



THE ROYAL MINT®

THE ORIGINAL MAKER

Royal Mint Trading Fund

ANNUAL REPORT AND ACCOUNTS 2019-20



THE ROYAL MINT®

THE ORIGINAL MAKER

Royal Mint Trading Fund

ANNUAL REPORT AND ACCOUNTS 2019–20

Presented to Parliament pursuant to section 4(6) of the Government Trading Funds Act 1973
as amended by the Government Trading Act 1990

Ordered by the House of Commons to be printed on 28 January 2021

HC 1045



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated.
To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at The Royal Mint Limited, Llantrisant, Pontyclun, CF72 8YT
or email: informationoffice@royalmint.com

ISBN 978-1-5286-2322-3

CCS1120640350

01/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Annual Report and Accounts 2019–20

ROYAL MINT TRADING FUND

The Royal Mint Trading Fund Accounting Officer is Philip Duffy.

THE ROYAL MINT LIMITED DIRECTORS

Graham Love*

Chairman

Anne Jessopp

Chief Executive

Nicola Howell

Chief Commercial Officer

Andrew Mills

Director of Currency

Huw Lewis

Chief Financial Officer

Xenia Carr-Griffiths*

Cheryl Toner*

Michael Clayforth-Carr*

William Spencer*

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

Nicola Howell

Chief Commercial Officer

Leighton John

Director of Operations

Huw Lewis

Chief Financial Officer

Sarah Bradley

Director of HR and SHE

Jonathan McGregor

Chief Marketing Officer

THE ROYAL MINT MUSEUM AND ROYAL MINT MUSEUM SERVICES LIMITED DIRECTORS

Dr Andrew Burnett

Chairman

Lord Nick Macpherson of Earl's Court CGB

Crispin Wright

Victoria Rogers

Anna Brennand

Blondel Cluff

Anne Jessopp

The Royal Mint, Llantrisant, CF72 8YT

Email: informationoffice@royalmint.com

Website: royalmint.com

Website: royalmintmuseum.org.uk

External auditor to the Royal Mint Trading Fund
Comptroller and Auditor General

Independent auditor to The Royal Mint Limited and
The Royal Mint Museum Group
PricewaterhouseCoopers LLP

Internal auditor to The Royal Mint Limited
KPMG LLP

The Accounts of the Royal Mint Trading Fund at 31 March 2020, together with the Certificate and Report of the Comptroller and Auditor General thereon, are prepared pursuant to section 4 (6) of the Government Trading Funds Act 1973. In continuation of House of Commons Paper No 1244 of 2017–18. Presented pursuant to Act 1973, c.63, s.4 (6).

HC 1045

Contents

06	Accounting Officer's Statement
07	Report of the Chief Executive of The Royal Mint Limited
09	Performance Report
19	Sustainability Report
23	Financial Summary
24	Key Ministerial Targets
25	The Royal Mint Advisory Committee
27	Accountability and Governance Report
32	Remuneration and Staff Report
37	The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament
39	Consolidated Income Statement
40	Consolidated Statement of Comprehensive Income and Statement of Comprehensive Income
41	Consolidated Statement of Changes in Equity
42	Statement of Changes in Equity
43	Consolidated Statement of Financial Position
44	Statement of Financial Position
45	Consolidated Statement of Cash Flows
46	Statement of Cash Flows
47	Notes to the Accounts

Accounting Officer's Statement

As the Treasury's Director General for Growth and Productivity, I also serve as Accounting Officer for the Royal Mint Trading Fund. The Trading Fund has no Board or Directors, but operates as a holding company for The Royal Mint Limited, The Royal Mint Museum and their subsidiaries. This report covers the operations of those two groups, and these accounts consolidate their financial statements with the Trading Fund account.

The Royal Mint continues to face a challenging operating environment as the demand for coin falls globally in response to new technologies and the Covid-19 pandemic. In order to thrive, the Mint is addressing this challenge head on: it is restructuring its coin business to provide a sustainable future, and investing in new lines of business that make best use of the Mint's strengths to support future employment in South Wales.

In 2019–20, the Currency business returned to profitability at an operating level with a profit of £3.4 million¹ as the Mint focused on designing and producing intrinsically secure coins, specialising in bi-metallic manufacturing. This approach is helping to offset the declining domestic market with strong international demand.

The Consumer business had a strong year generating operating profits of £13.9 million. The Collector Services business, which specialises in sourcing, selling and caring for historic coins, sold a coin for £1 million during the year. This was a new record for the sale of a British coin.

Building on a successful year in 2018–19, the Precious Metals business increased revenue by 46% to £357 million (2018–19: £244 million) and launched a number of innovative new products. The contribution to operating profit increased to £3.9 million (2018–19: £3.7 million), and market share has grown in key international markets such as the US and Europe.

In February 2020 the Mint was involved with the launch of its first financial services listed product – a gold backed Exchange Traded Commodity (ETC), offering investors a new opportunity to gain exposure to gold. The Royal Mint Physical Gold ETC Securities

(RMAU) was developed with HANetf and listed on the UK and German stock exchanges.

Overall, the Mint recorded a consolidated net profit before tax for 2019–20 of £0.2 million (2018–19: £3.5 million loss), an improvement from last year and what I hope is a sign of more positive things to come for the Mint.

The Royal Mint Limited reported a return on average capital employed of 3.1% (2018–19: 8.1%); this is below the Ministerial target of 10% but reflected the requirement to invest in new lines of business as we prepare The Royal Mint for the future. HM Treasury has also agreed a new financial Ministerial target for the Mint, Economic Value Add (EVA), that will be reported on in next year's Accounts, and that I hope will set the Mint up for a sustainable future. The Royal Mint Limited satisfied its other Ministerial targets on UK circulating coins, commemorative coins, and on medals.

The Royal Mint Museum continues to make significant progress in achieving its charitable objectives, having further developed its education programme at The Royal Mint Experience (RME). The Museum team have also been focussing on a project to mark the 50th anniversary of the decimalisation of Britain's currency in February 2021. The project is focused on a national education outreach programme and an initiative to improve the wellbeing of older members of the community through reminiscence sessions. The project will need to be adapted in response to the Covid -19 pandemic but it will still go ahead in a revised form.

I am confident that the Mint's leadership team will be able to build a stronger business over the coming years, as an important employer, a provider of outstanding services to the public and real value for taxpayers.

Philip Duffy
Accounting Officer

¹ before exceptional items and IFRS 9 adjustments

Report of the Chief Executive of The Royal Mint Limited

The Royal Mint delivered another year of strong performance, overcoming wider socio-economic challenges and the impact of coronavirus, to exceed our budget. We are now starting to see the positive impact of our strategy of reinvention and laying the foundations for our future.

We have focused relentlessly on the customer; honing our proposition and experience as a premium British brand. Our Precious Metals division came into prominence; involved with launching our first financially listed product and increasing market share in the UK and overseas. Our traditional businesses performed well internationally, with record overseas orders for our Currency division, and a growth in our share of the precious metals market. The introduction of a new 'Music Legends' commemorative coin series helped deliver a 45% increase in overseas customers for our consumer division.

However, this is set against the backdrop of narrow margins in Precious Metals, a softening market for commemorative coin as general cash use declines, and the need for continued investment in new business areas. We learnt valuable lessons from a jewellery pilot, and continue to enhance our gifting range. Our reinvention strategy forecasts a reduction in profitability in the short term, while we focus on broadening our customer base, and establishing new business ventures.

SUMMARY OF THE YEAR

Whilst overall revenue increased compared to the prior year at £568.5 million, our Company operating profit reduced to £1.3 million¹ (versus £2.7 million in 2018/19), and our Group consolidated operating profit fell to £0.5 million¹ (versus £1.9 million in 2018/19). These declines were anticipated but represented an improvement against budget. We have been supported by the Board to significantly invest in new business, branding and talent to deliver our reinvention strategy, and this has driven reduced profitability in the short term.

As we focus on reinvention, we know that building a brand with purpose and relevance is key, and this has been a major focus over the last financial year. Although The Royal Mint is a much-trusted household name, many people still associate us with the coins in their pockets. Over the last 12 months we spoke to thousands of new and existing customers to find out what they want from and value about The Royal Mint. It revealed that when people learn about the heritage and authenticity of our brand it makes them highly likely to purchase. To address this, a significant rebrand project has been carried out to identify our unique brand proposition – setting us apart from competitors and raising awareness of our full product range. It will launch in autumn 2020 to engage more customers keen to invest, collect and celebrate with The Royal Mint.

Our Currency division returned to profitability at an operating level and grew its revenue contribution to £134.0 million – testament to our strategy of focusing on technically advanced coins for overseas markets. A key priority going forward is to work with Central Banks and international Treasury departments to convert low denomination banknotes into coins, and during the financial year we secured two such contracts. An investment of £8.4 million in a new brass plating line underpins our commitment to the division, and continuing to be a major employer in South Wales.

Our Consumer business continued to deliver solid results with a contribution to operating profit of £13.6 million¹. The highlight of the year was a series of coins to mark the UK's departure from the European Union. Widespread publicity ahead of the launch ensured the coin series was highly coveted in the UK and overseas. It led to record sales in a single day, attracting over 20,000 new customers to the business.

Our exclusive 'Mint Marque' programme was relaunched to provide enhanced service, and tiered benefits for our most loyal customers. We also embarked on a range of premium, bespoke items for the luxury sector – which included a 5kg gold recreation of 'Una and the Lion' and a 7kg gold coin to commemorate the James Bond™ movies.

¹ before exceptional items and IFRS 9 adjustments

The Precious Metals division celebrated its fifth anniversary, and has grown to become the primary producer of gold coins in the UK. Both revenue and contribution increased as we cemented our position as the home of gold, and pursued a new wealth management strategy through the launch of our gold-backed electronically traded commodity (RMAU).

Our emerging Collector Services business, which is included within the Consumer division, attracted global attention with the sale of Britain's first £1 million coin; helping to establish the business as the 'go to' place for historic coins and valuations. A relentless focus on service and helping customers build a "collection with purpose" helped deliver a contribution to operating profit of £1.6 million, which was a 60% increase from prior year.

Now in its fourth year, The Royal Mint Experience increased its footfall, and staged its first 24 hour opening to coincide with the launch of the 'Brexit' coin. The impact of coronavirus led to the temporary closure of the attraction in March 2020, and it was quickly transformed into an emergency production line to help produce 1.9 million medical visors for the NHS.

We continued to play a crucial role in the community, and we were delighted to partner with Llantrisant based charity 2 Wish Upon a Star to raise over £64,000 in the last 2 years in support of bereaved families. We pride ourselves on working with smaller, local charities that resonate with our employees and are delighted to partner with Bobath in the next financial year, to support children with cerebral palsy.

LOOKING AHEAD TO 2020-21

This year began in a way none of us could have expected. With over 800 employees at The Royal Mint our first priority was to safeguard them, and then to protect the long-term future of our business. Our strong position entering the pandemic meant all employees continued to receive their full pay, without resorting to the government's job retention scheme.

I never cease to be amazed by the passion and dedication of The Royal Mint, and within a few months what we have achieved under difficult circumstances is truly remarkable. Not only did we keep our business safely operating, but we launched education resources for parents, and designed and made 1.9 million medical visors for the NHS.

Many people associate The Royal Mint with the coins in their pockets, but we've been making useful products for the nation for 1,100 years and have a team of skilled designers, engineers and production staff. Keen to play our part in the fight against coronavirus, this talented team developed a prototype medical visor in just one day. After passing initial checks, The Royal Mint medical visors became the first emergency PPE to secure approval under the new government scheme.

Our procurement team worked with a supply chain of over 800 businesses across the UK and internationally to ensure we could continue to operate, and to source the raw materials needed for our own products and the manufacture of medical visors. The demand for precious metal investment has been at its highest level in the UK for several years as customers look for 'safe haven' assets, and thanks to our procurement we have been able to continue to supply gold bars and coins – achieving record sales.

We are yet to understand the full economic and social impact of coronavirus on the UK or our business, but I firmly believe that the measures we have put in place to protect employees, and our strategy of reinvention, will ensure we continue to succeed.

Anne Jessopp
Chief Executive

Performance Report

FOR THE YEAR ENDED 31 MARCH 2020

This section encompasses the required areas of the Overview and Performance Analysis sections and the Directors' Report.

ACTIVITIES

Royal Mint Trading Fund

Under the Royal Mint Trading Fund Order (and the Extension and Variation) and the Coinage Act 1971, the Royal Mint Trading Fund's operations include:

- the manufacture and supply of coins, medals, seals, gifts/collectable items (other than coins) and similar articles; and
- any operation incidental or conducive to such manufacture or supply.

As described below, the Royal Mint Trading Fund's activities are primarily delivered through two subsidiary companies, The Royal Mint Limited and The Royal Mint Museum. As set out in these accounts there is some inter-company trading between The Royal Mint Museum and The Royal Mint Limited. Otherwise, all trading is undertaken by The Royal Mint Limited. The Royal Mint Limited owns 100% of RM Assets Limited, RM Experience Limited and RM Wynt Limited and has a 23.4% interest in Sovereign Rarities Limited.

The manufacture, marketing, distribution and educational activities of the Royal Mint Trading Fund are all based at one site in Llantrisant, South Wales.

The Royal Mint Limited

The Royal Mint Limited continues to have three main channels of business: Currency, Consumer and Precious Metals. In addition, The Royal Mint has smaller businesses which are expected to grow in the future including Gifting, Collector Services, The Royal Mint Experience ('RME') and our newly launched gold backed Exchange Traded Commodity (ETC).

Whilst being established as businesses, Collector Services and the RME are included in the Consumer results and the ETC business is included within Precious Metals.

The Royal Mint Museum

The principal activity of The Royal Mint Museum is the advancement of education of the public in the history of coinage and related artefacts and of the activities of The Royal Mint.

STRUCTURE

The Chancellor of the Exchequer is the Master of the Mint. The Royal Mint Trading Fund was established on 1 April 1975, in accordance with the Royal Mint Trading Fund Order 1975 (S.I. 1975 No. 501) and from 1 April

2002, the Royal Mint Trading Fund (Extension and Variation) Order 2002, both made under the Government Trading Funds Act 1973. As a Trading Fund, The Royal Mint operates on commercial lines and is required under Section 4(i) of the Government Trading Funds Act 1973 to 'manage the funded operations so that the turnover of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to turnover'. In practice this statutory requirement is generally taken to mean that whilst the Royal Mint Trading Fund is permitted to record an operating loss in any one financial year, this loss should be made good in subsequent years so that financial break-even is achieved.

On 1 April 1990 the Royal Mint Trading Fund became an Executive Agency under the initiative announced by the then Prime Minister in February 1988.

On 31 December 2009, the trading assets and liabilities of the Royal Mint Trading Fund were vested into a subsidiary company called The Royal Mint Limited. HM Treasury remains 100% owner of the shares of the company through the Trading Fund. All assets of a historical nature were vested into a separate company, The Royal Mint Museum, limited by guarantee. The objective of The Royal Mint Museum, of which HM Treasury is the sole member, is to preserve, protect and enhance the heritage assets for future generations.

OPERATING AND FINANCIAL REVIEW

The Royal Mint Trading Fund returned an adjusted operating profit of £0.9 million² (2018–19: £2.3 million).

Revenue increased to £568.6 million (2018–19: £422.0 million). This was predominately driven by a significant increase in the revenue generated by our Precious Metals division.

Capital expenditure of £8.1 million (2018–19: £5.0 million) reflected our continued investment in the future, mainly across the following areas:

- the development of a new brass plating line set to open in 2021; and
- to develop and launch the new website for Precious Metals business.

Net assets decreased by £0.1 million to £94.1 million. The decrease in net assets has resulted from generating a loss after tax of £(1.0) million and a loss in the hedging reserve of £(1.2) million, partially offset by a revaluation uplift of £0.5 million and a reduction in the pension deficit (net of deferred tax) of £1.6 million.

² Adjusted operating profit is the operating profit before adjusting for the impact of IFRS 9-related items and exceptional items (see note 5)

SUMMARY FINANCIAL RESULTS

	2019–20 £m	2018–19 £m
REVENUE		
Currency		
UK	24.2	28.6
Overseas	109.8	76.7
Total Currency	134.0	105.3
Consumer	76.7	71.7
Precious Metals	356.9	244.3
New Businesses	1.0	0.7
Total revenue	568.6	422.0
OPERATING PROFIT/(LOSS)		
Currency	3.4	(0.7)
Consumer	13.9	16.5
Precious Metals	3.9	3.7
New Businesses	(1.0)	(0.1)
Central overheads	(18.6)	(16.7)
RM Wynt	(0.1)	-
RM Experience	0.1	-
RM Assets	(0.7)	(0.8)
Adjusted Operating profit	0.9	2.3
IFRS 9-related adjustments (note 5)	0.8	(2.4)
Exceptional items (note 5)	(0.2)	(2.3)
Operating profit/(loss)	1.5	(2.5)
Share of associate	0.2	0.1
Net finance cost	(1.5)	(1.1)
Profit/(Loss) before tax	0.2	3.5

CURRENCY

Our Currency division sits at the heart of The Royal Mint as the most established area of our business. Over the last financial year, we grew our revenue and returned to profitability at an operating level (before exceptional items and IFRS 9 adjustments). We supplied 3.4 billion coins and blanks to 24 countries around the world, made 400 million coins for the UK, and provided coin reclamation and forecasting services.

We continue to focus on our strategy of designing and producing the world's most intrinsically secure coins, specialising in bi-metallic manufacturing. This approach has ensured we offset a declining domestic market with strong international demand and both maintained a full order book and achieved record overseas sales.

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 increased to £134.0 million (2018–19: £105.3 million) and the business delivered an adjusted operating profit of £3.4 million (2018–19: loss of £0.7 million). Whilst UK sales continued to decline, we are pleased to report a significant increase in overseas sales following our hard work and focus on these opportunities.

Over the reporting year, The Royal Mint issued 588 million coins (2018–19: 632 million) to UK cash centres. Overseas deliveries of coins and blanks amounted to 3.0 billion pieces in 23 countries across all five continents (2018–19: 3.3 billion pieces in 31 countries).

Our Currency division has exceeded its target for the second year in a row (three-year recovery plan and budget contribution target was £2 million), attracting new customers and offering a full suite of services – from coin design and manufacturing to forecasting and reclamation. Operationally, we continue to drive down our cost per standard hour through efficiency gains and cost reductions, whilst our supply chain team worked with our suppliers to improve the value that they deliver to our business.

