

Review of strategy continued

3 STRENGTHEN BALANCE SHEET

We aim to strengthen our balance sheet through improving profit and managing cash prudently.

We have adopted a capital allocation framework designed to create increasing shareholder value, based on executing our strategy. Our capital allocation priorities are:

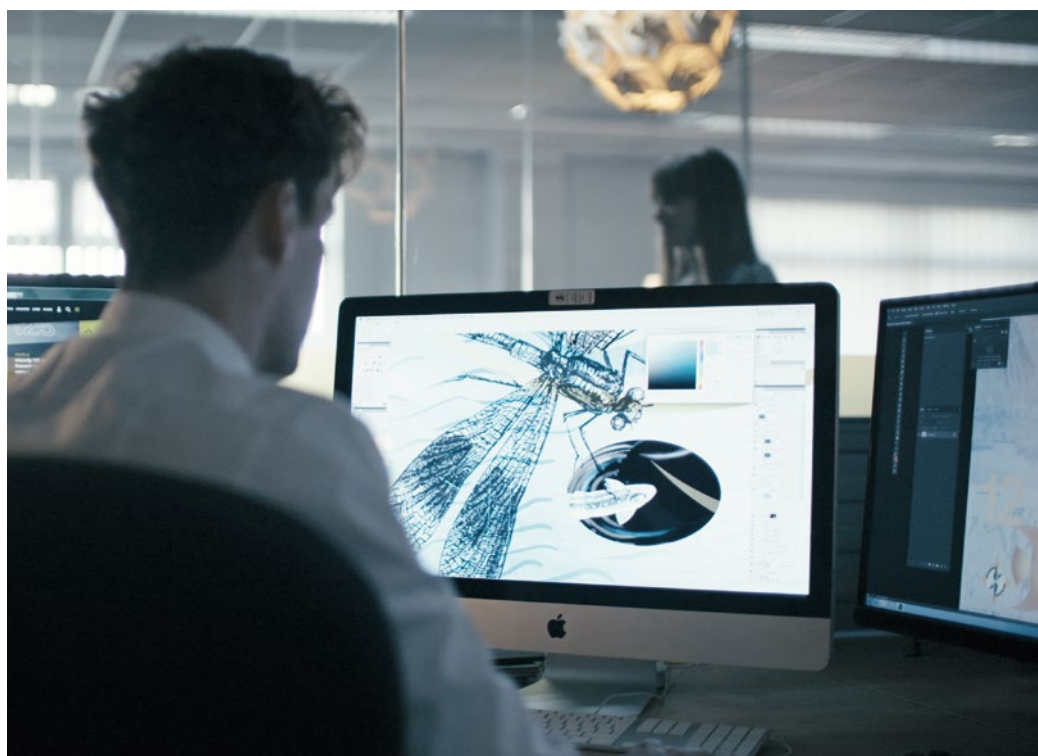
- organic growth investments – capital projects, investment in R&D and sales
- dividend payment – aim to at least maintain dividend per share in the short to medium term
- mergers and acquisitions – explore value enhancing opportunities

We are disciplined in allocating our capital resource. Investing to keep our factories and equipment functioning efficiently is important, so is investing in technology and capability. In the next few years, we expect an increasing proportion of our capital expenditures to be invested in new capabilities and technologies that will drive either greater efficiency or future growth. The Group's return on capital employed average in the past four years was 40%, demonstrating our ability to generate good returns on our investments.

Given the nature of our business, the size of contracts and timing of orders and shipments vary significantly, which could have a profound effect on our working capital.

We look to manage our working capital better through a number of ways: 1) tighter control on inventory; 2) better vendor management; 3) credit control. During the year, we appointed inventory managers to each site, and set up a credit control function. We also renegotiated payment terms with our key suppliers.

In FY19, our year end net debt was £107.5m (31 March 2018: £49.9m). The year on year increase was due to adverse working capital movement. Further details on net debt is provided in the Financial Review section on pages 32 to 34.



Design precision

Banknotes and identity documents are arguably some of the most widely recognised and iconic products in the world. And a lot of thoughts and skills go into their design. The process starts with an understanding of how they are going to be used – whether by people or machines – and the specific security threats they need to counter throughout their lifetime. Our design team works closely with customers and end users on this.

We also use insights and data from our work around the world, and keep abreast of all technological developments. Plus the complex and highly skilled process of converting artwork into technically accurate, print-ready files. The precision applied by our design team in translating graphics, patterns and engravings to high security print is measured in microns – a millionth of a metre.



The finest designs are always based on best practice. De La Rue's expertise has come from working across the globe, creating a diverse range of complex bespoke design solutions.



Julian Payne, Creative Director