



The  
Royal  
Mint®

Established  
for Tomorrow®

# The Royal Mint Limited

## Consolidated Annual Report 2018–19





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**Royal  
Mint**®

Established  
*for Tomorrow*®

# The Royal Mint Limited

Consolidated Annual Report  
for the year ended 31 March 2019

# The Royal Mint Limited

## Annual Report 2018–19

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### Directors

Graham Love\*  
Chairman

Anne Jessopp  
Chief Executive

Andrew Mills  
Director of Currency

David Morgan\*

Xenia Carr-Griffiths\*

Cheryl Toner\*

Michael Clayforth-Carr\*

Jamie Carter\*  
Representative of the Royal Mint Trading Fund  
and HM Treasury as shareholder

\*Non-Executive Directors

### Company Secretary

Christopher Inson

### Executive Management Team

Anne Jessopp  
Chief Executive

Andrew Mills  
Director of Currency

Chris Howard  
Director of Precious Metals

Nicola Howell  
Director of Consumer Business

Leighton John  
Director of Operations

Martin McDade  
Director of Finance

Sarah Bradley  
Director of HR and SHE

Jonathan McGregor  
Chief Marketing Officer

Independent auditors  
PricewaterhouseCoopers LLP

Internal auditor  
KPMG LLP

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## Accreditations



### ISO 9001 – Quality Management

ISO 9001 is a certified Quality Management System (QMS) for organisations who have proven their ability to consistently provide products and services that meet the needs of their customers and other relevant stakeholders.



### ISO 14001 – Environmental Management

The principal management system standard which specifies the requirements for the formulation and maintenance of an Environmental Management System.



### ISO 15001 – Energy Management

The standard specifies the requirements for establishing, implementing, maintaining and improving an energy management system.



### SA 8000

SA 8000 is an auditable certification standard that encourages organisations to develop, maintain and apply socially acceptable practices in the workplace.

## Memberships



### LBMA

The London Bullion Metals Association is an international trade association, representing the London market for gold and silver bullion.



### LPPM

The London Platinum and Palladium Market is a trade association that acts as the co-ordinator for activities conducted on behalf of its members and other participants in the London market.

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# Chairman's Statement

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I took up the position of Chairman in late 2018 and I am delighted to play a key role in this wonderfully unique organisation as it looks to its future.

Joining The Royal Mint in its final, and traditionally busiest, quarter meant I was immersed in the pace and variety of the business from day one. In just three months we celebrated 50 years of the iconic 50p with a sell-out collection, welcomed our 200,000th visitor to The Royal Mint Experience, and staged our first auction of an historic coin. For an organisation with more than 1,100 years of heritage what struck me most was the passion and enthusiasm of the team to embrace change.

As expected, this financial year has been challenging as the global decline in cash use continues. It has resulted in more competitive tenders for overseas contracts, and less demand for UK coin. We took a number of actions last year in readiness for this difficult trading period which together with the hard work of the management and employees has resulted in the company delivering a result ahead of target.

We held our position as the leading export mint – leveraging our reputation for producing the world's most secure coin (the new £1) to win competitive overseas tenders, whilst delivering 632 million coins to UK cash centres. It's undeniable that the role of cash is changing, but our Currency division remains core to the business going forward.

Our world-leading production site in Llantrisant celebrated its 50th birthday this year and we're proud to have a reputation for creating coins and blanks of unrivalled quality.

Building on this reputation, we made significant operational improvements during the financial year across Key Performance Indicators such as On Time Delivery in Full ('OTIF') and Cost per Standard Hour ('CPSH'). This ensured we despatched 3.3 billion pieces to 31 countries.

Capital expenditure of £5.0 million reflected our continued investment in the future. It included the refurbishment and replacement of Currency and Consumer equipment, continued investment in our IT systems, to build a better experience for our customers, and robust platforms for our new businesses.

As we look to the year ahead we're committed to our diversification strategy – leveraging our assets and unique experience to expand into new markets. This will ensure that The Royal Mint Group continues to grow, succeed, return significant dividends to its shareholder, HM Treasury, and delight its customers.

I would like to thank the entire team at The Royal Mint for their relentless hard work and dedication which makes this organisation worth its weight in gold. We're already off to a flying start in 2019–20 with the launch of new jewellery ranges and the auction of a rare George III Sovereign, which has attracted worldwide attention. I look forward to my first full year as Chairman and the opportunities it presents.

**Graham Love**  
Chairman

We delivered  
3.3 billion pieces  
to 31 countries  
across all five  
continents.

# Chief Executive's Report

This year we celebrated our 50th anniversary in South Wales – a change which transformed The Royal Mint forever. It created our home in Llantrisant, forged friendships and communities, provided employment and delivered decimalisation for the United Kingdom.

Fifty years on, we face a change that will once again call on the passion and determination of our people to transform The Royal Mint – the changing role of cash in a digital age.

Cash continues to hold a vital role in society – particularly for the most vulnerable – and we are committed to supporting HM Treasury to ensure it is safeguarded for the future. However, we must balance this with the reality that cash use is declining and our journey to reinvention must start now. This year we launched a new three-year plan with a clear vision: to reinvent The Royal Mint for the twenty-first century, ensuring we are recognised as the most trusted and authentic British organisation.

The plan challenges everyone to be agile and think innovatively. Together we are looking at what makes The Royal Mint unique and creating a portfolio of complementary businesses that draw on our core strengths: heritage, design and manufacturing expertise honed over more than 1,100 years. This combination will enable us to grow internationally and expand into exciting new areas – I can't wait to share more about this over the coming year.

## Summary of the year

Our performance over the last 12 months was driven by trends which make reinvention essential – reduced demand for UK coin following the launch of the new £1 coin in the previous year and highly competitive behaviours in some overseas currency markets. We also saw promising growth in our newer businesses and continued strong demand for commemorative coins.

Despite the difficult trading environment, our team rose to the task with successes, celebrations and steep learning curves as we embed our strategy for reinvention. Whilst the results were reduced year-on-year, we exceeded our recovery plan and our challenging targets. This over performance triggered a bonus for all employees in recognition of their personal contribution to our recovery plan.

A key priority is to walk in our customers' shoes and this year we appointed The Royal Mint's first Chief Marketing Officer. As we focus on our customers' experience, brand and digital platforms, this role will be fundamental in driving the transformation needed. We've already made strides towards achieving a better customer journey and I was delighted when we won our first Gold Feefo award for service.

Our Llantrisant site remains a powerhouse of British manufacturing, producing more than 3.3 billion coins and blanks for distribution to 31 countries around the world. To help bring the minting process to life we also offer visitors the chance to strike their own coin at The Royal Mint Experience.

To mark our 50th anniversary in South Wales we invited employees – past and present – to join in the celebrations, and I was thrilled to see so many people from the community attend. To ensure we're continuing to invest in the region that has given The Royal Mint so much, we unveiled a wind farm affectionately called 'Delilah' to help reduce our carbon footprint, and have set a target of raising £50,000 for the charity 2 Wish Upon A Star.

We renamed two of our established businesses to better reflect their future ambitions – Circulating Coin became Currency and Bullion became Precious Metals. As we evolve into a portfolio company our businesses span three key stages: established, embedding and emerging.

Our site at Llantrisant was formally opened by Her Majesty The Queen on 17 December 1968. This year we celebrated our 50th anniversary in South Wales.



## We launched a new vision

To reinvent The Royal Mint for the twenty-first century, ensuring we are recognised as the most trusted and authentic British organisation.



A series of coins depicting characters from British children's books such as Peter Rabbit™, Paddington™ and the Gruffalo proved particularly popular.

## Precious Metals profit increased by 54%

Our Precious Metals business has gone from strength to strength this year, reporting a profit of £3.7 million representing a 54% increase year-on-year.

### Established businesses

Our Currency business is the most established and also the most susceptible to global cash trends. The last financial year saw UK demand for new coin fall as the withdrawal of the old 'round' pound led to millions of hoarded coins of all denominations being returned to cash centres. These surpluses have now returned to normal levels and as a result the UK Banks and the Post Office placed orders for new coin in the year.

Over the last 12 months our Currency business has won new overseas contracts and met the demand for UK coin – leading to a better than expected operating result. The business also continues to derive benefit and global interest from the patented High Security Feature of the new £1 – the world's most secure coin. Our established Consumer business continued to deliver outstanding results with a contribution to operating profit of £16.5 million.

A series of coins depicting characters from British children's books such as Peter Rabbit, Paddington and the Gruffalo proved particularly popular – helping to inspire and engage a new generation of coin collectors. Overall, our coin collectors have grown from 180,000 to 238,000 over the last 12 months alone, and our '50 years of the 50p' set sold out immediately.

Our Precious Metals business has gone from strength to strength this year – reporting a profit of £3.7 million, representing a 54% increase year-on-year. This contribution was boosted considerably by the development of a new online channel and forming deeper relationships with key distributors, making it easier for more people in the UK and overseas to buy our Precious Metals.

### Embedding businesses

The Collector Services division – which specialises in the sale of unique historic coins and coin valuations – delivered a £1 million contribution to the Consumer business, and staged its first coin auction in partnership with Sovereign Rarities.

Now in its third year, The Royal Mint Experience has welcomed more than 200,000 visitors, maintained its 'excellent' rating on TripAdvisor, and introduced a new, sell-out VIP tour enabling visitors to go 'behind the scenes' and see treasures from the Royal Mint Museum.

### An emerging business

An area of the business that I'm particularly excited to support over the next financial year is Gifting. We launched this business in 2018 with the aim of creating beautiful, bespoke items inspired by the heritage and history of The Royal Mint. It made an excellent start with successful campaigns around key calendar events such as Mother's Day and Christmas – the next financial year will see the launch of our first custom-designed jewellery range.

There is no doubt that 2019–20 will be another challenging year for The Royal Mint as global cash use continues to fluctuate, overseas competition intensifies and there are no significant royal events expected to help drive Consumer sales. We have exciting plans in place to reinvent the business and I look forward to sharing these with you over the next 12 months.

I would like to personally thank all of our customers, employees, suppliers and the local community for their support during this landmark 50th anniversary year. It is through the goodwill, hard work and passion of everyone that The Royal Mint will continue to thrive for another 1,100 years.

**Anne Jessopp**  
Chief Executive

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Coins featuring characters from children's books are helping to inspire and engage a new generation of coin collectors.



# We Deliver Results: 50 Years of the 50p

In 2019 the 50p turns 50 and in January we released a carefully curated set of 50p coins celebrating Britain's cultural legacy. This has recently been joined by a second set commemorating 50 years of the 50p which brought all five military themed 50p coins together for the first time.

When the 50p first entered UK circulation in 1969, it quickly became a popular addition to the nation's pockets and a firm favourite with coin enthusiasts. It was the world's first equilateral curve heptagon coin – showcasing the talent and expertise for which The Royal Mint is famous.

Our British Culture Set gave fans of the 50p the opportunity to add some of the most popular 50p designs to their collections. The 2019-dated coins feature a selection of designs from the last 50 years, including the rare and sought-after Kew Gardens design. It also features the iconic Britannia 'New Pence' 50p design alongside coins commemorating Roger Bannister's sub-four-minute mile, 100 years of the Scouting movement and 100 years of the Girl Guides. The commemorative set proved so popular that the Proof editions sold out instantly, which led to additional editions being released later in the year.

Two anniversary sets – British culture and military – gave collectors the chance to own some of the most popular 50p coins of the last 50 years.





# Strategic Report

## Activities and structure

Her Majesty's Treasury ('HM Treasury') owns 100% of the shares of The Royal Mint Limited through an Executive Agency, the Royal Mint Trading Fund. The Royal Mint Limited owns 100% of RM Assets Limited, RM Experience Limited and RM Wynt Limited and has a 23.7% interest in Sovereign Rarities Limited. The Annual Report and accounts are therefore presented as the consolidated Group of The Royal Mint Limited. Throughout the report The Royal Mint refers to the individual Company activities of The Royal Mint Limited and The Royal Mint Group refers to the combined results and activities of The Royal Mint Limited and its subsidiary Companies and share of associate.

The manufacture, marketing and distribution activities of The Royal Mint Limited are predominantly based at one site in Llantrisant, South Wales.

The Royal Mint Group generated an adjusted operating profit<sup>1</sup> of £1.9 million (2017–18: £6.5 million). The Group ROACE (Return on Average Capital Employed) was 8.1% (2017–18: 13.5%) for the year ended 31 March 2019 and is measured on a three-year, rolling average basis.

After adjusting for exceptional items, IFRS 9 adjustments, financing costs and share of associates profit the Group generated a loss before tax of £(3.7) million (2017–18: profit of £2.5 million). These declines are in line with our expectations and above our initial forecasts.

### The Royal Mint Limited Company

The Royal Mint Limited continues to have three main channels of business: Currency, Consumer and Precious Metals. During the year the Circulating Coin business was renamed as Currency and the Bullion business as Precious Metals to better reflect their activities. In addition, The Royal Mint has smaller businesses which are expected to grow in the future, including Gifting, Collector Services and The Royal Mint Experience ('RME'). Whilst being established as businesses Collector Services and the RME are included in the Consumer results. The Gifting business is currently unallocated due to immateriality.

Overall revenue increased to £421.6 million (2017–18: £415.9 million). A reduction in revenue in Currency and to a much smaller extent Consumer was offset by increased Precious Metals revenue.

<sup>1</sup> Adjusted operating profit is the operating profit before adjusting for the impact of IFRS 9-related items and exceptional items.

Adjusted operating profit decreased by 77% to £2.7 million (2017–18: £11.5 million). The performance of the individual businesses is discussed in more detail on the following pages. This year there have been cash outflows from operating activities totalling £(4.8) million (2017–18: inflow of £9.2 million). Whilst Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') was positive, deterioration in working capital combined with the capital investment described below resulted in the cash position moving from a positive balance of £8.9 million to an overdraft of £(4.5) million. Plans are in place to improve the working capital position and generate an operating cash inflow in 2019–20.

Capital expenditure of £4.5 million (2017–18: £5.3 million) reflected our continued investment in the future, mainly across the following areas:

- refurbishment and replacement of critical pieces of Currency and Consumer equipment; and
- continued development in our IT systems including the development of a consolidated e-business platform for our Consumer and Precious Metals businesses.

### RM Experience Limited

RM Experience Limited ('RME') was formed as a wholly owned subsidiary of The Royal Mint Limited during 2017 to operate The Royal Mint Experience visitor attraction which was previously outsourced to an external party. RME made a small profit in the year to 31 March 2019. This profit represents an operator charge to The Royal Mint Limited and is eliminated on consolidation.

### RM Wynt Limited

RM Wynt Limited is a wholly owned subsidiary which owns the Group's wind turbine which now provides energy to The Royal Mint. The wind turbine's construction was completed during the year and became operational in September 2018. RM Wynt made a small operating profit in the year to 31 March 2019. This represents charges to The Royal Mint Limited and is eliminated on consolidation.

### Sovereign Rarities Limited

The Royal Mint has a 23.7% share in Sovereign Rarities Limited, a historic coin dealership based in London, in order to grow its historic coin business. During the year, Sovereign Rarities has made a profit of £0.5 million of which The Royal Mint has included a 23.7% share in its Income Statement.

### RM Assets Limited

RM Assets Limited has not traded during the year ended 31 March 2019 but has incurred costs of £(0.8) million (2017–18: £(5.0) million) which are included in the consolidated results.

## Consolidated financial position

Net assets decreased by £(6.5) million to £56.1 million.

The decrease in net assets has resulted from generating a loss after tax of £(3.0) million, a gain in the hedging reserve (£0.4 million), a small reduction in the pension deficit net of deferred tax of £0.1 million, and payment of a dividend (£(4.0) million) relating to 2017–18 performance.

## The Royal Mint Group financial results summary

|                                     | 2018–19<br>£m | 2017–18<br>£m |
|-------------------------------------|---------------|---------------|
| <b>REVENUE</b>                      |               |               |
| Currency                            |               |               |
| UK                                  | 28.6          | 61.2          |
| Overseas                            | 76.7          | 53.9          |
| <b>Total Currency</b>               | <b>105.3</b>  | <b>115.1</b>  |
| Consumer                            | 71.3          | 73.8          |
| Precious Metals                     | 244.3         | 227.0         |
| Other                               | 0.7           | –             |
| <b>Total</b>                        | <b>421.6</b>  | <b>415.9</b>  |
| <b>OPERATING PROFIT/(LOSS)</b>      |               |               |
| Currency                            | (0.7)         | 5.7           |
| Consumer                            | 16.5          | 17.9          |
| Precious Metals                     | 3.7           | 2.4           |
| New Businesses                      | (0.1)         | –             |
| Central overheads                   | (16.7)        | (14.5)        |
| <b>Total Royal Mint Limited</b>     | <b>2.7</b>    | <b>11.5</b>   |
| RM Assets Limited                   | (0.8)         | (5.0)         |
| Adjusted operating profit           | 1.9           | 6.5           |
| IFRS 9-related adjustments (note 5) | (2.4)         | 2.2           |
| Exceptional items (note 5)          | (2.2)         | (5.7)         |
| <b>Operating (loss)/profit</b>      | <b>(2.7)</b>  | <b>3.0</b>    |
| Sovereign Rarities Limited          | 0.1           | 0.1           |
| Net finance cost                    | (1.1)         | (0.6)         |
| <b>(Loss)/Profit before tax</b>     | <b>(3.7)</b>  | <b>2.5</b>    |

## Currency

### Principal activities

- the manufacture of UK circulating coins under a contract with HM Treasury; and
- the manufacture and supply of circulating coins and blanks for overseas governments, central banks, issuing authorities and mints.

### Objectives and strategies

One of the primary responsibilities of The Royal Mint is the provision and maintenance of UK coinage. The Royal Mint, in conjunction with HM Treasury, is required to produce sufficient quantities of each denomination to meet public demand.

In addition to these responsibilities, the Currency strategic objectives are to:

- create a sustainable, profitable business in a rapidly changing market;
- successfully leverage our High Security Feature technology into the global market, helping us to challenge the coin/banknote boundary and increase the size of the high-value coin market;
- be the global voice and authority on coin security;
- develop our brand and reputation as the world's leading exporting mint;
- continue to innovate and develop unique and attractive products and services;
- increase operational flexibility and efficiency to be able to reduce customer lead times;
- increase operating efficiency to deliver On Time In Full; and
- continue to enhance The Royal Mint's competitive position through the development of market-led products and services.

### Performance

Sales in Currency decreased to £105.3 million (2017–18: £115.1 million) and the business delivered an adjusted operating loss of £(0.7) million (2017–18: £5.7 million). Whilst UK sales decreased we are pleased to report a significant increase in overseas sales following our hard work and focus on these opportunities.

Over the reporting period, The Royal Mint issued 632 million coins (2017–18: 1,118 million) to UK cash centres. Overseas deliveries of coins and blanks amounted to 3.3 billion pieces in 31 countries across all five continents (2017–18: 2.2 billion pieces in 31 countries).

The Currency business continues to face challenges as economies increasingly embrace cashless alternatives. The competition for overseas contracts has continued to be intense as more mints experience low domestic demand. This has continued to result in considerable price pressure as competitors strive to fill their order books. As a result, we have plans to position ourselves in the most appropriate way for the current market and ensure we are able to compete for overseas contracts while always protecting our ability to meet UK coin demand.

These plans have been implemented without any impact on the business or customer deliveries. Based on cash centres having extremely high stocks of coins following the demonetisation of the 'round pound', the forecast for issuing new UK coins was very low. However, the surpluses at cash centres diminished during the year creating demand for the manufacture of 300 mpcs; 203 mpcs of the £1 and the balance 50p and 20p coins. The Royal Mint has assumed the responsibility of forecasting new coin demand working in conjunction with the UK financial institutions.

During the year overseas supply of coin continued to be a key part of the business and we won new attractive contracts which were not initially anticipated. As the year closed we were in the advanced stages of negotiating a new and significant high-value coin for an overseas central bank that will include The Royal Mint's award-winning High Security Feature.

Operationally, we have made significant improvements in our key performance indicators such as On Time Delivery in Full ('OTIF') and Cost per Standard Hour ('CPSH') meeting our targets in both of these key measures. Our delivery function operated consistently and reliably supporting the despatch of 3.3 billion pieces to 31 countries.

Our annual Coin Management Training Programme took place in July 2018 and was the eighth time we have hosted this event. The programme offers delegates the chance to immerse themselves in all aspects of coin management, including effective forecasting, calculating seigniorage, coin distribution and various other related topics.

In addition to offering an excellent opportunity for us to share our knowledge and experience, the networking opportunities with potential and future customers should not be underestimated. 25 delegates from 12 different countries attended this year's programme, providing us the opportunity to reinforce and develop new relationships within each of these important countries. Over the last 8 years over 150 Central Bank and Mint representatives have attended our annual course.

Provisions for various offences connected with the counterfeiting of coins are included in the Forgery and Counterfeiting Act 1981. Enforcement of these provisions is entirely a matter for law enforcement agencies, such as the National Crime Agency and the Crown Prosecution Service. The Royal Mint continues to work closely with these agencies to reduce the incidence of counterfeit coins.



## UK Coins Issued in Year – Pieces in Millions



Despite fewer launches and challenging retail trading conditions, Consumer continued to perform well. The launch of The Gruffalo® coin resulted in a record day for sales.



## Consumer

### Principal activities

- the manufacture, marketing and distribution of Consumer coins, medals and gifts for the UK and overseas;
- to operate a leading, purpose-built visitor attraction;
- to offer an authentication and valuation service for pre-decimal coins;
- to provide a historic coin product offering for rare and unique coins; and
- to offer alternative storage solutions by way of secured storage box facilities for both coin and other valuables.

### Objectives and strategies

The Consumer strategies are to:

- increase the number of coin collectors and Royal Mint coin customers;
- maximise the value of the coin collector market;
- operate a high-quality visitor attraction offering a unique experience;
- increase our international and retail business through developing relevant international themes;
- provide tailored licensing programmes;
- continue to innovate and develop unique and attractive products;
- maintain a high level of customer service; and
- improve productivity and reduce costs.

### Performance

During the year, Consumer revenue decreased by 3% to £71.3 million (2017–18: £73.8 million). The contribution to adjusted operating profit decreased to £16.5 million (2017–18: £17.9 million).

The above figures demonstrate the continued contribution that Consumer makes to our business with only a small decline in sales and contribution compared to an exceptional year in 2017–18. This was due to a lower number of launches during 2018–19, fewer royal events and retail partners facing more difficult conditions.

The Great British Coin Hunt continued from its launch in March 2018 to start the year very well. The range comprises a new collection of 10p coins that map out the A-Z of what makes Britain great and features 26 coins from the Angel of the North to a Zebra Crossing. Towards the end of the financial year we launched a 2019 series which was again well received.

The year continued with a number of other collections which proved similarly popular, such as Paddington, The Snowman and The Gruffalo, with The Gruffalo resulting in a record day for sales on its launch. We also continued established ranges such as the Beatrix Potter range. The 50 Years of the 50p set sold out immediately and our Stephen Hawking coin proved incredibly popular.

The new business Collector Services delivered on plan to meet a £1.0 million contribution towards the overall Consumer Business result. The Royal Mint holds one of the finest collections of coins, medals, artwork and minting equipment in the world and is respected for authenticating, valuing and selling rare and unique pre-decimal British coins. This business was successful in executing its first auction which was held in partnership with Sovereign Rarities. The business added an extended range of bespoke collector ancillaries and promoted valuation and authentication services.

