** We have identified that there is a risk that revenue is manipulated at or near to the period end to meet income statement targets through management override of controls. This cut-off risk manifests itself in different ways based on the terms of the contract and the associated accounting policy under IFRS 15. For contracts where revenue is recognised 'over time' the risk relates to the judgements made in relation to appropriate evidence; the existence of an enforceable right to payment as per the contract; and completion of inventory or costs incurred compared to total estimated cost to complete. **Risk on bill & hold arrangements** For contracts where revenue is recognised at a 'point in time' the risk relates to evidencing that control has passed to the customer. In particular, certain contracts include specific terms, for example, complex acceptance criteria or "bill and hold" criteria which adds to the risk that revenue may be recorded in the incorrect reporting period. Misstatements that occur in relation to this risk would impact the revenue recognised in the income statement as well as any revenue related balance sheet account such as trade debtors, deferred income and accrued income.	We have performed testing using the lowest end of the performance materiality range applicable for addressing the occurrence assertion impacted by a significant risk. At each full, and specific scope component with significant revenue streams (6 components) including (where relevant) consolidation adjustments, we performed audit procedures which covered 91.8% of the Group's Revenue. We also performed specified procedures on material revenue amounts earned in the remainder of the group, including amounts in the USA and De La Rue Buck Press Limited. The primary audit team and specific scope component teams performed the audit procedures over the Group's revenue. Our procedures included, among others, obtaining an understanding of the revenue recognition process and evaluating the design of internal controls over revenue recognised. We also evaluated the appropriateness of the Group's revenue recognition policy. **Risk on revenue cut-off** To address the risk of inappropriate cut-off, we selected a sample of revenue transactions around the period end date and for our sample selected, we tested to corroborate that there was appropriate evidence to support that control has passed to the customer and that revenue was recognised in the appropriate period. This included checking to third party evidence of delivery, where applicable. For over time revenue contracts, we performed a review of all new material underlying agreements to determine that over time revenue recognition is appropriate, including an assessment of performance obligations and any judgements made by management in concluding that the company has an enforceable right to payment, enquiring with external legal counsel where relevant. The group uses the input method to record revenue over time. For all material contracts, we have tested actual costs incurred to underlying supporting documents and challenged the appropriateness of the estimated cost to complete the performance obligation. We have also tested the appropriateness of the margin applied by agreeing the calculations through to contractual terms (e.g. unit prices and total contract value). We have also checked that the correct percentage of completion (POC) has been applied in determining the amount of revenue to be recognised. **Risk on bill & hold arrangements** To address the risk on 'bill and hold', we ensured that the 'bill and hold' arrangement was stipulated in the contractual terms, that the related goods had been manufactured at the period-end date, including physically verifying a sample of these items, and that control had passed to the customer.	Based on our audit procedures we have concluded that revenue is appropriately recognised in the period and appropriately accrued or deferred at 25 March 2023.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Post-retirement benefit obligations – (£54.7m), (FY22 – £29.8m) *Refer to the Audit Committee Report (page 89); Accounting policies (page 151); and Note 24 of the Consolidated Financial Statements (page 197).* **Post-retirement benefit Liabilities – £731.3m (FY22 – £957.1m)** The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. A number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. **Post-retirement benefit Assets – £678.2m (FY22 – £988.7m)** The pension assets include significant pension asset investments, the fair value measurement of which includes significant judgement. Management uses an off-cycle period-end date of 25 March 2023 which means that valuations provided by fund managers are not provided in line with the balance sheet date, but rather at the 31 March calendar month-end date. There is a further risk in this valuation process as a number of the pension assets are "hard to value", which do not have a readily observable market price. Misstatements that occur in relation to this risk would affect the retirement benefit obligations account in the balance sheet as well as related accounts in the income statement and statement of other comprehensive income.	**Response to the risk on post-retirement benefit liabilities** We utilised EY pension specialists to assist us in testing the valuation of post-retirement benefit liabilities. We gained an understanding of the valuation process through discussion with the pension scheme actuaries. This included challenging the basis and methodology for setting key assumptions, including, salary increases and mortality rates by comparing them to national and industry averages. We independently checked the discount and inflation rates used in the valuation of the pension liability against our internally developed benchmarks. We assessed the competency of management's expert used in determining the actuarial valuation. **Response to the risk on post-retirement benefit assets:** We assessed the competency of management's expert used in determining the asset valuation. We have confirmed the existence of scheme assets with the schemes' fund managers and independently confirmed the valuation of scheme assets by performing detailed testing on a sample of assets, taking into account the relative complexity of the underlying asset class. For the hard to value assets, we have obtained a confirmation directly from the fund managers on the number of units and period end price by investment product. We have also involved our EY valuation specialists in determining the valuation of certain hard to value assets eg interest rate swaps, inflation swaps and cross currency swaps. We tested management's assessment of the valuation difference between the period end date and calendar month end date, by performing sample testing of assets re-valued by third parties and performing a recalculation of the volatility adjustment using market data. We assessed the appropriateness of Management's retirement benefit obligation disclosure by reference to the requirements of applicable accounting standards.	Based on our audit procedures, we have concluded that the actuarial assumptions applied within the valuation of post-retirement benefits at period-end are appropriate. We have also concluded that the pension scheme assets are stated at fair market value.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £0.9m (2022: £1.1m), which is 2% (2022: 2%) of adjusted EBITDA. Given the focus on the Group's ability to continue operating as a going concern in recent periods, we believe that there remains a pivotal focus on the banking covenants applicable to the Company which are based on adjusted EBITDA. As such, we believe that adjusted EBITDA provides us with a reasonable basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be £1.5 million (2022: £5.3 million), which is 2% (2022: 2%) of equity.

Our materiality is based on the Group's EBITDA adjusted for exceptional items in order to exclude items which are non-recurring in nature. We have determined the final materiality amount applied in our audit procedures below:

Starting basis	– Group EBITDA loss (£1.3m)
Adjustments	– Add back net exceptional items of £47.1m as disclosed on the Group Income statement
Materiality	– Totals £45.8m – Materiality of £0.9m (2% of adjusted EBITDA)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £0.45m (2022: £0.5m). We have set performance materiality at this percentage due to an expectation of possible audit misstatements in the current period driven by the volume and quantum of audit misstatements identified in the prior period.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current period, the range of performance materiality allocated to components was £0.1m to £0.4m (2022: £0.1m to £0.5m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £45,000 (2022: £54,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 133, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 64 to 67;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 64 to 67;
- Directors' statement on fair, balanced and understandable set out on page 133;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 133;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 56; and;
- The section describing the work of the audit committee set out on page 89.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 133, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS standards for the group financial statements and FRS 102 for the parent company stand alone accounts, in addition to abiding by the Companies Act 2006) and the relevant direct and indirect tax regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including exports of product and service regulations, offset terms on foreign contracts, UK Anti-bribery act, procurement regulations, Proceeds of Crime Act 2002 and The Money Laundering (Amendment) Regulations 2012, Health and Safety and GDPR. Furthermore, the company must comply with Listing Rules (LR requirements, Disclosure & Transparency Rules (DTR) requirements and ESMA Guidelines on Alternative Performance measures, UK Corporate Governance Code (2018 Code)

- We understood how De La Rue plc is complying with those frameworks by making enquiries of management including internal legal counsel to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. Specifically, we inspected the code of conduct and employee handbook issued to each employee, we also verified that specific training on the above frameworks were offered to employees throughout the period; obtaining and inspecting the training compliance report held by the company. Where relevant we liaised with external legal counsel to understand the potential impact of claims brought against the company. We also reviewed correspondence with relevant authorities, including HMRC.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and through assessing revenue as a fraud risk through recognising revenue in the incorrect period. Our procedures to address this involved:
  - Understanding the revenue recognition process, policy and how it is applied, including relevant controls.
  - Selecting a sample of key contracts to test based on various risk criteria. For the same contracts we performed detailed contract reviews, including challenging management assumptions on the revenue recognition process.
  - For those contracts where revenue has been recognised over time or at a point-in-time, our procedures and conclusions are documented in the key audit matters' table above.
  - We incorporated data analytics into our testing of manual journals, including segregation of duties, and in respect of our testing of revenue recognition, investigated journals posted to revenue, with focus on manual transactions recorded at or close to the year-end date.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the reporting framework set out above through our walkthrough testing.
- Where we identified potential non-compliance with laws and regulations, we developed an appropriate audit response and communicated directly with components impacted. Our procedures involved: understanding the process and controls to identify non-compliance, reading the correspondence between the Group and their regulators, review of whistleblowing logs and understanding management's response, inquiring of internal and external legal counsel and reading their reports, understanding the fact patterns in each case and documenting the positions taken by management, and using EY specialists (including Forensics) to support us in concluding on the matters identified.
- If any instance of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the group level.

Other matters we are required to address

Following the recommendation from the Audit Committee we were appointed by the company on 21 September 2017 to audit the financial statements for the period ending 31 March 2018 and subsequent financial periods. We signed an updated engagement letter on 24 May 2021. The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the periods ending 31 March 2018 to 25 March 2023.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

San Gunapala
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

Reading

29 June 2023

Consolidated income statement for the period ended 25 March 2023

	Notes	2023 £m	2022 £m
Revenue from customer contracts	2	**349.7**	375.1
Cost of sales		**(257.6)**	(277.5)
Gross Profit		**92.1**	97.6
Adjusted operating expenses	4	**(64.3)**	(61.2)
Adjusted operating profit		**27.8**	36.4
Adjusted Items[1]:			
— Amortisation of acquired intangibles	10	**(1.0)**	(1.0)
— Net exceptional items – expected credit loss	5	**(8.5)**	(3.1)
— Net exceptional items – other	5	**(38.6)**	(2.6)
— Net exceptional items – Total	5	**(47.1)**	(5.7)
Operating (loss)/profit		**(20.3)**	29.7
Interest income	6	**1.2**	0.9
Interest expense	6	**(11.6)**	(6.2)
Net retirement benefit obligation finance income/(expense)	6, 24	**1.1**	(0.2)
Net finance expense		**(9.3)**	(5.5)
(Loss)/Profit before taxation from continuing operations		**(29.6)**	24.2
Taxation	7	**(27.6)**	(1.3)
(Loss)/Profit for the year from continuing operations		**(57.2)**	22.9
Profit from discontinued operations	3	**–**	0.8
(Loss)/Profit for the year		**(57.2)**	23.7
Attributable to:			
— Owners of the parent		**(55.9)**	21.5
— Non-controlling interests		**(1.3)**	2.2
(Loss)/Profit for the year		**(57.2)**	23.7
Earnings per ordinary share			
Basic	8		
Basic EPS continuing operations		**(28.6)p**	10.6p
Basic EPS discontinued operations		**–**	0.4p
Total Basic EPS		**(28.6)p**	11.0p
Diluted	8		
Diluted EPS continuing operations		**(28.6)p**	10.5p
Diluted EPS discontinued operations		**–**	0.4p
Total Diluted EPS		**(28.6)p**	10.9p

Note:
1. For adjusting Items, the cash flow Impact of exceptional Items can be found in note 5 and there was no cash flow impact for the amortisation of acquired Intangible assets.

Consolidated statement of comprehensive income for the period ended 25 March 2023

	Notes	2023 £m	2022 £m
(Loss)/Profit for the year		(57.2)	23.7
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement (loss)/gain on retirement benefit obligations	24	(100.3)	35.7
Tax related to remeasurement of net defined benefit liability	7	24.2	(8.8)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		5.0	(1.5)
Foreign currency translation differences for foreign operations – non-controlling interests		–	0.1
Change in fair value of cash flow hedges	14(a)	(1.0)	(0.6)
Change in fair value of cash flow hedges transferred to profit or loss	14(a)	1.7	0.8
Tax related to cash flow hedge movements	7	(0.1)	0.1
Tax related to components of other comprehensive income	7	(0.1)	0.2
Other comprehensive (loss)/income for the year, net of tax		(70.6)	26.0
Total comprehensive (loss)/income for the year		(127.8)	49.7
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		(126.5)	47.4
Non-controlling interests		(1.3)	2.3
		(127.8)	49.7

Consolidated balance sheet
at 25 March 2023

	Notes	2023 £m	2022 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	**97.1**	102.7
Intangible assets	10	**39.3**	37.5
Right-of-use assets	23	**12.1**	12.9
Long-term pension assets	24	**–**	31.6
Other financial assets	11	**–**	7.4
Deferred tax assets	16	**18.3**	11.2
Derivative financial assets	14a	**–**	0.1
		166.8	203.4
Current assets			
Inventories	12	**49.3**	50.1
Trade and other receivables	13	**70.7**	89.0
Contract assets	2	**18.9**	8.0
Current tax assets		**0.2**	0.4
Derivative financial assets	14a	**2.4**	3.3
Cash and cash equivalents	15	**40.3**	24.3
		181.8	175.1
Total assets		**348.6**	378.5
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(92.1)**	(80.0)
Current tax liabilities		**(23.2)**	(13.9)
Derivative financial liabilities	14a	**(1.9)**	(4.8)
Lease liabilities	23	**(3.0)**	(2.7)
Provisions for liabilities and charges	19	**(6.0)**	(5.9)
		(126.2)	(107.3)
Non-current liabilities			
Borrowings	18	**(118.4)**	(92.6)
Retirement benefit obligations	24	**(54.7)**	(1.8)
Deferred tax liabilities	16	**(2.8)**	(2.4)
Lease liabilities	23	**(10.3)**	(11.5)
Other non-current liabilities		**(1.2)**	(1.1)
		(187.4)	(109.4)
Total liabilities		**(313.6)**	(216.7)
Net assets		**35.0**	161.8
EQUITY			
Share capital	20	**88.8**	88.8
Share premium account		**42.2**	42.2
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**0.1**	(0.5)
Cumulative translation adjustment		**9.2**	4.2
Other reserve		**(83.9)**	(31.9)
Retained earnings		**(43.3)**	35.1
Total equity attributable to shareholders of the Company		**19.1**	143.8
Non-controlling interests		**15.9**	18.0
Total equity		**35.0**	161.8

Approved by the Board on 29 June 2023

Clive Vacher
Chief Executive Officer

Rob Harding
Chief Financial Officer

Registered number: 3834125

Consolidated statement of changes in equity for the period ended 25 March 2023

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Cumulative translation adjustment £m	Attributable to equity shareholders Other reserve £m	Retained earnings £m	Non-controlling Interests £m	Total equity £m
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
Loss for the year	–	–	–	–	–	–	(55.9)	(1.3)	(57.2)
Other comprehensive income for the year, net of tax	–	–	–	0.6	5.0	–	(76.2)	–	(70.6)
Total comprehensive income for the year	–	–	–	0.6	5.0	–	(132.1)	(1.3)	(127.8)
Reclassification between reserves	–	–	–	–	–	(51.9)	51.9	–	–
Transactions with Owners of the Company recognised directly in equity									
Share Capital issued	–	–	–	–	–	–	–	–	–
Employee share Scheme									
— value of service provided	–	–	–	–	–	–	1.9	–	1.9
Tax on income and expenses recognised directly in equity	–	–	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	–	(0.8)	(0.8)
Other – unclaimed dividends	–	–	–	–	–	–	0.4	–	0.4
Balance at 25 March 2023	88.8	42.2	5.9	0.1	9.2	(83.8)	(43.3)	15.9	35.0

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, increasing other reserves from a deficit of £83.8m to a deficit of £31.9m. 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 De La Rue plc where loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit. In the current year the Group recorded an impairment of the intercompany loan. As a matter of generally accepted accounting practice, a profit previously regarded as unrealised becomes realised when there is a loss recognised on the write-down for depreciation, amortisation, diminution in value or impairment of the related asset. Therefore, on the basis, the £51.9m previously treated as unrealised within Other Reserves is now treated as a realised amount and has therefore been reclassified from "Other Reserves" to "Retained earnings" as at 25 March 2023.

Consolidated cash flow statement for the period ended 25 March 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit before tax – continuing operations		(29.6)	24.2
Profit before tax – discontinued operations		–	0.9
		(29.6)	25.1
Adjustments for:			
Finance income and expense	6	9.3	5.5
Depreciation of property, plant and equipment	9	12.5	12.0
Depreciation of right-of-use assets	23	2.2	2.3
Amortisation of intangible assets	10	5.3	4.3
Gain on sale of property plant and equipment	9	(0.1)	(0.5)
Impairment/(impairment reversal) of property, plant and equipment included within exceptional items	9	5.4	(0.1)
Impairment of intangible assets included within exceptional items	10	4.3	–
Share based payment expense	21	1.9	1.8
Pension Recovery Plan and administration cost payments[1]		(16.5)	(16.4)
Increase/(decrease) in provisions	19	0.1	(3.7)
Non-cash credit loss provision – other financial assets	5,11	8.5	3.1
Non-cash credit loss provision – other		(0.3)	(0.2)
Other non-cash movements		3.5	2.3
Cash generated from operations before working capital		6.5	35.5
Changes in working capital:			
Decrease in inventory		0.5	3.4
Decrease in trade and other receivables and contract assets		6.0	22.6
Increase/(Decrease) in trade and other payables and contract liabilities		11.8	(43.2)
		18.3	(17.2)
Cash generated from operating activities		24.8	18.3

Note:
1. The £16.5m (FY22: £16.4m) of pension payments includes £15.0m (FY23: £15.0m) payable under the Recovery Plan, agreed in May 2020, and a further £1.5m (FY22: £1.4m) relating to payments made by the Group towards the administration costs of running the scheme.

Consolidated cash flow statement for the period ended 25 March 2023
continued

	Notes	2023 £m	2022 £m
Cash generated from operating activities		24.8	18.3
Net tax paid		(1.0)	(1.8)
Net cash flows from operating activities		23.8	16.5
Cash flows from investing activities			
Purchase of loan notes	11	–	(0.9)
Purchases of property, plant and equipment – gross		(15.2)	(19.6)
Purchases of property, plant and equipment – grants received		4.2	1.5
Purchases of property, plant and equipment – net [1]		(11.0)	(18.1)
Purchase of software intangibles and development assets capitalised	10	(10.4)	(8.8)
Proceeds from sale of property, plant and equipment		0.4	1.9
Receipt of research and development tax credit		–	0.1
Interest received		0.2	–
Net cash flows from investing activities		(20.8)	(25.8)
Net cash flows before financing activities		3.0	(9.3)
Cash flows from financing activities			
Net draw down of borrowings	14(f)	27.0	17.0
Payment of debt issue costs	14(f)	(0.9)	–
Lease liability payments	23	(2.4)	(2.2)
Interest paid		(10.3)	(6.2)
Dividends paid to non-controlling interests	30	(0.8)	(0.9)
Net cash flows from financing activities		12.6	7.7
Net increase/(decrease) in cash and cash equivalents in the year		15.6	(1.6)
Cash and cash equivalents at the beginning of the year		24.3	25.7
Exchange rate effects		0.4	0.2
Cash and cash equivalents at the end of the year		40.3	24.3
Cash and cash equivalents consist of:			
Cash at bank and in hand	15	26.5	20.3
Short term deposits	15	13.8	4.0
	15,22	40.3	24.3

Note:
1. Additions to property, plant and equipment in the year were £11.2m (FY22: £16.5m) (note 9). Purchases of property, plant and equipment includes down payments and capex creditors of capital expenditure creditors of £0.5m (FY22: £1.6m) and excludes £0.7m (FY22: £nil) of grants not yet received.

Accounting policies

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 25 March 2023, being the last Saturday in March. The comparatives for the FY22 financial period are for the period ended 26 March 2022.

The consolidated financial statements of the Company for the period ended 25 March 2023 were authorised for issuance by the board of Directors on 28 June 2023.

Company financial statements

The Company has elected to prepare its entity only financial statements in accordance with FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland. These are set out on pages 205 to 210 and the accounting policies in respect of the Company financial statements are set out on pages 207 and 208.

Significant accounting policies

I
Basis of preparation

The consolidated financial statements of the Company for the period ended 25 March 2023 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 key areas of estimation uncertainty where assumptions and estimates are significant in preparing to the consolidated financial statements are disclosed below in V 'Critical accounting estimates, assumptions and judgements'.

The Directors have considered the impact of the war in Ukraine on the results of the Group and other than the global economic conditions, concluded this to be immaterial (note 13).

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or have been incorporated with the relevant notes to the accounts where appropriate. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Climate change

In preparing the Consolidated Financial Statements management has considered the impact of climate change and the actions that the Group will take in order to fulfil its sustainability strategy and satisfy its commitment to become carbon neutral from its own operations by 2030. This includes the estimates around future cash flows used in impairment assessments of the carrying value of goodwill and intangible assets in De La Rue Authentication Inc, recoverability of deferred tax assets and the useful economic life of plant and equipment, especially assets which are 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.

Going concern

Background and relevant facts

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 10 of the Strategic Report. In addition, pages 56 to 63 include the Group's objectives, policies and processes for financial risk management, details of its financial instruments and hedging activities and its exposure to credit risk, liquidity risk and commodity pricing risk. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on page 53 of the Strategic Report.

Following the interim results for the period ended 24 September 2022 there has been a difficult period of trading and rising market interest rates, meaning the Group forecast that they would breach financial covenants in their going concern period to 29 June 2024. As a result, they entered into extensive negotiations with the pension trustee and the Group's banking syndicate. A deferral letter from the trustee was signed on 28 June 2023 agreeing to deferral of deficit repair contributions as set out in the paragraph below and an amended facility agreement for the Group's financing facilities was signed on 28 June 2023, which includes a relaxation of the financial covenant ratios along with the introduction of a new minimum liquidity requirement.

Deferral of deficit repair contributions

The Group has successfully concluded negotiations with the Trustee of the De La Rue Pension Fund to defer £17.5m of the £18.75m of deficit repair contributions that was targeted in the Group's April trading update.

The Trustee has agreed to defer the Group's deficit repair contributions of £3.75m per quarter from that due on 5 April 2023 up to and including that payment that was due on 5 April 2024. From July 2024, deficit repair contributions will recommence at the previously agreed £3.75m per quarter. 'Catch up' payments for the £18.75m of deferred payments will start from FY26 and will continue through to FY29.

This deferral significantly eases the short term cashflow burden on the business and has been incorporated into all modelling.

Amended Facility Agreement

Under the amended facility agreement, which was executed by all parties on the 29 June 2023, the Group continues to have access to a revolving credit facility ('RCF') of £250m that expires on 1st January 2025, which allows the drawing down of cash up to the level of £175m and the use of bonds and guarantees up to the level of £75m. The amendment to the debt agreement reduces the available facility by £25m from £275m to £250m, with the cash draw-down component remaining unchanged and the use of the bonding and guarantee lines reduced to £75m from the prior £100m level.

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

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

From 1 July 2023, the revised financial covenants and spread levels were as follows:

- EBIT/net interest payable more than or equal to 1.0 times, (3.0 times previously)
- Net debt/EBITDA less than or equal to 4.0 times until the Q4 2024 testing point, reducing to less than or equal to 3.6 times from Q1 FY25 through to the end of the current agreement to 1 January 2025 (3.0 times previously).
- Minimum Liquidity testing monthly, testing at each weekend point on a 4-week historical basis and 13 week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £25m", although reduces to £20m if £5m or more of cash collateral is in place to fulfil guarantee or bonding requirements (new test)
- Increases in spread rates on the leverage ratio as a result of the relaxation of levels:

Leverage (consolidated net debt to EBITDA)	Margin (% per annum)
Greater than 3.5:1	4.35
Greater than 3.0:1 and less than or equal to 3.5:1	4.15
Greater than 2.5:1 and less than or equal to 3.0:1	3.95

In order to determine the appropriate basis of preparation for the financial statements for the year ended 25 March 2023, the Directors must consider whether the Group can continue in operational existence for the foreseeable future, being at least 12 months from the approval date of these financial statements, being 29 June 2024 taking into account the above liquidity and covenant requirements.