We completed clearance work at our Llantrisant site in preparation for the installation of a new £8.4million brass plating line. This state-of-the-art facility will allow us to produce 3,500t of brass product using direct plating technology beginning in early 2021.

During the year significant improvements have been made to our Rolling and Blanking facilities with the introduction of new vision systems that have further improved the accuracy and quality of our products.

OVERSEAS

Overseas sales were at a record-breaking level in the year with the coins and blanks produced stretching around the world twice if placed end to end. The quality of the overseas order book continued to improve year on year and within this exceptional performance we signed our largest ever contract with an overseas client. This achievement is also a reflection of the strong role that cash continues to play in many economies around the world.

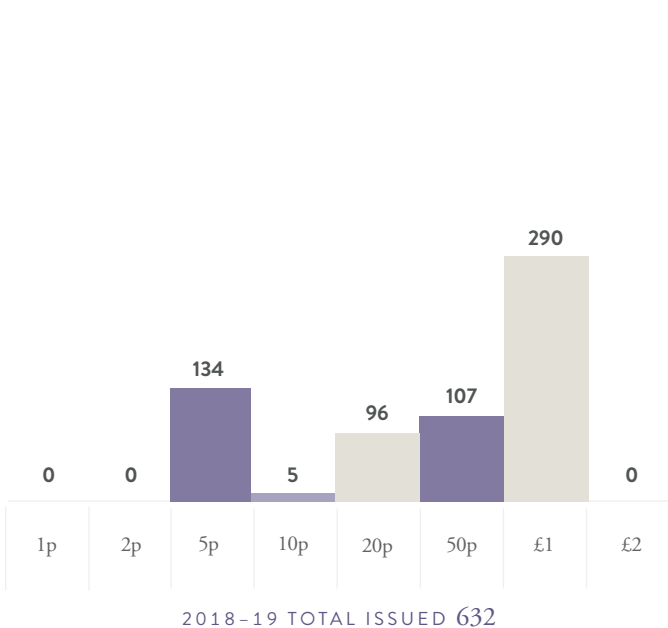
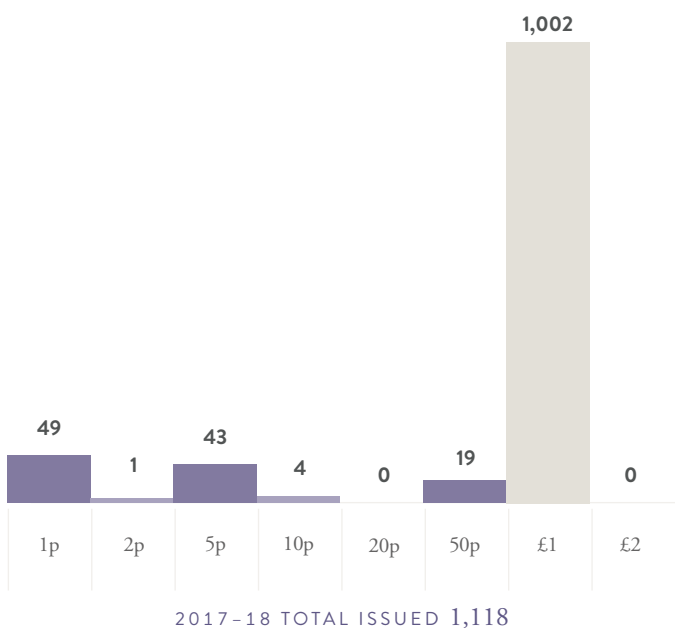
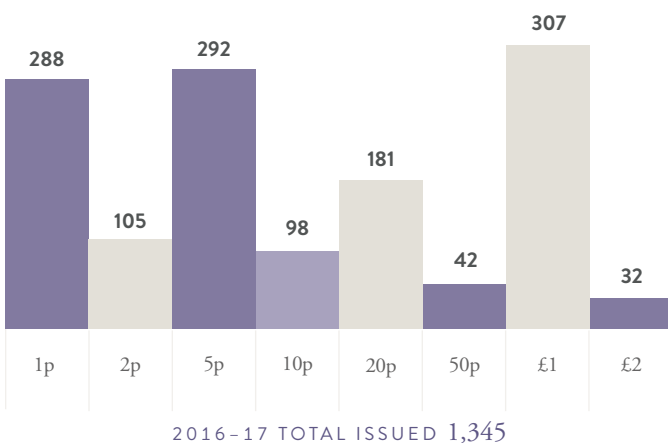
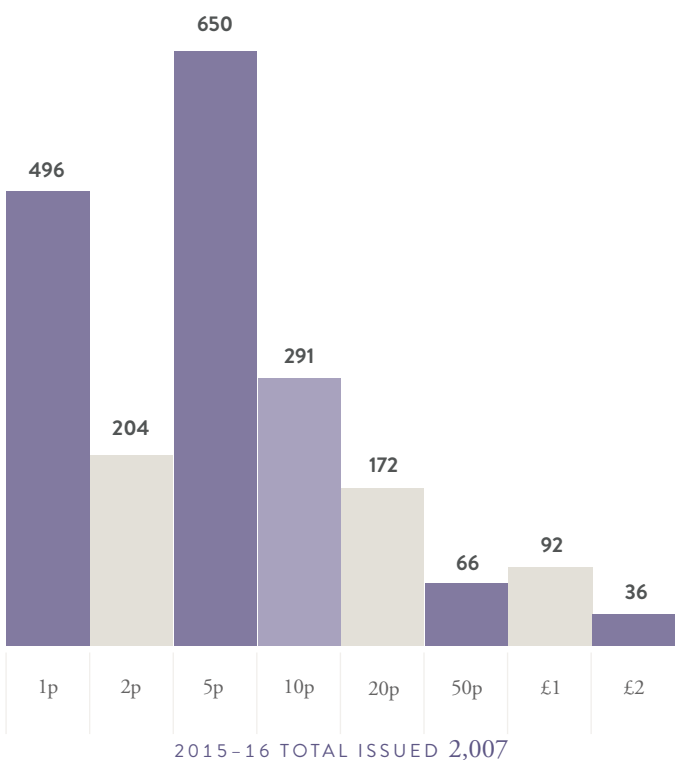
One of our key strategies is to offer products and services at all points of the currency life cycle and to this end we have signed a global agreement with a metals reclamation company to provide an end of life recycling service for central banks and mints. This service includes circulation coins, blanks, precious metal coins and banknotes with the ability to provide equipment and personnel for in country destruction, adding additional security.

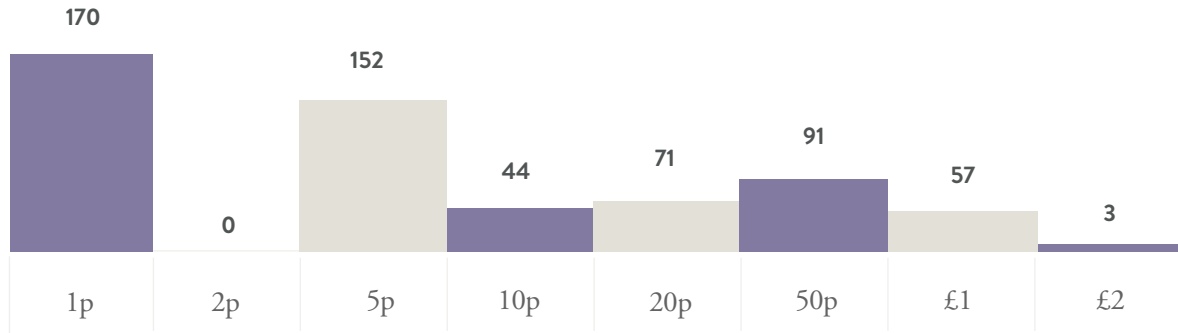
We continued to work with central banks to help ensure they have an efficient currency system that has the optimal number of coin and note

denominations. During the year we assisted with the conversion of three low value banknotes to coins; helping achieve longer life spans for the currency and reduce counterfeiting. Of particular note was the introduction of the highly secure two Cedi coin in Ghana, which replaced the two Cedi banknote. This coin, with layered security features, contains three latent images for public recognition in addition to a central bank security feature. The two Cedi coin's security feature will be authenticated in the currency cycle at five central bank cash centres across Ghana.

UK Coins Issued in Year

PIECES IN MILLIONS





2019-20 TOTAL ISSUED

588

UK

In the UK we made great progress with forecasting, achieving more than 90% accuracy in forecasting new UK coin demand through close collaboration with UK financial institutions.

As expected, cash transactions have continued to decline steadily over the past few years and are anticipated to continue to do so with the rise in popularity of contactless payments and other digital payment options. We expect the biggest impact will be from contactless transactions which increased 14% last year. We're yet to see what long-term impact Covid-19 will have on consumer behaviours and whether the limit increase in contactless payments from £30 to £45 will have a significant impact.

We surmise that the biggest effect will come from changing working behaviours as people travel less and work from home more; there will be fewer small transactions. We continue to research consumer views and analyse behaviours to inform any decisions or actions we may need to take. In the last financial year, we were able to commemorate Brexit with a 50p coin entering circulation on the 31st January 2020, producing 11 million pieces at the request of the Chancellor of the Exchequer.

A key strategic activity for the past year was increasing our role as a player in the wider cash and finance sector. This has seen us strengthen our relationships with the financial institutions and UK Finance, the trade association for the UK Banking and services sector. In addition, we've built new relationships across cash in transit providers, retailers and those involved in the operation of the ATM network. This activity has boosted our understanding of the cash system, allowing us to contribute more to its effective operation both now and in the future.

In this year the industry has undertaken significant work investigating the possibility of creating a cash utility in the UK, similar to that in other countries faced with declining cash volumes. The Royal Mint has engaged in this work as an observer and continues to use its experience and knowledge gained from its international reach to add value.

CONSUMER:

Our Consumer division creates world-leading numismatic products and experiences – combining heritage and innovation to engage new generations of collectors. The division comprises Commemorative Coin, Collector Services and The Royal Mint Experience.

PRINCIPAL ACTIVITIES

- the design, manufacture, marketing and distribution of commemorative coins and medals for the UK and overseas;
- the operation of a class leading, purpose-built visitor attraction;
- an authentication and valuation service for pre-decimal coins; and
- the marketing of rare and unique historic coins and associated services.

During the year, Consumer revenue increased by 7% to £76.7 million (2018-19: £71.7million). This year the division delivered a number of exciting firsts as we set a new record for the sale of a British coin, launched a new 'masterworks' collection, and achieved our largest volume of sales in a single day. Our popular culture series has also helped to grow our international customer database by 45%.

The Commemorative Coin division exceeded its target (three-year recovery plan and budget contribution target). However, a lack of significant Royal events, and the early impact of coronavirus saw our contribution to operating profit (before exceptional items and IFRS 9 adjustments) reduce to £13.6 million (2018-19: £16.5 million). The pandemic meant that two major commemorative coin ranges were postponed until the next financial year and led to the temporary closure of The Royal Mint Experience.

We remain focused on improving our customer experience, rewarding loyalty and ensuring that coins from The Royal Mint offer new features and unique details – including our first coloured BU (Brilliant Uncirculated) coins – to delight collectors.

We continue to engage and inspire new generations of coin collectors through our popular culture series. In February we commemorated iconic

rock band Queen as part of a new Music Legends series that will run over the next financial year. We also partnered with the Natural History Museum to bring dinosaurs to life through coloured designs and augmented reality – combining coin collecting with the latest technology.

In January we released a 50p coin to mark the UK's withdrawal from the European Union. Widespread publicity around this once-in-a-lifetime event resulted in unprecedented levels of demand from customers in the UK and internationally. The range attracted over 20,000 new customers to The Royal Mint, and over 2,000 people visited The Royal Mint Experience in a single day to strike their own piece of history.

As part of our premium product strategy, we launched a “Great Engravers” series that will reimagine some of the finest numismatic works of art from our archive. The collection began with William Wyon's ‘Una and the Lion’ – one of the world's most beautiful coins. It was remade as a 5kg hand finished gold coin – the largest ever made by The Royal Mint. To complement our new premium ranges, we evolved our Mint Marque programme, which offers account management service for our most loyal customers – providing tiered account management, helping customers build a collection with purpose, and unlocking exclusive benefits and access to The Royal Mint.

Our Collector Services division, which specialises in sourcing, selling and caring for historic coins, continues to move from strength to strength and achieved its target for the year (three-year recovery plan and budget contribution target of £1.6 million). The division recorded a 60% growth in contribution year on year and is uniquely placed to advise collectors on historic British coinage.

In July, the Collector Services team held a ballot for an extremely rare George III Sovereign – offering collectors the chance to secure the item for a fixed price of £100,000. The event created headlines around the world, and over 4,000 prospective candidates registered to take part in the ballot which helped to significantly raise the profile of the business in key historic coin markets globally. In January, we set the record for the sale of a British coin after sourcing a rare Edward VIII Sovereign for a customer. The item – believed to be one of just six in existence – sold for £1 million.

Our tourist attraction, The Royal Mint Experience, recorded a 17% increase in footfall year on year and collected a host of awards including: Welsh Tourist Attraction Award, Autism Friendly Award, and Green Key Accreditation. Over the past year we have focused on creating workshops and experiential activities to accompany the launch of key commemorative ranges. This included opening for 24 hours to let customers strike their own “Brexit” coin as mentioned earlier, holding Peter Rabbit workshops and hosting a temporary exhibition on Wallace and Gromit.

Whilst the impact of coronavirus meant The Royal Mint Experience was temporarily closed it was transformed into an emergency production line to produce 1.9 million medical visors to help protect NHS workers.

PRECIOUS METALS

The Royal Mint is the original maker of precious metal coins in the UK, with an unrivalled heritage of working with gold and silver. Today, we are the primary producer of bullion coins and bars in Britain, as well as offering digital investment opportunities, safe storage and wealth management.

PRINCIPAL ACTIVITIES

- the manufacture, marketing and distribution and sale of precious metal coins, bars and rounds;
- the license of design rights for the manufacture and supply of precious metal coins, bars and rounds and the secure storage of precious metals; and
- a leading provider of physical precious metals backed digital investment products and services.

Building on a successful year in 2018–19, our Precious Metals division increased revenue by 46% to £356.9 million (2018–19: £244.3million) and launched a number of innovative new products. The division met its target for the year (three-year recovery plan and budget contribution target). The contribution to operating profit increased to £3.9 million (2018–19: £3.7 million), and we grew our market share in key international markets such as the US and Europe. The impact of Brexit and coronavirus led investors to diversify into ‘safe haven’ assets such as precious metals, and this led to our busiest period on record at the start of 2020–21.

In February we were involved with the launch of our first financial services listed product – a gold-backed Exchange Traded Commodity (ETC), offering investors a new opportunity to gain exposure to gold. The Royal Mint Physical Gold ETC Securities (RMAU) was developed with HANetf and listed on the UK and German stock exchanges. By April it reached the \$200 million assets under management milestone, becoming one of the fastest growing gold-backed ETCs in Europe.

We continued to cement our position as a leading precious metal provider in the UK by creating innovative new products and services. Our first Diwali campaign generated a 56% uplift in revenue during the campaign period (on a like-for-like basis to prior year) whilst a new range of 1g gold bars sold out in time for Christmas and featured in a range of luxury gift guides. Drawing on our unique expertise of working with precious metals, we partnered with Mastercard and Accomplish Finance to make the world's first hallmarked precious metals payment card. The prestigious 18kt gold Raris card is personalised for each Raris accountholder, with their name and signature directly engraved into the precious metal.

Dividends

No dividends relating to 2019–20 have been proposed. Dividends relating to 2018–19 earnings of £4.0 million were paid during the year. Dividends relating to 2017–18 earnings of £4.0 million were paid during the prior year.

Financial risk management

The Royal Mint Group's risk priorities in 2019–20 were in the following areas:

- cyber security;
- a key operational failure;
- political and economic instability of overseas customers;
- physical security and health and safety;
- failure in the management of key projects; and
- Covid-19 pandemic in the last quarter of the year.

The virus is a potential risk to global supply chains, ability to travel and movement of goods along with the health and safety of our people. We are closely monitoring our people's health and safety requirements. We have

implemented extensive hygiene control and prevention measures on site to enable our workforce to continue working.

The Group's overall risk management approach is highlighted on page 30.

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. Each risk is reviewed by the Board as a separate agenda item at least once a year.

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 for the sourcing of metal at the same time as the selling price to the customer is fixed.

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 to provide for inventory and work-in-progress requirements.

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 2019–20, the year-end impact was a profit of £0.8 million (2018–19: £(2.4) million loss). Financial risk management disclosures are set out in note 24 to the financial statements.

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 92% (2018–19: 90%) of invoices were paid within the agreed period. We are pleased to report this is an improvement on the prior year 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.

Assay

In accordance with The Royal Mint Limited's responsibilities, as detailed in the Hallmarking Act 1973, a quality assessment was carried out by The Royal Mint Limited of the Assay Offices in London, Birmingham, Sheffield and Edinburgh. As a result of this year's assessment, it was established that the metal analysis methods (assaying) and procedures of the four offices met relevant criteria.

People

Our people continue to be 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.

Following the site wide launch of our new vision and associated 3-year strategy in 2018, we continue 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 strategic objectives.

We are now into the fourth cycle of The Royal Mint chosen charity initiative. Over the course of the last two years, our staff raised over £64,000 for 2WishUponAStar, a local charity providing much needed services to families who suddenly lose a child or young person. In February 2020 our employees voted to support Bobath Children's Therapy Centre, a local charity that gives support to children with Cerebral Palsy to improve the quality of life for children so that they can participate in everyday life to the best of their ability. 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 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 the young talent and helping them develop in their chosen careers and continue to explore opportunities with local education providers to develop sustainable skills for our business.

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 that all employees are aware of the financial and economic performance of their business units and of the Group as a whole.

In 2018 we introduced the Best Companies Index (BCI) engagement survey as an additional way to regularly understand and monitor employees' experience of working at The Royal Mint. Our second BCI survey completed in June 2019 showed increased participation with and improvements across a range of areas. Pride in working for The Royal Mint continues to be one of our highest scores.

Safety, Health and Environment (SHE)

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

Apart from our duty of care to all employees and the community in which

we live, we are proud of the culture we have within the Mint whereby 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 high impact coaching and awareness for everyone
- SHE systems improvements for ensuring compliance
- protecting and enhancing the environment, through sustainable projects looking at designing out the use of plastics in product design, responsible sourcing and waste management; and
- improving the health of our people through the introduction of 'In MINT Condition' Health & Wellbeing initiative.

