DeLaRue

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated by the Market Abuse Regulation (EU) No.596/2014, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"). Upon the publication of this announcement, this inside information is now considered to be in the public domain

29 June 2023

De La Rue plc

FY23 full year results and reiteration of FY24 outlook

De La Rue plc (LSE: DLAR) ("De La Rue", the "Group" or the "Company") announces its full year results for the year ended 25 March 2023 (the "period", "FY23" or "full year"). The comparative period was the 12 months ended 26 March 2022 ("FY22"). In addition, the Company provides an update on current trading and outlook for FY24.

Key Highlights

- Revenue for FY23 of £349.7m (FY22: £375.1m)
- Adjusted operating profit of £27.8m (FY22: £36.4m), in line with guidance provided in April
- IFRS operating loss-for continuing operations of £29.6m (FY22 profit of £24.2m), reflecting exceptional charges of £47.1m (FY22: £5.7m), of which £29.7m are non-cash charges.
- FY23 end-of-year net debt at £83.1m; in line with expectations (£88-92m) after early-April final Portals exit payment
- FY23 net operating cash inflow increased 44% to £23.8m (FY22: £16.5m).
- Market activity in Currency is showing encouraging signs of recovery, with strong bid activity, a positive win rate, and the significant majority of FY24 banknote print volume already under confirmed award
- Authentication on track to exceed £100m in revenue for FY24, demonstrating good growth versus FY23 (£91.7m)
- As a result, the Company reiterates its guidance for FY24 adjusted operating profit in the low £20m range, albeit with H1 trading expected to be broadly break-even at adjusted operating profit level, due to timing of Currency recovery
- Net debt expected to be around £100m by year end and half year
- Successfully renegotiated the Company's facilities with its lenders, leading to a significant relaxation of both interest cover and gearing covenant ratios, and the addition of a liquidity measure
- Agreement reached with the Pension Trustee to defer £18.75m of deficit repair contributions originally due over the 15 months from April 2023, with the substantive majority (£16.25m-£17.5m) deferred to the FY26-FY29 timeframe. This significantly improves the cash position for the Company over the next few years
- No 'material uncertainty' with respect to going concern in the accounts

Clive Vacher, CEO of De La Rue commented:

"Following a significant downturn in Currency demand over the past 18 months, we have witnessed encouraging signs of recovery with strong bid activity, a positive win rate, and the significant majority of FY24 banknote print volume already contracted.

"In addition, Authentication is on track for significant revenue growth in the current financial year.

"The actions we have taken over the past few months have built on the essential operational improvements made in the last three years and played a vital role in stabilising the Company. These include renegotiating terms with our lenders, leading to covenant relaxation, and agreeing a substantial deferral to our pension deficit repair contributions.

"Importantly, there is now no 'material uncertainty' with respect to De La Rue's continuation as a going concern in the FY23 full-year accounts. This gives us a stable platform for future trading.

"Together with my management team, I will continue the development of De La Rue and further strengthen the market position of the Company."

Clive Whiley, Chairman of De La Rue added:

"Since I joined the Board and took office as Chairman on 18 May 2023, I have immersed myself in the business and have a clear understanding of the principal challenges facing the Company. My background gives me unique experience in managing companies through existential crises and it is my conviction that the fundamentals of De La Rue's business remain sound.

"We are approaching the challenges facing the Company with vigour and I am confident that today's announcement, which highlights support from our core lenders, pension trustees and other stakeholders will enable a focus upon the significant market opportunities from a stable platform.

"Whilst we are operating in volatile times, with rapid and significant changes in the business environment and the markets in which we compete, I have been impressed by the commitment of our people which will be critical as we reposition ourselves for future growth."

