



The
Royal
Mint®



Established
for Tomorrow®

Royal Mint Trading Fund

Annual Report and Accounts 2018–19



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for Tomorrow®

Royal Mint Trading Fund

Annual Report and Accounts 2018–19

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 25 July 2019

HC 2358



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This document is also available from our website at royalmint.com

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Royal Mint Trading Fund

Annual Report and Accounts 2018–19

The Royal Mint Trading Fund Accounting Officer is Philip Duffy.

The Royal Mint Limited Directors

Graham Love*
Chairman

Anne Jessopp
Chief Executive

Andrew Mills
Director of Currency

David Morgan*

Xenia Carr-Griffiths*

Michael Clayforth-Carr*

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

Company Secretary
Christopher Inson

Executive Management Team

Anne Jessopp
Chief Executive

Andrew Mills
Director of Currency

Chris Howard
Director of Precious Metals

Nicola Howell
Director of Consumer Business

Leighton John
Director of Operations

Martin McDade
Director of Finance

Sarah Bradley
Director of HR and SHE

Jonathan McGregor
Chief Marketing Officer

The Royal Mint Museum and Royal Mint Museum Services Limited Directors

Dr Andrew Burnett
Chair

Sir Christopher Frayling

Rear Admiral John Lippiett CB, CBE DL

Lord Nick Macpherson of Earl's Court CGB

Crispin Wright

Victoria Rogers

Anna Brennand

Anne Jessopp

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Website: royalmintmuseum.org.uk

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

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

Internal auditor to The Royal Mint Limited
KPMG LLP

The Accounts of the Royal Mint Trading Fund at 31 March 2019, 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 2017–18. 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.

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

2018–19 was a transitional year in this process of change. The Currency business recorded an operating loss of £(0.7) million, but an important change programme is in place to ensure a sustainable future for this line of activity.

The Consumer business recorded outstanding results, with operating profits of £16.9 million. The development of new online retail channels has helped the Mint to increase profits in the Precious Metals business to £3.7 million in 2018–19, from £2.4 million in 2017–18. Precious Metals, along with the Collector Services Business and high-quality Gifting range, represent innovative new activities that will help the Mint thrive in the years to come.

Overall, the Mint recorded a consolidated net loss before tax for 2018–19 of £3.5 million (2017–18: £2.1 million profit). This outcome reflects a number of one-off accounting adjustments which are set out in these accounts. These mainly relate to the impairment of assets no longer required as circulating coin capacity reduces, and losses recognised on financial instruments held as foreign exchange rates have changed since contracts were placed. Before these one-off adjustments, the Royal Mint Trading Fund made a profit of £(2.3) million (2017–18: £6.8 million).

The Royal Mint Limited reported a return on average capital employed of 8.1% (2017–18: 13.5%); this is just below the Ministerial target of 10%. The Royal Mint Limited satisfied its other Ministerial targets on UK circulating coins, commemorative coins, and on medals.

The Royal Mint Museum continues to make significant progress in achieving its charitable objectives, having further developed its education programme at The Royal Mint Experience (RME).

In 2019–20 I hope we will see the fruits of the changes made this year, and a return to profitability. I am confident that the Mint's leadership team will be able to build a stronger business over the coming years, as an important employer, a provider of outstanding services to the public and real value for taxpayers.

Philip Duffy
Accounting Officer

Report of the Chief Executive of The Royal Mint Limited

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

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

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

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

Summary of the year

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

Despite the difficult trading environment, our team rose to the task with successes, celebrations and steep learning curves as we embed our strategy for reinvention. Whilst the results were

reduced year-on-year, we exceeded our recovery plan and our challenging targets. This over performance triggered a bonus for all employees in recognition of their personal contribution to our recovery plan.

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

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

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

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

Established businesses

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

UK Banks and the Post Office placed orders for new coin in the year.

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

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

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

Embedding businesses

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

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

An emerging business

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

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

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

Anne Jessopp
Chief Executive

Performance Report

For the year ended 31 March 2019

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

The Royal Mint Museum

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

Structure

The Chancellor of the Exchequer is the Master of the Mint. The Royal Mint Trading Fund was established on 1 April 1975, in accordance with the Royal Mint Trading Fund Order 1975 (S.I. 1975 No. 501) and from 1 April 2002, the Royal Mint Trading Fund (Extension and Variation) Order 2002, both made under the Government Trading Funds Act 1973. As a Trading Fund, The Royal Mint operates on commercial lines and is required under Section 4(i) of the Government Trading Funds Act 1973 to 'manage the funded operations so that the turnover of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to turnover'. In practice this statutory requirement is generally taken to mean that whilst the Royal Mint Trading Fund is permitted to record an operating loss in any one financial year, this loss should be made good in subsequent years so that financial break-even is achieved.

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

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

Operating and Financial Review

The Royal Mint Trading Fund returned an adjusted operating profit of £2.3 million¹ (2017–18: £6.8 million).

Revenue increased to £422.0 million (2017–18: £415.9 million). A reduction in revenue in Currency and to a much smaller extent in Consumer was offset by an increased Precious Metals revenue.

Adjusted operating profit decreased by 66% to £2.3 million (2017–18: £6.8 million).

Capital expenditure of £5.0 million (2017–18: £6.4 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 our IT systems including the development of a consolidated e-business platform for our Consumer and Precious Metals businesses; and
- construction of a wind turbine to provide energy to the business

Net assets increased by £5.0 million to £94.2 million. The increase in net assets has resulted from generating a loss after tax of £(2.7) million, revaluation of £11.2 million, a gain in the hedging reserve (£0.4 million), a reduction in the pension deficit net of deferred tax of £0.1 million, and payment of a dividend (£(4.0) million) relating to 2017–18 performance.

¹Adjusted operating profit is the operating profit before adjusted for the impact of IFRS 9 related items and exceptional items (see note 5).

Financial results summary

	2018–19 £m	2017–18 £m
REVENUE		
Circulating Coin		
UK	28.6	61.2
Overseas	76.7	53.9
Total Currency	105.3	115.1
Consumer	71.7	73.8
Precious Metals	244.3	227.0
New Businesses	0.7	–
Total	422.0	415.9
Operating profit/(loss)		
Currency	(0.7)	5.7
Consumer	16.9	18.2
Precious Metals	3.7	2.4
New Businesses	(0.1)	–
Central overheads	(16.7)	(14.5)
RM Assets	(0.8)	(5.0)
Adjusted Operating Profit	2.3	6.8
IFRS 9 related adjustments (note 5)	(2.4)	2.1
Exceptional items (note 5)	(2.4)	(6.3)
Operating (loss)/profit	(2.5)	2.6
Share of associate	0.1	0.1
Net finance cost	(1.1)	(0.6)
(Loss)/Profit before tax	(3.5)	2.1