The Royal Mint Experience has had another good year. Our TripAdvisor ratings continued to be largely rated 'excellent' with very few negative comments. We also received a Gold award from the Welsh Government which is the highest accolade from Visit Wales. In addition, we were the first in Wales to be awarded the 'Autism Friendly Award' by the National Autistic Society. There were extensions to the offering such as an outdoor cinema, afternoon tea, improved school packages and towards the end of the year the launch of VIP tours, where visitors get to experience other areas of The Royal Mint site, such as the Museum and Consumer production area.

The 'Strike Your Own Coin' feature continued to be popular with changes in the design driving additional visits. December also saw the launch of our 50th anniversary exhibition and the opportunity to try and lift a 400oz gold bar. Overall footfall was lower than target due to less group bookings from the wholesale market and a new sales and marketing strategy will be in place to deliver increased footfall in the new financial year.

Finally, the Consumer Business set a clear expectation to improve customer service standards during the year. We focused on improving our processes resulting in a significant improvement in our On Time In Full measure to 92% which is our highest result to date. The results for every net promoter score measure within each section of the business is positive and ahead of expectation. The overall social media sentiment has improved throughout the year and we have a clear understanding where more improvement can be implemented. The Consumer Business has received recognition for the first time of an industry Feefo Gold Standard award for continued high standards of customer service and product quality.



# Walking in Our Customers' Shoes: The Royal Mint Experience

The Royal Mint Experience has gone from strength to strength this year – celebrating its landmark 200,000th visitor and achieving Visit Wales' prestigious Gold VAQAS Award for excellence. As demand grows we've delved deep into The Royal Mint's 1,100-year history to bring new experiences, stories and events to life.

To mark our 50th anniversary we introduced a new exhibition titled 'From London to Llantrisant' to explore the story of The Royal Mint's relocation from Tower Hill to South Wales – placing never before seen artefacts on display. Working with the Royal Mint Museum and industry experts we've curated a series of dedicated workshops and lectures to offer unique experiences for families, schools and coin collectors.

Demand for behind-the-scenes access also saw the introduction of a new VIP tour – providing visitors with unprecedented access behind the barbed wire fence to witness the inner workings of The Royal Mint. Led by experts from The Royal Mint Experience it offers visitors the chance to immerse themselves in the history of British currency, and strike their own gold or silver coin.

Over the past year The Royal Mint Experience has welcomed its 200,000th visitor, received a Visit Wales Gold VAQAS Award for excellence and introduced a new VIP tour.



Adding new products such as Britannia bars to its core range helped Precious Metals increase their sales by 8% to £244.3 million.



## Precious Metals

### Principal activities

- the manufacture, marketing, distribution and sale of bullion coins, bars and rounds;
- the licence of design rights for the manufacture and supply of bullion coins, bars and rounds; and
- the secure storage of precious metals.

### Objectives and strategies

The Precious Metals strategies are to:

- provide consumers with an easily accessible and diverse range of precious metal products through our online platform and distributor network;
- expand our precious metal storage business through The Vault®, our high-security storage facility;
- expand further internationally;
- establish a Wealth Management Sector solution; and
- be the industry thought leader in precious metal investment.

### Performance

Following a very difficult year in 2017–18, our Precious Metals business increased sales by 8% to £244.3 million (2017–18: £227.0 million). The contribution to adjusted operating profit increased significantly to £3.7 million (2017–18: £2.4 million). Market conditions continued to be difficult and The Royal Mint has maintained a strong position; silver market share over the last 12 months has maintained a steady growth and The Royal Mint is now experiencing its longest period of continuous growth in gold market share on record.

We have clear plans in place to contribute to the growth of the precious metals market in the UK and overseas and then to grow our share of the market. Our aim is to become the leading precious metals solution provider for customers who demand trust and authenticity and in turn create sustainable and long-term growth for the business.

During the past year our precious metals offerings continued with the core range of coins and bars, including the continuation of The Queen's Beasts Collection, with the Black Bull of Clarence and the Yale of Beaufort launching during the year. We also launched Britannia bars and a new coin product, the Coat of Arms, which were popular additions to the range. Platinum continued to perform well with sales growing in the UK and internationally. We also increased our sales and routes to market across all product ranges and geographical areas.

We have focused on making our website as user friendly as possible and have also added elements such as personalisation. We now have over 30,000 active customer accounts and more than 1,000 new accounts are approved each month. A project is underway to migrate the website onto royalmint.com and we look forward to launching this during the next financial year.

Precious Metals continues to receive increased levels of media coverage in both financial and general business publications. We have used our reputation as a trusted and authentic global brand to maximise coverage in specialist and mainstream media.

## Gifting

Whilst we have previously sold gifts as part of our Consumer Business, we were pleased to launch a dedicated Gifting business during 2018–19. Sales to date have been in line with expectations and include gifts for babies and occasions such as Mother's Day. We will increase the range of products over the forthcoming year and we hope the business will grow to the size of our other businesses.

Some of the gifts will incorporate coins but many will be inspired by coins and our heritage rather than actual coins, taking The Royal Mint into new markets.



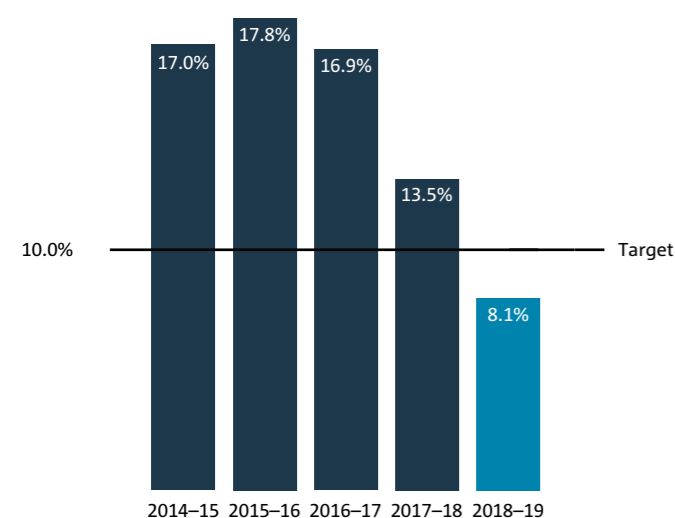
## Key Performance Indicators (KPIs)

The Royal Mint Limited's performance indicators are the key Ministerial targets, details of which can be found below. Non-financial performance indicators relating to sustainability are set out on pages 34 to 37.

### Target 1

#### Return on Average Capital Employed (ROACE)

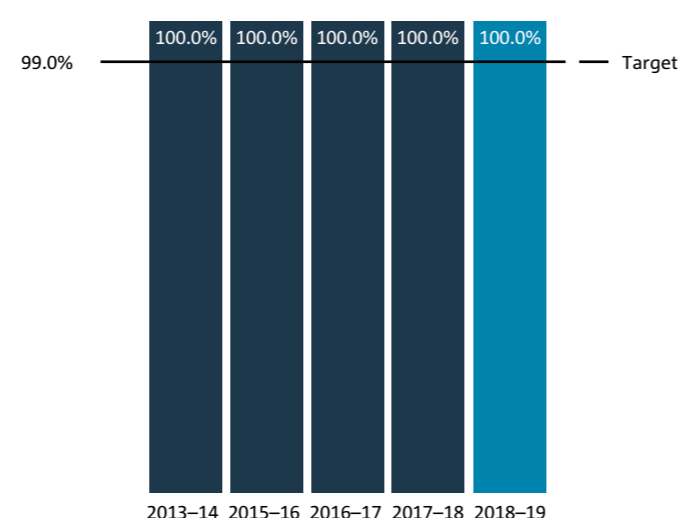
ROACE for The Royal Mint Group is calculated by expressing operating profit as a percentage of its average monthly capital employed. Operating profit has been modified to exclude IAS19 Employee Benefits and IFRS 9 Financial Instruments related adjustments as well as Exceptional Items. From 2016–17 the Ministerial Target is measured on a three-year rolling, average basis and was 8.1%.



### Target 2

#### UK Circulating Coin

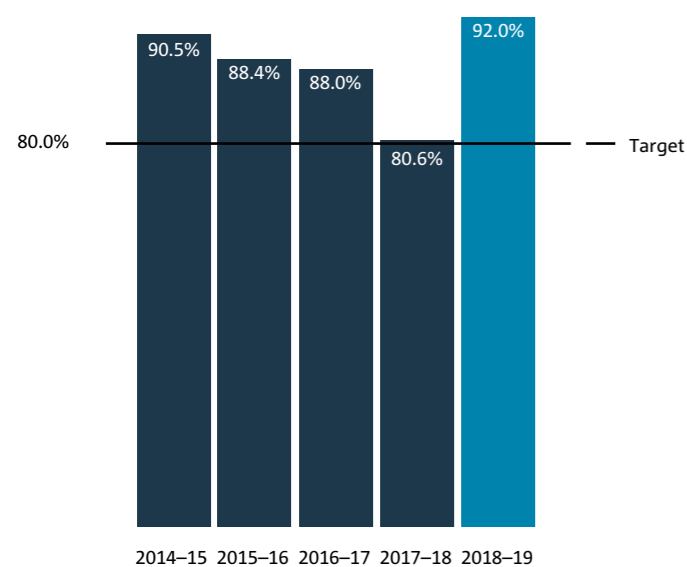
Delivery of accepted orders from UK banks and post offices within 11 days.



### Target 3

#### UK Commemorative Coin

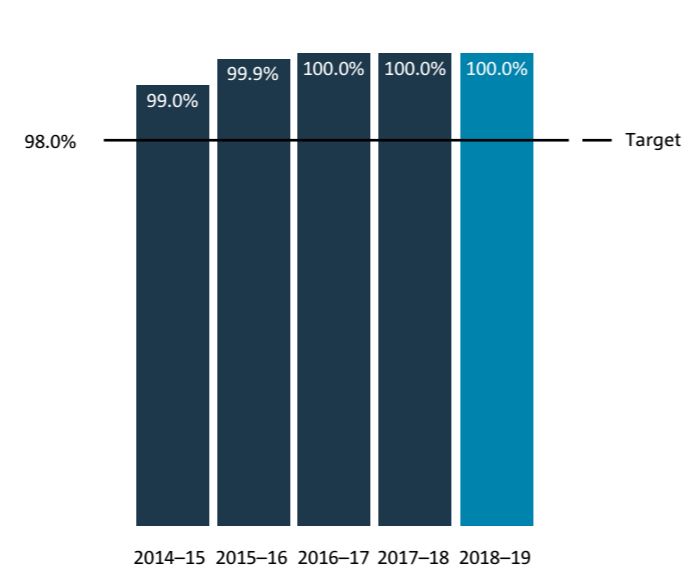
Delivery of orders to individual UK customers within three days, measured from the receipt of order or published due date.



### Target 4

#### Medals

Orders delivered by the agreed delivery date.



## Principal risks and uncertainties

The Royal Mint Group's risk priorities in 2018–19 were in the following areas:

- cyber security risk;
- key operational failure;
- political and economic instability of overseas customers;
- physical security and health and safety risk; and;
- failure in the management of key projects.

The Group's overall risk management approach is highlighted on page 40.

The above risks are all managed by members of the Executive Management Team with actions in place to reduce to inherent risk associated to the risk appetite that has been assessed by the Board. They are discussed at Risk Management Committee meetings and an update is also provided to the Audit Committee at their meetings.

## Financial risk management

### Derivative financial instruments

The Group operates a prudent hedging policy and uses various types of financial instruments to manage its exposure to market risks that arise from its business operations. The main risks continue to arise from movements in commodity metal prices and exchange rates.

### Metal prices

The majority of the raw materials purchased by the Group are metals. Prices can be subject to significant volatility and The Royal Mint seeks to limit its commercial exposure to these risks.

### Currency

**Non-ferrous metals:** copper, nickel and zinc are all commodities traded on the London Metal Exchange (LME). The business largely avoids exposure to volatility through its hedging programme. Where possible, selling prices are determined on the basis of the market prices of metals at the date a contract or order is accepted. The Royal Mint seeks to hedge its exposure to subsequent movements in metal prices by securing forward contracts to acquire the metal at this time.

**Ferrous metals:** with the growing demand for aRMour® coins and blanks, the volume of steel used by the business is increasing. Steel is procured using pricing based on six-month contracts to try to avoid volatility over the short term. The Royal Mint is continually looking at alternative strategies to protect its longer-term position for this increasingly important commodity used in our business.

### Consumer

**Proof products:** coins are manufactured for sale through The Royal Mint's various sales channels. Metal costs are secured by making quarterly commitments at agreed fixed prices. Selling prices are adjusted to reflect these costs, thereby minimising the impact of fluctuations in metal prices on future transactions and cash flows. The level of commitment is determined by the Executive Management Team and the risk is managed to achieve The Royal Mint's objective that its financial performance is not exposed to significant market fluctuations in metal prices.

### Precious Metals

**Precious metals:** selling prices are quoted based on the prevailing market rates of the precious metals. They are specifically purchased to satisfy each order thereby avoiding exposure to risk on metal cost by the use of consignment arrangements.

**Premiums:** premiums on many of our gold products are calculated as a percentage of the gold price, and as such are subject to fluctuation.

### Foreign exchange

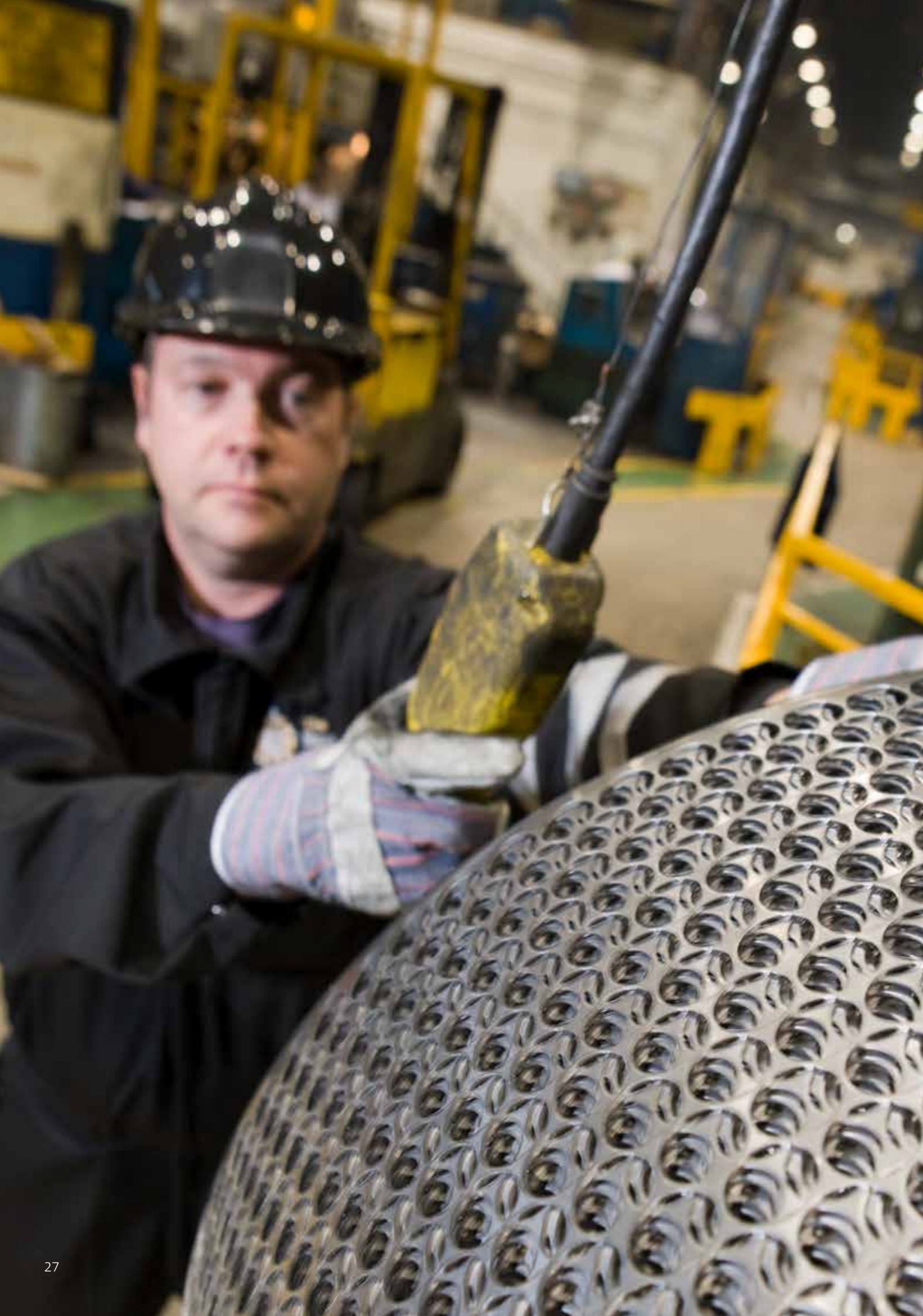
The Group minimises its exposure to exchange rate movements on sales and purchases by making sales and purchases via sterling-denominated contracts wherever possible. Where this is not the case, the Group reduces exposure by using forward exchange contracts.

### Effects of commodity hedging

Under IFRS 9, hedge accounting rules have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IFRS 9) is recorded as other gains/(losses) in the Income Statement.

The objective of the Group's hedging policy is to mitigate the impact of movements in the price of metal commodities, where appropriate, over time. For accounting purposes the impact will be reflected in different accounting periods depending on the relevant ineffectiveness assessment under IFRS 9 rules. The accounting treatment in this area is therefore not necessarily a reflection of the economic impact of the Group's hedging policy but represents the respective accounting impact of hedging ineffectiveness under IFRS 9.

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2018–19, the year-end impact was a loss of £(2.4) million (2017–18: £2.2 million gain). Financial risk management disclosures are set out in note 24 to the financial statements.



## Safety, Health and Environment (SHE)

The Royal Mint's position as a trusted brand is supported by the vision of the Safety, Security, Health and Environment (SHE) team:

We All Matter – we support each other towards improving SHE performance through nurturing and learning together without blame.

To deliver this vision, The Royal Mint works to minimise the impact of its business on the health, safety and environment of its employees and neighbours, by striving to achieve high standards of business ethics and having a commitment to meeting its moral responsibilities, which go over and above legal compliance.

The vision is implemented through the following strategies:

- improving SHE culture through improved reporting and learning using the Just Culture Model;
- SHE systems – robust and embedded within the organisation;
- protecting and enhancing the environment, through sustainable projects; and
- improving the health of our people through monitoring and activities within the local community.

We have progressed well against these strategies during the past year and introduced new mechanisms of reporting through the use of a Q-Pulse system which enables improved tracking of incidents and resultant actions. We have also resumed a focus on reducing the level of non-industrial accidents through a forum to discuss the key risks and preventative actions.

The Royal Mint continues to demonstrate its commitment to its legal obligations, including operating within its environmental permit, as regulated by Natural Resources Wales and its status as an upper-tier Control of Major Accident Hazard (COMAH) site, overseen by the Competent Authority.

## Outlook

The Royal Mint has a 1,100-year history and has survived by changing as society has changed. As circulating coin usage changes, it is important that The Royal Mint reinvents itself, ensuring that its brand and values guide how this is done so we continue to be a trusted and authentic organisation.

The resulting diversification strategy is based on using our assets and capabilities to enable entry and growth into new markets. We will be looking to the future and exploring new business initiatives that will ensure that The Royal Mint Group continues to grow, succeed, return significant dividends to its shareholder, HM Treasury, and delight its customers.

Approved by the Board of Directors and signed on its behalf,

**Anne Jessopp**  
Chief Executive  
08 July 2019

# Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2019.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Consolidated Annual Report and the financial statements in accordance with applicable law and regulations. Company Law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS regulation.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors

The Directors of the Company who were in office during the year and up to the date of signing of the financial statements unless as noted below are shown on page 3.

Vin Wijeratne resigned as a Director on 27 April 2018. Martin McDade was appointed as a Director on 23 May 2018. Peter Warry resigned as a Non-Executive Director and Chairman on 31 December 2018 and Graham Love was appointed on 1 January 2019. Amanda Rendle resigned as a Non-Executive Director on 25 March 2019 and Cheryl Toner was appointed on the same date.

## Dividends

Post year-end, the Board declared a dividend for 2018–19 of £4.0 million. Dividends relating to 2017–18 earnings of £4.0 million were paid during the year.

## Research and development

At The Royal Mint, we have continued to develop our technological capabilities. In an increasingly competitive market, this is critical for us to stand apart from our competitors. We will continue to focus on technologies that can support our business and reduce the environmental footprint of our operations.

## Creditor payment policy

The Royal Mint always seeks to comply with agreed terms and a total of 90% (2017–18: 85.0%) of invoices were paid within the agreed period. We are pleased to report this is an improvement on the prior year following the embedding of our new IT system and we will continue to work with our suppliers and further develop our internal processes and systems in order to deliver further improvement in this measure.

## People

Our people remain a key part of our business and everyone has a part to play in delivering the overall business strategy. The Royal Mint's values continue to guide the way in which we all do our jobs and shape what it means to work as part of The Royal Mint team. December 2018 marked our 50th year in Llantrisant and our employees and their families were invited to a celebratory event to acknowledge the contribution of employees over the last 50 years. This event was also extended to the local community.

Following the launch of our new vision and associated three-year strategy, we have continued to embed our strategy deployment processes so that everyone, at all levels of the organisation, understands the direction of travel for the organisation as well as what part they play in delivering the overall corporate objectives.

As part of our reinvention vision we have encouraged innovation at all levels of the organisation; the benefits of this are seen every day through our employee-generated ideas, improvements and problem-solving activities. Many of these have driven both instant and incremental improvements in our day-to-day operational effectiveness, efficiency and commercial successes.

We are now into the third cycle of The Royal Mint's chosen charity initiative and in March 2018, our employees voted again and 2 Wish Upon A Star was chosen for 2018–20. This local charity raises funds to improve bereavement services in Wales, providing bereavement support for families who have suddenly and traumatically lost a child or young adult aged 25 years and under. These services include supporting A&E departments across Wales to ensure suitable bereavement suites are available; provision of bereavement boxes to parents; immediate bereavement support for parents and siblings as well ensuring counselling services and staff are available and trained to a high standard. We are delighted to be able to support this charity over the next two years.

Our apprenticeship scheme is still an important part of our future development plans within the Company and our standards remain very high. Following a successful scheme, three of our apprentices graduated in August 2018, with another three due to graduate in August 2019. Our apprenticeship scheme is accredited by the Institute of Engineering & Technology (IET) and is an excellent framework for apprentices to follow. As a business, we are delighted to be securing young talent and helping these individuals develop in their chosen careers.

Consultation with employees or their representatives has continued at all levels. Our aim is to ensure that individuals' views are taken into account when making decisions that are likely to affect their interests and all employees are aware of the financial and economic performance of their business unit and the Group as a whole. Building on engagement improvements from last year, we introduced the Best Companies engagement survey as an additional way to regularly understand and monitor employees' experience of working at The Royal Mint. Pride in working for The Royal Mint was one of the highest scores and a follow-up survey is due in June 2019.

## Diversity

The Royal Mint is committed to having a diverse workforce with a culture that values the benefits that diversity brings. This includes but is not limited to disability and The Royal Mint gives full and fair consideration to applications for employment that disabled people make to the Group.

The Royal Mint provides training, career development and promotion of disabled people and for the continuing employment and training of employees who have become disabled whilst in employment in the Group.

Following the first Gender Pay Gap reporting in March 2018, the report was updated in March 2019 and continued to report a positive average pay gap in favour of women of 20.5% (2018: 22.9%). We welcome the opportunity the Gender Pay Gap Report has brought to lend further clarity around the improvement of our policies and ways of working to close the gap at The Royal Mint and continue to create opportunities for our employees to progress and succeed. While we are confident that men and women are paid equally for doing equivalent jobs across the organisation, the data showed us that the overall pay gap is in favour of women at The Royal Mint but the median pay gap is in favour of men. The Royal Mint understands that part of its continued success will be as a result of our continued efforts to work with our employees to create a diverse and engaging work environment.

