



The
**Royal
Mint**[®]

Established
for Tomorrow[®]

Royal Mint Trading Fund

Annual Report and Accounts 2017–18

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 23 July 2018

HC 1244



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Royal Mint Trading Fund

Annual Report and Accounts 2017–18

The Royal Mint Trading Fund Accounting Officer is Philip Duffy.

The Royal Mint Limited Directors

Peter Warry*
Chairman

Anne Jessopp
Chief Executive

Andrew Mills
Director of Circulating Coin

David Morgan*

Xenia Carr-Griffiths*

Amanda Rendle*

Michael Clayforth-Carr*

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

*Non-Executive Directors

Company Secretary
Christopher Inson

Executive Management Team

Anne Jessopp
Chief Executive

Andrew Mills
Director of Circulating Coin

Chris Howard
Director of Bullion

Nicola Howell
Director of Consumer Business

Leighton John
Director of Operations

Martin McDade
Director of Finance

Sarah Bradley
Director of HR and SHE

The Royal Mint Museum and Royal Mint Museum Services Limited Directors

Dr Andrew Burnett
Chair

Sir Christopher Frayling

Rear Admiral John Lippiett CB, MBE

Sir Nick Macpherson

Crispin Wright

Victoria Rogers

Anna Brennand

Anne Jessopp

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Email: informationoffice@royalmint.com
Website: royalmint.com
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External auditor to the Royal Mint Trading Fund
Comptroller and Auditor General

External auditors 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 2018, 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 105 of 2016–17. Presented pursuant to Act 1973, c.63, s.4 (6).

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Accounting Officer's Statement

As the Treasury's Director of Enterprise and Growth, 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.

Overall, the Royal Mint Trading Fund reported a consolidated net profit before tax for 2017–18 of £2.1 million (2016–17: £14.5 million).

The Royal Mint Limited reported a return on average capital employed of 13.5% (2016–17: 16.9%), comfortably satisfying the Ministerial target of 10%. The Royal Mint Limited also satisfied its other Ministerial targets on UK circulating coins, commemorative coins, and on medals.

I would like to take the opportunity to thank the outgoing Royal Mint Limited Chairman Peter Warry and Chief Executive Adam Lawrence for their leadership over the past five, and seven, years respectively. This year also marked the appointment of a new Chief Executive, Anne Jessopp. She is the first female Deputy Master of the Mint in 1,100 years (the Master of the Mint being the Chancellor of the Exchequer), and I am sure she will help The Royal Mint Limited to achieve great success in the years ahead.

The Royal Mint Museum continued to make significant progress in achieving its charitable objectives during the year. Staff at The Royal Mint Experience engaged with over 10,000 school pupils throughout the year via the Museum's outreach programmes.

The Chief Executive of The Royal Mint Limited has highlighted in her report the encouraging continued growth of the Consumer business. New product offerings clearly captured the public's imagination, with operating profits in the Consumer business increasing by 43% to £18.2 million.

The Circulating Coin business faced a more challenging year, with weak demand for new circulating coin. This reduced operating profits in this part of the business by 59% to £5.7 million. HM Treasury remains committed to the Mint for the UK's new circulating coin requirements.

This year's accounts also include the costs of a potential new business line in precious metals that was unable to find a commercial partner. Against a difficult market, The Royal Mint has increased its market share for precious metals trading, and The Royal Mint's Board are considering how to grow this part of their business to offset costs in other areas

Report of the Chief Executive of The Royal Mint Limited

This is my first report since taking up the role of Chief Executive and I feel privileged to have been appointed to lead such a world-renowned, unique British organisation. The Royal Mint has an impressive history of over 1,100 years and its longevity is due to its ability to adapt as society changes. This was never truer than today, as we reinterpret The Royal Mint for the twenty-first century, building on our capabilities and the values of trust and authenticity that have been at the heart of the organisation throughout our history.

For the fifth year in a row we have exceeded all of our Ministerial targets. Whilst overall revenue has decreased driven by the changes in the Circulating and Bullion markets, we report a Company operating profit of £11.5 million (before exceptional items, IAS 39 adjustments and the pre-launch costs relating to RMG®) (2016–17: £16.0 million). Our Group consolidated operating profit before exceptional items and IAS 39 adjustments and after the pre-launch costs of RMG was £6.5 million (2016–17: £14.4 million) and our return on capital employed also remained well above our 10% Ministerial target at 13.5%, measured on a three-year rolling average basis, despite the challenging markets.

It has been widely reported in the media about changes in the way we use money, the adoption of contactless technology and increase in digital transactions. This is not unique to the UK and it has resulted in challenges for our Circulating Coin business who are reporting a contribution to operating profit of £5.7m (before exceptional items and IAS 39 adjustments) which is a reduction of 59% on the previous year.

There is no doubt that the launch of the new £1 coin was a highlight of the year and a resounding success. Our staff deserve credit not only for the launch itself but also for the way we reclaimed over 12,000 tonnes of the old £1 coinage from circulation. We received plaudits from across the business spectrum for the design of the new coin, cutting-edge security features and the communications surrounding the launch.

The impact of the call for the public to return their old pounds resulted in people emptying their coin stores of all denominations and this caused an excess supply of coins in the cash centres. This has had a significant impact on company performance as UK coin sales fell in the second half having a £9 million adverse impact on the result which was the main reason for the decrease in contribution. In addition, the overseas circulating market is extremely challenging as competitors have excess capacity which is resulting in extremely competitive pricing. These changes have meant restructuring our Circulating Coin Division and we report exceptional costs of £5.4 million relating to the impairment of certain assets no longer required and the costs of staff leaving under our release scheme.

Whilst the Circulating Coin Division has been at the heart of The Royal Mint through its history, I am pleased to report that we are successfully developing a portfolio of complementary businesses. I am delighted to report that our Bullion and Consumer divisions have grown from a joint contribution of £9 million three years ago to in excess of £20 million for the year ended 31 March 2018.

The Consumer Division had an outstanding year, breaking all performance records and increasing their contribution to operating profit by 42% to £17.9 million (before exceptional items and IAS 39 adjustments). Creative innovation using iconic British imagery has continued this year, with the Great British Coin Hunt, Beatrix Potter range and RAF Centenary coins to name but a few. This year has seen a number of royal milestones for the United Kingdom, and our commemorative coins have been a key part of telling the story.

Our new business area of Collector Services continues to exceed expectations. This area of business will no doubt have more prominence in future reports as we increase the profile of our authentication, valuation and secure storage services.

The Royal Mint Experience goes from strength to strength. This year, I was pleased to host His Royal Highness The Prince of Wales at the Experience as well as a host of other dignitaries, all of whom have been keen to see this exciting addition to our portfolio.

As noted above Bullion is an important business within our portfolio and the business delivered a contribution to operating profit of £2.4 million (before exceptional items and IAS 39 adjustments). Whilst this was a reduction on the prior year we were faced with a worldwide slump in Bullion markets and despite this we actually increased our market share. Whilst it is regrettable that we have had to delay the launch of Royal Mint Gold (RMG), The Royal Mint name is synonymous with precious metals and digital precious metals remain a key aspect of our strategy going forward.

We have now completed the upgrade of our IT systems replacing multiple systems with one new ERP system. As is normal with any systems changes there have been challenges however we are now moving forward with an improved platform for future operations.

I would like to thank our staff, shareholder, suppliers, the local community and our customers for their support this year. It is through the goodwill, hard work and passion of everyone that The Royal Mint continues to be successful and tackles any challenge.

My final thanks go to our Chairman Peter Warry, for the support he has offered to me personally and The Royal Mint during his tenure. Peter is due to leave us later in the year and on behalf of The Royal Mint and its staff, I would like to wish him the very best for the future.

The past year has seen market changes on a number of fronts. It has been a challenging year in some aspects of the business, but as we end this financial year, I am extremely optimistic about the future ahead.

Performance Report

For the year ended 31 March 2018

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 23.7% 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 remains organised along three main channels of business: Circulating Coin, Consumer and Bullion. Details of these operations are set out on the following pages along with details of the subsidiaries and associate of The Royal Mint Limited.

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 operating profit, before adjusting for the impact of IAS 39-related items and exceptional items (note 5), of £6.8 million (2016–17: £14.5 million).

Revenue declined by 18% to £415.9 million (2016–17: £506.5 million) as a result of reductions in revenue in Circulating Coin and Bullion however, this was partly offset by increased Consumer revenue.

Operating profit before adjusting for the impact of IAS 39-related items and exceptional items (note 5) decreased by 53% to £6.8 million (2016–17: £14.5 million).

Capital expenditure of £6.3 million (2016–17: £8.9 million) reflected our continued investment in the future, mainly across the following areas:

- the refurbishment and replacement of critical pieces of Circulating Coin and Consumer equipment
- continued development in One Business System to replace current IT systems.

Net assets decreased by £1.7 million to £89.2 million. The decrease in net assets has resulted from generating a profit after tax of £0.3 million, a loss in the hedging reserve (£0.2 million), a reduction in the pension deficit net of deferred tax of £0.4 million, revaluation of £1.8 million and payment of a dividend (£4.0 million) relating to 2016–17 performance.

Financial results summary

| | 2017–18 £m | 2016–17 £m |
|---|---------------|---------------|
| REVENUE | | |
| Circulating Coin | | |
| UK | 61.2 | 81.8 |
| Overseas | 53.9 | 42.6 |
| Total Circulating Coin | 115.1 | 124.4 |
| Consumer | 73.8 | 64.7 |
| Bullion | 227.0 | 317.4 |
| Total | 415.9 | 506.5 |
| OPERATING PROFIT | | |
| Circulating Coin | 5.7 | 14.0 |
| Consumer | 18.2 | 12.7 |
| Bullion | 2.4 | 4.6 |
| Central overheads* | (14.5) | (15.2) |
| RM Assets | (5.0) | (1.6) |
| Operating profit before IAS 39-related adjustments and exceptional items | 6.8 | 14.5 |
| IAS 39-related adjustments (note 5) | 2.1 | 0.8 |
| Exceptional items (note 5) | (6.3) | (0.2) |
| Operating profit | 2.6 | 15.1 |
| Share of associate | 0.1 | – |
| Net finance cost | (0.6) | (0.6) |
| Profit before tax | 2.1 | 14.5 |

* Central overheads include the impact of performance-related remuneration for the whole business.

Circulating Coin

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 Circulating Coin 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 Circulating Coin decreased to £115.1 million (2016–17: £124.4 million) and the business delivered a contribution to operating profit of £5.7 million (before exceptional items and IAS 39 adjustments) (2016–17: £14.0 million).

Over the reporting period, The Royal Mint issued 1,118 million coins (2016–17: 1,345 million) to UK cash centres.

Overseas deliveries of coins and blanks amounted to 2.2 billion pieces in 31 countries across all five continents (2016–17: 2.4 billion pieces in 34 countries).

In the past year, significant events in both the UK and overseas markets have had a material effect on our business and will frame our strategy going forward. Globally, demand for circulating coin remains volatile with some countries in northern Europe having very little new coin demand as their economies embrace cashless alternatives. However, by contrast, demand in some Southeast Asian countries has been very high. As more mints experience low domestic demand, the competition for overseas contracts has intensified.

There has been considerable price pressure as competitors strive to fill their order books resulting in pressure on margins of overseas contracts. The combination of low UK demand and an evolving overseas market is making us examine all facets of the Circulating Coin business, to ensure that it remains sustainable into the future.

The roll-out of the new UK £1 coin has continued successfully with plaudits for its security and design being received from far and wide. We have now despatched over 1 billion. We were extremely pleased to win 'Best New Circulating Coin' at the International Association of Currency Affairs (IACA) Awards. In addition, our communications campaign 'New Quid on the Block', won Best Public Sector Campaign at the 2017 PR Week Awards. These two high-profile awards illustrate the excellent industry recognition we have received since the launch of the coin.

An important survey was also conducted in April 2017 to test the public's reaction to the new coin. Results were very positive with 97% of the people surveyed aware of its launch and 94% approving the design.

On Sunday 15 October 2017, we finally said goodbye to the round £1 coin whose legal tender status was removed. Over 2,000 pieces of national and regional coverage were recorded demonstrating the public's interest in the change. More than 1.3 billion of the estimated 1.7 billion coins in circulation have been returned by the public. HM Treasury and The Royal Mint also joined in a high-profile partnership with BBC Children in Need to donate any remaining round £1 coins to the charity.

The High Security Feature has now been incorporated into two overseas coin denominations and we are in advanced discussions for this feature to be included in a number of other coins in the year ahead. Amongst the many successes, there are a few contracts worthy of mention. We secured the largest contract in recent history from the Treasury Department of Thailand to produce 2.1 billion one baht coins. We also secured a contract with Armenia to produce their 10 and 100 dram coins, the first time we have ever supplied the country.

We continue to delight our customers and were pleased to receive recognition from the Central Bank of Mauritius for our commemorative coin to recognise the 50th Anniversary of Independence. The Governor of the Central Bank credited us as having played a major role in the country's celebrations.

In May 2017, The Currency Conference was held in Kuala Lumpur. The Currency Conference brings together key officials in central banks and monetary authorities, printing works, and leading industry suppliers to the industry from around the world. With over 70 central banks attending, it was an excellent opportunity to showcase the new UK £1 coin. Our pre-event Coin Management Workshop was attended by 30 delegates and provided us with a platform to position The Royal Mint as the voice of coin security. Our display area at the Conference won the award for 'Best Booth' as voted by attendees.