Testing assumptions and headroom level

The Group has prepared and reviewed profit and cashflow forecasts which cover a period up to 29 June 2024 (Q1 FY25), the going concern period, and this includes the following quarters: Q1, Q2, Q3, Q4 FY24 & Q1 FY25 as well as monthly liquidity testing points throughout this period.

Management's assessment is that a period of 12 months to 29 June 2024 is an appropriate going concern period for the following reasons:

- A 12-month period is consistent with De La Rue modelling and approach over a number of years, which in prior periods has also included a facility termination shortly after the going concern period (such as in FY22).
- The Directors have considered events after the end of this period, including the re-financing requirement for the RCF which is at 1 January 2025, which is considered further below.

Base case assumptions and headroom

The base case forecasts over the going concern period have been built taking into consideration the uncertainty around the timing of the Currency market recovery. Revenue growth in Authentication to over £100m is expected to be driven from the annualization of contracts already won in prior periods. The base financials over the going concern period reflect further restructuring and refinancing costs that have already been initiated. This will help to right size the business for the current demand with any ramp up required over the going concern period to be carefully managed in line with pipeline capacity requirements and orders to avoid significant negative fluctuations vs base plans.

The Group entered FY24 with the Currency total order book at £136.8m (26 March 2022: £170.8m) and the 12-month order book at £131.7m (26 March 2022: £163.5m). The win rate of over 70% since 2020 on Currency bids remains high. By 16 June 2023, over 80% of the Currency business plans revenues for FY24 are secured, with key wins in Asia providing a solid foundation for expectations for the year.

The Group's base case modelling shows headroom on all covenant thresholds and the minimum liquidity requirement across the period.

Severe yet plausible downsides and headroom

The downside modelling produced has factored in the Directors' assessment of events that could occur in a "severe yet plausible downside" scenario. The risks modelled are directly linked to the Risk Committee "principal risks" described on page 56 of the annual report. The most significant material risks modelled were as follows;

Risk 3 Macroeconomic and geo-political risk

- Authentication new wins and implementations are not achieved in the timescales modelled in the base case. In the severe yet plausible downside scenario 100% of revenues with new customers have been excluded.

Risk 10 Banking Facilities

- Following the recent interest rate rises, the Group will be paying an interest rate on its facilities of approximately 8.5% based on the current SONIA rate of 5% and the applicable margin. Based on the base case numbers in FY24, the combined rate would need to reach c16% before a breach in the interest covenant would be triggered, with an implied SONIA rate of 9.2%. Whilst management had used 5.3% as their interest rate in a severe but plausible scenario, based on the stress testing procedures described above, they have assessed the risk of a breach triggered by rising interest rates as remote given the current SONIA rate applicable is 5%, the sensitivity, and that these sensitised rates would need to apply for the entire FY24 period.

Risk 11 Kenya taxation and exit strategy

- Cash outflow assumed over and above the base case, which includes acceleration of outflows for site exit and legal settlements.

Risk 13 Currency pipeline:

- Volumes and budget margins not achieved as forecasted in the going concern period. For currency pipeline downside risks modelled, margins have been determined using the average production cost as opposed to using the facilities with the lowest production costs where there is modelled capacity. As at 25 March 2023, Currency total order book at £136.8m (25 March 2022: £170.8m) and the 12-month order book at £131.7m (25 March 2022: £163.5m). By 16 June 2023, over 80% of the Currency business plan revenues for FY24 are secured, with key wins in Asia providing a foundation for expectations for the year.
- As a result of the new liquidity testing requirement, the Directors also considered historical monthly working capital swings over the last three years as well as weekly cash outflow averages to ensure that adequate considerations have been made to capture "in month" working capital swings that the Group can see given the volatility of working capital in the Currency business in particular. A £20m working capital outflow was demonstrated to be suitable for a plausible severe downside to apply monthly to liquidity testing, assuming no mitigation at all on liquidity at any given testing period.

If all of these modelled downside risks were to materialise in the Going Concern period, the Group would still meet its required covenant ratios and liquidity requirements.

There remains headroom against all covenant thresholds in a "severe yet plausible" downside scenario across the going concern period.

Minimum Liquidity testing monthly

Company modelling of the severe but plausible downside (including taking into account working capital swings and potential cash collateral requirements) also shows headroom to the liquidity requirement throughout the period, with further controllable mitigations such as reduction in discretionary capex that could be applied.

The level of reduction that would be required to breach the liquidity covenant is considered to be remote by management on the basis that in the tightest observable period of the severe but plausible downside scenario in £27m and £17m if taking into account working capital swings and potential cash collateral requirements. This assessment excludes the potential further mitigations available.

Stress-Testing

Under the base case modelling, EBIT and EBITDA would need to drop by £10m (46)% and £11m (27%) respectively, or liquidity would need to drop £30m from the lowest point, for any breach to occur. In the severe but plausible scenario modelling, EBIT and EBITDA would need to drop by £6m (32%) and £6m (15%) respectively, or liquidity would need to drop £27m from the lowest point (£17m including a negative working capital swing of £20m and cash collateralisation savings of £10m), for any breach to occur. Management concluded that a breach is remote given that:

- Trading to the end of P2 indicates the Group is on-track to deliver the FY24 budget from an EBIT and EBITDA perspective. The Group has experienced working capital drag which has led to Net Debt levels being worse than those forecast in the base case scenario. The working capital drags are in line with those modelled in the severe but plausible downside scenario and the Group has seen positive movements to recover working capital in P3.
- Liquidity stress testing excluded controllable mitigating actions (as described above) that management could employ and still showed headroom.
- Management are comfortable that any non-financial conditions and reporting requirements can be achieved. The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to its current expiry date (1 January 2025), which is beyond the end of the period reviewed for Going Concern purposes. The Directors have concluded that the Group will either renew the facility thereafter or have sufficient time to agree an alternative source of finance from 1 January 2025 onwards.

Other Requirements

As referred to earlier, there are a number of additional requirements under the recently amended facility agreement and pensions Trustee arrangements that include conventional enhanced monitoring measures and progress on the development of future options. Progress has already been made on ensuring that the right processes are in place to be able to meet the non-financial conditions and terms agreed with the lenders, and the Directors are confident that all of these additional conditions and terms will be met in the timeframe required.

Reasonable prospects beyond the going concern period

The Directors have also considered the pension trustee's and the lenders' on-going support for the business given that further refinancing discussions are likely to occur over the going concern period with the current facility due to terminate on 1 January 2025. Specifically, an extension by November 2023 is necessary to have adequate facility duration for going concern purposes at FY24 Half Year.

Management has concluded that there are realistic prospects for refinancing to occur ahead of facility termination as a result of:

- Lenders have continued to support the Group through an amended facility agreement. This was signed on 29 June 2023, and the covenants (financial and non-financial) were set to levels that allows the Group to continue to meet its covenant in a severe but plausible downside scenario. The Directors see no reason that the lender's support will not continue given the level of relaxation of covenants that has been agreed.
- As stated above, prior to the 30 September 2023 Half-Year announcement in November 2023, the Group will have to agree an extension with its existing lenders for the facility that comes to end on 1 January 2025. Discussions will commence over the coming months with the banks on the future options open to the Group, and subject to the Group achieving specific financial and non-financial milestones that the Directors are confident in achieving. To maximise stakeholder value for all parties, the lenders would need to provide the business with continued support through the Currency market recovery and continued growth in the Authentication division. It is the Directors' judgement that based on the current support of the lenders the extension will be achieved.
- In the event the current lenders were not supportive of an extension to the facility at FY24 Half Year, the Group would consider and implement alternative financing options at that time. The directors continue to assess these alternative financing options, including but not limited to: alternative lenders; alternative finance vehicles; equity injections; and/or the sale of trade and assets. However, the Directors are confident this scenario won't manifest given its confidence in refinancing and extending the facility at FY24 Half Year.

The Directors have therefore assessed that the Group will either renew the facility or have sufficient time to agree an alternative source of finance. The costs of refinancing are included in the base case.

Conclusion

The base and severe but plausible forecasts show headroom above the covenant levels agreed with the lenders and support the position that the Group will be able to operate within its available banking facilities and covenants throughout the going concern period to 29 June 2024.

Accordingly, the Directors are satisfied that the Group is able to manage its business risks and to continue in operational existence for the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

A copy of the 2022 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 27 March 2021. The Group put in place plans and measures in order to enable the business to maintain normal operations, to the extent possible, against the backdrop of the evolving situation. The Group implemented actions to mitigate the impact of COVID-19, including steps to protect our employees in line with guidance from governments. The Board believed that the Group's operations would continue to experience only limited disruption due to the impact of the COVID-19 pandemic. The directors still consider this assessment to be appropriate for the 25 March 2023 financial statements based on the current position.

II
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, 26 March 2022, 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 FY23, but do not have an impact on these consolidated financial statements of the Group.

Effective for periods commencing after 1 January 2022:

- **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:

- **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.

Effective for periods commencing after 1 January 2024, all subject to UK endorsement:

- **Amendments to IFRS 16 "Leases" – Lease liabilities in a sale and leaseback** – This amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
- **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.

Other amendments in IFRS 1("First time adoption"), IAS 41 ("Agriculture") and IFRS 17 ("Insurance contracts") are not applicable to the Group. IFRS 17 ("Insurance contracts") is under review by management and the impact, if any, is still to be quantified.

The impact of the amendments and interpretations listed above are not expected to a have a material impact on the Consolidated Financial Statements.

III
Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries prepared at the consolidated statement of financial position date (25 March 2023).

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group is considered to control an entity when it is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through exerting control over the entity.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from the date that control commences or until the date that control ceases. Intra-group balances and transactions are eliminated on consolidation. The majority of the subsidiaries prepare their financial statements up to 25 March 2023.

The results of subsidiaries where the financial statements are not prepared to 25 March are still included in the consolidation as at 25 March with the income statement and other financial information being also prepared for the year ended 25 March 2023.

For partly owned subsidiaries, the allocation of net assets and net earnings to outside shareholders is shown in the line "Attributable to Non-controlling interests" on the face of the consolidated statement of comprehensive income and the consolidated statement of financial position.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The consideration transferred in the acquisition is measured at fair value as are the identifiable assets and liabilities acquired. The excess of the fair value of consideration transferred and the amount of non-controlling interests (as applicable) over the fair value of net assets acquired is accounted for as goodwill. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred and are presented within exceptional items in accordance with the Group's policy.

IV
Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been incorporated into the relevant notes where possible. General accounting policies which are not specific to an accounting are set out below.

A Foreign currency

1. Foreign currency transactions

These financial statements are presented in sterling, which is the functional and presentational currency of the Company. The functional currency of Group entities is principally determined by the primary economic environment in which the respective entity operates.

Transactions in foreign currencies entered into by Group entities are translated into the functional currencies of those entities at the rates of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary items measured in terms of historical cost are translated at the rate of exchange at the date of the transaction. Exchange differences on non-monetary items measured at fair value are recognised in line with whether the gain or loss on the non-monetary item itself is recognised in the income statement or other comprehensive income.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. Refer to note 14 for details of the Group's accounting policies in respect of such derivative financial instruments.

2. Translation of foreign operations on consolidation

Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated into GBP (the presentational currency of the Group) at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at average exchange rates (which approximate to actual rates). Exchange differences arising on re-translation are recognised in other comprehensive income within the Group's currency translation reserve, which is a component of equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

B Revenue recognition

The Group accounts for revenue under IFRS 15. IFRS 15 provides a single, five-step principles-based model to be applied to all contracts with customers which requires identification of the contract for accounting purposes, the separate performance obligations within the contract, the transaction price for the contract, allocation of the transaction price and recognition of revenue on satisfaction of performance obligation.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service/segment	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15
Authentication segment	The Group has certain contracts which operate in the form of an umbrella agreement with the local government which awards the Group to be the provider of an end-to-end authentication track and trace system. The umbrella agreement specifies the nature of services and products to be provided. However, these agreements do not include any purchase commitments from local governments and do not give the Group an enforceable right to payment. Instead, the umbrella agreement allows for the Group to enter into individual agreements with individual manufacturers and provides it with the right to sell physical authentication products (such as tax stamps) thus giving the Group an enforceable right to payment from each individual manufacturer for physical products sold.	The Group has therefore determined that these umbrella contracts do not meet the definition of a contract for IFRS 15 accounting purposes. Instead, the relevant contract for IFRS 15 purposes is the contract with the individual manufacturers in the country. It is the manufacturers which represent the customers from an IFRS 15 perspective. Consequently, as the Group only has one performance obligation in the revenue contract with the manufacturer (such as delivery of tax stamps) and only has a right to payment for this performance obligation, no revenue is allocated and recognised on delivery of any other deliverables (such as the software to track tax stamps) under the umbrella agreement.
	Authentication also enters into contracts with performance obligations that include access to systems which incorporates system configuration and integration and the provision of authentication products such as tax stamp, all of which are provided together. For Authentication contracts entered into with a single party and where multiple performance obligations are included, the transaction price for the contract is allocated to each performance obligation separately identified.	Revenue on the sale of authenticity products, including tax stamps, is recognised when control passes to the customer based on the standalone selling price of the product. Stand-alone selling prices are typically calculated using the "expected cost-plus margin" approach. Control generally passes on delivery of the physical product to the customer or the issuance of a digital security key. Revenue in relation to system access is recognised on a straight-line basis over the life of the contract as the customer receives the benefit.
	The Group has determined that for certain authentication contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts, authentication products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, plus a reasonable profit margin.	Revenue for certain Authentication contracts with enforceable right to payment will be recognised over time for physical product produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method based on the cost incurred relative to the expected total cost.
Currency segment: Supply of banknotes	The Group has determined that for certain banknote contracts (given the highly bespoke nature of the products) with enforceable right to payment, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts, currency products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, plus a reasonable margin. For other banknote contracts, where customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer. If the Group has recognised revenue, but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.	Revenue for certain banknote contracts with enforceable right to payment will be recognised over time for banknotes produced to date and ahead of delivery to the customer. Revenue is recognised progressively based on the input method based on the cost incurred relative to the expected total cost. Revenue for other banknote contracts, where customers do not take control of the goods until they are completed is recognised based on contractual terms which will determine when control has passed to the customer. This might include recognition of revenue on inventory placed into storage for the customer, so long as it is demonstrated that control of the product has passed to the customer.
Currency segment: Supply of banknotes along with other services	In addition to the supply of banknotes, which is a separate performance obligation (see above), additional and separate performance obligations such as design and storage services have been identified.	The value attributable to the additional performance obligations is deemed to be immaterial. Accordingly, no separate value will be attributed to these performance obligations; instead, the consideration in the contract will be entirely allocated to the single performance obligation of supplying currency.
IDS segment:	For IDS, as customers do not take control of the goods until they are completed or delivered, revenue is recognised at the point in time when control transfers to the customer.	Where customers do not take control of the goods until they are completed is recognised on formal acceptance by the customer.

C Costs to obtain contracts

1. Sales commissions

Management expects that incremental commission fees paid to intermediaries and employees as a result of obtaining long term sales contracts are recoverable. The Group therefore capitalises them as contract costs where the contract signed with the customer creates enforceable rights and obligations. If a sales contract takes the form of an over-arching umbrella agreement which does not create such enforceable rights and obligations (i.e. committed sales volumes and values from the customer) then sales commission payments are not capitalised.

2. Capitalised commission fees are amortised when the related revenues are recognised

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

3. Bid costs

Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract and would not have been incurred had the contract not been won. There were no capitalised bid costs in FY23 (FY22: £nil) as no costs met this requirement.

4. Deferred costs

The Group incurs costs on certain (mainly Authentication division) contracts in advance of recording revenue. On these contracts costs are capitalised on the balance sheet and recognised in the income statement over the period when revenue is recognised if the following criteria are met:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity will be used in satisfying (or continuing to satisfy) performance obligations in the future; and
- costs are expected to be recovered.

D Other revenue recognition matters

1. Bill and hold revenue

Certain customers require the Group to store completed inventory for them ahead of them taking delivery once they require it. Revenue is recognised on a bill and hold basis when:

1) It can first be demonstrated that control of the product has passed to the customer – principally because the customer has taken the risk and/or title for the product transferred to them and the Group has an enforceable right to payment; and
2) It can be demonstrated that the arrangement is substantive, for example, that the customer has requested it.

2. Variable consideration on contracts

The Group has a small number of contracts where the terms with the customers place a limit on the profit margin that can be earned under these. As these profit margin impacts the amount of revenue that the Group can bill the customers, detailed reconciliations of the profit margins earned on these contracts at each reporting period end are completed to ensure that amount of revenue recorded in the year is not overstated (i.e. to ensure the transaction price is "constrained" in accordance with IFRS 15). Any adjustment required is recorded as a reduction to revenue based on the most likely amount.

The Group also has other potential forms of variable consideration in the form of prices concessions and discounts which may be offered to customers and penalties or fines which might be incurred if the Group did not fully perform against contract deliverables. If a discount or price concession is offered to a customer this is taken into account in the estimated transaction price for the contract to ensure it is "constrained" in accordance with IFRS 15. If the Group anticipates a penalty or a fine to be incurred this is estimated and accounted for as a reduction from the transaction price again to ensure it is "constrained" in accordance with IFRS 15.

3. Warranties

All warranties are considered to be of a standard nature (assurance type) and as such are accounted for under IAS 37 rather than IFRS 15.

V
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 in "B. Critical accounting estimates" below.

Other accounting estimates that are not considered to have a significant risk of causing a material adjustment with the next financial year but which the Group would like to draw attention to due to judgements or longer-term estimates are set out in "C. Other areas of accounting estimates" below.

A Critical accounting judgements

1. 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.

2. 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. Control will also pass if the customer requests that goods are held in storage until required. 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.

3. 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 FY23 the Group has had customer contracts where revenue is recognised 'over-time' in the Currency and Authentication divisions.

4. Classification of exceptional items

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter.

However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature and non-recurring fees relating to the management of historical scheme issues; restructuring of businesses; asset impairments and costs associated with the acquisition and integration of business combinations.

All exceptional items are included in the appropriate income statement category to which they relate. Refer to note 5 for further details.

5. Replacement of Savings Related Option Scheme granted

During the year the Group granted a Save As You Earn share option grant ("SAYE"), management judged the new grant as a replacement award for two SAYE grants which are due to vest in FY24 and FY25 that were cancelled by employees at the time of the new grant and applied modification accounting rather than cancellation accounting.

To account for the replacement grant on modification basis, the following factors were considered by the management:

a. The new share options are with the same participants as the cancelled options.

The modification basis of accounting was used, where a given participant applied for options under the 2022 invitation and that same person issued an instruction to Equiniti (the administrators of De La Rue's Sharesave plan) to cancel one or more of their existing savings contracts in the period between (1) the date on which the invitation was launched to participants and (2) the date on which the options were granted. Any cancellation instructions given by a 2022 applicant outside of this time window is not treated as linked to the cancelled award. Similarly, any cancellation of options by an employee who does not apply for 2022 options is not treated under the modification basis.

b. The transactions to issue and cancel the options are part of the same arrangement.

As explained in point a above, the management are able to point to a decision taken by the participant during a short time window in relation to demonstrate the linkage between their application for new 2022 options and their instructions to Equiniti to terminate the savings contracts entered into in the 2020 and/or 2021 invitations.

c. The cancellation of the options would not have occurred unless the new options were issued.

The management has carefully considered the correlation of cancellations and new subscriptions and the close proximity in time between cancelling and applying for options in the 2022 invitation and made judgement that there is a strong indication of a connection.

d. Management identified the FY23 SAYE grant

The Remuneration Committee set no limit (subject to HMRC limit of £500) on the monthly saving for the FY23 grant. In comparison the previous grants in FY21 and FY22 had a maximum limit set by the Company. On management's recommendation, the Remuneration Committee agreed to approach the 2022 invitation as a replacement for the 2020 and 2021 options. On this basis, the Committee decided not to apply any arbitrary caps to monthly savings amounts or shares under option (both of which have been done in recent years) or to invoke a rule which counts any cancelled awards by employees towards their monthly limit of £500. The latter is included in the plan rules specifically as a tool to mitigate cancellations of options, where the company does not want this to occur.

The scheme documents and the internal newsflash were substantially amended from previous years, to make employees aware of the difference in the option prices from 2020 and 2021 to 2022/23, and that they are able to cancel their previous savings contracts/options and apply for new options in the 2022/23 invitation.

Applying modification accounting results in £0.3m lower share-based payment expense compared with cancellation accounting in FY23. The impact on future periods assuming a forfeiture rate of 10% is shown below:

Accounting type applied	FY23 £'000	FY23 £'000	FY25 £'000	FY26 £'000
Modified accounting	1,147.3	566.7	325.5	167.4
Cancellation accounting	1,420.9	421.4	282.4	173.3
Additional expense versus modified accounting	273.6	(145.3)	(43.1)	5.9

6. Accounting for the extension of the factory site in Malta

On 9 September 2021 the Group signed an Agreement with Malta Enterprise ("ME") where ME finances the construction, civil works and M&E installations to be carried out at the premises located in Malta. The premises included land, the demolition of an existing building and a rebuild to the Group's specifications. On 14 September 2021 the Company signed a lease for the premises for an initial term of 20 years. The Group is managing the construction of the new buildings for the lessor to the pre-agreed specifications.

Management have made a judgement as to whether the Company has control of the site during the construction period. If the Group has the right to control the use of the identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. In order to control the asset, the lessee must have the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. It was determined that control exists only after the build is completed and site becomes available for use. Management considers that given the building was under construction at the year-end date and therefore there were no economic benefits as the asset was not ready for use at that time.

As per the agreement, there are three separate units with different start-up dates. Therefore, the lease will be recognised as these units become available for use. The lease costs will be allocated to the division to which they relate to based on area. However, if the cost relates to the total site, then it is divided based on the percentage split of the area, with 27% of the total sqm occupied by Authentication and 73% by Currency. The first block is currently scheduled to be completed in H2 FY24. Therefore, management have concluded that no lease should be recognised in FY23. The lease will be recognised when the building becomes available for use. Please refer to note 26 for the related future capital commitments.

B Critical accounting estimates

1. Recoverability of other financial assets

Other financial assets comprise securities interests held in companies in the Portals International Limited group following the Portals paper business disposal in 2018. In addition, a further amount of £0.9m of loan notes were subscribed for pursuant to a pre-emptive offer in November 2021 to enable Portals to undertake a business combination. The Group also purchased cotton banknote paper under the RA, until its termination in July 2022.

Management has carefully assessed the recoverability of the other financial assets on the balance sheet as at 25 March 2023 based on information available to them and performed probability weighted modelling against three scenarios determining that an expected credit loss provision of £8.5m (see note 5 exceptional items for further details) is required which will fully impair these other financial assets. Management has considered the following factors in making this determination::

1) The public announcements from the Portals group relating to the wind down of the Overton paper mill and its sale of assets.
2) The latest available financial position of Portals International Limited group as presented in its 2022 consolidated financial statements including significant losses for the period and a net liabilities position.
3) The announcement of the sale of the Fedrigoni business to IN Groupe in May 2023.

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 again in the future, this may alter the judgements made resulting in a revision to the value of expected credit loss provision to be recognised.