## Directors' third-party and pension scheme indemnity provision

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

## Sickness absence

The annual sickness absence rate for 2018–19 was 3.9% (2017–18: 4.3%).

## Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution to confirm its appointment will be proposed at the Annual General Meeting.

## Future developments and financial risk management

These areas are dealt with in the Strategic Report.

## Authority of issue of financial statements

The Directors gave authority for the financial statements to be issued on 08 July 2019. Neither the entity's owner nor others have the power to amend the financial statements after issue.

Approved by the Board of Directors and signed on its behalf,

**Martin McDade**  
Director of Finance  
08 July 2019



# We All Matter: 50th Anniversary Celebration

December 2018 marked the 50th anniversary of the opening of The Royal Mint at Llantrisant by Her Majesty The Queen. Over the last 50 years we've delivered decimalisation, made over 150 billion coins and opened our first ever visitor centre, The Royal Mint Experience, but our impact on the local community runs much deeper. As a major employer we've welcomed almost 5,000 colleagues through our doors since 1968, creating families and friendships along the way.

To mark our landmark anniversary, we invited employees (past and present), members of the community and suppliers to a special event at The Royal Mint. To enable our visitors to join in the celebration we also unveiled a new exhibition at The Royal Mint Experience which explores the full story of the relocation for the first time.

Our 50th anniversary celebrations will span 2019 as we work together to raise £50,000 for our charity partner 2 Wish Upon A Star.

In March 2018 our employees voted for the third cycle of The Royal Mint's chosen charity initiative. 2 Wish Upon A Star was chosen for 2018–20.



## Group Financial Summary

|   | 2018-19<br>£m | 2017-18<br>£m | 2016-17<br>£m | 2015-16<br>£m | 2014-15<br>£m |
|---|---------------|---------------|---------------|---------------|---------------|
| UK revenue  | 182.6         | 197.1         | 241.8         | 118.1         | 115.2         |
| Overseas revenue  | 239.0         | 218.8         | 264.6         | 242.5         | 144.4         |
| Total revenue   | 421.6         | 415.9         | 506.4         | 360.6         | 259.6         |
| Operating profit before IFRS 9-related items and exceptionals | 1.9           | 6.5           | 14.4          | 13.1          | 11.0          |
| IFRS 9-related items (note 5b)                                | 2.4           | 2.2           | 0.8           | (0.6)         | (0.3)         |
| Exceptional items (note 5a)                                   | (2.2)         | (5.7)         | (0.2)         | (0.2)         | 0.7           |
| Operating profit  | (2.7)         | 3.0           | 15.0          | 12.3          | 11.4          |
| Net finance cost  | (1.1)         | (0.6)         | (0.6)         | (0.4)         | (0.2)         |
| Share of profit of associate                                  | 0.1           | 0.1           | –             | –             | –             |
| Profit before tax   | (3.7)         | 2.5           | 14.4          | 11.9          | 11.2          |
| Tax   | 0.7           | (1.9)         | (3.0)         | (2.3)         | (2.3)         |
| Profit after tax  | (3.0)         | 0.6           | 11.4          | 9.6           | 8.9           |
| Net assets  | 56.1          | 62.6          | 65.8          | 62.9          | 55.3          |



# Sustainability Report

The Royal Mint has a guiding principle that 'life matters' and demonstrates its commitment by:

- achieving a workplace free from harm through the prevention of major accidents, personal harm, ill health and pollution; and
- ensuring we are at the forefront of employing sustainable business practices in order to minimise our environmental footprint.

## Managing risk

The Royal Mint's systems have led to the identification and management of environmental risks across our business activities. These systems have identified The Royal Mint's significant environmental risks, which include:

- energy consumption;
- water consumption;
- waste generation and disposal; and
- the potential to impact on nearby water courses, ground and ground water.

## Accreditations

The Royal Mint holds the following International Organization for Standardization standards:

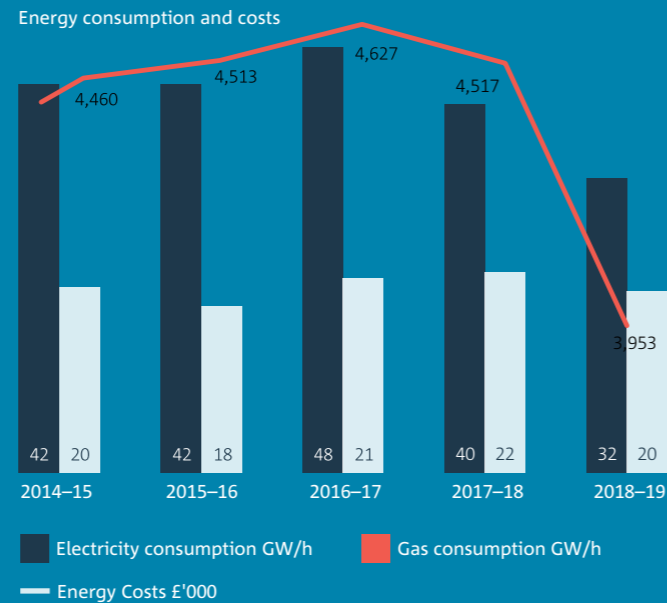
- ISO14001 (2015) Environmental Management System
- ISO50001 (2011) Energy Management System

This Annual Report has been printed on Forest Stewardship Council ('FSC') accredited paper, using waterless presses and machinery powered by 100% natural and renewable energy sources. The print production systems are registered to ISO 14001, ISO 9001 and EMAS standards.

## Greenhouse gas emissions and energy consumption

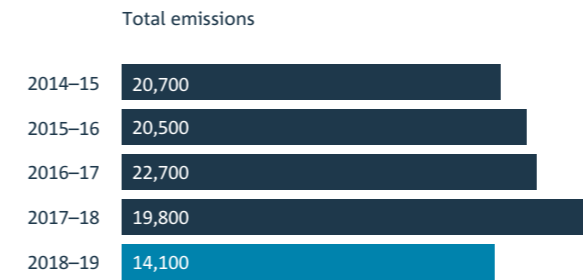
The use of energy continues to be a significant aspect of the organisation's environmental impact. The Royal Mint continually explores opportunities to improve energy efficiency throughout its activities and supply chain. This includes process improvements, investment in more energy efficient equipment and the development of new technologies.

The change in the electricity consumption profile is the result of process changes including the removal of non-ferrous casting on site.



The energy consumption figures include both consumed grid energy and 'on-site' generated energy. The significant change in energy consumption per tonne is a result of the removal of on-site casting of non-ferrous metals.

Total emissions for 2018-19 were 14,100 tonnes of CO2 equivalent. The reduction in total emissions are in part due to the increased use of renewable energy during 2018-19 but also mainly due to the removal of on-site casting of non-ferrous metals.



The Royal Mint recognises in moving the production of non-ferrous metal to purchased goods/services that its greenhouse gas emissions move from scope 1 and 2 (direct emissions) to scope 3 emissions (indirect emissions due to the activities of The Royal Mint). The Royal Mint measures 'normalised tonnes' (calculated as tonnes of CO2 equivalent per tonne of Circulating Coin manufactured) as a key indicator of energy efficiency.

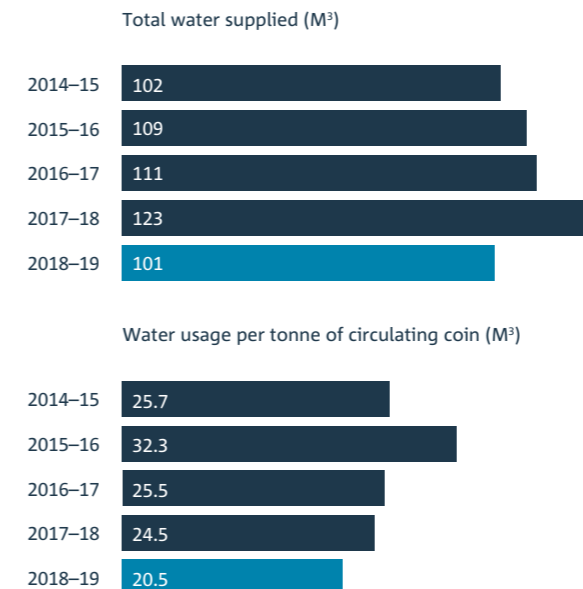
For 2018-19 normalised tonnage was 0.7 CO2 equivalent per tonne of Circulating Coin. The reduction in normalised emissions are also due to the reasons above.



## Renewable Energy

During 2018-19 The Royal Mint has made a move to achieving a more sustainable energy future, whilst cutting emissions, through the use of renewable energy generated by a wind turbine.

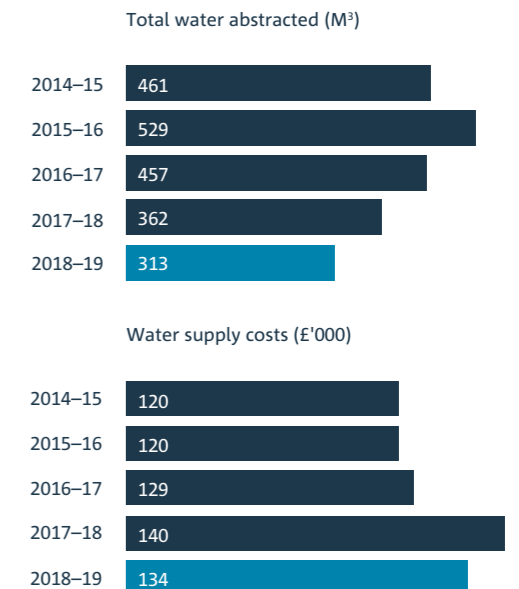
The Royal Mint commissioned an 'on-site' turbine late in 2018-19 which feeds directly to the site. This turbine generated 370,000 kWh for the year. Additionally, the previously installed photovoltaic (solar panel) systems generated 33,000 kWh.



## Water consumption

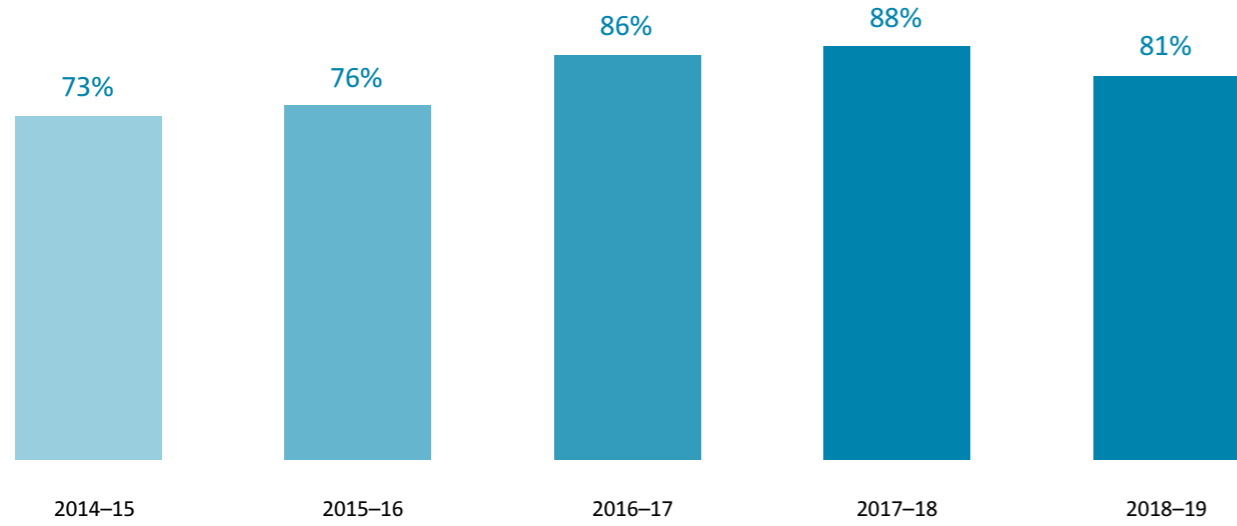
A large volume of water is consumed within the coin manufacturing process and as such The Royal Mint uses both potable (mains) and abstracted water in its processes.

The Royal Mint continues to review its processes to identify opportunities to reduce water consumption.



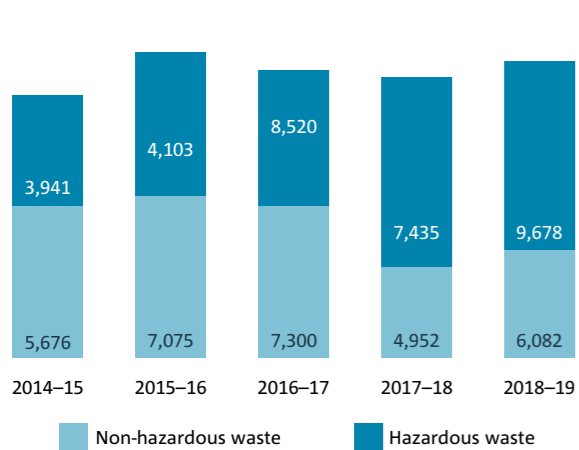
## Waste

### Waste recycled



The Royal Mint continually seeks opportunities to recycle as much waste as possible and recycled 81% of its waste in 2018-19 (2017-18: 88%).

### Waste disposal (tonnes)



The waste figures are calculated from data supplied by internal weighing and information supplied by The Royal Mint's principal waste contractors as of 4 April 2019.

The variations in the 2018-19 figures are due to the end of the recovered metal programme from the repatriation of the old £1 coin and an increase in the recycling of non-ferrous metal off-site.

The increase in hazardous waste figures is a result of waste solutions being removed from processes upstream rather than being treated via the site's effluent treatment plant. This has resulted in improved efficiency of the effluent plant and reduced chemical usage.

## Scope analysis

| Tonnes of CO <sub>2</sub> eq |   | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|------------------------------|---|---------|---------|---------|---------|---------|
| Scope 1                      | Natural gas usage (heating and furnaces)                            | 3,620   | 3,280   | 3,830   | 4,110   | 3,740   |
|                              | Use of Royal Mint owned vehicles                                    | 2       | 2       | 1       | 1       | 1       |
|                              | Process emissions from the furnace stack                            | 2       | 2       | 2       | 2       | 0       |
|                              | Fugitive emissions (e.g. air conditioning and refrigeration leaks)* | 2       | 2       | 2       | 16      | 9       |
| Scope 2                      | Electricity usage**   | 16,100  | 16,300  | 18,000  | 15,500  | 9,710   |
| Scope 3                      | Business travel   | 713     | 663     | 530     | 740     | 402     |
|                              | Water supply  | 35      | 38      | 38      | 42      | 35      |
|                              | Water treatment (off-site)  | 96      | 95      | 95      | 72      | 70      |
|                              | Waste disposal***   | 75*     | 133*    | 176*    | 228*    | 142*    |

\* The fugitive emissions from air conditioning and refrigeration leaks figure has been calculated from losses/removal identified during the six-month routine maintenance inspections multiplied by the global warming potential of the gas replaced.

\*\* The UK Government GHG Conversion Factors for Company Reporting have been aligned to the CRC Energy Efficiency Scheme and the previously used a five-year grid rolling average factors has been replaced by factors based on one-year average factors. For this reason, previous Electricity Usage figures have been recalculated and corresponding data modified to reflect the changes.

\*\*\* Figures include the disposal of metals. These have been calculated using the methodology and emission factors provided in previous years by the Department for Environment Food and Rural Affairs (Defra) Greenhouse Gas Conversion Factors.

## Finite resources

The Royal Mint recognises that its products in the majority are produced from finite resources and there is a rising demand for those limited resources. To reduce its impact, The Royal Mint endeavours to apply the waste hierarchy where ever possible and looks for recycling opportunities for its waste streams. The Royal Mint operates a zero waste to landfill.

This encourages suppliers to obtain materials from sustainable sources, minimise their impact on the environment and encourage the achievement of standards such as ISO 14001 the Environmental Management Standard, ISO 50001 the Energy Management Standard and SA 8000 Ethical Standard. The policy also promotes waste reduction and the use of recycled materials to minimise the use of secondary materials and landfill for waste disposal. Suppliers are urged to assess their carbon footprint and have in place action plans to reduce and monitor emissions.

The Royal Mint encourages suppliers to attend Royal Mint supplier workshops, where the above ethos is promoted.

## Protecting and enhancing the natural environment

The Royal Mint operates from a single site which is regulated under the Control of Major Accident Hazards Regulations 2015 (COMAH) and Environmental Permitting Regulations 2016. It is recognised that the way the site operates can have an impact on people, animals and habitats therefore control measures to address identified scenarios are in place. The Royal Mint strives to treat the natural world around us with respect, care and sensitivity through its values shared with employees.

## Working with the supply chain

The Royal Mint has introduced an ethical and sustainable purchasing policy with key suppliers. The policy encourages key suppliers to have an ethical sourcing policy or be members of a recognised responsible sourcing organisation or equivalent body.

## Reporting and data

Data collection is taken from records of meter readings for gas, electricity, mains-supplied water and abstracted water.

For transport the mileage of The Royal Mint's vehicles is monitored along with data supplied by taxi companies. The carbon dioxide emissions from air travel and car hire are supplied by the contractors who supply each service. The Royal Mint gathers data on water use and transport in calculating the scope 3 emissions.

# We Think Differently: Introducing Delilah

Being based in South Wales has many benefits, but the windy weather hasn't generally been considered one of them ... until now. In October 2018 we unveiled the world's first daffodil wind turbine, bringing some sunshine – and a vital source of carbon neutral energy – to our 38-acre site.

Affectionately known as 'Delilah', the wind turbine has already generated more than 370,000 kWh which has been amplified and transferred directly into The Royal Mint. The turbine complements our solar panels which generate an additional 33,000 kWh over the year.

As we reinvent The Royal Mint we're committed to finding innovative ways to further reduce our carbon footprint and be a considerate neighbour to the natural environment around us.

In October 2018 we unveiled the world's first daffodil wind turbine affectionately known as 'Delilah'.



# Corporate Governance

## Internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Royal Mint Group's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the Annual Report. It accords with HM Treasury guidance and the UK Corporate Governance Code where appropriate.

The system of internal control is based on a framework of regular management information, administrative procedures (including the segregation of duties) and a system of delegation and accountability.

In particular, it includes:

- comprehensive budgeting systems with an annual operating plan and budget which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic and annual reports, which indicate performance against the budget and latest forecast;
- setting targets and Key Performance Indicators to measure financial and other performance;
- risk management framework as detailed below;
- clearly defined capital investment control guidelines; and
- formal physical and information security arrangements.

Executive Directors provide the Board with annual written confirmation in relation to the effectiveness of the system of internal control in their area of responsibility.

There were no lapses of data security in the year that were reportable to the Information Commissioner's Office.

## Risk management

Under the guidance of the Board and Audit Committee, The Royal Mint Group's risk management process is undertaken by the Executive Management Team. It focuses on the identification and management of the key risks which could impact on the achievement of The Royal Mint Group's policies, aims and strategic objectives. As part of its oversight process, the Board undertakes a review of risk management at least annually and has input into the broader risk management approach.

The Risk Management Committee is responsible for overseeing the effective establishment and maintenance in operation of a management framework within which risk is evaluated and managed. The Committee's membership comprises the Executive Management Team of The Royal Mint Group and the Financial Controller who is also the Chair of the Committee. The Head of Internal Audit also attends all meetings. The Risk Management Committee meets at least three times a year and reports to the Audit Committee which briefs the Board as appropriate and at least annually.

Guidance in relation to risk awareness and risk management is provided to staff as part of their ongoing development and training. Appropriate risk management requirements are embedded in staff objectives and responsibilities.

The Royal Mint Group's risk management framework and practice conform to guidance issued by HM Treasury and are included for review in the annual internal audit plan.

A register of key corporate risks is maintained, together with a series of operational risk registers covering each of the areas of responsibility of the Executive Management Team. These registers are updated regularly and evolve as new risks are identified and formally elevated to the risk register.

The Royal Mint Group's risk priorities in 2018–19 are detailed on page 25.

## Internal audit

The Royal Mint Group operates internal audit arrangements to standards defined in the Public Sector Internal Audit Standards. During 2018–19 this function was undertaken by KPMG LLP. Their annual audit plan and the results of their audit, including recommendations for improvement, are reported to the Director of Finance and presented to the Audit Committee. They also provide an independent opinion on the adequacy of The Royal Mint Group's system of internal control.

KPMG LLP did not report any issues concerning the internal controls that require inclusion in this statement. In addition none of the reports received during the year reported an 'inadequate' conclusion.

## The Board and its committees

During the year, the Board of Directors comprised the Chairman, five Non-Executive Directors and three Executive Directors (the Chief Executive, Chief Financial Officer (until April 2018), Director of Finance (from May 2018) and Director of Currency). The Board met nine times in 2018–19 (2017–18: nine times). Attendance by members at the Board and Committee meetings is set out below in relation to how many meetings they attended whilst in office.

|                        | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|------------------------|-------|-----------------|------------------------|-----------------------|
| Anne Jessopp           | 9     | n/a             | n/a                    | n/a                   |
| Andrew Mills           | 9     | n/a             | n/a                    | n/a                   |
| Martin McDade          | 9     | n/a             | n/a                    | n/a                   |
| Graham Love            | 4     | n/a             | n/a                    | n/a                   |
| Peter Warry            | 6     | n/a             | n/a                    | n/a                   |
| David Morgan           | 9     | 3               | 4                      | 5                     |
| Xenia Carr-Griffiths   | 9     | 3               | 4                      | 5                     |
| Amanda Rendle          | 9     | 3               | 4                      | 5                     |
| Michael Clayforth-Carr | 9     | 3               | 4                      | 5                     |
| Cheryl Toner           | 1     | –               | 1                      | –                     |
| Jamie Carter           | 9     | 3               | n/a                    | 5                     |
| Number of meetings     | 9     | 3               | 4                      | 5                     |

Vin Wijeratne resigned on 27 April 2018. Martin McDade was appointed as a Director on 25 May 2018.

Peter Warry resigned as a Non-Executive Director and Chairman on 31 December 2018 and Graham Love was appointed on 1 January 2019.

Amanda Rendle resigned as a Non-Executive Director on 25 March 2019 and Cheryl Toner was appointed on the same date.

Jamie Carter has a seat on the Board as a representative of the Royal Mint Trading Fund and HM Treasury as shareholder and is a member of the Audit Committee and Nominations Committee. Jamie also attended all meetings of the Remuneration Committee since his appointment but is not a member of that committee.

## The Role of the Board

The Board's role is to provide entrepreneurial leadership of the Group to enhance and preserve long-term shareholder value in line with HM Treasury policy and within a framework of prudent and effective controls which enables risk to be assessed and managed.

The roles and responsibilities of the Board are to:

- develop the future strategy of the business required to realise the strategic objectives;
- review, as appropriate, the strategic objectives and agree them with the shareholder;
- ensure a three to five-year plan is in place in order to realise the strategic objectives;
- ensure that the necessary management structure, financial and human resources are in place in order to achieve the agreed plan;
- determine the risk appetite of the organisation in furtherance of achieving the strategic objectives and ensure there is a robust ongoing process to identify and appropriately manage strategic and significant operational risks;
- regularly review objectives and management performance against annual plan and associated business KPIs;
- ensure the Group operates with appropriate values and standards and ensure that its obligations to its shareholders and others are understood and met;
- review, approve or propose strategic investment in line with investment authority limits as agreed with the shareholder;
- ensure that the Group operates at all times within applicable laws and regulations and within an appropriate procedural framework; and
- ensure that the Board fulfils its duties in the Memorandum and Articles of Association of the Company, functions and any frameworks which may be agreed with the shareholder.