Currency

Principal activities

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

Objectives and strategies

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

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

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

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

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

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

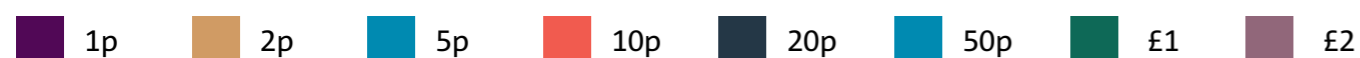
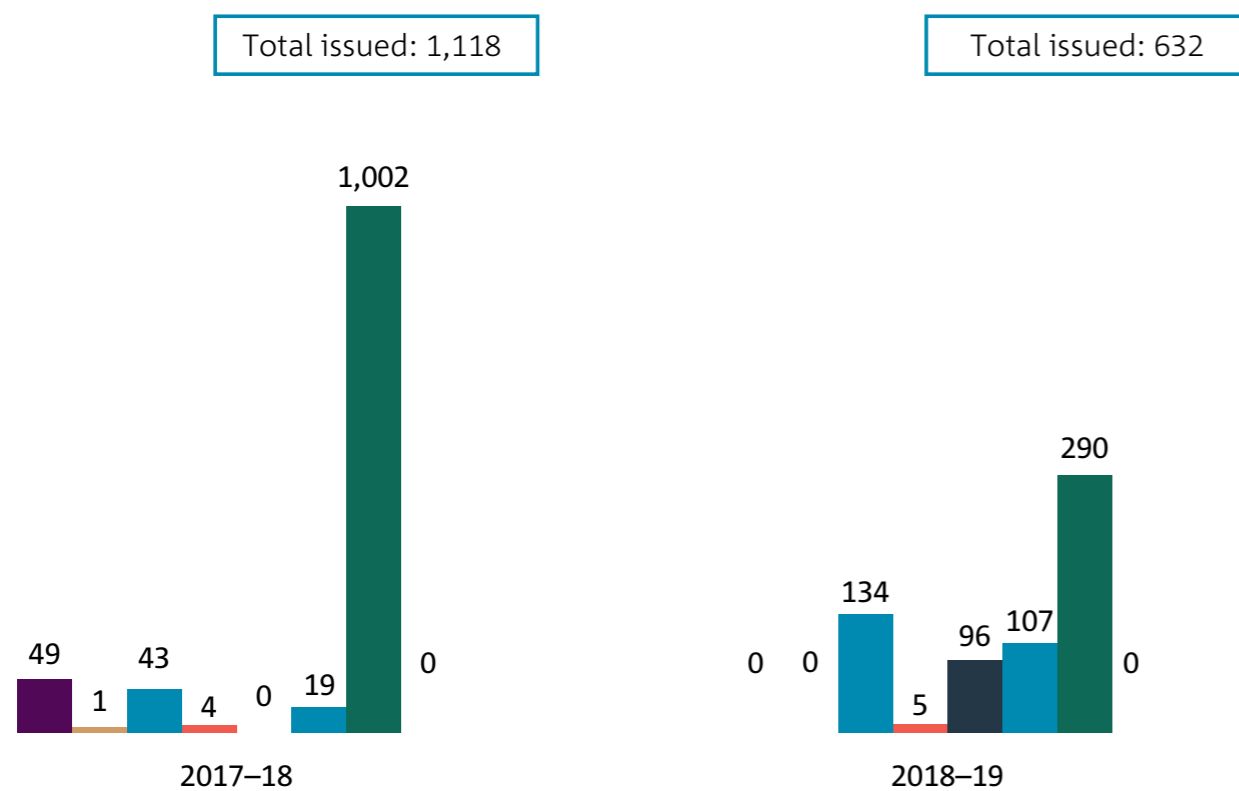
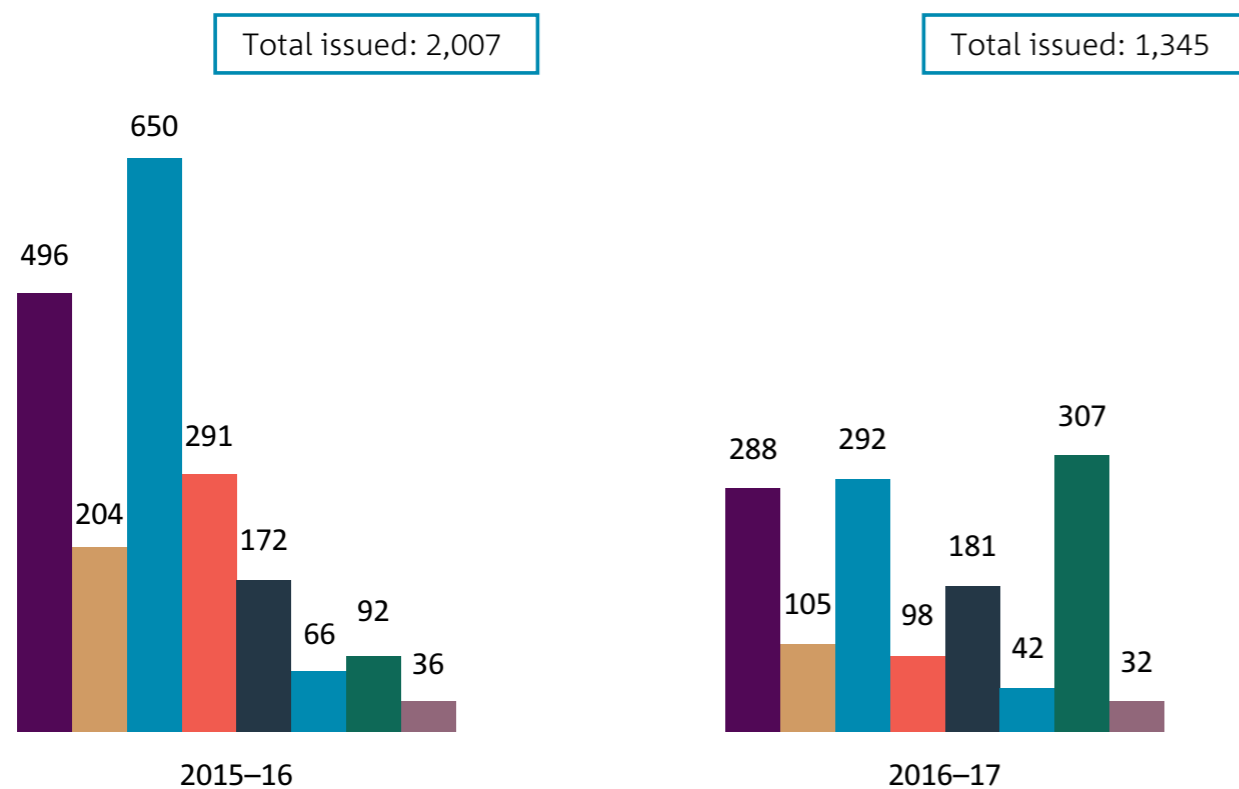
Operationally, we have made significant improvements in our key performance indicators such as On Time Delivery in Full ('OTIF') and Cost per Standard Hour ('CPSH') meeting our targets in both of these key measures. Our delivery function operated consistently and reliably supporting the despatch of 3.3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

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

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

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

UK Coins Issued in Year – Pieces in Millions



Consumer

Principal activities

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

Objectives and strategies

The Consumer strategies are to:

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

Performance

During the year, Consumer revenue decreased by 3% to £71.7 million (2017-18: £73.8 million). The contribution to adjusted operating profit decreased to £16.9 million (2017-18: £18.2 million).

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

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

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

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

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

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

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

Precious Metals

Principal activities

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

Objectives and strategies

The Precious Metals strategies are to:

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

Performance

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

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

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

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

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

Gifting

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

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

Dividends

Post year-end, the Board of The Royal Mint Limited declared a dividend for 2018–19 of £4.0 million. Dividends relating to 2017–18 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 2018–19 were in the following areas:

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

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

Derivative financial instruments

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

Metal prices

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

Currency

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

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

Consumer

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

Precious Metals

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

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

Foreign exchange

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

Effects of commodity hedging

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

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

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2018–19, the year-end impact was a loss of £(2.4) million (2017–18: £2.2 million gain). Financial risk management disclosures are set out in note 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 and a total of 90% (2017–18: 85.0%) of invoices were paid within the agreed period. We are pleased to report this is an improvement on the prior year following the embedding of our new IT system and we will continue to work with our suppliers and further develop our internal processes and systems in order to deliver further improvement in this measure.

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 the 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.

December 2018 marked our 50th year in Llantrisant and our employees and their families were invited to a celebratory event to acknowledge the contribution of employees over the last 50 years. This event was also extended to the local community.

