The London Mint Office Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 03470348

The London Mint Office Limited

Company Information

Directors	G C Prosser P C Mortensen S Sharad
Company secretary	WK Corporate Services Limited
Registered number	03470348
Registered office	The London Mint Office Limited 1 Carew Street London United Kingdom SE5 9DF
Independent auditor	BDO LLP Bridgewater House Counterslip Bristol BS1 6BX
Bankers	HSBC 54 Clarence Street Kingston Upon Thames Surrey KT1 1NS

The London Mint Office Limited

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Strategic Report
For the Year Ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Objectives and Strategy

The London Mint Office Limited is a wholly owned subsidiary of the Samlerhuset Group, a pan-European organisation specialising in the marketing and distribution of commemorative and historical coins and medals to collectors. The Company was incorporated in the United Kingdom and the company registration number is 03470348.

New customers are obtained through direct response advertising and telemarketing and offered a variety of products, drawn from national and private mints throughout the world, mainly on a single sales basis by means of a variety of marketing channels and techniques. The Company's objective is to create new coin collectors in the market not just service existing numismatists and to provide long-term customer value over many years and thereby establish the business as a market leading distributor of collectible coins.

The business continues to generate increased EBITDA of £2.26m in 2019 compared to £2.1m in 2018 and £1.9m in 2017. The business expects to continue generating profits going forward. EBITDA in the context of the Company's accounts is defined as being profit before tax, adjusted for interest, depreciation, amortisation, group costs and foreign exchange movements.

The business continues to strive to overcome the difficult macro-economic climate in the UK, including the impact of COVID-19 and leaving the EU, which has affected consumer confidence and spending on non-essentials; and to minimise the impact of fluctuations in precious metal prices - the majority of our sales being in silver and gold. The business is subject to further external influences, as new customer acquisition is chiefly driven by major national events - particularly relating to the monarchy and military anniversaries - although significant product development breakthroughs have been achieved in recent years to lessen reliance on such events to drive business growth. Some of the significant products launched during 2019 were 2019 Remembrance 100 Full Sovereign SOD, Krugerrand 2019 Remembrance 6 Coin Set, 5 Coin Set Museum Sovereign 2019, Silver Sovereign 5 Coin Set, Rem 100 5 Coin Sov Set 2-10 & 12-18#, Queen Victoria Young Head Half Sovereign.

The most critical issue in maximising profitability surrounds our customer relationships, which focuses on encouraging coin collection, and minimising returns by delivering high quality products and optimum customer service and providing a broad palette of attractive new product offerings at a range of price levels. Significant investment has been made in the standard of our customer service infrastructure and data profiling techniques together with maintaining strong relationships with all our key suppliers.

Business performance and key performance indicators

Our success in achieving our objectives is constantly measured according to a variety of key performance indicators - the most important being gross margin % (defined by the company as gross profit less marketing costs, divided by turnover (net of returns and bad debt costs"), returns rates % (customer returns as a percentage of turnover), cost per new customer acquired (marketing spent divided by the new names/customers acquired), as well as operating profit, profit before tax and working capital measurements.

Business performance and key performance indicators (continued)

Results for the 2019 financial year reflect Company further expanding its operations and growing customer confidence in its products. As a result of strong marketing campaigns, the Company achieved significant increase in new customers that resulted in the increased turnover. This is reflected in the results as the turnover has increased by 15% compared to the year 2018. Gross profit increased from £12.3m to £13.0m however gross profit margin % fell from 50% to 46%. This was primarily due to increases in costs of purchasing merchandise. Operating profit reduced from £1.0m to £0.2m mainly due to an increase in group costs of £1.1m. The loss after tax of £0.1m arises due to the reassessment of the carrying value of deferred tax assets.

In January 2019, the Company injected further capital to the value of £5.1m by issuing fully paid up equity shares that were fully subscribed by the holding company. The Company also secured a term loan of £2 million from its primary bank HSBC. The proceeds were used to fully pay inter-company loans and significantly reduce the intercompany payables.

Current trading and outlook

The Directors are continually assessing and responding to the risks faced by the Company, including responding to the recent COVID-19 pandemic.

The initial impact of COVID-19 was a reduction in demand from customers. There were no significant problems with access to products from our supply chain and we continued to be able to fulfil customer orders on a timely basis. We reacted early to take proactive measures in the workplace to reduce infection risk and these measures are under constant review. We also took advantage of government backed measures that allowed us to improve our short term cash flow during the initial phase of the pandemic.

At the date of this report, the Directors are pleased that sales performance has rebounded from the initial reduction and revenue has exceed our adjusted forecasts for recent months.