Quality information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. At each Board meeting the Directors receive a report from the Chief Executive covering all areas of the business and a Finance Report detailing performance against forecasts. There is a rolling Board agenda which also ensures the Board receives formal papers, inter alia, on the Annual Budget, Annual Report and the reforecast of the Budget at the half year. All Directors have access to independent professional advice, at The Royal Mint Limited's expense, if required.

The Board of Directors confirms that it considers the Consolidated Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy.

The Board reviews its effectiveness in a number of ways including commissioning external reviews in line with good corporate practice.

The last external review took place in 2016–17 and reported positively on the effectiveness of the Board. No significant areas of concern were highlighted during the course of the 2018-19 internal review and it was noted that action had been taken to address points arising from previous internal reviews. For example, specific skills have been sought in non-executive appointments to complement the breadth of activities undertaken by The Royal Mint, and additional focus on strategy has also been undertaken.

During the year the Board has reviewed the progress of The Royal Mint in its vision critical projects, particularly in relation to the One Business System and the future state of the Currency business. This has included reviews as part of Board meetings and also additional workshops to discuss developments in these projects.

## Audit Committee

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites the Chairman, Chief Executive, Director of Finance and senior representatives of both the internal and external auditors to attend meetings. Jamie Carter is deemed by the Board to be independent for the purposes of the Audit Committee. The Chair of the Audit Committee has recent and relevant financial experience.

The Audit Committee monitors and reviews the effectiveness of the internal control systems, accounting policies and practices, financial reporting processes, risk management procedures, as well as the integrity of the financial statements. It also closely monitors and oversees the work of the internal auditors as well as ensuring the external auditors provide a cost-effective service and remain objective and independent. It has provided assurance to the Board by giving scrutiny to the Annual Report and Accounts, reviewing the results of work carried out by Internal and External Audit, supporting the development of the risk assurance approach and monitoring key risks and issues significant to the Group.

## Remuneration Committee

The Committee is made up of no fewer than three Non-Executive Directors and meets at least twice a year. Remuneration decisions are guided by a Directors' Remuneration Framework which was agreed with HM Treasury at the time of the Company's vesting. The Committee's primary role is to determine, in reference to this Framework, the remuneration and performance-related incentive schemes of the Directors and Executive Management Team, subject to the consent of the UK Government Investments (UKGI) where applicable. The Terms of Reference for the Committee are available on The Royal Mint Limited's website and the Remuneration Report is set out on page 44.

## Nominations Committee

The Nominations Committee comprises all Non-Executive Directors of the Group and meets as and when necessary. The Committee works with UKGI to appoint Board members on the following basis:

- the Chairman is appointed by the HM Treasury Minister on advice from HM Treasury and UKGI, in consultation with the Chief Executive and the Nominations Committee;
- the Chief Executive appointment is approved by the HM Treasury Minister, on advice of the Chairman, HM Treasury and UKGI and in consultation with the Nominations Committee; and
- other Board appointments are made by the Nominations Committee in consultation with UKGI, and with UKGI's consent.

The Board values the varied contribution which the diverse nature of the Board members brings and is supportive of the principle of boardroom diversity, of which gender is an important, but not the only, aspect. It is considered that the ratio of men:women should be at least 75:25 and our Board exceeds this at 67:33.

The Nominations Committee ensures that all Board recruitment seeks to build on this diversity and all roles are recruited using both advertisements and search.

## Executive Management Team

The Chief Executive has primary responsibility for the day-to-day management of the business. She discharges her responsibilities through an Executive Management Team, whose membership is made up from the Executives leading the main functions of the business. The Executive Management Team formally meets on a regular basis and no fewer than ten times a year.

The roles and responsibilities of the Executive Management Team are the:

- implementation of the plan and efficient operation of the business;
- development and subsequent implementation of a long-term strategy in conjunction with the Board;
- development of an annual budget, for approval by the Board;
- approval of capital expenditure over £20,000 and major contracts not requiring Board approval (significant expenditure not approved in the annual budget is brought to the Board's attention);
- preparation of a risk register and subsequent reviews and mitigating actions;
- development and implementation of performance improvement programmes;
- establishment, maintenance and development of operating procedures; and
- working with the Remuneration Committee to develop remuneration systems for staff, including performance-related pay.

## Going concern

After making enquiries, the Directors of The Royal Mint Limited concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

**Anne Jessopp**  
**Chief Executive**  
**08 July 2019**

# Remuneration Report

## Remuneration Committee

The Committee's primary role is to determine, within the bounds of the Directors' Remuneration Framework agreed with the shareholder, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of UKGI and HM Treasury Ministers, where required. The Secretary to the Committee is the Director of HR and SHE. The Chief Executive is invited to attend the Committee. Directors do not take part in any decision affecting their own remuneration.

## Committee Remit

The remit is updated annually and can be accessed on The Royal Mint Limited's website.

## Remuneration Policy

The Royal Mint Group's policy is to maintain levels of remuneration such as to attract, motivate and retain executives of a high calibre who can contribute effectively to the successful development of the business.

## Executive Management Team

The team as of 31 March 2019 was made up of eight roles:

Chief Executive, Director of Consumer Business, Director of Currency, Director of Precious Metals, Director of Operations, Director of Finance, Chief Marketing Officer and Director of HR and SHE.

## Executive Management Team's Terms, Conditions and Remuneration

The remuneration package of members of the Executive Management Team consists of the following elements:

- i. Basic salary**

The basic starting salary of a member of the Executive Management Team is determined as part of the recruitment and selection process. Thereafter it is subject to annual review including external benchmarking.
- ii. Short-Term Incentive Plan (STIP)**

At the start of the year the Remuneration Committee agreed the targets for the STIP for 2018–19. The purpose is to recognise and reward outstanding performance against planned business targets, with a strong focus on Return on Average Capital Employed (ROACE). The maximum award for 2018–19, if the ROACE over-performance targets were achieved, was 33% of basic salary for the CEO and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed and accrued in the year they are earned. The amounts earned in 2018–19 will be paid in 2019–20.
- iii. Long-Term Incentive Plan (LTIP)**

The LTIP is in place to reward and recognise achievement of the strategic and sustainable development of the business. Targets relate to ROACE and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and combine single and three-year timescales. Incentives earned by achieving these targets are paid in the year following the end of the three-year period. The maximum amount it is possible to earn under each LTIP scheme is 33% of the basic salary for the CEO and 25% for the other members of the Executive Management Team.

LTIP awards are disclosed and accrued in the year they are earned. Amounts are paid in the year following the conclusion of each three-year scheme.

There were three LTIP schemes operating during 2018–19. One started in 2016–17 and concluded in 2018–19 and amounts earned will be paid in 2019–20, the other started in 2017–18 and amounts earned will be paid in 2020–21. The third started in 2018–19 and amounts earned will be paid in 2021–22.
- iv. Pension Scheme**

All members of the Executive Management Team who joined after 1 January 2010 are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme.

All members of the Executive Management Team, who joined prior to 1 January 2010, were members of Prudential Platinum Pension - The Royal Mint Limited Scheme, a defined benefit pension scheme. The Prudential Platinum scheme was closed for additional contributions on 31 March 2015 and all members of the Executive Management Team who were members of the Prudential Platinum scheme at 31 March 2015 decided to accept a Cash Equivalent Transfer Value ('CETV') into their private personal schemes. From 1 April 2015 all Executive Management Team members, who joined prior to 1 January 2010, have accrued benefits into the Civil Service Pension Scheme.
- v. Discretionary benefits allowance**

Any allowance paid is non-consolidated, non-pensionable and is not used for the basis of Incentive Plan calculations. Payments are included within remuneration below.

The following sections provide details of the salaries, pension entitlements and fees of the Board members and Executive Management Team. Whilst the results were reduced year-on-year, we exceeded our recovery plan and our challenging targets. Therefore the targets set by the remuneration committee in April 2018 for the current year have been achieved resulting in the STIP and LTIP bonuses being accrued as set out in the following table.

In addition this over performance triggered a bonus for all employees in recognition of their personal contribution to our recovery plan.



## Remuneration and Incentive Plans

| Executive Management Team of The Royal Mint Limited | 2018–19                     |   |                              |                              | 2017–18                     |   |                              |                              |
|---|-----------------------------|---|------------------------------|------------------------------|-----------------------------|---|------------------------------|------------------------------|
|   | Total Remuneration<br>£'000 | Remuneration before incentives<br>£'000 | STIP amounts earned<br>£'000 | LTIP amounts earned<br>£'000 | Total Remuneration<br>£'000 | Remuneration before incentives<br>£'000 | STIP amounts earned<br>£'000 | LTIP amounts earned<br>£'000 |
| Anne Jessopp  | 339                         | 215                                     | 71                           | 53                           | 185                         | 154                                     | 22                           | 9                            |
| Andrew Mills  | 205                         | 137                                     | 41                           | 27                           | 142                         | 134                                     | –                            | 8                            |
| Chris Howard  | 152                         | 130                                     | 13                           | 9                            | 135                         | 127                                     | –                            | 8                            |
| Leighton John                                       | 173                         | 115                                     | 35                           | 23                           | 120                         | 113                                     | –                            | 7                            |
| Martin McDade                                       | 152                         | 119                                     | 18                           | 15                           | 111                         | 109                                     | –                            | 2                            |
| Sarah Bradley                                       | 150                         | 109                                     | 27                           | 14                           | 101                         | 99                                      | –                            | 2                            |
| Nicola Howell*                                      | 150                         | 118                                     | 24                           | 8                            | 21                          | 19                                      | 2                            | –                            |
| Jonathan McGregor**                                 | 90                          | 65                                      | 20                           | 5                            | –                           | –                                       | –                            | –                            |
| Vin Wijeratne***                                    | 11                          | 11                                      | –                            | –                            | 137                         | 134                                     | –                            | 3                            |

Board members during the year were Anne Jessopp, Andrew Mills, Martin McDade and until resignation Vin Wijeratne.

\* Nicola Howell was made Director of Consumer Business in February 2018 and therefore her remuneration in the prior year is only shown from that date.

\*\* Jonathan McGregor was appointed as Chief Marketing Officer in September 2018 and therefore his remuneration is only shown from that date.

\*\*\* Vin Wijeratne resigned on 27 April 2018 and received £122,000 as compensation for loss of office in addition to the amounts above.

No non-cash benefits-in-kind were provided during the year.

## Median Pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce. For the purpose of this disclosure, the remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include pension contributions or the cash-equivalent transfer value of pensions.

Using this basis, in 2018–19 the remuneration of the highest-paid Director of The Royal Mint was £339,000 (2017–18: £185,000). This was a significant increase on the prior year as Anne Jessopp was not appointed as Chief Executive until February 2018. This was ten times (2017–18: seven times) the median remuneration of the workforce, which was £34,000 (2017–18: £28,000).

## Pension Benefits Accrued

The table should be read in the context of the notes below.

|               | Value of pension benefits 2018–19 in CSPS<br>£'000 | Value of pension benefits 2017–18 in CSPS<br>£'000 | Employee Contributions paid 2018–19<br>£'000 | Increase in accrued pension in year in excess of inflation<br>£'000 | Transfer Value as of 31 March 2019<br>£'000 | Transfer Value as of 31 March 2018<br>£'000 | Increase in Transfer Value less employees contributions<br>£'000 |
|---------------|--|--|--|---|---|---|--|
| Anne Jessopp  | 82   | 59   | 17   | 49  | 265   | 179   | 69   |
| Andrew Mills  | 53   | 52   | 10   | 43  | 216   | 148   | 58   |
| Leighton John | 45   | 44   | 8  | 20  | 104   | 64  | 32   |
| Martin McDade | 65   | 88   | 9  | 64  | 531   | 416   | 106  |
| Sarah Bradley | 43   | 39   | 8  | 24  | 109   | 68  | 33   |

The 'Increase in Transfer Value less Employee Contributions' corresponds to the difference between the value placed on benefits accrued at dates which are one year apart, the start and end of the year, less employee contributions. This largely relates to the value placed on the additional accrual of benefits over the year, but also reflects any changes in assumptions used to calculate transfer values.

Chris Howard, Nicola Howell and Jonathan McGregor are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme. Vin Wijeratne was also a member of this scheme until his resignation. Employer contributions made during the year were as follows:

Vin Wijeratne £9,000 (2017–18: £11,000)  
Chris Howard £16,000 (2017–18: £10,000)  
Nicola Howell £14,000 (2017–18: £7,000)  
Jonathan McGregor £8,000

## Employment Agreements

All permanent members of the Executive Management Team covered by this Annual Report hold appointments which are open-ended. Their notice periods are six months.

Early termination (other than for misconduct or persistent poor performance) would result in the individual receiving compensation in line with the relevant redundancy scheme.

## Non-Executive Directors' terms, conditions and fees

The Chairman is engaged under a letter of appointment from UKGI under delegated authority from HM Treasury. The other Non-Executive Directors apart from Jamie Carter are appointed by the Company with approval of UKGI. Either party can terminate his or her engagement upon giving three months' notice.

The Non-Executive Directors receive an annual fee agreed by UKGI.

|                        | 2018-19<br>£'000 | 2017-18<br>£'000 |
|------------------------|------------------|------------------|
| Graham Love            | 12               | –                |
| Peter Warry            | 35               | 48               |
| David Morgan           | 23               | 23               |
| Xenia Carr-Griffiths   | 20               | 20               |
| Amanda Rendle          | 18               | 18               |
| Michael Clayforth-Carr | 18               | 18               |
| Cheryl Toner           | 2                | –                |

Peter Warry resigned as a Non-Executive Director and Chairman on 31 December 2018 and Graham Love was appointed on the same date.

Amanda Rendle resigned as a Non-Executive Director on 25 March 2019 and Cheryl Toner was appointed on the same date.

In addition, Non-Executive Directors are reimbursed for reasonable travel and subsistence expenses claimed in the performance of their duties and the total amount paid to the Non-Executive Directors was £11,000 (2017-18: £11,000).

Jamie Carter received no fees from The Royal Mint Limited.

**Anne Jessopp**  
Chief Executive  
08 July 2019



# Independent auditors' report to the members of The Royal Mint Limited

## Report on the financial statements

### Opinion

In our opinion, The Royal Mint Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's loss, the company's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated Annual Report (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 March 2019; the consolidated and company income statements; the consolidated and company statements of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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's and the 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 company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
09 July 2019

## Consolidated Income Statement For the year ended 31 March 2019

|  | Notes | Before IFRS<br>9-related<br>items and<br>exceptionals<br>2018-19<br>£'000 | IFRS<br>9-related<br>items<br>(note 5)<br>2018-19<br>£'000 | Exceptionals<br>(note 5)<br>2018-19<br>£'000 | Total<br>2018-19<br>£'000 | Before IFRS<br>9-related<br>items and<br>exceptionals<br>2017-18<br>£'000 | IFRS<br>9-related<br>items<br>(note 5)<br>2017-18<br>£'000 | Exceptionals<br>(note 5)<br>2017-18<br>£'000 | Total<br>2017-18<br>£'000 |
|--|-------|---|--|--|---------------------------|---|--|--|---------------------------|
| Revenue  | 2     | 421,627   | –  | –  | 421,627                   | 415,861   | –  | –  | 415,861                   |
| Cost of sales  |       | (373,779)   | (160)  | –  | (373,939)                 | (367,931)   | (26)   | –  | (367,957)                 |
| Gross profit/(loss)  |       | 47,848  | (160)  | –  | 47,688                    | 47,930  | (26)   | –  | 47,904                    |
| Administrative expenses  |       | (17,653)  | –  | (2,216)                                      | (19,869)                  | (19,758)  | –  | (5,699)                                      | (25,457)                  |
| Selling and<br>distribution costs  |       | (26,523)  | –  | –  | (26,523)                  | (23,524)  | –  | –  | (23,524)                  |
| Other gains/(losses) – net   | 23    | (1,746)   | (2,237)  | –  | (3,983)                   | 1,868   | 2,148  | –  | 4,016                     |
| Operating profit/(loss)  | 3     | 1,926   | (2,397)  | (2,216)                                      | (2,687)                   | 6,516   | 2,122  | (5,699)                                      | 2,939                     |
| Finance costs  | 6     | (1,125)   | –  | –  | (1,125)                   | (555)   | –  | –  | (555)                     |
| Share of net profit of<br>associate accounted for<br>using the equity method | 10    | 88  | –  | –  | 88                        | 76  | –  | –  | 76                        |
| Profit/(loss) before tax   |       | 889   | (2,397)  | (2,216)                                      | (3,724)                   | 6,037   | 2,122  | (5,699)                                      | 2,460                     |
| Taxation   | 7     |   |  |  | 720                       |   |  |  | (1,825)                   |
| (Loss)/Profit for the<br>financial year                                      |       |   |  |  | (3,004)                   |   |  |  | 635                       |
| (Loss)/Profit attributable to:<br>Owners of the parent                       |       |   |  |  | (3,004)                   |   |  |  | 635                       |

The notes on pages 60 to 97 form part of the financial statements.

All results above relate to Continuing Operations.

## Company Income Statement For the year ended 31 March 2019

|   | Notes | Before IFRS<br>9-related<br>items and<br>exceptionals<br>2018-19<br>£'000 | IFRS<br>9-related<br>items<br>(note 5)<br>2018-19<br>£'000 | Exceptionals<br>(note 5)<br>2018-19<br>£'000 | Total<br>2018-19<br>£'000 | Before IFRS<br>9-related<br>items and<br>exceptionals<br>2017-18<br>£'000 | IFRS<br>9-related<br>items<br>(note 5)<br>2017-18<br>£'000 | Exceptionals<br>(note 5)<br>2017-18<br>£'000 | Total<br>2017-18<br>£'000 |
|---|-------|---|--|--|---------------------------|---|--|--|---------------------------|
| Revenue                                       | 2     | 421,620   | –  | –  | 421,620                   | 415,861   | –  | –  | 415,861                   |
| Cost of sales                                 |       | (373,779)   | (160)  | –  | (373,939)                 | (367,931)   | (26)   | –  | (367,957)                 |
| Gross profit/(loss)                           |       | 47,841  | (160)  | –  | 47,681                    | 47,930  | (26)   | –  | 47,904                    |
| Administrative expenses                       |       | (16,886)  | –  | (3,567)                                      | (20,453)                  | (14,778)  | –  | (11,800)                                     | (26,578)                  |
| Selling and<br>distribution costs             |       | (26,523)  | –  | –  | (26,523)                  | (23,524)  | –  | –  | (23,524)                  |
| Other gains/(losses) – net                    | 23    | (1,746)   | (2,237)  | –  | (3,983)                   | 1,868   | 2,148  | –  | 4,016                     |
| Operating profit                              | 3     | 2,686   | (2,397)  | (3,567)                                      | (3,278)                   | 11,496  | 2,122  | (11,800)                                     | 1,818                     |
| Finance costs                                 | 6     | (1,074)   | –  | –  | (1,074)                   | (538)   | –  | –  | (538)                     |
| Profit/(loss) before tax                      |       | 1,612   | (2,397)  | (3,567)                                      | (4,352)                   | 10,958  | 2,122  | (11,800)                                     | 1,280                     |
| Taxation                                      | 7     |   |  |  | 720                       |   |  |  | (1,552)                   |
| Loss for the<br>financial year                |       |   |  |  | (3,632)                   |   |  |  | (272)                     |
| Loss attributable to:<br>Owners of the parent |       |   |  |  | (3,632)                   |   |  |  | (272)                     |

The notes on pages 60 to 97 form part of the financial statements.

All results above relate to Continuing Operations.

## Consolidated Statement of Comprehensive Income For the year ended 31 March 2019

|   | Notes | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|-------|------------------|------------------|
| Profit for the financial year   |       | (3,004)          | 635              |
| Other comprehensive income/(expense):   |       |                  |                  |
| Items that may be subsequently reclassified to profit or loss                 |       |                  |                  |
| Cash flow hedges  |       | 430              | (217)            |
| Items that will not be reclassified to profit or loss                         |       |                  |                  |
| Remeasurements for the defined benefit scheme                                 | 17    | 38               | 484              |
| Deferred tax on remeasurements for the defined benefit scheme                 | 16    | (6)              | (82)             |
| Other comprehensive income for the year, net of tax                           |       | 462              | 185              |
| Total comprehensive (expense)/income for the year                             |       | (2,542)          | 820              |
| Total comprehensive (expense)/income attributable to:<br>Owners of the parent |       | (2,542)          | 820              |

## Company Statement of Comprehensive Income For the year ended 31 March 2019

|  | Notes | 2018-19<br>£'000 | 2017-18<br>£'000 |
|--|-------|------------------|------------------|
| (Loss)/Profit for the financial year                                 |       | (3,632)          | (272)            |
| Other comprehensive income/(expense):                                |       |                  |                  |
| Items that may be subsequently reclassified to profit or loss        |       |                  |                  |
| Cash flow hedges   |       | 430              | (217)            |
| Items that will not be reclassified to profit or loss                |       |                  |                  |
| Remeasurements for the defined benefit scheme                        | 17    | 38               | 484              |
| Deferred tax on remeasurements for the defined benefit scheme        | 16    | (6)              | (82)             |
| Other comprehensive income/(expense) for the year, net of tax        |       | 462              | 185              |
| Total comprehensive expense for the year                             |       | (3,170)          | (87)             |
| Total comprehensive expense attributable to:<br>Owners of the parent |       | (3,170)          | (87)             |

The notes on pages 60 to 97 form part of the financial statements.

## Consolidated Statement of Changes in Equity For the year ended 31 March 2019

|   | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Retained<br>Earnings<br>£'000 | Hedging<br>Reserve<br>£'000 | Total<br>Equity<br>£'000 |
|---|---------------------------|---------------------------|-------------------------------|-----------------------------|--------------------------|
| AT 1 APRIL 2018   | 6,000                     | 39,319                    | 17,331                        | (19)                        | 62,631                   |
| Movements in the year:  |                           |                           |                               |                             |                          |
| Loss for the financial year                                   | –                         | –                         | (3,004)                       | –                           | (3,004)                  |
| Cash flow hedges  | –                         | –                         | –                             | 430                         | 430                      |
| Remeasurements for defined benefit scheme                     | –                         | –                         | 38                            | –                           | 38                       |
| Deferred tax on remeasurements for the defined benefit scheme | –                         | –                         | (6)                           | –                           | (6)                      |
| Other comprehensive income                                    | –                         | –                         | 32                            | 430                         | 462                      |
| Total Comprehensive Income/Expense for the year               | –                         | –                         | (2,972)                       | 430                         | (2,542)                  |
| Transactions with owners – dividend                           | –                         | –                         | (4,000)                       | –                           | (4,000)                  |
| AT 31 MARCH 2019  | 6,000                     | 39,319                    | 10,359                        | 411                         | 56,089                   |

## Consolidated Statement of Changes in Equity For the year ended 31 March 2018

|   | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Retained<br>Earnings<br>£'000 | Hedging<br>Reserve<br>£'000 | Total<br>Equity<br>£'000 |
|---|---------------------------|---------------------------|-------------------------------|-----------------------------|--------------------------|
| AT 1 APRIL 2017   | 6,000                     | 39,319                    | 20,294                        | 198                         | 65,811                   |
| Movements in the year:  |                           |                           |                               |                             |                          |
| Profit for the financial year                                 | –                         | –                         | 635                           | –                           | 635                      |
| Cash flow hedges  | –                         | –                         | –                             | (217)                       | (217)                    |
| Remeasurements for defined benefit scheme                     | –                         | –                         | 484                           | –                           | 484                      |
| Deferred tax on remeasurements for the defined benefit scheme | –                         | –                         | (82)                          | –                           | (82)                     |
| Other comprehensive income/(expense)                          | –                         | –                         | 402                           | (217)                       | 185                      |
| Total Comprehensive Income/Expense for the year               | –                         | –                         | 1,037                         | (217)                       | 820                      |
| Transactions with owners – dividend                           | –                         | –                         | (4,000)                       | –                           | (4,000)                  |
| AT 31 MARCH 2018  | 6,000                     | 39,319                    | 17,331                        | (19)                        | 62,631                   |

The notes on pages 60 to 97 form part of the financial statements.

