Independent auditor's report
to the members of De La Rue plc

Opinion

In our opinion:

- De La Rue plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of De La Rue plc which comprise:

Group	Parent Company
Group income statement for the period ended 30 March 2019	Company balance sheet as at 30 March 2019
Group statement of comprehensive income for the period then ended	Company statement of changes in equity for the period then ended
Group balance sheet as at 30 March 2019	Related notes 1 to 9a to the financial statements including a summary of significant accounting policies
Group statement of changes in equity for the period then ended	
Group cash flow statement for the period then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 37 to 40 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 69 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 94 in the corporate governance section about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 41 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	– Specific judgemental accruals – Revenue recognition (cut-off) – The adoption of IFRS 15 (Revenue from contracts with customers) – Recoverability of receivables in Venezuela (including the impact of the adoption of IFRS 9 and the expected credit loss model) – Post-retirement benefits – Liabilities
Audit scope	– We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further two components. – The components where we performed full or specific audit procedures accounted for 117.8% of Profit before tax adjusted for exceptional items, 98.9% of Revenue and 96.9% of Total assets.
Materiality	– Overall group materiality of £2.6m which represents 4.9% of profit before tax ('PBT') adjusted for exceptional items (a full reconciliation of IFRS PBT to the adjusted PBT figure used for determining materiality is set out in the "Our application of materiality" section below).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to risk	Key observations communicated to the Audit Committee
Specific judgemental accruals – £54.9m (FY18 – £58.2m) *Refer to the Audit Committee Report (page 66); Accounting policies (page 137); and Note 17 of the Consolidated Financial Statements (page 137).* De La Rue has certain agency commissions agreements which need to be accrued for based on the legal or contractual obligation arising. In relation to unsettled historic amounts these involve a level of estimation and judgement which is both material to the financial statements and susceptible to management override and manipulation. As identified by management on page 32 of the Strategic Report management released the remainder of a material accrual in relation to a historic dispute relating to agency commissions based on a judgement that this would no longer be required. We have also identified a number of smaller, individually insignificant accruals that have a higher opportunity to be used to manipulate the financial statements due to several layers of ownership and lower levels of management oversight. We have therefore identified an additional risk that these accruals could be utilised to smooth profit across periods. Misstatements that occur in relation to the risk over specific judgemental accruals affect the accrued expenses account on the balance sheet as well as the cost of sales and administrative expenses accounts in the income statement.	We have ensured that we understand all contractual terms and conditions relevant to agent commission accruals and evaluated the best estimates of these liabilities based on the terms of the contract, past practise and where relevant external legal advice (evaluating the provider of such advice for competence as an expert used by management). We also evaluated management's judgement applied in the assumptions used and the accuracy of previous estimated positions. We have also considered the income statement classification of material accrual releases – in particular considering the classification and disclosure of such releases, taking into account the historic accounting for the build-up of these accruals. We have performed an analysis of accruals for indicators of judgement. Based on this analysis, we identified varying levels of judgement that management may influence in order to manipulate the financial statements (ranging from significant to minimal) and have executed our audit procedures directly in response to this risk assessment. For accruals deemed more susceptible to manipulation we have determined a sample size to test using a reduced testing threshold relative to the remaining accruals balance; and obtained corroborative third party support or other supporting information.	Based on the results of our work, we agree with management's judgements and estimates in relation to significant judgemental accruals. We identified certain audit misstatements in respect of accruals however these were below our materiality threshold presented above. We note that the assumptions and judgements applied in some calculations mean that the range of possible outcomes is broad.