Financial instruments

Financial risk management

The Company's operations expose it to certain financial risks such as currency fluctuation, interest rate risk and credit risk. These risks are mitigated by the use of the Samlerhuset Group financing facility provided by the Group's bankers.

Currency fluctuation

The Company is exposed to currency fluctuations due to having financial assets and liabilities denominated in foreign currencies. The Company also maintains bank accounts in foreign currencies. Company management regularly reviews exposure to ensure the risk is reduced where possible within group financing policies. The Company settled Euro denominated loans in 2019 which reduces currency risk exposure going forward.

Credit risk

The Company has implemented policies to mitigate credit risk. These include setting credit limits appropriate to customers' ability to pay and formal credit control procedures should debtors become overdue.

The London Mint Office Limited

Strategic Report (continued)
For the Year Ended 31 December 2019

This report was approved by the board and signed on its behalf.

S Sharad
Director

Date: 23-09-2020

Directors' Report
For the Year Ended 31 December 2019

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

Principal activity

The London Mint Office Limited is a wholly owned subsidiary of the Samlerhuset Group, a pan-European organisation specialising in the marketing and distribution of commemorative and historical coins and medals to collectors.

Results and dividends

The loss for the year, after taxation, amounted to £56,572 (2018 - profit £1,520,251).

The Directors do not recommend the payment of a dividend (2018 - £Nil).

Directors

The Directors who served during the year were:

G C Prosser
P C Mortensen
S Sharad

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future developments

Future developments are deemed to be of strategic importance to the Company and as such have been outlined within the Strategic Report. The Directors continue to consider the impact of the COVID-19 pandemic and negotiations regarding the UK's future trading relationship with the EU, on the business in the UK.

Qualifying third party indemnity provisions

The Company, insofar as is legally allowed for, indemnifies its Directors and Management and carries Officers and Directors liability insurance to underwrite the risks associated with this. There were no claims or payments made during the year (2018: €nil).

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the Directors consider them to be of strategic importance to the Company.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Non-adjusting post balance sheet events

During the Budget 2020 that took place in March 2020, the government announced that the Corporation Tax main rate for years starting 1 April 2020 and 2021 would be 19%. This was initially announced at the Summer Budget 2015 to be 17%. If the 19% Corporation Tax rate had been substantively enacted as at 31 December 2019 this would have increased the deferred tax asset by £47,878 to a carrying amount of £454,842.

As a result of Covid-19, The London Mint Office has undergone a reforecasting exercise based on knowledge gained post lockdown in the UK. Covid-19 has had a significant effect on the future profitability on the business over the next few years. If this information was known as at 31 December 2019, this would have resulted in a reduction in the carrying amount of the deferred tax asset by £397,444 using a tax rate of 17% to reduce the carrying amount of the deferred tax asset to £9,520.

The combined effect of both non-adjusting post balance sheet events results in a decrease of the carrying amount of the deferred tax asset recognised at 31 December 2019 of £396,324 to a carrying amount of £10,640.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

S Sharad
Director

Date: 23-09-2020

Independent Auditor's Report to the Members of The London Mint Office Limited

Opinion

We have audited the financial statements of The London Mint Office Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards. including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's Report.

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

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

Independent Auditor's Report to the Members of The London Mint Office Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

BDO LLP

Sarah Joannidi (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol
United Kingdom

Date: 28 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The London Mint Office Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	**28,151,638**	24,727,780
Cost of sales		**(15,123,368)**	(12,443,544)
Gross profit		**13,028,270**	12,284,236
Distribution costs		**(2,617,976)**	(2,305,995)
Administrative expenses		**(10,210,600)**	(8,997,656)
Operating profit	5	**199,694**	980,585
Interest payable and similar expenses	8	**(52,454)**	(71,110)
Profit before taxation		**147,240**	909,475
Tax on profit	9	**(203,812)**	610,776
(Loss)/profit for the financial year		**(56,572)**	1,520,251

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 28 form part of these financial statements.