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

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

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

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

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

Safety, Health and Environment (SHE)

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

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

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

The vision is implemented through the following strategies:

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

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

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

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

There has been a marked increase in the number of primary school children attending workshops in The Royal Mint Experience (RME) to 4,024 (1,880 in 2017–18).

This has partly been the result of a more competitive pricing model but it is also a reflection of the introduction of an additional workshop and improved communications with local schools.

The 'Tales from the Mint' evening talks programme continued, with five events being held and the subject matter ranging from *Frankenstein* to the 50th anniversary of The Royal Mint's relocation to South Wales.

A long-standing partnership with Edinburgh-based Museum on the Mound resulted in the creation of resources for the Science Festival taking place in Edinburgh during the Easter holidays of 2019. Members of the Museum team continued to deliver talks locally and throughout Britain. This year 34 were delivered to an estimated overall audience of 1,800 people.

Enhanced access to the collection

A key focus for improving access to the Museum's collection this year was the creation of a temporary exhibition gallery within the RME. It was an important project involving changes to two zones as well as logistical and technical challenges arising from the requirement to carve out a new area from the current gallery space. The first exhibition staged was themed around the 50th anniversary of The Royal Mint's move to South Wales which opened to the public in December 2018. The new gallery will be used in future to host a programme of changing exhibitions lasting for between nine to twelve months. Visitors to the RME for the period 1 April 2018 to 31 March 2019 were 77,052.

The Museum maintains a permanent exhibition at the Tower of London on the subject of the 500-year history of the Mint in the Tower. Last year, an estimated 850,000 people visited the exhibition. The Museum has items on permanent loan to the British Museum, the Ashmolean Museum, the Waterfront Museum in Swansea and the Museum on the Mound in Edinburgh. These provide access to the collection across a wide geographic area. Temporary exhibitions were staged at three locations. Preparations for additions to the collections aspect of the Museum's website were completed but will be uploaded when the website has moved to a new platform towards the end of 2019. The Royal Mint Museum's website had an average of 35,881 visits per month while the Facebook page saw a 15% increase in followers now totalling 3,332.

Collections management

Four machines, brought down to South Wales from The Royal Mint in London, were taken off-site by conservation specialists Pen-Y-Bryn Engineering, treated, painted and relocated to form part of the tour for visitors to the RME.

Significant inroads were made into removing a large number of coins from temporary storage and placing them in permanent locations within the collection. Approximately 10,000 master tools were received from the Tool Room and integrated into the collection in the Museum Store.

A project to catalogue the library of Sarah Sophia Banks was started and will be concluded during 2019. The intention is to publish the catalogue and to supplement it with a narrative introduction outlining the significance of the Library and include a selection of images of the books.

Research and publications

The book, *Objects of War: Currency in a Time of Conflict*, written by the Museum's Director, was published by the Museum in partnership with Spink. It explores the subject of the influence war has had on money.

The Assistant Curator, Chris Barker, completed his work on London to Llantrisant: 50 years of the Royal Mint in Wales, in time for the opening of the temporary exhibition space. Articles were written for the *British Numismatic Journal* and a monthly column on objects from the collection was published in *Coin News*. This feature of the magazine has now been running continuously for 16 years.

The 50th anniversary of The Royal Mint in Wales

Several related projects were developed by the Museum in connection with the 50th anniversary of The Royal Mint's move to South Wales. One of the more significant projects was the creation of a microsite devoted to the Mint's relocation. It contains film footage of the move, images from the Museum's photographic library, a summary narrative of the relocation and a timeline. In style and content, it is a departure from the Museum's existing website and signals a new direction for future development.

An area of the microsite is devoted to the Museum's oral history project which started in earnest during the year. Current and former employees have been interviewed by Abigail Kenvyn, the Exhibitions Manager, and their stories and memories have been uploaded to the site. Some have also been used in the temporary exhibition on the 50th anniversary.

A project was developed with Llantrisant Primary School on the theme of the move to South Wales. The school took the theme as its main autumn-term project. They developed songs, artwork and a play in collaboration with local artists and the narrative tiles they created as part of the art project are now on permanent display in the RME

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 has interests that conflict with their responsibilities.

Independent Auditors

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

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

Going concern

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

Directors' third-party and pension scheme indemnity provision

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

Outlook

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

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

Sustainability Report

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

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

Managing risk

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

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

Accreditations

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

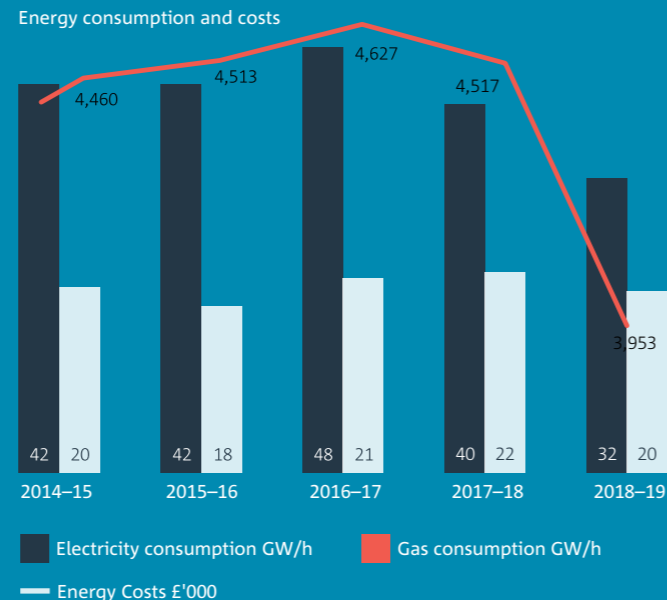
- ISO14001 (2015) Environmental Management System
- ISO50001 (2011) Energy Management System

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

Greenhouse gas emissions and energy consumption

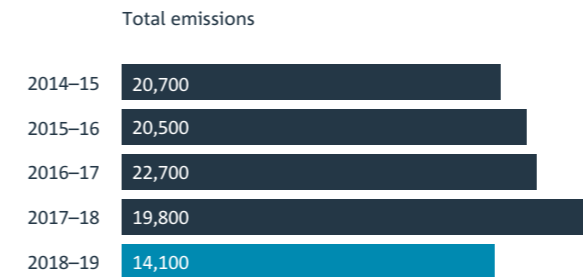
The use of energy continues to be a significant aspect of the organisation's environmental impact. The Royal Mint continually explores opportunities to improve energy efficiency throughout its activities and supply chain. This includes process improvements, investment in more energy efficient equipment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

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



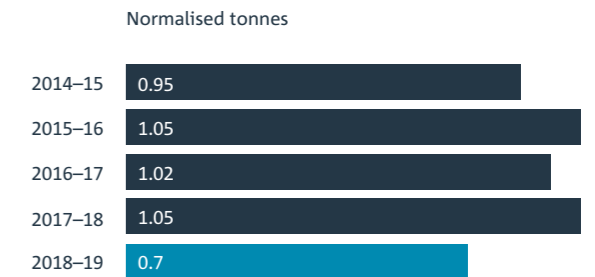
The energy consumption figures include both consumed grid energy and 'on-site' generated energy. The significant change in energy consumption per tonne is a result of the removal of on-site casting of non-ferrous metals.