Independent auditor's report to the members of De La Rue plc continued

Risk	Our response to risk	Key observations communicated to the Audit Committee
Revenue recognition (cut-off) – £564.8m (FY18 – 493.9m) *Refer to the Audit Committee Report (page 65); Accounting policies (page 110); and Note 1 of the Consolidated Financial Statements (page 117)* We have identified that there is a risk that revenue is manipulated at or near to the period end to meet income statement targets through management override of controls. This cut-off risk manifests itself in different ways based on the terms of the contract and the associated accounting policy under IFRS 15. For contracts where revenue is recognised 'over time' the risk relates to the accuracy of the cost incurred position at year-end as well as the forecast margin for the contract. For contracts where revenue is recognised at a 'point in time' the risk relates to evidencing that control has passed to the customer. In particular certain contracts include specific terms, for example, complex acceptance criteria or "bill and hold" criteria which adds to the risk that revenue may be recorded in the incorrect reporting period. Misstatements that occur in relation to this risk would impact the revenue recognised in the income statement as well as any revenue related balance sheet account such as trade debtors, deferred income etc.	We have performed testing to a reduced materiality threshold on revenue recognised around the period end date ensuring that, where revenue has been recognised there is appropriate evidence to support that control has passed to the customer. This includes third party evidence of delivery as applicable. For 'bill and hold' contracts we ensured that the related goods had been manufactured at the year-end date and that control had passed to the customer. We have performed reviews of significant revenue generating contracts at the period end, to ensure the accounting treatment is in line with the contract terms, including that acceptance and "bill and hold" conditions have been satisfied. At each full scope audit location with significant revenue streams (4 components) plus (where relevant) consolidation adjustments, we performed audit procedures which covered 98.9% of the Group's Revenue.	Based on the procedures performed, including those in respect of revenue recognition cut off, we did not identify any evidence of material misstatement in the revenue recognised in the period or revenue accrued or deferred at 30 March 2019.
Revenue recognition (adoption of IFRS 15) – £564.8m (FY18 – 493.9m) *Refer to the Audit Committee Report (page 65); Accounting policies (page 110); and Note 1 of the Consolidated Financial Statements (pages 117)* De La Rue adopted IFRS 15 "Revenue from contracts with customers" with effect from 1 April 2018. The standard was adopted using the modified retrospective approach whereby the comparative figures were not adjusted and a transition adjustment was recorded on 1 April 2018. IFRS 15 applies to all contracts with customers excluding those covered by other IFRSs such as lease contracts, insurance contracts, and financial instruments. The standard introduces a 5-step model which outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. There is a risk that revenue is manipulated through incorrectly applying the principles set out in the 5-step model of IFRS 15 to accelerate revenue which could include identifying a contract as subject to "revenue over time" accounting instead of "revenue at a point in time". Misstatements that occur in relation to this risk would impact the revenue recognised in the income statement as well as any revenue related balance sheet accounts such as contract assets and contract liabilities.	Management's process for quantifying the impact of IFRS 15 has entailed a number of steps including initial impact assessment, extension of impact assessment to the wider population of contracts with customers and quantification of adjustments. We have performed audit procedures in respect of each of the above steps including; – Performing an independent impact assessment of IFRS 15 for a sample of the most material contracts in the period (in addition to a random sample of customer contracts). – Agreed the basis of material transition adjustments (based on a reduced testing threshold commensurate with the identified risk) in light of the above impact assessment. – Tested the calculation of these transition adjustments (typically moving to 'revenue over time') by agreeing the costs incurred to date to source documentation and by reviewing and understanding the forecast costs to complete. – We have also considered the completeness of transition adjustments in the context of our knowledge of significant contracts. For contracts moving to a revenue recognised over time policy (the impact of which on current year revenue and profits is disclosed by management in accounting policies on page 110) we reviewed the contractual terms and conditions or where relevant legal advice obtained by management in respect of these against IFRS 15 to ensure this treatment was appropriate. – In addition to testing the transition adjustments (as summarised above) we undertook testing on revenue transactions for the current financial year taking consideration of the new policies adopted with the implementation of IFRS 15.	Based on the procedures performed, including those in respect of revenue recognition (adoption of IFRS 15), we did not identify any evidence of material misstatement in the revenue recognised in the period or revenue accrued or deferred at 30 March 2019.