The London Mint Office Limited
Registered number:03470348

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	10		**1,790,489**		2,085,818
Tangible assets	11		**178,705**		186,888
Investments	12		**200**		200
			1,969,394		2,272,906
Current assets					
Stocks	13	**2,591,301**		2,036,605	
Debtors: amounts falling due within one year	14	**9,554,189**		9,152,708	
Cash at bank and in hand		**479,995**		444,108	
		12,625,485		11,633,421	
Creditors: amounts falling due within one year	15	**(6,237,416)**		(10,691,812)	
Net current assets			**6,388,069**		941,609
Total assets less current liabilities			**8,357,463**		3,214,515
Net assets			**8,357,463**		3,214,515
Capital and reserves					
Called up share capital	18		**23,997,753**		18,798,233
Profit and loss account	19		**(15,640,290)**		(15,583,718)
			8,357,463		3,214,515

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S Sharad
Director

Date: 23-09-2020

The notes on pages 12 to 27 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	18,798,233	(17,103,969)	1,694,264
Comprehensive income for the year			
Profit for the year	-	1,520,251	1,520,251
Total comprehensive income for the year	-	1,520,251	1,520,251
At 1 January 2019	18,798,233	(15,583,718)	3,214,515
Comprehensive income for the year			
Loss for the year	-	(56,572)	(56,572)
Total comprehensive income for the year	-	(56,572)	(56,572)
Contributions by and distributions to owners			
Shares issued during the year	5,199,520	-	5,199,520
Total transactions with owners	5,199,520	-	5,199,520
At 31 December 2019	23,997,753	(15,640,290)	8,357,463

The notes on pages 12 to 28 form part of these financial statements.

1. General information

The London Mint Office Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the Company Information page. The nature of the Company's operations and its principal activities are outlined in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements are prepared in GBP and rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Proof Holdings AS as at 31 December 2019 and these financial statements may be obtained from Rosenholmveien 25, 1414 Trollasen, 0217 Oppegard, Norway.

2.3 Group financial statements

The Company has not prepared Group financial statements as it is exempt from the requirement to do so under section 400 of the Companies Act 2006 as it is itself a wholly owned subsidiary of Proof Holdings AS, a Company incorporated in Norway, and is included in the consolidated financial statements of its ultimate parent company. These financial statements present information about the individual Company and not about the Group as a whole.

2. Accounting policies (continued)

2.4 Going concern

The Directors acknowledge that the Company made a loss after taxation for the year, however they believe that preparing the financial statements on the going concern basis is appropriate.

Subsequent to the balance sheet date, the COVID-19 outbreak has escalated to a global pandemic. The Directors have considered the impact on the Company's forecasts and projections and after taking into account reasonably possible changes in forecasts have concluded that the company should be able to pay its debts as they fall due and that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion the Directors have considered the following factors:

The ability to operate and supply customers:
Throughout the pandemic we have been able to operate our warehouse safely and have implemented robust social distancing measures to ensure we provide a safe environment for our employees. We have been able to deliver to our customers on a timely basis with these measure in place.

Management have reviewed back-office resources and procedures to ensure the company can function remotely, continue to pay employees and suppliers and issue sales invoices. Office based staff can operate remotely with full access to the network and IT systems.

The ability to meet debts as they fall due:
At the onset of the pandemic management undertook a reforecasting exercise for FY20 and FY21, based on an anticipated fall in revenue and the resulting impact on cash flow. The Company has taken advantage of government backed support schemes and agreed a short term payment holiday with its bankers who have continued to be supportive of the business. As disclosed in note 16 there was a technical covenant breach at December 2019 that was waived after the year end. The existing covenants were subject to annual testing, however the impact of the pandemic identified forecast breaches for future tests. Since the year end the Company has extended its borrowings with the bank by way of a £1m term loan and also renegotiated its covenants and test dates such that all covenants are forecast to be met for the foreseeable future.

All of these matters have been incorporated into cash flow projections which, when combined with post year end trading results, indicate that the company will be able to meet all its liabilities as they fall due through to the end of FY21.

The Directors have also considered the amount by which revenue would need to fall against forecast for a covenant to be breached within 12 months or for the business to be at risk of a cash flow shortage. The Directors consider the likelihood of a reduction in revenue of this magnitude to be remote based on current trading levels. As such the directors concluded that no material uncertainty exists in relation to going concern.

2.5 Turnover

Turnover from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are despatched to the buyer. Where the buyer has a right of return, the Company defers recognition of revenue until the right to return has lapsed. Revenue is stated net of any deductible VAT.

2. Accounting policies (continued)

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Business names and trade marks	-	5 years
Computer software	-	3 - 4 years
Goodwill	-	10 years

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- 33% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 25% - 33% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

During the year expenditure on Coin Dies was recorded in the Statement of Comprehensive Income as incurred.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is sterling.

Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit of loss within 'other operating income or expense'.

2.16 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following judgements and estimates:

- Determined whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Write down of stocks: the stock provision is based on the estimated proceeds to be received from stock items on a line by line basis. Significant estimation uncertainty arises in the determination of whether the cost at which those inventories are held exceeds the net realisable value of that stock and then what net realisable value is likely to be. This provision as at the year end was £493,040 (2018 - £606,828).