We have progressed well against these strategies during the past year and introduced new mechanisms for learning through a new eLearning system for SHE compliance.

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.

The Royal Mint Museum

The Royal Mint Museum has continued to mature in its status as a separate charitable company and has made the following progress in achieving its charitable objectives.

EDUCATION AND LEARNING

There has been an increase in the number of primary school children attending workshops in The Royal Mint Experience (RME) to 6,816 (4,024 in 2018-19). A continuing arrangement with a local coach company has enabled the price of attending to be kept at a competitive level. Extensive updates to the workshops to make them more engaging have been well received.

The *Tales from the Mint* evening talks programme continued, with 4 events being held. The subject matter has ranged from the life and work of a lettering artist to a biographical account of Queen Victoria's reign. A long-standing partnership with Edinburgh-based Museum on the Mound resulted in the creation of resources for the Science Festival which took place in Edinburgh during the Easter holidays of 2019.

Members of the Museum team continued to deliver talks locally and throughout Britain. This year 17 (34 in 2018-19) were delivered to an estimated overall audience of 600 (1,800 in 2018-19).

ENHANCED ACCESS TO THE COLLECTION

Last year a temporary exhibition space was created within the RME and the first exhibition was on the 50th anniversary of The Royal Mint's move to South Wales. In February 2020 a new exhibition was installed, *Currency Undercover*, which explores the use of money by spies and in other covert ways. It will run until January 2021.

Visitors to the RME for the period from 1 April 2019 to 31 March 2020 were 82,714 (77,052 in 2018-19). In addition, the Museum hosted 538 VIP visitors on behind-the-scenes tours of the collection.

The Museum maintains a permanent exhibition at the Tower of London on the subject of the 500-year history of the Mint in the Tower. Last year, an estimated 875,000 (850,000 in 2018-19) people visited the exhibition. The Museum has items on long-term loan to the British Museum and the Science Museum in London, the Ashmolean Museum in Oxford, the Waterfront Museum in Swansea and the Museum on the Mound in Edinburgh. These provide access to the collection across a wide geographic area.

Temporary exhibitions were staged at The British Academy, Imperial War Museums North and the Tower of London.

The Royal Mint Museum's website had an average of 30,000 visits per month while the Museum's Facebook page saw a 22% increase in traffic, to a total of 4,087 followers. There is now a Twitter feed attracting 2,359 followers, a 37% increase on the prior year and the Museum's Instagram following has grown to 691. A presence was established on the Google Arts and Cultural website, with six online exhibitions, including St George and the dragon and portraits of Queen Victoria.

Preparing for the Museum's website being moved to a new platform has provided the opportunity to revamp completely its structure, content and appearance. The new site will go live during the spring of 2020.

COLLECTIONS MANAGEMENT

Approximately 295 coins and 100 plaster models were accessioned into the Museum collection received through The Royal Mint.

In addition, approximately 15,000 master tools have been transferred to the Museum store bringing the total number of tools in the collection to over 50,000.

Significant acquisitions from auctions and gifts included a portrait miniature of former Provost of the Company of Moneyers Joseph Sage (c.1748-1821) by John Smart, a 1739 silver-gilt medal by James Roettiers featuring a portrait of Sir Isaac Newton and a plaster model for the obverse of the 1911 Prince of Wales Investiture Medal. The Museum also acquired items relating to decimalisation.

The arrangement of the Museum's Library has been reviewed with a view to increasing the available space.

With the help of a volunteer, many thousands of documents in the Library have been re-housed and scanned.

Most of the work has now been completed on cataloguing the Library of Sarah Sophia Banks. The intention is to publish the catalogue and to supplement it with a narrative introduction outlining the significance of the Library.

RESEARCH AND PUBLICATIONS

The Museum team helped individual researchers across a range of subjects, including the coinage of Egypt, Jordan, Iraq and to undertake work on a biography of George William De Saulles, a study of 1887 Double-Sovereigns and on Rosa Americana coins.

Preliminary research has been undertaken into the history of decimalisation ahead of the 50th anniversary in February 2021.

The total number of enquiries answered since April 2019 was 1,316 (1,713 in 2018-19), quite a number of these relating to research into family histories.

The Museum hosted an employee from the Royal Australian Mint and provided support to her in completing the George Alexander Fellowship which was awarded through the International Specialised Skills Institute. The Fellowship is an opportunity for individuals aged between 18-35 years to acquire higher-skills and drive leading practice and innovation in Australia.

Articles were written for the British Numismatic Journal and a monthly article was published in Coin News about objects from the collection. This column in the magazine has now been running continuously for 17 years. A number of articles have been written for the relatively new publication, *The Coin Collector*.

THE 50TH ANNIVERSARY OF DECIMALISATION

Over the course of several months the Museum team devoted a great deal of time to putting together a project to mark the 50th anniversary of the decimalisation of Britain's currency which falls in February 2021. The project is focused on a national education outreach programme and an initiative to improve the wellbeing of older members of the community through reminiscence sessions. The project will need to be adapted in response to the Covid-19 pandemic but it will still go ahead in a revised form.

Directors

A list of current Directors of The Royal Mint Limited is shown on page 4. Nicola Howell was appointed as a Director on 1 November 2019; Huw Lewis was appointed as a Director on 14 September 2020 and William Spencer was appointed as a Non-Executive Director on 18 May 2020. Martin McDade resigned as a Director on 14 September 2020 and David Morgan resigned as a Non-Executive Director on 21 September 2020.

A list of current Directors of The Royal Mint Museum is also shown on page 4. The senior manager of The Royal Mint Museum is seconded from The Royal Mint Limited.

None of the Directors have interests that conflict with their responsibilities.

Independent Auditors

The Royal Mint Trading Fund's statutory auditor is the Comptroller and Auditor General. The external audit costs are set out in note 3 to the Accounts.

Every effort has been made to ensure that there is no relevant audit information of which the Royal Mint Trading Fund auditors are unaware. All the steps that ought to have been taken to make the auditors aware of any relevant audit information have been made.

Going concern

After making enquiries, including seeking assurances from the Directors of The Royal Mint Limited and the Directors of The Royal Mint Museum, the Accounting Officer has concluded that there is a reasonable expectation that the Royal Mint Trading Fund has adequate resources to continue in operational existence for the foreseeable future. The Royal Mint Trading Fund therefore continues to adopt the going-concern basis in preparing its consolidated financial statements.

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.

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 continues to invest in reinvention to build a business for the future. This will impact our performance in the near term, as we are supported by the board to continue reinvesting in new business, talent and marketing.

Like most UK businesses we expect a challenging year ahead as coronavirus continues to impact the way we live, work and spend. We have already postponed two major commemorative coin launches as a result of the pandemic and expect consumer demand to weaken over the next 12 months. In contrast, our Precious Metals business has been buoyed by volatility in the financial markets as investors turn to 'safe haven' assets such as gold.

Philip Duffy

Accounting Officer

22 January 2021

Sustainability Report

The Royal Mint is committed to being a responsible business and considerate neighbour, demonstrated through its actions:

- supporting each other towards improving Safety Health and Environmental performance through nurturing and learning together without blame; 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 watercourses, ground and groundwater.

ACCREDITATIONS

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

- ISO14001 (2015) Environmental Management System; and
- ISO50001 (2011) Energy Management System.

During the year The Royal Mint has put in place a plan to convert to the 2018 version of ISO50001.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

Under the UK Streamlined Energy and Carbon Reporting (SECR) April 2019 requirements, we are required to report our UK energy use and associated greenhouse gas ('GHG') emissions.

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, for the last two years, is in part 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 for the last two years is in part a result of the removal of on-site casting of non-ferrous metals.

Energy Consumption per Tonne Currency

2019-20	2,300 Kwh/tonne
2018-19	2,600 Kwh/tonne
2017-18	3,200 Kwh/tonne
2016-17	3,000 Kwh/tonne
2015-16	3,000 Kwh/tonne

Based on the 2019 Greenhouse Gas Reporting: Conversion Factors for electricity and gas, the CO₂ equivalent emissions for this and previous years is as per the following tables. Total emissions for 2019–20 were 12,500 tonnes of CO₂ equivalent. The reduction in total emissions are in part due to reduced electrical usage on-site, increased generation of renewable energy during 2019/20 but again mainly due to the removal of on-site casting of non-ferrous metals.

Total emissions



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 has not calculated these scope 3 emissions in compiling this report.

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 2019–20 normalised tonnage was 0.57 CO₂ equivalent per tonne of Circulating Coin. The reduction in normalised emissions are also due to the reasons above.

Normalised tonnes



RENEWABLE ENERGY

The wind turbine, that feeds directly into The Royal Mint site generated 800,000 kWh during 2019/20.

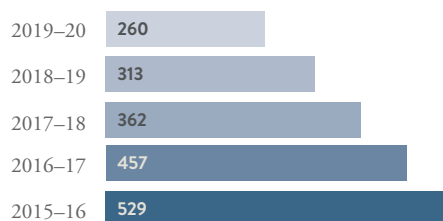
Additionally, the installed photovoltaic (solar panel) systems generated 28,000 kWh.

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.

Total water abstracted (m³ in '000)



Over the last 5 years, changes in processes and equipment have resulted in reduced amounts of abstracted river water being used on-site. During the financial year 96,000m³ of the abstracted river water was returned to the river a few hundred metres downstream from the abstraction point.

Total water supplied (m³ in '000)



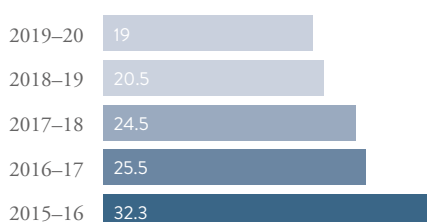
The high mains water usage during 2019–20 was due to an on-site leak that occurred during the period October 2019 to January 2020. It is calculated that the leak resulted in approximately an additional 69,000m³ of water distributed to site but not utilised.

Monitoring of the water distribution system and the water usage takes place on a daily and monthly basis to identify when leaks are occurring. On this occasion, whilst the leak was known about, the particular location of the leak was difficult to determine. Once the exact location of the leak was identified, the repair was carried out swiftly to minimise further water loss.

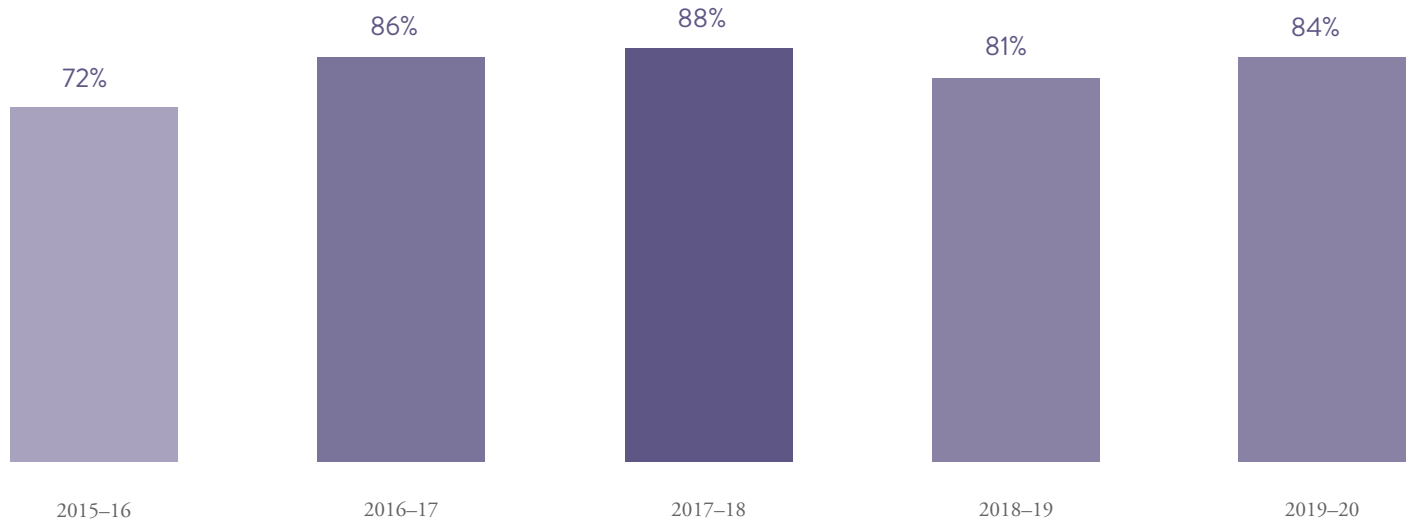
Water supply costs (£'000)



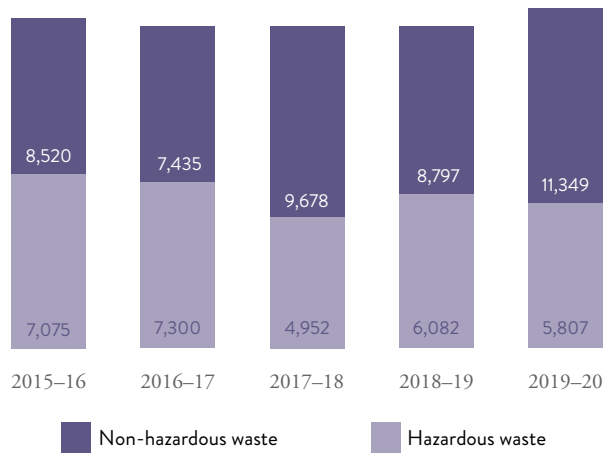
Water usage per tonne of circulating coin (m³)



Waste recycled



Waste disposal (tonnes)



WASTE

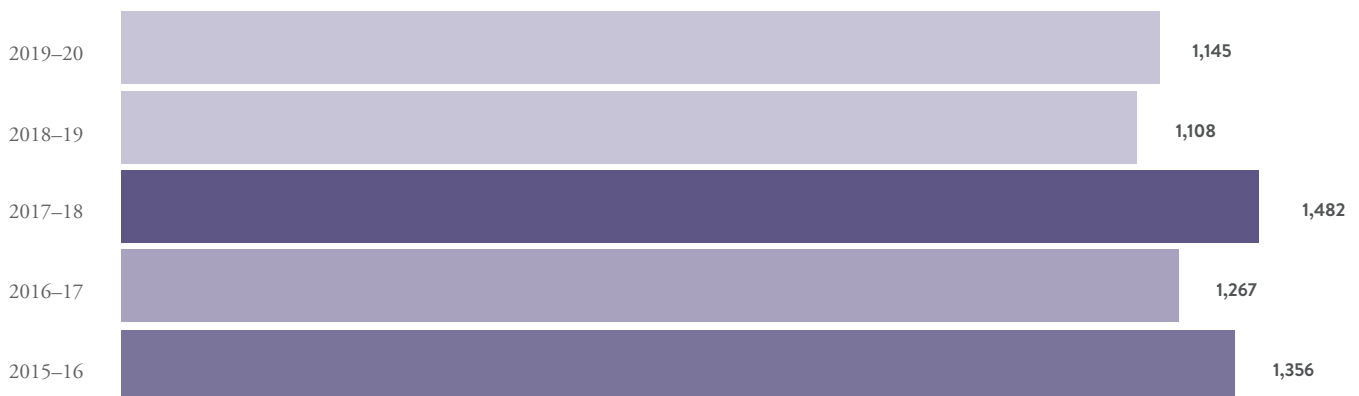
The Royal Mint continually seeks opportunities to recycle as much waste as possible and recycled 84% of its waste in 2019-20 (2018-19: 81%).

The waste figures are calculated from data supplied by internal weighing and information supplied by The Royal Mint's principal waste contractors as of 14 April 2020.

The 2019/20 increase in non-hazardous waste is due to the closure of the casting process during the prior year. Non-ferrous webbing would previously have been recast on site, and therefore not appear as waste.

The 2019/20 reduction in hazardous waste is in part a result of process improvements which are aimed at reducing the amount of waste produced for treatment off-site.

Waste costs (£'000)



SCOPE ANALYSIS

Tonnes of CO ₂ eq		2015–16	2016–17	2017–18	2018–19	2019–20
Scope 1	Natural gas usage (heating and furnaces)	3,280	3,830	4,110	3,740	3,890
	Use of Royal Mint owned vehicles	2	1	1	1	1
	Process emissions from the furnace stack	2	2	2	0	0
	Fugitive emissions (e.g. air conditioning and refrigeration leaks)	2	2	16*	9*	10
Scope 2	Electricity usage	11,700 ₁	13,000 ₁	11,200 ₁	8,760 ₁	8,190
Scope 3	Business travel	663	530	740	402	280
	Water supply	38	38	42	35	55
	Water treatment (off-site)	95	95	72	70	69
	Waste disposal	133	176	228	142	252

* 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 2019–20 figure is the result of a leak of SF6 gas used in electrical switching equipment.

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 wherever possible and looks for recycling opportunities for its waste streams.

The Royal Mint operates a zero waste to landfill policy.

PROTECTING AND ENHANCING THE NATURAL ENVIRONMENT

The Royal Mint operates from a single site that 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.

To give something back to the community and the environment, The Royal Mint, in September 2019 undertook a beach clean event whereby 20 members of staff volunteered to spend their day cleaning up a local beach (Ogmore-by-Sea). In total, 21 bags of waste were collected which included items such as fishing wire, crisp packets and takeaway cartons.

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.

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, and ISO 50001 the Energy Management 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.

REPORTING AND DATA

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

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

For the purpose of this report The Royal Mint has used the UK Government Conversion Factors for Greenhouse Gas (GHG) reporting Condensed Set for Most Users 2019; this data remains valid until 31 July 2020.

¹The UK electricity factor is prone to fluctuate from year to year as the fuel mix consumed in UK power stations (and auto-generators) and the proportion of net imported electricity changes.

These annual changes can be large as the factor depends very heavily on the relative prices of coal and natural gas as well as fluctuations in peak demand and renewables. Given the importance of this factor, the explanation for fluctuations will be presented here henceforth.

In the 2018 GHG Conversion Factors, there was a 19% decrease in the UK electricity CO₂e factor compared to the previous year because there was a decrease in coal generation and an increase in gas generation in 2016 (the inventory year for which the 2018 GHG Conversion Factor was derived). In this 2019 update, the CO₂e factor has decreased again (compared with 2018) by 10% due to a decrease in coal generation and an increase in renewable generation.