Financial summary

	FY23 £m	FY22 £m	Change %
Revenue	**349.7**	375.1	-6.8
Authentication	**91.7**	90.3	+1.6
Currency	**254.6**	280.9	-9.4
Identity Solutions	**3.4**	3.9	-12.8
Adjusted operating profit*1	**27.8**	36.4	-23.6
IFRS operating (loss)/ profit- continuing operations	**(20.3)**	29.7	n/a
IFRS (loss)/profit before tax- continuing operations	**(29.6)**	24.2	n/a
Adjusted basic EPS*2 (p)	**(1.5)**	13.0p	n/a
IFRS basic EPS (p)	**(28.6)p**	10.6p	n/a

	FY23 £m	FY22 £m	Change %
Net debt3	**83.1**	71.4	+16.4

- Adjusted operating profit of £27.8m (FY22: £36.4m) reduced year on year due to weak market demand in Currency and lower global PC sales affecting Brand sales within Authentication.
- Authentication:
  - Revenue rose modestly, benefitting from:
    - Government Revenue Solutions ("GRS") coming on stream in Bahrain, Qatar and Oman.
    - A full year of contribution from polycarbonate data pages manufactured for the new Australian passport.
  - Offsetting this were:
    - Lower PC sales globally, impacting sales to Microsoft.
    - The end of the HMRC contract and a falling away of Covid vaccine brand protection seals.
- Currency: saw a 9.4% decrease in revenue. This was the result of an industry-wide downturn in activity as Central Banks used stocks built up during the Covid pandemic. Market recovery was also delayed, due to the global economic downturn and lower access to foreign exchange reserves and devaluation of currencies in some core markets. As we ended the year, the market has shown some encouraging signs of recovery.
- Strong supply chain management mitigated much of the cost risks identified at the beginning of the year:
  - Tenders undertaken since the termination of the agreement with Portals for paper supply have validated that the anticipated cost savings can be achieved
- Pre-tax exceptional charges of £47.1m (FY22: £5.7m) included:
  - £17.0m (FY22: £nil) terminating the long-term supply agreement with Portals Paper
  - £12.6m (FY22: £nil) redundancy charges and asset impairments associated with the wind down of activity in Kenya
  - £8.5m (FY22: £1.8m) of other site relocation and restructuring costs

    - £8.5m (FY22: £3.1m) non-cash charge, recognising credit loss provision on securities held in the Portals group
- Of £47.1m of FY23 pre-tax exceptional charges:
    - £17.4m were paid in FY23
    - £9.4m are due to be paid in FY24
    - £20.3m relate to non-cash asset impairments
- Net debt of £83.1m (FY22: £71.4m) favourable to guidance, as final payment for Portals termination was paid in April.
    - In line with guidance, once this payment is taken into account.
- Operating activities provided £24.8m of net cash inflow (FY22: £18.3m net inflow).

In these results, we report on the financial performance of the Authentication and Currency divisions, together with the legacy activity of the Identity Solutions division. To provide insight into the underlying performance of our business, we have reported revenue, gross margin and operating loss on an IFRS and an adjusted basis for the Group. We have also reported gross profit, adjusted operating profit and adjusted controllable operating profit for the divisions. The Non-IFRS financial measures section of this statement provides definitions of these Non-IFRS financial measures and their reconciliation to the equivalent IFRS measure.

Footnotes:
* These are non-IFRS measures. The definition and reconciliation of adjusted operating profit and adjusted basic EPS can be found in the Non-IFRS financial measures section of this Full Year Results announcement.
1. Adjusted operating profit excludes pre-tax exceptional items of £47.1m (FY22: £5.7m) and pre-tax amortisation of acquired intangible assets £1.0m (FY22: £1.0m).
2. Adjusted basic EPS excludes post-tax exceptional items of £52.2m (FY 22: £3.9m) and post-tax amortisation of acquired intangible assets £0.7m (FY22: £0.7m).
3. The definition of net debt can be found in note 9 to the financial statements.

The person responsible for the release of this announcement on behalf of De La Rue for the purposes of MAR is Jon Messent (Company Secretary).

Enquiries

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A briefing to analysts will take place at 9:00 am on 29 June 2023, which is accessible via webcast on www.delarue.com.

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

About De La Rue

De La Rue plc's purpose is to secure trust between people, businesses and governments. As a trusted partner of governments, central banks and commercial organisations seeking to secure their global supply chains and cash cycles, De La Rue provides highly secure physical and digital solutions that underpin the integrity of economies and trade.

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.

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.

At 25 March 2023, De La Rue had over 1,800 employees who work with organisations in more than 140 countries, leveraging the Group's manufacturing facilities in the UK, USA, Malta and Sri Lanka.