Risk	Our response to risk	Key observations communicated to the Audit Committee
Recoverability of Trade and other receivables – £159.5m (FY18 – £99.1m) *Refer to the Audit Committee Report (page 66); Accounting policies (page 126); and Note 13 of the Consolidated Financial Statements (page 126)* At the balance sheet date De La Rue holds £18m of receivables due from Banco Central de Venezuela. As a result of the US sanctions upon Venezuela, Banco Central de Venezuela have been unable to settle their open receivables to De La Rue creating uncertainty over the recoverability of this balance. There is a risk that, were the balance not provided, the profits for the year could be materially misstated. In addition to the above specific matter, De La Rue are also adopting IFRS 9 "Financial Instruments" with effect from 1 April 2018. Consistent with the approach for IFRS 15, the standard was adopted using the modified retrospective approach whereby the comparative figures were not adjusted and a transition adjustment was recorded on 1 April 2018. IFRS 9 introduces new accounting requirements in respect of provisions for receivables – most notably the introduction of an 'expected credit loss' model for impairment of financial assets (including trade & other receivables). There is a risk that the income statement and balance sheet could be misstated due to errors in the calculation of the expected credit loss.	We have ensured that we understand all of the pertinent facts pertaining to the Venezuela receivable and the associated credit loss provision including the nature & timing of US sanctions, our knowledge of positions adopted by other companies and the ability to receive settlement through alternative means. We have also considered management's calculation of the associated provision and disclosure within the financial statements, including the treatment of the credit loss expense as an exceptional item and the disclosure of the original revenue and margin recognised in underlying profit. We have understood management's approach to quantifying the expected credit loss including the source of data used to determine inputs (historical credit losses and any future expectations to derive an expected lifetime credit loss), the stratification across homogeneous populations of receivable balances and the final calculation of the resulting provision (both as at the transition date and as at the year-end).	Based on the procedures performed, we believe that provision of the full balance in respect of the Venezuela receivable is appropriate and accordingly we did not identify any material misstatements in this area. Based on procedures performed in respect of the IFRS 9/ expected credit loss accounting we also did not identify any audit misstatements either upon transition or for the year ended 30 March 2019.
Post-retirement benefit Liabilities – £1,081.6m (FY18 – £1,061.6m) *Refer to the Audit Committee Report (page 65); Accounting policies (page 142); and Note 24 of the Consolidated Financial Statements (page 142)* Small changes in the assumptions and estimates used to calculate the defined benefit pension obligation have a significant impact on the financial statements. In October 2018 a landmark ruling was reached in respect of the equalisation of Guaranteed Minimum Pensions ('GMPs') on the Lloyds Banking Group's pension scheme. This ruling is expected to set precedents for similar GMP equalisation for defined benefit pension schemes across the UK. As a result, we have identified an additional risk in respect of the accounting for this GMP equalisation change in the period. Misstatements that occur in relation to this risk would affect the retirement benefit obligations account in the balance sheet as well as related accounts in the income statement account and other comprehensive income.	Together with our EY pension specialists, we have coordinated with the actuaries of the pension scheme to thoroughly understand the valuation process and challenged the basis for setting key assumptions, such as the discount rate. We have assessed the competency of the third parties used in determining the valuation. In addition to the review of the main pension assumptions we have received the actuary's assessment for GMP equalisation. Our internal pension specialists have re-calculated the expected impact of the GMP calculation based on available data and the estimates applied defined by management and their actuaries.	Based on the results of our work, we have concluded that the actuarial assumptions applied within the valuation of post-retirement benefits at period-end are appropriate. As a result, and in tandem with the results of all other procedures performed on post-retirement benefits, we did not identify any evidence of material misstatement in the retirement obligation as at 30 March 2019.

In the prior year, our auditor's report included a key audit matter in relation to the valuation of inventory. In the current year, it was concluded that valuation of inventory no longer represented a significant audit risk due to the lack of errors identified in the prior period and our updated understanding of the inventory process in the period.

In the prior year, our auditor's report included a key audit matter in relation to the disposal of the paper business. In the current year, it was concluded that this no longer required reporting as a key audit matter as the majority of the disposal accounting was performed in the year of disposal (certain adjustments have been made to the final consideration amount in the current year but not such that this constituted a key audit matter).

Independent auditor's report to the members of De La Rue plc continued

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 53 reporting components of the Group, we selected 6 components covering entities within the United Kingdom, Malta, Sri Lanka and Kenya, which represent the principal business units within the Group.