Financial Summary

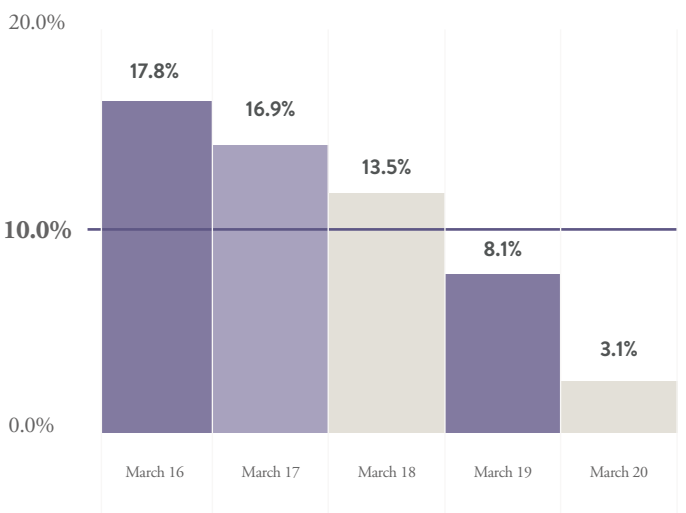
	2019–20 £'000	2018–19 £'000	2017–18 £'000	2016–17 £'000	2015–16 £'000
UK Revenue	205,003	183,024	196,592	118,169	115,230
Overseas Revenue	363,628	239,008	219,280	242,553	144,438
Total Revenue	568,631	422,032	415,872	360,722	259,668
Operating profit before IFRS 9 related items and exceptional items	943	2,273	6,793	13,520	11,324
IFRS 9-related items (note 5)	789	(2,397)	2,121	(660)	(317)
Exceptional items (note 5)	(251)	(2,328)	(6,292)	(152)	722
Operating profit	1,481	(2,452)	2,622	12,708	11,729
Share of associate	212	88	76	-	-
Net interest	(1,499)	(1,125)	(556)	(368)	(155)
Profit/(loss) before tax	194	(3,489)	2,142	12,340	11,574
Taxation	(1,190)	720	(1,823)	(2,353)	(2,333)
(Loss)/profit after tax	(996)	(2,769)	319	9,987	9,241
Net assets	94,078	94,182	89,248	87,883	73,908
Operating profit before IFRS 9 related items and exceptionals/sales	0.2%	0.5%	1.6%	3.7%	4.4%
Operating profit/sales	0.3%	(0.5)%	0.9%	3.5%	4.5%

Key Ministerial Targets

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 within the Sustainability Report.

TARGET 1

Return on Average Capital Employed (ROACE)



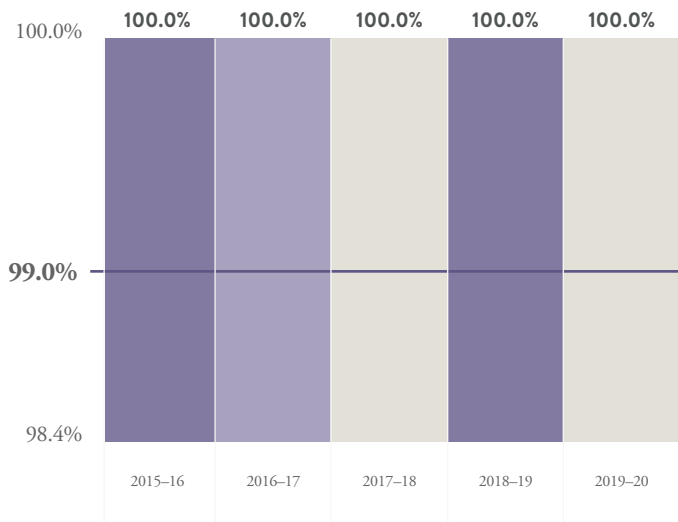
ROACE for The Royal Mint Group is calculated by expressing operating profit as a percentage of its average monthly capital employed.

Operating profit has been modified to exclude IAS 19 Employee Benefits and IFRS 9 Financial Instruments related adjustments as well as Exceptional Items.

From 2016–17 the Ministerial Target of 10% is measured on a three-year rolling average basis. Actual ROACE was 3.1% for the three years ending 31 March 2020. Whilst the ROACE % is reducing year-on-year, this was expected and a recovery plan is in place to achieve the Ministerial Target from 2020/21.

TARGET 2

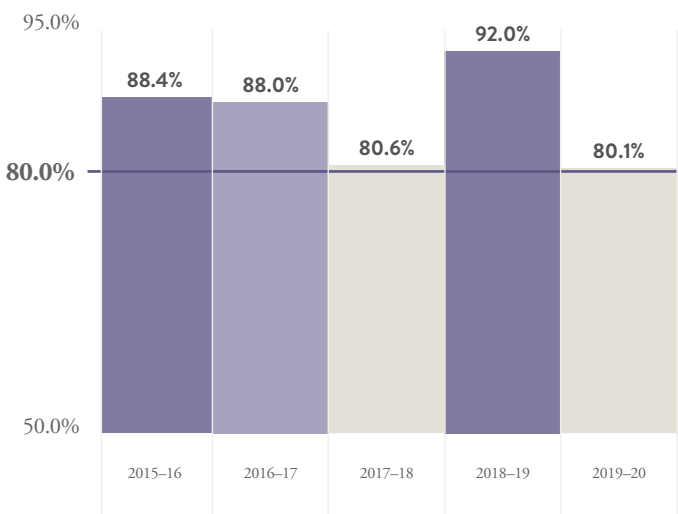
UK Circulating Coin



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

TARGET 3

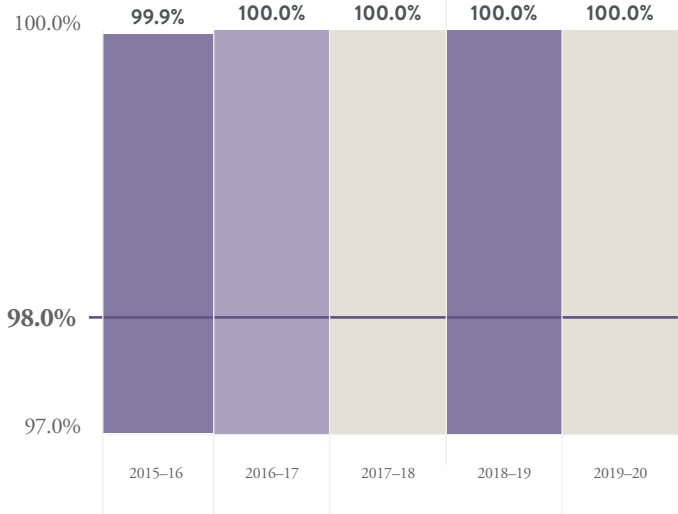
UK Consumer Coin



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.

The Royal Mint Advisory Committee

The Committee, which operates independently of The Royal Mint Limited, and whose full title is The Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations, was established in 1922 with the personal approval of George V.

Its original purpose was to raise the standard of numismatic art and that remains its primary concern. It is charged on behalf of HM Treasury and other government departments with the recommendation of new designs for United Kingdom coins, official medals, seals and decorations. The Committee is designated a Non-Departmental Public Body (NDPB) and its membership is regulated by the Office for the Commissioner of Public Appointments (OCPA). It is chaired by Lord Waldegrave of North Hill.

During the year there were four meetings, three taking place in London and one held as a conference call because of the travel restrictions imposed in connection with the Covid-19 pandemic. In addition, there were two meetings of the Sub-Committee on the selection of themes for new United Kingdom coins, both of which were held in London.

MAJOR EVENTS AND ANNIVERSARIES

A major British and world anniversary occupied the attention of the Committee across a number of meetings through discussions surrounding the 75th anniversary of the end of the Second World War. The challenge facing the selection of an appropriate design was to capture the sense of jubilation at the end of the long years of war yet doing so in a dignified way. Royal Mint designer Dominique Evans seized upon a well-known image from the time of a woman waving a newspaper over her head surrounded by cheering crowds with the word VICTORY in the background.

Finding appropriate ways in which to represent such historic events is a difficult design challenge but this can be even more acute in relation to events from our own time. In the autumn of 2019 the Committee was asked to provide a design to mark Britain's exit from the European Union, a moment of profound importance for the country. Having considered a number of options, the use of words seemed the most appropriate approach and a statement was chosen, ultimately inspired by United States' President Benjamin Franklin, PEACE, PROSPERITY AND FRIENDSHIP WITH ALL NATIONS. It proved to be one of the most popular coins issued by The Royal Mint in recent times.

COMMEMORATIVE COINS AND SERIES

William Wordsworth is one of Britain's most celebrated poets and marking the 250th anniversary of his birth was approved as a theme by the Committee as part of a long-standing aim to honour British literature

on the coinage. He is intimately associated with the Lake District and the selected design includes a depiction of a typical Cumbrian scene. Nevertheless, the Committee felt strongly that the breadth of Wordsworth's poetry should be acknowledged and illustrator David Lawrence accordingly employed an extract from the poem 'Lines written a few miles above Tintern Abbey', NATURE NEVER DID BETRAY THE HEART THAT LOVED HER.

Each year the Committee reviews designs that enter general circulation and those that are struck for collectors and the bullion market. It is well understood by members of the Committee that different considerations apply depending on the intended usage and when multi-coin series are being discussed an additional set of judgements needs to be taken into account. An example of this involved the Committee's discussions on a series themed around the discovery of Dinosaurs in Britain, with the thought in mind that it would appeal to a younger audience of collectors. As a series there was the requirement for the inclusion of motifs and a template that would help connect the individual designs. The specialist illustrator in the field, Robert Nicholls, created artwork with a sense of movement and life that strongly appealed to the Committee and advice from the Natural History Museum ensured accuracy of detail.

MODERN BRITISH CULTURE

There has been a concerted focus in recent years to celebrate aspects of modern British culture on the coinage and as part of this a series on British Music Legends was initiated during the year starting with the band Queen. Members of the band were involved with the process and the design finally selected was directed at embracing the group as a whole.

Another aspect of modern British culture looked at by the Committee this year was James Bond™. The character is immediately associated with action and gadgets, style and quality, and the challenge for the Committee was to secure a series of designs that would encapsulate a sense of James Bond rather than the specifics of a particular story. For the larger denomination coins, a design focusing on the classic Aston Martin BD5 was created by Laura Clancy and for the three-coin series graphic designer Matthew Dent conceived a linked design with the names of all the films overlaid as a background in micro-text.

The nature of how coinage designs are conceived, developed and approved, combined with the production schedules of The Royal Mint, means that much of the work of the Committee in any one year is destined for release a year or more ahead. A report on these projects, not yet in the public domain, will therefore be covered in the future.

OFFICIAL MEDALS

The remit of the Committee includes making recommendations to a range of government departments on the design of official medals and seals.

One such project came before the Committee during the year through a requirement for a new medal, to be known as the Wider Service Medal, which is being introduced to acknowledge the role played by a range of service personnel engaged in stressful duties although not necessarily in an open theatre of conflict. Further announcements about the medal will be made in due course.

SUB-COMMITTEE ON THE SELECTION OF THEMES

The Sub-Committee examines proposals for the programme of commemorative coins to be issued in forthcoming years, making

recommendations through the main Committee to the Chancellor of the Exchequer. During the year there were two meetings of the Sub-Committee, the focus of attention being the programme for 2021 through to 2022.

MEMBERSHIP

The variety and number of projects placed before the Committee have been handled with the same degree of care and attention to detail as ever. A debt of gratitude is owed to the Chairman, Lord Waldegrave of North Hill, for presiding over the Committee's complex and sensitive deliberations with diplomacy and clear leadership. Members of the Committee give of their time freely and a deserved note of appreciation is due to them for the professionalism and imagination they bring to the Committee's work.

Membership of the Committee at 31 March 2020 (with dates of appointment)

CHAIRMAN

Lord Waldegrave of North Hill
(January 2011, re-appointed January 2016)

LETTERING AND GRAPHIC DESIGNER

Professor Phil Baines
(May 2016)

NATIONAL LOTTERY HERITAGE FUND ENGLAND, LONDON & SOUTH

Mrs Blondel Cluff CBE, Chair
(March 2014, re-appointed March 2019)

DIRECTOR NATIONAL PORTRAIT GALLERY

Dr Nicholas Cullinan
(June 2016)

LORD CHAMBERLAIN

The Rt Hon The Earl Peel GCVO DL
(March 2007)

PAINTER

Mr Hughie O'Donoghue RA
(January 2015)

HISTORIAN

Professor Jane Ridley
(January 2015)

CERAMIC ARTIST AND WRITER

Mr Edmund de Waal OBE
(April 2012, re-appointed April 2017)

GARTER PRINCIPAL KING OF ARMS

Mr Thomas Woodcock CVO DL
(January 2010)

COMPTROLLER OF THE LORD CHAMBERLAIN'S DEPARTMENT

Lieutenant Colonel Mike Vernon
(September 2014)

NUMISMATIC CONSULTANT TO THE COMMITTEE

Professor Nicholas Mayhew
(January 2010)

CHIEF EXECUTIVE OFFICER OF THE ROYAL MINT LIMITED

Mrs Anne Jessopp

CHIEF COMMERCIAL OFFICER OF THE ROYAL MINT LIMITED

Ms Nicola Howell

SECRETARY TO THE COMMITTEE

Dr Kevin Clancy

TECHNICAL ADVISER TO THE COMMITTEE

Mr Lee Jones

Accountability and Governance Report

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 4(6) of the Government Trading Funds Act 1973 HM Treasury has directed the Royal Mint Trading Fund to prepare a statement of accounts ('the Accounts') for each financial year in the form and on the basis set out in the accounts direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the Royal Mint Trading Fund's state of affairs at the year-end and of its Consolidated Income Statement and Consolidated and Trading Fund Statements of Comprehensive Income, Changes in Equity and Cash Flows for the financial year.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that The Royal Mint will continue in operation.

HM Treasury has appointed Philip Duffy as Accounting Officer of the Royal Mint Trading Fund. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Royal Mint Trading Fund's assets, are set out in Managing Public Money published by the HM Treasury.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware, and he has taken all the steps that he ought to have taken to make them aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

The Accounting Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that as a whole it is fair, balanced and understandable; which the Accounting Officer can confirm.

Governance Framework

HM Treasury is the owner of the Royal Mint Trading Fund.

The Accounting Officer has responsibility for maintaining a sound system of internal control that supports achievement of the Fund's policies, aims and objectives, whilst safe-guarding public funds and the Fund's assets, in the responsibilities assigned to the Accounting Officer in Managing Public Money. These responsibilities have been carried out via delegated authority:

- to the Board of Directors of The Royal Mint Limited, a wholly owned subsidiary of the Royal Mint Trading Fund, which is the operating entity under which the Royal Mint Trading Fund trades. The remainder of this statement refers to the Internal Control processes within The Royal Mint Limited Group incorporating its subsidiary companies;
- to the Trustees of The Royal Mint Museum, a separate company limited by guarantee of which HM Treasury is the sole member, which is a registered charity that is responsible for the heritage assets transferred at vesting; and

- to UK Government Investments ('UKGI'), which has been delegated shareholding responsibilities to manage HM Treasury's day-to-day shareholding relationship with The Royal Mint Limited on behalf of HM Treasury Ministers.

Quarterly shareholder meetings take place between the Accounting Officer, UKGI, HM Treasury and The Royal Mint Limited, providing a forum to review The Royal Mint Limited's performance, risks and opportunities and any objectives set out in the business plan.

Corporate Governance Compliance

The Royal Mint Limited's Board of Directors support high standards of governance and, in so far as is practical given its size and status, has, together with HM Treasury and UKGI, continued to develop the governance of the business in accordance with the UK Corporate Governance Code where appropriate.

The Royal Mint Limited complied with the Corporate Governance in Central Government Departments, Code of Good Practice in so far as it is relevant. In particular, The Royal Mint Limited has maintained an appropriate Board composition, in line with statutory obligations.

The Board and its Committees

During the year, the Board of Directors of The Royal Mint Limited comprised the Chairman, five Non-Executive Directors and four Executive Directors (the Chief Executive, Director of Finance, Director of Currency and Chief Commercial Officer (from 1 November 2019)). The Board met 10 times in 2019/20 (2018/19: 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	10	n/a	n/a	n/a
Andrew Mills	10	n/a	n/a	n/a
Martin McDade	9	n/a	n/a	n/a
Nicola Howell	5	n/a	n/a	n/a
Graham Love	10	n/a	6	1
David Morgan	10	3	6	1
Xenia Carr-Griffiths	10	3	6	1
Michael Clayforth-Carr	10	3	6	1
Cheryl Toner	9	3	5	1
Jamie Carter	10	3	6	1
Number of meetings	10	3	6	1

Nicola Howell was appointed as a Director on 1 November 2019.

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, Remuneration Committee and Nominations 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 that 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 on-going 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 2019/20 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.

AUDIT COMMITTEE OF THE ROYAL MINT LIMITED

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 Financial Statements, 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 OF THE ROYAL MINT LIMITED

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 that 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 32.

NOMINATIONS COMMITTEE OF THE ROYAL MINT LIMITED

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 most 75:25 and our Board exceeds this at 56:44.

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 OF THE ROYAL MINT LIMITED

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

The Royal Mint Museum, as a charitable company, is governed by its Memorandum and Articles of Association, which provide for the appointment and reappointment of Trustees. The creation of an independent Museum was initiated to give long-term security to the collection, to establish a clear educational and charitable remit, and to enable the Museum to expand the services it offers through external funding.

The Trustees are noted on page 4. During the reporting year 2019/20 the Trustees met on four occasions. They have the authority to appoint new Trustees and to direct the use of the Museum's financial and other resources. Trustees are appointed for an initial term of three years, renewable for a maximum of two further three-year terms. New Trustees undergo an induction to brief them on their legal obligations under charity and company law, the Charity Commission guidance on public benefit and to inform them of the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. Meetings of the Trustees are attended by members of the Museum's management team, in particular the Director of The Royal Mint Museum, and members of the financial support team, who present papers on their areas of responsibility. The Trustees exercise oversight and supervision of all the Museum's main functional areas, including: finance, fundraising, acquisition and disposal, education and publication programmes, exhibitions, collections management, conservation and the activities of the Museum Services company.

The Trustees decide on the strategy for the Museum. The implementation of the strategy and the operational management is delegated to the Director of The Royal Mint Museum and his colleagues.

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 has input into the broader risk management approach and undertakes a review of risk management at least annually. It also reviews each major risk as a separate agenda item at least once a year.

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 (or delegate) 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.