De La Rue's shares are traded on the London Stock Exchange (LSE:DLAR). De La Rue plc's LEI code is 213800DH741LZWIJXP78. For further information please visit www.delarue.com.

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.

CEO review

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 the current year (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 350bp over the course of FY23 and, with inflation still at high levels, the prospect of further increases 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 of this statement.

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

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 sum 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 in the Basis of Preparation set out below.

Divisional performance

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

Authentication

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 data pages 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 ('GCC') 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 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 data pages 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 data pages 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.

Currency

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 5.3% 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 £153.6m (25 March 2022: £170.8m) and the 12-month order book at £136.3m (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 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 1 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.

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 data pages 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

Financial review

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

	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

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 benefited 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-19 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.

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 slightly, 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

	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

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. We believe much of this is linked to banknote inventory movements by central banks following the Covid-19 pandemic. Volumes of banknotes in circulation continue to increase.

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 12-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 the 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).

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 £0.1m (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 maybe 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 as noted above and explained in the first half results.

– £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 programmes 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 in 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 (FY22: £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 borrowing (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 increased 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 was £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 was £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 sum 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

DIRECTORS' REPORT

Principal risks and uncertainties

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

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

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

- bribery and corruption;
- quality management and delivery failure;
- macroeconomic and geopolitical environment;
- loss of key site or process;
- sustainability and climate change;
- loss of key talent;
- breach of information security;
- supply chain failure;
- breach of security – product security;
- failure of a key supplier to deliver;
- sanctions; and
- banking facilities.

Full details of the above risk will be included in the FY23 Annual Report and Accounts.

Going Concern

Please refer to the financial statements section "2. Basis of preparation and accounting policies.

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.

Related Party Transactions

Details of the related party transactions that have taken place in the year are provided in note 28 to the Financial Statements. None of these have materially affected the financial position or the performance of the Group during that period, and there have been no changes during FY23 in the related party transactions described in the FY22 annual report that could materially affect the financial position or performance of the Group.

Statement of Directors' responsibilities

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

- The preliminary financial information, which has been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company on a consolidated and individual basis; and

- The preliminary announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks that it faces.

The Board of Directors of De La Rue plc at 26 March 2022 and their respective responsibilities can be found on pages 52 and 53 of the De La Rue plc Annual Report 2022. There have been the following changes since that date:

- Resignation of Maria de Cunha
- Resignation of Kevin Loosemore
- Resignation of Catherine Ashton
- Appointment of Mark Hoad
- Appointment of Clive Whiley
- Appointment of Dean Moore