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



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

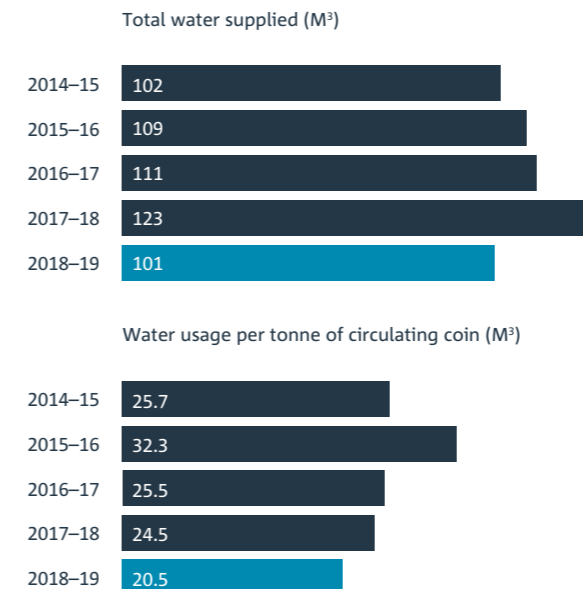
For 2018-19 normalised tonnage was 0.7 CO2 equivalent per tonne of Circulating Coin. The reduction in normalised emissions are also due to the reasons above.



Renewable Energy

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

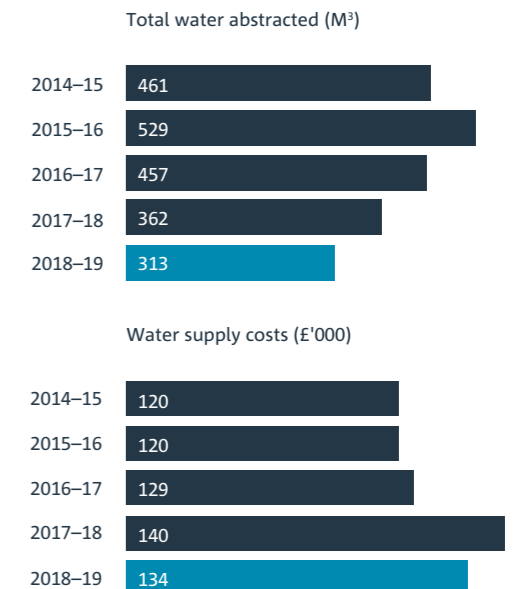
The Royal Mint commissioned an 'on-site' turbine late in 2018-19 which feeds directly to the site. This turbine generated 370,000 kWh for the year. Additionally, the previously installed photovoltaic (solar panel) systems generated 33,000 kWh.



Water consumption

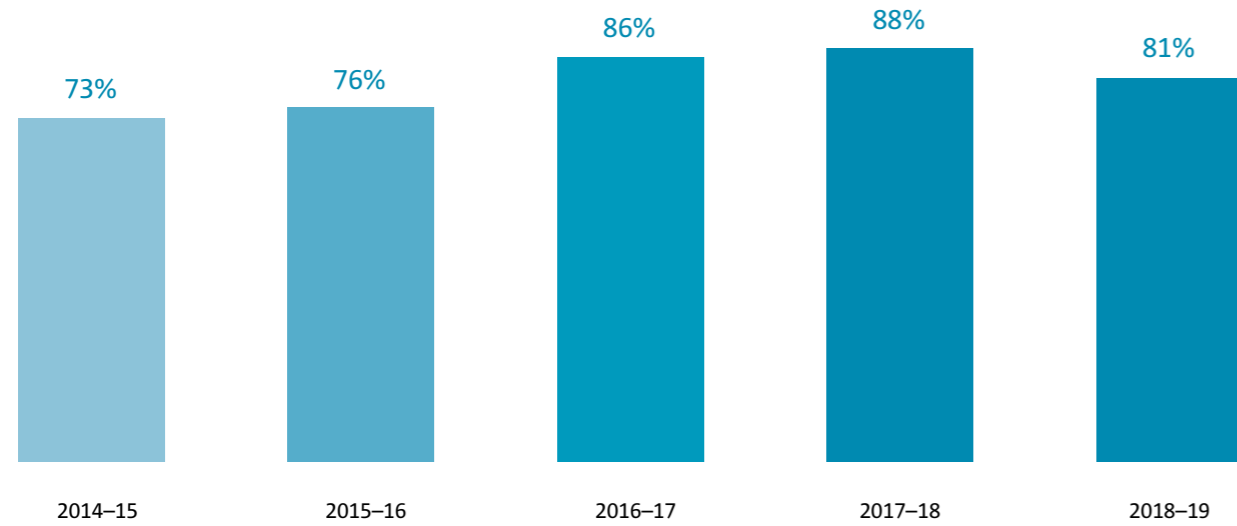
A large volume of water is consumed within the coin manufacturing process and as such The Royal Mint uses both potable (mains) and abstracted water in its processes.

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



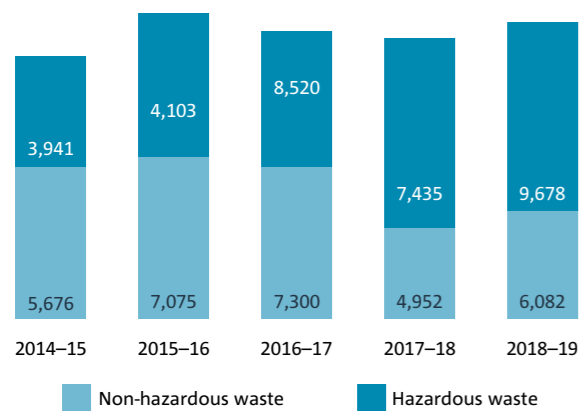
Waste

Waste recycled



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

Waste disposal (tonnes)



Waste costs (£'000)



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

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

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

Scope analysis

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

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

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

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

Finite resources

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

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

Protecting and enhancing the natural environment

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

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

Working with the supply chain

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

Reporting and data

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

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

Financial Summary

	2018-19 £'000	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000
UK Revenue	183,024	196,592	241,874	118,169	115,230
Overseas Revenue	239,008	219,280	264,615	242,553	144,438
Total Revenue	422,032	415,872	506,489	360,722	259,668
Operating (loss)/profit before IFRS 9 related items and exceptionals	2,273	6,793	14,541	13,520	11,324
IFRS 9 related items (note 5)	(2,397)	2,121	770	(660)	(317)
Exceptional items (note 5)	(2,328)	(6,292)	(166)	(152)	722
Operating (loss)/profit	(2,452)	2,622	15,145	12,708	11,729
Share of associate	88	76	-	-	-
Net interest	(1,125)	(556)	(623)	(368)	(155)
(Loss)/profit before tax	(3,489)	2,142	14,522	12,340	11,574
Taxation	720	(1,823)	(3,040)	(2,353)	(2,333)
(Loss)/profit after tax	(2,769)	319	11,482	9,987	9,241
Net assets	94,182	89,248	90,944	87,883	73,908
Operating profit before IFRS 9 related items and exceptionals/sales	0.5%	1.6%	2.9%	3.7%	4.4%
Operating profit/sales	(0.5)%	0.9%	3.0%	3.5%	4.5%

Key Ministerial Targets

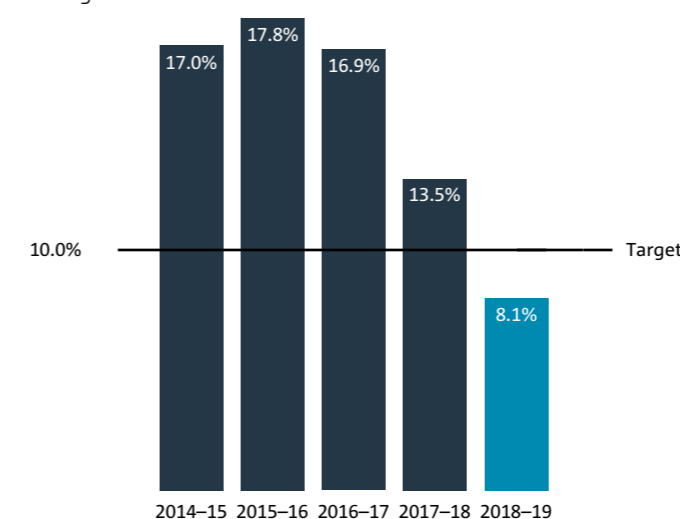
Key Performance Indicators (KPIs)