The Royal Mint Group's risk management framework and practice aim to follow 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 2019–20 are detailed on page 13.

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 on-going 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.

Internal Audit

The Royal Mint Group operates internal audit arrangements to standards defined in the Public Sector Internal Audit Standards. During 2019/20 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. On the basis of evidence obtained during 2019/20, the Head of Internal Audit was able to provide a moderate level of assurance that the framework of governance, risk management and control is appropriately defined and working effectively throughout 2019/20 (a moderate opinion was also provided in 2018/19).

The Royal Mint Trading Fund is also audited by the GIAA, an Executive Agency of HMT. The team operates to agreed Public Sector Internal Audit Standards and complies with procedures and standards set by the GIAA. The internal audit reports provide an independent and objective opinion on the process underpinning the preparation of and provision of assurance over the 2019/20 consolidated annual accounts. On the basis of evidence obtained during 2019/20, a moderate level of assurance was provided to the Accounting Officer. The internal audit report also includes recommendations agreed with management for improvement to address identified areas of risk or control enhancement.

The Royal Mint Museum

The Museum is governed by a Board of Trustees who met four times during 2019–20 (2018–19: four times).

The Trustees have identified the major risks to which the Museum is exposed with the policy objective being to minimise the impact on the Museum. Risks have been individually assessed based on likelihood and impact under the headings of assets, operations and finance. Control measures have been identified for each of the risks to mitigate them to what is judged to be an acceptable level.

Key principal risks are:

- Inadvertent damage to the collection - storage and conservation is a high priority for Trustees as detailed above in Trustees report;
- Breach of security of collection – mitigated by regular review and upgrade of process and facilities; and
- Inadequate knowledge – mitigated by succession planning and staff training;

The Trustees consider the organisation's exposure to price risk, credit risk, liquidity risk and cash flow risk is very low. The Trustees continue to review and manage all financial risks.

Arms-length Bodies

The Royal Mint Advisory Committee is an associated arms-length body. The Committee's activities in the year are summarised on pages 25 to 26.

Losses and Special Payments

There have been no losses or special payments during the year which require disclosure in accordance with Managing Public Money (2018–19: £nil).

Conclusions

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of Internal Control. My review is informed by the work of the internal auditors of The Royal Mint Limited and comments made by the external auditors in their management letters and other reports. In addition, I have received assurance statements from the Chief Executive for The Royal Mint Limited and the Chair of the Trustees of The Royal Mint Museum confirming both The Royal Mint Limited and The Royal Mint Museum have effective governance, risk management and assurance arrangements in place as described in this statement.

In my opinion, the system of internal control was effective throughout the financial year and remains so on the date I sign this statement.

Philip Duffy

Accounting Officer

22 January 2021

Remuneration and Staff Report

The Accounting Officer of the Royal Mint Trading Fund and the Trustees of The Royal Mint Museum receive no remuneration in connection with their respective roles within the Royal Mint Trading Fund.

Remuneration Committee of The Royal Mint Limited

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 at 31 March 2020 was made up of seven roles: Chief Executive, Chief Commercial Officer, Director of Currency, Director of Operations, Director of Finance, Director of HR and SHE and Chief Marketing Officer.

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 2019–20. These targets are linked to the Group's recovery plan rather than Ministerial Targets. 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 2019–20, 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.

In 2019–20 the agreed performance targets were achieved. STIP awards are disclosed and accrued in the year they are earned. The amounts earned in 2019–20 will be paid in 2020–21.

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. These targets are linked to the Group's recovery plan rather than Ministerial Targets. 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 2019–20. One started in 2017–18 and concluded in 2019–20 and amounts earned will be paid in 2020–21, the other started in 2018–19 and amounts earned will be paid in 2021–22. The third started in 2019–20 and amounts earned will be paid in 2022–23.

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 2019 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, amounting to £810,000 being paid in profit share to the employees.

vi. Compensation for loss of office

No payments were made in respect of compensation for loss of office during the current or prior year.

REMUNERATION AND INCENTIVE PLANS (AUDITED)

	Remuneration		STIP	LTIP	Pension benefits	Remuneration		STIP	LTIP	Pension benefits
	Total	before incentives	amounts earned	amounts earned		Total	before incentives	amounts earned	amounts earned	
Executive Management Team of The Royal Mint Limited	2019–20	2019–20	2019–20	2019–20	2019–2020	2018–19	2018–19	2018–19	2018–19	2018–2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Anne Jessopp	375	220	41	30	84	421	215	71	53	82
Andrew Mills	228	140	20	14	54	258	137	41	27	53
Chris Howard*	55	54	-	-	1	168	130	13	9	16
Leighton John	197	118	21	12	46	218	115	35	23	45
Martin McDade	162	123	-	-	39	217	119	18	15	65
Sarah Bradley	188	113	20	11	44	150	109	27	14	43
Nicola Howell	185	127	31	12	15	164	118	24	8	14
Jonathan McGregor**	177	128	21	13	15	98	65	20	5	8

Board members during the year were Anne Jessopp, Andrew Mills, Martin McDade and also Nicola Howell from 1 November 2019.

* Chris Howard resigned on 31st July 2019.

** Jonathan McGregor was appointed as Chief Marketing Officer in September 2018 and therefore in the prior year his remuneration is only shown from that date. The total full year equivalent for 2018/19 was £164,000.

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

Pension benefits in the tables below represent the actuarially assessed increase in pension benefits at retirement age arising due to in-year service, calculated as per Finance Act 2013 rules. The real increases exclude increases due to inflation; contributions made by the individual; or any increase or decreases due to a transfer of pension rights.

For the directors which are not members of a defined benefit pension scheme, the pension benefits included in the tables above reflect the employer contributions made during the year. Nicola Howell and Jonathan McGregor are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme. Chris Howard was also a member of the defined contribution scheme until his resignation.

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 2019–20 the remuneration of the highest-paid Director of The Royal Mint was £293,000 (2018–19: £339,000). This was eight times (2018–19: ten times) the median remuneration of the workforce, which was £37,000 (2018–19: £34,000).

PENSION BENEFITS ACCRUED (AUDITED)

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

	Accrued pension at pension age as at 31 March 2020 £'000	Real increase in pension and related lump sum at pension age £'000	Cash Equivalent Transfer Value at 31 March 2020 £'000	Cash Equivalent Transfer Value at 31 March 2019 £'000	Real increase in Cash Equivalent Transfer Value £'000
Anne Jessopp	20–25	5–75	346	265	52
Andrew Mills	15–20	2.5–5	283	216	46
Leighton John	10–15 plus lump sum of 0–5	2.5–5 plus a lump sum of 0–2.5	139	104	21
Martin McDade	25–30	0–2.5	602	531	39
Sarah Bradley	10–15	2.5–5	147	109	25

Information on the defined benefit Pension Scheme is provided in note 17.

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefit accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits from the scheme. A CETV is a payment made by a pension scheme to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangement. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

EMPLOYMENT AGREEMENTS

All permanent members of the Executive Management Team covered by this Annual Report hold appointments that 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 (AUDITED)

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. The Chairman's fee is agreed by HM Treasury ministers. The fees of other Non-Executive Directors are agreed by the Nominations Committee and subsequently consented by UKGI.

	2019–20 £'000	2019–20 £'000
Graham Love	47	12
David Morgan	23	23
Xenia Carr-Griffiths	21	20
Michael Clayforth-Carr	18	18
Cheryl Toner	18	2

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 in 2019/20 was £12,000 (2018–19: £11,000).

Jamie Carter received no fees or expenses from The Royal Mint Limited or The Royal Mint Museum.

Staff costs (audited)

TOTAL STAFF COSTS	2019–20 £'000	2019–20 £'000	2018–19 £'000	2018–19 £'000
WAGES AND SALARIES				
Staff with a permanent contract	32,384		31,744	
Other staff	540		1,186	
		32,924		32,930
SOCIAL SECURITY COSTS				
Staff with a permanent contract	3,098		3,008	
Other staff	43		104	
		3,141		3,112
PENSION COSTS				
Defined benefit:				
Staff with a permanent contract	3,247		5,407	
Defined contribution:				
Staff with a permanent contract	1,707		1,704	
Other staff	41		107	
		4,995		5,514
		41,060		41,556
AVERAGE NUMBER EMPLOYED				
	2019–20 £'000	2019–20 £'000	2018–19 £'000	2018–19 £'000
PRODUCTION				
Staff with a permanent contract	476		501	
Other staff	10		14	
		486		515
SALES AND MARKETING				
Staff with a permanent contract	181		163	
Other staff	6		18	
		187		181
ADMINISTRATION				
Staff with a permanent contract	141		124	
Other staff	2		5	
		143		129
		816		825

DIRECTORS' EMOLUMENTS

	2019–20 £'000	2018–19 £'000
Aggregate emoluments excluding long-term incentive scheme	828	740
Aggregate amounts receivable under long-term incentive scheme	56	95
Contributions under defined contribution pension scheme	-	9
HIGHEST PAID DIRECTOR		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	291	339
Accrued defined benefit pension at year-end	25	19
Accrued lump sum pension at year-end	346	26

Retirement benefits accrued to three executive directors under a defined benefit scheme during the year (2018–19: three).

Staff composition

The number of people employed at 31 March 2020 was 801 (2019: 772). Of these employees, 575 are male and 226 are female (2019: 565 male, 207 female). The Royal Mint Museum Group itself has no employees (2019: nil). The Board of Directors of The Royal Mint Limited at 31 March 2020 comprised 6 male directors and 4 female (2019: 6 male, 3 female). The Trustees and Company Directors of The Royal Mint Museum at 31 March 2020 comprised of 5 male and 3 female (2019: 5 male, 2 female).

Staff policies

The Royal Mint Limited has an employee handbook available on its intranet site which covers staff policies such as recruitment, behaviours at work, pay and benefits, holidays, absence from work, travel and subsistence and equal opportunities. Policies are reviewed and updated regularly and staff are notified through email communications and team briefings when changes are made.

Diversity

The Royal Mint Trading Fund is committed to having a diverse workforce with a culture that values the benefits that diversity brings.

As well as a fair and transparent recruitment process, access to training and development opportunities for all, and family friendly policies, we have also taken opportunities throughout the year to highlight and celebrate our diversity. For example, we have been proud to celebrate with our LGBT colleagues during PRIDE week, highlighted our Gender Pay Gap report in favour of women on International Women's Day, and continued to build on the Autism Friendly Award presented to The Royal Mint Experience by the RCT Branch of the National Autistic Society.

However, in light of recent global events, The Royal Mint recognises that we need to do more to drive and support diversity and inclusion, both internally and externally. Sponsored by our CEO, we have formed a diverse group of employees to help us further develop our Diversity and Inclusion strategy and action plan. Our aim is to engage all our employees in the conversation, increase awareness and gather ideas which will result in a strategy and action plan that everyone in The Royal Mint can take ownership of and feel proud to be a part of.

Sickness absence

The annual sickness absence rate for 2019–20 was 3.3% (2018–19: 3.9%).

Philip Duffy

Accounting Officer
22 January 2021

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of the Royal Mint Trading Fund for the year ended 31 March 2020 under the Government Trading Funds Act 1973. The financial statements comprise: the Consolidated Income Statement, the Consolidated and Royal Mint Trading Fund Statements of Comprehensive Income, Consolidated and Royal Mint Trading Fund Statements of Changes in Equity, Consolidated and Royal Mint Trading Fund Statements of Financial Position, Consolidated and Royal Mint Trading Fund Statements of Cash Flows; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability and Governance Report, and Remuneration and Staff report that is described in those reports as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Royal Mint Trading Fund's affairs as at 31 March 2020 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

OPINION ON REGULARITY

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

BASIS OF OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Royal Mint Trading Fund in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

CONCLUSIONS RELATING TO GOING CONCERN

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Royal Mint Trading Fund's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Royal Mint Trading Fund have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Royal Mint Trading Fund'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.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Royal Mint Trading Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- conclude on the appropriateness of the Royal Mint Trading Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the group to cease to continue as a going concern.

I communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OTHER INFORMATION

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, but does not include the parts of the Accountability and Governance Report, and Remuneration and Staff report described in those reports as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude

that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Accountability and Governance Report, and Remuneration and Staff report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability and Governance Report, and Remuneration and Staff report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
25 January 2021

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Before IFRS 9-related items and other exceptionals (note 5)			Total	Before IFRS 9-related items and other exceptionals (note 5)			Total
		IFRS 9-related items (note 5)	Other exceptionals (note 5)	Total		IFRS 9-related items (note 5)	Other exceptionals (note 5)	Total	
		2019-20	2019-2020	2019-20	2019-2020	2018-19	2018-19	2018-19	2018-19
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	568,631	-	-	568,631	422,032	-	-	422,032
Cost of sales		(514,444)	(433)	-	(514,877)	(374,207)	(160)	-	(374,367)
Gross profit/(loss)		54,187	(433)	-	53,754	47,825	(160)	-	47,665
Administrative expenses		(19,783)	-	(251)	(20,034)	(17,653)	-	(2,328)	(19,981)
Selling and distribution costs		(30,283)	-	-	(30,283)	(26,153)	-	-	(26,153)
Other gains/(losses) – net	22	(3,178)	1,222	-	(1,956)	(1,746)	(2,237)	-	(3,983)
Operating profit/(loss)	3	943	789	(251)	1,481	2,273	(2,397)	(2,328)	(2,452)
Finance costs	6	(1,499)	-	-	(1,499)	(1,125)	-	-	(1,125)
Share of profit of associate accounted for using the equity method	10	212	-	-	212	88	-	-	88
(Loss)/profit before tax		(344)	789	(251)	194	1,236	(2,397)	(2,328)	(3,489)
Taxation	7				(1,190)				720
Loss for the financial year					(996)				(2,769)
Loss attributable to: HM Treasury					(996)				(2,769)

The notes on pages 47 to 78 form part of the financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2019–20 £'000	2018–19 £'000
Loss for the financial year		(996)	(2,769)
Other comprehensive (expense)/income:			
Items that may subsequently be reclassified to profit or loss			
(Losses)/gains on cash flow hedges		(880)	430
Hedging losses reclassified to profit or loss		(411)	-
Items that will not be reclassified to profit or loss			
Remeasurements for defined benefit scheme	17	2,038	38
Deferred tax on remeasurements for defined benefit scheme	16	(387)	(6)
Revaluation	8	450	11,241
Other comprehensive income for the year, net of tax		810	11,703
Total comprehensive (expense)/income for the year		(186)	8,934
Total comprehensive (expense)/income attributable to:			
Owners of the parent		(186)	8,934

Royal Mint Trading Fund Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2020

	2019–20 £'000	2018–19 £'000
Profit for the financial year	4,000	4,000
Other comprehensive income:	-	-
Total comprehensive income for the year	4,000	4,000
Total comprehensive income attributable to:		
HM Treasury	4,000	4,000

The notes on pages 47 to 78 form part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2020

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
At 1 April 2019	5,500	5,135	45,473	428	37,646	94,182
Movements in the year:						
Loss for the financial year	-	-	(996)	-	-	(996)
Other comprehensive income	-	450	1,651	(1,291)	-	810
Total Comprehensive Income/(expense) for the year	-	450	655	(1,291)	-	(186)
Cost of hedging transferred to inventory	-	-	-	82	-	82
At 31 March 2020	5,500	5,585	46,128	(781)	37,646	94,078

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
At 1 April 2018	5,500	4,658	52,487	(2)	26,605	89,248
Movements in the year:						
Loss for the financial year	-	-	(2,769)	-	-	(2,769)
Cash flow hedges	-	-	-	430	-	430
Remeasurements for defined benefit scheme	-	-	38	-	-	38
Deferred tax on actuarial loss of defined benefit scheme	-	-	(6)	-	-	(6)
Revaluation	-	477	-	-	10,764	11,241
Transfers	-	-	277	-	277	-
Total Comprehensive Income/(Expense) for the year	-	477	(3,014)	430	11,041	8,934
Transactions with HM Treasury – dividends	-	-	(4,000)	-	-	(4,000)
At 31 March 2019	5,500	5,135	45,473	428	37,646	94,182

The notes on pages 47 to 78 form part of the financial statements.

Royal Mint Trading Fund

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2020

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2019	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	-	4,000	4,000
Total Comprehensive Income for the year	-	4,000	4,000
At 31 March 2020	5,500	53,819	59,319

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2018	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	-	4,000	4,000
Total Comprehensive Income for the year	-	4,000	4,000
Transactions with HM Treasury – dividends	-	(4,000)	(4,000)
At 31 March 2019	5,500	49,819	55,319

The notes on pages 47 to 78 form part of the financial statements.

Consolidated Statement of Financial Position

AS AT 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	64,415	63,253
Heritage assets	9	38,181	37,843
Intangible assets	10	14,578	13,571
Deferred tax asset	16	1,946	1,553
Investment in associate	24	1,376	1,164
Total Non-Current Assets		120,496	117,384
CURRENT ASSETS			
Inventories	11	70,494	52,787
Derivative financial instruments	23	3,727	1,379
Current tax asset	7	1,348	1,242
Trade and other receivables	12	22,319	39,770
Cash and cash equivalents	21	23,391	1,202
Total Current Assets		121,279	96,830
CURRENT LIABILITIES			
Borrowings	13	(536)	(4,808)
Trade and other payables	14	(98,519)	(72,674)
Derivative financial instruments	24	(4,568)	(1,722)
Total Current Liabilities		(103,623)	(79,204)
Net Current Assets		17,656	17,176
NON-CURRENT LIABILITIES			
Borrowings	13	(36,844)	(30,770)
Accruals and deferred income	14	(1,572)	(1,725)
Retirement benefit liability	17	(1,531)	(5,451)
Deferred tax liability	16	(3,582)	(1,957)
Provision for liabilities and charges	15	(445)	(475)
Net Assets		94,078	94,182
EQUITY			
Public dividend capital		5,500	5,500
Revaluation reserve		5,585	5,135
Retained earnings		46,128	45,473
Hedging reserve		(781)	428
Hedging Assets reserve		37,646	37,646
Total Equity		94,078	94,182

The notes on pages 47 to 78 form part of the financial statements.

Philip Duffy

Accounting Officer

22 January 2021

Royal Mint Trading Fund

Statement of Financial Position

AS AT 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Investments	24	59,319	1,553
Loan to group undertaking	13	36,000	1,164
Total Non-Current Assets		95,319	89,319
CURRENT LIABILITIES			
Trade and other payables	14	-	(4,000)
Total Current Liabilities		-	(4,000)
Loan from National Loans Fund	13	(36,000)	(30,000)
Total Non-Current Liabilities		(36,000)	(30,000)
Net Assets		59,319	55,319
EQUITY			
Public dividend capital		5,500	5,500
Retained earnings		53,819	49,819
Total Equity		59,319	55,319

The notes on pages 47 to 78 form part of the financial statements.