2. Recoverability assessment and impairment charges related to plant and machinery and capitalised product development costs

In January 2023, the Group announced that owing to current market demand, and no expectation of new bank note orders from the Central Bank of Kenya for at least the next 12 months, De La Rue Kenya (a joint venture with the Government of Kenya) has suspended banknote printing operations in the country. In addition, operations in our Authentication division are also in the process of winding down. As a result of the review of the business in Kenya an exceptional charge of £12.6m (FY22: £nil) was made in the year including redundancy charges of £5.5m, property, plant and equipment asset impairments of £4.9m, inventory impairments of £2.0m and other costs of £0.2m (note 5). There is not expected to be any recoverable value relating to these assets.

In addition, an impairment charge of £2.9m (FY22: £nil) was made in the year in relation to capitalised product development costs. A review was carried out as part of the Authentication business right-sizing programme of ongoing development projects and their suitability for further divisional growth and the product portfolio. As a result, two programs were terminated and associated capitalised costs were impaired.

In FY22 the Group ceased banknote printing at its Gateshead site and as a result the Group had a material value of plant and machinery for which an impairment was required. Management has, in FY23, made a judgement on what its future plans are for the expansion in certain other locations based on future business needs and concluded that for the remaining assets in Gateshead not impaired in the prior period, their value could be supported based on their anticipated relocation to another site for usage there.

3. 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 (note 24).

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

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

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

The UK Multi Asset Credit and secured Finance funds account for approximately £61m and £139m of the pension assets respectively (FY22: £63m and £143m respectively). During the period from 28 February to 25 March, based on the movement in relevant market indices, we have estimated that the value of the funds has decreased by £4.4m. The total UK pension scheme assets value is £678.2m. This £4.4m decrease includes £3.9m relates to the updated third-party valuation data as at the year end date and the remaining £0.5m is based on day-to-day market volatility of high yield market indices. A 0.1% change in these market indices would result in a £0.6m increase in the pension scheme assets.

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. The Secured Finance fund is composed of a wide range of corporate debt. Management has therefore made the judgement that valuing the pension assets using the 28 February 2023 valuation for these funds and rolling forward to 25 March 2023 is reasonable given there is no practical way of obtaining a better estimate.

5. Tax

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

It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable, which involves assessment of the future trading prospects of individual statutory entities, the nature and level of any deferred tax liabilities from other items in the accounts such as pension positions, and overseas tax credits that are carried forward for utilisation in future periods, including some that have been allocated to Governmental authorities as part of investment projects.

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

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

The Group is disputing tax assessments received in certain countries in which the Group operates. These tax assessments have been subject to court ruling both in favour of the Group and also against the Group. The rulings are subject to ongoing appeal processes. The Group has increased the relevant tax provisions and is fully provided where necessary as required by the relevant accounting standards. The disputed tax assessments are subject to ongoing dialogue with the relevant tax authorities to reach a settlement without the requirement to continue in a protracted legal process.

Please refer to notes 7 and 16 for further information.

C Other areas of accounting estimates

1. 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 25 March 2023. In making this determination, management has prepared discounted cashflows using its forecasts for the business which include budgeted financial performance for a 5-year period with a growth rate assumption applied which extrapolates the business into perpetuity 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 19.0% before an impairment occurred;
- Sensitivity 2 (revenue growth): Forecasts used in the base impairment calculation include strong revenue growth in FY24 to FY25 before the growth rate reduces to 3% per year from FY26, management has modelled a scenario of no revenue growth from FY26 and concluded that at this point no impairment would be required;
- Sensitivity 3 (loss of material customer): Management has modelled the impact of the loss of revenue of a significant customer from FY24, orders from which were not yet secured at the end of FY23. Management noted that in this scenario, no impairment was needed; and
- Sensitivity 4 (profit margin reduction): The base calculation includes 19.7% margin in FY24 which growth to constant 24.7% from FY25. Management has modelled the impact of margin reduction to 20.0% from FY26. Management noted that in this scenario, no impairment was required.

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 25 March 2023 and therefore no impairment is recognised. There are no reasonable possible changes in the key assumptions (e.g. discount rate, growth rate or profit margin) that would cause the recoverable amount to fall below the carrying amount of the cash generating unit.

2. Onerous contract provisions

The financial statements also included a small number of onerous contract provisions for loss making contracts. Management has assessed these and applied judgement in determining the required level of provisioning including how, in accordance with IAS 37, the lowest unavoidable costs of exiting or fulfilling the contract have been calculated.

3. Estimation of provisions

The Group holds a number of provisions relating to warranties for defective products and contract penalties. Management has assessed these and applied judgement in determining the value of provisions required.

1 Segmental analysis

The continuing operations of the Group have three main operating units: Currency, Authentication and Identity Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and adjusted operating profit.

The Group's segments are:

- **Currency** – provides Banknote print, Polymer and Security features;
- **Authentication** – provides the physical and digital solutions to authenticate products through the supply chain and to provide tracking of excisable 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. FY22 also included to sales under a service arrangement with HID Corporation Limited following the sale of the International Identity Solutions business in October 2019.

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.

FY23	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m
Total revenue from contracts with customers	254.6	91.7	3.4	–	349.7
Less: inter-segment revenue	–	–	–	–	–
Revenue from contracts with customers	254.6	91.7	3.4	–	349.7
Cost of sales	(196.4)	(57.7)	(3.5)	–	(257.6)
Gross profit	58.2	34.0	(0.1)	–	92.1
Adjusted operating expenses	(44.6)	(19.7)	–	–	(64.3)
Adjusted operating profit	13.6	14.3	(0.1)	–	27.8
Adjusted items:					
– Amortisation of acquired intangible assets	–	(1.0)	–	–	(1.0)
– Net exceptionals	(38.4)	(7.9)	(0.1)	(0.7)	(47.1)
Operating (loss)/profit	(24.8)	5.4	(0.2)	(0.7)	(20.3)
Interest income	1.0	–	0.1	0.1	1.2
Interest expense	(0.9)	(0.1)	–	(10.6)	(11.6)
Net retirement benefit obligation finance Income	–	–	–	1.1	1.1
Net finance expense	0.1	(0.1)	0.1	(9.4)	(9.3)
(Loss)/Profit/(loss) before taxation	(24.7)	5.3	(0.1)	(10.1)	(29.6)
Capital expenditure on property, plant and equipment (excluding grants received)	(7.9)	(7.1)	–	(0.2)	(15.2)
Capital expenditure on intangible assets (note 10)	(2.9)	(7.4)	–	(0.1)	(10.4)
Impairment of property, plant and equipment (note 9)	(3.9)	(1.5)	–	–	(5.4)
Impairment of intangible assets (note 10)	(1.4)	(2.9)	–	–	(4.3)
Depreciation of property, plant and equipment and right-of-use-assets (note 9/23)	(11.1)	(2.6)	–	(1.0)	(14.7)
Amortisation of intangible assets (note 10)	(1.3)	(3.4)	–	(0.6)	(5.3)

1 *Segmental analysis continued*

FY22	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m
Total revenue from contracts with customers	280.9	90.3	3.9	–	375.1
Less: inter-segment revenue	–	–	–	–	–
Revenue from contracts with customers	280.9	90.3	3.9	–	375.1
Cost of sales	(217.7)	(55.8)	(4.0)	–	(277.5)
Gross profit	63.2	34.5	(0.1)	–	97.6
Adjusted operating expenses	(43.7)	(18.2)	0.7	–	(61.2)
Adjusted operating profit	19.5	16.3	0.6	–	36.4
Adjusted items:					
– Amortisation of acquired intangible assets	–	(1.0)	–	–	(1.0)
– Net exceptionals	(4.5)	(0.2)	–	(1.0)	(5.7)
Operating profit/(loss)	15.0	15.1	0.6	(1.0)	29.7
Interest income	0.9	–	–	–	0.9
Interest expense	(0.8)	–	–	(5.4)	(6.2)
Net retirement benefit obligation finance expense	(0.1)	–	–	(0.1)	(0.2)
Net finance expense	–	–	–	(5.5)	(5.5)
Profit/(loss) before taxation	15.0	15.1	0.6	(6.5)	24.2
Capital expenditure on property, plant and equipment (excluding grants received)	(15.7)	(2.0)	–	(0.4)	(18.1)
Capital expenditure on intangible assets (note 10)	(1.0)	(7.7)	–	(0.1)	(8.8)
Impairment of property, plant and equipment on intangible assets (note 10)	0.1	–	–	–	0.1
Depreciation of property, plant and equipment and right-of-use-assets (note 9/23)	(10.7)	(2.5)	–	(1.1)	(14.3)
Amortisation of intangible assets (note 10)	(1.3)	(2.3)	–	(0.7)	(4.3)

	Currency £m	Authentication £m	Identity Solutions £m	Unallocated £m	Total of Continuing operations £m
FY23					
Segmental assets	169.9	68.5	15.8	94.4	348.6
Segmental liabilities	(70.4)	(14.0)	(4.5)	(224.7)	(313.6)
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)

Unallocated assets principally comprise long-term pension assets of £nil (FY22: £31.6m) deferred tax assets of £18.3m (FY22: £11.2m), cash and cash equivalents of £40.3m (FY22: £24.3m) and derivative financial instrument assets of £2.4m (FY22: £3.4m) as well as current tax assets, associates and centrally managed property, plant and equipment.

Unallocated liabilities principally comprise retirement benefit obligations of £54.7m (FY22: £1.8m), borrowings of £118.4m (FY22: £92.6m), current tax liabilities of £23.2 (FY22: £13.9m) and derivative financial instrument liabilities of £1.9m (FY22: £4.8m) as well as deferred tax liabilities and centrally held accruals and provisions.

Geographic analysis of non-current assets

	2023 £m	2022 £m
UK	97.7	91.2
Malta	27.5	22.9
USA	15.1	15.4
Sri Lanka	7.7	9.4
Other countries	0.5	14.2
	148.5	153.1

Note:
1. Other financial assets, retirement benefit obligations, deferred tax assets and derivative financial instruments are excluded from the analysis shown above.

Major customers

The Group had one (FY22: none) major customers from which it derived total revenues in excess of 10% of Group revenue.

2 *Revenue from contracts with customers*

Information regarding the Group's major customers, and a segmental analysis of revenue is provided in note 1.

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

FY23	Currency £m	Authentication £m	Identity Solutions £m	Total of Continuing operations £m
Timing of revenue recognition:				
Point in time	217.6	78.3	3.4	299.3
Over time	37.0	13.4	–	50.4
Total revenue from contracts with customers	254.6	91.7	3.4	349.7

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

Geographic analysis of revenue by destination

	2023 £m	2022 £m
Middle East and Africa	145.4	196.4
Asia	39.3	44.3
UK	55.7	65.4
The Americas	24.8	28.8
Rest of Europe	71.2	37.3
Rest of world	13.3	2.9
	349.7	375.1

Contract balances

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

	Note	2023 £m	2022 £m
Trade receivables	13	42.3	64.8
Provision for impairment	13	(0.6)	(0.8)
Net trade receivables	13	41.7	64.0
Contract assets		18.9	8.0
Contract liabilities	17	(0.3)	(0.3)
Payments received on account	17	(22.7)	(14.3)

Trade receivables have decreased to £42.3m in FY23 (FY22: £64.8m) reflecting timing of payments on certain material customer contracts.

Contract assets have increased to £18.9m in FY23 (FY22: £8.0m) reflecting the timing of revenue recognition under IFRS 15.

Payments on account in FY23 have increased to £22.7m (FY22: £14.3m) reflecting significant additions in the year of £21.7m (FY22: £4.6m) and revenue recognised from payments on account at the end of FY22 of £13.3m (FY22: utilisation of £28.3m).

	2023 £m	2022 £m
Amounts included in contract liabilities at the beginning of the year	–	1.3
Performance obligations satisfied in previous years	–	–

2 *Revenue from contracts with customers continued*

Performance obligations

Information about the Group's performance obligations is summarised in the Accounting Policies section on page 151.

The following table shows the transaction price allocated to remaining performance obligations for contracts with original expected duration of more than one year. The Group has decided to take the practical expedient provided in IFRS15.121 not to disclose the amount of the remaining performance obligations for contracts with original expected duration of less than one year.

	2023 £m	2022 £m
Within 1 year	12.4	31.3
Between 2 – 5 years	15.5	25.8
5 years and beyond	–	–
	27.9	57.1

3 *Discontinued operations*

In FY23 there were no amounts related to discontinued operations (FY22: gain of £0.8m, after tax of £0.1m).

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 FY22 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.

4 *Adjusted operating expenses by nature*

	Note	2023 £m	2022 £m
Depreciation of property, plant and equipment	9	12.5	12.0
Amortisation of intangibles	10	5.3	4.3
Impairment of inventories	12	1.0	0.9
Depreciation of right-of-use assets	23	2.2	2.3
Cost of sales relating to inventory		249.2	265.1
Expenses related to short-term and low-value leases	23	0.6	0.5
Research and non-capitalised development expense*		5.1	6.3
Employee costs (including Directors' emoluments)	25	95.0	97.6
Foreign exchange loss		1.6	2.2
Amounts payable to EY and its associates:			
– Audit of these consolidated financial statements		0.6	0.4
– Audit of the financial statements of subsidiaries pursuant to legislation		0.4	0.4
– Non-Audit Services		0.1	0.1
– Taxation services		–	–

Note:
* Includes £0.7m income in FY23 for RDEC claims (FY22: £0.8m). The Group policy is to net RDEC relating to research and development against the expense.

5 *Exceptional items*

Accounting policies

Exceptional items are disclosed separately in the financial statements to provide readers with an increased insight into the underlying performance of the Group.

	2023 £m	Cash £m	Non-cash £m	2022 £m	Cash £m	Non-cash £m
Termination of Relationship Agreement with Portals Paper Limited	17.0	9.3	7.7	–	–	–
Site relocations and restructuring costs	21.1	7.6	13.5	1.8	2.1	(0.3)
Pension underpin costs	0.5	0.5	–	0.4	0.4	–
Foreign exchange loss on devaluation of Sri Lankan rupee	–	–	–	0.4	–	0.4
	38.6	17.4	21.2	2.6	2.5	0.1
Recognition of expected credit loss provision on other financial assets (note 11)	8.5	–	8.5	3.1	–	3.1
Total exceptional items	47.1	17.4	29.7	5.7	2.5	3.2
Tax charge/(credit) on exceptional items	5.1			(1.8)		
Net exceptionals	52.2			3.9		

Termination of Relationship Agreement with Portals Paper Limited

On the 26 July 2022, the Group reached a settlement to terminate its long-term supply agreement with Portals Paper Limited ("Portals"), related to the supply of banknote, proofing and security paper (the "Relationship Agreement" or "RA"). As a result of this termination, £17.0m (FY22: £nil) was recorded as an exceptional item in the period, being the agreed settlement together with associated legal costs. This is further described below.

Background

In March 2018, De La Rue sold the Portals paper-making business to a private equity backed management buyout and entered into the RA for a period of 10 years. Under this agreement, De La Rue has purchased banknote, proofing and security paper from Portals, subject to a minimum annual volume guarantee, and Portals has purchased security features from De La Rue, with no guarantee of volume.

Settlement arrangements

Under the settlement terms, De La Rue is released from all obligations under the RA is free to purchase banknote and security paper from any supplier worldwide. De La Rue agreed to pay Portals the amounts due under the normal RA arrangements in respect of confirmed orders placed up to the end of July 2022, and a total of £16.7m in cash to terminate the RA.

The £16.7m and the associated legal costs are classed as an exceptional charge in the period, and payments were made according to the following schedule: £1.7m on or before 31 October 2022, £7.5m on or before 31 December 2022 and £7.5m on or before 7 April 2023. The final payment was made in FY24.

With the termination of the RA, De La Rue is not liable to pay any more volume-related shortfall payments. These payments have averaged £3.3m annually for each of the past two financial years and totalled £3.0m in FY23, up to the termination of the RA.

De La Rue retains its existing equity and loan note interests in the Portals group of companies and its rights in respect of those interests remain unaffected by this settlement.

Following the termination of the RA, De La Rue will be able to sell all banknote security features freely to customers, through any other paper supplier. This includes the advanced features developed in collaboration with Portals. Strategically, this settlement supports De La Rue's goal to convert more of its print customers to polymer banknotes, as, in doing so, there will no longer be volume shortfall payments.

Site relocations and restructuring costs

Site relocations and restructuring costs in FY23 of £21.1m (FY22: £1.8m) included:

- in January 2023, the Group announced that owing to current market demand, and no expectation of new bank note orders from the Central Bank of Kenya for at least the next 12 months, De La Rue Kenya (a subsidiary with a material non-controlling interest held by joint venture with the Government of Kenya) has suspended banknote printing operations in the country. In addition, operations in our Authentication division are also in the process of winding down. As a result of the review of the business in Kenya an exceptional charge of £12.6m (FY22: £nil) was made in the year including redundancy charges of £5.5m, property, plant and equipment asset impairments of £4.9m, inventory impairments of £2.0m and other costs of £0.2m. Further costs, as yet undetermined, are expected in relation to this as the operations continue to be wound down in FY24.
- a £2.5m (FY22: £nil) charge for redundancy and legal fees was made in relation to restructuring initiatives in both the Currency (£1.2m) and Authentication (£1.3m) divisions in order to right-size the divisions for future operations. No further costs are expected in relation to these projects in FY24.
- an impairment charge of £4.3m (FY22: £nil) was made in the year in relation to capitalised product development costs and software assets. A review was carried out as part of the Authentication business right-sizing programme of ongoing development projects. With the resulting restructuring initiatives, the Group no longer had the technical and financial ability to complete two programs. As a result, work on the two programs was terminated and the technology mothballed with the associated capitalised costs impaired (£2.9m). A further £1.4m of software assets relating to the Currency business were impaired as future revenue relating to these assets are minimal. No further costs are expected in relation to this in FY24.

5 Exceptional items continued

- the recognition of £1.1m (FY22: £0.9m) 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 £0.1m, of relocating assets to different Group manufacturing locations and further plant and equipment impairments of £0.5m. Since this program commenced, £9.9m of costs have been incurred in relation to this. As the Group continues its expansion of the manufacturing facilities in Malta, into FY25, a cost of approximately £2.1m net of any grants received, is expected; and
- a further £0.6m (FY22: £1.3m) 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, £3.4m of costs have been incurred in relation to this. No further costs are expected.

FY22 was offset by a reversal of £0.4m of asset impairments no longer required related to cessation of banknote production at our Gateshead facility.

Pension underpin costs

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

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 25 March 2023 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 £8.5m (FY22: £3.1m) in relation to the original principal value of £7.9m (FY22: £2.3m) and interest receivable of £0.6m (FY22: £0.8m) which has been recorded in exceptional items consistent with the original recognition as part of the loss on disposal.

Further details can be found in "V Critical accounting estimates, assumptions and judgements".

Foreign exchange loss on devaluation of Sri Lankan rupee

Significant devaluation of Sri Lanka Rupee versus the British Pound which occurred in March 2022 where the Rupee/GBP rate moved from 265/£ on 8 March 2022 to 342/£ on 15 March 2022, following the decision on 9 March 2022 by the Sri Lanka Government to free float the exchange rate. This period of significant devaluation is deemed an exceptional item as it is considered to be non-trading in nature resulting from of an external event being the impact of the exchange rate change triggered by the free-float of the exchange rate. An amount of £0.4m has been included in exceptional items in FY22.

Taxation relating to exceptional items

The overall tax charge relating to continuing exceptional items arising in the period was £5.1m (FY22: tax credit £1.8m).

Included in the exceptional tax items is a deferred tax charge of £4.0m (FY22: £1.5m credit) relating to the derecognition of a deferred tax asset in relation to restricted UK tax interest amounts that under IAS12 had to be recognised in prior years even though the amounts are not expected to be fully utilised for the foreseeable future. The asset was originally recognised because the defined benefit pension was in a surplus position which 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.

During FY23 the pension moved from a surplus to a deficit position, which meant that the deferred tax asset on the UK restricted UK tax interest amounts is no longer required to be recognised. As the majority of the deferred tax in relation to the pension movements is recognised directly in the Statement of Comprehensive Income, to recognise movements in the recognition and derecognition 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 creation or unwind of this asset is therefore considered to be an Exceptional item for financial reporting purposes where possible.

Exceptional items also includes a tax charge in respect of additional expected utilisation of tax credits in Malta of £6.1m, as they are expected to be surrendered for capital grants against future capital expenditure in Malta.

The balance of £5.0m credit within exceptional tax items relates to the tax impact on the exceptional costs before tax.

6 *Interest income and expense*

Accounting policies

Interest income/expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset/liability to the net carrying amount of that asset/liability.

	2023 £m	2022 £m
Recognised in the income statement		
Interest income:		
– Other interest	0.1	0.1
– Interest on loan notes and preference shares (note 11)	1.1	0.8
Total interest income	1.2	0.9
Interest expense:		
– Bank loans	(7.2)	(3.1)
– Other, including amortisation of finance arrangement fees	(3.2)	(2.5)
– Net loss on debt modification	(0.9)	–
– Amortisation of debt modification loss	0.2	–
– Interest on lease liabilities (note 23)	(0.5)	(0.6)
Total interest expense	(11.6)	(6.2)
Retirement benefit obligation finance income/(expense) (note 24)	1.1	(0.2)
Net finance expense	(9.3)	(5.5)

All finance income and expense arise in respect of assets and liabilities not restated to fair value through the income statement.

Interest due on the loan notes and preference shares relates to interests held in the Portals International Limited group (formerly Mooreco Limited) (obtained as part of the considered for the Portals paper disposal). The loan notes and preference shares are included in the balance sheet as Other Financial Assets. In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the Other Financial Asset. In the period £1.1m of interest was accrued (FY22: £0.8m) and an expected credit loss of £1.1m (FY22: £0.8m) was recorded within exceptional items (notes 5 and 11).

The gain/(loss) to the income statement in respect of the ineffective portion of derivative financial instruments was £nil (FY22: £nil).

On the 18 November 2022 the Group's exiting banking facilities were extended until 1 January 2025 with a 25-basis point increase in margin (note 14b), which is treated as a non-substantial modification under IFRS 9 Financial Instruments, as the refinancing did not result in an extinguishment of debt. The difference between the amortised cost carrying amount of the old facility and the present value of the new facility, discounted using the original effective interest rate, resulted in a modification loss, which is amortised over the life of the new revolving credit facility. The net loss on debt modification was £0.9m together with the subsequent associated amortisation of £0.2m (FY22: £nil).

The retirement benefit obligation finance income/expense is calculated under IAS 19 and represents the difference between the interest on pension liabilities and assets. The credit in FY23 of £1.1m (FY22: loss £0.2m) was due to the opening pension valuation on an IAS 19 basis as at 26 March 2022 being a surplus of £29.8m.

7 *Taxation*

Accounting policies

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

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

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

7 Taxation continued

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are only offset to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities, they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise an asset and settle a liability simultaneously.

De La Rue has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation matters from which, in the ordinary course of business, uncertainty over the tax treatment can arise. De La Rue assesses whether it is probable or not the tax authority will accept the tax treatment; if probable that the treatment will be accepted then the potential tax effect of the uncertainty is a tax-related contingency. If it is not probable of being accepted, the most likely amount or the expected value is recognised. There are some tax assessments where a provision has been made on the basis of a combination of advice received and management judgement. The amount provided may be less than the headline figures on assessments received from a tax authority and reflect an estimate of a more likely outcome on the basis of current communications with the tax authority. In the possible event that there was an adverse outcome to any dispute this could result in a material outflow.