- Impairment of trade debtors: trade debtors' provision is based on the aging and past history of the recoverability of the debtors. Significant uncertainties that are taken into account in determining this and open to material uncertainty are variances of actuals against the historic profile applied to the debtors and whether the debts are potentially recoverable through other channels. The provision against these trade debtors as at the end of the year was estimated at £1,139,077 (2018 - £1,204,521).

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- Sales returns provision: the sales return provision is based on actuals in the first month of the following year as per the company policy and not highly susceptible to material variances given the use of actual data post-year end. The returns provision of £767,598 (2018 - £781,084) at year end was calculated using this methodology.

- Deferred tax asset: the deferred tax asset for carried forward losses is based on estimated taxable profits where these can be reliably estimated and have been forecast. The deferred tax asset recognised at 31 December 2019 is £406,964 (2018 - £610,226).

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company and arises solely within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	**84,688**	57,473
Fees payable to the company's auditor for the audit of the Company's annual accounts	**30,130**	29,250
Goodwill amortisation	**292,717**	292,717
Computer software amortisation	**31,495**	34,557
Loss on foreign exchange	**33,944**	295,743
Operating lease rentals	**104,538**	171,313

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	**4,329,783**	3,598,522
Social insurance costs	**394,623**	339,747
Cost of defined contribution scheme	**174,479**	118,871
	4,898,885	4,057,140

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	2018 No.
Sales	**73**	47
Back Office/Administration	**93**	89
	166	136

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	**343,390**	260,508
Company contributions to defined contribution pension schemes	**37,720**	34,859
	381,110	295,367

During the year retirement benefits were accruing to 2 Directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £226,985 (2018 - £148,101).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £33,343 (2018 - £30,726).

8. Interest payable and similar expenses

	2019 £	2018 £
Group interest payable	**1,348**	17,607
Net exchange loss on foreign currency borrowings from group	**51,106**	53,503
	52,454	71,110

9. Taxation

	2019 £	2018 £
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**205,110**	(610,776)
Adjustments in respect of prior periods	**(1,298)**	-
Total deferred tax	**203,812**	(610,776)
Taxation on profit/(loss) on ordinary activities	**203,812**	(610,776)

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	**147,240**	909,475
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**27,976**	172,800
Effects of:		
Income not taxable	**-**	(1,344)
Expenses not deductible for tax purposes	**1,714**	335
Capital allowances for year in excess of depreciation	**58,835**	59,671
Utilisation of tax losses	**-**	(842,238)
Adjustments to tax charge in respect of prior periods	**(1,298)**	-
Deferred tax not recognised	**125,904**	-
Adjustments to deferred tax average rate	**(9,319)**	-
Total tax charge for the year	**203,812**	(610,776)

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) had previously been substantively enacted. Under legislation substantively enacted on 17 March 2020 the main rate of UK corporation tax will remain at 19% from 1 April 2020 onwards. The deferred tax asset has been calculated based on the rates substantively enacted at the reporting date of 31 December 2019 which was 17%.

The Company has trading losses of approximately £14,841,000 (2018 - £14,988,000) available for offset against future trading profits. These can be represented as a deferred tax asset of approximately £2,523,000 (2018 - £2,547,000) of which £407,000 (2018 - £610,776) has been recognised in the Statement of Financial Position.

10. Intangible assets

	Business names and trade marks £	Computer software £	Goodwill £	Total £
Cost				
At 1 January 2019	74,611	978,190	2,927,170	3,979,971
Additions	-	28,883	-	28,883
At 31 December 2019	74,611	1,007,073	2,927,170	4,008,854
Amortisation				
At 1 January 2019	74,611	941,391	878,151	1,894,153
Charge for the year	-	31,495	292,717	324,212
At 31 December 2019	74,611	972,886	1,170,868	2,218,365
Net book value				
At 31 December 2019	-	34,187	1,756,302	1,790,489
At 31 December 2018	-	36,799	2,049,019	2,085,818

11. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2019	11,375	282,594	408,713	702,682
Additions	-	43,238	33,267	76,505
At 31 December 2019	11,375	325,832	441,980	779,187
Depreciation				
At 1 January 2019	3,540	119,747	392,507	515,794
Charge for the year on owned assets	4,108	65,003	15,577	84,688
At 31 December 2019	7,648	184,750	408,084	600,482
Net book value				
At 31 December 2019	3,727	141,082	33,896	178,705
At 31 December 2018	7,835	162,847	16,206	186,888

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2019	200
At 31 December 2019	200
Net book value	
At 31 December 2019	200
At 31 December 2018	200

12. Fixed asset investments (continued)

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Claret Securities Limited	Dormant	Ordinary	100%
London Mint Limited	Dormant	Ordinary	100%
The Crown Collections Limited	Dormant	Ordinary	100%

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Claret Logistics Limited	Dormant	Ordinary	100%
Claret Marketing Limited	Dormant	Ordinary	100%

The registered office of Claret Securities Limited, Claret Logistics Limited and Claret Marketing Limited is Claret House Gelliarael Road, Gilfach Goch, Porth, CF39 8SY.