Philip Duffy

Accounting Officer

22 January 2021

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		194	(3,489)
Depreciation and amortisation on non-current assets		7,343	6,054
Impairment		-	1,444
Interest charge		1,499	1,125
Cash flow hedges		(711)	2,946
Share of associate		(212)	(88)
Changes in operating assets and liabilities:			
Difference between pension charge and cash contribution		(1,882)	(1,943)
Inventory		(17,707)	(2,936)
Trade and other receivables		17,451	(5,837)
Trade and other payables		29,399	3,460
Provisions		(30)	(2,544)
Cash generated from/(used in) operations		35,344	(1,808)
Tax paid		(451)	(1,473)
Interest paid		(1,333)	(1,142)
Net cash generated from/(used in) operating activities		33,560	(4,423)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(6,205)	(2,304)
Acquisition of intangible assets		(1,903)	(2,743)
Acquisition of heritage assets		(338)	-
Net cash used in investing activities		(8,446)	(5,047)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Principal lease payments		(450)	-
Movement in borrowings		1,359	4,430
Net cash (used in)/generated from financing activities		(3,091)	430
Net movement in cash and cash equivalents		22,023	(9,040)
Cash and cash equivalents at the start of the year		1,202	10,242
Effects of exchange rate changes on cash and cash equivalents		166	-
Cash and cash equivalents at the end of the year	21	23,391	1,202

The notes on pages 47 to 78 form part of the financial statements.

Royal Mint Trading Fund

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Provisions		-	-
Net Cash generated from/(used in) operating activities		-	-
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		4,000	4,000
Acquisition of intangible assets		-	-
Net cash used in investing activities		4,000	4,000
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		-	-
Net cash generated/(used) in financing activities		(4,000)	(4,000)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the start of the year		-	-
Cash and cash equivalents at the end of the year	21	-	-

The notes on pages 47 to 78 form part of the financial statements.

Notes to the Accounts

NOTE 1 PRINCIPAL ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the 2019–20 Government Financial Reporting Manual (FRoM). The accounts have been prepared under a direction issued by HM Treasury under Government Trading Funds Act 1973. The accounting policies contained in the FRoM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Royal Mint Trading Fund 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 accounts.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New standards, amendments and interpretations

During the year, the Royal Mint Trading Fund chose to early adopt the new leases standard, IFRS 16, as approved by HM Treasury. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. 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 April 2021 under FRoM. The standard has been (early) adopted for the first time in the year ended 31 March 2020.

The Group has adopted IFRS 16 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRS 4. No adjustment was required in respect of prior year as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019.

	£'000
IAS 17 operating lease commitments based on gross cash flows as at 31 March 2019	1,129
Discounted using the Group's incremental borrowing rate of 4.1%	1,061
Less: contracts to which the short-term leases exemption has been applied	(107)
IFRS 16 lease liability as at 1 April 2019	954
Of which are:	
Current lease liabilities	420
Non-current lease liabilities	534

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- right-of-use assets – increase by £954,000
- lease liabilities – increase by £954,000.

The net impact on retained earnings on 1 April 2019 was £nil.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard (as mandated by the FRoM):

- not applied the new guidance to short-term leases (lease contracts less than one year) and leases of which the underlying asset is of low value;
- applied the new guidance only to contracts entered into (or that have been changed) after the date of initial application and applied this consistently to all contracts;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 start date as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group enters into precious metal leases, which have been considered as consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the Group purchases the metal. The value of the physical metal and the leases are not reflected in the Group's consolidated financial statements since these agreements do not meet the definition of a lease under IFRS 16. The precious metals available to the Group under these leases are fungible and are therefore not an identified asset.

There were no other new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2019 that had a material impact on the Group or Company.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2020 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.

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.

NOTE 1 CONTINUED

1.3 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 of The Royal Mint Limited.

1.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of the Royal Mint Trading Fund are measured using the currency of the primary economic environment in which the Royal Mint Trading Fund operates ('the functional currency'). The financial statements are presented in sterling, which is the Royal Mint Trading Fund'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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of 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/(losses) – net'.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are included at fair value to the business as follows:

The valuation is based upon the following:

- i. land and buildings are stated at valuation. Values are assessed at least every five years by external independent valuers; and
- ii. plant and machinery are stated at their cost uprated by indices published by the Office for National Statistics where the cumulative movement is material to the financial statements.

The land and buildings valuation is also reviewed with sufficient regularity to ensure that the fair value does not differ materially from the carrying amount. Fair value is assessed on the basis of open market value except in the case of specialised buildings which are based on depreciated replacement cost.

Subsequent costs are included in the asset's 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 Trading Fund and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Income Statement and depreciation based on the asset's original cost is transferred from 'revaluation reserves' to 'retained earnings'.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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
Plant and machinery	up to 20
Software licences and patents	3–8

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/(losses) – net in the Income Statement.

Heritage assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental and historic associations.

The Fund has introduced a programme of valuation as follows:

Assets donated to The Royal Mint Museum on vesting

An update to previous valuations was performed at 31 March 2019 with an increase in value resulting in an increase in the heritage assets reserve.

No meaningful valuation is possible with respect to master tools and dies for which cost information is unavailable.

No valuation with respect to architectural plans, film reels, tapes and glass negatives is to be undertaken as their significance in relation to valuation is not judged sufficiently high to warrant expenditure on obtaining a valuation.

Assets acquired since vesting

Heritage assets acquired since the formation of the Museum company have been capitalised to the Statement of Financial Position at initial cost. Donated heritage assets are recorded at estimated valuation at the date of donation unless this is not practicable in which case the appropriate disclosures are made of the nature and the extent of these donations.

NOTE 1 CONTINUED

1.6 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.

Licences for computer software

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

Research and development costs

Research costs are expensed as incurred.

Development costs are amortised when commercial production begins over the expected useful life of the technology and prior to then are held within assets in the course of construction within intangible assets.

Software

Internal costs capitalised are those direct employee costs involved in the design and testing of the One Business System.

Patents, trademarks and licences

Separately acquired patents, trademarks and licences are shown at historic cost.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation or depreciation 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.

1.8 FINANCIAL ASSETS

Financial assets are recognised when the Royal Mint Trading Fund 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 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 time frame generally established by regulation or convention in the marketplace.

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

- 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 where movements in fair value are recognised through Other Comprehensive Income. Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in the Income Statement.
- financial assets at amortised cost – 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.

1.9 IMPAIRMENT OF FINANCIAL ASSETS

An assessment is carried out at each Balance Sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at 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 account. 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 derecognised when their outcome is certain.

1.10 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.

NOTE 1 CONTINUED

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.

1.11 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 revenue and finance cost. Borrowing costs are recognised in the Income Statement in the period in which they are incurred.

b. Financial liabilities at fair value through the statement of comprehensive income

Financial liabilities at fair value through the Consolidated Income Statement include 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 Statement of Comprehensive Income.

1.12 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 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 Consolidated Income Statement within Other Gains and Losses. Amounts taken to equity are transferred to the Consolidated Income Statement when the hedged transaction affects the Consolidated Income Statement in Cost of Sales, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Consolidated 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 Consolidated Income Statement in Other Gains or 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 Consolidated Statement of Comprehensive Income in Other Gains or Losses.

Contracts are reviewed at initiation to assess if they contain an embedded derivative and are then accounted for where relevant.

1.13 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 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.

1.14 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.

1.15 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 amortised cost using the effective interest method.

NOTE 1 CONTINUED

1.16 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 year-end. 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 the 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.

1.17 EMPLOYEE BENEFITS

(a) Pension obligations

The Royal Mint Limited operates defined benefit and defined contribution pension schemes which cover all of the Royal Mint Trading Fund. 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 Royal Mint Limited pays fixed contributions into a separate entity. The Royal Mint Limited 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.

The (liability)/asset 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.

For defined contribution plans, The Royal Mint Limited pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Royal Mint Limited 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.

As explained in note 17, employees who were members of The Royal Mint Limited's defined benefit scheme were given the opportunity to join the Civil Service Pension Scheme at 31 March 2015. This is made up of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) and subsequently the alpha scheme. These are multi-employer plans and are accounted as if they are defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities.

(b) Profit-sharing and incentive schemes

The Royal Mint Trading Fund recognises a liability and an expense for profit-sharing and incentive schemes, based on a formula that takes into consideration the profit attributable to The Royal Mint Limited's shareholders after certain adjustments. The Trading Fund recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.18 PROVISIONS

Provisions are recognised when: the Royal Mint Trading Fund 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.

1.19 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.

The Group sells directly to customers and to wholesale providers. In both instances, 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 except in the case of 'bill and hold' arrangements, where 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.

No significant element of financing is deemed present, because the sales are either paid in advance of despatch or in some instances with a credit term of 30 days, which is consistent with market practice. A receivable is recognised when

NOTE 1 CONTINUED

the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For the sales of our Consumer products, it is the group's policy to sell its products to the end customer with a right of return within 14 days. Therefore, a refund liability is recognised within provisions in respect of these returns. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

1.20 LEASES

The Group leases equipment and vehicles. Rental contracts are typically made for fixed periods of 1 months to 7 years, but may have extension options.

Policy applicable before 1 April 2019

Prior to the adoption of IFRS 16, leases, in which a significant portion of the risks and rewards of ownership were retained by the lessor, were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Income Statement on a straight-line basis over the period of the lease.

Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

The Group recognised a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group's incremental borrowing rate is the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease liability is measured at amortised cost using the effective interest method.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognised the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.21 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.

1.22 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.

1.23 DIVIDEND DISTRIBUTION

Dividends in relation to Public Dividend Capital are recognised as a liability in the financial statements in the year to which they relate. Dividends which relate to Royal Mint Limited's performance are recognised in the financial statements in the year in which the dividends are approved by the Company's shareholders.

1.24 CONSOLIDATION ACCOUNTING POLICY

Subsidiaries are all entities over which the Royal Mint Trading Fund has the power to govern the financial and operating financial policies generally accompanying a shareholding of more than one half of the voting rights.

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 other gains and losses in the Consolidated Income Statement and the share of the net assets in the Consolidated Statement of Financial Position.

After the transfer of assets and liabilities from the Royal Mint Trading Fund to The Royal Mint Limited, the ultimate beneficial owner continues to be HM Treasury, on behalf of HM Government. The transaction is therefore exempt from IFRS 3 (revised): Business Combinations. Predecessor accounting has been used to account for the acquisition of The Royal Mint Limited and the identified assets and liabilities recorded at book value.

NOTE 1 CONTINUED

1.25 GOING CONCERN

After making enquiries, including seeking assurances from the Directors of The Royal Mint Limited and the Directors of The Royal Mint Museum, the Accounting Officer has concluded that there is a reasonable expectation that the Royal Mint Trading Fund has adequate resources to continue in operational existence for the foreseeable future. The Royal Mint Trading Fund therefore continues to adopt the going-concern basis in preparing its Consolidated Financial Statements.

1.26 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

The Royal Mint Trading Fund 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. Any changes in these assumptions will impact the carrying amount of pension obligations. The Royal Mint Limited 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 Royal Mint Limited 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.

(b) Impairment of non-financial assets

The Royal Mint Trading Fund assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

When value-in-use calculations are undertaken, 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 of The Royal Mint Limited consider that changes in the Currency market represent such an impairment indicator as explained in note 5.

(c) Trade receivables

Estimates are used in determining the level of receivables that will not be collected. These estimates include factors such as historical experience, the current state of the UK and overseas economies and industry specifics. A provision for impairment of trade and other receivables is recognised based on the simplified approach using the lifetime expected credit losses. During this process the probability of non-payment is assessed. This probability is then

multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade and other receivables. This estimate is based on assumed collection rates which, although based on The Royal Mint Trading Fund'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 fair values and asset lives for depreciation purposes is reviewed on a regular basis. A full external valuation is performed every five years with a desktop review performed at each balance sheet date. 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.

Following the declaration of Covid-19 as a pandemic by the World Health Organisation on 11 March 2020, the Royal Institution of Chartered Surveyors (RICS) announced that all forthcoming RICS independent valuations should include a statement highlighting 'Material Valuation Uncertainty' in response to the coronavirus and the impact it is having on real estate markets. This statement was therefore included in the interim valuation as at 31 March 2020. Whilst this was standard wording at the time, it reflected the uncertainty about the impact the national lockdown would have on the property market at the date of valuation. Subsequent to the balance sheet date, and up to the date of signing these financial statements, there has been more transaction evidence and the industrial sector has proved the most resilient, of all property sectors, to the impact of the pandemic. The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the date of signing, the property markets are mostly functioning again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, the valuation from Lambert Smith Hampton is no longer reported as being subject to material uncertainty as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. Management understand that there remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

(f) Heritage assets

Heritage assets are held at fair value, where reasonably practicable to obtain a fair value. The coin collection included in heritage assets has been revalued in the year, based upon the professional opinion of an independent firm of auctioneers. This represents a source of estimation uncertainty due to the nature of the collection and the market for collectable coins. Further information is disclosed in note 9.

NOTE 2 SEGMENTAL REPORTING

The Royal Mint Trading Fund has determined business segments based on reports reviewed by the Board of The Royal Mint Limited 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 Royal Mint Trading Fund business segments for the years ending 31 March. Whilst being established as businesses, Collector Services and the RME are included in the Consumer results and the ETC business is included within Precious Metals. The activities of new ventures, and the group's subsidiaries are currently unallocated due to immateriality.

A) ANALYSIS BY CLASS OF BUSINESS 2019-20

	Currency £'000	Consumer £'000	Precious Metals £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	133,994	76,734	356,946	567,674	957	568,631
Depreciation and amortisation	5,111	2,060	102	7,273	70	7,343
Operating profit/(loss) before IFRS 9 and exceptional items and allocation of central costs	3,388	13,947	3,921	21,256	(20,313)	943
IFRS 9 and exceptional items	538	-	-	538	-	538
Allocation of central costs	(7,849)	(9,364)	(1,343)	(18,556)	18,556	-
Operating (loss)/profit	(3,923)	4,583	2,578	3,238	(1,757)	1,481
Segment assets and liabilities:						
Non-current assets	43,248	70,469	3,288	117,005	3,491	120,496
Current assets	47,781	14,480	20,837	83,098	38,181	121,279
Current liabilities	(11,775)	(52,960)	(28,071)	(92,806)	(10,817)	(103,623)
Non-current liabilities	-	(2,017)	-	(2,017)	(42,057)	(44,074)
Net assets/(liabilities)	79,254	29,972	(3,946)	105,280	(11,202)	94,078
Other segmental information:						
Property, plant and equipment additions	4,756	456	29	5,241	964	6,205
Heritage assets additions	-	338	-	338	-	338
Intangible assets additions	-	4	21	25	1,878	1,903

B) ANALYSIS BY CLASS OF BUSINESS 2018-19

	Currency £'000	Consumer £'000	Precious Metals £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	105,333	71,710	244,272	421,315	717	422,032
Depreciation and amortisation	4,368	1,654	32	6,054	-	6,054
Operating (loss)/profit	(13,065)	8,568	3,241	(1,256)	(1,196)	(2,452)
Segment assets and liabilities:						
Non-current assets	44,889	66,500	3,185	114,574	2,810	117,384
Current assets	62,188	24,087	1,313	87,588	8,792	96,380
Current liabilities	(18,537)	(44,681)	(1,614)	(64,832)	(14,372)	(79,204)
Non-current liabilities	-	(2,066)	-	(2,066)	(38,312)	(40,378)
Net assets	88,540	43,840	2,884	135,264	(41,082)	94,182

The unallocated net assets/(liabilities) comprise cash at bank and in hand, overdraft, borrowings, derivative financial instruments, central stock items, current and deferred tax assets/liabilities along with receivables and payables balances which are not specifically attributed to a segment.

* Includes transactions, assets and liabilities of The Royal Mint Museum, notably heritage assets of £38.2m (2019: £37.8m).

NOTE 2 CONTINUED

B) GEOGRAPHICAL ANALYSIS OF REVENUE

Revenue by destination is set out below:

	2019–20 £'000	2018–19 £'000
UK	205,003	183,024
Germany	69,652	54,977
Rest of Europe	47,812	24,229
United States of America	116,596	97,673
Rest of Americas	1,743	1,478
Asia	58,492	27,508
Africa	64,650	19,337
Rest of the World	4,683	13,806
	568,631	422,032

During 2019–20 revenue from one customer amounted to £75.6m (2018–19 one customer: £47.3m) which represented in excess of 10% of revenue.

NOTE 3A OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2019–20 £'000	2018–19 £'000
Depreciation and amortisation charges	7,343	6,055
Research and development	697	654
Commodity hedges (gain)/loss	(789)	2,397
Foreign exchange loss	2,629	1,899
Precious metal consignment fees	858	861
Exceptional items (note 5)	251	2,328
Auditors' remuneration:		
Audit of these financial statements (NAO)	20	20
Audit of subsidiaries (PwC)	83	85
Non-audit fees – other	-	-

NOTE 3B OPERATING PROFIT

Leases recognised in the income statement. The Income Statement shows the following amounts relating to leases:

	2019–20 £'000	2018–19 £'000
Depreciation of right-of-use assets		
Plant and Machinery	410	-
Interest expense (included in finance costs)	39	-
Expense relating to short-term leases (included in administrative expenses)	201	-

NOTE 4 REMUNERATION AND EMPLOYMENT

Details of the salary and pension entitlements of members of the Executive Management Team are included in the Remuneration and Staff Report on pages 32 to 36.