	2023 £m	2022 £m
Current tax		
UK corporation tax:		
– Current tax	11.9	3.3
– Adjustment in respect of prior years	0.1	0.2
	12.0	3.5
Overseas tax charges:		
– Current year	2.1	1.7
– Adjustment in respect of prior years	(0.3)	0.2
	1.8	1.9
Total current income tax charge	13.8	5.4
Deferred tax:		
– Origination and reversal of temporary differences, UK	7.4	(4.1)
– Origination and reversal of temporary differences, overseas	6.4	0.1
Total deferred tax credit	13.8	(4.0)
Total income tax charge in the consolidated income statement	27.6	1.4
Included in:		
Income tax expense reported in the consolidated income statement in respect of continuing operations	27.6	1.3
Income tax expense/(credit) in respect of discontinued operations (note 3)	–	0.1
Total income tax charge in the consolidated income statement	27.6	1.4
Tax on continuing operations attributable to:		
– Ordinary activities	22.8	3.4
– Amortisation of acquired intangible assets	(0.3)	(0.3)
– Exceptional items (note 5)	5.1	(1.8)
	27.6	1.3

	2023 £m	2022 £m
Consolidated statement of comprehensive income:		
– On remeasurement of net defined benefit liability	(24.2)	8.8
– On cash flow hedges	0.1	(0.1)
– On foreign exchange on quasi-equity balances	0.1	(0.2)
Income tax (credit)/charge reported within other comprehensive income	(24.0)	8.5
Consolidated statement of changes in equity:		
– On share options	0.5	0.3
Income tax charge reported within equity	0.5	0.3

The tax on the Group's consolidated (loss)/profit before tax differs from the UK tax rate of 19% as follows:

	2023				2022			
	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
(Loss)/profit before tax	18.5	(1.0)	(47.1)	(29.6)	30.9	(1.0)	(5.7)	24.2
Tax calculated at UK tax rate of 19% (FY22: 19.0%)	3.5	(0.2)	(8.9)	(5.6)	5.8	(0.2)	(1.1)	4.5
Effects of overseas taxation	1.1	(0.1)	1.2	2.2	0.4	(0.1)	–	0.3
Charges/(credits) not allowable/taxable for tax purposes	0.5	–	1.7	2.2	(1.0)	–	0.1	(0.9)
Changes in uncertain tax provisions	8.5	–	–	8.5	–	–	–	–
Tax attributes not previously recognised for deferred tax	7.9	–	4.0	11.9	(0.1)	–	(0.7)	(0.8)
Utilisation of tax credits upon which no deferred tax was previously recognised	–	–	6.1	6.1	–	–	–	–
Adjustments in respect of prior years	(0.5)	–	–	(0.5)	0.8	–	0.2	1.0
Impact of UK tax rate change on deferred tax balances	1.8	–	1.0	2.8	(2.5)	–	(0.3)	(2.8)
Tax charge/(credit)	22.8	(0.3)	5.1	27.6	3.4	(0.3)	(1.8)	1.3

The underlying effective tax rate excluding exceptional items was 123.2% (FY22: 11.0%). This includes the impact of provisions against deferred tax balances, changes in uncertain tax provisions and the impact of tax rate changes in Sri Lanka: the underlying effective tax rate excluding these items was 24.9% (FY22: 19.4%).

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 in certain countries in which the Group operates. These tax assessments have been subject to court ruling both in favour of the Group and also against the Group. The rulings are subject to ongoing appeal processes. The Group has increased the relevant tax provisions and is fully provided where necessary as required by the relevant accounting standards. The disputed tax assessments are subject to ongoing dialogue with the relevant tax authorities to reach a settlement without the requirement to continue in a protracted legal process.

8 *Earnings per share*

Accounting policies

Basic earnings per share ("EPS") 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 EPS, 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 EPS, before exceptional items, is useful to readers of the accounts as it gives an indication of underlying business performance.

Earnings per share	2023 pence per share	2022 pence per share
Basic EPS – continuing operations	(28.6)	10.6
Basic EPS – discontinued operations	–	0.4
Basic EPS – total	(28.6)	11.0
Diluted EPS – continuing operations[1]	(28.6)	10.5
Diluted EPS – discontinued operations	–	0.4
Diluted EPS – total	(28.6)	10.9
Adjusted EPS		
Basic EPS – continuing operations	(1.5)	13.0
Diluted EPS – continuing operations	(1.5)	12.8
Number of shares (m)		
Weighted average number of shares	195.4	195.2
Dilutive effect of shares	0.5	2.6
	195.9	197.8

Note:

1. The Group reported a loss from continuing operations attributable to the ordinary equity shareholders of the Company for FY23. The Diluted EPS is reported as equal to Basic EPS, no account can be taken of the effect of dilutive securities under IAS 33.

Reconciliations of the earnings used in the calculations are set out below:

	Note	2023 £m	2022 £m
(Loss)/Earnings for basic EPS – Total		(55.9)	21.5
Add: Earnings for basic EPS – discontinued operations		–	(0.8)
(Loss)/Earnings for basic EPS – continuing operations		(55.9)	20.7
Add: amortisation of acquired intangibles	10	1.0	1.0
Less: tax on amortisation of acquired intangibles	7	(0.3)	(0.3)
Add: exceptional items (excluding non-controlling interests)	5	47.1	5.7
Less: tax on exceptional items	7	5.1	(1.8)
Earnings for adjusted EPS		(3.0)	25.3

9 *Property, plant and equipment*

Accounting policies

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated provision for impairment in value. Assets in the course of construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date.

Costs of major maintenance activities are capitalised and depreciated over the estimated useful life for the asset.

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The grant reduces the carrying amount of the asset and then is recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

No depreciation is provided on freehold land. Building improvements are depreciated over their estimated useful economic lives of 50 years. Other leasehold interests are depreciated over the lease term.

Plant and machinery are depreciated over their estimated useful lives which typically range from 10 to 20 years. Fixtures and fittings and motor vehicles are depreciated over their estimated useful lives which typically range from two to 15 years. No depreciation is provided for assets in the course of construction until they are ready for use.

Depreciation methods, residual values and useful lives are reviewed at least at each financial year end, taking into account commercial and technical obsolescence as well as normal wear and tear, provision being made where the carrying value exceeds the recoverable amount.

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings and Motor Vehicles £m	In course of construction £m	Total £m
Cost					
At 27 March 2021	53.3	233.0	29.1	15.6	331.0
Exchange differences	(0.2)	(1.4)	–	(0.4)	(2.0)
Additions	–	1.0	0.5	15.0	16.5
Reclassifications	0.2	2.1	0.8	(3.1)	–
Disposals	–	(7.5)	(1.7)	(4.1)	(13.3)
At 26 March 2022	**53.3**	**227.2**	**28.7**	**23.0**	**332.2**
Exchange differences	**0.2**	**3.8**	**0.3**	**0.5**	**4.8**
Additions[1]	**1.7**	**(2.9)**	**0.5**	**11.9**	**11.2**
Reclassifications	**1.0**	**12.6**	**3.5**	**(17.1)**	**–**
Disposals	**(4.0)**	**(14.1)**	**(0.9)**	**–**	**(19.0)**
At 25 March 2023	**52.2**	**226.6**	**32.1**	**18.3**	**329.2**
Accumulated depreciation					
At 27 March 2021	30.7	177.2	20.2	2.9	231.0
Exchange differences	–	(1.3)	(0.1)	–	(1.4)
Depreciation charge for the year	1.0	8.9	2.1	–	12.0
Disposals	–	(7.5)	(1.7)	(2.8)	(12.0)
Impairments reversal	–	–	–	(0.1)	(0.1)
At 26 March 2022	**31.7**	**177.3**	**20.5**	**–**	**229.5**
Exchange differences	**0.1**	**3.0**	**0.3**	**–**	**3.4**
Depreciation charge for the year	**1.0**	**9.3**	**2.2**	**–**	**12.5**
Disposals	**(4.0)**	**(13.9)**	**(0.8)**	**–**	**(18.7)**
Impairments[2]	**0.5**	**4.9**	**–**	**–**	**5.4**
At 25 March 2023	**29.3**	**180.6**	**22.2**	**–**	**232.1**
Net book value at 25 March 2023	**22.9**	**46.0**	**9.9**	**18.3**	**97.1**
Net book value at 26 March 2022	21.6	49.9	8.2	23.0	102.7

Notes:

1. During the year £3.5m (FY22: £1.5m) of government grants were received by the Group in cash for the purchase of certain items of property, plant and equipment, which is offset against the plant and machinery additions of £0.6m (FY22: £2.5m). A further £0.7m of government grants were received in cash relating to FY22. The following conditions are attached to these grants:
   – Malta Phase 1 – to retain an average employment level of 250 workers for a period of 8 years and retain qualifying investment project for a minimum of 8 years. The investment project began on 1 September 2015, therefore at the year end 0.5 years was left to satisfy the minimum period.
   – Malta Phase 2 – A further investment project commenced on 9 September 2021 linked to adding a further 100 employees within 4 years of 1 December 2020 and covering a further 8 years of funding.
2. Impairments in the year of £5.4m included £4.9m relating to the wind down of operations in Kenya (£0.5m in Land and buildings and £4.4m in Plant and machinery) and £0.5m for impairments in Gateshead, relating to cessation of manufacturing at Gateshead facility (all in Plant and machinery) (note 5).

10 Intangible assets

Accounting policies

Impairment of intangible assets

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed for all Cash Generating Units (CGUs) to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For the sensitivity information in impairment of goodwill, refer to Accounting policies – "C Other long-term estimation uncertainties".

An impairment loss is recognised immediately in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In testing intangible assets for impairment, a number of assumptions must be made when calculating future cash flows. These assumptions include growth in customer numbers, market size and sales prices and volumes, all of which will determine the future cash flows.

Other information

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost less accumulated amortisation and impairment losses. Software intangibles are amortised on a straight-line basis over the shorter of their useful economic life or their licence period at rates which vary between three and five years.

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset if the recognition criteria in IAS 38 'Intangible Assets' have been met. Development costs not meeting these criteria are expensed in the income statement as incurred. Capitalised development costs are amortised on a straight-line basis over their estimated useful economic lives, which vary between five and ten years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Intangible assets purchased through a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial acquisition, intangible assets acquired through a business combination are reported at cost less accumulated amortisation and impairment losses.

Intellectual property recorded on the balance sheet relates to the acquisition of De La Rue Authentication Solutions Inc. and is amortised over its expected life of 10 years. Customer relationships, relating to those acquired in the acquisition of De La Rue Authentication Solutions Inc. are amortised over their expected lives of 10 to 15 years. Trade names relating to the acquisition of De La Rue Authentication Solutions Inc. are amortised over their expected lives of 15 years.

Assets in course of construction relates to internally generated software which is not yet completed.

Goodwill relates to the acquisition in FY17 of De La Rue Authentication Inc. (previously DuPont Authentication Inc). The goodwill has been tested for impairment during the year as IAS 36 requires annual testing for assets with an indefinite life. For the purposes of impairment testing the Cash Generating Unit (CGU) for the Goodwill has been determined as the De La Rue Authentication entity as a whole. This is consistent with the fact that the entity is not fully integrated into the Group and the integrated nature of the Intellectual Property and other assets which collectively generate cash flows.

Discount rate, derived from the company's weighed average cost of capital have been used in discounting the projected cash flows. These rates are reviewed annually with external advisers and are adjusted for risks specific to the market in which the business operate.

The annual impairment test is performed at each year end, based initially on five-year cash flow forecasts approved by the senior management. Short term revenue growth rates used in five-year plan are based on internal data regarding our current contracted position, the pipeline of opportunities and forecast market growth. This growth rate considered to be consistent with publicly available growth rates for the markets in which the business operates.

Short term profitability and cash conversion is based on our historic experiences and a level of judgement is applied to expected changes in both.

The calculations include a terminal value based on the projections for the fifth year of the short-term plan, with a growth rate assumption applied which extrapolates the business into perpetuity. The terminal growth rates are based on long term inflation rates of the geographic market for the business and does not exceed the average long term growth rates forecast.

The key sensitivities in the impairment test are discount rate, future growth in revenue and the level of profit margin generated by De La Rue Authentication. For FY23 a discount rate of 13.8% (FY22: 11.5%), revenue growth rate of 3% (FY22: 2%) and long-term growth rate of 3% (FY22: 2%) have been used in the impairment test calculations. A discount rate of over 19.0% (FY22: 19.9%) would be required for an impairment to be realised. Based on the impairment test performed no impairment of the goodwill is considered necessary. There are no reasonable possible changes in the key assumptions (e.g. discount rate, growth rate or profit margin) that would cause the recoverable amount to fall below the carrying amount of the cash generating unit.

	Goodwill £m	Development costs £m	Software assets £m	Intellectual property £m	Customer relationships £m	Trade names £m	In course of construction £m	Total £m
Cost								
At 27 March 2021	8.1	22.4	15.5	3.4	4.1	0.2	7.9	61.6
Exchange differences	0.4	0.2	(0.1)	0.2	0.2	–	(0.1)	0.8
Additions	–	–	–	–	–	–	8.8	8.8
Disposals	–	(1.1)	(3.7)	–	–	–	–	(4.8)
Reclassification	–	5.6	0.2	–	–	–	(5.8)	–
At 26 March 2022	**8.5**	**27.1**	**11.9**	**3.6**	**4.3**	**0.2**	**10.8**	**66.4**
Exchange differences	0.7	–	0.1	0.3	0.3	–	–	1.4
Additions	–	–	1.4	–	–	–	9.0	10.4
Disposals	–	(0.2)	–	–	–	–	(2.9)	(3.1)
Reclassifications	–	0.7	5.3	–	–	–	(6.0)	–
At 25 March 2023	9.2	27.6	18.7	3.9	4.6	0.2	10.9	75.1
Accumulated amortisation								
At 30 March 2021	–	15.4	10.7	1.4	1.7	0.1	–	29.3
Exchange differences	–	0.1	(0.1)	–	0.1	–	–	0.1
Amortisation for the year[1]	–	1.9	1.4	0.6	0.4	–	–	4.3
Disposals	–	(1.1)	(3.7)	–	–	–	–	(4.8)
At 27 March 2022	–	16.3	8.3	2.0	2.2	0.1	–	28.9
Exchange differences	–	(0.1)	(0.1)	0.3	0.2	–	–	0.3
Amortisation for the year[1]	–	2.1	2.2	0.6	0.4	–	–	5.3
Impairment[1]	–	–	1.4	–	–	–	2.9	4.3
Disposals	–	(0.1)	–	–	–	–	(2.9)	(3.0)
At 25 March 2023	–	18.2	11.8	2.9	2.8	0.1	–	35.8
Net book value at 25 March 2023	9.2	9.4	6.9	1.0	1.8	0.1	10.9	39.3
Carrying value at 26 March 2022	8.5	10.8	3.6	1.6	2.1	0.1	10.8	37.5

Notes:
1. Amortisation of acquired intangibles of £1.0m (FY22: £1.0m) relates to Intellectual property of £0.6m (FY22: £0.6m) and Customer relationships of £0.4m (FY22: £0.4m).
2. Impairments in the year of £4.3m included £2.9m relating to product development costs and £1.4m of software licenses with limited future revenue generating expectations (note 5).

11 Other financial assets

Accounting policies

As part of the consideration received for the disposal of the Portals De La Rue paper business, the Group received loan notes, preference shares and ordinary shares in the Portals International Limited group (formerly Mooreco Limited), a parent company of the purchaser. The instruments relating to the loan notes and preference shares are being held solely to collect principal and interest payments on specified dates (SPPI) and they meet the business test model to be held at amortised cost. Amortised cost approximated fair value at the date these instruments were received, as they were obtained in an arms-length transaction with a third party and priced accordingly as part of the sales negotiation process. The Group has not chosen to fair value these through the income statement, they are accounted for on an amortised cost basis. The ordinary shares are accounted for as fair value through profit and loss (FVPL) and the value of these represents £0.2m of the amounts shown below.

11 Other financial assets continued

	Note	2023 £m	2022 £m
Opening balance		7.4	8.8
Interest accrued in the period	6	1.1	0.8
Additional investment in loan notes in the Portals International Limited group		–	0.9
Expected credit loss (reported in exceptionals)	5	(8.5)	(3.1)
Closing balance		–	7.4
Analysed as:			
Fixed rate unsecured loan notes in Portals Finance 1 Limited		3.8	3.8
Preference shares in Portals International Group Limited		2.6	2.6
Fixed rate unsecured loan notes in Portals International Group Limited		0.9	0.9
B ordinary shares in Portals International Group Limited		0.2	0.2
Cumulative accrued interest		4.1	3.0
Cumulative expected credit loss		(11.6)	(3.1)
		–	7.4

Fixed rate unsecured loan notes in Portals Finance 1 Limited are repayable in December 2028, bear interest at 10% per annum and compounds annually if the interest is not paid. These are listed on the International Stock Exchange in Guernsey.

2,563,095 cumulative redeemable preference shares of £0.000001 each were issued at £1.00 per share, have a cumulative dividend of 10% per annum and are redeemable at any time at the discretion of the issuer or will be redeemed in full by 31 December 2028.

Fixed rate unsecured loan notes in Portals International Group Limited are repayable in December 2029 and interest accrues at a rate of 15% per annum and compounds annually if the interest is not paid. These are listed on the International Stock Exchange in Guernsey.

In accordance with the terms of the instruments, the interest has not been paid in the year but accrued and added to the value of the Other Financial Asset. In FY22 an additional £0.9m was invested in loan notes in the Portals International Limited group.

Management has assessed the recoverability of the other financial assets on the balance sheet as at 25 March 2023 and as a result an expected credit loss was recorded in the period of £8.5m. Further details on the impairment can be found in "B Critical accounting estimates – 1. Recoverability of other financial assets, assumptions and judgements" within Accounting Policies.

12 Inventories

Accounting policies

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises directly attributable purchase and conversion costs, including direct labour and an allocation of production overheads based on normal operating capacity that have been incurred in bringing those inventories to their present location and condition. Net realisable value is the estimated selling price less estimated costs of completion and selling costs.

Valuation of inventory

At any point in time, the Group has significant levels of inventory, including work in progress. Manufacturing is a complex process and the final product is required to be made to exacting specifications and tolerance levels. In valuing the work in progress at the balance sheet date, assessments are made over the normal levels of waste contained within the product based on the production performance to date and past experience. Any abnormal levels of waste is expensed as incurred.

In assessing the recoverability of finished stock, assessments are made to validate that inventory is correctly stated at the lower of cost and net realisable value and that obsolete inventory, including inventory in excess of requirements, is provided against.

	2023 £m	2022 £m
Raw materials	19.6	25.7
Work in progress	9.6	12.3
Finished goods	20.1	12.1
	49.3	50.1

The replacement cost of inventories is not materially different from original cost. Income statement charges in FY23 with respect of the recognition of inventory provisions of £1.0m (FY22: £0.9m) was recognised in operating expenses – ordinary.

13 *Trade and other receivables*

Accounting policies

Trade receivables that do not contain a significant financing component are recognised at the transaction price and other receivables are measured at amortised cost. Trade and other receivables are recognised net of allowance for ECL. The Group calculates an allowance for potentially uncollectable accounts receivable balances using the ECL model and follows the simplified approach. The Group has calculated the ECL by segmenting its accounts receivable balances into different segments representing the risk levels applying to those customer groupings and thus allowing for the calculation of the ECL by applying the expected loss rate relevant to each segment. The loss rates applied to each segment are based on the Group historical experience of credit losses in addition to available knowledge of potential future credit risk based on available data such as country credit ratings. The Group reviews the account receivable ledger to identify if there are any collectability issues which might require the recognition of an expected credit loss allowance (i.e. a specific bad debt provision) in addition to the expected credit loss allowance calculated based on historical experience. The Group's policy for managing credit risk is set out in note 14.

	2023 £m	2022 £m
Trade receivables	42.3	64.8
Provision for impairment	(0.6)	(0.8)
Net trade receivables	41.7	64.0
Other receivables[1]	25.4	22.1
Prepayments	3.6	2.9
	70.7	89.0

Note:
1. Other receivables of £25.4m (FY22: £22.1m) included, VAT recoverable of £6.2m (FY22: £5.1m), project work-in-progress costs of £3.3m (FY22: £3.2m), RDEC of £2.5m (FY22: £2.7m), and deposits for assets under construction of £2.2m (FY22: £2.2m).

The Group has considered the impact of the war in Ukraine on the recoverability of amounts due from customers in Ukraine, Belarus and Russia. At 25 March 2023 there was £0.1m (FY22: £0.3m) of current balances due relating to Ukraine covered by existing pledges to settle (of which £0.1m has been settled post year-end), a £nil (FY22: £14k Russia, £nil Belarus) balance relating to Russia and Belarus. The Group continued to monitor activities in these areas.

The ageing of trade and other receivables (excluding prepayments and provisions for impairment) at the reporting date was:

	Gross 2023 £m	ECL allowance 2023 £m	Gross 2022 £m	ECL allowance 2022 £m
Not past due	61.3	(0.2)	75.2	(0.2)
Past due 0-30 days	4.4	(0.1)	6.3	–
Past due 31-120 days	1.5	–	4.9	(0.1)
Past due more than 120 days	0.5	(0.3)	0.5	(0.5)
	67.7	(0.6)	86.9	(0.8)

The provision for impairment in respect of trade receivables is used to record losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the financial asset directly.

The following expected credit loss rates were applied in the year:

	2023		2022	
	Government departments and National banks (for Moody's sovereign rating graded as 'speculative' only)	Private or publicly traded organisations	Government departments and National banks (for Moody's sovereign rating graded as 'speculative' only)	Private or publicly traded organisations
Current not yet due	0.25%	1%	0.25%	1%
<6 months overdue	1%	2%	1%	2%
<1 year overdue	5%	50%	5%	50%
<2 years overdue	25%	100%	25%	100%
>2 years overdue	100%	100%	100%	100%

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023 £m	2022 £m
Balance at beginning of year	(0.8)	(1.5)
Impairment losses recognised	(0.2)	(0.1)
Utilised	–	0.5
Impairment losses reversed	0.4	0.3
Balance at end of year	(0.6)	(0.8)

14 Financial risk

Financial risk management

The Group's activities expose it to a variety of financial risks, the most significant of which are liquidity risk, market risk and credit risk.

The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The use of financial derivatives is governed by the Group's risk management policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group's treasury department is responsible for the management of these financial risks faced by the Group.

Group treasury identifies, evaluates and in certain cases hedges financial risks in close cooperation with the Group's operating units. Group treasury provides written principles for overall financial risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and the investment of excess liquidity.

14(a) Financial instruments

As permitted by IFRS 9, the Group has continued to apply the requirements of IAS 39 only in relation to hedge accounting at the current time. Derivative financial instruments are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The gain or loss on subsequent fair value measurement is recognised in the income statement unless the derivative qualifies for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item also affects the income statement. However, if the hedged item results in the recognition of a non-financial asset or liability, the amounts accumulated in equity on the hedging instrument are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Fair value hedges

For an effective hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in net income. Gains or losses from remeasuring the derivative or, for non-derivatives, the foreign currency component of its carrying value, are recognised in net income.

Embedded derivatives

Derivatives embedded in other financial liability instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. Any unrealised gains or losses on such separated derivatives are reported in the income statement within revenue or operating expenses, in line with the host contract.