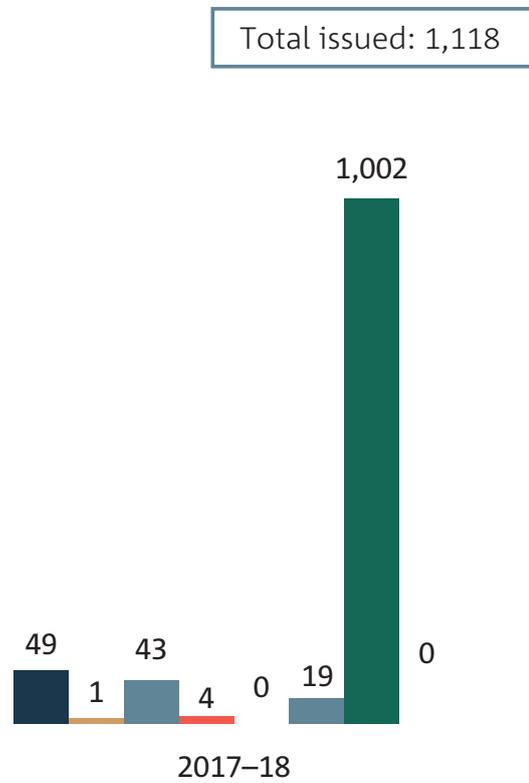
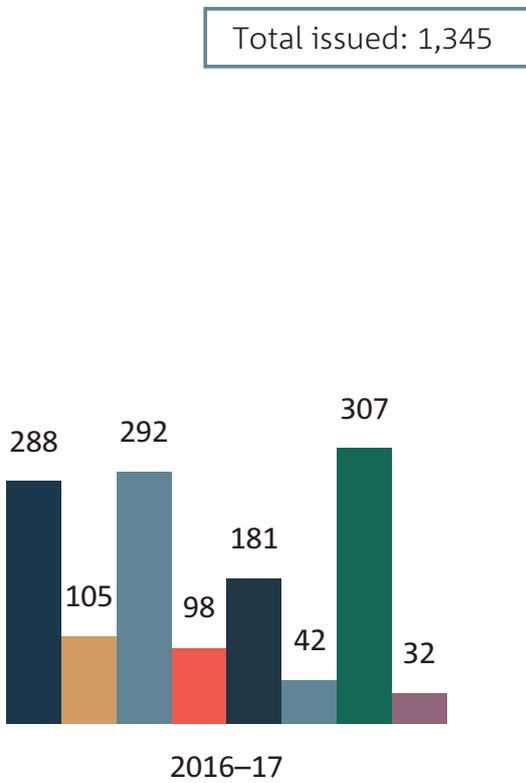
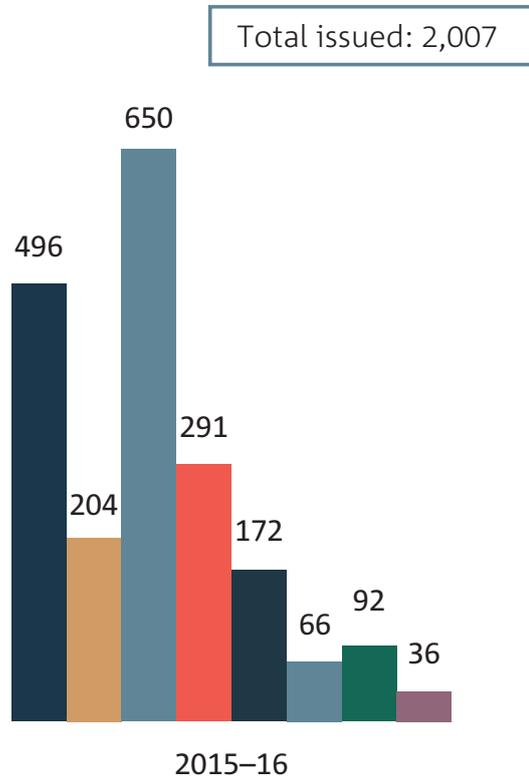
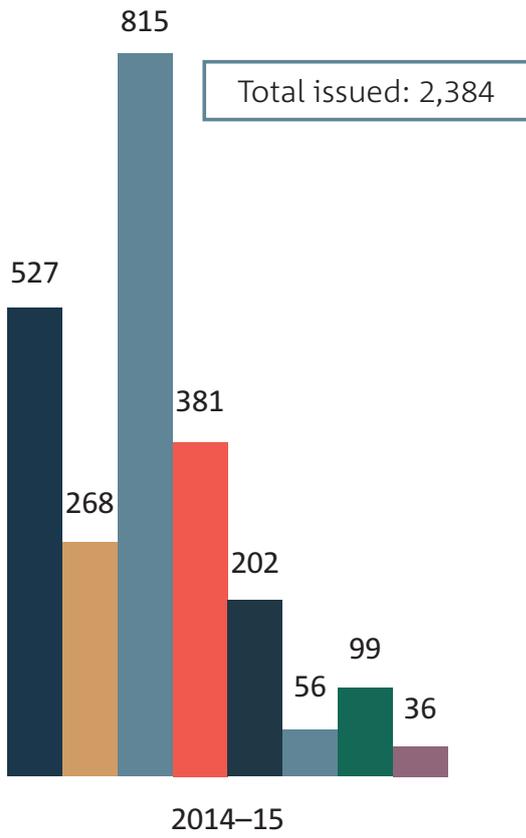
Our annual Coin Management Training Programme took place in July 2017, the seventh time we have hosted this event. The programme offers delegates the chance to immerse themselves in all aspects of coin production and feedback continues to be positive. In addition to offering an excellent opportunity for us to share our knowledge and experience, the networking opportunities with potential and future customers should not be underestimated. 19 delegates from 10 different countries attended this year's programme, providing us with a host of new contacts within their respective countries.

We receive many overseas visits and this year was no exception. In September, the Egyptian Mint Authority spent two weeks on site auditing our quality and production processes. We passed all aspects of the audit which was a first-class achievement.

In March 2018, Her Majesty's Treasury launched 'Cash and Digital Payments in the New Economy: Call for Evidence'. The document cited the fact that cash has fallen from being 62% of all payments by volume in 2006 to 40% in 2016, and is predicted by industry to fall to 21% by 2026. However, 2.7 million people in the UK are solely reliant on cash and there is a desire by the government to explore how cash remains accessible and secure for the future. We await the findings with interest.

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

UK Coins Issued in Year – Pieces in Millions



1p
 2p
 5p
 10p
 20p
 50p
 £1
 £2

Consumer

Principal activities

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

Objectives and strategies

The Consumer strategies are to:

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

Performance

During the year, Consumer revenue increased by 14% to £73.8 million (2016–17: £64.7 million). The contribution to operating profit also increased to £18.2 million (before exceptional items and IAS 39 adjustments) (2016–17: £12.7 million).

The above figures demonstrate the strong contribution that Consumer makes to our business. We have seen record-breaking performance in this area and Consumer revenue has grown by more than 100% in the last three years.

The Great British Coin Hunt is an example of this success. Launched in March 2018 to much acclaim, the range comprises a new collection of 10p coins that map out the A-Z of what makes Britain great – 26 coins from the Angel of the North to a Zebra Crossing. Other collections have proved similarly popular. The Beatrix Potter range, launched in 2016, was further extended due to demand.

We released new coins in our popular Queen's Beasts Collection, initially launched in 2016 to celebrate the British Monarchy and centuries of fascinating heraldry. The new releases included coins featuring the Red Dragon of Wales and the Black Bull of Clarence. These coins have proved popular in both gold and silver due to investors valuing and trusting the connection with The Royal Mint brand.

The Royal Mint Experience has gone from strength to strength. The annual bookings totalled 96,895 exceeding the target by 13,612, with performance reaching 16% ahead of the planned budget. Figures were buoyed by eye-catching visitor campaigns linked to the Great British Coin Hunt and Beatrix Potter collections. The 'Strike Your Own Coin' feature has proved particularly popular for visitors. The opportunity to strike a Sir Isaac Newton 50p coin and a Britannia £2 coin has attracted a great deal of attention and generated national press coverage.

High-profile visitors during the year included His Royal Highness The Prince of Wales and the Indian High Commissioner. We were also pleased to welcome The Queen's Baton Relay and representatives from BBC Children in Need. Visitor improvements included a 'Worth Your Weight in Gold' feature and new UK £1 coin display to celebrate the high-profile launch in 2017. Our TripAdvisor ratings continued to be largely rated 'excellent' with very few negative comments. In February, we were delighted to receive an award from Visit Wales for 'Best Told Story' as part of the Visitor Attraction Quality Scheme.

We have continued to grow our presence in the collector market. The Royal Mint holds one of the finest collections of coins, medals, artwork and minting equipment in the world and is now respected for authenticating, valuing and selling rare and unique pre-decimal British coins. Employees from the Royal Mint Museum were pleased to attend Antiques Roadshow at Cardiff Castle in September to discuss some of our rare pieces. A customer event was also arranged at Goldsmiths' Hall to promote historic coins and secure storage facilities as part of our strategy to attract more customers to our collector coin business.

We have further enhanced our secure storage offering designed to protect customer's most valued possessions. Located within the secure Llantrisant site, our purpose-built high-security facility is guarded 24 hours a day, 7 days a week, 365 days a year. Labelled as 'the most secure in the industry' by the Chairman of the British Safe Manufacturers Association, entry to our premises and this storage facility is strictly controlled using biometric access measures.

The Leadership Team has identified that improving the customer experience is the primary objective to delivering growth in the business. This focus will continue as we move into the next financial year.

Bullion

Principal activities

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

Objectives and strategies

The Bullion strategies are to:

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

Performance

Our Bullion business has had a difficult year with challenging global market conditions for precious metals resulting in a reduction in sales of 28% to £227.0 million (2016–17: £317.4 million). The contribution to operating profit also reduced to £2.4 million (2016–17: £4.6 million). A steadily declining precious metals coin market has seen a decline over the last 12 months of 44% in silver and 34% in gold. Despite adverse market conditions, The Royal Mint has maintained a strong position; silver market share over the last 12 months has maintained a steady growth and The Royal Mint is now experiencing its longest period of continuous growth in gold market share on record.

We are conducting a full strategic review of our precious metal business and its market positioning. This review will examine how we can best fulfil our growth potential and will include an in-depth analysis of our e-commerce strategy and overall sales approach. It will make recommendations as to how we can increase awareness of our products in both UK and international markets. The intention is to improve the end-to-end product offering across both physical and non-physical metals across our customer base.

During the past year, our precious metals offerings were enhanced by the launch of a range of platinum products, including platinum bars and the first Queen's Beasts platinum coin.

We also relaunched Signature Gold® as part of the extended Signature® range. This included a successful product launch of Signature Silver and Platinum which has resulted in a diversification of investments by existing customers as well as attracting new business. Signature offers the opportunity to invest in gold, silver or platinum on a digital basis through the purchase of fractional elements of bars which are held in The Royal Mint's vault.

Over the last few years, the Division have also been working on the development of a digital gold product, RMG, which was due to launch this spring. Sadly, due to market conditions this did not prove possible at this time, but we will revisit this if and when market conditions are right.

The Digital team has been hard at work updating the Bullion website, royalmintbullion.com, which now has over 50,000 customers. The emphasis has been on improving design and user functionality, making consumer navigation easier. We were pleased to receive three UK Search Awards for our digital marketing. In particular, we were commended for our work to align 'real-time' market prices to the search functionality in order to maximise customer demand.

As part of our aim to grow our international retail customer base, bullion accounts can now be opened in Euros and USD and we continue to look at improving the payments process for both international and UK customers.

Work on a new Bullion trading app is progressing at pace and we expect to launch this new app in July 2018; this will be an exciting addition to our digital portfolio. Bullion continues to receive increased levels of media coverage in both financial and general business publications. We have used our reputation as a trusted and authentic global brand to maximise coverage in specialist and mainstream media.

Dividends

Post year-end, the Board of The Royal Mint Limited declared a dividend for 2017–18 of £4.0 million. Dividends relating to 2016–17 performance of £4.0 million were paid during the year.

Financial risk management

Principal risks and uncertainties

The Royal Mint Group's risk priorities in 2017–18 were in the following areas:

- key engineering failure;
- political and economic instability of overseas customers;
- loss of market share to competitor technologies;
- cyber security risk; and
- failure in the management of key projects.

The Group's overall risk management approach is highlighted on page 33.

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

Financial risk management

Derivative financial instruments

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

Metal prices

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

Circulating Coin

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

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

Consumer

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

Bullion

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

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

Foreign exchange

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

Effects of commodity hedging

Under International Accounting Standards (IAS) 39, 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 IAS 39) 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 IAS 39 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 IAS 39.

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2017–18, the year-end impact was a gain of £2.1 million (2016–17: £0.8 million gain). Financial risk management disclosures are set out in note 23 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. A total of 85% (2016–17: 91.0%) of invoices were paid within the agreed period. Whilst this is a reduction on the prior year and below our internal targets, we have now identified and dealt with the causes of the deterioration and we will continue to work with our suppliers and develop our internal processes and systems over the forthcoming year 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 remain a key part of our business and everyone has a part to play in delivering the overall business strategy. The Royal Mint's values continue to guide the way in which we all do our jobs and shape what it means to work as part of The Royal Mint team. We have continued to build on our guiding principles as the foundation of this approach.

We have continued to embed our strategy deployment processes so that everyone, at all levels of the organisation, understands the Company vision as well as what part they play in delivering the overall corporate objectives. We are continuing with our 'Joining the Dots' philosophy, highlighting the importance of not just 'what' we have to do but just as importantly 'how' we will do it. The 'what' includes our annual objectives, the projects and action plans that will deliver them and the KPIs and metrics that will tell us whether or not we are performing to those objectives and standards. The 'how' includes our corporate values as well as the core skills and behaviours that we expect all employees to demonstrate in their jobs.

We have continued to drive a culture of continuous improvement at all levels of the organisation; the benefits of this are seen every day through our employee-generated ideas, improvements and problem-solving activities. Many of these have driven both instant and incremental improvements in our day-to-day operational effectiveness, efficiency and commercial successes.

During the year, a significant amount of time and effort has been invested in driving improvements to our safety management system. Process safety remained a high priority and we are looking forward to making even greater strides in our quest towards employee safety.

We are now into the third cycle of The Royal Mint chosen charity initiative. Every two years, we ask employees to nominate a new charity and for 2016–18, the chosen charity was Velindre Cancer Centre. Over the two-year period, we were able to raise over £30,000 for Velindre which has helped them to continue to provide care, support and treatment to cancer patients and their families in Wales.

In March 2018, our employees voted again and 2WishUponAStar was chosen for 2018–20. 2WishUponAStar raise funds to improve bereavement services in Wales, especially supporting parents after child bereavement in sudden and traumatic circumstances. 2WishUponAStar is a local charity to The Royal Mint but supports A&E departments across Wales to ensure they have suitable bereavement suites. They also provide bereavement boxes to parents, offer immediate bereavement support for parents and siblings as well ensuring counselling services and staff are available and trained to a high standard. We are delighted to be able to support this charity over the next two years.

Our apprenticeship scheme is still an important part of our future development plans within the Company and our standards remain very high. Following a successful scheme, three of our apprentices will be graduating in August 2018. 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.

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. This year we have introduced new ways to communicate with our employees by transforming our in-house newsletters, breaking down our briefing groups sharing greater detail and the distribution of the Annual Report. We have also introduced an Engagement Champions group who ensure all employees across the business are represented and their ideas, voiced.

Safety, Health and Environment (SHE)

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

"To guide and support The Royal Mint on a journey towards almost error-free performance, by supporting our people to cope with everyday situations where they need to adapt their performance to suit the conditions, however hazardous, and whether these conditions are as expected or not."

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 a commitment to meeting its moral responsibilities, which go over and above legal compliance.

The vision is implemented through the following strategies:

- Learning from successful work (as well as failures), by understanding how our complex systems operate without incident so often, instead of merely examining the process when it fails, we can learn to replicate the successes more frequently;
- Developing a fair and just culture to support learning from unsafe acts without fear of punishment, empowering staff to abandon work on safety grounds, and fostering a sense of personal accountability for safety;
- Successful containment of unexpected events by having in place back-up systems in the event of failures and cross-checking of important decisions, and allowing people with expertise, to make important safety-related decisions in emergencies;
- Effective anticipation of potential failures through engagement with front-line staff in order to obtain 'the bigger picture' of operations (sensitivity to operations);
- Mindful leadership characterised through audits to identify problems in the system (often in response to incidents that occur in other similar industries), 'bottom-up' communication of 'bad news', and engagement with front-line staff through site visits, and investment of resources in safety management and the ability to balance profits with safety;
- Learning orientation characterised by continuous technical training, systematic analysis of incidents to identify their root causes and accident types or trends within the organisation, open communication of accident investigation outcomes, and updating procedures in line with the organisational knowledge base.

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.

Our principal objective during the year has been to implement the education programme offered at The Royal Mint Experience, through taught classes, guided and un-guided tours and a programme of events.

Education and learning

A successful primary school outreach programme was conducted on the new £1 coin. Over 10,000 pupils and staff were engaged during the project and over 70 individual schools. July 2017 saw the launch of a new lecture programme, 'Tales from the Mint'. Pilot talks were given by the Royal Mint Chief Engraver, Gordon Summers in July and by Graham Dyer, the Museum's Senior Research Curator, in late October to sell-out audiences. Four speakers have been confirmed for the programme in 2018.

At The Royal Mint Experience, targets for pupil numbers both for those attending workshops and visiting tour-only were exceeded. A trial of a new medal-making workshop for secondary school art and design pupils has been well received by those involved. The number of school-age children engaged with across the year totalled in excess of 12,000. Throughout the year 34 lectures to adult groups were delivered locally and nationally.

Enhance access to the collection

Work has begun on creating a new temporary exhibition space to be located in The Royal Mint Experience. A new layout has been proposed and initial costs have been sought. Nearly 200 letters have been given to members of staff who have worked at The Royal Mint for 25 years or more, asking them to be part of an oral history project in association with the 50th anniversary of The Royal Mint moving to South Wales. Following a review of the exhibition at the Tower of London, the name has been changed to *The Tower's Mint*. Initial work on updating the exhibition, which will have been in place for five years in May 2018, has begun. The online collection catalogue has been enhanced with the addition of records for the coinage of Edward VII and George VI.