## Company Statement of Changes in Equity For the year ended 31 March 2019

|   | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Retained<br>Earnings<br>£'000 | Hedging<br>Reserve<br>£'000 | Total<br>Equity<br>£'000 |
|---|---------------------------|---------------------------|-------------------------------|-----------------------------|--------------------------|
| AT 1 APRIL 2018   | 6,000                     | 39,319                    | 17,735                        | (19)                        | 63,035                   |
| Movements in the year:  |                           |                           |                               |                             |                          |
| Loss for the financial year                                   | –                         | –                         | (3,632)                       | –                           | (3,632)                  |
| Cash flow hedges  | –                         | –                         | –                             | 430                         | 430                      |
| Remeasurements for defined benefit scheme                     | –                         | –                         | 38                            | –                           | 38                       |
| Deferred tax on remeasurements for the defined benefit scheme | –                         | –                         | (6)                           | –                           | (6)                      |
| Other comprehensive income                                    | –                         | –                         | 32                            | 430                         | 462                      |
| Total Comprehensive Income/(Expense) for the year             | –                         | –                         | (3,600)                       | 430                         | (3,170)                  |
| Transactions with owners – dividend                           | –                         | –                         | (4,000)                       | –                           | (4,000)                  |
| AT 31 MARCH 2019  | 6,000                     | 39,319                    | 10,135                        | 411                         | 55,865                   |

## Company Statement of Changes in Equity For the year ended 31 March 2018

|   | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Retained<br>Earnings<br>£'000 | Hedging<br>Reserve<br>£'000 | Total<br>Equity<br>£'000 |
|---|---------------------------|---------------------------|-------------------------------|-----------------------------|--------------------------|
| AT 1 APRIL 2017   | 6,000                     | 39,319                    | 21,605                        | 198                         | 67,122                   |
| Movements in the year:  |                           |                           |                               |                             |                          |
| Loss for the financial year                                   | –                         | –                         | (272)                         | –                           | (272)                    |
| Cash flow hedges  | –                         | –                         | –                             | (217)                       | (217)                    |
| Remeasurements for the defined benefit scheme                 | –                         | –                         | 484                           | –                           | 484                      |
| Deferred tax on remeasurements for the defined benefit scheme | –                         | –                         | (82)                          | –                           | (82)                     |
| Other comprehensive income/(expense)                          | –                         | –                         | 402                           | (217)                       | 185                      |
| Total Comprehensive Income/Expense for the year               | –                         | –                         | 130                           | (217)                       | (87)                     |
| Transactions with owners – dividend                           | –                         | –                         | (4,000)                       | –                           | (4,000)                  |
| AT 31 MARCH 2018  | 6,000                     | 39,319                    | 17,735                        | (19)                        | 63,035                   |

The notes on pages 60 to 97 form part of the financial statements.

## Consolidated and Company Statements of Financial Position As at 31 March 2019

|   | Notes | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|---|-------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| <b>NON-CURRENT ASSETS</b>               |       |                           |                             |                           |                             |
| Property, plant and equipment           | 8     | 59,843                    | 58,584                      | 62,989                    | 62,226                      |
| Intangible assets                       | 9     | 13,559                    | 13,559                      | 11,791                    | 11,771                      |
| Deferred tax asset                      | 16    | 1,553                     | 1,553                       | 1,419                     | 1,419                       |
| Investments                             | 10    | 1,164                     | 1,000                       | 1,077                     | 1,000                       |
| <b>TOTAL NON-CURRENT ASSETS</b>         |       | <b>76,119</b>             | <b>74,696</b>               | <b>77,276</b>             | <b>76,416</b>               |
| <b>CURRENT ASSETS</b>                   |       |                           |                             |                           |                             |
| Inventories                             | 11    | 52,781                    | 52,781                      | 49,845                    | 49,845                      |
| Derivative financial instruments        | 24    | 1,379                     | 1,379                       | 2,789                     | 2,789                       |
| Deferred tax asset                      | 16    | –                         | –                           | 319                       | 319                         |
| Current tax asset                       | 7     | 1,242                     | 1,242                       | –                         | –                           |
| Trade and other receivables             | 12    | 39,770                    | 41,493                      | 33,933                    | 35,445                      |
| Cash and cash equivalents               | 22    | 448                       | –                           | 9,657                     | 8,895                       |
| <b>TOTAL CURRENT ASSETS</b>             |       | <b>95,620</b>             | <b>96,895</b>               | <b>96,543</b>             | <b>97,293</b>               |
| <b>CURRENT LIABILITIES</b>              |       |                           |                             |                           |                             |
| Borrowings                              | 13    | (4,808)                   | (4,808)                     | (270)                     | (270)                       |
| Trade and other payables                | 14    | (68,742)                  | (68,818)                    | (64,006)                  | (63,761)                    |
| Current tax liability                   | 7     | –                         | –                           | (1,006)                   | (1,001)                     |
| Derivative financial instruments        | 24    | (1,722)                   | (1,722)                     | (617)                     | (617)                       |
| <b>TOTAL CURRENT LIABILITIES</b>        |       | <b>(75,272)</b>           | <b>(75,348)</b>             | <b>(65,899)</b>           | <b>(65,649)</b>             |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b> |       | <b>20,348</b>             | <b>21,547</b>               | <b>30,644</b>             | <b>31,644</b>               |
| <b>NON-CURRENT LIABILITIES</b>          |       |                           |                             |                           |                             |
| Borrowings                              | 13    | (30,770)                  | (30,770)                    | (30,879)                  | (30,879)                    |
| Accruals and deferred income            | 14    | (1,725)                   | (1,725)                     | (1,878)                   | (1,878)                     |
| Retirement benefit liability            | 17    | (5,451)                   | (5,451)                     | (7,432)                   | (7,432)                     |
| Deferred tax liability                  | 16    | (1,957)                   | (1,957)                     | (2,081)                   | (2,081)                     |
| Provision for liabilities and charges   | 15    | (475)                     | (475)                       | (3,019)                   | (2,755)                     |
| <b>NET ASSETS</b>                       |       | <b>56,089</b>             | <b>55,865</b>               | <b>62,631</b>             | <b>63,035</b>               |
| <b>EQUITY</b>                           |       |                           |                             |                           |                             |
| Share capital                           | 25    | 6,000                     | 6,000                       | 6,000                     | 6,000                       |
| Share premium                           | 25    | 39,319                    | 39,319                      | 39,319                    | 39,319                      |
| Retained earnings at 1 April            |       | 17,331                    | 17,735                      |                           | 21,605                      |
| Profit/(Loss) for the year              |       | (3,004)                   | (3,581)                     |                           | (272)                       |
| Other                                   |       | (3,968)                   | (3,968)                     |                           | (3,598)                     |
| Retained earnings at 31 March           |       | 10,359                    | 10,135                      | 17,331                    | 17,735                      |
| Hedging reserve                         |       | 411                       | 411                         | (19)                      | (19)                        |
| <b>TOTAL EQUITY</b>                     |       | <b>56,089</b>             | <b>55,865</b>               | <b>62,631</b>             | <b>63,035</b>               |

The notes on pages 60 to 97 form part of the financial statements.

The financial statements on pages 52 to 97 were approved by the Board of Directors on 08 July 2019 and signed on its behalf by

**Martin McDade**  
Director of Finance  
08 July 2019

## Consolidated and Company Statements of Cash Flows For the year ended 31 March 2019

|  | Notes | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|--|-------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                 |       |                           |                             |                           |                             |
| (Loss)/Profit before tax                                   |       | (3,724)                   | (4,352)                     | 2,460                     | 1,280                       |
| Depreciation on non-current assets                         |       | 5,076                     | 5,044                       | 6,440                     | 6,440                       |
| Amortisation on non-current assets                         |       | 955                       | 955                         | 1,026                     | 1,026                       |
| Loss on disposal of assets                                 |       | –                         | –                           | 45                        | 45                          |
| Impairment   |       | 1,332                     | 1,332                       | 3,387                     | 3,387                       |
| Interest   |       | 1,125                     | 1,074                       | 556                       | 538                         |
| Cash flow hedges   |       | 2,945                     | 2,945                       | (3,689)                   | (3,689)                     |
| Share of associate   |       | (88)                      | –                           | –                         | –                           |
| Movements in working capital:                              |       |                           |                             |                           |                             |
| Inventory  |       | (2,936)                   | (2,936)                     | (19,514)                  | (19,514)                    |
| Retirement benefit liability                               |       | (1,943)                   | (1,943)                     | (553)                     | (553)                       |
| Trade and other receivables                                |       | (5,837)                   | (6,049)                     | (1,489)                   | (1,509)                     |
| Trade and other payables                                   |       | 3,641                     | 3,949                       | 22,709                    | 22,949                      |
| Provisions   |       | (2,544)                   | (2,280)                     | 2,096                     | 1,831                       |
| Cash (outflow)/inflow from operations                      |       | (1,998)                   | (2,261)                     | 13,474                    | 12,231                      |
| Interest paid  |       | (1,142)                   | (1,092)                     | (501)                     | (484)                       |
| Tax paid   |       | (1,473)                   | (1,473)                     | (2,540)                   | (2,540)                     |
| <b>Net cash (outflow)/inflow from operating activities</b> |       | <b>(4,613)</b>            | <b>(4,826)</b>              | <b>10,433</b>             | <b>9,207</b>                |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                 |       |                           |                             |                           |                             |
| Acquisition of property, plant and equipment               |       | (2,282)                   | (1,754)                     | (4,271)                   | (3,510)                     |
| Acquisition of intangible assets                           |       | (2,743)                   | (2,743)                     | (1,754)                   | (1,754)                     |
| Acquisition of investment                                  |       | –                         | –                           | (1,000)                   | (1,000)                     |
| <b>Net cash used in investing activities</b>               |       | <b>(5,025)</b>            | <b>(4,497)</b>              | <b>(7,025)</b>            | <b>(6,264)</b>              |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                 |       |                           |                             |                           |                             |
| Movement in loans  |       | (110)                     | (110)                       | 3,149                     | 3,149                       |
| Dividends paid   |       | (4,000)                   | (4,000)                     | (4,000)                   | (4,000)                     |
| <b>Net cash used in financing activities</b>               |       | <b>(4,110)</b>            | <b>(4,110)</b>              | <b>(851)</b>              | <b>(851)</b>                |
| <b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>           |       | <b>(13,748)</b>           | <b>(13,433)</b>             | <b>2,557</b>              | <b>2,092</b>                |
| Cash and cash equivalents at the start of the year         |       | 9,657                     | 8,895                       | 7,100                     | 6,803                       |
| Cash and cash equivalents at the end of the year           | 22,13 | (4,091)                   | (4,538)                     | 9,657                     | 8,895                       |

The notes on pages 62 to 99 form part of the financial statements.

# Notes to the Financial Statements

## Note 1

### Principal accounting policies

#### 1.1 General information

The Royal Mint Limited ('the Company') is a private limited company incorporated and domiciled in the UK. The address of its registered office is Llantrisant, Pontyclun, CF72 8YT. The Group which comprises the Company and its subsidiaries ('the Group') is a manufacturer, distributor and retailer of coins, bullion and related products.

#### 1.2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.3 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention, as modified by revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss. Where IFRS permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Royal Mint Limited Group, for the purpose of giving a true and fair view, has been selected. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the financial statements.

The financial statements represent the consolidated financial statements of The Royal Mint Limited Group.

#### 1.4 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Associates, which are entities over which the Company has significant influence but not control, are accounted for under the equity method of accounting which presents the share of the result for the period since acquisition within the Consolidated Income Statement and the share of the net assets in the Consolidated Statement of Financial Position.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### 1.5 Changes in accounting policy and disclosures

##### New standards, amendments and interpretations

IFRS15, Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18, Revenue and IAS11, Construction contracts and related interpretations. The standard has been adopted for the first time in the year ended 31 March 2019 but has not had a significant impact in the current or prior year with no prior year adjustment required.

## Note 1 continued

IFRS 9, Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments. The standard has been adopted for the first time in the year ended 31 March 2019 but has not had a significant impact in the current or prior year with no prior year adjustment required. There were no other new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2018 that had a material impact on the Group or Company.

##### New standards, amendments and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements or the Company except the following set out below.

IFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). It replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. The standard was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The Group is currently considering the impact on the financial statements.

There are no other IFRS or IFRSIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### 1.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

#### 1.7 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in sterling, which is the Group's functional currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Income Statement within Other Gains and Losses.



## Note 1 continued

### 1.8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of those items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis so as to charge the depreciable amount of the respective asset to income over its expected useful life. The useful lives of assets are as follows:

|   | Years    |
|---|----------|
| Buildings (including integral features)     | Up to 50 |
| Delicate and electrical plant and machinery | 10       |
| Robust mechanical plant                     | Up to 20 |
| IT hardware                                 | 3 – 8    |
| Motor vehicles                              | 4        |

No depreciation is provided in respect of land.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within Other Gains and Losses in the Income Statement.

### 1.9 Intangible assets

#### Intangible assets

Directly attributable costs are recognised as an intangible asset where the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits;
- the existence of a market or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during development

#### Goodwill on associate

Goodwill is recognised in respect of the excess contribution paid for the acquisition of an interest in an associate company over the fair value of the share of net assets acquired.

#### Computer software

Licences for computer software are amortised on a straight-line basis over a period of between three and eight years.

#### Assets under the course of construction

Internal costs capitalised are those direct employee costs involved in the design and testing of IT systems. These costs are currently held within assets in the course of construction within intangible assets. Other costs included in this category relate to capital projects not yet completed.

#### Research and development costs

Research costs are expensed as incurred.

## Note 1 continued

Development costs capitalised are those direct employee and other direct costs involved in the upscaling of the High Security Feature technology for commercial production. Development costs are amortised when commercial production begins over the expected useful life of the technology; prior to then they are held within assets in the course of construction within intangible assets.

### 1.10 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 1.11 Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the Income Statement or loans and receivables, as appropriate. Financial assets are classified at initial recognition and, where allowed and appropriate, this designation is re-evaluated at each financial year-end. When financial assets are recognised, initially they are measured at fair value, being the transaction price, plus in the case of financial assets not at fair value through the Income Statement, directly attributable transaction costs.

All standard purchases and sales of financial assets are recognised on the trade date, being the date a commitment is made to purchase or sell the asset. Standard transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

The subsequent measurement of financial assets depends on their classification, as follows:

#### (i) Financial assets at fair value through the Income Statement

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in the Income Statement.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are initially measured at fair value and subsequently held at amortised cost.

### 1.12 Impairment of financial assets

An assessment is carried out at each balance sheet date as to whether a financial asset or group of financial assets is impaired.

Assets carried at an amortised cost – if there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance amount. The amount of the loss shall be recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Impaired debts are de-recognised when their outcome is certain.

## Note 1 continued

### 1.13 Trade receivables

Trade receivables are recognised at the original invoice amount and carried at amortised cost less an allowance for any identified impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. Receivables are written off when there is no possibility of collection.

The impairment allowance is established when there is objective evidence that amounts due under the original terms of the transaction will not be collected. The impairment is charged to the Income Statement and represents the difference between the carrying amount and the recoverable amount. Balances are written off when the probability of recovery is assessed as remote. Impaired debts are de-recognised when their outcome is certain.

### 1.14 Financial liabilities

#### (a) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised at commencement of the related contracts and are measured initially at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs. Borrowing costs are recognised in the Income Statement in the period in which they are incurred.

#### (b) Financial liabilities at fair value through the Income Statement

Financial liabilities at fair value through the Income Statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Income Statement.

### 1.15 Derivative financial instruments

Derivative financial instruments are used to reduce exposure to risks associated with movements in foreign currency rates and metal prices. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of forward metal contracts is determined by reference to current forward metal contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and its effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Income Statement within Other Gains and Losses. Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects the Income Statement in Cost of Sales, such as when a forecast sale or purchase occurs.

## Note 1 continued

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Income Statement in Other Gains and Losses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the Income Statement in Other Gains and Losses. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the Income Statement in Other Gains and Losses. Contracts are reviewed at initiation to assess if they contain an embedded derivative and then accounted for where relevant.

### 1.16 Inventories

Inventories are stated at the lower of cost and estimated net realisable value, after due allowance for obsolete or slow moving items. Cost includes all direct expenditure and any attributable overhead expenditure incurred in bringing goods to their current state under normal operating conditions. The first in, first out or an average method of valuation is used. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

### 1.17 Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes cash-in-hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

### 1.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the original invoice amount (fair value) and subsequently measured at an amortised cost using the effective interest method.

### 1.19 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the date of Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 1.20 Employee benefits

### (a) Pension obligations

The Group operates defined benefit and defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

#### (i) Platinum Prudential Pension – The Royal Mint Limited Scheme

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liabilities. A pension asset is recognised to the extent that it is recoverable. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs and gains/(losses) on curtailment or settlement are recognised in income on occurrence.

#### (ii) Principal Civil Service Pension Scheme (PCSPS) and Civil Servant and Other Pension Scheme (CSOPS)

Whilst the PCSPS and CSOPS are defined benefit schemes, they are accounted for by the Group as defined contribution schemes as the Group cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes.

#### (iii) Defined Contribution Scheme – The Royal Mint Limited Group Personal Pension Plan (GPP)

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### (b) Profit sharing and incentive schemes

The Group recognises a liability and an expense for profit sharing and incentive schemes; these are based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 1.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

## 1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue is recognised when control has passed to the buyer which is generally on delivery of the goods and services supplied during the year and dependant on the terms of trade within the contract. For 'bill and hold' arrangements, revenue is recognised when the following requirements are satisfied:

- The reason for the bill-and-hold arrangement is substantive;
- The product is identified separately as belonging to the customer;
- The product is ready for physical transfer to the customer; and
- The entity does not have ability to use the product or to direct it to another customer.

For licence and storage fees charged, revenue is recognised on delivery of the service.

## 1.23 Leases

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

## 1.24 Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of performance.

## 1.25 Dividend distribution

Dividends are recognised in the Financial Statements in the year in which the dividends are approved by the Company's shareholders.

## 1.26 Share capital

Ordinary shares are classified as equity.

## 1.27 Grants

Government capital grants are treated as deferred income and released to the Income Statement in accordance with the expected useful life of the related assets.

## 1.28 Investment

The investments in subsidiary undertakings and associates are carried at cost.

## 1.29 Related parties

The Group has taken advantage of the exemption from disclosing related party transactions with subsidiaries included within the Consolidated Financial Statements.

## 1.30 Going concern

After making enquiries the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements.

## Note 1 continued

### 1.31 Critical accounting estimates, assumptions and judgements in applying the accounting policies

The Group and Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost (income) for pensions include the discount rate and life expectancies. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This 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. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Key assumptions for pension obligations are disclosed in note 17 including sensitivities on page 84.

#### (b) Impairment of non-financial assets

The Group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable.

When value in use calculations are undertaken because an impairment indicator is in place, management estimate the expected future cash flows from the asset or income-generating unit and choose a suitable discount rate in order to calculate the net present value of those cash flows.

The Directors consider that changes in the circulating coin market represent such an impairment indicator as explained in note 5.

#### (c) Trade receivables

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimate is based on assumed collection rates which, although based on the Group's historical experience of customer repayment patterns, remains inherently uncertain.

#### (d) Inventory

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost or goods are obsolete. Net realisable value is based on both historical experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty.

#### (e) Property, plant and equipment

The determination of asset lives for depreciation purposes is reviewed on a regular basis. Assessing the useful economic life of an asset is based on management judgement taking into account historical experience, wear and tear and the impact of technological change. Consequently, this represents a source of estimation uncertainty.

## Note 2 Segmental reporting

The Group has determined business segments based on reports reviewed by the Board that are used to make strategic decisions. The Board reviews the business from a product perspective as each segment offers products for different purposes and serves different markets.

The following table presents revenue, operating profit and certain asset and liability information regarding the Group's business segments for the years ended 31 March. The activities of RM Assets, RM Experience and RM Wynt are currently unallocated due to immateriality.

#### A) Analysis by class of business 2018–19

|   | Currency<br>£'000 | Consumer<br>£'000 | Precious<br>Metals<br>£'000 | Total<br>Segments<br>£'000 | Unallocated<br>£'000 | Total<br>£'000 |
|---|-------------------|-------------------|-----------------------------|----------------------------|----------------------|----------------|
| Segment revenue   | 105,333           | 71,305            | 244,272                     | 420,910                    | 717                  | 421,627        |
| Depreciation and amortisation   | 4,368             | 1,631             | 32                          | 6,031                      | –                    | 6,031          |
| Operating (loss)/profit before IFRS 9 and exceptional items and allocation of central costs | (665)             | 16,529            | 3,738                       | 19,602                     | (17,676)             | 1,926          |
| IFRS 9 and exceptional items  | (4,613)           | –                 | –                           | (4,613)                    | –                    | (4,613)        |
| Allocation of central costs   | (7,787)           | (8,284)           | (497)                       | (16,568)                   | 16,568               | –              |
| Total operating (loss)/profit   | (13,065)          | 8,245             | 3,241                       | (1,579)                    | (1,108)              | (2,687)        |
| Segment assets and liabilities:   |                   |                   |                             |                            |                      |                |
| Non-current assets  | 41,505            | 28,619            | 3,185                       | 73,309                     | 2,810                | 76,119         |
| Current assets  | 62,188            | 23,333            | 1,313                       | 86,834                     | 8,786                | 95,620         |
| Current liabilities   | (18,537)          | (44,756)          | (1,614)                     | (64,907)                   | (10,365)             | (75,272)       |
| Non-current liabilities   | –                 | (2,066)           | –                           | (2,066)                    | (38,312)             | (40,378)       |
| Net assets/(liabilities)  | 85,156            | 5,130             | 2,884                       | 93,170                     | (37,081)             | 56,089         |

#### Analysis by class of business 2017–18

|   | Currency<br>£'000 | Consumer<br>£'000 | Precious<br>Metals<br>£'000 | Total<br>Segments<br>£'000 | Unallocated<br>£'000 | Total<br>£'000 |
|---|-------------------|-------------------|-----------------------------|----------------------------|----------------------|----------------|
| Segment revenue   | 115,077           | 73,825            | 226,959                     | 415,861                    | –                    | 415,861        |
| Depreciation and amortisation   | 5,910             | 1,506             | 50                          | 7,466                      | –                    | 7,466          |
| Operating (loss)/profit before IFRS 9 and exceptional items and allocation of central costs | 5,683             | 17,911            | 2,452                       | 26,046                     | (19,530)             | 6,516          |
| IFRS 9 and exceptional items  | (3,263)           | –                 | –                           | (3,263)                    | (314)                | (3,577)        |
| Allocation of central costs   | (6,743)           | (7,173)           | (430)                       | (14,346)                   | 14,346               | –              |
| Total operating (loss)/profit   | (4,323)           | 10,738            | 2,022                       | 8,437                      | (5,498)              | 2,939          |
| Segment assets and liabilities:   |                   |                   |                             |                            |                      |                |
| Non-current assets  | 50,118            | 23,667            | 1,290                       | 75,075                     | 2,201                | 77,276         |
| Current assets  | 40,046            | 24,333            | –                           | 64,379                     | 32,164               | 96,543         |
| Current liabilities   | (21,537)          | (30,914)          | (8,122)                     | (60,573)                   | (5,326)              | (65,899)       |
| Non-current liabilities   | (1,803)           | (2,831)           | –                           | (4,634)                    | (40,655)             | (45,289)       |
| Net assets/liabilities  | 66,824            | 14,255            | (6,832)                     | 74,247                     | (11,616)             | 62,631         |

Central costs are allocated to the business units on a percentage basis determined by the support provided to the business units by the central cost centres. The unallocated net liabilities comprise cash at bank and in hand, overdraft, borrowings, receivables and payables balances which are not specifically attributed to a segment.