Fair values

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

	Note	Fair value hierarchy	Total fair value 2023 £m	Carrying amount 2023 £m	Total fair value* 2022 £m	Carrying amount* 2022 £m
Financial assets						
Trade and other receivables[1]	13	Level 3	58.4	58.4	78.3	78.3
Contract assets	2	Level 3	18.9	18.9	8.0	8.0
Other financial assets[2]	11	Level 3	–	–	7.2	7.2
Cash and cash equivalents	15	Level 1	40.3	40.3	24.3	24.3
Derivative financial instruments:						
– Forward exchange contracts designated as cash flow hedges		Level 2	1.2	1.2	1.3	1.3
– Foreign exchange fair value hedges – other economic hedges		Level 2	1.1	1.1	0.9	0.9
– Embedded derivatives		Level 2	0.1	0.1	1.2	1.2
Total financial assets			120.0	120.0	121.2	121.2
Financial liabilities						
Unsecured bank loans and overdrafts[3]	18	Level 2	(123.4)	(123.4)	(95.7)	(95.7)
Trade and other payables[4]	17	Level 3	(66.1)	(66.1)	(62.9)	(62.9)
Derivative financial instruments:						
– Forward exchange contracts designated as cash flow hedges		Level 2	(1.0)	(1.0)	(1.8)	(1.8)
– 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	(0.4)	(0.4)	(2.9)	(2.9)
– Embedded derivatives		Level 2	(0.4)	(0.4)	(0.1)	(0.1)
Total financial liabilities			(191.4)	(191.4)	(163.4)	(163.4)

Notes:
1. Excludes prepayments of £3.6m (FY22: 2.9m), RDEC of £2.5m (FY22: £2.7m) and VAT recoverable of £6.2m (FY22: £5.1m).
2. FY22 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 of £5.0m (FY22: £3.1m).
4. Excludes social security and other taxation amounts of £3.0m (FY22: £2.6m), contract liabilities of £0.3m (FY22: £0.3m) and payments on account of £22.7m (FY22: £14.3m).

* The prior year comparatives have been restated to correct a prior year error by removing a VAT receivable of £5.1m from the Trade and other receivables line item in accordance with the requirements of IFRS 9. The restatement only affects the line item mentioned and has no other impact on the consolidated financial statements.

Trade receivables decreased to £42.3m compared to £64.8m at FY22 reflecting timing of payments on certain material customer contracts.

Contract assets have increased by £10.9m from £8.0m at FY22 to £18.9m at FY23. This relates to an increase in Currency contracts of £12.7m (FY22: £4.9m) and Authentication contracts of £6.2m (FY22: £3.1m).

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 valuations use observable inputs for the assets or liabilities other than quoted prices
- Level 3 valuations are not based on observable market data and are subject to management estimates

There has been no movement between levels during the current or prior periods.

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The valuation bases are classified according to the degree of estimation required in arriving at the fair values. See fair value hierarchy above.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Embedded derivatives

The fair value of embedded derivatives is calculated based on the present value of forecast future exposures on relevant sales and purchase contracts and using quoted forward foreign exchange rates at the balance sheet date.

14(a) Financial instruments continued

Determination of fair values of non-derivative financial assets and liabilities

Non-derivative financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Hedge reserves

The hedge reserve balance on 25 March 2023 was a gain of £0.1m (FY22: loss £0.5m). Net movements in the hedge reserve are shown in the Group statement of changes in equity.

Comprehensive income after tax was £0.6m (FY22: £0.3m) includes a loss of £1.0m (FY22: loss £0.6m) of fair value movements on new and continuing cash flow hedges and a gain of £1.7m (FY22: gain £0.8m) on maturing cash flow hedges.

Deferred tax on the gain of £0.7m (FY22: gain £0.2m) amounted to £0.1m credit (FY22: £0.1m charge).

Hedge reserve movements in the income statement were as follows:

	Revenue £m	Operating expense £m	Exceptional items £m	Total £m
25 March 2023				
Maturing cash flow hedges	(3.2)	1.7	–	(1.5)
Ineffectiveness on de-recognition of cash flow hedges	–	–	(0.2)	(0.2)
	(3.2)	1.7	(0.2)	(1.7)
26 March 2022				
Maturing cash flow hedges	0.7	(1.5)	–	(0.8)
Ineffectiveness on de-recognition of cash flow hedges	–	–	–	–
	0.7	(1.5)	–	(0.8)

The ineffective portion of fair value hedges that was recognised in the income statement amounted to £nil (FY22: £nil).

The ineffective portion of cash flow hedges that was recognised in the income statement within operating expenses was a £nil (FY22: £nil) and within exceptional items was a £0.2m loss, relating to the close out of hedges relating to Portals relationship agreement termination (note 5) (FY22: £nil).

14(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities where due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

25 March 2023	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities								
Unsecured bank loans and overdrafts	18	9.7	129.4	0.7	–	139.8	(16.4)	123.4
Trade and other payables[1]	17	66.1	–	–	–	66.1	–	66.1
Obligations under leases	23	4.0	2.7	6.5	23.1	36.3	(23.0)	13.3
Derivative financial liabilities								
Gross amount payable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges*		91.3	2.3	–	–	93.6	(92.6)	1.0
– Short duration swap contracts designated as fair value hedges*		27.3	–	–	–	27.3	(27.2)	0.1
Fair value hedges – other economic hedges*		35.2	0.7	–	–	35.9	(35.5)	0.4
		233.6	135.1	7.2	23.1	399.0	(194.7)	204.3

26 March 2022	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	After 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial liabilities								
Unsecured bank loans and overdrafts[2]	18	–	95.0	0.7	–	95.7	–	95.7
Trade and other payables[1]	17	62.9	–	–	–	62.9	–	62.9
Obligations under leases	23	2.6	2.6	5.7	24.9	35.8	(21.6)	14.2
Derivative financial liabilities								
Gross amount payable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges		108.4	0.1	–	–	108.5	(106.7)	1.8
– Short duration swap contracts designated as fair value hedges		11.4	–	–	–	11.4	(11.4)	–
Fair value hedges – other economic hedges		115.8	0.6	–	–	116.4	(113.5)	2.9
		301.1	98.3	6.4	24.9	430.7	(253.2)	177.5

Notes:
* Excludes embedded derivatives.
1. Excludes social security and other taxation amounts of £3.0m (FY22: £2.6m), contract liabilities of £0.3m (FY22: £0.3m) and payments on account of £22.7m (FY22: £14.3m).
2. The undiscounted value of the unsecured bank loans and overdrafts as at 26 March 2022 was £106.9m. The impact of discounting was £5.9m.

The following are the contractual undiscounted cash flow maturities of financial assets, including contractual interest receipts and excluding the impact of netting agreements.

25 March 2023	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets								
Cash and cash equivalents	15	40.3	–	–	–	40.3	–	40.3
Trade and other receivables[1]*	13	58.4	–	–	–	58.4	–	58.4
Contract assets	2	18.9	–	–	–	18.9	–	18.9
Other financial assets[2]	11	–	–	–	–	–	–	–
Derivative financial assets								
Gross amount receivable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges*		71.3	0.3	–	–	71.6	(70.4)	1.2
– Short duration swap contracts designated as fair value hedges*		1.0	–	–	–	1.0	(1.0)	–
– Fair value hedges – other economic hedges*		88.8	–	–	–	88.8	(87.7)	1.1
		278.7	0.3	–	–	279.0	(159.1)	119.9

26 March 2022	Note	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Total undiscounted cash flows £m	Impact of discounting and netting £m	Carrying amount £m
Non-derivative financial assets								
Cash and cash equivalents	15	24.3	–	–	–	24.3	–	24.3
Trade and other receivables[1]	13	78.3	–	–	–	78.3	–	78.3
Contract assets	2	8.0	–	–	–	8.0	–	8.0
Other financial assets[2]	11	–	–	–	7.2	7.2	–	7.2
Derivative financial assets								
Gross amount receivable from currency derivatives:								
– Forward exchange contracts designated as cash flow hedges*		60.7	0.7	–	–	61.4	(60.1)	1.3
– Short duration swap contracts designated as fair value hedges*		8.1	–	–	–	8.1	(8.1)	–
– Fair value hedges – other economic hedges*		56.9	2.0	–	–	58.9	(58.0)	0.9
		236.3	2.7	–	7.2	246.2	(126.2)	120.0

Notes:
* Excludes embedded derivatives.
1. Excludes prepayments of £3.6m (FY22: 2.9m), RDEC of £2.5m (FY22: £2.7m) and VAT recoverable of £6.2m (FY22: £5.1m).
2. FY22 excludes ordinary shares of £0.2m which are accounted for as fair value through profit and loss.

* The prior year comparatives have been restated to correct a prior year error by removing a VAT receivable of £5.1m from the Trade and other receivables line item in accordance with the requirements of IFRS 9. The restatement only affects the line item mentioned and has no other impact on the consolidated financial statements.

14(b) Liquidity risk continued

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and as a current asset or liability if the maturity of the hedged instrument is less than 12 months.

Cash and cash equivalents, trade and other current receivables, contract assets, bank loans and overdrafts, trade payables and other current liabilities have fair values that approximate to their carrying amounts due to their short-term nature.

The Group has Bank facilities of £275.0m (FY22: £275.0m) including an RCF cash drawdown component of up to £175.0m (FY22: £150.0m) and bond and guarantee facilities of a minimum of £100.0m (FY22: £125.0m), which were previously due to mature in December 2023.

On 18 November 2022. the existing banking facilities were extended until 1 January 2025 with 25-basis point increase in margin.

The terms of the extended facilities are as follows:

- Maturity date of 1 January 2025;
- An up-front arrangement fee of 25 basis points payable in November 2022;
- An increase in Margin of 25 basis points;
- Further arrangement fees payable between June and December 2023 of 95 basis points on the commitments under this facility on the dates those fees would be due; and
- No change in covenant tests.

This debt refinancing has been accounted for as a debt modification with extinguishment under IFRS 9 Financial Instruments as the terms of the debt remain substantially the same. A debt modification loss has been recognised within Interest expense in the Consolidated income statement. Refer to note 6 for further details.

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. During FY23 the Group has reallocated £25.0m of the bond and guarantee component to the cash component, such that at present £175.0m in total is available on the RCF component.

As at 25 March 2023, the Group, as part of the £175.0m RCF cash component, has a total of undrawn committed borrowing facilities, all maturing in more than one year, of £53.0m (26 March 2022: £55.0m in more than one year).

The amount of loans drawn on the £175.0m RCF facility is £122.0m (26 March 2022: £95.0m). Guarantees of £52.1m (26 March 2022: £55.6m) have been drawn using the £100.0m guarantee facility. The accrued interest in relation to cash drawdowns outstanding as at 25 March 2023 is £0.3m (26 March 2022: £0.1m).

	Actual as at 26 March 2023 £m	Minimum Facility £m	Maximum Facility £m
Facilities:			
Cash	122.0	125.0	175.0
Bonds and guarantees	52.1	150.0	100.0
	172.1	275.0	275.0

The financial covenants require that the ratio of EBIT to net interest payable will not be less than 3.0 times and the net debt to EBITDA ratio will not exceed three times. At the period end the specific covenant tests were as follows: EBIT/net interest payable of 3.03 times (FY22: 7.4 times), net debt/EBITDA of 2.21 times. (FY22: 1.46 times) The covenant tests use earlier accounting standards and exclude adjustments including IFRS 16.

Forward foreign exchange contracts

The net principal amounts of the outstanding forward foreign exchange contracts as at 25 March 2023 are US dollar 108.1m, Euro 49.1m, Swiss franc 7.6m, Saudi Arabian riyal 11.6m, Swedish krona 64.9m, Hong Kong dollar 2.8m and United Arab Emirates dirham 1.1m.

The net principal amounts outstanding under forward contracts with maturities greater than 12 months are Euro 0.8m, US dollar 2.8m and Saudi Arabian riyal 1.2m.

These forward contracts are designated as cash flow hedges or fair value hedges as appropriate.

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts at 25 March 2023 will be released to the income statement at various dates between one month and 14 months from the balance sheet date. For this financial year the tables below include all net foreign exchange forward contracts over £500k.

Hedges versus GB Pounds only	Notional amount in currency	Notional amount in £m	Maturity	Average forward rate
As at 25 March 2023				
Forward exchange forward contracts				
USD	110.2	(91.1)	2024	1.2099
EUR	(57.5)	50.9	2024	1.1313
CHF	(1.3)	1.2	2024	1.1247
SAR	(11.6)	2.6	2024	4.4951
SEK	64.9	(5.1)	2023	12.6468
As at 26 March 2022				
Forward exchange forward contracts				
USD	127.2	(94.0)	2023	1.3533
EUR	(25.4)	22.0	2023	1.1534
CHF	(9.4)	7.6	2023	1.2378
SAR	(14.3)	2.9	2023	4.9962
HKD	5.7	(0.5)	2023	10.5843

Note:
Forward sales shown as positive, and purchases shown as negative.

Hedges versus other currencies	Notional amount currency 1 in m	Notional amount currency 2 in m	Maturity	Average forward rate
As at 25 March 2023				
Forward exchange forward contracts				
EUR/CHF	6.4	(6.3)	2024	0.9789
EUR/USD	2.0	(2.1)	2024	1.0639
26 March 2022				
Forward exchange forward contracts				
EUR/CHF	6.2	(6.5)	2023	1.0608
EUR/USD	1.1	(1.3)	2023	1.1780

Notes:
Forward sales are shown as positive and purchases are shown as negative.
Notional amount in currency 1 refers to Euro and notional amounts in currency 2 refer to CHF or USD as indicated.
Notional amounts are shown in the currency as stated and not in GBP.

Short duration swap contracts

(i) Cash management swaps

The Group uses short duration currency swaps to manage the level of borrowings in foreign currencies. The fair value of cash management currency swaps at 25 March 2023 was £nil (26 March 2022: £nil). Gains and losses on cash management swaps are included in the consolidated income statement.

The principal amounts outstanding under cash management currency swaps at 25 March 2023 are, Euro 6.9m, United Arab Emirates dirham 1.7m and Saudi Arabian riyal 3.8m.

(ii) Balance sheet swaps

The Group uses short duration currency swaps to manage the translational exposure of monetary assets and liabilities denominated in foreign currencies. The fair value of balance sheet swaps as at 25 March 2023 was a £0.1m liability (26 March 2022: £nil). Gains and losses on balance sheet swaps are included in the consolidated income statement.

The principal amounts outstanding under balance sheet swaps at 25 March 2023 are US dollar 10.7m (FY22: 13.5m), Euro 12.7m (FY22: 6.6m) and Swiss franc 1.1m (FY22: 1.2m).

Embedded derivatives

Embedded derivatives relate to sales and purchase contracts denominated in currencies other than the functional currency of the customer/supplier, or a currency that is not deemed to be a commonly used currency of the country in which the customer/supplier is based. The net fair value of embedded derivatives at 25 March 2023 was a £0.3m liability (26 March 2022: £1.1m).

Gains and losses on fair value hedges

The gains and losses recognised in the year on the Group's fair value hedges were a loss of £0.1m relating to balance sheet hedges (FY22: gain £0.1m), loss £6.5m relating to other fair value hedges (FY22: gain £1.9m), and £nil relating to cash management hedges (FY22: £nil).

14(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The Group uses a range of derivative instruments, including forward contracts and swaps to hedge its risk to changes in foreign exchange rates and interest rates with the objective of controlling market risk exposures within acceptable parameters, while optimising the return. Derivative financial instruments are only used for hedging purposes.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group's risk management policy aims to hedge firm commitments in full, and between 60% and 100% of forecast exposures in each major currency for the subsequent 12 months to the extent that forecast transactions are highly probable.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies.

Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
US dollar	1.22	1.37	1.22	1.32
Euro	1.16	1.18	1.14	1.20

Sensitivity analysis

A 10 per cent strengthening of Sterling against the following currencies at 25 March 2023 and 26 March 2022 would have increased/(decreased) profit or loss by the amounts shown below based on the Group's external monetary assets and liabilities.

	2023 £m	2022 £m
XAF	(0.4)	(0.3)
EURO	0.4	0.3
LKR	(0.8)	(0.2)
CHF	(0.1)	(0.1)

A 10 per cent weakening of Sterling against the above currencies at 25 March 2023 and 26 March 2022 would have had the following effect

	2023 £m	2022 £m
XAF	0.5	0.3
EURO	(0.4)	(0.3)
LKR	0.9	0.2
CHF	0.1	(0.1)

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for FY22.

Interest rate risk

All material financial assets and liabilities are initially contracted at floating rates of interest. Where the Group has forecast average levels of net debt above £50.0m on a continuing basis, the policy is to use floating to fixed interest rate swaps to fix the interest rate on a minimum of 50% of the Group's forecast average levels of net debt for a period of at least 12 months, if sufficient capacity is available in the market to do so. This remains the policy in the medium term however the Group was unable to apply this policy during FY23 due to market conditions and this remains the policy in the medium-term and will be reviewed periodically.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2023 £m	Carrying amount 2022 £m
Variable rate instruments:		
Financial assets (note 15)	**40.3**	24.3
Financial liabilities (note 18)	**(123.4)**	(95.7)
	(83.1)	(71.4)

At the year ending 25 March 2023 the Group had no floating to fixed interest rate swaps with financial institutions in place.

Excluded from the above analysis is £13.3m (FY22: £14.2m) of amounts payable under leases, which are subject to fixed rates of interest (note 23).

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss		Equity	
	100bp increase £m	100bp decrease £m	100bp increase £m	100bp decrease £m
Variable rate instruments cash flow sensitivity (net)				
25 March 2023	**(0.9)**	**0.9**	**–**	**–**
26 March 2022	(0.6)	0.6	–	–

14(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced by various factors, largely pertaining to the profile of the customer as acknowledged in our IFRS 9 Receivables segmentation, in particular the customer's status as a Government or Banking institution as compared to that of a private or publicly owned entity. Due to the large make up of Government or central banks at around 80% of the Group's revenues, measuring credit risk is largely driven by factors including the country's sovereign rating, historic knowledge, local market insights, and political factors in country. Industry credit risk is not an influencing factor. The Group's long standing historic trade with Government and central bank institutions guides strongly towards the lower credit or doubtful debt risk that these customers represent. Where private or publicly owned Business Trade applies, the Business adopts a conventional and in-depth trading entity credit review. Where appropriate, letters of credit are used to reduce the credit risk for the Business and where possible advanced payments are also requested.

All credit assignment risk is mitigated through a threshold-based sign-off matrix, where larger value credit exposures require multiple and more senior Business sign-off. The Group has processes in place to ensure appropriate credit limits are set for customers and for ensuring appropriate approval is given for the release of products to customers where any perceived risk has been highlighted.

Exposure to credit risk

The carrying amount of financial assets represents the credit exposure at the reporting date. The exposure to credit risk at the reporting date was:

	Notes	Carrying amount 2023 £m	Carrying amount 2022 £m
Trade and other receivables[1]	13	**58.4**	78.3
Contract assets	2	**18.9**	8.0
Other financial assets[2]	11	**–**	7.2
Cash and cash equivalents	15	**40.3**	24.3
Forward exchange contracts used for hedging	14(a)	**2.3**	2.2
Embedded derivatives	14(a)	**0.1**	1.2
		120.0	121.2

Notes:
1. Excludes prepayments of £3.6m (FY22: 2.9m), RDEC of £2.5m (FY22: £2.7m) and VAT recoverable of £6.2m (FY22: £5.1m).
2. FY22 excludes ordinary shares of £0.2m which are accounted for as fair value through profit and loss.

14(d) Credit risk continued

The maximum exposure to credit risk for trade and other receivables (excluding prepayments, RDEC and VAT recoverable) by geographic region was:

	Carrying amount 2023 £m	Carrying amount 2022 £m
UK	12.6	17.6
Rest of Europe	16.0	11.5
Africa	12.7	17.6
Rest of world	17.1	31.6
	58.4	78.3

The maximum exposure to credit risk for trade and other receivables (excluding prepayments, RDEC and VAT recoverable) by type of customer was:

	Carrying amount 2023 £m	Carrying amount 2022 £m
Banks and financial institutions	17.2	36.0
Government institutions	6.5	6.9
Other	34.7	35.4
	58.4	78.3

Fair value adjustment to credit risk on derivative contracts

The impact of credit related adjustments being made to the carrying amount of derivatives measured at fair value and used for hedging currency and interest rate risk has been assessed and considered to be immaterial. These derivatives are transacted with investment grade financial institutions. Similarly, the impact of the credit risk of the Group on the valuation of its financial liabilities has been assessed and considered to be immaterial.

14(e) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Group finances its operations through a mixture of equity funding and debt financing, which represent the Group's definition of capital for this purpose.

	Notes	2023 £m	2022 £m
Total equity attributable to shareholders of the Company		19.1	143.8
Add back/(deduct)/add back long-term pension deficit/(surplus)	24	54.7	(29.8)
Adjusted equity attributable to shareholders of the Company		73.8	114.0
Net debt	22	83.1	71.4
Group capital		156.9	185.4

The long-term pension (deficit)/surplus has been removed as a separate agreement is in place regarding the funding for this deficit which is paid out of cash flows from continuing operations. The Group's debt financing is also analysed in notes 18 'Borrowings' and 22 'Analysis of Net Debt'.

Included within the Group's net debt are certain cash and cash equivalent balances that are not readily available for use by the Group. These balances are not significant and are not readily available due to restrictions within some of the countries in which we operate.

Earnings per share and dividend payments are the two measures which, in the Board's view, summarise best whether the Group's objectives regarding equity management are being met. The Group's earnings and dividends per share and relative rates of growth illustrate the extent to which equity attributable to shareholders has changed. Both measures are disclosed and discussed within the Strategic Report. Earnings per share is disclosed in note 8.

The Group's objective is to maximise sustainable long-term growth of the earnings per share.

De La Rue's dividend policy is to provide shareholders with a competitive return on their investment over time, while ensuring sufficient reinvestment of profits to enable the Group to achieve its strategy. During the period, the Group invested in ongoing research and development expenditure and capital expenditure. There is no proposed dividend to De La Rue plc shareholders for the year. Dividends can be paid pro-rata to all shareholders (including external parties) in respect of companies treated as consolidated subsidiaries that have non-controlling interests.

The decision to pay dividends, and the amount of the dividends, will depend on, among other things, the earnings, financial position, capital requirements, general business conditions, cash flows, net debt levels and share buyback plans.

There were no changes to the Group's approach to capital management during the year but in the short-term some restrictions apply following the refinancing.

14(f) Changes in liabilities arising from financing activities

The analysis below provides a reconciliation between the opening and closing positions in the balance sheet for liabilities arising from financing activities excluding movements in cash and cash equivalents.

	Note	At 27 March 2022 £m	Cash flow £m	Exchange differences and other £m	New leases and modifications £m	Non-cash movements £m	As at 26 March 2023 £m
Borrowings (gross)	18	**(95.7)**	**(27.0)**	**–**	**–**	**(0.7)**	**(123.4)**
Prepaid loan arrangement fees	18	**3.1**	**1.4**	**–**	**–**	**0.5**	**5.0**
Borrowings		**(92.6)**	**(25.6)**	**–**	**–**	**(0.2)**	**(118.4)**
Lease liabilities[1]	23	**(14.2)**	**2.9**	**(0.1)**	**(1.4)**	**(0.5)**	**(13.3)**
Liabilities arising from financing activities		**(106.8)**	**(22.7)**	**(0.1)**	**(1.4)**	**(0.7)**	**(131.7)**

	Note	At 28 March 2021 £m	Cash flow £m	Exchange differences and other £m	New leases and modifications £m	Non-cash movements £m	At 26 March 2022 £m
Borrowings (gross)	18	(78.0)	(17.0)	(0.7)	–	–	(95.7)
Prepaid loan arrangement fees	18	3.8	–	–	–	(0.7)	3.1
Borrowings		(74.2)	(17.0)	(0.7)	–	(0.7)	(92.6)
Lease liabilities[1]	23	(15.7)	2.8	(0.2)	(0.5)	(0.6)	(14.2)
Liabilities arising from financing activities		(89.9)	(14.2)	(0.9)	(0.5)	(1.3)	(106.8)

Note:
1. Lease liability payments include principal of £2.4m (FY22: £2.2m) and interest of £0.5m (FY22: £0.6m) (note 6).