Collections management

The Museum loaned objects to the Henry Moore Institute's *Mary Gillick: Her Art in Your Pocket* exhibition and to the Winding House Museum for their *The Life of Elliot* display. Work on photographing the collection has continued throughout the year with 33,000 coins now having been put on the cataloguing system. Many thousands of records created during the Inventory Project have been enhanced and transferred to the MODES Complete catalogue.

Research and publications

Substantial progress has been made on the publication themed around the influence of war on currencies. It is intended to be published, in collaboration with Spink, in the summer of 2018 to coincide with the centenary of the end of the First World War. Sales of the Guidebook for The Royal Mint Experience have been very strong throughout the year and a new print run was ordered. The rights to serialise *A History of the Sovereign: Chief Coin of the World* were sold to a Japanese magazine and a monthly article has continued to be written for Coin News. Research projects have continued in connection with the coinage of Edward VIII and into The Royal Mint's move to South Wales 50 years ago. Support has been provided to academic conferences, through the provision of speakers, in Leeds, Harrogate and Shrewsbury and at the United States Mint in Philadelphia. Support has also been given to the British Numismatic Society through members of the Museum team being office holders in the Society.

Directors

A list of current Directors of The Royal Mint Limited is shown on page 4.

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.

Outlook

The Royal Mint is changing. 2017–18 has been a challenging year with pressures on the Circulating and Bullion businesses and it demonstrated the importance of the decision we took to invest in our Consumer business.

Events in the Circulating Coin market and also the precious metals markets mean we need to focus on our strategies in those divisions to ensure that we are well positioned to continue to grow our market share.

The Consumer business will continue to review product and service offerings to meet the needs of its growing customer base. We will be building on the products launched during 2017–18 and will continue to offer the opportunity for visitors to get behind the scenes at The Royal Mint Experience. We will be looking to the future and exploring new business initiatives that will ensure that The Royal Mint Group continues the growth to succeed and return significant dividends to its shareholder, HM Treasury.

Sustainability Report

The Royal Mint remains committed to having a healthy and safe work environment with zero accident performance and being at the forefront in employing sustainable business practices to minimise its environmental footprint. The health and safety of people who work at, for and with The Royal Mint is central to all business plans and operations.

The Royal Mint's environmental commitment includes a review of its significant environmental aspects and the setting of targets accordingly.

Targets set for The Royal Mint's significant environmental aspects include:

- reducing water consumption;
- maintaining or improving on energy consumption across site; and
- monitoring waste production across site, ensuring steps are taken so that waste is not disposed of via landfill.

Accreditations

The Royal Mint during the year has migrated from the International Organization for Standardization standard ISO 14001 (2004) to the revised ISO 14001 (2015) version and continues to maintain the ISO 50001 (2011) Energy Management System.

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

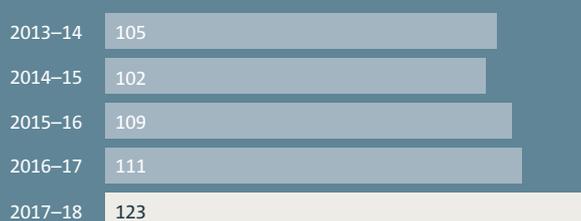
Water consumption

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.

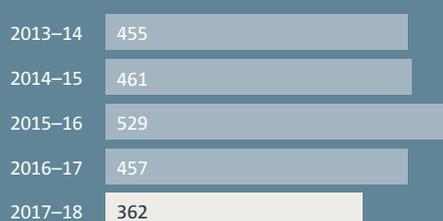
Through the review of processes and with investment in new technology, The Royal Mint has been able to reduce the normalised amount of water required to produce coins, in particular abstracted river water. The changes brought

about in previous years resulted in The Royal Mint being able to voluntarily reduce the maximum amount of water it can abstract, when the application was made for a new abstraction licence in 2017. The Royal Mint now has in place an abstraction licence to abstract a maximum of 657,000 m³ per annum up to 31 March 2029. This is a 42% reduction on the previous abstraction licence quantity

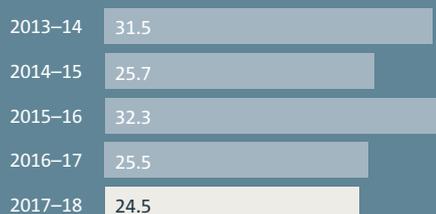
Total water supplied (M³)



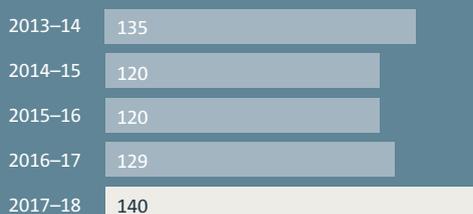
Total water abstracted (M³)



Water usage per tonne of circulating coin (M³)



Water supply costs (£'000)



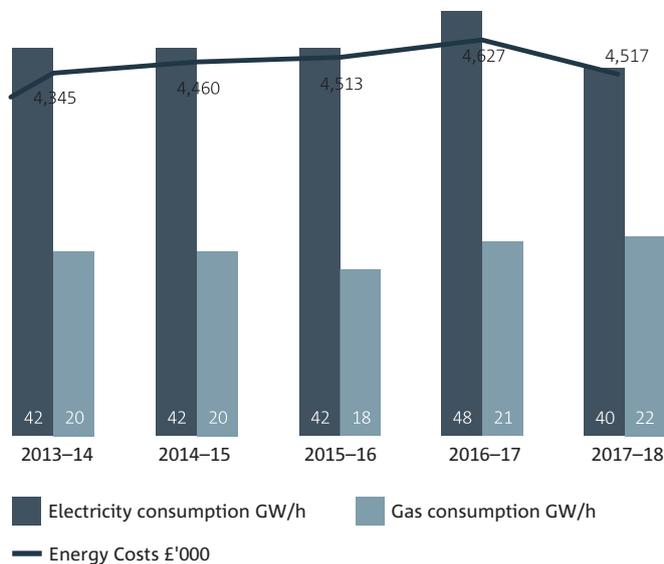
Greenhouse gas emissions and energy consumption

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

Total emissions for 2017–18 were 19,800 tonnes of CO₂ equivalent (2016–17: 22,700).

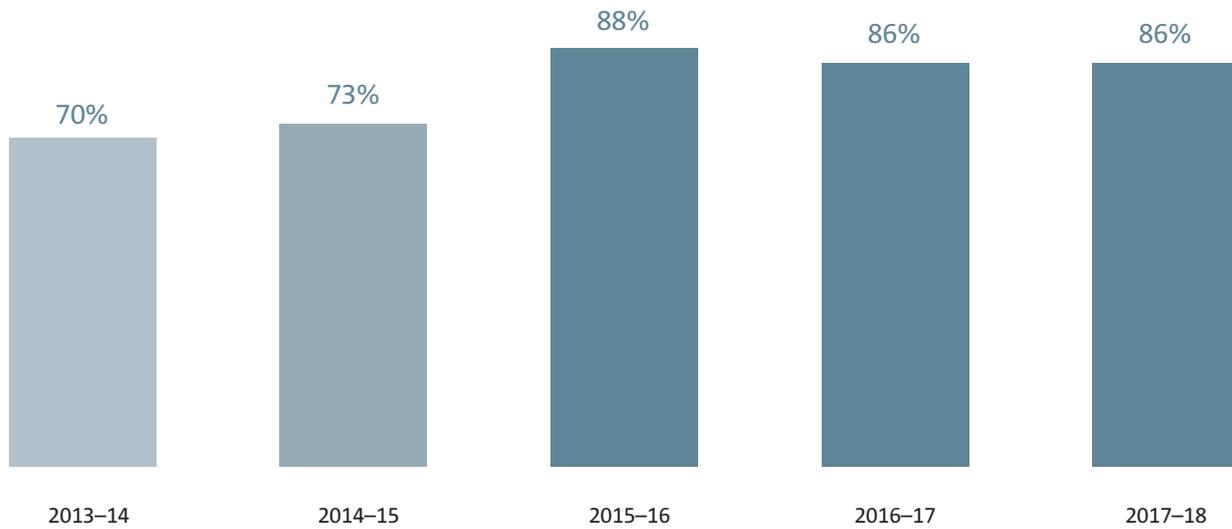
The Royal Mint measures 'normalised tonnes' (calculated as tonnes of CO₂ equivalent per tonne of circulating coins manufactured) as a key indicator of energy efficiency. For 2017–18 normalised tonnage was 1.05 (2016–17: 1.15).

Energy consumption and costs



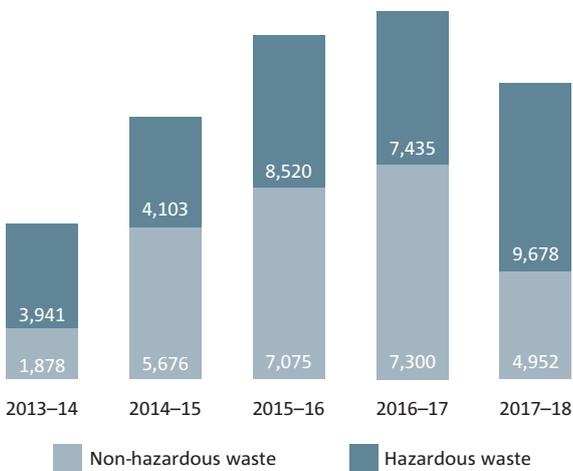
Waste

Waste recycled

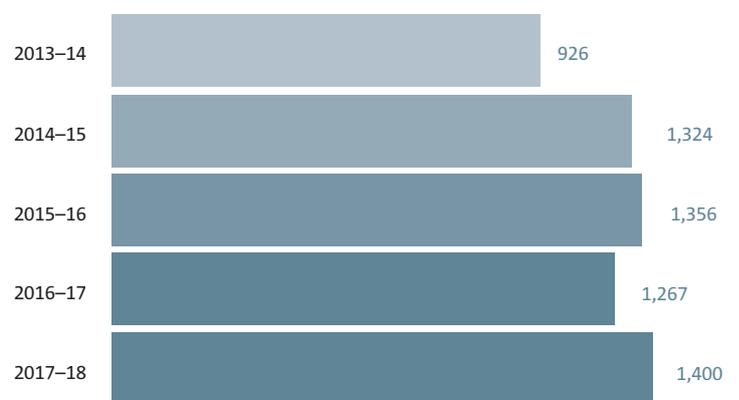


The Royal Mint continually seeks opportunities to recycle as much waste as possible; it has achieved a percentage of waste recycled of 88% in 2017-18 (2016-17: 86%).

Waste disposal (tonnes)



Waste costs (£'000)



The data includes the waste removed by The Royal Mint's principal waste contractors and since 2014 has also included metal removed from site.

The amount of metal removed each year varies. The variation is due to changes in the amount of off-site alloy recovered from UK coinage.

Scope analysis

| Tonnes of CO ₂ eq | | 2013–14 | 2014–15 | 2015–16 | 2016–17 | 2018–18 |
|------------------------------|---|---------|---------|---------|---------|---------|
| Scope 1 | Natural gas usage (heating and furnaces) | 3,600 | 3,620 | 3,280 | 3,830 | 4,110 |
| | Use of Royal Mint owned vehicles | 8 | 2 | 2 | 1 | 1 |
| | Process emissions from the furnace stack | 2 | 2 | 2 | 2 | 2 |
| | Fugitive emissions (e.g. air conditioning and refrigeration leaks)* | 2 | 2 | 2 | 2 | 16 |
| Scope 2 | Electricity usage** | 19,800 | 16,100 | 16,300 | 18,000 | 15,500 |
| Scope 3 | Business travel | 718 | 713 | 663 | 530 | 740 |
| | Water supply | 36 | 35 | 38 | 38 | 42 |
| | Water treatment (off-site) | 84 | 96 | 95 | 95 | 72 |
| | Waste disposal*** | 169* | 75* | 133* | 176* | 228* |

* The fugitive emissions from air conditioning and refrigeration leaks figure has been calculated from losses identified during the six routine maintenance inspections multiplied by the global warming potential of the gas replaced. During the year all units containing R22 gas have either been removed or replacement gas installed. R22 was the only one of the hydrochlorofluorocarbon gases used on site.

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

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

Finite resources

The Royal Mint recognises that its products are produced from finite metal resources and there is a rising demand for those limited resources. Therefore recycling is an important part of the production cycle. Material cast by The Royal Mint is either recycled within the production process and bought in or composite material waste is sent off-site to be recycled.

Protecting and enhancing the natural environment

The Royal Mint operates from a single site which is regulated under the Control of Major Accident Hazards (COMAH) Regulations 2015 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 which are shared with their employees.

Working with the supply chain

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

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

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

Financial Summary

| | 2017-18 £'000 | 2016-17 £'000 | 2015-16 £'000 | 2014-15 £'000 | 2013-14 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| UK Revenue | 196,592 | 241,874 | 118,169 | 115,230 | 126,369 |
| Overseas Revenue | 219,280 | 264,615 | 242,553 | 144,438 | 188,573 |
| Total Revenue | 415,872 | 506,489 | 360,722 | 259,668 | 314,942 |
| Operating profit before IAS 39-related items and exceptionals | 6,793 | 14,541 | 13,520 | 11,324 | 6,364 |
| IAS 39-related items (note 5) | 2,121 | 770 | (660) | (317) | (169) |
| Exceptional items (note 5) | (6,292) | (166) | (152) | 722 | – |
| Operating profit | 2,622 | 15,145 | 12,708 | 11,729 | 6,195 |
| Share of associate | 76 | – | – | – | – |
| Net interest | (556) | (623) | (368) | (155) | (354) |
| Profit before tax | 2,142 | 14,522 | 12,340 | 11,574 | 5,841 |
| Taxation | (1,823) | (3,040) | (2,353) | (2,333) | (1,349) |
| Profit after tax | 319 | 11,482 | 9,987 | 9,241 | 4,492 |
| Net assets | 89,248 | 90,944 | 87,883 | 73,908 | 73,405 |
| Operating profit before IAS 39-related items and exceptionals/sales | 1.6% | 2.9% | 3.7% | 4.4% | 2.0% |
| Operating profit/sales | 0.9% | 3.0% | 3.5% | 4.5% | 2.0% |

Key Ministerial Targets

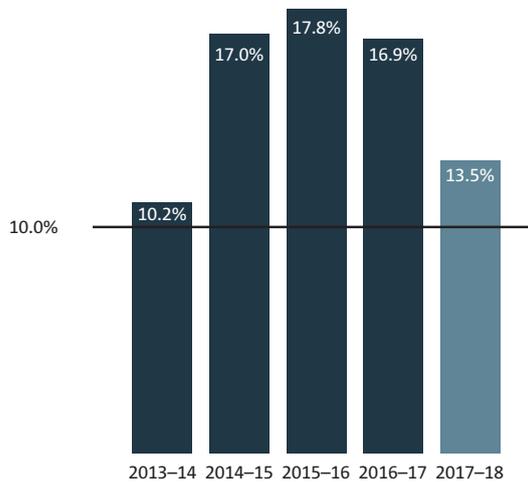
Key Performance Indicators (KPIs)

The Royal Mint Limited's performance indicators are the key Ministerial targets, details of which can be found below. Non-financial performance indicators relating to sustainability are set out on pages 20 to 23.

Target 1

Return on Average Capital Employed (ROACE)

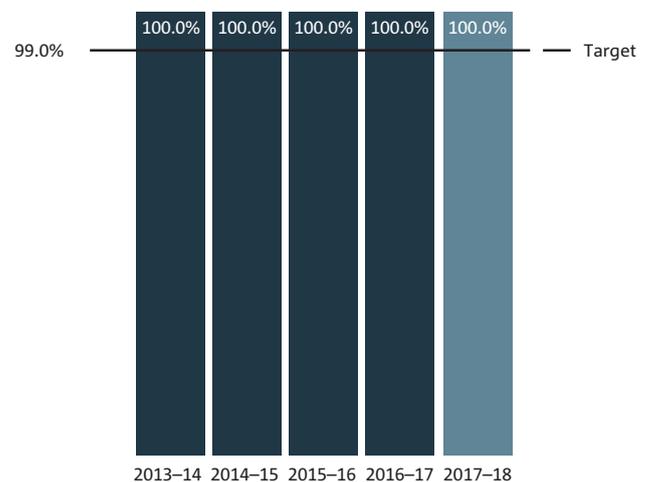
ROACE for The Royal Mint Group is calculated by expressing operating profit as a percentage of its average monthly capital employed. Operating profit has been modified to exclude IAS 19 Employee Benefits and IAS 39 Financial Instruments related adjustments as well as Exceptional Items. From 2016–17 the Ministerial target is measured on a three-year rolling, average basis and was 13.5%.