## Note 2 continued

### B) Geographical analysis of revenue

Revenue by destination is set out below:

|                          | 2018-19<br>£'000 | 2017-18<br>£'000 |
|--------------------------|------------------|------------------|
| UK                       | 182,619          | 197,065          |
| Germany                  | 54,977           | 45,622           |
| Rest of Europe           | 24,229           | 34,809           |
| United States of America | 97,673           | 95,212           |
| Rest of Americas         | 1,478            | 4,417            |
| Asia                     | 27,508           | 22,562           |
| Africa                   | 19,337           | 12,210           |
| Rest of the World        | 13,806           | 3,964            |
|                          | 421,627          | 415,861          |

During 2018-19 revenue from one customer amounted to £47.3 million (2017-18 two customers: £61.7 million and £60.0 million) which represented in excess of 10% of revenue.

## Note 3

### Group and Company operating profit

Group and Company operating profit is stated after charging/(crediting):

|   | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Depreciation  | 5,076                     | 5,044                       | 6,440                     | 6,440                       |
| Amortisation  | 955                       | 955                         | 1,026                     | 1,026                       |
| Loss on disposal                                    | 238                       | 238                         | 45                        | 45                          |
| Research and development                            | 654                       | 291                         | 2,846                     | 350                         |
| Exceptional items (note 5)                          | 2,216                     | 3,567                       | 5,699                     | 11,800                      |
| Commodity hedges                                    | 2,397                     | 2,397                       | (2,122)                   | (2,122)                     |
| Operating leases                                    | 573                       | 573                         | 969                       | 772                         |
| Foreign exchange                                    | 1,899                     | 1,899                       | (1,715)                   | (1,715)                     |
| Precious metal consignment arrangement fees         | 861                       | 861                         | 464                       | 464                         |
| Auditors' remuneration                              |                           |                             |                           |                             |
| Audit of the Company and Group financial statements | 79                        | 79                          | 78                        | 72                          |
| Audit of subsidiary financial statements            | -                         | -                           | 6                         | -                           |
| Non audit fees - other                              | -                         | -                           | -                         | -                           |

## Note 4

### Remuneration and employment

#### Total Group staff costs

Due to the low level of RM Assets and RM Experience employees there is no significant difference between this note on a company and group basis. RM Wynt has no employees.

|                                 | 2018-19<br>£'000 | 2018-19<br>£'000 | 2017-18<br>£'000 | 2017-18<br>£'000 |
|---------------------------------|------------------|------------------|------------------|------------------|
| WAGES AND SALARIES              |                  |                  |                  |                  |
| Staff with a permanent contract | 31,744           |                  | 31,844           |                  |
| Other staff                     | 1,186            |                  | 1,009            |                  |
|                                 |                  | 32,930           |                  | 32,853           |
| SOCIAL SECURITY COSTS           |                  |                  |                  |                  |
| Staff with a permanent contract | 3,008            |                  | 3,223            |                  |
| Other staff                     | 104              |                  | 80               |                  |
|                                 |                  | 3,112            |                  | 3,303            |
| OTHER PENSION COSTS             |                  |                  |                  |                  |
| Staff with a permanent contract | 5,407            |                  | 5,443            |                  |
| Other staff                     | 107              |                  | 57               |                  |
|                                 |                  | 5,514            |                  | 5,500            |
|                                 |                  | 41,556           |                  | 41,656           |

#### Average number employed

|                                 | 2018-19<br>Number | 2018-19<br>Number | 2017-18<br>Number | 2017-18<br>Number |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| PRODUCTION                      |                   |                   |                   |                   |
| Staff with a permanent contract | 501               |                   | 558               |                   |
| Other staff                     | 14                |                   | 20                |                   |
|                                 |                   | 515               |                   | 578               |
| SALES AND MARKETING             |                   |                   |                   |                   |
| Staff with a permanent contract | 163               |                   | 140               |                   |
| Other staff                     | 18                |                   | 13                |                   |
|                                 |                   | 181               |                   | 153               |
| ADMINISTRATION                  |                   |                   |                   |                   |
| Staff with a permanent contract | 124               |                   | 139               |                   |
| Other staff                     | 5                 |                   | 13                |                   |
|                                 |                   | 129               |                   | 152               |
|                                 |                   | 825               |                   | 883               |

#### Directors' emoluments

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| Aggregate emoluments excluding long-term incentive scheme                           | 740              | 695              |
| Compensation for loss of office   | -                | 122              |
| Aggregate amounts receivable under long-term incentive scheme                       | 95               | 20               |
| Contributions under the defined contribution pension scheme                         | 9                | 11               |
| HIGHEST PAID DIRECTOR   |                  |                  |
| Total amounts of emoluments and amounts receivable under long-term incentive scheme | 339              | 185              |
| Accrued defined benefit pension at year-end   | 19               | 59               |
| Accrued lump sum at year-end  | 265              | 179              |

Retirement benefits accrued to three executive directors under a defined benefit scheme during the year (2017-18: 2).

## Note 5 Exceptional items

### A) Exceptional items

|                                     | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|-------------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Impairment                          | 1,332                     | 1,332                       | 3,387                     | 3,387                       |
| Restructuring costs                 | 884                       | 884                         | 2,047                     | 1,997                       |
| Onerous lease provision             | –                         | –                           | 265                       | –                           |
| Provision against Intercompany loan | –                         | 1,351                       | –                         | 6,416                       |
| Exceptional charge                  | 2,216                     | 3,567                       | 5,699                     | 11,800                      |

The group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. The directors consider that changes in the Circulating coin market represent such an impairment trigger. As part of this review assets of £1.3m with no prospective use have been impaired and charged to the Income Statement in the current year. This was in addition to the impairment in the prior year and related to assets where the decision to discontinue use was made during the year ended 31 March 2019. This is explained further in note 8.

The restructuring costs relate to the exit of staff predominantly from the Currency business and through a release scheme which enabled staff to request to leave and receive a one off payment. This continued in 2018-19 with further staff electing to leave under the scheme. The remaining restructuring costs relate to the decision to defer the launch of the RMG product.

In the prior year, an onerous lease provision was also recognised in relation to the closure of the London office that was leased to support the RM Assets business. The company also made a provision of £6.4m against the recoverability of the intercompany receivable arising from funding the RM Assets business. This has been increased by £1.4m in the current year.

### B) Impact of IFRS 9 hedging ineffectiveness and open foreign exchange contracts

The Group has highlighted separately on the face of the Income Statement the total impact of the loss on open foreign exchange contracts and hedging ineffectiveness under IFRS 9 at the year-end.

In accordance with the Group's accounting policy the hedge accounting rules under IFRS 9 have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IFRS 9) is recorded in the Income Statement within Other Gains and Losses.

The objective of the Group's hedging policy is to mitigate the cash-flow impact of movements in the price of metal commodities where appropriate over time, the ineffectiveness impact of which for accounting purposes will be seen in different accounting periods depending on the relevant assessment under IFRS 9 rules.

The accounting treatment in this area is therefore not necessarily a reflection of the economic impact of the Group's hedging policy but represents the respective accounting impact of hedging ineffectiveness under IFRS 9.

## Note 6 Finance costs

|                                      | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|--------------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| On loans repayable within five years | 1,125                     | 1,074                       | 555                       | 538                         |

## Note 7 Taxation

### Analysis of tax (credit)/charge in year

|                          | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|--------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| UK corporation tax:      |                           |                             |                           |                             |
| Current year             | –                         | –                           | 2,032                     | 2,028                       |
| Prior year               | (775)                     | (775)                       | 203                       | 203                         |
| Deferred tax:            |                           |                             |                           |                             |
| Current year             | (267)                     | (267)                       | (83)                      | (352)                       |
| Prior year               | 322                       | 322                         | (327)                     | (327)                       |
| Taxation (credit)/charge | (720)                     | (720)                       | 1,825                     | 1,552                       |

The tax (credit)/charge for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2018-19: 19%, 2017-18: 19%):

|   | Group<br>2018-19<br>£'000 | Company<br>2018-19<br>£'000 | Group<br>2017-18<br>£'000 | Company<br>2017-18<br>£'000 |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| (Loss)/Profit before tax  | (3,724)                   | (4,352)                     | 2,460                     | 1,280                       |
| (Loss)/Profit multiplied by the standard rate of corporation tax of 19% (19% for 2017-18) | (708)                     | (827)                       | 467                       | 243                         |
| Effects of:   |                           |                             |                           |                             |
| Expenses not deductible for tax purposes  | 271                       | 528                         | 1,342                     | 1,391                       |
| Income not taxable  | (17)                      | –                           | –                         | –                           |
| Temporary differences not recognised  | 155                       | –                           | –                         | –                           |
| Adjustments in respect of prior years   | (453)                     | (453)                       | (124)                     | (124)                       |
| Change in tax rate  | 32                        | 32                          | 140                       | 42                          |
| Taxation (credit)/charge  | (720)                     | (720)                       | 1,825                     | 1,552                       |

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

In addition to the amount debited to the Income Statement, a deferred tax charge relating to actuarial losses on defined benefit pension schemes of £6,000 (2018: £82,000) has been charged directly to the Consolidated and Company Statements of Comprehensive Income.

### Current tax (debtor)/liability Group and Company

|                    | 2019<br>£'000 | 2018<br>£'000 |
|--------------------|---------------|---------------|
| UK corporation tax | (1,242)       | 1,006         |

## Note 8 Property, plant and equipment – Group

|  | Freehold<br>land and<br>buildings<br>£'000 | Payments on<br>account and<br>assets in the<br>course of<br>construction<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|--|--|---|---------------------------------|----------------|
| <b>COST</b>                            |  |   |                                 |                |
| At 1 April 2018                        | 30,904                                     | 3,307   | 99,639                          | 133,850        |
| Additions                              | –  | 3,501   | –                               | 3,501          |
| Transfers                              | 216  | (3,418)   | 3,202                           | –              |
| Disposals                              | –  | –   | (238)                           | (238)          |
| Reclassification                       | (1,740)                                    | (980)   | 4,912                           | 2,192          |
| Impairment                             | –  | (298)   | (3,295)                         | (3,593)        |
| At 31 March 2019                       | 29,380                                     | 2,112   | 104,220                         | 135,712        |
| <b>ACCUMULATED DEPRECIATION</b>        |  |   |                                 |                |
| At 1 April 2018                        | 6,823                                      | –   | 64,038                          | 70,861         |
| Charge for year                        | 1,120                                      | –   | 3,956                           | 5,076          |
| Reclassification                       | (1,253)                                    | –   | 3,445                           | 2,192          |
| Impairment                             | –  | –   | (2,260)                         | (2,260)        |
| At 31 March 2019                       | 6,690                                      | –   | 69,179                          | 75,869         |
| <b>Net book value at 31 March 2019</b> | <b>22,690</b>                              | <b>2,112</b>  | <b>35,041</b>                   | <b>59,843</b>  |

|  | Freehold<br>land and<br>buildings<br>£'000 | Payments on<br>account and<br>assets in the<br>course of<br>construction<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|--|--|---|---------------------------------|----------------|
| <b>COST</b>                            |  |   |                                 |                |
| At 1 April 2017                        | 28,515                                     | 6,813   | 100,206                         | 135,534        |
| Additions                              | –  | 4,273   | –                               | 4,273          |
| Transfers                              | 2,389                                      | (7,734)   | 5,345                           | –              |
| Disposals                              | –  | (45)  | –                               | (45)           |
| Impairment                             | –  | –   | (5,912)                         | (5,912)        |
| At 31 March 2018                       | 30,904                                     | 3,307   | 99,639                          | 133,85         |
| <b>ACCUMULATED DEPRECIATION</b>        |  |   |                                 |                |
| At 1 April 2017                        | 5,713                                      | –   | 61,233                          | 66,946         |
| Charge for year                        | 1,110                                      | –   | 5,330                           | 6,440          |
| Disposals                              | –  | –   | –                               | –              |
| Impairment                             | –  | –   | (2,525)                         | (2,525)        |
| At 31 March 2018                       | 6,823                                      | –   | 64,038                          | 70,861         |
| <b>Net book value at 31 March 2018</b> | <b>24,081</b>                              | <b>3,307</b>  | <b>35,601</b>                   | <b>62,989</b>  |

The group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. At the end of March 2018, the directors considered that changes in the Circulating coin market represented such an impairment trigger. As part of this review assets of £3.4 million with no prospective use have been impaired and charged to the Income Statement. Further review during the year ended 31 March 2019 resulted in a further impairment of £1.3 million which has been charged to the Income Statement. The group used the value in use method to estimate the recoverable amount of the related cash generating unit (“CGU”) and compared this to the remaining related tangible and intangible fixed assets of £58.4 million. Management has identified that the CGU is represented by those cash flows generated which link to the UK Circulating coin contract. The value in use of the CGU has been determined using cash inflows for the related CGU projected over the estimated useful lives of the related assets. Cash inflows are based on the latest three-year plan which have then been extended to the end of the projected useful life with nil growth rate as regards cash flows from year four. The discount rate used of 8% has been determined by using a weighted average cost of capital. The recoverable amount is 90% greater than the net book value of assets related to the CGU and no additional impairment charge has been made.

## Note 8 Continued Property, Plant and Equipment – Company

|  | Freehold<br>land and<br>buildings<br>£'000 | Payments on<br>account and<br>assets in the<br>course of<br>construction<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|--|--|---|---------------------------------|----------------|
| <b>COST</b>                            |  |   |                                 |                |
| At 1 April 2018                        | 30,904                                     | 2,544   | 99,639                          | 133,087        |
| Additions                              | –  | 2,974   | –                               | 2,974          |
| Transfers                              | 216  | (2,128)   | 1,912                           | –              |
| Disposals                              | –  | –   | (239)                           | (239)          |
| Reclassification                       | (1,740)                                    | (980)   | 4,912                           | 2,192          |
| Impairment                             | –  | (298)   | (3,295)                         | (3,593)        |
| At 31 March 2019                       | 29,380                                     | 2,112   | 102,929                         | 134,421        |
| <b>ACCUMULATED DEPRECIATION</b>        |  |   |                                 |                |
| At 1 April 2018                        | 6,823                                      | –   | 64,038                          | 70,861         |
| Charge for year                        | 1,120                                      | –   | 3,924                           | 5,044          |
| Reclassification                       | (1,253)                                    | –   | 3,445                           | 2,192          |
| Impairment                             | –  | –   | (2,260)                         | (2,260)        |
| At 31 March 2019                       | 6,690                                      | –   | 69,147                          | 75,837         |
| <b>Net book value at 31 March 2019</b> | <b>22,690</b>                              | <b>2,112</b>  | <b>33,782</b>                   | <b>58,584</b>  |

|  | Freehold<br>land and<br>buildings<br>£'000 | Payments on<br>account and<br>assets in the<br>course of<br>construction<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|--|--|---|---------------------------------|----------------|
| <b>COST</b>                            |  |   |                                 |                |
| At 1 April 2017                        | 28,515                                     | 6,813   | 100,206                         | 135,534        |
| Additions                              | –  | 3,510   | –                               | 3,510          |
| Transfers                              | 2,389                                      | (7,734)   | 5,345                           | –              |
| Disposals                              | –  | (45)  | –                               | (45)           |
| Impairment                             | –  | –   | (5,912)                         | (5,912)        |
| At 31 March 2018                       | 30,904                                     | 2,544   | 99,639                          | 133,087        |
| <b>ACCUMULATED DEPRECIATION</b>        |  |   |                                 |                |
| At 1 April 2017                        | 5,713                                      | –   | 61,233                          | 66,946         |
| Charge for year                        | 1,110                                      | –   | 5,330                           | 6,440          |
| Disposals                              | –  | –   | –                               | –              |
| Impairment                             | –  | –   | (2,525)                         | (2,525)        |
| At 31 March 2018                       | 6,823                                      | –   | 64,038                          | 70,861         |
| <b>Net book value at 31 March 2018</b> | <b>24,081</b>                              | <b>2,544</b>  | <b>35,601</b>                   | <b>62,226</b>  |

## Note 9 Intangible Assets – Group

|                                 | Payments on account and assets in the course of construction<br>£'000 | Software licences<br>£'000 | Patents<br>£'000 | Development costs<br>£'000 | Total<br>£'000 |
|---------------------------------|---|----------------------------|------------------|----------------------------|----------------|
| <b>COST</b>                     |   |                            |                  |                            |                |
| At 1 April 2018                 | 927   | 13,053                     | 1,910            | 952                        | 16,842         |
| Additions                       | 2,743   | –                          | –                | –                          | 2,743          |
| Transfers                       | (158)   | 158                        | –                | –                          | –              |
| Reclassification                | 345   | 8                          | 37               | –                          | 390            |
| Disposals                       | (20)  | –                          | –                | –                          | (20)           |
| At 31 March 2019                | 3,837   | 13,219                     | 1,947            | 952                        | 19,955         |
| <b>ACCUMULATED AMORTISATION</b> |   |                            |                  |                            |                |
| At 1 April 2018                 | –   | 3,917                      | 182              | 952                        | 5,051          |
| Reclassification                | –   | 291                        | 99               | –                          | 390            |
| Amortisation for year           | –   | 760                        | 195              | –                          | 955            |
| At 31 March 2019                | –   | 4,968                      | 476              | 952                        | 6,396          |
| Net book value at 31 March 2019 | 3,837   | 8,251                      | 1,471            | –                          | 13,559         |

Amortisation charges of £955,000 (2017-18: £662,000) and £Nil (2017-18: £364,000) are included within administration expenses and cost of sales respectively.

|                                 | Payments on account and assets in the course of construction<br>£'000 | Software licences<br>£'000 | Patents<br>£'000 | Development costs<br>£'000 | Total<br>£'000 |
|---------------------------------|---|----------------------------|------------------|----------------------------|----------------|
| <b>COST</b>                     |   |                            |                  |                            |                |
| At 1 April 2017                 | 8,222   | 4,046                      | 1,868            | 952                        | 15,088         |
| Additions                       | 1,754   | –                          | –                | –                          | 1,754          |
| Transfers                       | (9,049)   | 9,007                      | 42               | –                          | –              |
| At 31 March 2018                | 927   | 13,053                     | 1,910            | 952                        | 16,842         |
| Correction to closing balance   | 345   | 8                          | 37               | –                          | 390            |
| <b>ACCUMULATED AMORTISATION</b> |   |                            |                  |                            |                |
| At 1 April 2017                 | –   | 3,372                      | 65               | 588                        | 4,025          |
| Amortisation for year           | –   | 545                        | 117              | 364                        | 1,026          |
| At 31 March 2018                | –   | 3,917                      | 182              | 952                        | 5,051          |
| Net book value at 31 March 2018 | 927   | 9,136                      | 1,728            | –                          | 11,791         |

## Note 9 Continued Intangible Assets – Company

|                                 | Payments on account and assets in the course of construction<br>£'000 | Software licences<br>£'000 | Patents<br>£'000 | Development costs<br>£'000 | Total<br>£'000 |
|---------------------------------|---|----------------------------|------------------|----------------------------|----------------|
| <b>COST</b>                     |   |                            |                  |                            |                |
| At 1 April 2018                 | 907   | 13,053                     | 1,910            | 952                        | 16,822         |
| Additions                       | 2,743   | –                          | –                | –                          | 2,743          |
| Reclassification                | 345   | 8                          | 37               | –                          | 390            |
| Transfers                       | (158)   | 158                        | –                | –                          | –              |
| At 31 March 2019                | 3,837   | 13,219                     | 1,947            | 952                        | 19,955         |
| <b>ACCUMULATED AMORTISATION</b> |   |                            |                  |                            |                |
| At 1 April 2018                 | –   | 3,917                      | 182              | 952                        | 5,051          |
| Reclassification                | –   | 291                        | 99               | –                          | 390            |
| Amortisation for year           | –   | 760                        | 195              | –                          | 955            |
| At 31 March 2019                | –   | 4,967                      | 476              | 952                        | 6,396          |
| Net book value at 31 March 2019 | 3,837   | 8,251                      | 1,471            | –                          | 13,559         |

Amortisation charges of £955,000 (2017-18: £662,000) and £Nil (2017-18: £364,000) are included within administration expenses and cost of sales respectively.

|                                 | Payments on account and assets in the course of construction<br>£'000 | Software licences<br>£'000 | Patents<br>£'000 | Development costs<br>£'000 | Total<br>£'000 |
|---------------------------------|---|----------------------------|------------------|----------------------------|----------------|
| <b>COST</b>                     |   |                            |                  |                            |                |
| At 1 April 2017                 | 8,202   | 4,046                      | 1,868            | 952                        | 15,068         |
| Additions                       | 1,754   | –                          | –                | –                          | 1,754          |
| Transfers                       | (9,049)   | 9,007                      | 42               | –                          | –              |
| At 31 March 2018                | 907   | 13,053                     | 1,910            | 952                        | 16,822         |
| <b>ACCUMULATED AMORTISATION</b> |   |                            |                  |                            |                |
| At 1 April 2017                 | –   | 3,372                      | 65               | 588                        | 4,025          |
| Amortisation for year           | –   | 545                        | 117              | 364                        | 1,026          |
| At 31 March 2018                | –   | 3,917                      | 182              | 952                        | 5,051          |
| Net book value at 31 March 2018 | 907   | 9,136                      | 1,728            | –                          | 11,791         |



## Note 10 Investments

|  | Company<br>£'000 |
|--|------------------|
| Investment in associate at 31 March 2018 and 31 March 2019 | 1,000            |

The Group had the following subsidiaries at 31 March 2019. All are incorporated and domiciled in the UK and the address of the registered office for all is Llantrisant, Pontyclun, CF72 8YT.

| Subsidiary            | % holding | Principal activity |
|-----------------------|-----------|--------------------|
| RM Assets Limited     | 100       | Precious metals    |
| RM Experience Limited | 100       | Tourism operator   |
| RM Wynt Limited       | 100       | Energy provider    |

RM Experience Limited (registered number 10953110), RM Assets Limited (registered number 9058416) and RM Wynt Limited (registered number 10849239) are exempt from the requirements of audit of accounts under section 479A of the Companies Act 2006. On 1 June 2017, the Group acquired a 23.7% interest in an associate company, Sovereign Rarities Limited. Sovereign Rarities is also incorporated and domiciled in the UK and its principal activity is acting as a historic coin dealership. The address is 32 St George Street, Mayfair, London, W1S 2EA.

The fair value of the consideration was £1,000,000 and the fair value of net assets acquired was £546,000 resulting in a notional goodwill balance of £454,000. The assets acquired were £68,000 of fixed assets, £2,625,000 of current assets comprising of £1,455,000 of inventory, £242,000 of debtors and £928,000 of cash less liabilities of £390,000 resulting in total assets of £2,303,000. The Royal Mint share was therefore £546,000.

At the 31 March 2019 Sovereign Rarities had £42,000 of fixed assets, £3,461,000 of current assets comprising £2,685,000 of stock, £406,000 of debtors and £370,000 of cash less liabilities of £506,000 resulting in total assets of £2,997,000. The Royal Mint share was therefore £710,000 with a share in profits of £88,000 during the year meaning the total value of the investment included in the group was £1,164,000.