For and on behalf of the Board

Clive Whiley

Chairman

Consolidated income statement – for the period ended 25 March 2023

	Notes	2023 £m	2022 £m
Revenue from customer contracts	**3**	**349.7**	375.1
Cost of sales		**(257.6)**	(277.5)
Gross Profit		**92.1**	97.6
Adjusted operating expenses		**(64.3)**	(61.2)
Adjusted operating profit		**27.8**	36.4
Adjusted Items[1]:			
Amortisation of acquired intangibles		**(1.0)**	(1.0)
Net exceptional items – expected credit loss	**4**	**(8.5)**	(3.1)
Net exceptional items - other	**4**	**(38.6)**	(2.6)
Net exceptional items - Total	**4**	**(47.1)**	(5.7)
Operating (loss)/profit		**(20.3)**	29.7
Interest income		**1.2**	0.9
Interest expense		**(11.6)**	(6.2)
Net retirement benefit obligation finance income/(expense)		**1.1**	(0.2)
Net finance expense		**(9.3)**	(5.5)
(Loss)/Profit before taxation from continuing operations		**(29.6)**	24.2
Taxation	**5**	**(27.6)**	(1.3)
(Loss)/Profit for the year from continuing operations		**(57.2)**	22.9
Profit from discontinued operations		**-**	0.8
(Loss)/Profit for the year		**(57.2)**	23.7
Attributable to:			
Owners of the parent		**(55.9)**	21.5
Non-controlling interests	**13**	**(1.3)**	2.2
(Loss)/Profit for the year		**(57.2)**	23.7
Earnings per ordinary share			
Basic	**6**		
Basic EPS continuing operations		**(28.6)p**	10.6p
Basic EPS discontinued operations		**-**	0.4p
Total Basic EPS		**(28.6)p**	11.0p
Diluted	**6**		
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 4 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	10	**(100.3)**	35.7
Tax related to remeasurement of net defined benefit liability		**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		**(1.0)**	(0.6)
Change in fair value of cash flow hedges transferred to profit or loss		**1.7**	0.8
Tax related to cash flow hedge movements		**(0.1)**	0.1
Tax related to components of other comprehensive income		**(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		**97.1**	102.7
Intangible assets		**39.3**	37.5
Right-of-use assets		**12.1**	12.9
Long-term pension assets	**10**	**-**	31.6
Other financial assets	**7**	**-**	7.4
Deferred tax assets		**18.3**	11.2
Derivative financial assets		**-**	0.1
		166.8	203.4
Current assets			
Inventories		**49.3**	50.1
Trade and other receivables		**70.7**	89.0
Contract assets		**18.9**	8.0
Current tax assets		**0.2**	0.4
Derivative financial assets		**2.4**	3.3
Cash and cash equivalents	**9**	**40.3**	24.3
		181.8	175.1
Total assets		**348.6**	378.5
LIABILITIES			
Current liabilities			
Trade and other payables		**(92.1)**	(80.0)
Current tax liabilities		**(23.2)**	(13.9)
Derivative financial liabilities		**(1.9)**	(4.8)
Lease liabilities		**(3.0)**	(2.7)
Provisions for liabilities and charges		**(6.0)**	(5.9)
		(126.2)	(107.3)
Non-current liabilities			
Borrowings	**9**	**(118.4)**	(92.6)
Retirement benefit obligations	**10**	**(54.7)**	(1.8)
Deferred tax liabilities		**(2.8)**	(2.4)
Lease liabilities		**(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

Consolidated balance sheet
at 25 March 2023

	Notes	**2023 £m**	2022 £m
EQUITY			
Share capital		**88.8**	88.8
Share premium account		**42.2**	42.2
Capital redemption reserve		**5.9**	5.9
Hedge reserve		**0.1**	(0.5)
Cumulative translation adjustment		**9.2**	4.2
Other reserve		**(83.8)**	(31.9)
Retained earnings		**(43.3)**	35.1
Total equity attributable to shareholders of the Company		**19.1**	143.8
Non-controlling interests	**13**	**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	Other reserve £m	Retained earnings £m	Non-controlling Interests £m	Total equity £m
	Attributable to equity shareholders								
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

	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	**9.3**	5.5
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
Gain on sale of property plant and equipment	**(0.1)**	(0.5)
Impairment/(impairment reversal) of property, plant and equipment included within exceptional items	**5.4**	(0.1)
Impairment of intangible assets included within exceptional items	**4.3**	-
Share based payment expense	**1.9**	1.8
Pension Recovery Plan and administration cost payments[1]	**(16.5)**	(16.4)
Increase/(decrease) in provisions	**0.1**	(3.7)
Non-cash credit loss provision – other financial assets	**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

Notes

[1] The £16.5m (FY22: £16.4m) of pension payments includes £15.0m (FY22: £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

	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	**-**	(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	**(10.4)**	(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	**27.0**	17.0
Payment of debt issue costs	**(0.9)**	-
Lease liability payments	**(2.4)**	(2.2)
Interest paid	**(10.3)**	(6.2)
Dividends paid to non-controlling interests	**(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	**26.5**	20.3
Short term deposits	**13.8**	4.0
	40.3	24.3

Notes:

1 Additions to property, plant and equipment in the year were £11.2m (FY22: £16.5m). Purchases of property, plant and equipment includes capital expenditure creditors of £0.5m (FY22: £1.6m) and excludes £0.7m (FY22: £nil) of grants not yet received.

1 General information

De La Rue plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS.

De La Rue plc and its subsidiaries (together "Group") has two principal segments Currency and Authentication. In Currency we design, manufacture and deliver bank notes, polymer substrate and security features around the world. In Authentication, we supply products and services to governments and Brands to assure tax revenues and authenticate goods as genuine. In addition, there is a third segment, Identity Solutions, which includes minimal non-core activities.

The financial statements have been prepared as at 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 29 June 2023.