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)

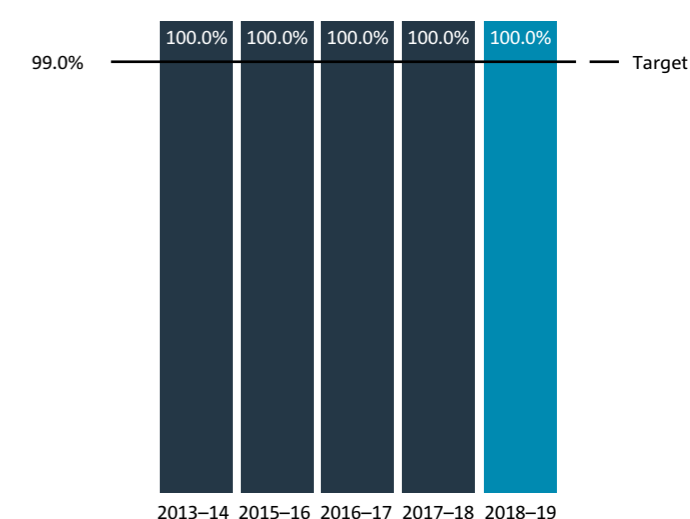
ROACE for The Royal Mint Group is calculated by expressing operating profit as a percentage of its average monthly capital employed. Operating profit has been modified to exclude IAS 19 Employee Benefits and IFRS 9 Financial Instruments related adjustments as well as Exceptional Items. From 2016-17 the Ministerial target is measured on a three-year rolling, average basis and was 8.1%.



Target 2

UK Circulating Coin

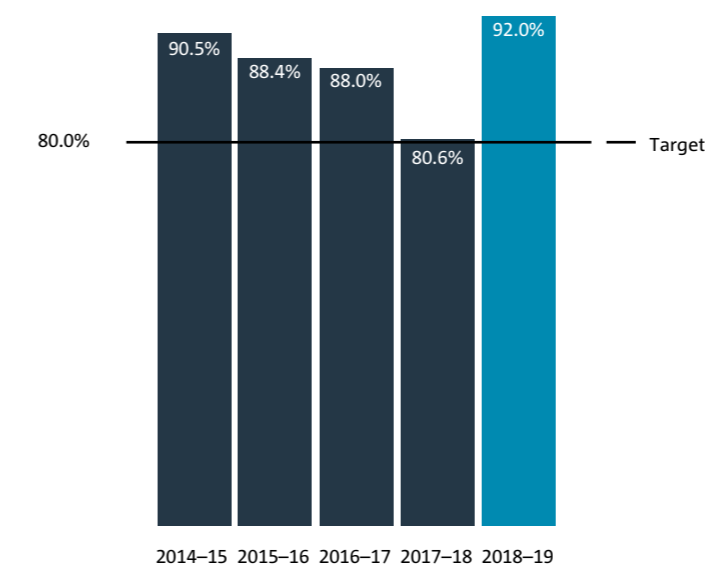
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

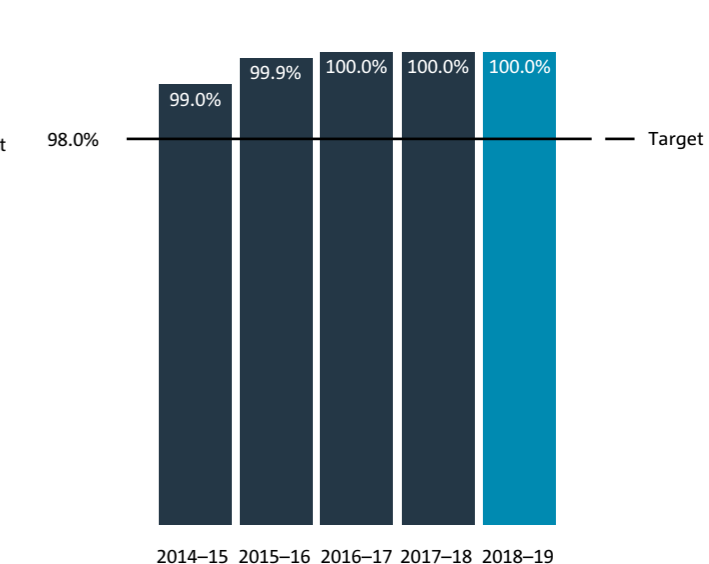
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



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. It is charged on behalf of HM Treasury and other government departments with the recommendation of new designs for United Kingdom coins, official medals, seals and decorations. The Committee is designated a Non-Departmental Public Body (NDPB) and its membership is regulated by the Office for the Commissioner of Public Appointments (OCA).

During the year there were four meetings, three taking place in London and one at The Royal Mint in Llantrisant. In addition, there were two meetings of the Sub-Committee on the selection of themes for new United Kingdom coins, both of which were held in London.

A Multi-Coin Series

Each year the Committee reviews designs that enter general circulation and those that are struck for collectors and the bullion market. It is well understood by members of the Committee that different considerations apply depending on the intended usage and when multi-coin series are being discussed an additional set of judgements needs to be taken into account.

A case in point is The Queen's Beasts Collection which has proven to be one of the most successful programmes of recent years and has attracted fulsome praise from the Committee. The series is the work of Jody Clark, a member of The Royal Mint's Coin Design team, who has the distinction of having created the current standard coinage portrait of Her Majesty The Queen. When embarking upon reviewing the initial submissions for the project, the Committee soon came to the conclusion that the series would look more coherent if designed by the same artist and also if a design template was employed.

Such an approach is by no means slavishly applied but in this instance it has worked particularly well because Mr Clark has devised characterful depictions of heraldic beasts that inhabit the parameters template in a fresh and vigorous way. There are a few more for the Committee to consider in the years ahead but members have gone out of their way to compliment Mr Clark on the quality of his heraldic imagination.

Remembrance Day

A series of collector coins of an entirely different nature is that relating to the national commemoration of Remembrance Day. It has been part of the British calendar of state occasions since it was inaugurated in 1919 by George V. Being the 100th anniversary this year, there has been more than the usual weight of significance attached to securing a design that would give due dignity to the event. It is an ongoing series but in this instance the Committee consciously sought out designs by different artists. This has been driven by the desire to present distinctive responses to the subject matter so that the act of commemoration can be supported by contemporary designs sympathetic to the established language of remembrance but without replaying commonplace approaches.

The Mayflower

The nature of how coinage designs are conceived, developed and approved, combined with the production schedules of The Royal Mint, means that much of the work of the Committee in any one given year is destined for release a year or more ahead. However, one 2020 theme that has already entered the public arena is the 400th anniversary of the sailing of the *Mayflower* from England to America. In part the early notice is because The Royal Mint has been in dialogue with the United States Mint with a view to issuing coins that tell the two sides of the story.

From the British point of view, the narrative is very much focused on the departure of the ship and its journey across the Atlantic, while for the United States it is about the early pilgrim settlement. Both countries have been working on designs for what will be complementary issues and by developing the coins in parallel, it has been possible for a more complete history to be told.

Professor Stephen Hawking

While plans are considered many years in advance, sometimes it is also appropriate to respond to events as they happen when they are judged sufficiently significant. One such instance arose during the year in the form of the death of the distinguished theoretical physicist Stephen Hawking. The Royal Mint had already set in place the foundations of a series on British scientific achievements and the passing of Professor Hawking was rightly judged to be worthy of inclusion and therefore for his immense contribution to be honoured by a United Kingdom coin.

The release date was timed to coincide with the one-year anniversary of his death and the public response to the coin was remarkable. This was almost certainly influenced by the respect in which Professor Hawking was held but also by the design, prepared by Edwina Ellis, which captures his work succinctly yet with a depth of meaning.