Target 2

UK Circulating Coin

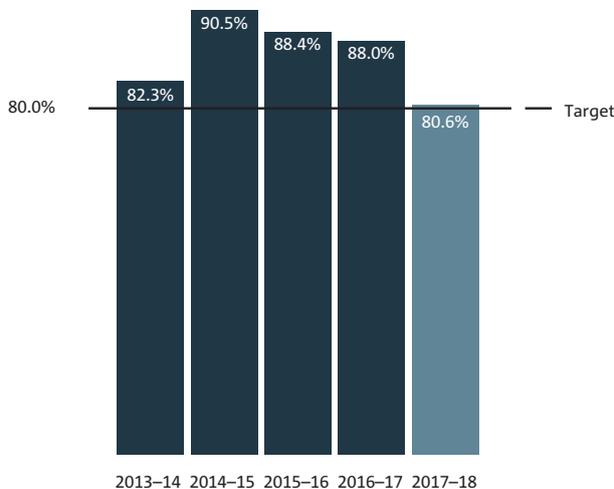
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

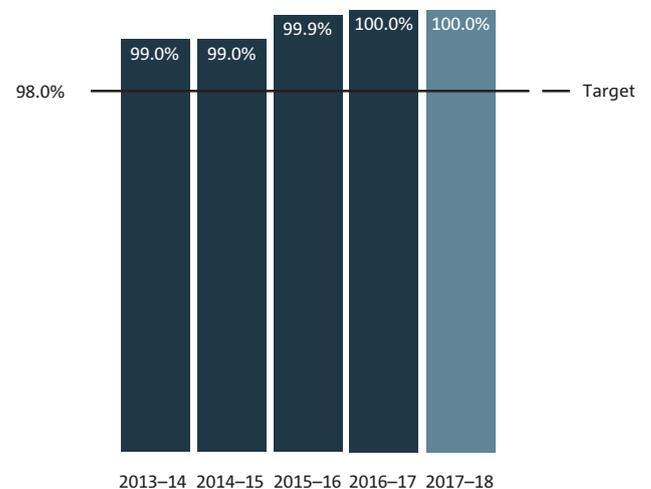
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals

Orders delivered by 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, being charged on behalf of HM Treasury and other government departments with the recommendation of new designs for United Kingdom coins, official medals and seals. 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).

During the year there were five meetings, all taking place in London. In addition, there was one meeting of the Sub-Committee on the selection of themes for new United Kingdom coins.

Great British Coin Hunt

Commemorative designs have been a feature of the Committee's work for many years but hitherto these have not appeared on circulating denominations lower than a fifty pence piece. This year was notable as it saw the issue of the first commemorative designs to feature on ten pence coins. Taking as its theme an alphabet of Britain, the Committee reviewed designs for the 26-coin series of ten pence pieces, all of which celebrated quintessential aspects of British life and culture.

The subject matter was wide ranging, taking inspiration from food with fish and chips, through the notable landmarks of Stonehenge and the Angel of the North, to cricket, post boxes and the great British tradition of queuing. Arriving at designs which were clear and legible that would work at a ten-pence size was a challenge but the series has proved to be very popular with collectors.

First World War

The Royal Mint's programme of coins to mark the centenary of the First World War draws to a close in 2018. Its development benefitted from the help of the distinguished historian Sir Hew Strachan and over the last five years has explored many aspects of the conflict. In addition to the series of two-pound coins and crown pieces, five-ounce and kilo coins have been issued in 2014 and 2018 to mark the start and end of the war. The final two-pound coin design is the work of lettering artist Stephen Raw. His text-based design evokes the war poetry of the period and features the inscription 'the truth untold, the pity of war' taken from Wilfred Owen's poem 'Strange Meeting'.

The original design was modelled in clay the artist collected from the Sambre-Oise canal, where Owen was killed in 1918. For the higher value five-ounce and kilo coins that bring the series to a close, the Committee recommended the work of the renowned sculptor Paul Day. In a powerful design which captures the sense of loss and suffering of war, and reminds people of its human cost, his work shows a lone soldier kneeling in grief at a battlefield grave.

Captain Cook

In 2018 The Royal Mint marks the 250th anniversary of Captain Cook's voyage of discovery to Australia and New Zealand. Two-pound coins will be issued annually over the next three years, culminating in 2020 with the anniversary of his arrival in Botany Bay. Artist Gary Breeze won a limited competition with his imaginative series of three designs which, when combined, create a picture of Cook's ship *HM Bark Endeavour*. The first of his designs focuses on Cook's departure from Plymouth.

HRH The Prince Philip, Duke of Edinburgh's Retirement

In the summer of 2017, His Royal Highness The Prince Philip, Duke of Edinburgh announced that he would be retiring from public engagements. To celebrate a lifetime of public service, a crown piece was struck for the occasion. It was particularly fitting for a coin to be issued as Prince Philip was President of The Royal Mint Advisory Committee for almost 50 years from 1952. The design recommended for the coin was adapted from a medallic portrait which had originally been prepared by the sculptor Humphrey Paget. The Latin inscription 'NON SIBI SED PATRIAE', which translates as 'Not for himself but for his country', was added in recognition of Prince Philip's years of dedicated service.

Commemorative Coins

Designs for several other commemorative coins to be issued in 2018 and 2019 were presented to the Committee but have yet to enter the public domain. The variety and number of projects that have come before the Committee have been handled with the same degree of care and attention to detail as ever.

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 long service medal for the Police Service of Northern Ireland. The recommended design was the work of the numismatic artist John Bergdahl.

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 was one meeting of the Sub-Committee, the focus of attention being the programme for 2019 and 2020.

Kevin Clancy Secretary to the Committee

Membership of the Committee at 31 March 2018 (with dates of appointment)

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

Professor Phil Baines
Lettering and graphic designer
(May 2016)

Mrs Blondel Cluff
Chair, Heritage Lottery Fund London
(March 2014)

Dr Nicholas Cullinan
Director, National Portrait Gallery
(June 2016)

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

Mr Hughie O'Donoghue RA
Painter
(January 2015)

Professor Jane Ridley
Historian
(January 2015)

Mr Edmund de Waal OBE
Ceramic artist and writer
(April 2012, re-appointed April 2017)

Mr Thomas Woodcock CVO DL
Garter King of Arms
(January 2010)

Lieutenant Colonel Mike Vernon
**Secretary, Central Chancery of the Orders
of Knighthood**
(September 2014)

Professor Nicholas Mayhew
Numismatic Consultant to the Committee
(January 2010)

Mrs Anne Jessopp
**Chief Executive Officer of The Royal
Mint Limited**

Dr Kevin Clancy
Secretary to the Committee

Mr Lee Jones
Technical Adviser to the Committee

Accountability Report

Statement of the 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;
- 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.

Pages 30 to 41 also form part of the Accountability Report.

Governance Statement

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 RM Assets Limited;
- 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.

Semi-annual 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.

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, Chief Financial Officer, Director of Circulating Coin and Director of Consumer Business). The Board met nine times in 2017–18 (2016–17: nine times). Attendance by members at the Board and Committee meetings is set out below.

| | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|---------------------------|----------|-----------------|------------------------|-----------------------|
| Anne Jessopp | 8/9 | n/a | n/a | n/a |
| Andrew Mills | 7/9 | n/a | n/a | n/a |
| Peter Warry | 9/9 | n/a | 6/6 | 4/4 |
| David Morgan | 9/9 | 3/3 | 6/6 | 4/4 |
| Xenia Carr-Griffiths | 8/9 | 3/3 | 6/6 | 4/4 |
| Amanda Rendle | 9/9 | 3/3 | 6/6 | 4/4 |
| Michael Clayforth-Carr | 9/9 | 3/3 | 6/6 | 4/4 |
| Tim Martin | 4/5 | 2/2 | n/a | 1/1 |
| Jamie Carter | 6/6 | 2/2 | n/a | 4/4 |
| Adam Lawrence | 5/5 | n/a | n/a | n/a |
| Vin Wijeratne | 8/8 | n/a | n/a | n/a |
| Number of meetings | 9 | 3 | 6 | 4 |

Jamie Carter was appointed on 25 September 2017 and Tim Martin resigned on the same date. Adam Lawrence resigned on 31 October 2017 and Vin Wijeratne resigned on 27 April 2018.

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

The Role of the Board of The Royal Mint Limited

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

The roles and responsibilities of the Board are to:

- develop the future strategy of the business required to realise the strategic objectives;
- review, as appropriate, the strategic objectives and agree them with the shareholder;
- ensure a three to five-year plan is in place in order to realise the strategic objectives;
- ensure that the necessary management structure, financial and human resources are in place in order to achieve the agreed plan;
- determine the risk appetite of the organisation in furtherance of achieving the strategic objectives and ensure there is a robust ongoing process to identify and appropriately manage strategic and significant operational risks;

- regularly review objectives and management performance against annual plan and associated business KPIs;
- ensure the Group operates with appropriate values and standards and ensure that its obligations to its shareholders and others are understood and met;
- review, approve or propose strategic investment in line with investment authority limits as agreed with the shareholder;
- ensure that the Group operates at all times within applicable laws and regulations and within an appropriate procedural framework; and
- ensure that the Board fulfils its duties in the Memorandum and Articles of Association of the Company, functions and any frameworks which may be agreed with the shareholder.

Quality information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. At each Board meeting the Directors receive a report from the Chief Executive covering all areas of the business and a Finance Report detailing performance against forecasts. There is a rolling Board agenda which also ensures the Board receives formal papers, inter alia, on the Annual Budget, Annual Report and the reforecast of the Budget at the half year. All Directors have access to independent professional advice, at The Royal Mint Limited's expense, if required. The Board of Directors confirms that it considers the Consolidated Annual Report of The Royal Mint Limited, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the The Royal Mint Limited 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 2017–18 internal review and it was noted that action had been taken to address points arising from previous internal reviews. For example, specific skills have been sought in non-executive appointments to complement the breadth of activities undertaken by The Royal Mint, and additional focus on strategy has also been undertaken.

During the year the Board has been involved in the recruitment process of the new Chief Executive and reviewed the progress of The Royal Mint in its vision critical projects particularly in relation to the One Business System, the future state of Circulating Coin and RMG. This has included reviews as part of Board meetings and also additional workshops to discuss developments in these projects.

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, Chief Financial Officer, Director of Finance and senior representatives of both the internal and external auditors to attend meetings. Tim Martin and Jamie Carter are deemed by the Board to be independent for the purposes of the Audit Committee. The Chair of the Audit Committee has recent and relevant financial experience.

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

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 which was agreed with HM Treasury at the time of the Company's vesting. The Committee's primary role is to determine, in reference to this Framework, the remuneration and performance-related incentive schemes of the Directors and Executive Management Team, subject to the consent of the UK Government Investments (UKGI) where applicable. The Terms of Reference for the Committee are available on The Royal Mint Limited's website, and the Remuneration Report is set out on page 35.

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 least 75:25 and our Board exceeds this at 67:33.

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

Executive Management Team 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
- working with the Remuneration Committee to develop remuneration systems for staff, including performance-related pay.

Risk management

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

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

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

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

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

The Royal Mint Group's risk priorities in 2017–18 are detailed on page 15.

Internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Royal Mint Group's policies, aims and objectives. It is also designed to evaluate the likelihood of

those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the Annual Report. It accords with HM Treasury guidance and the UK Corporate Governance Code where appropriate.

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

In particular, it includes:

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

Executive Directors provide the Board with an 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 2017–18 this function was undertaken by KPMG LLP. Their annual audit plan and the results of their audit, including recommendations for improvement, are reported to the Director of Finance and presented to the Audit Committee. They also provide an independent opinion on the adequacy of The Royal Mint Group's system of internal control.

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

The Royal Mint Museum

The Museum is governed by a Board of Trustees who met four times during 2017–18 (2016–17: 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. The key principal risks are:

- inadvertent damage to the collection – storage and conservation is a high priority for Trustees;
- breach of security of collection – mitigated by regular review and upgrade of process and facilities;
- inadequate knowledge – mitigated by succession planning and staff training; and
- 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.

There were no issues that arose from the review of effectiveness of the controls operating within the Royal Mint Museum.

Arm's-length bodies

The Royal Mint Advisory Committee is an associated arm's-length body. The Committee's activities in the year are summarised on page 26.

Parliamentary Accountability Report (audited)

Fees and charges

The Royal Mint Trading Fund via its trading subsidiaries charge fees for the products supplied to customers and also for services such as storage and entrance fees to our tourist experience. Fees are charged in order to recover costs and to meet the objective of our ministerial target to achieve a Return on Average Capital Employed of greater than 10%. All such fees and associated costs are shown as income and expenditure in the Consolidated Income Statement on page 44.

Losses and special payments

There have been no losses or special payments during the year which require disclosure in accordance with 'Managing Public Money' (2016–17: £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
18 July 2018

Remuneration Report

Introduction

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.

The Royal Mint Limited

Remuneration Committee of The Royal Mint Limited

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 Safety Health and Environment ('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 2018 was made up of eight roles:

Chief Executive, Chief Financial Officer, Director of Consumer Business, Director of Circulating Coin, Director of Bullion, Director of Operations, Director of Finance and Director of HR and SHE.

Executive Management Team's terms, conditions and remuneration

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

i. Basic salary

The basic starting salary of a member of the Executive Management Team is determined as part of the recruitment and selection process. Thereafter it is subject to annual review including external benchmarking.

ii. Short-Term Incentive Plan (STIP)

At the start of the year the Remuneration Committee agreed the targets for the Short Term Incentive Plan ('STIP') for 2017–18. 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 2017–18, if the ROACE over-performance targets were achieved, was 33% of basic salary for the CEO and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed and accrued in the year they are earned. The amounts earned in 2017–18 will be paid in 2018–19.

iii. Long-Term Incentive Plan (LTIP)

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

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 2017–18. One started in 2015–16 and concluded in 2017–18 and amounts earned will be paid in 2018–19, the other started in 2016–17 and amounts earned will be paid in 2019–20. The third started in 2017–18 and amounts earned will be paid in 2020–21.

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.

Remuneration and Incentive Plan Payments (audited)

| Executive Management Team of The Royal Mint Limited | Remuneration | | | | Remuneration | | | |
|---|---|--|--|--|---|--|--|--|
| | Total Remuneration 2017-18 £'000 | before incentives 2017-18 £'000 | STIP amounts earned 2017-18 £'000 | LTIP amounts earned 2016-17 £'000 | Total Remuneration 2016-17 £'000 | before incentives 2016-17 £'000 | STIP amounts earned 2016-17 £'000 | LTIP amounts earned 2016-17 £'000 |
| Anne Jessopp | 185 | 154 | 22 | 9 | 213 | 153 | 38 | 22 |
| Andrew Mills | 142 | 134 | – | 8 | 196 | 153 | 21 | 22 |
| Chris Howard | 135 | 127 | – | 8 | 159 | 123 | 22 | 14 |
| Leighton John | 120 | 113 | – | 7 | 148 | 107 | 29 | 12 |
| Martin McDade | 111 | 109 | – | 2 | 114 | 90 | 24 | – |
| Sarah Bradley | 101 | 99 | – | 2 | 114 | 90 | 24 | – |
| Nicola Howell *** | 21 | 19 | 2 | – | – | – | – | – |
| Adam Lawrence* | 124 | 124 | – | – | 387 | 279 | 62 | 46 |
| Vin Wijeratne ** | 137 | 134 | – | 3 | 200 | 145 | 34 | 21 |

Board members were Adam Lawrence, Vin Wijeratne, Anne Jessopp and Andrew Mills.