15 Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

	2023 £m	2022 £m
Cash at bank and in hand	**26.5**	20.3
Short term bank deposits	**13.8**	4.0
	40.3	24.3

An analysis of cash, cash equivalents and bank overdrafts is shown in the Group cash flow statement. Certain cash and deposits are of a floating rate nature and are recoverable within three months.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 14.

16 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2023 £m	2022 £m
Deferred tax assets	18.3	11.2
Deferred tax liabilities	(2.8)	(2.4)
	15.5	8.8

The gross movement on the deferred income tax account is as follows:

	2023 £m	2022 £m
Beginning of the year	8.8	17.1
Exchange differences	0.2	(0.2)
Tax credit/(charge) to income statement	(13.8)	4.0
Tax credit/(charge) to OCI	20.9	(11.8)
Tax credit/(charge) to equity	(0.6)	(0.3)
End of the year	15.5	8.8

The movement in deferred tax assets and liabilities during the period is as follows:

Deferred Tax Liabilities	Property, plant and equipment £m	Fair value gains £m	Development costs	Retirement benefits £m	Total £m
At 27 March 2021	–	(1.1)	(2.0)	–	(3.1)
Recognised in the income statement	–	0.3	(0.3)	–	–
Recognised in OCI	–	–	–	(7.4)	(7.4)
Exchange differences	–	(0.2)	–	–	(0.2)
Subtotal	–	(1.0)	(2.3)	(7.4)	(10.7)
Jurisdictional offset					8.3
At 26 March 2022					(2.4)
At 26 March 2022	–	(1.0)	(2.3)	(7.4)	(10.7)
Recognised in the income statement	(1.8)	0.3	(1.0)	–	(2.5)
Recognised in OCI	–	–	–	7.4	7.4
Exchange differences	(0.1)	(0.1)	–	–	(0.2)
Subtotal	(1.9)	(0.8)	(3.3)	–	(6.0)
Jurisdictional offset					3.2
At 25 March 2023					(2.8)

Deferred Tax Assets	Property, plant and equipment £m	Retirement benefits £m	Tax losses £m	Other £m	Total £m
At 27 March 2021	1.6	4.1	4.3	10.2	20.2
Recognised in the income statement	(1.1)	0.3	1.9	2.9	4.0
Recognised in OCI	–	(4.4)	–	–	(4.4)
Recognised in equity	–	–	–	(0.3)	(0.3)
Exchange differences	0.1	–	–	(0.1)	–
Subtotal	0.6	–	6.2	12.7	19.5
Jurisdictional offset					(8.3)
At 26 March 2022					11.2
At 26 March 2022	0.6	–	6.2	12.7	19.5
Recognised in the income statement	(0.6)	0.1	0.1	(10.9)	(11.3)
Recognised in OCI	–	13.7	–	(0.2)	13.5
Recognised in equity	–	–	–	(0.6)	(0.6)
Exchange differences	–	0.1	–	0.3	0.4
Subtotal	–	13.9	6.3	1.3	21.5
Jurisdictional offset					(3.2)
At 25 March 2023					18.3

Other deferred assets and liabilities include tax associated with provisions of £0.5m (FY22: £0.4m), restricted interest carried forward of £nil (FY22: £3.9m) and in respect of overseas tax credits of £1.0m (FY22: £7.0m).

Gross deferred tax assets are recognised for tax losses available (FY23: £6.3m; FY22: £6.2m) and temporary deductible differences on retirement obligations (FY23: £13.9m; FY22: £nil) to carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Tax losses carried forward do not have an expiry date.

Future taxable profits have been forecast based on the expected profitability of the group over a 5-year period based on management's forecasts for FY24 and FY25 applying no growth in the final 3 years and taking into account historic performance against budgets. The forecasts for FY24 and FY25 were also used in the group's going concern and viability assessments.

Recent group tax losses have mostly arisen as a consequence of non-recurring exceptional costs. Future exceptional costs are expected to be significantly lower, with the company forecast to be profitable on this basis, allowing the company to recover the amounts noted above before the end of FY28.

The Directors have assessed that:

- if the forecast taxable profits are lower by 5% over the 5-year period, then this would reduce the deferred tax assets recognised by approximately £0.3m;
- if the forecast taxable profits are higher by 5% over the 5-year period, then this would increase the deferred tax assets recognised by approximately £0.8m.

The Group has not recognised deferred tax assets of £14.3m (FY22: £6.4m) in respect of losses amounting to £54.6m (FY22: £27.9m) that can be carried forward against future taxable income or deferred tax assets of £3.8m related to property, plant, and equipment timing differences (FY22: £nil). Similarly, the Group has not recognised certain deferred tax assets of £26.2m (FY22: £19.2m) in respect of overseas tax credits that are carried forward for utilisation in future periods, including some that have been allocated for providing to Governmental authorities as part of investment projects.

Unremitted foreign earnings totalled £198.8m at 25 March 2023 (FY22: £200.6m). Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries where the timing of the reversal can be controlled and it was considered unlikely that dividends would be paid from those subsidiaries.

UK capital losses of £317.2m are carried forward at 25 March 2023 (FY22: £317.2m). No deferred tax asset has been recognised in respect of these losses.

UK tax rate

The UK deferred tax assets and liabilities at 25 March 2023 have been calculated based on the rate of 25%, being the substantively enacted rate at the balance sheet date.

17 *Trade and other payables*

Accounting policies

Trade and other payables are measured at carrying value which approximates to fair value.

Payments received on account relate to monies received from customers under contract, as per individual contract agreements, prior to commencement of production of goods or delivery of services. Once the obligation has been fulfilled the revenue is recognised in accordance with IFRS 15.

Contract liability is recognised when a payment from customer is due or already received, before a related performance obligation is satisfied for the contract agreements that have started production of goods or delivery of services.

	2023 £m	2022 £m
Current liabilities		
Payments received on account	22.7	14.3
Contract liabilities	0.3	0.3
Trade payables	39.2	31.0
Social security and other taxation	3.0	2.6
Accrued expenses[1]	21.3	25.6
Other payables[2]	5.6	6.2
	92.1	80.0

Notes:
1. Accrued expenses include commissions £0.4m (FY22: £1.8m), rebate accruals of £2.7m (FY22: £2.7m), employee related accruals of £1.9m (FY22: £5.6m), and freight accruals £2.1m (FY22: £2.5m), and commission and TTP Accruals of £1.24m (FY22: £2.4m) and bank financing fee accruals of £2.6m (FY22: £nil).
2. Other payables include capex creditors £0.8m (FY22: £1.2m) and interest payable £1.6m (FY22: £1.4m).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 14.

18 *Borrowings*

Accounting policies

Borrowings are recognised at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk (note 14).

	Currency	Nominal interest rate	Year of maturity	Face value 2023 £m	Carrying amount 2023 £m	Face value 2022 £m	Carrying amount 2022 £m
Non-current liabilities							
Unsecured bank loans and overdrafts	EUR	4.83%	2028	0.7	0.7	0.7	0.7
Unsecured bank loans and overdrafts	GBP	7.72%	2025	122.7	122.7	95.0	95.0
Total interest-bearing liabilities				123.4	123.4	95.7	95.7

The total interest-bearing liabilities above is presented excluding unamortised pre-paid borrowing fees of £5.0m (FY22: £3.1m).

Under the Group's banking arrangements there is no right of offset and no accounts were in an overdraft position as at 25 March 2023.

As at 25 March 2023, the Group has a committed revolving facility, all maturing in more than one year, of £275m which depending on the value of guarantees utilised a maximum of £175m can be used as way of cash draw downs.

The drawdowns on the RCF facility are typically rolled over on terms of between one and three months. However, as the Group has the intention and ability to continue to roll forward the drawdowns under the facility, the amount borrowed has been presented as long-term at FY23.

On 18 November 2022, the existing banking facilities were extended until 1 January 2025 with a 25-basis point increase in margin. The terms of the extended facilities are as follows:

- Maturity date of 1 January 2025;
- An up-front arrangement fee of 25 basis points payable in November 2022;
- An increase in Margin of 25 basis points;
- Further arrangement fees payable between June and December 2023 of 95 basis points on the commitments under this facility on the dates those fees would be due; and
- No change in covenant tests.

This debt refinancing has been accounted for as a debt modification with extinguishment under IFRS 9 Financial Instruments as the terms of the debt remain substantially the same. A debt modification loss has been recognised within Interest expense in the Consolidated income statement. Refer to note 6 for further details.

19 *Provisions for liabilities and charges*

Accounting policies

Provisions are recognised when the Group has a present obligation in respect of a past event, it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are measured at the management's best estimate of the amount required to settle the obligation at the balance sheet date and are discounted where the time value of money is considered material.

	Restructuring £m	Warranty £m	Other £m	Total £m
At 27 March 2021	0.7	3.2	5.7	9.6
Charge for the year	0.3	0.6	1.0	1.9
Utilised in the year	(0.6)	(0.8)	(1.2)	(2.6)
Released in the year	–	(1.6)	(1.4)	(3.0)
At 26 March 2022	0.4	1.4	4.1	5.9
Charge for the year	1.8	0.7	2.8	5.3
Utilised in year	(0.2)	–	(2.2)	(2.4)
Released in year	(0.2)	(1.2)	(1.4)	(2.8)
At 25 March 2023	1.8	0.9	3.3	6.0
Expected to be utilised within 1 year	1.8	0.9	3.3	6.0

Restructuring provisions

Restructuring provisions as at 26 March 2022 of £1.8m (FY22: £0.4m) primarily relate to redundancy and other employee termination costs as a result of the wind down of operations in Kenya and other restructuring programmes within the Currency and Authentication divisions. The remaining provision as at 25 March 2023 is expected to be utilised in FY24.

Warranty provisions

Warranty provisions relate to present obligations for defective products. The provisions are management judgements based on information currently available, past history and experience of the products sold. However, it is inherent in the nature of the business that the actual liabilities may differ from the provisions. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

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

Other provisions

Other provisions comprise a number of liabilities with varying expected utilisation rates. The liabilities include a small number of onerous contract provisions (£1.2m), employee related liabilities (£0.6m), IBNR insurance claim provisions (£0.5m) and other liabilities (£1.0m) arising through the Group's normal operations. The £1.4m released in the year related primarily to onerous contract provisions no longer required.

Onerous contract provisions arise where the unavoidable costs under a contract exceed the economic benefits expected to be received under it. Unavoidable costs represent the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs to fulfil a contract include those that directly relate to the contract, including incremental costs and allocation of production overheads. The precise timing of the utilisation of these provisions is uncertain but is generally expected to fall within one year.

20 Share capital

	2023 £m	2022 £m
Issued and fully paid		
195,437,227 ordinary shares of 44 152/175p each (FY22: 195,157,352 ordinary shares of 44 152/175p each)	87.7	87.7
111,673,300 deferred shares of 1p each (FY22: 111,673,300 deferred shares of 1p each)	1.1	1.1
	88.8	88.8

	2023		2022	
	Ordinary shares '000	Deferred shares '000	Ordinary shares '000	Deferred shares '000
Allotments during the year				
Shares in issue at 26 March 2022/27 March 2021	195,157	111,673	195,064	111,673
Issued under Savings Related Share Option Scheme	–	–	46	–
Issued under Annual Bonus Plan	279	–	24	–
Issued under Performance Share Plan	1	–	23	–
Shares in issue at 25 March 2023/26 March 2022	195,437	111,673	195,157	111,673

The deferred shares carry limited economic rights (and no right to receive a dividend) and no voting rights. They are unlisted and are not transferable except in accordance with the articles.

21 Share based payments

Accounting policies

The Group operates various equity settled and cash settled option schemes.

For equity settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the consolidated income statement, together with a corresponding increase in shareholders' equity, on a straight-line basis over the vesting period, based on the numbers of shares that are actually expected to vest, taking into account non-market vesting conditions (including service conditions). Vesting conditions, other than non-market-based conditions and non-vesting conditions (requirement to save) are taken into account when estimating the fair value.

On the performance related awards, until 2020 performance measure was based on ROCE and EPS. From 2020 ROCE was replaced by TSR, a market-based condition.

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

At 25 March 2023, the Group has a number of share-based payment plans, which are described below. The compensation cost and related liability that have been recognised for the Group's share-based plans are set out in the table below:

	Expense recognised for the year	
	2023 £m	2022 £m
Annual Bonus Plan	0.2	0.9
Performance Share Plan	0.4	0.4
Savings Related Share Option Scheme	1.3	0.5
	1.9	1.8

Note:
The FY23 Performance Share Plan above includes cash settled share-based payments of £nil (FY22: £nil).

Reconciliations of option movements over the period to 25 March 2023 for each class of share awards are shown below:

Annual Bonus Plan

For details of the Annual Bonus Plan, refer to the Directors' remuneration report on pages 102 to 127.

	2023 Number of awards '000	2022 Number of awards '000
Share awards outstanding at start of year	453	23
Granted	484	462
Forfeited	(102)	(9)
Vested	(278)	(23)
Outstanding at end of year	557	453

During the period the weighted average share price on share awards exercised in the period was 84.65p (FY22: 174.4p).

Performance Share Plan

For details of the Performance Share Plan, refer to the Directors' remuneration report on pages 102 to 127.

Performance Share Options (the "Options") were granted to Executive Director's and other employees on 31 August 2022. The Options were granted with an exercise price of nil. The Awards will vest, subject to achievement of the performance conditions on 31 August 2025. The "Performance Period" for the Awards is the three years ending 31 July 2025. Awards granted to Executive Directors are subject to a post-vesting holding period which ends two years after the vest date, being 31 August 2027.

The fair value of share options is estimated at the date of grant using Monte Carlo model to value the awards subject to the TSR performance condition. The Options subject to non-market performance conditions have been valued using a Black-Scholes model. The significant assumptions used in the valuation models are disclosed below:

FY23 Arrangements	Performance Share Plan		Performance Share Plan	
Dates of current year grants	31 August 2022		31 August 2022	
Participant	Executive Directors			
Performance conditions	Non-market (50%) – EPS growth	TSR (50%)	Non-market (50%) – EPS growth	TSR (50%)
Award type	Options	Options	Options	Options
Fair value (per option granted)[1]	69p	50p	86p	63p
Fair value (% of share price at grant date)	80.2%	58.1%	100.0%	73.3%
Number of options granted	828,188	828,187	676,948	676,948
Inputs				
Share price at grant	86p			
Exercise price	Nil			
Dividend yield	0.0%			
Expected term	3 years			
Risk free rate	2.84%			
Share price volatility of the Company	50.0%			
Median share price volatility of the Comparator Group	n/a	44.1%	n/a	44.1%
Median correlation	n/a	16.6%	n/a	16.6%
TSR performance of the Company at date of grant	n/a	10.1%	n/a	10.1%
Median TSR performance of the Comparator Group at the date of grant	n/a	(0.4)%	n/a	(0.4)%
Discount for post vesting restrictions	20.0%		n/a	

Note:
1. The fair value of Awards granted to Executive Directors is shown after deducting a discount in relation to the post-vesting holding period which is applicable to Executive Directors Awards.

To value the Awards, a continuously compounded risk-free rate of 2.84% has been used. The risk-free rate is based on the implied yield available on zero-coupon UK government issues at the date of grant with a term in line with expected term of the Awards (sourced from Thomson DataStream).

21 Share based payments continued

During the year ended 26 March 2022 the fair value of share options were estimated at the date of grant using a lattice-based option valuation model. The significant assumptions used in the valuation model are disclosed below:

FY22 Arrangements	Performance Share Plan	
Dates of current year grants	30 June 2021	
Performance conditions	EPS	TSR
Number of options granted	702,184	702,183
Exercise price	n/a	n/a
Contractual life (years)	10	10
Settlement	Share	Share
Vesting period (years)	3	3
TSR correlation with comparator index	n/a	35% pa
TSR/Share price volatility	90% pa	90% pa
Share price at grant (pence)	186.2	186.2
Fair value per option at grant date	191.76	144.40

Reconciliation of option movements:

	2023 Number of awards '000	2022 Number of awards '000
Share awards outstanding at start of year	3,485	2,560
Granted	3,010	1,404
Forfeited	(1,946)	(466)
Vested	(1)	(13)
Outstanding at end of year	4,548	3,485

During the period the weighted average share price on share awards exercised in the period was 61.05p (FY22: 157.07p).

Savings Related Share Option Scheme

The scheme is open to all UK employees. Options are granted at the prevailing market price at the time of the grant (with a discretionary discount to the market price) to employees who agree to save between £5 and the maximum savings amount offered per month over a period of three or five years.

During the year ended 25 March 2023, the Company granted a new SAYE grant as a replacement for the two grants that due to vest in FY24 and FY25 with option prices significantly higher than the average share price for the year. The new grant has a vesting period of 3 years and is subject to service conditions only. Employees were invited to invest into a new grant with the option to cancel their contributions to 2020 and 2021 grants, with option price of 131.1p and 112.4p respectively, to maximise their investment at an option price of the replacement grant of 60.2p. Options cancelled and reinvested into the replacement grant during the investment window and up to the grant date, were accounted for on modification basis and shares cancelled but not replaced, were treated as cancellations. An explanation on why the FY23 grant is treated as a replacement grant is included in the "V Critical accounting estimates, assumptions and judgements".

The following number of awards were identified for each type of award and the fair values calculated:

Plan type	Award type	Award year	Number of awards	Fair value (at the date of grant)
SAYE	Modified awards[1]	2020	354,955	£0.19
SAYE	Modified awards[1]	2021	201,576	£0.14
SAYE	New grant	2022	2,963,125	£0.22
SAYE	Cancelled/forfeited awards	2019	252,200	£0.48
SAYE	Cancelled/forfeited awards	2020	710,040	£1.04
SAYE	Cancelled/forfeited awards	2021	367,740	£1.01

Note:

1. For modified awards fair value represents incremental fair value.

The fair value of the modified transactions was determined using the Black-Scholes option pricing model, with the following assumptions:

Year Granted	2020	2021	2022
Fair value per Option	£0.026	£0.083	£0.219
Assumptions:			
Share price at grant	£0.638	£0.638	£0.638
Exercise price	£1.311	£1.124	£0.602
Dividend yield	0.0%	0.0%	0.0%
Expected term	1.25 years	2.25 years	3.25 years
Risk free rate	4.12%	3.86%	3.44%
Volatility	50.0%	50.0%	50.0%
Discount for non-vesting conditions	5.0%	10.0%	15.0%

A summary of the incremental fair values is set out in the following table:

Award	Option fair value	2022 Option fair value	Incremental fair value
SAYE 2020	£0.026	£0.219	£0.193
SAYE 2021	£0.083	£0.219	£0.136

For the Savings Related Share Option Scheme (SAYE) an expected volatility rate of 50% (FY22: 95%) has been used for grants in the period. This rate is based on historical volatility over the last 3.25 years to 22 February 2023. For the 2022 grant, it was noted that the 3.25 year historical share price volatility includes the significant impact of Covid-19 on the Company's share price. In accordance with IFRS 2 it is appropriate to adjust historical volatility for one-off events and given the Company's volatility has reduced to a more stable level over the past two years, it was considered appropriate to use a lower adjusted volatility for the 2022 grant. The expected life is the average expected period to exercise. The risk-free rate of return is based on the implied yield available on zero-coupon government issues at the date of grant with a life equal to the expected term of the Options. The rate applied during the year was 3.44% per annum for a period of 3.25 years (FY22: 0.82%).

During the year ended 26 March 2022 the fair value of share options were estimated at the date of grant using a lattice-based option valuation model. The significant assumptions used in the valuation model are disclosed below:

FY22 Arrangement	Savings Related Share Option Scheme
Dates of current year grants	5 January 2022
Number of options granted	991,157
Exercise price	112.43
Contractual life (years)	3
Settlement	Share
Vesting period (years)	3
Dividend yield	Nil to 31 March 2023 and 10p per share pa thereafter
Risk free interest rate	0.82% pa
Share price volatility	90%pa
Share price at grant (pence)	158.2
Fair vale per option at grant date	101.0

There are no performance conditions attaching to the options. After the three or five-year term has expired, employees normally have six months in which to decide whether or not to exercise their options. A pre-vesting forfeiture/cancellation rate of 15%, reflecting leavers and withdrawals, has been assumed on new options granted in the year based on historic experience.

21 Share based payments continued

Reconciliation of option movements:

	2023		2022	
	Weighted average exercise price pence per share	Number of options '000	Weighted average exercise price pence per share	Number of options '000
Options outstanding at start of year	130.91	3,173	151.29	2,803
Granted	60.15	3,520	149.31	991
Forfeited/Cancelled	155.71	(1,942)	155.71	(475)
Exercised	111.38	–	111.38	(46)
Expired	409.64	(139)	409.64	(100)
Outstanding at end of year	130.91	4,612	130.91	3,173

The range of exercise prices for the share options outstanding at the end of the year is between 60.15p and 131.10p (FY22: between 108.55p and 403.46p).

The weighted average remaining contractual life of the outstanding share options is 2.20 years (FY22: 1.99 years).

During the period the weighted average share price on options exercised in the period was nil (FY22: 174.17p).

Market share purchase of shares by Trustee De La Rue Employee Share Ownership Trust

The De La Rue Employee Share Ownership Trust (Trust) is a separately administered trust established to administer shares granted to Executive Directors and senior employees under the various discretionary share option plans established by the Company. Liabilities of the Trust are guaranteed by the Company and the assets of the Trust mainly comprise shares in the Company. Equiom (Guernsey) Limited is the Trustee. The own shares held by the Trust are shown as a reduction in shareholders' funds. The shares will be held at historical rates until such time as they are disposed of. Any profit or loss on the disposal of own shares is treated as a movement in reserves rather than as an income statement item.

The Trustee held nil shares at 25 March 2023 (26 March 2022: nil).

22 Analysis of net debt

The analysis below provides a reconciliation between the opening and closing of the Group's net debt position (being the net of borrowings and cash and cash equivalents).

	Note	At 26 March 2022 £m	Cash flow £m	Foreign exchange and other £m	At 25 March 2023 £m
Borrowings	18	(95.7)	(27.0)	(0.7)	(123.4)
Cash and cash equivalents	15	24.3	15.6	0.4	40.3
Net debt		(71.4)	(11.4)	(0.3)	(83.1)

	Note	At 27 March 2021 £m	Cash flow £m	Foreign exchange and other £m	At 26 March 2022 £m
Borrowings	18	(78.0)	(17.0)	(0.7)	(95.7)
Cash and cash equivalents	15	25.7	(1.6)	0.2	24.3
Net debt		(52.3)	(18.6)	(0.5)	(71.4)

Net debt is presented excluding unamortised pre-paid borrowing fees of £5.0m (FY22: £3.1m) and £13.3m (FY22: £14.2m) 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 January 2025. 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 FY23, the Group reallocated £25.0m of the bond and guarantee component to the cash component such that at present, £175.0m in total is available on the RCF component, of which £122.0m was drawn as at 25 March 2023. A separate borrowing facility for financing equipment under construction is in place and at 25 March 2023 the amount outstanding on this facility is £0.7m.

As at 25 March 2023, the Group had a total of undrawn committed borrowing facilities, all maturing in more than one year, of £53.0m (26 March 2022: £55.0m, all maturing in more than one year).