Medals

The remit of the Committee includes making recommendations to a range of government departments on the design of official medals and seals. One such project came before the Committee during the year through a requirement for a new medal to be known as the Wider Service Medal, which is being introduced to acknowledge the role played by a range of service personnel engaged in stressful duties although not necessarily in an open theatre of conflict. Further announcements about the medal will be made by the Ministry of Defence in due course.

Sub-Committee on the Selection of Themes

The Sub-Committee examines proposals for the programme of commemorative coins to be issued in forthcoming years, making recommendations through the main Committee to the Chancellor of the Exchequer. During the year there were two meetings of the Sub-Committee, the focus of attention being the programme for 2020 through to 2022.

Membership

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. A debt of gratitude is owed to the Chairman, Lord Waldegrave of North Hill, for presiding over the Committee's complex and sensitive deliberations with diplomacy and clear leadership. To members of the Committee, also, who give of their time freely, a deserved note of appreciation is due for the professionalism and imagination they bring to the table.

Membership of the Committee at 31 March 2019 (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 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 (until resignation), Director of Currency and Director of Finance). The Board met nine times in 2018–19 (2017–18: nine times). Attendance by members at the Board and Committee meetings is set out below:

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

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

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

The Role of the Board

The Board's role is to provide entrepreneurial leadership of The 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 2018-19 internal review and it was noted that action had been taken to address points arising from previous internal reviews. For example, specific skills have been sought in non-executive appointments to complement the breadth of activities undertaken by The Royal Mint, and additional focus on strategy has also been undertaken.

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

Audit Committee 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.

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

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

The Royal Mint Museum

The Museum is governed by a Board of Trustees who met four times during 2018–19 (2017–18: four times).

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

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

The Trustees consider the organisation's exposure to price risk, credit risk, liquidity risk and cash flow risk 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.

Losses and special payments (audited)

There have been no losses or special payments during the year which require disclosure in accordance with Managing Public Money (2017–18: £nil).

Conclusions

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

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

Philip Duffy
Accounting Officer
22 July 2019

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.

Remuneration Committee of The Royal Mint Limited

Remuneration Committee

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

Committee remit

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

Remuneration policy

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

Executive Management Team

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

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

Remuneration and Incentive Plan Payments (audited)

Executive Management Team's terms, conditions and remuneration

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

i. Basic salary

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

ii. Short-Term Incentive Plan (STIP)

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

STIP awards are disclosed and accrued in the year they are earned. The amounts earned in 2018–19 will be paid in 2019–20.

iii. Long-Term Incentive Plan (LTIP)

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

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

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

iv. Pension Scheme

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

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

v. Discretionary benefits allowance

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

The following sections provide details of the salaries, pension entitlements and fees of the Board members and Executive Management Team.

Whilst the results were reduced year-on-year, we exceeded our recovery plan and our challenging targets. Therefore the targets set by the remuneration committee in April 2018 for the current year have been achieved resulting in the STIP and LTIP bonuses being accrued as set out in the following table. In addition this over performance triggered a bonus for all employees in recognition of their personal contribution to our recovery plan.

Executive Management Team of The Royal Mint Limited	Remuneration 2018–19				Remuneration 2017–18			
	Total Remuneration £'000	Remuneration before incentives 2018–19 £'000	STIP amounts earned 2018–19 £'000	LTIP amounts earned 2018–19 £'000	Total Remuneration £'000	Remuneration before incentives 2017–18 £'000	STIP amounts earned 2017–18 £'000	LTIP amounts earned 2017–18 £'000
Anne Jessopp	339	215	71	53	185	154	22	9
Andrew Mills	205	137	41	27	142	134	–	8
Chris Howard	152	130	13	9	135	127	–	8
Leighton John	173	115	35	23	120	113	–	7
Martin McDade	152	119	18	15	111	109	–	2
Sarah Bradley	150	109	27	14	101	99	–	2
Nicola Howell *	150	118	24	8	21	19	2	–
Jonathan McGregor**	90	65	20	5	–	–	–	–
Vin Wijeratne ***	11	11	–	–	137	134	–	3
Adam Lawrence ****	–	–	–	–	124	124	–	–

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

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

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

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

**** Adam Lawrence resigned as Chief Executive on 31 October 2017.

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

Pension Benefits Accrued (audited)

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

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

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

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

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

Employment Agreements

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

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

Non-Executive Directors' terms, conditions and fees (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.

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

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

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

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

Jamie Carter received no fees from The Royal Mint Limited.

Philip Duffy
 Accounting Officer
 22 July 2019

Staff Report

(audited)

Total staff costs

	2018-19 £'000	2018-19 £'000	2017-18 £'000	2017-18 £'000
WAGES AND SALARIES				
Staff with a permanent contract	31,744		31,844	
Other staff	1,186		1,009	
		32,930		32,853
SOCIAL SECURITY COSTS				
Staff with a permanent contract	3,008		3,223	
Other staff	104		80	
		3,112		3,303
OTHER PENSION COSTS				
Staff with a permanent contract	5,407		5,443	
Other staff	107		58	
		5,514		5,501
		41,556		41,657

Average number employed

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

Directors' emoluments

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

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

Staff composition

The number of people employed at 31 March 2019 was 772 (2018: 877). Of these employees, 565 are male and 207 are female (2018: 656 male, 221 female). The Board of Directors of The Royal Mint Limited at 31 March 2019 comprised 6 male directors and 3 female (2018: 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.

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

Sickness absence

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

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 Royal Mint Trading Fund for the year ended 31 March 2019 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 Fund 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 and Remuneration Report that is described in those reports as having been audited.

In my opinion:

In my opinion:

- the financial statements give a true and fair view of the state of Royal Mint Trading Fund's affairs as at 31 March 2019 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional 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
- 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, but does not include the parts of the Accountability Report and Remuneration Report described in those reports as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report and Remuneration 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 Annual Report; and
- the information given in Annual 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 and Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
24 July 2019

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

Consolidated Income Statement For the year ended 31 March 2019

	Notes	Before IFRS 9-related items and exceptionals 2018-19 £'000	IFRS 9-related items (note 5) 2018-19 £'000	Exceptionals (note 5) 2018-19 £'000	Total 2018-19 £'000	Before IFRS 9-related items and exceptionals 2017-18 £'000	IFRS 9-related items (note 5) 2017-18 £'000	Exceptionals (note 5) 2017-18 £'000	Total 2017-18 £'000
Revenue	2	422,032	–	–	422,032	415,872	–	–	415,872
Cost of sales		(374,207)	(160)	–	(374,367)	(368,120)	(26)	–	(368,146)
Gross profit/(loss)		47,825	(160)	–	47,665	47,752	(26)	–	47,726
Administrative expenses		(17,653)	–	(2,328)	(19,981)	(19,757)	–	(6,292)	(26,049)
Selling and distribution costs		(26,153)	–	–	(26,153)	(23,070)	–	–	(23,070)
Other (losses)/gains – net	23	(1,746)	(2,237)	–	(3,983)	1,868	2,147	–	4,015
Operating profit/(loss)	3	2,273	(2,397)	(2,328)	(2,452)	6,793	2,121	(6,292)	2,622
Finance costs	6	(1,125)	–	–	(1,125)	(556)	–	–	(556)
Share of net profit of associate accounted for using the equity method	10	88	–	–	88	76	–	–	76
Profit/(loss) before tax		1,236	(2,397)	(2,328)	(3,489)	6,313	2,121	(6,292)	2,142
Taxation	7				720				(1,823)
(Loss)/Profit for the financial year					(2,769)				319
(Loss)/Profit attributable to: Owners of the parent					(2,769)				319