* Adam Lawrence resigned on 31 October 2017 and therefore his remuneration is shown for the period to that date. His Full Time Equivalent salary was £387,000. Anne Jessopp was appointed as Chief Executive in February 2018.

** Vin Wijeratne resigned on 27 April 2018 and received £122,000 as compensation for loss of office in addition to the amounts above. His Full Time Equivalent salary was £134,000.

*** Nicola Howell was made Director of Consumer in February 2018 and therefore her remuneration is only shown from that date. Her full time equivalent salary is £126,000.

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

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 2017–18 the remuneration of the highest-paid Director of The Royal Mint was £387,000 (2016–17: £387,000). This was fourteen times (2016–17: eleven times) the median remuneration of the workforce, which was £28,000 (2016–17: £35,000). The change arose from a change in the mix of the workforce and the appointment of the Chief Executive in February 2018 which meant the remuneration of the highest-paid Director was much lower.

Pension Benefits Accrued (audited)

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

| | Value of pension benefits 2017–18 in CSPS £'000 | Value of pension benefits 2016–17 in CSPS £'000 | Employee Contributions paid 2017–18 £'000 | Increase in accrued pension in year in excess of inflation £'000 | Transfer Value as of 31 March 2018 £'000 | Transfer Value as of 31 March 2017 £'000 | Increase in Transfer Value less employees contributions £'000 |
|---------------|--|--|--|---|---|---|--|
| Anne Jessopp | 59 | 52 | 12 | 4 | 179 | 130 | 20 |
| Andrew Mills | 52 | 50 | 10 | 3 | 148 | 96 | 29 |
| Leighton John | 44 | 42 | 8 | 3 | 64 | 39 | 8 |
| Martin McDade | 88 | 314 | 8 | 5 | 416 | 310 | 72 |
| Sarah Bradley | 39 | 35 | 7 | 2 | 68 | 40 | 12 |

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

Vin Wijeratne, Chris Howard and Nicola Howell are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme. Employer contributions made during the year were as follows:

Vin Wijeratne £11,000 (2016–17: £15,000)

Chris Howard £10,000 (2016–17: £15,000)

Nicola Howell £7,000 (2016–17: £6,000)

Employment Agreements

All permanent members of the Executive Management Team covered by this Annual Report hold appointments which are open-ended until they reach retirement age. 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 agreed by UKGI.

| | 2017-18 £'000 | 2016-17 £'000 |
|------------------------|------------------|------------------|
| Peter Warry | 48 | 48 |
| David Morgan | 23 | 23 |
| Xenia Carr-Griffiths | 20 | 20 |
| Amanda Rendle | 18 | 18 |
| Michael Clayforth-Carr | 18 | 18 |

In addition, Non-Executive Directors are reimbursed for reasonable travel and subsistence expenses claimed in the performance of their duties and the total amount paid to the Non-Executive Directors was £11,000 (2016-17: £13,000).

Tim Martin and Jamie Carter received no fees from The Royal Mint Limited.

Philip Duffy
Accounting Officer
18 July 2018

Staff Report

(audited)

Total staff costs

| | 2017-18 £'000 | 2017-18 £'000 | 2016-17 £'000 | 2016-17 £'000 |
|---------------------------------|------------------|------------------|------------------|------------------|
| WAGES AND SALARIES | | | | |
| Staff with a permanent contract | 31,844 | | 31,182 | |
| Other staff | 1,009 | | 755 | |
| | | 32,853 | | 31,937 |
| SOCIAL SECURITY COSTS | | | | |
| Staff with a permanent contract | 3,223 | | 3,033 | |
| Other staff | 80 | | 61 | |
| | | 3,303 | | 3,094 |
| OTHER PENSION COSTS | | | | |
| Staff with a permanent contract | 5,443 | | 5,619 | |
| Other staff | 58 | | 54 | |
| | | 5,501 | | 5,673 |
| | | 41,657 | | 40,704 |

Average number employed

| | 2016-17 | 2016-17 | 2014-15 | 2014-15 |
|---------------------------------|---------|---------|---------|---------|
| PRODUCTION | | | | |
| Staff with a permanent contract | 558 | | 477 | |
| Other staff | 20 | | 14 | |
| | | 578 | | 491 |
| SALES AND MARKETING | | | | |
| Staff with a permanent contract | 140 | | 129 | |
| Other staff | 13 | | 12 | |
| | | 153 | | 141 |
| ADMINISTRATION | | | | |
| Staff with a permanent contract | 139 | | 204 | |
| Other staff | 13 | | 13 | |
| | | 152 | | 217 |
| | | 883 | | 849 |

Directors' emoluments

| | 2017–18 £'000 | 2016–17 £'000 |
|---|------------------|------------------|
| Aggregate emoluments excluding long-term incentive scheme | 695 | 1,012 |
| Compensation for loss of office | 122 | – |
| Aggregate amounts receivable under long-term incentive scheme | 20 | 112 |
| Contributions under defined contribution pension scheme | 11 | 15 |
| HIGHEST PAID DIRECTOR | | |
| Total amounts of emoluments and amounts receivable under long-term incentive scheme | 185 | 387 |
| Accrued defined benefit pension at year-end | 59 | – |
| Accrued lump sum pension at year-end | 179 | – |

Retirement benefits accrued to two executive directors under a defined benefit scheme during the year (2016–17: 2).

Staff composition

The number of people employed at 31 March 2018 was 877 (2017: 858). Of these employees, 656 are male and 221 female (2017: 651 male, 207 female). The Board of Directors of The Royal Mint Limited at 31 March 2018 comprised 7 male directors and 3 female (2017: 7 male, 3 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 is committed to having a diverse workforce with a culture that values the benefits that diversity brings. This includes but is not limited to disability and The Royal Mint gives full and fair consideration to applications for employment that disabled people make to the Group. The Royal Mint provides training, career development and promotion of disabled people and for the continuing employment and training of employees who have become disabled whilst in employment in the Group.

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

Sickness absence

The annual sickness absence rate for 2017–18 was 4.3% (2016–17: 4.9%).

Consultancy Spend

There was no consultancy spend in relation to staff during the year (2016–17: £Nil).

Off Payroll Engagements

There were no significant off payroll engagements during either year. Where The Royal Mint have any such agreements these comply with public sector and taxation rules.

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 2018 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 Financial Position, Consolidated and Royal Mint Trading Funds Statements of Cash Flows, Consolidated and Royal Mint Trading Fund Statements of Changes in Equity; 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 Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Royal Mint Trading Fund's affairs as at 31 March 2018 and of its profit 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officers 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 judgment 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;
- conclude on the appropriateness of management'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 Royal Mint Trading Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- 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.

I communicate with those charged with governance regarding, among 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, other than the parts of the Accountability Report described in that report 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 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 the 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 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.

Sir Amyas C E Morse
Comptroller and Auditor General
20 July 2018

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

Consolidated Income Statement

For the year ended 31 March 2018

| | Notes | Before IAS 39-related items and exceptionals 2017-18 £'000 | IAS 39-related items (note 5) 2017-18 £'000 | Exceptionals (note 5) 2017-18 £'000 | Total 2017-18 £'000 | Before IAS 39-related items and exceptionals 2016-17 £'000 | IAS 39-related items (note 5) 2016-17 £'000 | Exceptionals (note 5) 2016-17 £'000 | Total 2016-17 £'000 |
|--|-------|---|--|--|---------------------------|---|--|--|---------------------------|
| Revenue | 2 | 415,872 | – | – | 415,872 | 506,489 | – | – | 506,489 |
| Cost of sales | | (368,120) | (26) | – | (368,146) | (451,811) | 526 | – | (451,285) |
| Gross profit/(loss) | | 47,752 | (26) | – | 47,726 | 54,678 | 526 | – | 55,204 |
| Administrative expenses | | (19,757) | – | (6,292) | (26,049) | (16,974) | – | (166) | (17,140) |
| Selling and distribution costs | | (23,070) | – | – | (23,070) | (23,407) | – | – | (23,407) |
| Other gains/(losses) – net | 22 | 1,868 | 2,147 | – | 4,015 | 244 | 244 | – | 488 |
| Operating profit/(loss) | 3 | 6,793 | 2,121 | (6,292) | 2,622 | 14,541 | 770 | (166) | 15,145 |
| Finance income | 6 | – | – | – | – | 4 | – | – | 4 |
| Finance costs | 6 | (556) | – | – | (556) | (627) | – | – | (627) |
| Share of net profit of associate accounted for using the equity method | 24 | 76 | – | – | 76 | – | – | – | – |
| Profit/(loss) before tax | | 6,313 | 2,121 | (6,292) | 2,142 | 13,918 | 770 | (166) | 14,522 |
| Taxation | 7 | | | | (1,823) | | | | (3,040) |
| Profit for the financial year | | | | | 319 | | | | 11,482 |
| Profit attributable to: Owners of the parent | | | | | 319 | | | | 11,482 |

The notes on pages 52 to 90 form part of the Accounts.

Consolidated Statement of Comprehensive Income For the year ended 31 March 2018

| | Notes | 2017-18 £'000 | 2016-17 £'000 |
|--|-------|------------------|------------------|
| Profit for the financial year | | 319 | 11,482 |
| Other comprehensive income: | | | |
| Items that may be reclassified to profit or loss | | | |
| Cash flow hedges | | (217) | 358 |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements for defined benefit scheme | 17 | 484 | (5,758) |
| Deferred tax on remeasurements for defined benefit scheme | 16 | (82) | 979 |
| Revaluation | 8 | 1,800 | – |
| Other comprehensive income for the period, net of tax | | 1,985 | (4,421) |
| Total comprehensive income for the year | | 2,304 | 7,061 |
| Total comprehensive income attributable to: HM Treasury | | 2,304 | 7,061 |

Royal Mint Trading Fund Statement of Comprehensive Income For the year ended 31 March 2018

| | 2017-18 £'000 | 2016-17 £'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 52 to 90 form part of the Accounts.

Consolidated Statement of Changes in Equity

| | Public Dividend Capital £'000 | Revaluation Reserve £'000 | Retained Earnings £'000 | Hedging Reserve £'000 | Heritage Assets Reserve £'000 | Total Equity £'000 |
|--|--|---------------------------------|-------------------------------|-----------------------------|--|--------------------------|
| AT 1 APRIL 2017 | 5,500 | 3,158 | 55,775 | 215 | 26,296 | 90,944 |
| Movements in the year: | | | | | | |
| Profit for the financial year | – | – | 319 | – | – | 319 |
| Cash flow hedges | – | – | – | (217) | – | (217) |
| Remeasurements for the defined benefit scheme | – | – | 484 | – | – | 484 |
| Deferred tax on actuarial loss of the defined benefit scheme | – | – | (82) | – | – | (82) |
| Revaluation | – | 1,800 | – | – | – | 1,800 |
| Transfers | – | (300) | (9) | – | 309 | – |
| Total Comprehensive Income for the year | – | 1,500 | 712 (4,000) | (217) | 309 | 2,304 |
| Transactions with HM Treasury – dividends | – | – | – | – | – | (4,000) |
| AT 31 MARCH 2018 | 5,500 | 4,658 | 52,487 | (2) | 26,605 | 89,248 |

| | Public Dividend Capital £'000 | Revaluation Reserve £'000 | Retained Earnings £'000 | Hedging Reserve £'000 | Heritage Assets Reserve £'000 | Total Equity £'000 |
|--|--|---------------------------------|-------------------------------|-----------------------------|--|--------------------------|
| At 1 April 2016 | 5,500 | 3,158 | 53,294 | (143) | 26,074 | 87,883 |
| Movements in the year: | | | | | | |
| Profit for the financial year | – | – | 11,482 | – | – | 11,482 |
| Cash flow hedges | – | – | – | 358 | – | 358 |
| Remeasurements for defined benefit scheme | – | – | (5,758) | – | – | (5,758) |
| Deferred tax on actuarial loss of defined benefit scheme | – | – | 979 | – | – | 979 |
| Transfers | – | – | (222) | – | 222 | – |
| Total Comprehensive Income for the year | – | – | 6,481 | 358 | 222 | 7,061 |
| Transactions with HM Treasury – dividends | – | – | (4,000) | – | – | (4,000) |
| AT 31 MARCH 2017 | 5,500 | 3,158 | 55,775 | 215 | 26,296 | 90,944 |

The notes on pages 52 to 90 form part of the Accounts.

Royal Mint Trading Fund

Statement of Changes in Equity

| | Public Dividend Capital £'000 | Profit and Loss Account £'000 | Total £'000 |
|--|--|--|----------------|
| AT 1 APRIL 2017 | 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 2018 | 5,500 | 49,819 | 55,319 |

| | Public Dividend Capital £'000 | Profit and Loss Account £'000 | Total £'000 |
|--|--|--|----------------|
| AT 1 APRIL 2016 | 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 2017 | 5,500 | 49,819 | 55,319 |

The notes on pages 52 to 90 form part of the Accounts.

Consolidated Statement of Financial Position

At 31 March 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|-----------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 66,052 | 70,539 |
| Heritage assets | 9 | 26,795 | 26,401 |
| Intangible assets | 10 | 11,791 | 11,063 |
| Deferred tax asset | 16 | 1,419 | 1,464 |
| Investment in associate | 24 | 1,076 | – |
| TOTAL NON-CURRENT ASSETS | | 107,133 | 109,467 |
| CURRENT ASSETS | | | |
| Inventories | 11 | 49,850 | 30,336 |
| Derivative financial instruments | 23 | 2,789 | 728 |
| Deferred tax asset | 16 | 319 | 500 |
| Trade and other receivables | 12 | 33,933 | 32,452 |
| Cash and cash equivalents | 21 | 10,242 | 7,868 |
| TOTAL CURRENT ASSETS | | 97,133 | 71,884 |
| CURRENT LIABILITIES | | | |
| Borrowings | 13 | (270) | (28,000) |
| Trade and other payables | 14 | (67,836) | (44,993) |
| Current tax liability | 7 | (1,006) | (1,310) |
| Derivative financial instruments | 23 | (617) | (2,028) |
| TOTAL CURRENT LIABILITIES | | (69,729) | (76,331) |
| NET CURRENT ASSETS/(LIABILITIES) | | 27,404 | (4,447) |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 13 | (30,879) | – |
| Accruals and Deferred Income | 14 | (1,878) | (2,047) |
| Retirement benefit liability | 17 | (7,432) | (8,469) |
| Deferred tax liability | 16 | (2,081) | (2,636) |
| Provision for liabilities and charges | 15 | (3,019) | (924) |
| NET ASSETS | | 89,248 | 90,944 |
| EQUITY | | | |
| Public dividend capital | | 5,500 | 5,500 |
| Revaluation reserve | | 4,658 | 3,158 |
| Retained earnings | | 52,487 | 55,775 |
| Hedging reserve | | (2) | 215 |
| Heritage assets reserve | | 26,605 | 26,296 |
| TOTAL EQUITY | | 89,248 | 90,944 |

The notes on pages 52 to 90 form part of the Accounts.

Philip Duffy
Accounting Officer
18 July 2018

Royal Mint Trading Fund Statement of Financial Position At 31 March 2018

| | Notes | 2018 £'000 | 2017 Restated* £'000 |
|--------------------------------------|-------|-----------------|----------------------------|
| NON-CURRENT ASSETS | | | |
| Investments | 24 | 59,319 | 59,319 |
| Loan to group undertaking | 13 | 30,000 | 28,000 |
| TOTAL NON-CURRENT ASSETS | | 89,319 | 87,319 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | (4,000) | (4,000) |
| TOTAL CURRENT LIABILITIES | | (4,000) | (4,000) |
| Loan from National Loans Fund | 13 | (30,000) | (28,000) |
| TOTAL NON-CURRENT LIABILITIES | | (30,000) | (28,000) |
| NET ASSETS | | 55,319 | 55,319 |
| EQUITY | | | |
| Public dividend capital | | 5,500 | 5,500 |
| Retained earnings | | 49,819 | 49,819 |
| TOTAL EQUITY | | 55,319 | 55,319 |

* The prior year has been restated to present the loan from the National Loans Fund which is loaned to The Royal Mint Limited in a gross rather than net format. This has no impact on the total net assets.