23 Leases

Accounting policies

At the inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group accounts for identified leases in accordance with IFRS 16 ('Leases').

Management has made certain judgements on lease terms based on the Group's current expectations of whether break or renewal options will be taken. Judgements have also been made in estimating the incremental borrowing rates to use when discounting lease payments.

Leases are recognised on the balance sheet (unless they are low value or for a term of less than 12 months) with a right to use asset and corresponding lease liability being recorded at the date the lease asset is available for use.

The right to use asset is depreciated over the shorter of, the assets useful economic life and the lease term. Each lease payment is allocated between repayment of the lease liability and finance cost.

The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the remaining lease liability.

At commencement date of the lease, a lease liability is initially recognised on the balance sheet at the present value of future lease payments (including fixed payments and variable lease payments that depend upon an index) and any lease penalties payable on the early exit of a lease if management anticipates taking these, discounted using the incremental borrowing rate appropriate for that lease, absent of the interest rate implicit in the lease being available.

The right to use asset is initially measured at cost, being the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease and any initial direct costs and any restoration costs. Payments in respect of short-term leases (duration of less than 12 months) or low value leases continue to be charged to the income statement on a straight-line basis over the lease term. Right-of-use assets are tested for impairment when indicators of impairment exist.

The Group has lease contracts for various properties and ground leases in addition to other equipment used in its operations. Leases for property and ground leases range from 2 years to in excess of 100 years in certain cases. Leases for other equipment used in operations are typically for periods of 2 to 5 years. There are several lease contracts which include extensions and termination options and these are discussed below.

The Group also has certain leases that have terms of less than 12 months or lease or where equipment is of a low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions.

Right-of-use assets

Set out below are the carrying amounts of right-to-use assets recognised and the movement during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
At 27 March 2021	14.1	0.5	14.6
Additions – change in lease assessment	0.6	–	0.6
Depreciation expense	(2.2)	(0.1)	(2.3)
At 26 March 2022	**12.5**	**0.4**	**12.9**
Additions – change in lease assessment	1.0	0.4	1.4
Depreciation expense	(2.1)	(0.1)	(2.2)
At 25 March 2023	**11.4**	**0.7**	**12.1**

23 Leases continued

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movement during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
At 27 March 2021	(15.2)	(0.5)	(15.7)
Additions – change in lease assessment	(0.5)	–	(0.5)
Accretion of interest (note 6)	(0.6)	–	(0.6)
Lease payments[1]	2.7	0.1	2.8
Exchange differences	(0.2)	–	(0.2)
At 26 March 2022	**(13.8)**	**(0.4)**	**(14.2)**
Additions – change in lease assessment	(1.0)	(0.4)	(1.4)
Accretion of interest (note 6)	(0.5)	–	(0.5)
Lease payments[1]	2.8	0.1	2.9
Exchange differences	(0.1)	–	(0.1)
At 25 March 2023	**(12.6)**	**(0.7)**	**(13.3)**

	2023 £m	2022 £m
Included within:		
Current liabilities	(3.0)	(2.7)
Non-current liabilities	(10.3)	(11.5)
	(13.3)	(14.2)

Note:
1. Lease payments include principal of £2.4m (FY22: £2.2m) and interest of £0.5m (FY22: £0.6m).

The following amounts have been recognised in the income statement:

	2023 £m	2022 £m
Depreciation of right-of-use assets	(2.2)	(2.3)
Interest expense on lease liabilities (note 6)	(0.5)	(0.6)
Expense relating to short-term leases	(0.3)	(0.3)
Expenses relating to leases of low-value assets	(0.3)	(0.2)

The Group had total cash outflows for leases of £3.5m in FY23 (FY22: £3.3m), including amounts relating to principal payment £2.4m (FY22: £2.2m), interest payments of £0.5m (FY22: £0.6m) and short and low values assets £0.6m (FY22: £0.5m).

The Group also had non-cash additions to right-of-use assets £1.4m (FY22: £0.6m) and liabilities of £1.4m (FY22: £0.6m). At 25 March 2023, there are no leases entered into which have not yet commenced.

The Group has certain leases that include extension or termination options. Management exercises judgement in determining whether these extensions and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payment relating to the period following the exercise date of extension and termination options that are not included in the lease term:

	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	0.8	0.5	1.3
Termination options expected to be exercised	0.3	–	0.3

24 Retirement benefit obligations

Accounting policies

The Group operates retirement benefit schemes, devised in accordance with local conditions and practices in the country concerned, covering the majority of employees. The assets of the Group's schemes are generally held in separately administered trusts or are insured. The major schemes are defined benefit pension schemes with assets held separately from the Group. The cost of providing benefits under each scheme is determined using the projected unit credit actuarial valuation method. The major defined benefit pension scheme is based in the UK and is now closed to future accrual. The current service cost and gains and losses on settlements and curtailments are included in operating costs in the Group income statement. The interest income on the plan assets of funded defined benefit pension schemes and the imputed interest on pension scheme liabilities are disclosed as retirement benefit obligation net finance expense/income respectively in the income statement.

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

The net liability/surplus recognised in respect of defined benefit pension schemes is the present value of the defined benefit obligation less the fair value of the scheme assets, as determined by actuarial valuations carried out at the balance sheet date. Any net pension surplus is recognised at the lower of the net surplus in the defined benefit pension valuation under IAS 19 and the asset ceiling.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate. A trustee board has been appointed to operate the UK defined benefit scheme in accordance with its governing documents and pensions law. The scheme meets the legal requirement for member nominated trustee representation on the trustee board and a professional independent trustee has been appointed as chair of the Board. The trustee board undertakes regular training to ensure they are able to fulfil their function as a trustee and have appointed professional advisers to give them specialist expertise where required.

The Group has calculated the value of the minimum funding commitments to its schemes and determined that no additional liability under IFRIC 14 is required at 25 March 2023 as the Group has an unconditional right to any surplus. No significant judgements were involved in making this determination. The Group has recorded a net deficit on an IAS 19 basis within non-current liabilities on the balance sheet as at 25 March 2023. A deferred tax asset has been recognised on the pension deficit and was included within deferred tax assets as at 25 March 2023 (see note 18).

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

The £119.5m deficit is addressed by payments of £15m per annum (payable quarterly in arrears) under the Recovery Plan payable from the year ending 5 April 2022 until 31 March 2029. 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 24 May 2022, the Trustees of the Main Scheme entered into a partial pensioner buy-in contract (qualifying insurance policy) for a proportion of pension members. In return for a premium paid from the Scheme's assets, from the date of the buy-in, payments will be made to the Scheme that match the benefit payments to those Scheme members covered under the buy-in contract. The buy-in is considered to be a qualifying insurance policy. The premium paid to the insurer was £319.0m. As at 25 March 2023, the value of the buy-in contract was £220.6m. The impact of the partial pensioner buy-in has been recognised as a loss on the scheme assets.

In addition, during FY23, legal fees of £0.5m have been incurred in the rectification of certain discrepancies identified in the Scheme's rules (FY22: £0.4m) (note 5). This has no impact on the UK defined benefit pension liability.

24 Retirement benefit obligations continued

(a) Defined benefit pension schemes

Amounts recognised in the consolidated balance sheet:

	2023 £m	2022 £m
UK retirement benefit (deficit)/surplus	(53.1)	31.6
Overseas retirement liability	(1.6)	(1.8)
Retirement benefit (deficit)/surplus	(54.7)	29.8
Reported in:		
Non-current assets	–	31.6
Non-current liabilities	(54.7)	(1.8)
	(54.7)	29.8

	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Equities	3.2	–	3.2	56.3	–	56.3
Bonds	88.7	–	88.7	154.9	–	154.9
Secured/fixed income	133.0	–	133.0	456.2	–	456.2
Liability Driven Investment Fund	163.6	–	163.6	248.1	–	248.1
Multi Asset Credit	60.2	–	60.2	62.8	–	62.8
Qualifying insurance policy	220.6	–	220.6	–	–	–
Other	8.9	–	8.9	10.4	–	10.4
Fair value of scheme assets	678.2	–	678.2	988.7	–	988.7
Present value of funded obligations	(727.5)	–	(727.5)	(952.8)	–	(952.8)
Funded defined benefit pension schemes	(49.3)	–	(49.3)	35.9	–	35.9
Present value of unfunded obligations	(3.8)	(1.6)	(5.4)	(4.3)	(1.8)	(6.1)
Net (deficit)/surplus	(53.1)	(1.6)	(54.7)	31.6	(1.8)	29.8

Amounts recognised in the consolidated income statement:

	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Included in employee benefits expense:						
— Current service cost	–	–	–	–	–	–
— Administrative expenses and taxes	(1.6)	–	(1.6)	(1.8)	–	(1.8)
Included in interest on retirement benefit obligation net finance expense:					–	
— Interest income on scheme assets	27.6	–	27.56	20.2	–	20.2
— Interest cost on liabilities	(26.5)	–	(26.5)	(20.4)	–	(20.4)
Retirement benefit obligation net finance expense (note 6)	(1.1)	–	(1.1)	(0.2)	–	(0.2)
Total recognised in the consolidated income statement	(0.5)	–	(0.5)	(2.0)	–	(2.0)
Return on scheme assets excluding assumed interest income	(301.1)	0.4	(300.7)	(51.2)	–	(51.2)
Remeasurement gains/(losses) on defined benefit pension obligations	200.4	–	200.4	86.9	–	86.9
Amounts recognised in other comprehensive income	(100.7)	0.4	(100.3)	35.7	–	35.7

Major categories of scheme assets as a percentage of total scheme assets:

	2023 UK %	2023 Overseas %	2023 Total %	2022 UK %	2022 Overseas %	2022 Total %
Equities	1	–	1	6	–	6
Bonds	13	–	13	16	–	16
Secured/fixed income	20	–	20	46	–	46
Liability Driven Investment Fund	24	–	24	25	–	25
Multi Asset Credit	9	–	9	6	–	6
Qualifying insurance policy	32	–	32	–	–	–
Other	1	–	1	1	–	1
	100	–	100	100	–	100

The Liability Driven Investment ("LDI") fund consists of fixed interest and inflation linked bond holdings and interest, inflation, credit default and other swaps. Derivatives have been valued on a "mark to market basis".

The Multi Asset Credit Fund invests in a variety of debt instruments. Multi Asset Credit, Diversified Growth Funds, Secured income and LDI asset categories include certain assets which are not quoted in an active market and are stated at fair value estimates provided by the manager of the investment fund.

Debt securities (bonds) have quotes prices in active markets and equity instruments consist of private indices with underlying equities with quoted prices in active markets. Multi Asset Credit and LDI asset categories include certain assets which are not quoted in an active market and are stated at fair value estimates provided by the manager of the investment fund.

Other UK assets comprise of cash, interest rate swaps and floating rate notes.

Principal actuarial assumptions:

	2023 UK %	2023 Overseas %	2022 UK %	2022 Overseas %
Discount rate	4.70%	–	2.85%	–
CPI inflation rate	2.50%	–	3.10%	–
RPI inflation rate	3.00%	–	3.50%	–

The financial assumptions adopted as at 25 March 2023 reflect the duration of the scheme liabilities which has been estimated to be broadly 14 years (FY22: broadly 15 years).

At 25 March 2023 mortality assumptions were based on tables issued by Club Vita, with future improvements in line with the CMI model, CMI_2021 (FY22: CMI_2021) with a smoothing parameter of 7.5 and a long-term future improvement trend of 1.25% per annum (FY22: long-term rate of 1.25% per annum) and w2020 parameter of 20% (FY22: 5%). The resulting life expectancies within retirement are as follows:

		2023	2022
Aged 65 retiring immediately (current pensioner)	Male	21.8	22.0
	Female	23.9	24.0
Aged 50 retiring in 15 years (future pensioner)	Male	22.4	22.5
	Female	25.3	25.4

The defined benefit pension schemes expose the Group to the following main risks:

Mortality risk – An increase in the life expectancy of members will increase the liabilities of the schemes. The mortality assumptions are reviewed regularly and are considered appropriate.

Interest rate risk – A decrease in bond yields will increase the liabilities of the scheme. Liability driven investment strategies are used to hedge part of this risk.

Investment risk – The value of pension scheme assets vary with changes in interest rates, inflation expectations, credit spreads, exchange rates, and equity and property prices. There is a risk that asset returns are volatile and that the value of pension scheme assets may not move in line with changes in pension scheme liabilities. To mitigate against investment risk the pension scheme invests in derivatives which aim to hedge a proportion of the movements in assets and liabilities. The pension scheme invests in a wide range of assets to provide diversification in order to reduce the risk that a single investment or type of asset class could have a materially adverse impact on total scheme assets. The investment strategy and performance of investment funds are reviewed regularly to ensure the asset strategy of the pension schemes continues to be appropriate.

24 Retirement benefit obligations continued

Inflation risk – The liabilities of the scheme are linked to inflation. An increase in inflation will result in an increase in liabilities. There are caps in place for UK scheme benefits to mitigate the risk of extreme increases in inflation. Liability driven investment strategies are used to hedge part of this risk. Any increase in the retirement benefit obligation could lead to additional funding obligations in future years.

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

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

The liability sensitivities have been derived using the duration of the scheme based on the membership profile as at 5 April 2021 and assumptions chosen for the FY23 year end. The sensitivity analysis does not allow for changes in scheme membership since the 2021 actuarial valuation or the impact of the Scheme or Group's risk management activities in respect of interest rate and inflation risk on the valuation of the Scheme assets.

The largest defined benefit pension scheme operated by the Group is in the UK. Changes in the fair value of UK scheme assets:

UK Scheme assets	2023 £m	2022 £m
At 26 March 2022/27 March 2021	988.7	1,053.3
Assumed interest income on scheme assets	27.6	20.2
Scheme administration expenses	(1.6)	(1.8)
Return on scheme assets less interest income[1]	(301.1)	(51.2)
Employer contributions and other income	16.5	16.4
Benefits paid (including transfers)	(51.9)	(48.2)
At 25 March 2023/26 March 2022	678.2	988.7

Note:
1. The £16.5m of pension payments includes £15.0m payable under the Recovery Plan, agreed in May 2020, and a further £1.5m relating to payments made by the Group towards the administration costs of running the scheme, which were £1.6m in FY23.

Changes in the fair value of UK defined benefit pension obligations:

UK defined benefit pension obligations	2023 £m	2022 £m
At 27 March 2022/27 March 2020	(957.1)	(1,071.8)
Interest cost on liabilities	(26.5)	(20.4)
Effect of changes in financial assumptions	225.3	101.0
Effect of changes in demographic assumptions	3.0	(2.1)
Effect of experience items on liabilities	(27.9)	(12.0)
Benefits paid (including transfers)	51.9	48.2
At 25 March 2023/26 March 2022	(731.3)	(957.1)

(b) Defined contribution pension plans

The Group operates a number of defined contribution plans for which the charge in the consolidated income statement for the year was £4.1m (FY22: £4.1m).

25 Employee information

	2023 number	2022 number
Average number of employees		
United Kingdom and Ireland	935	985
Rest of Europe	557	558
The Americas	65	63
Rest of World	485	630
	2042	2,236

	2023 £m	2022 £m
Employee costs (including Directors' emoluments)		
Wages and salaries	80.8	83.5
Social security costs	7.7	7.8
Pension costs	4.6	4.5
	93.1	95.8
Share incentive schemes	0.6	1.3
Sharesave schemes	1.3	0.5
	95.0	97.6

More detailed information regarding the Directors' remuneration, shareholdings, pension entitlement, share options and other long term incentive plans is shown in the Directors' remuneration report on pages 102 to 127.

26 Capital and other commitments

	2023 £m	2022 £m
Capital and other expenditure contracted but not provided:		
Property, plant and equipment	16.4	10.6
Lease commitments	13.9	–
Other commitments	–	364.2
	30.3	374.8

Lease commitments relate to the factory site extension in Malta where the Company has signed a lease for the premises for an initial term of 20 years. The lease will be recognised when the building becomes available for use.

Other commitments in the table above in FY22 were amounts in relation to the sale of Portals De La Rue Limited to EPIRIS Fund II on 29 March 2018. As part of the transaction, Portals De La Rue Limited supplied paper to meet the Group's anticipated internal requirements with pre-agreed volumes and price mechanisms until March 2028. Based on the terms of the agreement the Group had other commitments of approximately £626.9m over 10 years from the date of sale. Management assessed that such supply arrangement all associated commitments form a single agreement for accounting purposes. The termination of the Relationship Agreement with Portals in the year resulted in these commitments being extinguished (note 5).

27 Contingent assets and liabilities

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

De la Rue has been made aware that the Central Bureau of Investigation in India (CBI-I) has launched an investigation into the conduct of Arvind Mayaram, the former Indian Finance Secretary, in which the historical activities of De La Rue in India prior to 2016 have been implicated. The Company has not received any official direct communication of this investigation from the CBI-I but has learned about it from publicly available sources. De La Rue has not served the Government of India or the Central Bank of India in any capacity since 2016. The Company believes that there is no merit to the allegations that relate to De La Rue and is seeking legal advice in this regard.

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, a provision may be required subject to the particular circumstances including an assessment of its recoverability.

28 Related party transactions

During the year the Group traded on an arm's length basis with the associated company Fidink (33.3% owned). The Group's trading activities with Fidink in the period comprise £22.2m (FY22: £20.3m) for the purchase of ink and other consumables on an arm's length basis. At the balance sheet date there was £1.7m (FY22: £4.6m) 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	2023 £'000	2022 £'000
Aggregate emoluments	1,595	2,097
Aggregate gains made on the exercise of share options	–	–
	1,595	2,097

Directors and Key management	2023 £m	2022 £m
Salaries and other short term employee benefits	2.1	2.7
Retirement benefits – Defined contribution	0.1	0.1
Termination benefits	0.2	–
Share-based payments	0.1	0.8
	2.5	3.6

Key management comprises members of the Board (including the fees of Non-executive Directors) and the Executive Leadership Team. Termination benefits include compensation for loss of office, ex gratia payments, redundancy payments, enhanced retirement benefits and any related benefits in kind connected with a person leaving office or employment.

29 Subsidiaries and associated companies as at 25 March 2023

A full list of subsidiary and associated undertakings is below. Unless otherwise stated all Group owned shares are ordinary.

Country of incorporation	Name and Registered Office address and operation	Activities	De La Rue interest %
Europe			
United Kingdom	DLR (No.1) Limited	Holding company	100
	DLR (No.2) Limited[1]	Holding company	100
	De La Rue Holdings Limited	Holding and general commercial activities	100
	De La Rue International Limited	Trading	100
	De La Rue Overseas Limited	Holding company	100
	De La Rue Finance Limited	Internal financing	100
	De La Rue Investments Limited	Holding company	100
	Portals Group Limited[2]	Holding company	100
	De La Rue Consulting Services Limited	Trading	100
	De La Rue Healthcare Trustee Limited	Dormant	100
	De La Rue Pension Trustee Limited	Dormant	100
	De La Rue Scandinavia Limited	Holding company	100
	Harrison & Sons Limited	Non-trading	100
	Portals Holdings Limited	Dormant	100
	Portals Property Limited	Trading	100
	De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS, United Kingdom		
Guernsey	The Burnhill Insurance Company Limited Level 5, Mill Court, La Charroterie, St Peter Port, GY1 1EJ, Guernsey	Insurance	100
	De La Rue (Guernsey) Limited PO Box 142, Suite 2, Block C, Hirzel Court, St Peter Port, GY1 3HT, Guernsey	Non-trading	100
Ireland	Thomas De La Rue and Company (Ireland) Limited Floor 3, Block 3, Miesian Plaza, Dublin 2, D02 Y754, Ireland	Dormant	100
Malta	De La Rue Currency and Security Print Limited B40/43 Industrial Estate, Bulebel, Zejtun, Malta	Trading	100
Netherlands	De La Rue BV Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands	Non-trading	100

Country of incorporation	Name and Registered Office address and operation	Activities	De La Rue interest %
Sweden	De La Rue (Sverige) AB Box 6343, 102 35 Stockholm, Sweden	Non-trading	100
Switzerland	Thomas De La Rue A.G. Rue de Morat 11, 1700 Fribourg, Switzerland	Holding company	100
North America			
USA	De La Rue North America Holdings Inc.[3]	Holding company	100
	De La Rue Authentication Solutions Inc. 1750 North 800 West, Logan, Utah 84321, USA	Trading	100
Canada	De La Rue Canada One Limited 1400-340 Albert Street, Ottawa, ON K1R 0A5, Canada	Trading	100
South America			
Brazil	De La Rue Cash Systems Industrias Limitada[4] Rua Boa Vista, 254, 13th Floor, Suite 40, Centro, Sao Paulo, State of Sao Paulo, 01014-907, Brazil	Non-trading	100
	De La Rue Cash Systems Limitada[4] Rua Boa Vista, 254, 13th Floor, Suite 41, Centro, Sao Paulo, State of Sao Paulo, 01014-907, Brazil	Trading	100
Africa			
Kenya	De La Rue Currency and Security Print Limited	Trading	100
	De La Rue Kenya EPZ Limited ABC Towers, 6th Floor, ABC Place, Waiyaki Way, Nairobi, Kenya	Trading	60
Nigeria	De La Rue Commercial Services Limited 7th Floor, Marble House, 1 Kingsway Road, Ikoyi, Lagos, Nigeria	Trading	100
Senegal	De La Rue West Africa SARL Ouakam, derrière l'hôpital, Lot No 43, Dakar, Senegal	Trading	100
South Africa	De La Rue Global Services (SA) (Pty) Limited Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg, 2196, South Africa	Non-trading	100
Ghana	De La Rue Buck Press LTD Buck Press Building, Accra-Nsawam Hwy, Accra, Ga West, Greater Accra, P.O. Box AN 12321, Accra GA/R, Ghana	Trading	49
Australia and Oceania			
Australia	De La Rue Australia Pty Limited Level 7, 151 Clarence Street, Sydney NSW 2000, Australia	Trading	100
Far East and Asia			
China	De La Rue Security Technology (Beijing) Co. Ltd Room 1-053, Building No.1, Yard 4, East Beitucheng Road, Chaoyang District, Beijing, PR, China	Trading	100
Hong Kong	Thomas De La Rue (Hong Kong) Limited Suite 1106-8, 11/F Tai Yau Building, No 181 Johnson Road, Wanchai, Hong Kong	Trading	100
Sri Lanka	De La Rue Lanka Currency and Security Print (Private) Limited Export Processing Zone, Biyagama, Malwana, Sri Lanka	Trading	60
India	De La Rue India Private Limited 312 Vardaan House, 7/28 Ansari Road, Darya Gank, Central Delhi, Delhi, 110002, India	Trading	100
Malaysia	De La Rue Asia Sdn. Bhd. No. 256B, Jalan Bandar 12, Taman Melawati, 53100 Kuala Lampur, Wilayah Persekutuan, Malaysia	Non-Trading	100
Qatar	De La Rue Doha LLC Desk BL24, 22nd Floor, Tornado Tower, Westbay, Doha, Qatar	Trading	100
Singapore	De La Rue Currency and Security Print Pte Ltd 80 Raffles Place, #32-01, UOB Plaza, 048624, Singapore	Non-trading	100
United Arab Emirates	De La Rue FZCO Dubai Airport Free Zone Authority, Building 6 West Wing A, Office #820, PO Box 371683, Dubai	Trading	100
Saudi Arabia	De La Rue Communication and Information Technology Co LLC Akaria Plaza, Gate "D", Level 6, Olaya Main St, Riyadh, 1148, Kingdom of Saudi Arabia	Trading	100
Associates			
Switzerland	Fidink S.A.	Trading	33

Notes:
1. Ordinary shares held directly by De La Rue plc.
2. Ordinary shares, cumulative preference shares and deferred shares.
3. Common stock.
4. Quotas.