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

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

	Notes	2018-19 £'000	2017-18 £'000
(Loss)/Profit for the financial year		(2,769)	319
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges		430	(217)
Items that will not be reclassified to profit or loss			
Remeasurements for defined benefit scheme	17	38	484
Deferred tax on remeasurements for defined benefit scheme	16	(6)	(82)
Revaluation	8	11,241	1,800
Other comprehensive income for the period, net of tax		11,703	1,985
Total comprehensive income for the year		8,934	2,304
Total comprehensive income attributable to: HM Treasury		8,934	2,304

Royal Mint Trading Fund Statement of Comprehensive Income For the year ended 31 March 2019

	2018-19 £'000	2017-18 £'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 2018	5,500	4,658	52,487	(2)	26,605	89,248
Movements in the year:						
Loss for the financial year	–	–	(2,769)	–	–	(2,769)
Cash flow hedges	–	–	–	430	–	430
Remeasurements for defined benefit scheme	–	–	38	–	–	38
Deferred tax on actuarial loss of defined benefit scheme	–	–	(6)	–	–	(6)
Revaluation	–	477	–	–	10,764	11,241
Transfers	–	–	(277)	–	277	–
Total Comprehensive Income/ (expense) for the year	–	477	(3,014)	430	11,041	8,934
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
AT 31 MARCH 2019	5,500	5,135	45,473	428	37,646	94,182

	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 defined benefit scheme	–	–	484	–	–	484
Deferred tax on actuarial loss of defined benefit scheme	–	–	(82)	–	–	(82)
Revaluation	–	1,800	–	–	–	1,800
Transfers	–	(300)	(9)	–	309	–
Total Comprehensive Income for the year	–	1,500	712	(217)	309	2,304
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
AT 31 MARCH 2018	5,500	4,658	52,487	(2)	26,605	89,248

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 2018	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	–	4,000	4,000
Total Comprehensive Income for the year	–	4,000	4,000
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
AT 31 MARCH 2019	5,500	49,819	55,319

	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

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

Consolidated Statement of Financial Position At 31 March 2019

	Notes	2019 £'000	2018 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	63,253	66,052
Heritage assets	9	37,843	26,795
Intangible assets	10	13,571	11,791
Deferred tax asset	16	1,553	1,419
Investment in associate	24	1,164	1,076
TOTAL NON-CURRENT ASSETS		117,384	107,133
CURRENT ASSETS			
Inventories	11	52,787	49,850
Derivative financial instruments	23	1,379	2,789
Current tax asset	7	1,242	–
Deferred tax asset	16	–	319
Trade and other receivables	12	39,770	33,933
Cash and cash equivalents	21	1,202	10,242
TOTAL CURRENT ASSETS		96,380	97,133
CURRENT LIABILITIES			
Borrowings	13	(4,808)	(270)
Trade and other payables	14	(72,674)	(67,836)
Current tax liability	7	–	(1,006)
Derivative financial instruments	23	(1,722)	(617)
TOTAL CURRENT LIABILITIES		(79,204)	(69,729)
NET CURRENT ASSETS/(LIABILITIES)		17,176	27,404
NON-CURRENT LIABILITIES			
Borrowings	13	(30,770)	(30,879)
Accruals and Deferred Income	14	(1,725)	(1,878)
Retirement benefit liability	17	(5,451)	(7,432)
Deferred tax liability	16	(1,957)	(2,081)
Provision for liabilities and charges	15	(475)	(3,019)
NET ASSETS		94,182	89,248
EQUITY			
Public dividend capital		5,500	5,500
Revaluation reserve		5,135	4,658
Retained earnings		45,473	52,487
Hedging reserve		428	(2)
Heritage Assets reserve		37,646	26,605
TOTAL EQUITY		94,182	89,248

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

Philip Duffy
Accounting Officer
22 July 2019

Royal Mint Trading Fund Statement of Financial Position At 31 March 2019

	Notes	2019 £'000	2018 £'000
NON-CURRENT ASSETS			
Investments	24	59,319	59,319
Loan to group undertaking	13	30,000	30,000
TOTAL NON-CURRENT ASSETS		89,319	89,319
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)	(30,000)
TOTAL NON-CURRENT LIABILITIES		(30,000)	(30,000)
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

Philip Duffy
Accounting Officer
22 July 2019

Consolidated Statement of Cash Flows For the year ended 31 March 2019

	Notes	2018-19 £'000	2017-18 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		(3,489)	2,142
Depreciation and amortisation on non-current assets		6,054	7,561
Loss on disposal		–	45
Impairment		1,444	3,980
Interest		1,125	556
Cash flow hedges		2,946	(3,690)
Share of associates		(88)	–
Movements in working capital:			
Inventory		(2,936)	(19,514)
Retirement benefit asset		(1,943)	(553)
Trade and other receivables		(5,837)	(1,480)
Trade and other payables		3,460	22,541
Provisions		(2,544)	2,096
Cash inflow/(outflow) from operations		(1,808)	13,684
Tax paid		(1,473)	(2,540)
Interest paid		(1,142)	(501)
Net cash inflow/(outflow) from operating activities		(4,423)	10,643
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2,304)	(4,423)
Acquisition of intangible assets		(2,743)	(1,995)
Acquisition of associate		–	(1,000)
Net cash used in investing activities		(5,047)	(7,418)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		(109)	3,149
Net cash used in financing activities		(4,109)	(851)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of the year		10,242	7,868
Cash and cash equivalents at the end of the year	21	(3,337)	10,242

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 2019

	Notes	2018-19 £'000	2017-18 £'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
Net cash (used)/generated from investing activities		4,000	6,000
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		–	(2,000)
Net cash generated/(used) in financing activities		(4,000)	(6,000)
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 2018–19 Government Financial Reporting Manual (FReM). 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 FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Royal Mint Trading Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the accounts.

1.2 Changes in accounting policy and disclosures

New standards, amendments and interpretations

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

IFRS9, Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments. The standard has been adopted for the first time in the year ended 31 March 2019 but has not had a significant impact in the current or prior year with no prior year adjustment required. There were no other new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2018 that had a material impact on the Group or Company.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements or the Company except the following set out below. IFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). It replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. The standard was issued in January 2016 and is effective for The Royal Mint Trading Fund from 01 April 2020. The Group is currently considering the impact on the financial statements and does not expect the impact to be material.

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 quinquennial 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
Plant and machinery	up to 20

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

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

No meaningful valuation is possible with respect to master tools and dies for which cost information is unavailable. No valuation with respect to architectural plans, film reels, tapes and glass negatives is to be undertaken as their significance in relation to valuation is not judged sufficiently high to warrant expenditure on obtaining a valuation.

Assets acquired since vesting

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

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.

Note 1 continued

Licences for computer software

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

Research and Development costs

Research costs are expensed as incurred.

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

Software

Internal costs capitalised are those direct employee costs involved in the design and testing of the One Business System and are amortised over a period of three to eight years.

Patents, Trademarks and Licences

Separately acquired patents, trademarks and licences are shown at historic cost and are amortised over a period of three to eight years.

1.7 Impairment of non-financial assets

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

1.8 Financial assets

Financial assets are recognised when the Royal Mint Trading Fund becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the Income Statement or loans and receivables, as appropriate. Financial assets are classified at initial recognition and, where allowed and appropriate, this designation is re-evaluated at each financial year-end. When financial assets are recognised, initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

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

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

Note 1 continued

(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.

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.

Note 1 continued

(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.

(g) Heritage assets

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

Note 2 Segmental reporting

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

The following table presents revenue, operating profit and certain asset and liability information regarding the Royal Mint Trading Fund business segments for the years ending 31 March. The activities of RM Assets and RM Wynt are currently unallocated due to immateriality.

A) Analysis by class of business 2018–19

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

Analysis by class of business 2017–18

	Currency £'000	Consumer* £'000	Precious Metals £'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	12,721	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 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 £37.8m (2018: £26.8m).