The notes on pages 52 to 90 form part of the Accounts.

Philip Duffy
Accounting Officer
18 July 2018

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

| | Notes | 2017-18 £'000 | 2016-17 £'000 |
|---|-------|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 2,142 | 14,522 |
| Depreciation and amortisation on non-current assets | | 7,561 | 7,182 |
| Loss on disposal | | 45 | 123 |
| Impairment | | 3,980 | – |
| Interest | | 556 | 623 |
| Cash flow hedges | | (3,690) | 181 |
| Movements in working capital: | | | |
| Inventory | | (19,514) | 1,734 |
| Retirement benefit asset | | (553) | (538) |
| Trade and other receivables | | (1,480) | (7,135) |
| Trade and other payables | | 22,541 | 11,975 |
| Provisions | | 2,096 | 620 |
| Cash inflow/(outflow) from operations | | 13,684 | 29,287 |
| Tax paid | | (2,540) | (1,910) |
| Interest paid | | (501) | (649) |
| Net Cash inflow/(outflow) from operating activities | | 10,643 | 26,728 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | | (4,423) | (8,704) |
| Acquisition of intangible assets | | (1,995) | (2,721) |
| Acquisition of associate | | (1,000) | – |
| Interest received | | – | 4 |
| Government grants received | | – | 2,300 |
| Net cash used in investing activities | | (7,418) | (9,121) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (4,000) | (4,000) |
| Movement in loans | | 3,149 | (2,000) |
| Net cash used in financing activities | | (851) | (6,000) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at the start of the year | | 7,868 | (3,739) |
| Cash and cash equivalents at the end of the year | 21 | 10,242 | 7,868 |

The notes on pages 52 to 90 form part of the Accounts.

Royal Mint Trading Fund Statement of Cash Flows

For the year ended 31 March 2018

| | Notes | 2017-18 £'000 | 2016-17 £'000 |
|---|-------|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Operating profit | | – | – |
| Net cash inflow from operating activities | | – | – |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Dividends received from The Royal Mint Limited | | 4,000 | 4,000 |
| Movement in loans | | 2,000 | (2,000) |
| Net cash (used)/generated from investing activities | | 6,000 | 2,000 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (4,000) | (4,000) |
| Movement in loans | | (2,000) | 2,000 |
| Net cash generated/(used) in financing activities | | (6,000) | (2,000) |
| 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 52 to 90 form part of the Accounts.

Notes to the Accounts

Note 1

Principal accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FRoM). The accounts have been prepared under a direction issued by HM Treasury under the 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 and amended statements adopted by the Royal Mint Trading Fund

There were no new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2017 that had a material impact on the Royal Mint Trading Fund.

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 2017 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements or the Company except the following set out below. IFRS 9, Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The Group considers that the introduction of IFRS 9 will not have a significant impact.

IFRS 15, Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. Whilst there is a possibility that the standard may impact the timing of revenue recognition on certain circulating coin contracts, the Group is not anticipating any significant impact on profit from the adoption of IFRS 15.

IFRS 16, Leases, 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 January 2019. The Group is considering the impact of the standard. There are no other IFRS or IFRSIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.3 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.

Note 1 continued

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end 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 by way at least of triennial valuation 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.

Note 1 continued

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

| | Years |
|---|----------|
| Buildings (including integral features) | up to 50 |
| Delicate and electrical plant and machinery | 10 |
| Robust mechanical plant | 10 – 15 |
| IT hardware | 3 – 8 |
| Motor vehicles | 4 |

No depreciation is provided in respect of land.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other gains/(losses) – net in the Income Statement.

Property, plant and equipment within The Royal Mint Limited accounts is valued at cost to The Royal Mint Limited less accumulated depreciation.

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

Coins and medals – professional valuation undertaken during 2011–12.

Library, seal counterparts and trial plates – professional valuation undertaken during 2012–13.

Drawings and artwork – professional valuation undertaken during 2013–14.

Plaster models – professional valuation undertaken during 2015–16.

All significant classes of heritage assets have now been valued and valuations will now be undertaken every five years or if there is any indication of impairment.

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.

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 capitalised are those direct employee and other direct costs involved in the upscaling of the High Security Feature technology for commercial production.

Development costs are amortised when commercial production begins over the expected useful life of the technology 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. These costs are currently held within assets in the course of construction within intangible assets.

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.

Note 1 continued

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

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

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

(ii) Loans and receivables

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

1.9 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 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 Consolidated 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 derecognised 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.

Note 1 continued

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 remeasured 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 Consolidated Income Statement in Cost of Sales or 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.

Note 1 continued

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.

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 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.

Note 1 continued

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 Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue is recognised when the significant risks and rewards of ownership have 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 buyer must have taken title to the goods and accepted billing;
- it is probable delivery will take place;
- the goods must be on hand, identified and be ready for delivery to the buyer at the time the sale is recognised;
- the buyer must specifically acknowledge the deferred delivery instructions; and
- the usual payment terms apply.

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

Note 1 continued

1.20 Leases

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

1.21 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.

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.

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.

1.25 Going concern

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

Note 1 continued

1.26 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 circulating coin market represent such an impairment indicator as explained in note 5.

(c) Trade receivables

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation 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 asset lives for depreciation purposes is reviewed on a regular basis. Assessing the useful economic life of an asset is based on management judgement taking into account historical experience, wear and tear and the impact of technological change. Consequently, this represents a source of estimation uncertainty.

(f) Development costs

Development costs are accounted for in accordance with IAS 38 'Intangible Assets'. Costs that meet the qualifying criteria are capitalised and when the asset is complete are systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created, and its applicable useful economic life. These estimates are continually reviewed and updated.

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. The activities of RM Assets are currently unallocated due to immateriality.

A) Analysis by class of business 2017–18

| | Circulating £'000 | Consumer* £'000 | Bullion £'000 | Total Segments £'000 | Unallocated £'000 | Total £'000 |
|---------------------------------|----------------------|--------------------|------------------|----------------------------|----------------------|----------------|
| Segment revenue | 115,077 | 73,836 | 226,959 | 415,872 | – | 415,872 |
| Depreciation and amortisation | 5,728 | 1,783 | 50 | 7,561 | – | 7,561 |
| Operating profit/(loss) | 1,827 | 18,187 | 2,528 | 22,542 | (19,920) | 2,622 |
| Segment assets and liabilities: | | | | | | |
| Non-current assets | 52,000 | 51,643 | 1,290 | 104,933 | 2,200 | 107,133 |
| Current assets | 40,046 | 24,924 | – | 64,970 | 32,163 | 97,133 |
| Current liabilities | (21,537) | (30,746) | (8,122) | (60,405) | (9,324) | (69,729) |
| Non-current liabilities | (1,803) | (2,831) | – | (4,634) | (40,655) | (45,289) |
| Net assets | 68,706 | 42,990 | (6,832) | 104,864 | (15,616) | 89,248 |

The operating profit of Circulating is after an impairment of £4.0 million (see note 5).

Analysis by class of business 2016–17

| | Circulating £'000 | Consumer* £'000 | Bullion £'000 | Total Segments £'000 | Unallocated £'000 | Total £'000 |
|---------------------------------|----------------------|--------------------|------------------|----------------------------|----------------------|----------------|
| Segment revenue | 124,389 | 64,735 | 317,365 | 506,489 | – | 506,489 |
| Depreciation and amortisation | 5,468 | 860 | 142 | 6,470 | 711 | 7,181 |
| Operating profit/(loss) | 14,714 | 12,721 | 4,662 | 32,097 | (16,952) | 15,145 |
| Segment assets and liabilities: | | | | | | |
| Non-current assets | 56,185 | 50,745 | 1,073 | 108,003 | 1,464 | 109,467 |
| Current assets | 45,056 | 9,952 | 1,553 | 56,561 | 15,323 | 71,884 |
| Current liabilities | (18,981) | (15,472) | (1,981) | (36,434) | (39,897) | (76,331) |
| Non-current liabilities | (254) | (2,707) | – | (2,961) | (11,115) | (14,076) |
| Net assets | 82,006 | 42,518 | 645 | 125,169 | (34,225) | 90,944 |

The unallocated net liabilities comprise cash at bank and in hand, overdraft, borrowings, receivables and payables balances which are not specifically attributed to a segment in addition to the balances of subsidiary companies.

* Includes transactions, assets and liabilities of the Royal Mint Museum, notably heritage assets of £26.8 million (2017: £26.2 million).

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

| | 2017–18 £'000 | 2016–17 £'000 |
|--------------------------|------------------|------------------|
| UK | 197,076 | 241,878 |
| Germany | 45,622 | 59,842 |
| Rest of Europe | 34,809 | 37,050 |
| United States of America | 95,212 | 121,380 |
| Rest of Americas | 4,417 | 5,840 |
| Asia | 22,562 | 26,972 |
| Africa | 12,210 | 9,208 |
| Rest of the World | 3,964 | 4,319 |
| | 415,872 | 506,489 |

During 2017–18, revenue from two customers amounted to £61.7 million and £60.0 million (2016–17 two customers: £98.0 million and £82.0 million) which represented in excess of 10% of revenue.

Note 3 Operating profit

Operating profit is stated after charging/(crediting):

| | 2017–18 £'000 | 2016–17 £'000 |
|---------------------------------------|------------------|------------------|
| Depreciation and amortisation charges | 7,561 | 7,181 |
| Loss on disposal | 45 | 122 |
| Research and development | 2,846 | 1,579 |
| Commodity hedges | (2,121) | (526) |
| Precious metal consignment fees | 464 | 291 |
| Exceptional items (note 5) | 6,292 | 166 |
| Auditors' remuneration: | | |
| Audit of these financial statements | 20 | 20 |
| Audit of subsidiaries | 84 | 76 |
| Non-audit fees – other | – | 2 |

Note 4 Remuneration and employment

Details of the salary and pension entitlements of members of the Executive Management Team are included in the Remuneration Report on pages 35 to 39.

Total staff costs

| | 2017-18 £'000 | £'000 | 2016-17 £'000 | £'000 |
|---------------------------------|------------------|--------|------------------|--------|
| WAGES AND SALARIES | | | | |
| Staff with a permanent contract | 31,844 | | 31,182 | |
| Other staff | 1,009 | | 755 | |
| | | 32,853 | | 31,937 |
| SOCIAL SECURITY COSTS | | | | |
| Staff with a permanent contract | 3,223 | | 3,033 | |
| Other staff | 80 | | 61 | |
| | | 3,303 | | 3,094 |
| OTHER PENSION COSTS | | | | |
| Staff with a permanent contract | 5,443 | | 5,619 | |
| Other staff | 58 | | 54 | |
| | | 5,501 | | 5,673 |
| | | 41,657 | | 40,704 |

Average number employed

| | | | |
|---------------------------------|-----|-----|-----|
| PRODUCTION | | | |
| Staff with a permanent contract | 558 | | 477 |
| Other staff | 20 | | 14 |
| | | 578 | 491 |
| SALES AND MARKETING | | | |
| Staff with a permanent contract | 140 | | 129 |
| Other staff | 13 | | 12 |
| | | 153 | 141 |
| ADMINISTRATION | | | |
| Staff with a permanent contract | 139 | | 204 |
| Other staff | 13 | | 13 |
| | | 152 | 217 |
| | | 883 | 849 |

Directors' emoluments

| | 2017-18 £'000 | 2016-17 £'000 |
|---|------------------|------------------|
| Aggregate emoluments excluding long-term incentive scheme | 695 | 1,011 |
| Compensation for loss of office | 122 | – |
| Aggregate amounts receivable under long-term incentive scheme | 20 | 112 |
| Contributions under defined contribution pension scheme | 11 | 15 |
| HIGHEST PAID DIRECTOR | | |
| Total amounts of emoluments and amounts receivable under long-term incentive scheme | 185 | 387 |
| Accrued defined benefit pension at year-end | 59 | – |
| Accrued lump sum at year-end | 179 | – |

Retirement benefits accrued to two executive directors under a defined benefit scheme during the year (2016-17: 2).

Note 5 Exceptional items

A) Exceptional items

| | 2017-18 £'000 | 2016-17 £'000 |
|--|------------------|------------------|
| Impairment | 3,980 | – |
| Restructuring costs | 2,047 | – |
| Onerous lease provision | 265 | – |
| Professional fees associated with change in pension scheme | – | (166) |
| Exceptional charge | 6,292 | (166) |

The Group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. The directors of The Royal Mint Limited consider that changes in the circulating coin market represent such an impairment trigger. As part of this review assets of £4.0 million with no prospective use have been impaired and £4.0 million charged to the Income Statement. Further details are provided in note 8.

The restructuring costs relate to the exit of staff predominantly from Circulating Coin and through a release scheme which enabled staff to request to leave and receive a one off payment. The remaining restructuring costs relate to the decision to defer the launch of the RMG product.

An onerous lease provision has also been recognised in relation to the closure of the London office that was leased to support the RM Assets business.

B) Impact of IAS 39 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 IAS 39 at the year-end.

In accordance with the Group's accounting policy the hedge accounting rules under International Accounting Standards (IAS) 39 have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IAS 39) 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 IAS 39 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 IAS 39.

Note 6 Finance costs

| | 2017-18 £'000 | 2016-17 £'000 |
|--------------------------------------|------------------|------------------|
| On loans repayable within five years | 556 | 627 |

Finance income

| | 2017-18 £'000 | 2016-17 £'000 |
|------------------------|------------------|------------------|
| Bank interest received | – | 4 |

Note 7 Taxation

Analysis of tax charge in year

| | 2017–18 £'000 | 2016–17 £'000 |
|----------------------------|------------------|------------------|
| UK corporation tax: | | |
| Current year | 2,030 | 2,635 |
| Prior year | 203 | – |
| Deferred tax: | | |
| Current year | (83) | 405 |
| Prior year | (327) | – |
| Taxation charge | 1,823 | 3,040 |

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2017–18: 19%, 2016–17: 20%):

| | 2017–18 £'000 | 2016–17 £'000 |
|--|------------------|------------------|
| Profit before tax | 3,410 | 14,522 |
| Profit multiplied by the standard rate of corporation tax of 19% (2016–17: 20%) | 648 | 2,904 |
| Effects of: | | |
| Museum profit not taxable | (53) | (29) |
| Expenses not deductible for tax purposes | 1,212 | 317 |
| Difference in tax rate for deferred tax provision | 140 | (152) |
| Adjustments in respect of prior years | (124) | – |
| Taxation charge for year | 1,823 | 3,040 |

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The effective tax rate for the year was significantly higher than in the prior year due to pre-trading losses in relation to RM Assets (2017: Group 21.1% and Company 20.7%).

In addition to the amount debited to the Income Statement, a deferred tax charge relating to actuarial losses on defined benefit pension schemes of £82,000 (2017: £979,000 credit) has been credited directly to the Consolidated and Company Statements of Comprehensive Income.