TOTAL STAFF COSTS

	2019–20 £'000	2019–20 £'000	2018–19 £'000	2018–19 £'000
Wages and salaries				
Staff with a permanent contract	32,384		31,744	
Other staff	540		1,186	
		32,924		32,930
Social Security costs				
Staff with a permanent contract	3,098		3,008	
Other staff	43		104	
		3,141		3,112
Pension costs				
Defined benefit:				
Staff with a permanent contract	3,247		3,703	
Defined contribution:				
Staff with a permanent contract	1,707		1,704	
Other staff	41		107	
		4,995		5,514
		41,060		41,556

AVERAGE NUMBER EMPLOYED

	2019–20		2018–19	
	Number	Number	Number	Number
Production				
Staff with a permanent contract	476		501	
Other staff	10		14	
		486		515
Sales and Marketing				
Staff with a permanent contract	181		163	
Other staff	6		18	
		187		181
Administration				
Staff with a permanent contract	141		124	
Other staff	2		5	
		143		129
		816		825

DIRECTORS' EMOLUMENTS

	2019–20 £'000	2018–19 £'000
Aggregate emoluments excluding long-term incentive scheme	828	740
Aggregate amounts receivable under long-term incentive scheme	56	95
Contributions under defined contribution pension scheme	-	9
Highest paid director		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	291	339
Accrued defined benefit pension at year-end	25	19
Accrued lump sum at year-end	346	265

Retirement benefits accrued to three executive directors under a defined benefit scheme during the year (2018–19: three).

NOTE 5A 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 International Financial Reporting Standard (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 5B OTHER EXCEPTIONAL ITEMS

	2019–20 £'000	2018–19 £'000
Impairment	-	1,444
Restructuring costs	251	884
Exceptional charge	251	2,328

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. In the prior year, the directors decided that the changes in the Currency coin market represented such an impairment trigger resulting in £1.4m of assets with no prospective use being impaired and charged to the Income Statement. No such impairment was deemed necessary in the current year. 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.

NOTE 6 FINANCE COSTS

	Company 2019–20 £'000	Company 2018–19 £'000
Interest cost on pension plan liabilities	102	-
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit and loss	1,397	1,125
Total	1,499	1,125

NOTE 7 TAXATION

ANALYSIS OF TAX CHARGE/(CREDIT) IN YEAR

	2019–20 £'000	2018–19 £'000
UK corporation tax		
Current year	-	-
Prior year	345	(775)
Deferred tax:		
Current year	342	(267)
Prior year	503	322
Taxation charge/(credit)	1,190	(720)

The tax charge/(credit) for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2019–20: 19%, 2018–19: 19%):

	2019–20 £'000	2018–19 £'000
Profit/(loss) before tax	194	(3,489)
Profit/(loss) before tax multiplied by the standard rate of corporation tax of 19% (2018–19: 19%)	37	(663)
Effects of:		
Income not taxable	(75)	(164)
Expenses not deductible for tax purposes	273	528
Difference in tax rate for deferred tax provision	-	32
Adjustments in respect of prior years	848	(453)
Change in tax rate	107	-
Taxation charge/(credit) for year	1,190	(720)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

In addition to the amount charged to the Income Statement, a deferred tax charge relating to actuarial gain on defined benefit pension schemes of £387,000 (2018–19: £6,000) has been charged directly to the Consolidated and Company Statements of Comprehensive Income.

CURRENT TAX ASSET

	2020 £'000	2019 £'000
UK corporation tax	1,348	1,242

The Royal Mint Limited has been liable to taxation from 1 January 2010. The Royal Mint Trading Fund is not subject to taxation.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED

	Freehold land £'000	Buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Right of use assets (Plant and machinery)	Total £'000
Valuation						
At 1 April 2019	4,052	23,552	3,093	118,984	-	149,681
Adjustment for change in accounting policy (IFRS 16)	-	-	-	-	954	954
Restated 1 April 2019	4,052	23,552	3,093	118,984	954	150,635
Additions	-	-	6,128	77	-	6,205
Transfers	-	279	(3,693)	2,730	-	(684)
Disposals	-	-	-	(423)	-	(423)
Revaluation	-	-	-	1,492	-	1,492
At 31 March 2020	4,052	23,831	5,528	122,860	954	157,225
Depreciation						
At 1 April 2019	-	3,232	-	83,196	410	86,428
Charge for year	-	1,128	-	(423)	-	5,763
Disposals	-	-	-	1,042	-	(423)
Revaluation	-	-	-	88,040	410	1,042
At 31 March 2020		4,360				92,810
Net book value at 31 March 2020	4,052	19,471	5,528	34,820	544	64,415

	Freehold land £'000	Buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Right of use assets (Plant and machinery)	Total £'000
Valuation						
At 1 April 2018	4,052	23,337	3,307	118,115	-	148,811
Additions	-	-	3,503	-	-	3,503
Transfers	-	215	(3,420)	3,205	-	-
Disposals	-	-	-	(238)	-	(238)
Revaluation	-	-	-	1,507	-	1,507
Impairment	-	-	(297)	(3,605)	-	(3,902)
At 31 March 2020	4,052	23,552	3,093	118,984	-	149,681
Depreciation						
At 1 April 2018	-	2,112	-	80,647	-	82,759
Charge for year	-	1,120	-	3,978	-	5,098
Disposals	-	-	-	-	-	-
Revaluation	-	-	-	1,029	-	1,029
Impairment	-	-	-	(2,458)	-	(2,458)
At 31 March 2019		3,232		83,196		86,428
Net book value at 31 March 2019	4,052	20,320	3,093	35,788	-	63,253

Land and buildings are stated at either open market current use valuation or depreciated replacement cost where this is more appropriate for specialised buildings (The Royal Mint Experience (RME) building and our vault). The last valuation of land and buildings took place at 29 February 2016 and was provided by Cushman and Wakefield in accordance with the guidelines set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The RME building was not included in this valuation as construction was not complete until December 2016 and has therefore been valued at depreciated cost.

An interim valuation of all non-specialised buildings was carried out at 31 March 2020 by Lambert Smith Hampton who concluded that there was no change from the 2016 valuation. Following the declaration of Covid-19 as a pandemic by the World Health Organisation on 11 March 2020, the Royal Institution of Chartered Surveyors (RICS) announced that all forthcoming RICS independent valuations should include a statement highlighting 'Material Valuation Uncertainty' in response to the coronavirus and the impact it is having on real estate markets. This statement was therefore included in the interim valuation as at 31 March 2020. Whilst this was standard wording at the time, it reflected the uncertainty about the impact the national lockdown would have on the

NOTE 8 CONTINUED

property market at the date of valuation. Subsequent to the balance sheet date, and up to the date of signing these financial statements, there has been more transaction evidence and the industrial sector has proved the most resilient, of all property sectors, to the impact of the pandemic. The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the date of signing, the property markets are mostly functioning again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, the valuation from Lambert Smith Hampton is no longer reported as being subject to material uncertainty as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. Management understands that there remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

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 2019, the directors considered that changes in the Currency coin market represented such an impairment trigger. As part of that review, assets of £1.4million with no prospective use were impaired and charged to the Income Statement in the prior year.

During the current year, 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 £65.9m. 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 business plans which have then been extended to the end of the projected useful life with nil growth rate from year two.

The discount rate used of 8% has been determined by using a weighted average cost of capital adjusted for a risk factor. The recoverable amount is 76% greater than the net book value of assets related to the CGU and no additional impairment charge has been made. Due to the headroom, no reasonable sensitivity would result in an impairment.

NOTE 9 HERITAGE ASSETS

	2019–20 £'000	2018–19 £'000	2017–18 £'000	2016–17 £'000	2015–16 £'000
Cost					
At 1 April 2019	37,843	26,795	26,401	26,172	22,382
Additions:		-		-	1,892
At valuation	315	277	309	222	247
At purchase cost	23	6	85	7	33
Revaluation	-	10,765	-	-	3,510
At 31 March	38,181	37,843	26,795	26,401	26,172
Net book value at 31 March	38,181	37,843	26,795	26,401	26,172
Net book value at 1 April	37,843	26,795	26,401	26,172	22,382

THE COLLECTION

Heritage assets are accounted for in accordance with the accounting policy set out in note 1. On vesting the Museum inherited a significant collection of different types of heritage assets including coins, medals, seals, banknotes, minting and scientific equipment, drawings, paintings, sculptures, books, photographs and films.

The Trustees' intention is to obtain valuations for those parts of the collection which are readily accessible and for which there is an established market. They agreed a plan extending over five years which was concluded in 2015–16. Work in connection with the valuation has been carried out by the auctioneers Morton & Eden and numismatic book specialist Douglas Saville. Valuations have been sought for coins and medals, the library, seal counterparts, trial plates, drawings and artwork and plaster models. An update of the valuation was performed as at 31 March 2019 by Morton & Eden and the value of the collection increased by £10.8 million. Whilst market prices for these heritage assets remained strong in 2019/20, Morton & Eden confirmed that no further increase in valuation was considered necessary at 31 March 2020 and therefore the total collection was valued at £38.1 million.

It has been decided by the Trustees that no valuation will be sought for the extensive collection of master tools and dies held by the Museum. For legal and security reasons there has never been a meaningful market for coinage tools and to seek to establish a valuation could therefore be regarded as a specious exercise. With respect to architectural plans, films, reels, tapes, photographs and glass negatives their significance is not judged sufficiently high to warrant expenditure of obtaining valuations from external consultants.

NOTE 9 CONTINUED

The collection forms a remarkable record of one of the oldest continuously operating organisations in the world. Many of the items are unique, standing as an insight into the evolution and ongoing activities of The Royal Mint. The collection can be seen as forming two broad categories:

- material relating to the working of The Royal Mint as an institution and a manufacturer. The equipment, including coinage tools dating back to the medieval period, is not represented in any other collection in Britain to the same scale and diversity; and
- material relating to coins, medals and seals produced by The Royal Mint. The collection of coins and medals reflects the practice of items coming into the collection direct from the factory and consequently contains large numbers of trial and experimental pieces that are not represented in any other museum either in the United Kingdom or elsewhere.

The Museum aims to maintain the condition of the collection by housing it within air-conditioned premises and specially designed cabinets. Items from the collection are on public display in various temporary and permanent exhibitions whilst the remaining collection is held at the Museum premises on the Royal Mint site. The collection is managed by the Museum's Director in accordance with policies approved by the Trustees. With respect to acquisition, authorisation levels have been set for the Museum Director and the Trustees of the Museum, and the circumstances in which the acquisition of an item will be referred to HM Treasury are noted. Provisions dealing with proof of ownership of acquired items also form part of the policy. The authorisation levels at which items might be disposed of mirrors that specified for acquisition. The policy, moreover, details the precise criteria that would need to be met if an item were to be disposed. The Museum is currently in the process of cataloguing the collection.

NOTE 10 INTANGIBLE ASSETS

CONSOLIDATED

	Payments on account and assets in the course of construction £'000	Software licences £'000	Patents £'000	Development costs £'000	Total £'000
Cost					
At 1 April 2019	3,836	13,233	1,947	952	19,968
Additions	1,893	10	-	-	1,903
Transfers	(438)	1,122	-	-	684
Disposals	-	-	-	-	-
At 31 March 2020	5,291	14,365	1,947	952	22,555
Amortisation					
At 1 April 2019	-	4,969	476	952	6,397
Amortisation for year	-	1,384	195	-	1,579
At 31 March 2020	-	6,353	671	952	7,976
Net book value at 31 March 2020	5,291	8,012	1,276	-	14,578

Amortisation charges of £1,580,000 (2018-19: £957,000) and £nil (2018-19: £nil) are included within administration expenses and cost of sales respectively.

	Payments on account and assets in the course of construction £'000	Software licences £'000	Patents £'000	Development costs £'000	Total £'000
Cost					
At 1 April 2018	927	13,105	1,910	952	16,894
Additions	2,757	-	-	-	2,757
Transfers	(172)	172	-	-	-
Reclassifications	344	(44)	37	-	337
Disposals	(20)	-	-	-	(20)
At 31 March 2019	3,836	13,233	1,947	952	19,968
Amortisation					
At 1 April 2018	-	3,917	234	952	5,103
Amortisation for year	-	762	195	-	957
Reclassifications	-	290	47	-	337
At 31 March 2019	-	4,969	476	952	6,397
Net book value at 31 March 2019	3,836	8,264	1,471	-	13,571

NOTE 11 INVENTORIES – GROUP AND COMPANY

CONSOLIDATED

	2020 £'000	2019 £'000
Metal inventory	26,822	32,447
Work in progress (excluding metal)	3,425	2,707
Stores and packing materials	6,268	5,344
Finished goods	33,979	12,289
	70,494	52,787

Inventories recognised as an expense in the year are recorded within cost of sales. Movement in the inventory provision during the year was an increase of £1.2 million (2018–19: decrease of £1.0million). The amount of inventories written down to net realisable value during the year was £nil (2018–19: £nil).

The Group enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the Group purchases the metal. The value of the physical metal is not recorded in the Statement of Financial Position. Inventory held on consignment amounted to £443.2 million at 31 March 2020 (2019: £274.1 million). Consignment fees under these arrangements are recognised within cost of sales.

NOTE 12 TRADE AND OTHER RECEIVABLES

CONSOLIDATED

	2020 £'000	2019 £'000
Trade receivables	17,515	37,761
Less Provision for impairment of receivables	(565)	(356)
VAT recoverable	3,991	816
Prepayments and accrued income	1,378	1,549
	22,319	39,770

Included within the receivables are the following:

Central Government bodies	1,810	8,793
Other Government bodies	13	12
NHS Trusts	7	4
	1,830	8,809

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

Pounds sterling	17,290	25,486
US Dollars	3,633	14,284
Euros	1,396	-
	22,319	39,770

Provision is made for Consumer direct to consumer receivables that become overdue for payment. Movement in provision for impairment in receivables:

	2020 £'000	2019 £'000
At 1 April	(356)	(322)
Provided in the year	(209)	(34)
At 31 March	(565)	(356)

NOTE 13 BORROWINGS

CONSOLIDATED	2020	2019
	£'000	£'000
Bank Overdraft	8	4,538
Lease obligations less than one year	393	-
Lease obligations greater than one year	150	-
Loans less than one year	135	270
Loans greater than one year	36,794	30,770
	37,480	35,578

The Royal Mint Trading Fund has a revolving credit facility with the National Loans Fund of £36 million until 28 February 2023, of which £36 million was drawn down at 31 March 2020. In addition, The Royal Mint Limited has a fixed term loan of which £927,000 was outstanding at 31 March 2020 – £135,000 is due in less than one year and the remaining balance of £792,000 is due in more than 1 year. The Group also has an overdraft facility of £20 million.

Lease obligations are now included within 'borrowings' following the adoption of IFRS 16. For adjustments recognised on adoption of IFRS 16, please refer to note 1.

NOTE 14 TRADE AND OTHER PAYABLES

	Consolidated		Trading Fund	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	15,016	22,167	-	-
Other payables	44,877	28,757	-	-
Payments received on account	30,949	8,646	-	-
Taxation and social security	1,043	908	-	-
Proposed dividend	-	4,000	-	4,000
Accruals and deferred income	6,634	8,196	-	-
	98,519	72,674	-	4,000

Included within the payables are the following:

Other Central Government bodies	1,336	1,253
Public Corporations and Trading Funds	117	33
	1,453	1,286

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

CONSOLIDATED

For the sales of our Consumer products, it is the group's policy to sell its products to the end customer with a right of return within 14 days. Therefore, a returns provision is recognised in respect of these returns.

During the vesting process, our due diligence uncovered some low level historical contamination on site. This provision has been utilised as remediation work is performed on the site. At 31 March 2020 the environment remediation provision has been fully utilised.

	Returns provision £'000	Environment remediation £'000	Total £'000
At 1 April 2019	341	134	475
Provided in year	301	-	301
Utilised in year	(197)	(134)	(331)
At 31 March 2020	445	-	445

Provisions are expected to be utilised within the next five years.

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 19% (2019: 17%).

	2020 £'000	2019 £'000
Liability at 1 April	404	343
Movements on deferred tax were:		
Charged to the Income Statement	845	55
Charged to Statement of Comprehensive Income	387	6
Liability at 31 March	1,636	404

DEFERRED TAX (ASSETS)/LIABILITIES	2020			2019		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
Accelerated tax depreciation	-	3,464	3,464	-	1,957	1,957
Derivative instruments	-	118	118	(45)	-	(45)
Retirement benefit obligation	(373)	-	(373)	(1,075)	-	(1,075)
Tax losses	(1,404)	-	(1,404)	(323)	-	(323)
Other	(169)	-	(169)	(110)	-	(110)
Deferred tax (asset)/liability	(1,946)	3,582	1,636	(1,553)	1,957	404

	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000
At 1 April 2019	1,957	(45)	(1,075)	(323)	(110)	404
Charged/(credited) to the Income Statement	1,507	163	315	(1,081)	(59)	845
Charged to Statement of Comprehensive Income	-	-	387	-	-	387
At 31 March 2020	3,464	118	(373)	(1,404)	(169)	1,636

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

	2020 £'000	2019 £'000
Remeasurements on defined benefits schemes	387	6

NOTE 16 CONTINUED

	2020 £'000	2019 £'000
Deferred tax asset within 12 months	(82)	(119)
Deferred tax liability within 12 months	118	-
Deferred tax asset after 12 months	(1,864)	(1,434)
Deferred tax liability after 12 months	3,464	1,957
	1,636	404

The deferred tax at 31 March 2020 has been calculated based on the rate of 19% which was substantively enacted at the balance sheet date (2019: 17%). 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 Royal Mint Limited 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 Royal Mint Limited Group. The total cost charged to the income statement of £1,748,000 (2018-19: £1,621,000) represents contributions payable to the scheme by The Royal Mint Limited 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)	<p>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.</p> <p>As part of the vesting process employees were given the option to transfer deferred benefits from the Civil Service Pension Scheme into RMLS.</p>
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	<p>Members of RMLS had until August 2015 to decide what to do with their deferred benefits held within RMLS from the following options:</p> <ul style="list-style-type: none"> i. Remain in RMLS ii. Transfer into PCSPS or CSOPS iii. Transfer into a defined contribution scheme (at Cash Equivalent Transfer Value) <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, which 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.

NOTE 17 CONTINUED

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, which 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.

Employee contributions are salary-related and range between 5.45% 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 year's 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 2021 are £3,300,000.

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 the income statement of £3,247,000 (2018–19: £3,703,000) 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 2019 and showed a funding shortfall of £1,722,700. 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 accounting valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2020 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 Nuvos scheme.