2 Basis of preparation and accounting policies

STATEMENT OF COMPLIANCE

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

The financial information set out above does not constitute the Group's statutory accounts for the periods ended 25 March 2023 or 26 March 2022. Statutory accounts for the periods ended 26 March 2022 have been delivered to the registrar of companies and those for the period ended 25 March 2023 will be delivered in due course. The auditor has reported on the accounts for the periods ended 25 March 2023 and 26 March 2022. Their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

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

The consolidated financial statements of the Company for the period ended 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 areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in ' 'V Critical accounting estimates, assumptions and judgements'.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or have been incorporated with the relevant notes to the accounts where appropriate. These policies have been consistently applied to all the periods presented, unless otherwise stated.

CLIMATE CHANGE

In preparing the Consolidated Financial Statements management has considered the impact of climate change and the actions that the Group will take in order to fulfill its sustainability strategy and satisfy its commitment to become carbon neutral from its own operations by 2030. This includes the estimates around future cash flows used in impairment assessments of the carrying value of goodwill and intangible assets in De La Rue Authentication Inc, recoverability of deferred tax assets and the useful economic life of plant and equipment, especially assets which are 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 earlier in this document, within the CEO Review. In addition, note 8 below includes 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 within the Financial Review above.

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 cash flow 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 a period until 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 cash flow 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 annualisation 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 £153.6m (26 March 2022: £170.8m) and the 12-month order book at £136.3m (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". 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 £153.6m (26 March 2022: £170.8m) and the 12-month order book at £136.3m (26 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 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.

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") 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.

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.

5. Replacement of Savings Related Share 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 as a replacement 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:

	FY23	FY24	FY25	FY26
Accounting type applied	**£'000**	**£'000**	**£'000**	**£'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 operational. 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.

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 Relationship Agreement (' 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 determining that an expected credit loss provision of £8.5m 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. 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 ongoing use after a period of 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.

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 have 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.

C Other long-term estimation uncertainties

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 cash flows 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 of 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 cash flows 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 with growth to a 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.

3 SEGMENTAL ANALYSIS

The continuing operations of the Group have three main operating units: Currency, Authentication and Identity Solutions. The Board, which is the Group's Chief Operating Decision Maker, monitors the performance of the Group at this level and there are therefore three reportable segments. The principal financial information reviewed by the Board is revenue and adjusted operating profit.

The Group's segments are:

Currency – provides Banknote print, Polymer and Security features;

Authentication – provides the physical and digital solutions to authenticate products through the supply chain and to provide tracking of 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 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	(2.9)	(7.4)	-	(0.1)	(10.4)
Impairment of property, plant and equipment	(3.9)	(1.5)	-	-	(5.4)
Impairment of intangible assets	(1.4)	(2.9)	-	-	(4.3)
Depreciation of property, plant and equipment and right-of-use-assets	(11.1)	(2.6)	-	(1.0)	(14.7)
Amortisation of intangible assets	(1.3)	(3.4)	-	(0.6)	(5.3)

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	(1.0)	(7.7)	-	(0.1)	(8.8)
Impairment of property, plant and equipment on intangible assets	0.1	-	-	-	0.1
Depreciation of property, plant and equipment and right-of-use-assets	(10.7)	(2.5)	-	(1.1)	(14.3)
Amortisation of intangible assets	(1.3)	(2.3)	-	(0.7)	(4.3)

	Currency £m	**Authentication £m**	**Identity Solutions £m**	**Unallocated £m**	**Total 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 £23.2m (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.

Revenue from contracts with customers:

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:

	2023 £m	2022 £m
Trade receivables	**42.3**	64.8
Provision for impairment	**(0.6)**	(0.8)
Net trade receivables	**41.7**	64.0
Contract assets	**18.9**	8.0
Contract liabilities	**(0.3)**	(0.3)
Payments received on account	**(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 the 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).

Set out below is the amount of revenue recognised from:

	2023 £m	2022 £m
Amounts included in contract liabilities at the beginning of the year	**-**	1.3
Performance obligations satisfied in previous years	**-**	-

Performance obligations

Information about the Group's performance obligations is summarised in the Accounting Policies section of the Annual Report and Accounts 2022.