Of the 6 components selected, we performed an audit of the complete financial information of four components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

- The reporting components where we performed audit procedures accounted for 117.8% (2018: 105.7%) of the Group's profit before tax adjusted for exceptional items, 98.9% (2018: 95.3%) of the Group's Revenue and 96.9% (2018: 81.8%) of the Group's Total assets. For the current year, the full scope components contributed 146.3% (2018: 105.7%) of the Group's profit before tax adjusted for exceptional items, 98.8% (2018: 95.3%) of the Group's Revenue and 81.4% (2018: 80.7%) of the Group's Total assets. The specific scope component contributed -28.5% (2018: 0%) of the Group's profit before tax adjusted for exceptional items, 0.1% (2018: 0%) of the Group's Revenue and 15.5% (2018: 1.1%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group. We also instructed 8 components to perform specified procedures over certain aspects of cash and cash equivalents, other operating expenses, revenue, trade & other payables, trade & other receivables, intangibles and external borrowings in response to our risk assessment for these individual financial statement captions.

Of the remaining 47 components that together represent -17.8% of the Group's Profit before Tax adjusted for exceptional items, none are individually greater than 11.8% of the Group's Profit before Tax adjusted for exceptional items. For these components, we performed other procedures, including analytical review, tests of details on balances considered significant due to size or risk and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statement.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

	Profit before Tax adjusted for exceptional items (%)	Revenue (%)	Total Assets (%)
Full Scope Components	146.3	98.8	81.4
Specific Scope Components	(28.5)	0.1	15.5
Other Procedures	(17.8)	1.1	3.1
Total	100.0	100.0	100.0

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the four full scope components, audit procedures were performed on one of these directly by the primary audit team. For other in-scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the year the Group audit team determined not to undertake any planned visits to overseas locations. This decision was taken based on the relative contribution of the UK to the overall Group results (113.5% of Group profit before tax adjusted for exceptional items and 95.8% of group revenue), the prior period visit to the Maltese location and the other interactions with all component teams conducted throughout the audit.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.6 million (2018: £2.7 million), which is 4.9% (2018: 5%) of profit before tax adjusted for exceptional items. We believe that the materiality basis provides us with reference to an appropriate benchmark of Group profit from continuing operations before tax, normalised to remove the impact of separately identified exceptional items (as disclosed in note 4 of the financial statements).

We determined materiality for the Parent Company to be £3.8 million (2018: £4.6 million), which is 2% (2018: 2%) of equity.

Our materiality is based on the Group's profit before tax adjusted for exceptional items in order to exclude items which are non-recurring in nature. We have determined the final materiality amount applied in our audit procedures below:

Starting basis	• Group profit before tax – £25.5m
Adjustments	• Add-back net exceptional items of £27.9m as disclosed on the Group income statement
Materiality	• Totals £53.4m • Materiality of £2.6m (4.9% of materiality basis)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2018: 50%) of our planning materiality, namely £1.30m (2018: £1.35m). We have set performance materiality at this percentage due to an expectation of possible audit misstatements in the current year driven by the volume and quantum of audit misstatements identified in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £329,000 to £1,304,000 (2018: £337,000 to £1,350,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £130,000 (2018: £135,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 95, including the Strategic Report and Corporate Governance Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of De La Rue plc continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 68** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 64** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 51** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 95, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code, and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which De la Rue plc operates.
- We understood how De La Rue plc is complying with those frameworks by understanding how De La Rue's own oversight mitigates risk through driving a culture of honesty and ethical behaviour (by placing a strong emphasis on fraud prevention). We also made enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering the risk of fraud through management override and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where instances of risk behaviour patterns were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing of transactions back to source information and were designed to provide assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of legal counsel, group management, internal audit and all full and specific scope management.
- If any instance of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the group level.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 20 July 2017 to audit the financial statements for the period ending 31 March 2018 and subsequent financial periods. We were appointed as auditors by the Board of Directors and signed an engagement letter on 21 September 2017.
- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 March 2018 to 30 March 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
30 May 2019

Notes:

1 The maintenance and integrity of the De La Rue plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.