At the 31 March 2018 Sovereign Rarities had £61,000 of fixed assets, £3,087,000 of current assets comprising £1,976,000 of stock, £405,000 of debtors and £706,000 of cash less liabilities of £522,000 resulting in total assets of £2,626,000. The Royal Mint share was therefore £623,000 with a share in profits of £76,000 meaning the total value of the investment included in the group was £1,076,000.

## Note 11 Inventories – Group and Company

|                                    | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------|---------------|---------------|
| Metal inventory                    | 32,447        | 29,779        |
| Work in progress (excluding metal) | 2,707         | 2,678         |
| Stores and packing materials       | 5,344         | 5,134         |
| Finished goods                     | 12,283        | 12,254        |
|                                    | 52,781        | 49,845        |

Inventories recognised as an expense in the year equated to cost of sales other than the movement in the inventory provision which was an decrease of £1.0million (2018: increase of £2.0million).

The Group enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the Company purchases the metal. The value of the physical metal is not recorded in the Statement of Financial Position. Inventory held on consignment amounted to £274.1 million at 31 March 2019 (2018: £294.7 million). Consignment fees under these arrangements are recognised within cost of sales.

## Note 12 Trade and other receivables

|  | Group<br>2019<br>£'000 | Company<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2018<br>£'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Trade receivables                            | 37,761                 | 37,712                   | 21,267                 | 21,267                   |
| Less provision for impairment of receivables | (356)                  | (356)                    | (322)                  | (322)                    |
| VAT  | 816                    | 816                      | 11,141                 | 11,141                   |
| Prepayments and accrued income               | 1,549                  | 1,549                    | 1,847                  | 1,804                    |
| Amounts owed by subsidiary undertaking       | –                      | 1,772                    | –                      | 1,555                    |
|  | 39,770                 | 41,493                   | 33,933                 | 35,445                   |

|  | Group<br>2019<br>£'000 | Company<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2018<br>£'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Included within the receivables are the following: |                        |                          |                        |                          |
| Central Government bodies                          | 8,793                  | 8,793                    | 11,327                 | 11,327                   |
| Other Government bodies                            | 12                     | 12                       | 9                      | 9                        |
| NHS Trusts   | 4                      | 4                        | 2                      | 2                        |
| Amounts owed by subsidiary undertaking             | –                      | 1,772                    | –                      | 1,555                    |
|  | 8,809                  | 10,581                   | 11,338                 | 12,893                   |

The carrying value of the Group's trade and other receivables are denominated in the following currencies:

|                        | Group<br>2019<br>£'000 | Company<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2018<br>£'000 |
|------------------------|------------------------|--------------------------|------------------------|--------------------------|
| British Pound Sterling | 25,486                 | 27,209                   | 24,508                 | 26,020                   |
| US Dollars             | 14,284                 | 14,284                   | 7,939                  | 7,939                    |
| Euros                  | –                      | –                        | 1,486                  | 1,486                    |
|                        | 39,770                 | 41,493                   | 33,933                 | 35,445                   |

Provision is made for Consumer Coin Business to Consumer receivables that become overdue for payment. Movement in provision for impairment in receivables is shown below:

|                                   | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------------|---------------|---------------|
| At 1 April                        | (322)         | (215)         |
| (Provided) / Utilised in the year | (34)          | (107)         |
| At 31 March                       | (356)         | (322)         |

## Note 13 Borrowings – Group and Company

|                             | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------|---------------|---------------|
| Overdraft                   | 4,538         | –             |
| Loans less than one year    | 270           | 270           |
| Loans greater than one year | 30,770        | 30,880        |
|                             | 35,578        | 31,150        |

The Company has a revolving credit facility from the Royal Mint Trading Fund of £36million until 28 February 2023, of which £30million was drawn down at 31 March 2019. In addition the Company has a fixed term loan of which £1,040,000 was outstanding at 31 March 2019 – £270,000 is due in less than one year and the remaining balance of £770,000 is due in more than 1 year. The Company also has an overdraft of £20 million

## Note 14 Trade and other payables

|                                      | Group<br>2019<br>£'000 | Company<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2018<br>£'000 |
|--------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Trade payables                       | 22,294                 | 22,277                   | 15,544                 | 15,544                   |
| Other payables                       | 28,757                 | 28,757                   | 27,424                 | 27,424                   |
| Payments received on account         | 8,646                  | 8,646                    | 13,487                 | 13,487                   |
| Taxation and social security         | 908                    | 908                      | 966                    | 966                      |
| Accruals and deferred income         | 8,137                  | 8,137                    | 6,585                  | 6,177                    |
| Amounts owed to subsidiary companies | –                      | 93                       | –                      | 163                      |
|                                      | 68,742                 | 68,818                   | 64,006                 | 63,761                   |

|  | Group<br>2019<br>£'000 | Company<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2018<br>£'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Included within the payables are the following:<br>Balances with other Government bodies not shown separately above: |                        |                          |                        |                          |
| Other Central Government bodies  | 1,253                  | 1,253                    | 7,491                  | 7,522                    |
| Public Corporations and Trading Funds  | 33                     | 33                       | 17                     | 17                       |
|  | 1,286                  | 1,286                    | 7,508                  | 7,539                    |

Accruals and deferred income within non-current liabilities relates to a grant received from the Welsh Assembly Government in relation to the construction of The Royal Mint Experience.

## Note 15 Provision for liabilities and charges Group

|                                    | Returns<br>provision<br>£'000 | Environment<br>remediation<br>£'000 | Restructuring<br>£'000 | Onerous lease<br>£'000 | Total<br>£'000 |
|------------------------------------|-------------------------------|-------------------------------------|------------------------|------------------------|----------------|
| At 1 April 2018                    |                               |                                     |                        |                        |                |
| Provided in year                   | 792                           | 160                                 | 1,802                  | 265                    | 3,019          |
| Transferred from trade receivables | –                             | –                                   | 883                    | –                      | 883            |
| Utilised in year                   | (451)                         | (26)                                | (2,685)                | (265)                  | (3,427)        |
| At 31 March 2019                   | 341                           | 134                                 | –                      | –                      | 475            |

### Company

|                                    | Returns<br>provision<br>£'000 | Environment<br>remediation<br>£'000 | Restructuring<br>£'000 | Total<br>£'000 |
|------------------------------------|-------------------------------|-------------------------------------|------------------------|----------------|
| At 1 April 2018                    |                               |                                     |                        |                |
| Provided in year                   | 792                           | 160                                 | 1,803                  | 2,755          |
| Transferred from trade receivables | –                             | –                                   | 883                    | 883            |
| Utilised in year                   | (451)                         | (26)                                | (2,686)                | (3,163)        |
| At 31 March 2019                   | 341                           | 134                                 | –                      | 475            |

## Note 15 continued Group

|                           | Returns<br>provision<br>£'000 | Early<br>retirement<br>£'000 | Environment<br>remediation<br>£'000 | Restructuring<br>£'000 | Onerous lease<br>£'000 | Total<br>£'000 |
|---------------------------|-------------------------------|------------------------------|-------------------------------------|------------------------|------------------------|----------------|
| At 1 April 2017           | 660                           | 10                           | 254                                 | –                      | –                      | 924            |
| Provided in year          | 132                           | –                            | –                                   | 2,047                  | 265                    | 2,444          |
| Utilised/released in year | –                             | (10)                         | (94)                                | (245)                  | –                      | (349)          |
| At 31 March 2018          | 792                           | –                            | 160                                 | 1,802                  | 265                    | 3,019          |

### Company

|                           | Returns<br>provision<br>£'000 | Early<br>retirement<br>£'000 | Environment<br>remediation<br>£'000 | Restructuring<br>£'000 | Total<br>£'000 |
|---------------------------|-------------------------------|------------------------------|-------------------------------------|------------------------|----------------|
| At 1 April 2017           | 660                           | 10                           | 254                                 | –                      | 924            |
| Provided in year          | 132                           | –                            | –                                   | 1,997                  | 2,129          |
| Utilised/released in year | –                             | (10)                         | (94)                                | (194)                  | (298)          |
| At 31 March 2019          | 792                           | –                            | 160                                 | 1,803                  | 2,755          |

The profile of settlement of provisions is set out below.

|                                      | Less than<br>one year<br>£'000 | Between one<br>and two years<br>£'000 | Between two<br>and five years<br>£'000 | Over<br>five years<br>£'000 |
|--------------------------------------|--------------------------------|---------------------------------------|--|-----------------------------|
| At 31 March 2019 – Group and Company | 475                            | –                                     | –                                      | –                           |
| At 31 March 2018 – Group             | 3,019                          | –                                     | –                                      | –                           |
| At 31 March 2018 – Company           | 2,755                          | –                                     | –                                      | –                           |

## Note 16 Deferred tax assets and liabilities

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%).

|  | Group<br>2019<br>£'000 | Company<br>2019<br>£'000 | Group<br>2018<br>£'000 | Company<br>2018<br>£'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Liability at 1 April                         | 343                    | 343                      | 672                    | 940                      |
| Movements on deferred tax were:              |                        |                          |                        |                          |
| Charged/(Credited) to the Income Statement   | 55                     | 55                       | (411)                  | (679)                    |
| Charged to Statement of Comprehensive Income | 6                      | 6                        | 82                     | 82                       |
| Liability at 31 March                        | 404                    | 404                      | 343                    | 343                      |

Movements in deferred tax (assets)/liabilities were:

Group and Company

|                                | Assets<br>£'000 | Liabilities<br>£'000 | 2019<br>Net<br>£'000 | Assets<br>£'000 | Liabilities<br>£'000 | 2018<br>Net<br>£'000 |
|--------------------------------|-----------------|----------------------|----------------------|-----------------|----------------------|----------------------|
| Accelerated tax depreciation   | –               | 1,957                | 1,957                | –               | 2,081                | 2,081                |
| Derivative instruments         | (45)            | –                    | (45)                 | (319)           | –                    | (319)                |
| Retirement benefit obligation  | (1,075)         | –                    | (1,075)              | (1,263)         | –                    | (1,263)              |
| Tax losses                     | (323)           | –                    | (323)                | –               | –                    | –                    |
| Other                          | (110)           | –                    | (110)                | (156)           | –                    | (156)                |
| Deferred tax (asset)/liability | (1,553)         | 1,957                | 404                  | (1,738)         | 2,081                | 343                  |

|  | Accelerated tax<br>depreciation<br>£'000 | Derivative<br>instruments<br>£'000 | Retirement<br>benefit<br>obligations<br>£'000 | Tax<br>losses<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|--|--|------------------------------------|---|------------------------|----------------|----------------|
| At 1 April 2018                                  | 2,081                                    | (319)                              | (1,263)                                       | –                      | (156)          | 343            |
| Charged/(credited) to the<br>Income Statement    | (124)                                    | 274                                | 182   | (323)                  | 46             | 55             |
| Credited to Statement of<br>Comprehensive Income | –  | –                                  | 6   | –                      | –              | 6              |
| At 31 March 2019                                 | 1,957                                    | (45)                               | (1,075)                                       | (323)                  | (110)          | 404            |

## Note 16 continued

Deferred tax charged to the Consolidated and Company Statement of Comprehensive Income during the year was:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Remeasurements on defined benefits schemes | 6             | 82            |

Analysis of deferred tax (asset)/liability

|  | Group and<br>Company<br>2019<br>£'000 | Group and<br>Company<br>2018<br>£'000 |
|--|---------------------------------------|---------------------------------------|
| Deferred tax (asset) within 12 months  | (119)                                 | (319)                                 |
| Deferred tax (asset) after 12 months   | (1,434)                               | (1,419)                               |
| Deferred tax liability after 12 months | 1,957                                 | 2,081                                 |
|  | 404                                   | 343                                   |

The deferred tax at 31 March 2019 has been calculated based on the rate of 17% which was substantively enacted at the balance sheet date. The deferred tax asset has been recognised as the Company are confident that future profits will arise against which the asset will be utilised.

## Note 17 Retirement benefit schemes

### Defined contribution scheme

The Group and Company operates a defined contribution scheme for employees who have joined the organisation since 1 January 2010 via The Royal Mint Limited Personal Pension Plan (GPP). The related pension assets are held in trustee-administered funds separate from the Group. The total cost charged to income of £1,621,000 (2017-18: £1,278,000) represents contributions payable to the scheme by the Group at rates specified in the plan rules.

### Defined benefit scheme

On 31 March 2015 defined benefit pension arrangements were amended as set out in the box below:

|                          |  |
|--------------------------|--|
| Prior to 1 January 2010  | Employees were members of the Civil Service Pension Scheme, an unfunded, defined benefit scheme.   |
| 1 January 2010 (vesting) | New contributions to the Civil Service Pension Scheme ceased; Prudential Platinum Pension - The Royal Mint Limited Scheme (RMLS), a funded, defined benefit pension scheme, was created. All existing employees become members of the new RMLS.<br><br>As part of the vesting process employees were given the option to transfer deferred benefits from the Civil Service Pension Scheme into RMLS.   |
| 31 March 2015            | RMLS was closed for additional contributions on 31 March 2015 and members were given the option to join the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS), unfunded, defined benefit pension schemes, or to join GPP, a defined contribution scheme for future accrual. 21 members opted to join GPP, with the remainder opting to join PCSPS or CSOPS.   |
| From 1 April 2015        | Members of RMLS had until August 2015 to decide what to do with their deferred benefits held within RMLS from the following options: <ul style="list-style-type: none"> <li>i. Remain in RMLS</li> <li>ii. Transfer into PCSPS or CSOPS</li> <li>iii. Transfer into a defined contribution scheme (at Cash Equivalent Transfer Value).</li> </ul> <p>The majority of staff opted to transfer into a defined contribution scheme and only 1% opted to transfer into PCSPS or CSOPS.</p> |

The Royal Mint Limited Scheme (RMLS) operated via Prudential Platinum Pensions until 31 March 2015. From 1 April 2015 pension benefits are provided through the Civil Service pension arrangements. This corresponded with a new pension scheme being introduced. The Civil Servants and Others Pension Scheme or alpha provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

The Principal Civil Service Pension Scheme (PCSPS) continues for those employees who were within ten years of their normal pension age on 1 April 2012 and has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for the Executive Management Team in the Remuneration Report show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation.

## Note 17 continued

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Employer contributions expected to be paid for the year ended 31 March 2020 are £3,777,000.

Whilst the PCSPS and alpha are defined benefit schemes, they are accounted for by the Company as defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes. The total cost charged to income of £3,703,000 (2018: £4,154,000) represents contributions payable to the scheme by the Company. As noted above RMLS was closed for additional contributions on 31 March 2015. The disclosures below relate to the residual RMLS in relation to deferred pensioners who left their benefits in the scheme and current pensioners.

### Risks

The residual RMLS poses a number of risks to the Company, for example longevity risk, interest rate risk, inflation risk and salary risk. The trustee is aware of these risks and uses various techniques to control them. The trustee has a number of internal control policies including a risk register, which are in place to manage and monitor the various risks they face.

### Actuarial Valuation

The residual RMLS is subject to regular actuarial valuations, which are usually carried out every three years. The last was carried out with an effective date of 31 December 2016. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

### Details of valuation assumptions

An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2018 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2015 when the scheme closed with allowance for future salary increases or future price inflation for members of the Platinum Nuvo scheme. The principal actuarial assumptions used were:

|  | 2019                        | 2018                        |
|--|-----------------------------|-----------------------------|
| Discount rate  | 2.30%                       | 2.40%                       |
| Price inflation RPI  | 2.90%                       | 2.90%                       |
| Price inflation CPI  | 2.10%                       | 2.10%                       |
| Revaluation of deferred pensions: benefits accrued before 01/02/2014 | 2.90%                       | 2.90%                       |
| Revaluation of deferred pensions: benefits accrued after 01/02/2014  | 2.10%                       | 2.10%                       |
| Increase to pensions in payment: benefits accrued before 01/02/2014  | 2.90%                       | 2.90%                       |
| Increase to pensions in payment: benefits accrued after 01/02/2014   | 2.10%                       | 2.10%                       |
| Mortality assumption – pre-retirement                                | SAPS S2PxA CMI 2017(1.5%)   | SAPS S2PxA CMI 2017(1.5%)   |
| Mortality assumption – male post-retirement                          | SAPS S2PMA CMI 2017_M(1.5%) | SAPS S2PMA CMI 2017_M(1.5%) |
| Mortality assumption – female post-retirement                        | SAPSS2PFACMI2017_F(1.5%)    | SAPSS2PFACMI2017_F(1.5%)    |
| Future expected lifetime of current pensioner at age 65              |                             |                             |
| Male aged 65 at year-end   |                             |                             |
| Female aged 65 at year-end   | 87.2                        | 87.3                        |
| Future expected lifetime of future pensioner at age 65               |                             |                             |
| Male aged 45 at year-end   |                             |                             |
| Female aged 45 at year-end   | 88.9                        | 89.1                        |
|  | 91.0                        | 91.0                        |

## Note 17 continued

The discount rate on the previous page reflects the yield on the iBox AA-rated over a 15-year corporate bond index. The rate of inflation has been obtained by reference to the difference between the yields on long-term conventional and index-linked government bonds, and all RPI-linked pension increases in payment have been assessed with reference to the inflation assumption.

### Amounts recognised in the Statement of Financial Position:

|                                   | 2019<br>£'000 | 2018<br>£'000 | 2017<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fair value of plan assets         | 16,973        | 14,199        | 15,027        | 14,738        | 49,308        |
| Present value of plan liabilities | (22,424)      | (21,631)      | (23,496)      | (17,987)      | (55,081)      |
| Net defined benefit liability     | (5,451)       | (7,432)       | (8,469)       | (3,249)       | (5,773)       |

### Amounts recognised in the Statement of Comprehensive Income

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Service Cost:  |               |               |
| Administration expenses  | 103           | 61            |
| Net interest expense   | 153           | 198           |
| Amounts charged to the Income Statement                                  | 256           | 259           |
| Remeasurements of the net liability:                                     |               |               |
| Return on scheme assets (excluding amounts included in interest expense) | (658)         | 839           |
| (Gain)/Loss arising from changes in financial assumptions                | 693           | (1,041)       |
| (Gain)/Loss arising from changes in demographic assumptions              | (159)         | 422           |
| Experience loss/(gain)   | 86            | (704)         |
| (Credit)/Charge recorded in other comprehensive income                   | (38)          | (484)         |
| Total defined benefit (credit)/charge                                    | 218           | (225)         |

### Changes in the present value of net liability over the year:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Fair value of net liability at the beginning of the year                 | (7,432)       | (8,469)       |
| Movements in the year:   |               |               |
| Employer contributions   | 2,199         | 812           |
| Administration expenses  | (103)         | (61)          |
| Net interest cost  | (153)         | (198)         |
| Past service cost  |               | –             |
| Remeasurement (losses)/gains:  |               |               |
| Actuarial (losses)/gains arising from changes in financial assumptions   | (693)         | 1,041         |
| Actuarial gains arising from changes in demographic assumptions          | 159           | (422)         |
| Return on scheme assets (excluding amounts included in interest expense) | 658           | (839)         |
| Other experience items   | (86)          | 704           |
| Net Scheme liabilities at end of year                                    | (5,451)       | (7,432)       |

## Note 17 continued

### Changes in the present value of assets over the year:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Fair value of assets at the beginning of the year                        | 14,199        | 15,027        |
| Movements in the year:   |               |               |
| Return on scheme assets (excluding amounts included in interest expense) | 658           | (839)         |
| Interest income  | 362           | 364           |
| Employer contributions   | 2,199         | 812           |
| Benefits paid  | (342)         | (1,104)       |
| Administration expenses  | (103)         | (61)          |
| Scheme assets at the end of the year                                     | 16,973        | 14,199        |

Actual return on assets over the year was £1,020,000 (2017-18: £(475,000)).

### Changes in the present value of liabilities over the year:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Scheme liabilities at the beginning of the year                            | 21,631        | 23,496        |
| Movement in the year:  |               |               |
| Interest cost  | 515           | 562           |
| Remeasurement losses/(gains):  |               |               |
| Actuarial gains and losses arising from changes in financial assumptions   | 693           | (1,041)       |
| Actuarial gains and losses arising from changes in demographic assumptions | (159)         | 422           |
| Other experience items   | 86            | (704)         |
| Benefits paid  | (342)         | (1,104)       |
| Scheme liabilities at the end of the year                                  | 22,424        | 21,631        |

### The split of the scheme's liabilities by category of membership is as follows:

|                     | 2019<br>£'000 | 2018<br>£'000 |
|---------------------|---------------|---------------|
| Deferred pensioners | 19,959        | 19,162        |
| Pensions in payment | 2,465         | 2,469         |
|                     | 22,424        | 21,631        |

## Note 17 continued

The major categories of scheme assets are as follows:

|                                     | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------------------|---------------|---------------|
| <b>RETURN SEEKING</b>               |               |               |
| UK Equities                         | 4,231         | 3,433         |
| Overseas Equities                   | 4,231         | 3,433         |
| Diversified Growth Fund             | 826           | 715           |
|                                     | 9,288         | 7,581         |
| <b>DEBT INSTRUMENTS</b>             |               |               |
| Corporates                          | 3,866         | 3,297         |
| Index Linked                        | 3,819         | 3,321         |
|                                     | 7,685         | 6,618         |
| <b>Total market value of assets</b> | <b>16,973</b> | <b>14,199</b> |

The equity and debt instruments all have quoted prices in active markets. The diversified Growth Fund is akin to equity investments.

The Scheme has no investments in the Company or in property occupied by the Company.

The Company expects to contribute £2,199,000 to the Scheme during year ending 31 March 2020.

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £693,000 (increase by £721,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £699,000 (decrease by £674,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

If the salary increase assumption was 0.1% higher (lower), the scheme liabilities would not change if all the other assumptions remain unchanged as the scheme is closed to future accrual.

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by £882,000 (decrease by £890,000) if all the other assumptions remained unchanged.

## Note 18 Dividends – Group and Company

|                                   | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------------|---------------|---------------|
| Dividends paid (66.67p per share) | 4,000         | 4,000         |

Post year-end, the Board declared a dividend for 2018–19 of £4.0 million.

## Note 19 Capital commitments – Group and Company

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Commitments in respect of contracts – Tangible Assets   | 214           | 2             |
| Commitments in respect of contracts – Intangible Assets | 314           | 53            |
|   | 528           | 55            |

## Note 20 Operating lease commitments – Group and Company

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Operating lease rentals due on leases expiring: |               |               |
| Less than one year                              | 146           | 294           |
| Between one and five years                      | 426           | 1,444         |
|   | 572           | 1,738         |

As detailed in note 5 a provision has been recognised for an onerous lease in respect of the London office closure in the prior year. This is therefore not included in the commitments above.

## Note 21 Related party transactions

The Royal Mint Limited is a Company wholly-owned by HM Treasury. HM Treasury is regarded as a related party and it has both an ownership and a customer role.

The operation of the shareholding interest has been delegated to UKGI. They are responsible for oversight of the Company's objective of delivering a commercial return on capital employed and provision of relevant advice to the Commercial Secretary to HM Treasury reporting to Parliament. HM Treasury also contracts with the Company as a customer, under a Service Level Agreement, for the manufacture and distribution of UK circulating coin.

The Royal Mint Limited also contracts with The Royal Mint Museum Services Limited a subsidiary of the Royal Mint Museum. The Royal Mint Museum is wholly-owned by HM Treasury. The companies operate under a Service Level Agreement whereby:

- The Royal Mint Limited provides employees, establishment and support services. The charges for this year are £304,889 (2018: £306,748).
- The Royal Mint Museum and the Royal Mint Museum Services Limited provide services to the Royal Mint Limited, in support of its business activities and to HM Treasury in support of its obligations to manage the United Kingdom coinage. The revenue for this year is £370,000 (2018: £330,396).
- The Royal Mint Museum received a quarterly donation from the Royal Mint Limited calculated in accordance with the agreement at vesting. Since 1 January 2018 the payment (calculated as previously) is in consideration for a non-exclusive licence to access and have use of the Museum Collection within the restrictions set out in the Funding agreement signed 31st December 2017. The amount received for the year is £118,349 (2018: £121,396).
- The Royal Mint Limited has donated coins to the Museum collection which are included within heritage assets at a cost of £276,974 (2018: £308,887).