The following table shows the transaction price allocated to remaining performance obligations for contracts with original expected duration of more than one year. The Group has decided to take the practical expedient provided in IFRS 15.121 not to disclose the amount of the remaining performance obligations for contracts with original expected duration of less than one year.

	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

4 EXCEPTIONAL ITEMS

	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	**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 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.

- 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 "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.

5 TAXATION

	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 charge/(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	**-**	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	**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 written down/(not previously recognised) for deferred tax	**7.9**	**-**	**4.0**	**11.9**	(0.1)	–	(0.7)	(0.8)
Utilisation of tax credits previously recognised for deferred tax	**-**	**-**	**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.

6 EARNINGS PER SHARE

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

[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:

	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	**1.0**	1.0
Less: tax on amortisation of acquired intangibles	**(0.3)**	(0.3)
Add: exceptional items (excluding non-controlling interests)	**47.1**	5.7
Less: tax on exceptional items	**5.1**	(1.8)
(Loss)/Earnings for adjusted EPS	**(3.0)**	25.3

7 OTHER FINANCIAL ASSETS

	2023 £m	2022 £m
Opening balance	**7.4**	8.8
Interest accrued in the period	**1.1**	0.8
Additional investment in loan notes in the Portals International Limited group	**-**	0.9
Expected credit loss (reported in exceptionals)	**(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" within Accounting Policies.

8 FINANCIAL INSTRUMENTS

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

	Fair value hierarchy	**Total fair value 2023 £m**	**Carrying amount 2023 £m**	Total fair value* 2022 £m	Carrying amount* 2022 £m
Financial assets					
Trade and other receivables[1]	Level 3	**58.4**	**58.4**	78.3	78.3
Contract assets	Level 3	**18.9**	**18.9**	8.0	8.0
Other financial assets[2]	Level 3	**-**	**-**	7.2	7.2
Cash and cash equivalents	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]	Level 2	**(123.4)**	**(123.4)**	(95.7)	(95.7)
Trade and other payables[4]	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 Currency contracts of £12.7m (FY22: £4.9m) and Authentication contracts of £6.2m (FY22: £3.1m).

9 ANALYSIS OF NET DEBT

The analysis below provides a reconciliation between the opening and closing of the Group's net debt position (being the net of borrowings and cash and cash equivalents).

	At 26 March 2022 £m	**Cash flow £m**	**Foreign exchange and other £m**	**At 25 March 2023 £m**
Borrowings	**(95.7)**	**(27.0)**	**(0.7)**	**(123.4)**
Cash and cash equivalents	**24.3**	**15.6**	**0.4**	**40.3**
Net debt	**(71.4)**	**(11.4)**	**(0.3)**	**(83.1)**

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

Net debt is presented excluding unamortised pre-paid borrowing fees of £5.0m (FY22: £3.1m) and £12.4m (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).

10 RETIREMENT BENEFIT OBLIGATIONS

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

	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

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

	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**	**-**	**27.6**	20.2	–	20.2
Interest cost on liabilities	**(26.5)**	**-**	**(26.5)**	(20.4)	–	(20.4)
Retirement benefit obligation net finance expense	**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

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

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) or 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.

11 CONTINGENT ASSETS AND LIABILITES

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.

12 RELATED PARTY TRANSACTIONS

During the year the Group traded on an arm's length basis with the associated company Fidink (33.3% owned). The Group's trading activities with Fidink in the period comprise £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.

13 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	**2.1**	**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.

14 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.

15 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.

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**	**Authentication**	**Identity Solutions**	**Central**	**Total of continuing operations**
	£m	**£m**	**£m**	**£m**	**£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	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
Operating profit/(loss) 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	54.0

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**	**Authentication**	**Identity Solutions**	**Central**	**Total of continuing operations**
	£m	**£m**	**£m**	**£m**	**£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/(loss)	**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	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
Operating profit/(loss) on IFRS basis	15.0	15.1	0.6	(1.0)	29.7
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	4.5	0.2	-	1.0	5.7
Adjusted operating profit	19.5	16.3	0.6	-	36.4
Enabling function overheads	23.0	7.4	-	(30.4)	-
Adjusted controllable operating profit/(loss)	42.5	23.7	0.6	(30.4)	36.4

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%**

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