Current tax liability

| | 2017–18 £'000 | 2016–17 £'000 |
|---------------------------|------------------|------------------|
| UK corporation tax | 1,006 | 1,310 |

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 | Total £'000 |
|--|------------------------|--------------------|---|---------------------------------|----------------|
| Valuation | | | | | |
| At 1 April 2017 | 4,052 | 20,948 | 6,813 | 112,168 | 143,981 |
| Additions | – | – | 4,273 | – | 4,273 |
| Transfers | – | 2,389 | (7,734) | 5,345 | – |
| Disposals | – | – | (45) | – | (45) |
| Revaluation | – | – | – | 7,189 | 7,189 |
| Impairment | – | – | – | (6,587) | (6,587) |
| At 31 March 2018 | 4,052 | 23,337 | 3,307 | 118,115 | 148,811 |
| Depreciation | | | | | |
| At 1 April 2017 | – | 1,002 | – | 72,440 | 73,442 |
| Charge for year | – | 1,110 | – | 5,425 | 6,535 |
| Disposals | – | – | – | – | – |
| Revaluation | – | – | – | 5,389 | 5,389 |
| Impairment | – | – | – | (2,607) | (2,607) |
| At 31 March 2018 | – | 2,112 | – | 80,647 | 82,759 |
| Net book value at 31 March 2018 | 4,052 | 21,225 | 3,307 | 37,468 | 66,052 |

| | Freehold land £'000 | Buildings £'000 | Payments on account and assets in the course of construction £'000 | Plant and machinery £'000 | Total £'000 |
|--|------------------------|--------------------|---|---------------------------------|----------------|
| VALUATION | | | | | |
| At 1 April 2016 | 4,052 | 13,119 | 21,954 | 100,837 | 139,962 |
| Additions | – | – | 9,310 | – | 9,310 |
| Transfers | – | 7,830 | (24,451) | 16,621 | – |
| Disposals | – | (1) | – | (5,290) | (5,291) |
| At 31 March 2017 | 4,052 | 20,948 | 6,813 | 112,168 | 143,981 |
| DEPRECIATION | | | | | |
| At 1 April 2016 | – | – | – | 72,382 | 72,382 |
| Charge for year | – | 1,002 | – | 5,226 | 6,228 |
| Disposals | – | – | – | (5,168) | (5,168) |
| At 31 March 2017 | – | 1,002 | – | 72,440 | 73,442 |
| Net book value at 31 March 2017 | 4,052 | 19,946 | 6,813 | 39,728 | 70,539 |

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 last valuation took place at 29 February 2016 and was provided by independent valuers Cushman and Wakefield in accordance with the guidelines set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Note 8 continued

The Group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. The Royal Mint Limited directors consider that changes in the circulating coin market represent such an impairment trigger. As part of this review assets of £4.0 million with no prospective use have been impaired and £4.0 million has been charged to the Income Statement.

The Group used the value in use method to estimate the recoverable amount of the related cash generating unit ('CGU') and compared this to the remaining related tangible and intangible fixed assets of £65.9 million. Management has identified that the CGU is represented by those cash flows generated which link to the UK Circulating coin contract. The value in use of the CGU has been determined using cash inflows for the related CGU projected over the estimated useful lives of the related assets. Cash inflows are based on the latest five-year plan which have then been extended to the end of the projected useful life with nil growth rate as regards cash flows from year five. The discount rate used of 8% has been determined by using a weighted average cost of capital. The recoverable amount is 34% greater than the net book value of assets related to the CGU and no additional impairment charge has been made.

Note 9 Heritage assets

| | 2017-18 £'000 | 2016-17 £'000 | 2014-15 £'000 | 2014-15 £'000 | 2013-14 £'000 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| At 1 April | 26,401 | 26,172 | 22,382 | 22,170 | 21,060 |
| Additions: | | | | | |
| At valuation | 309 | 222 | 247 | 189 | 62 |
| At purchase cost | 85 | 7 | 33 | 23 | 10 |
| Revaluation | – | – | 3,510 | – | 1,038 |
| At 31 March | 26,795 | 26,401 | 26,172 | 22,382 | 22,170 |

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. The total collection has been valued at £26.4 million. The collection will now be valued every five years or if there is an indication of impairment. The next valuation will be due in 2020-21.

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.
- 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 2017 | 8,222 | 4,098 | 1,868 | 952 | 15,140 |
| Additions | 1,754 | - | - | - | 1,754 |
| Transfers | (9,049) | 9,007 | 42 | - | - |
| At 31 March 2018 | 927 | 13,105 | 1,910 | 952 | 16,894 |
| Amortisation | | | | | |
| At 1 April 2017 | - | 3,372 | 117 | 588 | 4,077 |
| Amortisation for year | - | 545 | 117 | 364 | 1,026 |
| At 31 March 2018 | - | 3,917 | 234 | 952 | 5,103 |
| Net book value at 31 March 2018 | 927 | 9,188 | 1,676 | - | 11,791 |

Amortisation charges of £662,000 (2016-17: £402,000) and £364,000 (2016-17: £552,000) are included within administration expenses and cost of sales respectively. Additions to software licenses relate to the acquisition of a new ERP System.

Note 10 continued

| | 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 2016 | 7,932 | 4,256 | 62 | 952 | 13,202 |
| Additions | 2,703 | – | – | – | 2,703 |
| Transfers | (2,413) | 607 | 1,806 | – | – |
| Disposals | – | (765) | – | – | (765) |
| At 31 March 2017 | 8,222 | 4,098 | 1,868 | 952 | 15,140 |
| AMORTISATION | | | | | |
| At 1 April 2016 | – | 3,799 | 53 | 36 | 3,888 |
| Amortisation for year | – | 338 | 64 | 552 | 954 |
| Disposals | – | (765) | – | – | (765) |
| At 31 March 2017 | – | 3,372 | 117 | 588 | 4,077 |
| Net book value at 31 March 2017 | 8,222 | 726 | 1,751 | 364 | 11,063 |

Note 11 Inventories Consolidated

| | 2018 £'000 | 2017 £'000 |
|------------------------------------|---------------|---------------|
| Metal inventory | 29,779 | 15,570 |
| Work in progress (excluding metal) | 2,678 | 4,621 |
| Stores and packing materials | 5,134 | 4,484 |
| Finished goods | 12,259 | 5,661 |
| | 49,850 | 30,336 |

Inventories recognised as an expense in the year equated to cost of sales other than the movement in the inventory provision which was an increase of £2.0 million (2017: £3.1 million).

The Group enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the Company purchases the metal. The value of the physical metal is not recorded in the Statement of Financial Position. Inventory held on consignment amounted to £294.7 million at 31 March 2018 (2017: £176.4 million). Consignment fees under these arrangements are recognised within cost of sales.

Note 12

Trade and other receivables

Consolidated

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Trade receivables | 21,268 | 23,730 |
| Less provision for impairment of receivables | (322) | (215) |
| VAT | 11,141 | 7,146 |
| Prepayments and accrued income | 1,846 | 1,791 |
| | 33,933 | 32,452 |

Included within the receivables are the following:

| | 2018 £'000 | 2017 £'000 |
|---------------------------|---------------|---------------|
| Central Government bodies | 11,327 | 10,805 |
| Other Government bodies | 9 | 4 |
| NHS Trusts | 2 | 4 |
| | 11,338 | 10,813 |

The carrying value of the Royal Mint Trading Fund's trade and other receivables are denominated in the following currencies:

| | 2018 £'000 | 2017 £'000 |
|------------------------|---------------|---------------|
| British Pound Sterling | 24,508 | 24,649 |
| US Dollars | 7,939 | 7,600 |
| Euros | 1,486 | 203 |
| | 33,933 | 32,452 |

Provision is made for Consumer Coin Business direct to consumer receivables that become overdue for payment.

Movement in provision for impairment in receivables:

| | 2018 £'000 | 2017 £'000 |
|---------------------------------|---------------|---------------|
| At 1 April | (215) | (240) |
| Utilised/(provided) in the year | (107) | 25 |
| At 31 March | (322) | (215) |

Note 13 Borrowings Consolidated

| | 2018 £'000 | 2017 £'000 |
|----------------|---------------|---------------|
| Bank overdraft | – | – |
| Loans | 31,149 | 28,000 |
| | 31,149 | 28,000 |

The Royal Mint Trading Fund has a revolving credit facility with the National Loans Fund of £36 million until 28 February 2023, of which £30 million was drawn down at 31 March 2018. In addition The Royal Mint Limited has a fixed-term loan of which £1,150,000 was outstanding at 31 March 2018 – £270,000 is due in less than one year and the remaining balance of £880,000 is due in more than 1 year.

Note 14 Trade and other payables: amounts falling due within one year

| | 2018 £'000 | Consolidated 2017 £'000 | 2018 £'000 | Trading Fund 2017 £'000 |
|------------------------------|---------------|-------------------------------|---------------|-------------------------------|
| Trade payables | 15,241 | 17,656 | – | – |
| Other payables | 27,424 | 15,766 | – | – |
| Payments received on account | 13,487 | 3,412 | – | – |
| Taxation and social security | 966 | 896 | – | – |
| Proposed dividend | 4,000 | 4,000 | 4,000 | 4,000 |
| Accruals and deferred income | 6,718 | 3,263 | – | – |
| | 67,836 | 44,993 | 4,000 | 4,000 |

Included within the payables are the following.

Balances with other Government bodies not shown separately above

| | 2018 £'000 | 2017 £'000 |
|---------------------------------------|---------------|---------------|
| Other Central Government bodies | 7,491 | 3,126 |
| Public Corporations and Trading Funds | 17 | 421 |
| | 7,508 | 3,547 |

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

HM Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised on the Accounts when early departure decisions are made. The Consolidated Income Statement is charged with the full liability of new decisions taken and a provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2013 and 2021. The provision has been assessed at current prices at the Balance Sheet date, and in accordance with International Accounting Standard 19, has been discounted at a real rate of 1.5%, with the unwinding of the discount treated as an interest charge.

During the vesting process, our due diligence uncovered some low level historical contamination on site. We undertook detailed investigation of the causes and effects of the contamination and, based on advice from our environmental consultants, have provided in full for the expected remediation costs to meet legal obligations.

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

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 17% (2017: 17%).

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Liability at 1 April | 672 | 1,246 |
| Movements on deferred tax were: | | |
| Charged/(credited) to the Income Statement | (411) | 405 |
| Charged/(credited) to Statement of Comprehensive Income | 82 | (979) |
| Liability at 31 March | 343 | 672 |

Movements in deferred tax liabilities/(assets) were:

Deferred tax liabilities/(assets)

| | Assets £'000 | Liabilities £'000 | 2018 Net £'000 | Assets £'000 | Liabilities £'000 | 2017 Net £'000 |
|--------------------------------|-----------------|----------------------|----------------------|-----------------|----------------------|----------------------|
| Accelerated tax depreciation | – | 2,081 | 2,081 | – | 2,636 | 2,636 |
| Derivative instruments | (319) | – | (319) | (232) | – | (232) |
| Retirement benefit obligation | (1,263) | – | (1,263) | (1,440) | – | (1,440) |
| Tax losses | – | – | – | (268) | – | (268) |
| Other | (156) | – | (156) | (24) | – | (24) |
| Deferred tax liability/(asset) | (1,738) | 2,081 | 343 | (1,964) | 2,636 | 672 |

| | Accelerated tax depreciation £'000 | Derivative instruments £'000 | Retirement benefit obligations £'000 | Tax losses £'000 | Other £'000 | Total £'000 |
|--|---|------------------------------------|---|------------------------|----------------|----------------|
| At 1 April 2017 | 2,636 | (232) | (1,440) | (268) | (24) | 672 |
| Charged/(credited) to the Income Statement | (555) | (87) | 95 | 268 | (132) | (411) |
| Charged/(credited) to Statement of Comprehensive Income | – | – | 82 | – | – | 82 |
| At 31 March 2018 | 2,081 | (319) | (1,263) | – | (156) | 343 |

Deferred tax charged/(credited) to Statement of Comprehensive Income during the year was

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Actuarial gains/(losses) on defined benefits schemes | 82 | (979) |

Analysis of deferred tax liability/(asset)

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Deferred tax (asset) within 12 months | (319) | (500) |
| Deferred tax (asset) after 12 months | (1,419) | (1,464) |
| Deferred tax liability after 12 months | 2,081 | 2,636 |
| | 343 | 672 |

The deferred tax at 31 March 2018 has been calculated based on the rate of 17% which was substantively enacted at the balance sheet date. The deferred tax asset has been recognised as the Company are confident that future profits will arise against which the asset will be utilised.

Note 17

Retirement benefit schemes

Defined contribution scheme

The Group and Company operates a defined contribution scheme for employees who have joined the organisation since 1 January 2010 via The Royal Mint Limited Personal Pension Plan (GPP). The related pension assets are held in trustee-administered funds separate from the Group. The total cost charged to income of £1,278,000 (2016–17: £706,000) represents contributions payable to the scheme by the Group at rates specified in the plan rules.

Defined benefit scheme

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

| | |
|--------------------------|---|
| Prior to 1 January 2010 | Employees were members of the Civil Service Pension Scheme, an unfunded defined benefit scheme. |
| 1 January 2010 (Vesting) | <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> <ol 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 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated 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) their 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 2019 are £4,829,000.

Whilst the PCSPS and alpha are defined benefit schemes, they are accounted for by the Company as defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes. The total cost charged to income of £4,154,000 (2016–17: £4,967,000) 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 defined benefit scheme poses a number of risks to The Royal Mint Limited, 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 scheme 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 2013. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

Details of valuation assumptions

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

| | 2018 | 2017 |
|---|-----------------------------|---------------------------|
| Discount rate | 2.40% | 2.45% |
| Price inflation RPI | 2.90% | 3.10% |
| Price inflation CPI | 2.10% | 2.30% |
| Revaluation of deferred pensions: benefits accrued before 01/02/2014 | 2.90% | 3.10% |
| Revaluation of deferred pensions: benefits accrued after 01/02/2014 | 2.10% | 2.30% |
| Increase to pensions in payment: benefits accrued before 01/02/2014 | 2.90% | 3.10% |
| Increase to pensions in payment: benefits accrued after 01/02/2014 | 2.10% | 2.30% |
| Mortality assumption – pre-retirement | SAPS S2Px A CMI 2016(1.5%) | SAPS S2Px A CMI 2015(1%) |
| Mortality assumption – male post-retirement | SAPS S2PMA CMI 2016_M(1.5%) | SAPS S2PMA CMI 2015_M(1%) |
| Mortality assumption – female post-retirement | SAPSS2PFACMI2016_F(1.5%) | SAPSS2PFACMI2015_F(1%) |
| Future expected lifetime of current pensioner at age 65 at year-end | | |
| Male aged 65 at year-end | 87.3 | 87.0 |
| Female aged 65 at year-end | 89.2 | 89.0 |
| Future expected lifetime of future pensioner at age 65 at year-end | | |
| Male aged 45 at year-end | 89.1 | 88.3 |
| Female aged 45 at year-end | 91.0 | 90.5 |

Note 17 continued

The discount rate reflects the yield on the iBoxx 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:

| | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fair value of plan assets | 14,199 | 15,027 | 14,738 | 49,308 | 37,134 |
| Present value of plan liabilities | (21,631) | (23,496) | (17,987) | (55,081) | (39,619) |
| Net defined benefit (liability)/asset | (7,432) | (8,469) | (3,249) | (5,773) | (2,485) |

Amounts recognised in Statement of Comprehensive Income:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Service Cost: | | |
| Current service cost (net of employees contributions) | – | – |
| Administration expenses | 61 | 131 |
| Net interest expense | 198 | 105 |
| Past service cost and gain on settlement | – | 107 |
| Amounts charged to the Income Statement | 259 | 343 |
| Remeasurements of the net liability: | | |
| Return on scheme assets (excluding amounts included in interest expense) | 839 | (1,131) |
| (Gain)/Loss arising from changes in financial assumptions | (1,041) | 7,377 |
| Gain arising from changes in demographic assumptions | 422 | – |
| Experience loss/(gain) | (704) | (488) |
| (Credit)/charge recorded in other comprehensive income | (484) | 5,758 |
| Total defined benefit (Credit)/charge | (225) | 6,101 |

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

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Fair value of net liability at beginning of year | (8,469) | (3,249) |
| Movements in year: | | |
| Employer contributions | 812 | 881 |
| Administration expenses | (61) | (131) |
| Net interest cost | (198) | (107) |
| Past service cost | – | (105) |
| Re-measurement (losses)/gains: | | |
| Actuarial (losses)/gains arising from changes in financial assumptions | 1,041 | (7,377) |
| Actuarial gains arising from changes in demographic assumptions | (422) | – |
| Return on scheme assets (excluding amounts included in interest expense) | (839) | 1,131 |
| Other experience items | 704 | 488 |
| Net Scheme liabilities at end of year | (7,432) | (8,469) |

Note 17 continued

Changes in the present value of assets over the year:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Fair value of assets at beginning of year | 15,027 | 14,738 |
| Movements in year: | | |
| Return on scheme assets (excluding amounts included in interest expense) | (839) | 1,131 |
| Interest income | 364 | 513 |
| Employer contributions | 812 | 881 |
| Benefits paid | (1,104) | (2,105) |
| Administration expenses | (61) | (131) |
| Scheme assets at end of year | 14,199 | 15,027 |

Actual return on assets over the year was £(475,000) (2016–17: £1,644,000).