In addition, the Company has had a number of transactions with other Government bodies. During the year none of the Board members, members of the key management staff or other related parties have undertaken any material transactions with the Company. Balances with other Government bodies are set out in notes 12 and 14.

The Royal Mint Limited also has an associate company with which it has transactions to buy and sell historic coins.

- The Royal Mint Limited's purchases from Sovereign Rarities were £2,722,000 (2017-18: £1,246,000) and the amount outstanding at 31 March 2019 was £138,000 (2018: £48,000).
- The Royal Mint Limited's sales to Sovereign Rarities were £188,000 (2017-18: £69,000) and the amount outstanding at 31 March 2019 was £Nil (2018: £Nil).

### Remuneration of key management staff

Key management staff are considered to be the Executive Management Team. Remuneration of key management staff is set out below:

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Salaries and other short-term employee benefits | 1,417         | 1,076         |
| Post-employment benefits                        | 209           | 191           |
|   | 1,626         | 1,267         |

## Note 22 Analysis of net funds/(debt)

### Group

|   | At 1 April 2018<br>£'000 | Cash Flow<br>£'000 | At 31 March 2019<br>£'000 |
|---|--------------------------|--------------------|---------------------------|
| Cash/(overdraft) at bank and cash-in-hand | 9,657                    | (13,747)           | (4,090)                   |
| Loan                                      | (31,150)                 | 110                | (31,040)                  |
|   | (21,493)                 | (13,637)           | (35,130)                  |

### Company

|   | At 1 April 2018<br>£'000 | Cash Flow<br>£'000 | At 31 March 2019<br>£'000 |
|---|--------------------------|--------------------|---------------------------|
| Cash/(overdraft) at bank and cash-in-hand | 8,895                    | (13,433)           | (4,538)                   |
| Loans                                     | (31,150)                 | 110                | (31,040)                  |
|   | (22,255)                 | (13,323)           | (35,578)                  |

## Note 23 Other gains/(losses) – Group and Company

|                                     | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------------------|---------------|---------------|
| Foreign exchange (loss)/gain        | (1,899)       | 1,715         |
| Foreign exchange forward contracts  | (2,209)       | 2,023         |
| Ineffectiveness of commodity hedges | (28)          | 125           |
| Release of grant income             | 153           | 153           |
|                                     | (3,983)       | 4,016         |

## Note 24 Financial instruments – Group and Company

|                             | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------|---------------|---------------|
| <b>DERIVATIVE ASSET</b>     |               |               |
| Foreign currency fair value | 426           | 2,031         |
| Commodity fair value        | 182           | 705           |
| Precious metal fair value   | 771           | 53            |
|                             | 1,379         | 2,789         |

|                             | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------|---------------|---------------|
| <b>DERIVATIVE LIABILITY</b> |               |               |
| Foreign currency fair value | 1,359         | 9             |
| Commodity fair value        | 53            | 590           |
| Precious metal fair value   | 310           | 18            |
|                             | 1,722         | 617           |

## Note 24 continued

### Financial risk management

The main risk exposures arising from the Group's activities are currency risk, commodity price risk, interest rate risk, credit risk and liquidity risk. These risks arise in the normal course of business and are managed by the finance department through a combination of derivative and other financial instruments. The risk management programme seeks to limit the adverse effects on financial performance.

### Currency risk

The Group publishes its financial statements in sterling and conducts business internationally resulting in exposure to foreign currency risk, primarily with respect to the Euro and US Dollar. The Group's risk management policy is to enter into forward contracts for all anticipated foreign currency cash flows (mainly in relation to sales contracts), where the future settlement date is the forecast payment date. Hedge accounting is not followed for foreign currency forward contracts.

|   | Contract amount<br>2019<br>£'000 | Average forward rate<br>2019 | Fair value<br>2019<br>£'000 | Contract amount<br>2018<br>£'000 | Average forward rate<br>2018 | Fair value<br>2018<br>£'000 |
|---|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|-----------------------------|
| Forward contract – sell £/buy EUR<br>Maturing in less than 1 year | 14,209                           | 1.1400                       | (227)                       | 1,315                            | 1.1382                       | (6)                         |
| Forward contract – sell £/buy USD<br>Maturing in less than 1 year | 6,500                            | 1.3360                       | (94)                        | –                                | –                            | –                           |
| Forward contract – buy £/sell USD<br>Maturing in less than 1 year | 40,667                           | 1.3466                       | (751)                       | 28,036                           | 1.3755                       | 972                         |
| Maturing in more than 1 year                                      | 9,707                            | 1.3668                       | 141                         | 14,039                           | 1.3574                       | 1,031                       |
|   | 50,374                           | 1.3567                       | (610)                       | 42,075                           | 1.3664                       | 2,003                       |
| Forward contract – buy £/sell EUR<br>Maturing in less than 1 year | 5,031                            | 1.1607                       | (2)                         | 1,471                            | 1.1184                       | 26                          |

The movements shown below largely result from foreign exchange gains/losses on translation of US Dollar/Euro denominated trade payables and receivables. The first table below shows the impact of a 10% decrease in sterling and the second table the impact of a 10% increase in sterling against other currencies on the balances of financial assets and liabilities as at 31 March.

|            | Closing exchange rate<br>2019 | Effect on net earnings of a 10% decrease<br>2019<br>£'000 | Closing exchange rate<br>2018 | Effect on net earnings of a 10% decrease<br>2018<br>£'000 |
|------------|-------------------------------|---|-------------------------------|---|
| Euros      | 1.1705                        | (110)   | 1.1406                        | (5)   |
| US Dollars | 1.3132                        | 2,274   | 1.4028                        | 1,168   |
|            |                               | 2,164   |                               | 1,163   |

|            | Closing exchange rate<br>2019 | Effect on net earnings of a 10% increase<br>2019<br>£'000 | Closing exchange rate<br>2018 | Effect on net earnings of a 10% increase<br>2018<br>£'000 |
|------------|-------------------------------|---|-------------------------------|---|
| Euros      | 1.1705                        | 128   | 1.1406                        | (59)  |
| US Dollars | 1.3132                        | (1,859)   | 1.4028                        | (1,021)   |
|            |                               | (1,731)   |                               | (1,080)   |

## Note 24 continued

### Commodity price risk

The Group by the nature of its business is exposed to movements in the prices of the following commodities – nickel, copper, zinc, gold, silver and platinum.

In regard to base metals (nickel, copper and zinc) the Company uses commodity futures to hedge against price risk movements. All commodity futures contracts hedge a projected future purchase of raw materials, which are then closed out at the time the raw material is purchased. Commodity hedges are held in the Statement of Financial Position at fair value to the extent they are deemed to be effective under IFRS 9, ineffective portions of hedges are recognised in the Income Statement. The open commodity hedges as at 31 March are as follows:

|                                   | Tonnes<br>2019 | Value at<br>average<br>price<br>2019<br>£'000 | Fair value<br>2019<br>£'000 | Tonnes<br>2018 | Value at<br>average<br>price<br>2018<br>£'000 | Fair value<br>2018<br>£'000 |
|-----------------------------------|----------------|---|-----------------------------|----------------|---|-----------------------------|
| <b>Cash flow hedges:</b>          |                |   |                             |                |   |                             |
| <b>Copper futures –</b>           |                |   |                             |                |   |                             |
| <b>GBP denominated contracts:</b> |                |   |                             |                |   |                             |
| Maturing in less than 1 year      | 125            | 600   | 20                          | 900            | 4,491   | (260)                       |
| Maturing in more than 1 year      | 25             | 111   | 12                          | –              | (2)   | 2                           |
|                                   | 150            | 711   | 32                          | 900            | 4,489   | (258)                       |
| <b>Nickel futures –</b>           |                |   |                             |                |   |                             |
| <b>GBP denominated contracts:</b> |                |   |                             |                |   |                             |
| Maturing in less than 1 year      | 258            | 2,516   | 72                          | 534            | 4,520   | 394                         |
| Maturing in more than 1 year      | 42             | 416   | 25                          | –              | 11  | (11)                        |
|                                   | 300            | 2,932   | 97                          | 534            | 4,531   | 383                         |
| <b>Zinc futures –</b>             |                |   |                             |                |   |                             |
| <b>GBP denominated contracts:</b> |                |   |                             |                |   |                             |
| Maturing in less than 1 year      | –              | –   | –                           | 225            | 527   | (10)                        |
|                                   | –              | –   | –                           | 225            | 527   | (10)                        |

The tables below show the impact a 10% decrease/increase in commodity prices would have on the balances of financial assets and liabilities at 31 March.

|        | Closing<br>price/tonne<br>2019<br>£ | Effect on net<br>earnings of a<br>10% decrease<br>2019<br>£'000 | Effect on<br>equity of a<br>10% decrease<br>2019<br>£'000 | Closing<br>price/tonne<br>2018<br>£ | Effect on net<br>earnings of a<br>10% decrease<br>2018<br>£'000 | Effect on<br>equity of a<br>10% decrease<br>2018<br>£'000 |
|--------|-------------------------------------|---|---|-------------------------------------|---|---|
| Copper | 4,946                               | (105)   | (31)  | 5,329                               | (177)   | (283)   |
| Nickel | 10,008                              | (388)   | (85)  | 9,128                               | (324)   | (150)   |
| Zinc   | –                                   | –   | –   | 2,420                               | (38)  | (17)  |
|        |                                     | (493)   | (116)   |                                     | (539)   | (450)   |

|        | Closing<br>price/tonne<br>2019<br>£ | Effect on net<br>earnings of a<br>10% increase<br>2019<br>£'000 | Effect on<br>equity of a<br>10% increase<br>2019<br>£'000 | Closing<br>price/tonne<br>2018<br>£ | Effect on net<br>earnings of a<br>10% increase<br>2018<br>£'000 | Effect on<br>equity of a<br>10% increase<br>2018<br>£'000 |
|--------|-------------------------------------|---|---|-------------------------------------|---|---|
| Copper | 4,946                               | 105   | 31  | 5,329                               | 177   | 283   |
| Nickel | 10,008                              | 388   | 85  | 9,128                               | 324   | 150   |
| Zinc   | –                                   | –   | –   | 2,420                               | 38  | 17  |
|        |                                     | 493   | 116   |                                     | 539   | 450   |

## Note 24 continued

The Group has precious metal (gold, silver and platinum) consignment arrangements with three banks. The arrangements allow the consignor to retain the risks and rewards of the precious metal until the Company makes a purchase.

Purchases are made in two ways:

- 1) for a specific order; and
- 2) based on forecast sales demand over a specified period.

The purchases/(sales) can either be made on a spot basis or through forward contracts; hedge accounting is not followed for precious metal forward contracts. The open forward contracts and swaps as at 31 March are as follows:

|                                   | Ozs<br>2019 | Value at<br>average<br>price<br>2019<br>£'000 | Fair<br>value<br>2019<br>£'000 | Ozs<br>2018 | Value at<br>average<br>price<br>2018<br>£'000 | Fair<br>value<br>2018<br>£'000 |
|-----------------------------------|-------------|---|--------------------------------|-------------|---|--------------------------------|
| <b>Gold forwards –</b>            |             |   |                                |             |   |                                |
| <b>GBP denominated contracts:</b> |             |   |                                |             |   |                                |
| Maturing in less than 1 year      | 29,867      | 29,136  | 579                            | 6,139       | 5,853   | 43                             |
| <b>Silver forwards –</b>          |             |   |                                |             |   |                                |
| <b>GBP denominated contracts:</b> |             |   |                                |             |   |                                |
| Maturing in less than 1 year      | 248,539     | 3,019   | (125)                          | 80,310      | 966   | (8)                            |
| <b>Platinum forwards –</b>        |             |   |                                |             |   |                                |
| <b>GBP denominated contract:</b>  |             |   |                                |             |   |                                |
| Maturing in less than 1 year      | 503         | 321   | 7                              | –           | –   | –                              |

The tables below show the impact a 10% decrease/increase in precious metal prices would have on the balances of financial assets and liabilities at 31 March.

|          | Closing price<br>2019<br>£/oz | Effect on net<br>earnings of a<br>10% decrease<br>2019<br>£'000 | Closing price<br>2018<br>£/oz | Effect on net<br>earnings of a<br>10% decrease<br>2018<br>£'000 |
|----------|-------------------------------|---|-------------------------------|---|
| Gold     | 997                           | (58)  | 942                           | 590   |
| Silver   | 12                            | 12  | 12                            | 96  |
| Platinum | 651                           | (1)   | 665                           | –   |
|          |                               | (47)  |                               | 686   |

|          | Closing price<br>2019<br>£/oz | Effect on net<br>earnings of a<br>10% increase<br>2019<br>£'000 | Closing price<br>2018<br>£/oz | Effect on net<br>earnings of a<br>10% increase<br>2018<br>£'000 |
|----------|-------------------------------|---|-------------------------------|---|
| Gold     | 997                           | 58  | 942                           | (590)   |
| Silver   | 12                            | (12)  | 12                            | (96)  |
| Platinum | 651                           | 1   | 665                           | –   |
|          |                               | 47  |                               | (686)   |



## Note 24 continued

The table below shows the effect a 10% change in market prices would have on precious metal consignment arrangement fees.

|          | Closing price<br>2019<br>£/oz | Effect on net<br>earnings of a<br>10% change<br>2019<br>£'000 | Closing price<br>2018<br>£/oz | Effect on net<br>earnings of a<br>10% change<br>2018<br>£'000 |
|----------|-------------------------------|---|-------------------------------|---|
| Gold     | 997                           | 72  | 942                           | 199   |
| Silver   | 12                            | 8   | 12                            | 14  |
| Platinum | 651                           | 15  | 665                           | 8   |
|          |                               | 95  |                               | 221   |

### Interest rate risk

The Group has exposure to interest rate risk, arising principally in relation to the National Loan Fund (NLF) loans, cash held at bank and precious metal consignment arrangements. Cash held at bank and overdrafts are subject to interest rate risk where the risk is primarily in relation to movements in interest rates set by the Bank of England. Precious metal consignment arrangements are subject to consignment fee payments. The consignment arrangements have floating rates of interest which gives exposure to interest rate risk. The interest rate risk which arises from the above is deemed not to have a significant effect on income and operating cash flows, so no financial instruments are utilised to manage this risk.

If interest rates had increased/decreased by 10% it would have had the following effect on interest payable:

|       | 2019<br>£'000 | Effect on net<br>earnings of a<br>10% change<br>2019<br>£'000 | 2018<br>£'000 | Effect on net<br>earnings of a<br>10% change<br>2018<br>£'000 |
|-------|---------------|---|---------------|---|
| Loans | 31,040        | 76  | 31,150        | 68  |

### Credit risk

Exposures to credit risks are as a result of transactions in The Royal Mint Group's ordinary course of business. The major risks are in respect of:

- 1) trade receivables; and
- 2) counter parties:
  - a) cash and cash equivalents
  - b) financial instruments

These risks are managed through policies issued by the Board of Directors.

### Currency receivables

Currency receivables are in general governments, central banks and monetary authorities. Credit risk is minimised by aiming to have down-payments upon contract signature with remaining balances secured against letters of credit. Overdue balances are as follows:

|                       | Between 31<br>and 60 days<br>£'000 | Between 61<br>and 90 days<br>£'000 | Between 91<br>and 120 days<br>£'000 | Over<br>120 days<br>£'000 |
|-----------------------|------------------------------------|------------------------------------|-------------------------------------|---------------------------|
| Currency receivables: |                                    |                                    |                                     |                           |
| 2019                  | 4,217                              | 2,005                              | 1,848                               | 1,709                     |
| 2018                  | 43                                 | 544                                | 479                                 | 1,013                     |

## Note 24 continued

### Consumer wholesale

Wholesale customers purchasing non-bullion products are set credit limits based on available financial information. If no information is available a zero credit limit is set and goods must be paid for in advance of despatch. Credit limits are regularly monitored and reviewed. If the wholesale customer purchases bullion products the bullion is purchased specifically for the customer's order and is payable within 48 hours. Coins are only despatched when payment is received. The table below shows overdue outstanding balances as at 31 March.

|                              | Between 31<br>and 60 days<br>£'000 | Between 61<br>and 90 days<br>£'000 | Between 91<br>and 120 days<br>£'000 | Over<br>120 days<br>£'000 |
|------------------------------|------------------------------------|------------------------------------|-------------------------------------|---------------------------|
| Wholesale trade receivables: |                                    |                                    |                                     |                           |
| 2019                         | 27                                 | 124                                | 186                                 | 14                        |
| 2018                         | 43                                 | –                                  | 75                                  | 1                         |

### Consumer Coin Business to Consumer

Orders taken via the internet are paid for prior to despatch using major credit/debit cards. Orders taken via the call centre for new customers are payable in advance, existing customers are given credit limits based on their purchasing history. Overdue balances are monitored by reference to their statement status. The table below shows outstanding overdue balances as at 31 March.

|                                   | Balance overdue<br>statement 1 status<br>£'000 | Balance overdue<br>statement 2 status<br>£'000 | Balance overdue<br>statement 3 status<br>£'000 |
|-----------------------------------|--|--|--|
| Business to Consumer receivables: |  |  |  |
| 2019                              | 72   | 8  | 219  |
| 2018                              | 41   | 66   | 189  |

### Precious Metals

The bullion is purchased specifically for the customer's order and is payable within 48 hours. Coins are only despatched when payment is received. There were no overdue balances at 31 March 2019 or 2018.

### Counter-party risk

The Group purchases and sells derivative financial instruments from/to A, Aa-, BBB rated banks.

The maximum exposure to credit risk is limited to the carrying value of financial assets on the Statement of Financial Position as at the reporting date. For 2019 the amount is £39,770,000 for the Group and £41,493,000 for the Company (2018: Group £33,900,000 and Company £35,400,000). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

### Hierarchy disclosure under IFRS 7

The fair value of financial instruments is based on mark to market information and considered to be at level 2 in terms of the hierarchy measurement requirements of IFRS 7, set out below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## Note 24 continued

### Capital management and liquidity risk

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern and provide returns to its shareholder. This is reviewed on a regular basis in the context of available facilities.

Liquidity risk is the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. The Group's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Group manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition, the Group has negotiated a revolving credit facility of £36,000,000 until 28 February 2023, of which £30,000,000 was drawn down at 31 March 2019. It is anticipated that this will be sufficient to meet future requirements in conjunction with an overdraft facility of £20million. The Group also has a fixed term loan of which £1,040,000 was outstanding at 31 March 2019.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining year at 31 March to the contractual maturity date.

#### Group

At 31 March 2019

|                                  | Less than 1 year<br>£'000 | Between 1 and 2 years<br>£'000 | Between 2 and 5 years<br>£'000 | Over 5 years<br>£'000 |
|----------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------------|
| Borrowings                       | 4,808                     | 30,770                         | –                              | –                     |
| Derivative financial instruments | 1,722                     | –                              | –                              | –                     |
| Trade and other payables         | 68,742                    | –                              | –                              | –                     |

#### Company

At 31 March 2019

|                                  | Less than 1 year<br>£'000 | Between 1 and 2 years<br>£'000 | Between 2 and 5 years<br>£'000 | Over 5 years<br>£'000 |
|----------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------------|
| Borrowings                       | 4,808                     | 30,770                         | –                              | –                     |
| Derivative financial instruments | 1,722                     | –                              | –                              | –                     |
| Trade and other payables         | 68,818                    | –                              | –                              | –                     |

#### Group

At 31 March 2018

|                                  | Less than 1 year<br>£'000 | Between 1 and 2 years<br>£'000 | Between 2 and 5 years<br>£'000 | Over 5 years<br>£'000 |
|----------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------------|
| Borrowings                       | 270                       | 30,879                         | –                              | –                     |
| Derivative financial instruments | 617                       | –                              | –                              | –                     |
| Trade and other payables         | 64,006                    | –                              | –                              | –                     |

#### Company

At 31 March 2018

|                                  | Less than 1 year<br>£'000 | Between 1 and 2 years<br>£'000 | Between 2 and 5 years<br>£'000 | Over 5 years<br>£'000 |
|----------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------------|
| Borrowings                       | 270                       | 30,879                         | –                              | –                     |
| Derivative financial instruments | 617                       | –                              | –                              | –                     |
| Trade and other payables         | 63,761                    | –                              | –                              | –                     |

### Fair values

Set out in the following table is a comparison by category of fair values of financial instruments recognised in the financial statements at 31 March. Fair value of cash and cash equivalents, trade receivables and payables are deemed to be approximately their book value due to their short-term maturity. Fair value of commodity hedges is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange rates at the date of the Statement of Financial Position.

## Note 24 continued

### Categories of financial instruments

The table below identifies the carrying values at 31 March for each category of financial assets and liabilities. There is no significant difference between the carrying value and fair value in either year.

|  | Group<br>Carrying value<br>2019<br>£'000 | Company<br>Carrying value<br>2019<br>£'000 | Group<br>Carrying value<br>2018<br>£'000 | Company<br>Carrying value<br>2018<br>£'000 |
|--|--|--|--|--|
| <b>Assets as per the Statement of Financial Position:</b>      |  |  |  |  |
| Derivatives used for hedging                                   | 182                                      | 182  | 705                                      | 705  |
| Loans and receivables  |  |  | 33,933                                   | 35,445                                     |
| Trade and other receivables                                    | 39,770                                   | 41,493                                     | 9,657                                    | 8,895                                      |
| Cash and cash equivalents                                      | 448                                      | –  |  |  |
| Derivatives at fair value through profit and loss              | 1,197                                    | 1,197                                      | 2,084                                    | 2,084                                      |
| <b>Liabilities as per the Statement of Financial Position:</b> |  |  |  |  |
| Borrowings   | (35,578)                                 | (35,578)                                   | (31,150)                                 | (31,150)                                   |
| Derivatives used for hedging                                   | (53)                                     | (53)                                       | (590)                                    | (590)                                      |
| Derivatives at fair value through profit and loss              | (1,669)                                  | (1,669)                                    | (27)                                     | (27)                                       |
| Trade and other payables                                       | (67,861)                                 | (67,757)                                   | (64,006)                                 | (63,761)                                   |

## Note 25

### Share capital and share premium – Group and Company

Allotted, called up and fully paid (£1 each)

|                                   | Number of<br>shares | Ordinary<br>shares<br>£'000 |
|-----------------------------------|---------------------|-----------------------------|
| At 1 April 2018 and 31 March 2019 | 6,000,001           | 6,000                       |
|                                   | 2019<br>£'000       | 2018<br>£'000               |
| Share premium account             | 39,319              | 39,319                      |

## Note 26

### Ultimate controlling party

The ultimate controlling party of The Royal Mint Limited is HM Treasury. The parent entity of The Royal Mint Limited is the Royal Mint Trading Fund.

The largest and smallest group for which financial statements are prepared of which The Royal Mint Limited is a subsidiary is the Royal Mint Trading Fund. The financial statements can be obtained by contacting The Royal Mint using the details on page 3 or by visiting royalmint.com.

## Note 27

### Company's domicile, legal form and country of incorporation

The Company is limited by shares and registered in England and Wales and is domiciled in the United Kingdom.

## Note 28

### Events occurring after the reporting period

On 17 May 2019, the Board approved the payment of a dividend of £4.0m.



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