The registered office of the remaining subsidiary undertakings is 1 Carew Street, London, United Kingdom, SE5 9DF.

13. Stocks

	2019 £	2018 £
Finished goods and goods for resale	**2,591,301**	2,036,605

There is no material difference between the replacement cost of stock and their Statement of Financial Position amounts.

An impairment loss of £392,568 (2018 - £388,543) was recognised in cost of sales due to slow moving and obsolete stock.

14. Debtors

	2019 £	2018 £
Trade debtors	**6,198,079**	6,373,282
Amounts owed by group undertakings	**2,085,461**	1,607,154
Other debtors	**314,330**	243,569
Prepayments	**549,355**	317,927
Deferred taxation	**406,964**	610,776
	9,554,189	9,152,708

Amounts owed by group undertakings are interest free and repayable on demand.

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	**1,682,055**	-
Bank overdrafts	**126,387**	2,816,102
Trade creditors	**2,841,069**	1,822,372
Amounts owed to group undertakings	**672,304**	4,386,946
Taxation and social insurance	**155,880**	128,818
Other creditors	**145,396**	741,000
Accruals	**614,325**	796,574
	6,237,416	10,691,812

Details on the security of the bank overdraft and bank loan can be found in note 16.

Amounts owed to group undertakings are repayable on demand and attract interest as disclosed in note 8.

16. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	**1,682,055**	-
Bank overdrafts	**126,387**	2,816,102

The overdraft with the bank is secured by way of offset against the group balances held by the bank. The Company has a share of a group financing facility dated 17 October 2012. The total group facility amounts to €5.5million, consisting of a €4.0million overdraft facility and a €1.5million guarantee facility.

The bank loan is secured by a debenture comprising a fixed and floating charge over all assets and undertakings of the Company and a guarantee in favour of the Bank from Samlerhuset Group BV guaranteeing all liabilities of the Company limited to £2,000,000. The loan is repayable quarterly by even instalments over three years and attracts an interest rate of 3% over base. The loan is classified as due in less than one year as there was a technical covenant breach at the year end. Subsequent to the year end the lender has waived the breach.

Financial Instruments

The Company's operations expose it to certain financial risks such as currency fluctuation, interest rate risk and credit risk. These risks mitigated are by the use of the Group financing facility provided by the Group bankers.

17. Deferred taxation

	2019 £
At beginning of year	**610,776**
Charged to profit or loss	**(203,812)**
At end of year	**406,964**

The deferred tax asset is made up as follows:

	2019 £	2018 £
Tax losses carried forward	**406,964**	610,776

18. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
23,997,753 (2018 - 18,798,233) Ordinary shares of £1.00 each	**23,997,753**	18,798,233

On 22 January 2019 5,199,520 Ordinary shares were issued at nominal value.

19. Reserves

The Company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of any dividends and other adjustments.

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £174,479 (2018 - £118,871). An amount of £26,497 was outstanding (2018 - £Nil) at the year end and is included within creditors.

21. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	**109,445**	80,000
Later than 1 year and not later than 5 years	**217,131**	233,333
	326,576	313,333

22. Related party transactions

The Company has taken advantage of the exemption conferred by section 33.1A of FRS102 not to disclose transactions with other wholly owned subsidiaries within the group.

23. Post balance sheet events

Details of non-adjusting post balance sheet events have been disclosed in the Directors' Report on page 5.

24. Controlling party

The immediate parent company is International Coins BV, a company registered in The Netherlands. The registerred office of International Coins BV is International Coins BV, Landdrostdreef 100, 1314SK Almere. The ultimate parent company is Proof Holdings AS, a company incorporated in Norway. The registerred office of Samlerhuset-Gruppen AS is Rosenholmveien 25, 1414 Trollåsen, Norway.

The largest and smallest group in which the results of the Company are consolidated is that headed by Samlerhuset-Gruppen AS. The consolidated financial statements of Samlerhuset-Gruppen AS are available to the public and may be obtained from the registerred office.

In the opinion of the Directors there is no ultimate controlling party.