Changes in the present value of liabilities over the year:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Scheme liabilities at beginning of year | 23,496 | 17,987 |
| Movement in year: | | |
| Interest cost | 562 | 620 |
| Past service cost | – | 105 |
| Remeasurement losses/(gains): | | |
| Actuarial gains and losses arising from changes in financial assumptions | (1,041) | 7,377 |
| Actuarial gains and losses arising from changes in demographic assumptions | 422 | – |
| Other experience items | (704) | (488) |
| Benefits paid | (1,104) | (2,105) |
| Scheme liabilities at end of year | 21,631 | 23,496 |

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

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Deferred pensioners | 19,162 | 21,360 |
| Pensions in payment | 2,469 | 2,136 |
| | 21,631 | 23,496 |
| Average duration of the scheme's liabilities at the end of the period (years) | 33 | 30 |

Note 17 continued

The major categories of scheme assets are as follows:

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|---------------|---------------|
| RETURN SEEKING | | |
| UK Equities | 3,433 | – |
| Overseas Equities | 3,433 | – |
| Diversified Growth Fund | 715 | – |
| | 7,581 | – |
| DEBT INSTRUMENTS | | |
| Corporates | 3,297 | – |
| Index Linked | 3,321 | 15,027 |
| | 6,618 | 15,027 |
| Cash | – | – |
| Total market value of assets | 14,199 | 15,027 |

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 £2,190,000 to the Scheme during year ending 31 March 2019.

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £680,000 (increase by £708,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £687,000 (decrease by £662,000). 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 £828,000 (decrease by £837,000) if all the other assumptions remained unchanged.

Note 18 Capital commitments

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Commitments in respect of contracts – Tangible Assets | 2 | 716 |
| Commitments in respect of contracts – Intangible Assets | 53 | 244 |
| | 55 | 960 |

Note 19

Operating lease commitments

Consolidated

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Operating lease rentals due on leases expiring: | | |
| Less than one year | 294 | 889 |
| Between one and five years | 1,444 | 1,355 |
| | 1,738 | 2,244 |

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.

- The Royal Mint Limited's purchases from Sovereign Rarities were £1,246,000 (2016–17: £640,000) and the amount outstanding at 31 March 2018 was £48,000 (2017: £54,000).
- The Royal Mint Limited's sales to Sovereign Rarities were £69,000 (2016–17: £Nil) and the amount outstanding at 31 March 2018 was £Nil (2017: £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:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Salaries and other short-term employee benefits | 1,076 | 1,531 |
| Post-employment benefits | 191 | 164 |
| | 1,267 | 1,695 |

Note 21

Analysis of net funds/(debt)

Consolidated

| | At 1 April 2017 £'000 | Cash Flow £'000 | At 31 March 2018 £'000 |
|---|--------------------------|--------------------|---------------------------|
| The Royal Mint Museum: | | | |
| Cash at bank and in hand | 768 | (183) | 585 |
| The Royal Mint Limited: | | | |
| Cash at bank and in hand/(bank overdraft) | 7,100 | 2,557 | 9,657 |
| Loan | (28,000) | (3,149) | (31,149) |
| | (20,132) | (775) | (20,907) |

Analysis of net funds/(debt)

Trading Fund

| | At 1 April 2017 £'000 | Cash Flow £'000 | At 31 March 2018 £'000 |
|--------------------------|--------------------------|--------------------|---------------------------|
| Cash at bank and in hand | – | – | – |
| | – | – | – |

Note 22

Other gains/(losses) – net

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Foreign exchange gain | 1,715 | 129 |
| Foreign exchange forward contracts | 2,021 | 290 |
| Ineffectiveness of commodity hedges | 126 | (46) |
| Grant income released to the Income Statement | 153 | 115 |
| | 4,015 | 488 |

Note 23

Financial instruments

| | 2018 £'000 | 2017 £'000 |
|-----------------------------|---------------|---------------|
| Derivative asset | | |
| Foreign currency fair value | 2,031 | 218 |
| Commodity fair value | 705 | 282 |
| Precious metal fair value | 53 | 228 |
| | 2,789 | 728 |

| | 2018 £'000 | 2017 £'000 |
|-----------------------------|---------------|---------------|
| Derivative liability | | |
| Foreign currency fair value | 9 | 1,478 |
| Commodity fair value | 590 | 395 |
| Precious metal fair value | 18 | 155 |
| | 617 | 2,028 |

Note 23 continued

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.

| | Contract amount 2018 £'000 | Average forward rate 2018 | Fair value 2018 £'000 | Contract amount 2017 £'000 | Average forward rate 2016 | Fair value 2017 £'000 |
|---|-------------------------------------|---------------------------------|--------------------------------|-------------------------------------|---------------------------------|--------------------------------|
| Forward contract – sell £/buy EUR Maturing in less than 1 year | 1,315 | 1.1382 | (6) | 5,002 | 1.1521 | (50) |
| Forward contract – sell £/buy USD Maturing in less than 1 year | – | – | – | 4,972 | 1.2524 | 9 |
| Forward contract – sell £/buy CHF Maturing in less than 1 year | – | – | – | – | – | – |
| Forward contract – buy £/sell USD Maturing in less than 1 year | 28,036 | 1.3755 | 972 | 1,118 | 1.3795 | 121 |
| Maturing in more than 1 year | 14,039 | 1.3574 | 1,031 | – | – | – |
| | 42,075 | 1.3664 | 2,003 | 1,118 | 1.3795 | 121 |
| Forward contract – buy £/sell EUR Maturing in less than 1 year | 1,471 | 1.1184 | 26 | 32,987 | 1.3011 | (1,357) |

The Royal Mint Trading Fund's risk management policy is to enter into forward contracts for all of the 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

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 2018 | Effect on net earnings of a 10% decrease 2018 £'000 | Closing exchange rate 2017 | Effect on net earnings of a 10% decrease 2017 £'000 |
|------------|----------------------------------|---|----------------------------------|---|
| Euros | 1.1406 | (5) | 1.1637 | (248) |
| US Dollars | 1.4028 | 1,168 | 1.2483 | 825 |
| | | 1,163 | | 577 |

| | Closing exchange rate 2018 | Effect on net earnings of a 10% increase 2018 £'000 | Closing exchange rate 2017 | Effect on net earnings of a 10% increase 2017 £'000 |
|------------|----------------------------------|---|----------------------------------|---|
| Euros | 1.1406 | (59) | 1.1637 | 201 |
| US Dollars | 1.4028 | (1,021) | 1.2483 | (637) |
| | | (1,080) | | (436) |

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 IAS 39, ineffective portions of hedges are recognised in the Income Statement. The open commodity hedges as at 31 March are as follows:

| | Tonnes 2018 | Value at average price 2018 £'000 | Fair value 2018 £'000 | Tonnes 2017 | Value at average price 2017 £'000 | Fair value 2017 £'000 |
|-----------------------------------|----------------|---|-----------------------------|----------------|---|-----------------------------|
| Cashflow hedges: | | | | | | |
| Copper futures – | | | | | | |
| GBP denominated contracts: | | | | | | |
| Maturing in less than 1 year | 900 | 4,491 | (260) | 650 | 2,861 | 190 |
| Maturing in more than 1 year | – | (2) | 2 | – | – | – |
| | 900 | 4,489 | (258) | 650 | 2,861 | 190 |
| Nickel futures – | | | | | | |
| GBP denominated contracts: | | | | | | |
| Maturing in less than 1 year | 534 | 4,520 | 394 | 168 | 1,660 | (270) |
| Maturing in more than 1 year | – | 11 | (11) | 12 | 133 | (33) |
| | 534 | 4,531 | 383 | 180 | 1,793 | (303) |
| Zinc futures – | | | | | | |
| GBP denominated contracts: | | | | | | |
| Maturing in less than 1 year | 225 | 527 | (10) | – | – | – |
| | 225 | 527 | (10) | – | – | – |

Note 23 continued

Sensitivity analysis

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 2018 £ | Effect on net earnings of a 10% decrease 2018 £'000 | Effect on equity of a 10% decrease 2018 £'000 | Closing price/tonne 2017 £ | Effect on net earnings of a 10% decrease 2017 £'000 | Effect on equity of a 10% decrease 2017 £'000 |
|--------|-------------------------------|--|--|-------------------------------|--|--|
| Copper | 5,329 | (177) | (283) | 4,659 | (167) | (132) |
| Nickel | 9,128 | (324) | (150) | 7,866 | (219) | 68 |
| Zinc | 2,420 | (38) | (17) | 2,216 | – | – |
| | | (539) | (450) | | (386) | (64) |

| | Closing price/tonne 2018 £ | Effect on net earnings of a 10% increase 2018 £'000 | Effect on equity of a 10% increase 2018 £'000 | Closing price/tonne 2017 £ | Effect on net earnings of a 10% increase 2017 £'000 | Effect on equity of a 10% increase 2017 £'000 |
|--------|-------------------------------|--|--|-------------------------------|--|--|
| Copper | 5,329 | 177 | 283 | 4,659 | 167 | 132 |
| Nickel | 9,128 | 324 | 150 | 7,866 | 219 | (68) |
| Zinc | 2,420 | 38 | 17 | 2,216 | – | – |
| | | 539 | 450 | | 386 | 64 |

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

| | Ozs 2018 | Value at average price 2018 £'000 | Fair value 2018 £'000 | Ozs 2017 | Value at average price 2017 £'000 | Fair value 2017 £'000 |
|--|----------|--------------------------------------|--------------------------|----------|--------------------------------------|--------------------------|
| Gold forwards – GBP denominated contracts: Maturing in less than 1 year | 6,139 | 5,853 | 43 | 13,746 | 13,562 | 168 |
| Silver forwards – GBP denominated contracts: Maturing in less than 1 year | 80,310 | 966 | (8) | 157,961 | 2,243 | 60 |
| Gold swaps in place at the year-end – GBP denominated contract: Maturing in less than 1 year | – | – | – | (2,257) | (1,976) | (155) |

Note 23 continued

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 2018 £/oz | Effect on net earnings of a 10% decrease 2018 £'000 | Closing price 2017 £/oz | Effect on net earnings of a 10% decrease 2017 £'000 |
|----------|-------------------------------|---|-------------------------------|---|
| Gold | 942 | 590 | 996 | 1,130 |
| Silver | 12 | 96 | 15 | 230 |
| Platinum | 665 | – | 760 | – |
| | | 686 | | 1,360 |

| | Closing price 2018 £/oz | Effect on net earnings of a 10% increase 2018 £'000 | Closing price 2017 £/oz | Effect on net earnings of a 10% increase 2017 £'000 |
|----------|-------------------------------|---|-------------------------------|---|
| Gold | 942 | (590) | 996 | (1,130) |
| Silver | 12 | (96) | 15 | (230) |
| Platinum | 665 | – | 760 | – |
| | | (686) | | (1,360) |

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

| | Closing price 2018 £/oz | Effect on net earnings of a 10% change 2018 £'000 | Closing price 2017 £/oz | Effect on net earnings of a 10% change 2017 £'000 |
|----------|-------------------------------|---|-------------------------------|---|
| Gold | 942 | 199 | 996 | 164 |
| Silver | 12 | 14 | 15 | 14 |
| Platinum | 665 | 8 | 760 | 2 |
| | | 221 | | 180 |

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:

| | 2018 £'000 | Effect on net earnings of a 10% change 2018 £'000 | 2017 £'000 | Effect on net earnings of a 10% change 2017 £'000 |
|-------|---------------|---|---------------|---|
| Loans | 31,149 | 68 | 28,000 | 56 |

Note 23 continued

Credit risk

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

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

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

Circulating Coin receivables

Circulating Coin 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: | | | | |
| 2018 | 43 | 544 | 479 | 1,013 |
| 2017 | 124 | 43 | 88 | 210 |

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: | | | | |
| 2018 | 43 | – | 75 | 1 |
| 2017 | 443 | 46 | – | – |

Consumer 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: | | | |
| 2018 | 41 | 66 | 189 |
| 2017 | 88 | 2 | 90 |

Note 23 continued

Bullion

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 2018 or 2017.

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 2018 the amount is £33,900,000 (2017: £32,400,000). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

Hierarchy disclosure under IFRS 13

The fair value of financial instruments is based on mark to market information and considered to be at level 2 in terms of the hierarchy measurement requirements of IFRS 13, set out below:

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

Note 23 continued

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 £36 million until 28 February 2023, of which £30 million was drawn down at 31 March 2018. It is anticipated that this will be sufficient to meet future requirements.

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 2018

| | Less than 1 year £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|----------------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| Borrowings | 270 | 30,879 | – | – |
| Derivative financial instruments | 617 | – | – | – |
| Trade and other payables | 67,836 | – | – | – |

At 31 March 2017

| | Less than 1 year £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|----------------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| Borrowings | 28,000 | – | – | – |
| Derivative financial instruments | 2,028 | – | – | – |
| Trade and other payables | 44,097 | – | – | – |

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.

Note 23 continued

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:

| | Carrying value 2018 £'000 | Fair value 2018 £'000 | Carrying value 2017 £'000 | Fair value 2017 £'000 |
|--|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Assets as per the Statement of Financial Position: | | | | |
| Derivatives used for hedging | 705 | 705 | 282 | 282 |
| Trade and other receivables | 33,933 | 33,932 | 32,452 | 32,452 |
| Derivatives at fair value through profit and loss | 2,084 | 2,084 | 446 | 446 |
| Cash and cash equivalents | 10,242 | 10,242 | 7,868 | 7,868 |
| Liabilities as per the Statement of Financial Position: | | | | |
| Bank overdraft | | | | |
| Borrowings | (31,149) | (31,149) | (28,000) | (28,000) |
| Derivatives used for hedging | (590) | (590) | (395) | (395) |
| Derivatives at fair value through profit and loss | (27) | (27) | (1,633) | (1,633) |
| Trade and other payables | (67,836) | (67,836) | (44,097) | (44,097) |

Note 24 Investments in subsidiaries

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Cost at 31 March | 59,319 | 59,319 |
| Ownership | | |
| Subsidiaries | | |
| The Royal Mint Limited and its subsidiary RM Assets Limited | | 100% |
| The Royal Mint Museum | | 100% |
| Capital and reserves: | | |
| The Royal Mint Limited Group | 62,635 | 65,814 |
| The Royal Mint Museum Group | 2,371 | 2,094 |
| Profit for the year: | | |
| The Royal Mint Limited Group | 636 | 7,336 |
| The Royal Mint Museum | 277 | 145 |

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

Note 24 continued

On 1 June 2017, the Group acquired a 23.7% interest in an associate company, Sovereign Rarities Limited, during the year. Sovereign Rarities is also incorporated and domiciled in the UK and its principal activity is acting as a historic coin dealership.

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

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

The address of Sovereign Rarities is 32 St George Street, Mayfair, London W1S 2EA. All other subsidiaries are registered at The Royal Mint Limited, Pontyclun, CF72 8YT.

Note 25 Events after the reporting period

The Royal Mint Limited declared a dividend of £4 million to the Royal Mint Trading Fund.

Note 26 Authorisation for issue

The accounts were authorised to be issued by the Accounting Officer on the date they were certified by the Comptroller and Auditor General. Nobody has the power to amend the accounts after issue.



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