30 Non-controlling interest

The Group has three subsidiaries with material non-controlling interests:

- De La Rue Buck Press Limited, whose country of incorporation is Ghana;
- De La Rue Lanka Currency and Security Print (Private) Limited, whose country of incorporation is Sri Lanka; and
- De La Rue Kenya EPZ Limited, whose country of incorporation and operation is Kenya.

The accumulated non-controlling interest of the subsidiary at the end of the reporting period is shown in the Group balance sheet. The following table summarises the key information relating to these subsidiaries, before intra-group eliminations.

	Ghana	Sri Lanka	Kenya[1]	Ghana	Sri Lanka	Kenya
Non-controlling interest percentage	51%	40%	40%	51%	40%	40%
	2023 £m	2023 £m	2023 £m	2022 £m	2022 £m	2022 £m
Non-current assets	–	7.7	0.2	–	9.4	5.8
Current assets	8.9	30.5	22.8	5.8	22.6	25.1
Non-current liabilities	–	(0.4)	–	–	(0.3)	(0.1)
Current liabilities	(5.7)	(10.6)	(13.7)	(5.1)	(3.8)	(14.2)
Net assets (100%)	3.2	27.2	9.3	0.7	27.9	16.6
	2023 £m	2023 £m	2023 £m	2022 £m	2022 £m	2022 £m
Revenue	13.8	35.0	16.8	14.3	34.4	30.5
Profit/(loss)for the year	2.2	1.2	(7.3)	0.3	3.0	2.2
Profit/(loss) allocated to non-controlling interest	1.1	0.5	(2.9)	0.2	1.1	0.9
Dividends declared by non-controlling interest	–	0.8	–	–	0.7	0.2
Cash flows from operating activities	2.9	8.9	0.8	(0.6)	(0.6)	0.9
Cash flows from investing activities	–	(0.2)	(0.3)	–	0.2	(0.3)
Cash flows from financing activities	–	(1.9)	(0.1)	0.3	(1.8)	(0.5)
Net (decrease)/increase in cash and cash equivalents	2.9	6.8	0.4	(0.3)	(2.2)	0.1

Notes:
1. In January 2023, the Group announced that it has suspended banknote printing operations Kenya. In addition, operations in Authentication division are also in the process of winding down (note 5).

31 Post balance sheet events

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

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

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

Company balance sheet
at 25 March 2023

	Notes	2023 £m	2022 £m
Fixed assets			
Investments in subsidiaries	3a	71.8	155.8
		71.8	155.8
Current assets			
Debtors: receivable within one year	4a	–	111.3
Cash at bank and in hand		1.0	0.9
		1.0	112.2
Creditors:			
Amounts falling due within one year	5a	(0.2)	(0.6)
		(0.2)	(0.6)
Net current assets		0.8	111.6
Total assets less current liabilities		72.6	267.4
Net assets		72.6	267.4
Capital and reserves			
Share capital	6a	88.8	88.8
Share premium account		42.2	42.2
Capital redemption reserve		5.9	5.9
Other reserve		–	51.9
Profit and loss account		(64.3)	78.6
Total shareholders' funds		72.6	267.4

The loss for the year of the Company was £197.1m (FY22: profit £1.3m).

Approved by the Board on 29 June 2023.

Clive Vacher
Chief Executive Officer

Rob Harding
Chief Financial Officer

Company statement of changes in equity for the period ended 25 March 2023

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Profit and loss account £m	Total equity £m
Balance at 27 March 2021	88.8	42.2	5.9	51.9	75.6	264.4
Profit for the financial year	–	–	–	–	1.3	1.3
Employee share scheme:						
– value of services provided	–	–	–	–	1.7	1.7
Balance at 26 March 2022	88.8	42.2	5.9	51.9	78.6	267.4
Loss for the financial year	–	–	–	–	(197.1)	(197.1)
Reclassification between reserves	–	–	–	(51.9)	51.9	–
Employee share scheme:						
– value of services provided	–	–	–	–	1.9	1.9
Other – unclaimed dividends	–	–	–	–	0.4	0.4
Balance at 25 March 2023	88.8	42.2	5.9	–	(64.3)	72.6

Share premium account

This reserve arises from the issuance of shares for consideration in excess of their nominal value.

Capital redemption reserve

This reserve represents the nominal value of shares redeemed by the Company.

Other reserve

On 1 February 2000, the Company issued and credited as fully paid 191,646,873 ordinary shares of 25p each and paid cash of £103.7m to acquire the issued share capital of De La Rue plc (now De La Rue Holdings Limited), following the approval of a High Court Scheme of Arrangement. In exchange for every 20 ordinary shares in De La Rue plc, shareholders received 17 ordinary shares plus 920p in cash. The other reserve of £83.8m arose as a result of this transaction and is a permanent adjustment to the consolidated financial statements.

On 17 June 2020 the Group announced that it would issue new ordinary shares via a "cash box" structure to raise gross proceeds of £100m, in order to provide the Company and its management with operational and financial flexibility to implement De La Rue's turnaround plan, which was first announced by the Company earlier in the year. The cashbox completed on 7 July 2020 and consisted of a firm placing and open offer. The Group issued 90.9m new ordinary shares each with a nominal value of $44^{152}/_{175}$p, 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 De La Rue plc where loaned via intercompany account to a subsidiary company to enable a substantial repayment of the RCF, the increase to other reserves of £51.9m was treated as an unrealised profit. In the current year the Group recorded an impairment of the intercompany loan. As a matter of generally accepted accounting practice, a profit previously regarded as unrealised becomes realised when there is a loss recognised on the write-down for depreciation, amortisation, diminution in value or impairment of the related asset. Therefore, on the basis, the £51.9m previously treated as unrealised within Other Reserves is now treated as a realised amount and has therefore been reclassified from "Other Reserves" to "Profit and Loss Account" as at 25 March 2023.

Accounting policies – Company

Basis of preparation

The financial statements of De La Rue plc (the Company) have been prepared in accordance with the revised Financial Reporting Standard 102. The presentation and functional currency of these financial statements is GBP.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In accordance with FRS 102, the Company meets the definition of a qualifying entity and has therefore taken advantage of the exemptions from the following disclosure requirements listed below:

- Disclosures in respect of transactions with wholly owned subsidiaries
- Cash Flow Statement and related notes
- Key Management Personnel compensation

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Share based payment – share based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash settled share-based payments, explanation of modifications to arrangements;
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1; and
- The Company proposes to continue to adopt FRS 102 with the above disclosure exemptions in its next financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Critical accounting estimates and judgement

Impairment of subsidiary

During the period, the Company booked an impairment in its subsidiary of £85.6m based on an equity valuation of £71.6m.

Management considers this appropriate given the significant reduction in the market capitalisation of the group to approximately £71m at 27 June 2023 versus approximate £214m market capitalisation as at 26 March 2022 given the resetting of market expectations on FY24 and revised outlook guidance.

Management has used the same valuation methodology as used in the prior period and prepared an updated impairment assessment based on Group's latest approved budgets and longer-term cashflows as used in its Viability Statement and Going Concern modelling. Management has also used an updated post-tax discount rate of 12.3% (which was applied to the post-tax cashflow) which management considers to be appropriate. Management determined that the impact of using pre-tax cashflows as a pre-tax discount rate, would not be material.

The Directors consider the 3% terminal growth rate reasonable, as encouraging signs of recovery are being seen in Currency. In addition, continued growth in Authentication is expected at a rate that supports a terminal growth rate of 3%. The Directors also consider that a 3% terminal growth rate can be supported by the ability to maintain operating margins in later years. The combination of these factors led the Directors to be comfortable with a 3% terminal growth rate.

Management applied the following sensitivities, based on reasonably possible change in assumptions:

The Directors noted that a reduction in the discount rate by 1% (from 12.3%) would have increased the equity valuation to £99.5m, increasing the headroom vs the revised investment carrying value of £71.6m by £27.8m.

The Directors noted that decreasing the terminal rate from 3% to 2% would have reduced the equity valuation to £46.8m, reducing the headroom versus the revised investment carrying value of £71.6m by £24.9m.

The accounts have been prepared as at 25 March 2023, being the last Saturday in March. The comparatives for the 2020/21 financial period are for the period ended 26 March 2022.

Other than as described below, the following accounting policies have been applied consistently to all periods presented in these financial statements as at, and for the period ended, 26 March 2022, apart from standards, amendments to or interpretations of published standards adopted during the year.

Measurement convention

The financial statements are prepared on the historical cost basis.

Foreign currencies

Amounts receivable from overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the appropriate period end rates of exchange. Exchange gains and losses on translating foreign currency amounts are included within the interest section of the profit and loss account except for exchange gains and losses associated with hedging loans that are taken to reserves.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. Such exchange differences are taken to the profit and loss account.

Dividends

Under FRS 102, final ordinary dividends payable to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim ordinary dividends are recognised in the period that they are paid.

Investments in subsidiaries

These are separate financial statements of the Company. In the transition to FRS 102 the Company took the first-time adoption exemption for separate financial instruments and as such the carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at transition date, 30 March 2014.

Employee benefits

Defined benefit plans

The pension rights of the Company's employees are dealt with through a self-administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme and is largely closed to future accrual. The Group agrees deficit funding with the scheme Trustees and Pension Regulator. The Company is a participating employer but the Group has adopted a policy whereby the scheme funding and deficit are recorded in the main UK trading subsidiary of the Company, De La Rue International Limited, which pays all contributions to the scheme and hence these are not shown in the Company accounts. Full details of the scheme can be found in note 24 to the consolidated financial statements.

Share-based payment transactions

Full details of the share-based payments Schemes operated by the Group are found in note 21 to the consolidated financial statements.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the accounts – Company

1a Employee costs and numbers

Employee costs are borne by De La Rue Holdings Limited. For details of Directors' remuneration, refer to disclosures in the Directors' remuneration report on pages 102 to 127.

	2023 number	2022 number
Average employee numbers	3	3

2a Auditor's remuneration

Auditor's remuneration is borne by De La Rue Holdings Limited. For details of auditor's remuneration, see note 4 to the consolidated financial statements.

3a Investments

Investments are stated at deemed cost in the balance sheet, less provision for impairment.

	2023 £m	2022 £m
Investments comprise:		
Investments in subsidiaries	71.8	155.8
Cost at 27 March 2022 and 26 March 2021	155.8	154.5
Additions	1.6	1.3
Impairment	(85.6)	–
Cost at 25 March 2023 and 26 March 2022	71.8	155.8

Where the Company grants share options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

For further details on the impairment, see the 'Critical accounting estimates and judgements' section on page 207 of Accounting Policies.

For details of investments in Group companies, refer to the list of subsidiary and associated undertakings on pages 202 to 203.

4a Debtors

Other receivables are measured at amortised cost, which approximates to fair value. Trade and other receivables are discounted when the time value of money is considered material. The amounts owed by Group undertakings are repayable on demand but are not expected to be realised within 12 months.

	2023 £m	2022 £m
Amounts due within one year		
Amounts owed by Group undertakings	–	111.3

During the year an impairment charge of £113.9m (FY22: £nil) was recorded against amounts owed to Group undertakings.

5a Other creditors

	2023 £m	2022 £m
Amounts falling due within one year		
Accruals and deferred income	0.2	0.6
Other creditors	0.2	0.6

6a Share capital

For details of share capital, see note 20 to the consolidated financial statements.

7a Share based payments

The Company operates various equity and cash settled option schemes although the majority of plans are settled by the issue of shares. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' funds, on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. FRS 102 has been applied to share settled share options granted after 7 November 2002.

Where the Company grants options over its own shares to the employees of its subsidiary undertakings these awards are accounted for by the Company, as an additional investment in its subsidiary. The costs are determined in accordance with FRS 102. Any payments made by the subsidiary undertaking in respect of these arrangements are treated as a return of this investment.

For details of share-based payments, see note 21 to the consolidated financial statements and the Directors' remuneration report on pages 102 to 127.

8a Related party transactions

The Company has no transactions with or amounts due to or from subsidiary undertakings that are not 100% owned either directly by the Company or by its subsidiaries. For details of key management compensation, see note 28 to the consolidated financial statements.

Non-IFRS measures

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of 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 excluded "pass-through" revenue relating to non-novated contracts following the paper and international identity solutions business sales. There has been no "pass-through" revenue in FY23 or FY22 and therefore this non-IFRS is no longer used by the Group.

B *Adjusted operating profit*

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

	2023 £m	2022 £m
Operating (loss)/profit from continuing operations on an IFRS basis	(20.3)	29.7
Amortisation of acquired intangible assets	1.0	1.0
Exceptional items	47.1	5.7
Adjusted operating profit from continuing operations	27.8	36.4

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.

	2023 £m	2022 £m
(Loss)/Profit attributable to equity shareholders of the Company	(55.9)	21.5
Exclude: discontinued operations	–	(0.8)
(Loss)/Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	(55.9)	20.7
Amortisation of acquired intangible assets	1.0	1.0
Exceptional items	47.1	5.7
Tax on amortisation of acquired intangible assets	(0.3)	(0.3)
Tax on exceptional items	5.1	(1.8)
Adjusted (loss)/profit attributable to equity shareholders of the Company from continuing operations	(3.0)	25.3
Weighted average number of ordinary shares for basic earnings	195.4	195.2

Continuing operations	2023 pence per share	2022 pence per share
Basic earnings per ordinary share on an IFRS basis	(28.6)	10.6
Basic adjusted earnings per ordinary share	(1.5)	13.0

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 EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £349.7m (FY22: £375.1m). The covenant test (note 14(b)) uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	2023 £m	2022 £m
(Loss)/Profit for the year	(57.2)	23.7
Add back:		
Profit on discontinued operations	–	(0.8)
Taxation	27.6	1.3
Net finance expenses	9.3	5.5
(Loss)/Profit before interest and taxation from continuing operations	(20.3)	29.7
Add back:		
Depreciation of property, plant and equipment	12.5	12.0
Depreciation of right-of-use assets	2.2	2.3
Amortisation of intangible assets	5.3	4.3
EBITDA	(0.3)	48.3
Exceptional items	47.1	5.7
Adjusted EBITDA	46.8	54.0

Revenue £m	349.7	375.1
EBITDA margin	(0.1)%	12.9%
Adjusted EBITDA margin	13.4%	14.4%

The adjusted EBITDA split by division was as follows:

FY23	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(24.8)	5.4	(0.2)	(0.7)	(20.3)
Add back:					
Net exceptional items	38.4	7.9	0.1	0.7	47.1
Depreciation of property, plant and equipment and right-of-use assets	11.1	2.5	0.1	1.0	14.7
Amortisation of intangible assets	1.3	3.4	–	(0.6)	5.3
Adjusted EBITDA	26.0	19.2	–	1.6	46.8

FY22	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	15.0	15.1	0.6	(1.0)	29.7
Add back:					
Net exceptional items	4.5	0.2	–	1.0	5.7
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
Adjusted EBITDA	31.5	20.1	0.6	1.8	46.8

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.

FY23	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(24.8)	5.4	(0.2)	(0.7)	(20.3)
Amortisation of acquired intangibles	–	1.0	–	–	1.0
Net exceptional items	38.4	7.9	0.1	0.7	47.1
Adjusted operating profit (note 1)	13.6	14.3	(0.1)	–	27.8
Enabling function overheads	24.0	8.7	–	(32.7)	–
Adjusted controllable operating profit/(loss)	37.6	23.0	(0.1)	(32.7)	27.8

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 (note 1)	19.5	16.3	0.6	–	36.4
Enabling function overheads	23.0	7.4	–	(30.4)	–
Adjusted controllable operating profit/(loss)	42.5	23.7	0.6	(30.4)	36.4

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 was still applicable to PSP share awards which vested between 2021 and 2022, with the last vesting date was in July 2022. This non-IFRS measure is no longer used by the Group.

	2022 £m
Property, plant and equipment	102.7
Intangible assets	37.5
Right-of-use assets	12.9
Other financial assets	7.4
Inventories	50.1
Trade and other receivables	89.0
Contract assets	8.0
Derivative financial assets	3.4
Trade and other payables	(80.0)
Derivative financial liabilities	(4.8)
Capital Employed	226.2
ROCE = Adjusted operating profit/Average Capital Employed	
Adjusted operating profit	36.4
Capital Employed – current year	226.2
Capital Employed – prior year	202.5
Average Capital Employed	214.3
ROCE	17.0%

Five-year record

Income Statement

	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
Revenue	564.8	472.1	397.4	375.1	349.7
Adjusted operating profit	60.1	23.7	38.1	36.4	27.8
– Amortisation of acquired intangible assets	(0.7)	(0.9)	(1.0)	(1.0)	(1.0)
– Net exceptional items	(27.9)	20.0	(22.6)	(5.7)	(47.1)
Operating profit/(loss)	31.5	42.8	14.5	29.7	(20.3)
Interest income	0.6	1.0	0.8	0.9	1.2
Interest expense	(4.5)	(6.1)	(7.1)	(6.2)	(11.6)
Retirement benefit obligation net finance expense/income	(2.1)	(1.6)	1.7	(0.2)	1.1
Profit/(loss) before taxation from continuing operations	25.5	36.1	9.9	24.2	(29.6)
Taxation	(4.8)	–	(1.4)	(1.3)	(27.6)
Profit/(loss) after taxation from continuing operations	20.7	36.1	8.5	22.9	(57.2)
(Loss)/profit from discontinued operations	(2.4)	(0.3)	(0.4)	0.8	–
Profit/(loss) for the year	18.3	35.8	8.1	23.7	(57.2)
Equity non-controlling interests	(1.3)	(1.7)	(2.2)	(2.2)	1.3
Profit for the year attributable to equity shareholders	17.0	34.1	5.9	21.5	(55.9)
Dividends	25.7	–	–	–	–
Dividends per ordinary share	25.0p	n/a	n/a	n/a	n/a
Earnings per share ('EPS')					
Basic EPS – continuing operations	18.8	30.3	3.7	10.6	(28.6)
Basic EPS – discontinued operations	(2.3)	(0.3)	(0.3)	0.4	–
Diluted EPS – continuing operations	18.8	30.2	3.7	10.5	(28.6)
Diluted EPS – discontinued operations	(2.3)	(0.3)	(0.3)	0.4	–
Adjusted basic EPS – continuing operations	42.9	11.1	14.7	13.0	(1.5)

Balance sheet

	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
Non-current assets	174.2	233.2	175.5	203.4	166.8
Net current (liabilities)/assets[1]	(13.0)	(19.2)	21.3	43.5	15.3
Net debt	(107.5)	(102.8)	(52.3)	(71.4)	(83.1)
Non-current liabilities[1]	(82.9)	(22.8)	(33.1)	(13.7)	(64.0)
Equity non-controlling interests	(9.9)	(15.5)	(16.4)	(18.0)	(15.9)
Total equity attributable to shareholders of the Company	(39.1)	72.9	95.0	143.8	19.1

Note:
1. Excludes amounts included in net debt (note 22).

Shareholder information

Warning to shareholders – investment fraud

We are aware that some of our shareholders have received unsolicited telephone calls or correspondence offering to buy or sell their shares on very favourable terms. The callers can be very persuasive and extremely persistent and often have professional-looking websites and telephone numbers to support their activities. These callers will sometimes imply a connection to De La Rue and provide incorrect or misleading information. This type of call should be treated as an investment scam – the safest thing to do is hang up and ignore any written communications.

You should always check that any firm calling you about potential investment opportunities is properly authorised and regulated by the FCA. If you deal with an unauthorised firm, you will not be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website www.fca.org.uk/consumers, or by calling the FCA's helpline on 0800 111 6768.

If you have already paid money to share fraudsters contact Action Fraud immediately on 0300 123 2040 or through their website, www.actionfraud.police.uk.

Registered Office and Company Secretary

De La Rue House,
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De La Rue plc is registered in England & Wales with company number: 3834125

Company Secretary: Jon Messent

E-mail: companysecretarial@delarue.com

Website

There is a wide range of information on the Group and its business available on the Company's website www.delarue.com, including:

- Information on our businesses – Authentication and Currency
- Our priorities and activities in the areas of Responsible Business, including Environmental, Social and Governance (ESG) matters
- Share price information
- Shareholder services information
- Financial information – annual and interim reports, financial news and presentations
- Regulatory news and press releases, including an archive
- A Q&A facility for the 2023 AGM

Registrar

Computershare Investor Services PLC,
The Pavilions,
Bridgwater Road,
Bristol BS99 6ZZ

Telephone: +44 (0)370 703 6375

Shareholder enquiries

Enquiries regarding shareholdings or dividends should, in the first instance, be addressed to Computershare. Details of your shareholding(s) and how to make amendments to personal details can be viewed online at www.investorcentre.co.uk

Shareholder helpline telephone:
+44 (0)370 703 6375

Electronic shareholder communications

Shareholders can register online at www.investorcentre.co.uk/ecomms to receive statutory communications electronically rather than through the post. Shareholders who choose this option will receive an email notification each time the Group publishes new shareholder documents on its website.

Shareholders will need to have their shareholder reference number (SRN) available when they first log in. This 11 character number (which starts with the letter C or G) can be found on share certificates and dividend tax confirmations. Shareholders who subscribe for electronic communications can revert to postal communications or request a paper copy of any shareholder document at any time in the future.

Consolidation of shares

Where registered shareholdings are represented by several individual share certificates, shareholders may wish to have these replaced by one consolidated certificate.

The Company will meet the cost for this service. Share certificates should be sent to the Company's registrar together with a letter of instruction.

Annual General Meeting

The AGM will be held at 10:00am on 7 September 2023 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS.

Further information is also available on the Group's website, www.delarue.com, where there is a page containing a range of materials relating to the 2023 AGM.

Electronic voting

All shareholders can submit proxies for the AGM electronically by logging onto Computershare's website at www.investorcentre.co.uk/eproxy

Share dealing facilities

Computershare, the Company's registrar, provides a simple way to sell or purchase De La Rue plc shares. For further information please visit their website, www.computershare.com/dealingUK or telephone +44 (0)370 703 0084 between 08:00 and 16:30 (UK time) on Monday to Friday, excluding UK bank holidays.

Services include online, postal and telephone dealing, on either a certificated or uncertificated basis. Fees apply and are explained on Computershare's share dealing website, www.computershare.com/dealingUK.

Capital gains tax

March 1982 valuation

The price per share on 31 March 1982 was 617.5p.

Shareholders are advised to refer to their brokers/financial advisers for detailed advice on individual capital gains tax calculations.

Cautionary note regarding forward-looking statements

Certain statements contained in this document relate to the future and constitute 'forward-looking statements'. These forward-looking statements include all matters that are not historical facts. In some case, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", "could", "shall", "risk", "aims", "predicts", "continues", "assumes", "positioned" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the Group's control, and which may cause the Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry and business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue in the future. Accordingly, readers of this documents are cautioned not to place undue reliance on these forward-looking statements.

Other than as required by English law, none of the Company, its Directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur, in part or in whole. Additionally, statements of the intentions of the Board and/or Directors reflect the present intentions of the Board and/or Directors, respectively, as at the date of this document, and may be subject to change as the composition of the Company's Board of Directors alters, or as circumstances require.

The forward-looking statements contained in this document speak only as at the date of this document. Except as required by the UK's Financial Conduct Authority, the London Stock Exchange or applicable law (including as may be required by the UK Listing Rules and/or the Disclosure Guidance and Transparency Rules), De La Rue expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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