NOTE 17 CONTINUED

The principal actuarial assumptions used were:

	2020	2019
Discount rate	2.10%	2.30%
Price inflation RPI	2.10%	2.90%
Price inflation CPI	1.30%	2.10%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	2.10%	2.90%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	1.30%	2.10%
Increase to pensions in payment: benefits accrued before 01/02/2014	2.10%	2.90%
Increase to pensions in payment: benefits accrued after 01/02/2014	1.30%	2.10%
Mortality assumption – pre-retirement	SAPS S3PxA CMI 2018(1.5%)	SAPS S2PxA CMI 2017(1.5%)
Mortality assumption – male post-retirement	SAPS S3PMA CMI 2018(1.5%)	SAPS S2PMA CMI 2017_M(1.5%)
Mortality assumption – female post-retirement	SAPS S3PFA CMI2018(1.5%)	SAPSS2PFACMI2016_F(1.5%)
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year-end	87.0	87.2
Female aged 65 at year-end	89.3	89.1
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year-end	88.7	88.9
Female aged 45 at year-end	91.0	91.0

The discount rate reflects the yield on the iBox AA-rated over 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:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Fair value of plan assets	17,456	16,973	14,199	15,027	14,738
Present value of plan liabilities	(18,987)	(22,424)	(21,631)	(23,496)	(17,987)
Net defined benefit liability	(1,531)	(5,451)	(7,432)	(8,469)	(3,249)

Amounts recognised in the Income Statement

	2019–20 £'000	2018–19 £'000
Service Cost:		
Administration expenses	72	103
Net interest expense	102	153
Amounts charged to the Income Statement	174	256
Re-measurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	1,795	(658)
(Gain)/loss arising from changes in financial assumptions	(3,594)	693
Gain arising from changes in demographic assumptions	(173)	(159)
Experience (gain)/loss	(66)	86
Credit recorded in other comprehensive income	(2,038)	(38)
Total defined benefit (credit)/charge	(1,864)	218

NOTE 17 CONTINUED

Changes in the present value of net liability over the year:	2020 £'000	2019 £'000
Fair value of net liability at beginning of year	(5,451)	(7,432)
Movements in year:		
Employer contributions	2,056	2,199
Administration expenses	(72)	(103)
Net interest cost	(102)	(153)
Remeasurement gains/(losses):		
Actuarial gains/(losses) arising from changes in financial assumptions	3,594	(693)
Actuarial gains arising from changes in demographic assumptions	173	159
Return on scheme assets (excluding amounts included in interest expense)	(1,795)	658
Other experience items	66	(86)
Net Scheme liabilities at end of year	(1,531)	(5,451)

Changes in the present value of assets over the year:

Fair value of assets at beginning of year	16,973	14,199
Movements in year:		
Return on scheme assets (excluding amounts included in interest expense)	(1,795)	658
Interest income	412	362
Employer contributions	2,056	2,199
Benefits paid	(118)	(342)
Administration expenses	(72)	(103)
Scheme assets at end of year	17,456	16,973

Actual return on assets over the year was £(1,383,000) (2018–19: £1,020,000).

Changes in the present value of liabilities over the year:	2020 £'000	2019 £'000
Scheme liabilities at beginning of year	22,424	21,631
Movement in year:		
Interest cost	514	515
Re-measurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in financial assumptions	(3,594)	693
Actuarial gains arising from changes in demographic assumptions	(173)	(159)
Other experience items	(66)	86
Benefits paid	(118)	(342)
Scheme liabilities at end of year	18,987	22,424

The split of the scheme's liabilities by category of membership is as follows:	2020 £'000	2019 £'000
Deferred pensioners	16,756	19,959
Pensions in payment	2,231	2,465
	18,987	22,424
Average duration of the scheme's liabilities at the end of the period (years)	30	32

NOTE 17 CONTINUED

The major categories of scheme assets are as follows:

	2020 £'000	2019 £'000
Return seeking		
UK Equities	3,899	4,231
Overseas Equities	3,899	4,231
Diversified Growth Fund	813	826
	8,611	9,288
Debt instruments		
Corporates	4,514	3,866
Index Linked	4,331	3,819
	8,845	7,685
Total market value of assets	17,456	16,973

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 £2,171,000 to the Scheme during year ending 31 March 2021.

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £546,000 (increase by £567,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £552,000 (decrease by £532,000). 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 £680,000 (decrease by £688,000) if all the other assumptions remained unchanged.

NOTE 18 CAPITAL COMMITMENTS

	2020 £'000	2019 £'000
Commitments in respect of contracts – Tangible Assets	5,817	214
Commitments in respect of contracts – Intangible Assets	154	314
	5,971	528

NOTE 19 OPERATING LEASE COMMITMENTS

	2020 £'000	2019 £'000
Operating lease rentals due on leases expiring:		
Less than one year	201	146
Between one and five years	-	426
	201	572

The operating commitment note is no longer relevant under IFRS 16. However, as we have taken the exemption for short-term leases (lease contracts less than one year) and leases of which the underlying asset is of low value, these continue to be disclosed here as 'operating leases'. Also, as the prior year figures have not been restated, we have continued to disclose the operating lease commitments under IAS 17 at 31 March 2019.

NOTE 20 RELATED PARTY TRANSACTIONS

The Royal Mint Trading Fund is an Executive Agency and Trading Fund. Since vesting, The Royal Mint Limited, as a subsidiary of the Royal Mint Trading Fund, is a company wholly owned by HM Treasury.

HM Treasury is regarded as a related party. It has both an ownership and a customer role. The Royal Mint Trading Fund is effectively owned by the Crown, with the Chancellor of the Exchequer holding the title of Master of the Mint. In practice, the Economic Secretary to the Treasury, reporting to Parliament, acts as owner on a day-to-day basis. The operation of the shareholding interest has been delegated to UKGI, which is responsible for oversight of the Royal Mint Trading Fund's objective of delivering a commercial return on capital employed and provision of relevant advice to the Exchequer Secretary. HM Treasury also contracts the Royal Mint Trading Fund as a customer, under a contract, for the manufacture and distribution of UK circulating coin.

In addition the Royal Mint Trading Fund has had a number of transactions with other Government Departments. During the year none of the Board members, members of the key management staff or other related parties has undertaken any material transactions with the Royal Mint Trading Fund, 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.

1. The Royal Mint Limited's purchases from Sovereign Rarities were £5,096,400 (2018–19: £2,722,000) and the amount outstanding at 31 March 2020 was £530,337 (2019: £138,000).
2. The Royal Mint Limited's sales to Sovereign Rarities were £2,115,321 (2018–19: £188,000) and the amount outstanding at 31 March 2020 was £1,045,000 (2019: £nil).

REMUNERATION OF KEY MANAGEMENT STAFF

Key management are considered to be members of the Executive Management Team of The Royal Mint Limited. Remuneration of key management staff is set out in the table below:

	2020 £'000	2019 £'000
Salaries and other short-term employee benefits	1,266	1,417
Post-employment benefits	248	209
	1,514	1,626

NOTE 21 ANALYSIS OF NET FUNDS/(DEBT)

CONSOLIDATED

	At 1 April 2019 £'000	Non-cash changes £'000	Cash flow £'000	At 31 March 2020 £'000
Cash at bank and in hand	1,202	-	22,189	23,391
Overdraft	(4,538)	-	4,530	(8)
Obligations under lease	-	(993)	450	(543)
Loans	(31,040)	-	(5,889)	(36,929)
	(34,376)	(993)	21,280	(14,089)

NOTE 22 OTHER GAINS/(LOSSES) – NET

	2019–20 £'000	2018–19 £'000
Foreign exchange loss	(2,629)	(1,899)
Foreign exchange forward contracts loss	(435)	(2,670)
Precious Metal forward contracts gain	2,306	461
Ineffectiveness of commodity hedges	(649)	(28)
Set-up costs and operational losses associated with ETC	(702)	-
Grant income released to the income statement	153	153
	(1,956)	(3,983)

During the year, the Group was involved with launching a financial services listed product – a gold-backed Exchange Traded Commodity (ETC) which tracks the price of gold. The ETC is called 'The Royal Mint Physical Gold ETC Securities' and trades with ticker code RMAU. It is currently listed on the UK and German stock exchanges.

The Group appointed a specialist white label ETF company, HANetf Limited, to establish and manage the 'issuer' of the ETC, which is an Irish special purpose vehicle called HANetf ETC Securities plc. HANetf Limited acts as the manager of the 'issuer' and is responsible for the day to day operation of the 'issuer' including on-going maintenance, oversight and operations of the ETC.

As part of our Cooperation and Services agreement with HANetf Limited, the Group receives a brand licensing fee for the use of the Royal Mint logo and intellectual property for the ETC. The brand licensing fee is the balance of the total expense ratio ('TER' which is a measure of the total cost of a fund to the investor) remaining after the deduction of all other fees and expenses and costs relating to the ETC. During the year ended 31 March 2020, there were set up costs and operational losses of £702,000. The product is expected to become profitable within the next 3 years.

NOTE 23 FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
Derivative asset		
Foreign currency fair value	770	426
Commodity fair value	380	182
Precious metal fair value	2,577	771
	3,727	1,379
Derivative liability		
Foreign currency fair value	2,470	1,359
Commodity fair value	1,827	53
Precious metal fair value	271	310
	4,568	1,722

FINANCIAL RISK MANAGEMENT

The main risk exposures arising from the Royal Mint Trading Fund's activities are currency risk, commodity price risk, interest price risk, credit risk and liquidity risk. These risks arise in the normal course of business and are managed by the Finance section 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 Royal Mint Trading Fund 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.

NOTE 23 CONTINUED

	Contract amount 2020 £'000	Average forward rate 2020	Fair value 2020 £'000	Contract amount 2019 £'000	Average forward rate 2019	Fair value 2019 £'000
Forward contract – sell £/buy EUR						
Maturing in less than 1 year	27,976	1.1219	(164)	14,209	1.1400	(227)
Forward contract – sell £/buy USD						
Maturing in less than 1 year	1,831	1.3340	115	6,500	1.3360	(94)
Forward contract – buy £/sell USD						
Maturing in less than 1 year	32,249	1.3258	(1,578)	40,667	1.3466	(751)
Maturing in more than 1 year	7,478	1.3764	(644)	9,707	1.3668	141
	39,727	1.3511	(2,222)	50,374	1.3567	(610)
Forward contract – buy £/sell EUR						
Maturing in less than 1 year	26,677	1.1014	572	5,031	1.1607	(2)

SENSITIVITY ANALYSIS

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 2020	Effect on net earnings of a 10% decrease 2020 £'000	Closing exchange rate 2019	Effect on net earnings of a 10% decrease 2019 £'000
Euros	1.1220	292	1.1705	(110)
US Dollars	1.2391	2,249	1.3132	2,274
		2,541		2,164

	Closing exchange rate 2020	Effect on net earnings of a 10% increase 2020 £'000	Closing exchange rate 2019	Effect on net earnings of a 10% increase 2019 £'000
Euros	1.1220	(109)	1.1705	128
US Dollars	1.2391	(1,840)	1.3132	(1,859)
		(1,949)		(1,731)

COMMODITY PRICE RISK

The Royal Mint Trading Fund 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 Royal Mint Trading Fund 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:

NOTE 23 CONTINUED

	Tonnes 2020	Value at average price 2020 £'000	Fair value 2020 £'000	Tonnes 2019	Value at average price 2019 £'000	Fair value 2019 £'000
Cash flow hedges:						
Copper futures – GBP denominated contracts:						
Maturing in less than 1 year	325	1,505	(226)	125	600	20
Maturing in more than 1 year	150	697	(93)	25	111	12
	475	2,202	(319)	150	711	32
Nickel futures – GBP denominated contracts:						
Maturing in less than 1 year	198	2,636	(776)	258	2,516	72
Maturing in more than 1 year	156	1,831	(322)	42	416	25
	354	4,467	(1,098)	300	2,932	97
Zinc futures – GBP denominated contracts:						
Maturing in less than 1 year	50	101	(23)	-	-	-
Maturing in more than 1 year	25	46	(6)	-	-	-
	75	147	(29)	-	-	-

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 price/tonne 2020 £	Effect on earnings of a 10% decrease 2020 £'000	Effect on equity of a 10% decrease 2020 £'000	Closing price/tonne 2020 £	Effect on earnings of a 10% decrease 2020 £'000	Effect on equity of a 10% decrease 2020 £'000
Copper	3,884	4	(193)	4,946	(105)	(31)
Nickel	9,096	(3)	(334)	10,008	(388)	(85)
Zinc	1,512	(1)	(11)	-	-	-
		-	(538)		(493)	(116)

	Closing price/tonne 2020 £	Effect on earnings of a 10% increase 2020 £'000	Effect on equity of a 10% increase 2020 £'000	Closing price/tonne 2020 £	Effect on earnings of a 10% increase 2020 £'000	Effect on equity of a 10% increase 2020 £'000
Copper	3,884	(5)	193	4,946	105	31
Nickel	9,096	6	331	10,008	388	85
Zinc	1,512	1	11	-	-	-
		2	535		493	116

The Royal Mint Trading Fund 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 Royal Mint Trading Fund makes a purchase.

Purchases are made in two ways:

- (1) for a specific order;
- (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:

NOTE 23 CONTINUED

	Ozs 2020	Value at average price 2020 £'000	Fair value 2020 £'000	Ozs 2019	Value at average price 2019 £'000	Fair value 2019 £'000
Gold forwards – GBP denominated contracts: Maturing in less than 1 year	44,896	54,610	2,769	29,867	29,136	579
Silver forwards – GBP denominated contracts: Maturing in less than 1 year	278,637	3,605	(462)	248,539	3,019	(125)
Platinum forwards – GBP denominated contracts: Maturing in less than 1 year	20	13	(1)	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/oz 2020 £	Effect on net earnings of a 10% decrease 2020 £'000	Closing price/oz 2019 £	Effect on net earnings of a 10% decrease 2019 £'000
Gold	1,278	(5,738)	997	(58)
Silver	11	(314)	12	12
Platinum	590	(1)	651	(1)
		(6,053)		(47)

	Closing price/oz 2020 £	Effect on net earnings of a 10% increase 2020 £'000	Closing price/oz 2019 £	Effect on net earnings of a 10% increase 2019 £'000
Gold	1,278	5,738	997	58
Silver	11	314	12	(12)
Platinum	590	1	651	1
		6,053		47

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

	Closing price/oz 2020 £	Effect on net earnings of a 10% change 2020 £'000	Closing price/oz 2019 £	Effect on net earnings of a 10% change 2019 £'000
Gold	1,278	160	997	72
Silver	11	5	12	8
Platinum	590	3	651	15
		168		95

NOTE 23 CONTINUED

INTEREST RATE RISK

The Royal Mint Trading Fund has exposure to interest rate risk, arising principally in relation to cash held at bank and precious metal consignment arrangements. Cash held at bank is 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 to not 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:

	Effect on net earnings of a 10% change		Effect on net earnings of a 10% change	
	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Loans	36,929	93	31,040	76

CREDIT RISK

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

- 1) Trade receivables
- 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 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Circulating receivables:				
2020	130	1,518	6,191	52
2019	4,217	2,005	1,848	1,709

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 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Wholesale trade receivables:				
2020	110	19	12	187
2019	27	124	186	14

NOTE 23 CONTINUED

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 statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to Consumer receivables:			
2020	216	9	278
2019	72	8	219

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 2020 or 2019.

COUNTER-PARTY RISK

The Company 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 2020 the amount is £22,318 for the Group and £24,182 for the Company (2019: Group £39,770,000 and Company £41,493,000). 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 (see table below) in terms of the hierarchy measurement requirements of IFRS 13:

- 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).

CAPITAL MANAGEMENT AND LIQUIDITY RISK

Liquidity risk is the risk that the Royal Mint Trading Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Royal Mint Limited's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Royal Mint Trading Fund manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition, the Royal Mint Trading Fund has negotiated a revolving credit facility of £36million until 28 February 2023, of which £36 million was drawn down at 31 March 2020. 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 £927,000 was outstanding at 31 March 2020 (2019: £1,040,000).

The table below analyses the Company'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.

AT 31 MARCH 2020

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 3 and 5 years £'000	Over 5 years £'000
Borrowings	143	135	36,659	-
Lease liabilities	393	150	-	-
Derivative financial instruments	4,568	-	-	-
Trade and other payables	97,496	-	-	-

NOTE 23 CONTINUED

AT 31 MARCH 2019

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 3 and 5 years £'000	Over 5 years £'000
Borrowings	4,808	30,770	-	-
Derivative financial instruments	1,722	-	-	-
Trade and other payables	72,674	-	-	-

* excluding non-financial liabilities

CAPITAL RISK

The management does not have any responsibility as regards capital risk or with regard to capital structure.

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.

CATEGORIES OF FINANCIAL INSTRUMENTS

The table below identifies the carrying values and fair 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.

	Carrying value 2020 £'000	Carrying value 2019 £'000
Assets as per the Statement of Financial Position:		
Derivatives used for hedging	380	182
Trade and other receivables	16,950	39,770
Derivatives at fair value through profit and loss	3,347	1,197
Cash and cash equivalents	23,391	1,202
Liabilities as per the Statement of Financial Position:		
Borrowings	(37,480)	(35,578)
Derivatives used for hedging	(1,827)	(53)
Derivatives at fair value through profit and loss	(2,741)	(1,669)
Trade and other payables	97,476	(72,674)

NOTE 24 INVESTMENTS

COMPANY	2020 £'000	2019 £'000
Investments in subsidiaries at 31 March	59,319	59,319
Ownership		
Subsidiaries		
The Royal Mint Limited and its subsidiaries RM Assets Limited, RM Experience Limited and RM Wynt Limited		100%
The Royal Mint Museum		100%
	2020 £'000	2019 £'000
Capital and reserves:		
The Royal Mint Limited Group	51,140	56,096
The Royal Mint Museum Group	3,111	2,717
(Loss)/profit for the year:		
The Royal Mint Limited Group	(1,391)	(2,718)
The Royal Mint Museum Group	394	247

The Royal Mint Services Limited has been excluded on the grounds of immateriality.

GROUP	2020 £'000	2019 £'000
Investments in subsidiaries at 31 March	1,396	1,164

On 1 June 2017, the Group acquired a 23.4% 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 £539,000 resulting in a notional goodwill balance of £461,000. 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 £539,000.

At 31 March 2020 Sovereign Rarities had £31,000 of fixed assets, £5,929,000 of current assets comprising £5,234,000 of stock and £695,000 of debtors, less liabilities of £2,049,000 resulting in total net assets of £3,911,000. The Royal Mint share was therefore £915,000 with a share in profits of £212,000 during the year meaning the total value of the investment included in the group was £1,376,000.

At 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 net 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.

NOTE 25 EVENTS AFTER THE REPORTING PERIOD

None.

NOTE 26 AUTHORISATION FOR ISSUE

The accounts were authorised to be issued on the date they were certified by the Comptroller and Auditor General.



THE ROYAL MINT®
THE ORIGINAL MAKER