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

	2018–19 £'000	2017–18 £'000
UK	183,024	197,076
Germany	54,977	45,622
Rest of Europe	24,229	34,809
United States of America	97,673	95,212
Rest of Americas	1,478	4,417
Asia	27,508	22,562
Africa	19,337	12,210
Rest of the World	13,806	3,964
	422,032	415,872

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

Note 3 Operating profit

Operating profit is stated after charging/(crediting):

	2018–19 £'000	2017–18 £'000
Depreciation and amortisation charges	6,055	7,561
Loss on disposal	–	45
Research and development	654	2,846
Commodity hedges	2,397	(2,121)
Precious metal consignment fees	861	464
Exceptional items (note 5)	2,328	6,292
Auditors' remuneration:		
Audit of these financial statements	20	20
Audit of subsidiaries	85	84

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

	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000
WAGES AND SALARIES				
Staff with a permanent contract	31,744		31,844	
Other staff	1,186		1,009	
		32,930		32,853
SOCIAL SECURITY COSTS				
Staff with a permanent contract	3,008		3,223	
Other staff	104		80	
		3,112		3,303
OTHER PENSION COSTS				
Staff with a permanent contract	5,407		5,443	
Other staff	107		58	
		5,514		5,501
Total staff costs		41,556		41,657

Average number employed

PRODUCTION				
Staff with a permanent contract	501		558	
Other staff	14		20	
		515		578
SALES AND MARKETING				
Staff with a permanent contract	163		140	
Other staff	18		13	
		181		153
ADMINISTRATION				
Staff with a permanent contract	124		139	
Other staff	5		13	
		129		152
Average number employed		825		883

Directors' emoluments

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

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

Note 5 Exceptional items

A) Exceptional items

	2018-19 £'000	2017-18 £'000
Impairment	1,444	3,980
Restructuring costs	884	2,047
Onerous lease provision	–	265
Exceptional charge	2,328	6,292

The group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. The directors consider that changes in the Circulating coin market represent such an impairment trigger. As part of this review assets of £1.4m with no prospective use have been impaired and charged to the Income Statement in the current year. This was in addition to the impairment in the prior year and related to assets where the decision to discontinue use was made during the year ended 31 March 2019. This is explained further in note 8.

The restructuring costs relate to the exit of staff predominantly from the Currency business and through a release scheme which enabled staff to request to leave and receive a one off payment. This continued in 18-19 with further staff electing to leave under the scheme. The remaining restructuring costs relate to the decision to defer the launch of the RMG product.

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

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

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

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

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

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

Note 6 Finance costs

	2018-19 £'000	2017-18 £'000
On loans repayable within five years	1,125	556

Note 7 Taxation

Analysis of tax charge in year

	2018-19 £'000	2017-18 £'000
UK corporation tax:		
Current year	–	2,030
Prior year	(775)	203
Deferred tax:		
Current year	(267)	(83)
Prior year	322	(327)
Taxation charge	(720)	1,823

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%):

	2018-19 £'000	2017-18 £'000
Profit before tax	(3,489)	3,410
Profit multiplied by the standard rate of corporation tax of 19% (2017-18: 19%)	(663)	648
Effects of:		
Museum profit not taxable	(164)	(53)
Expenses not deductible for tax purposes	528	1,212
Difference in tax rate for deferred tax provision	32	140
Adjustments in respect of prior years	(453)	(124)
Taxation charge for year	(720)	1,823

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

In addition to the amount debited to the Income Statement, a deferred tax charge relating to actuarial losses on defined benefit pension schemes of £6,000 (2017-18: £82,000) has been charged directly to the Consolidated and Company Statements of Comprehensive Income.

Current tax liability

	2018-19 £'000	2017-18 £'000
UK corporation tax	(1,242)	1,006

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 2018	4,052	23,337	3,307	118,115	148,811
Additions	–	–	3,503	–	3,503
Transfers	–	215	(3,420)	3,205	–
Disposals	–	–	–	(238)	(238)
Revaluation	–	–	–	1,507	1,507
Impairment	–	–	(297)	(3,605)	(3,902)
At 31 March 2019	4,052	23,552	3,093	118,984	149,681
Depreciation					
At 1 April 2018	–	2,112	–	80,647	82,759
Charge for year	–	1,120	–	3,978	5,098
Disposals	–	–	–	–	–
Revaluation	–	–	–	1,029	1,029
Impairment	–	–	–	(2,458)	(2,458)
At 31 March 2019	–	3,232	–	83,196	86,428
Net book value at 31 March 2019	4,052	20,320	3,093	35,788	63,253

	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

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

Note 8 continued

An interim valuation was carried out at 31 March 2019 by Lambert Smith Hampton who concluded that there was no change from the 2016 valuation. 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 £1.4 million with no prospective use have been impaired and £1.4 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

	2018-19 £'000	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000
Cost					
At 1 April	26,795	26,401	26,172	22,382	22,170
Additions:					
At valuation	277	309	222	247	189
At purchase cost	6	85	7	33	23
Revaluation	10,765	–	–	3,510	–
At 31 March	37,843	26,795	26,401	26,172	22,382
Net book value at 31 March	37,843	26,795	26,401	26,172	22,382
Net book value at 1 April	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. An update of the coin valuation was performed as at 31 March 2019 by Morton & Eden and the value of the collection had increased by £10.8 million. The valuation was based on their professional opinion regarding the market for collectable coins. The total collection is therefore valued at £37.8 million.

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

Note 9 continued

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

- Material relating to the working of The Royal Mint as an institution and a manufacturer. The equipment, including coinage tools dating back to the medieval period, is not represented in any other collection in Britain to the same scale and diversity.
- 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 2018	927	13,105	1,910	952	16,894
Additions	2,757	–	–	–	2,757
Transfers	(172)	172	–	–	–
Reclassifications	344	(44)	37	–	337
Disposals	(20)	–	–	–	(20)
At 31 March 2019	3,836	13,233	1,947	952	19,968
Amortisation					
At 1 April 2018	–	3,917	234	952	5,103
Amortisation for year	–	762	195	–	957
Reclassifications	–	290	47	–	337
At 31 March 2019	–	4,969	476	952	6,397
Net book value at 31 March 2019	3,836	8,264	1,471	–	13,571

Amortisation charges of £957,000 (2017-18: £622,000) and £Nil (2017-18: £364,000) are included within administration expenses and cost of sales respectively.

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 2017	8,222	4,098	1,868	952	15,140
Additions	1,754	–	–	–	1,754
Disposals	(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

Note 11 Inventories Consolidated

	2019 £'000	2018 £'000
Metal inventory	32,447	29,779
Work in progress (excluding metal)	2,707	2,678
Stores and packing materials	5,344	5,134
Finished goods	12,289	12,259
	52,787	49,850

Inventories recognised as an expense in the year equated to cost of sales other than the movement in the inventory provision which was a decrease of £1.0 million (2018: increase of £2.0 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 £274.1 million at 31 March 2019 (2018: £294.7 million). Consignment fees under these arrangements are recognised within cost of sales.

Note 12 Trade and other receivables Consolidated

	2019 £'000	2018 £'000
Trade receivables	37,761	21,268
Less provision for impairment of receivables	(356)	(322)
VAT	816	11,141
Prepayments and accrued income	1,549	1,846
	39,770	33,933

Included within the receivables are the following:

	2019 £'000	2018 £'000
Central Government bodies	8,793	11,327
Other Government bodies	12	9
NHS Trusts	4	2
	8,809	11,338

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

	2019 £'000	2018 £'000
British Pound Sterling	25,486	24,508
US Dollars	14,284	7,939
Euros	–	1,486
	39,770	33,933

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

	2019 £'000	2018 £'000
At 1 April	(322)	(215)
Provided in the year	(34)	(107)
At 31 March	(356)	(322)

Note 13 Borrowings Consolidated

	2019 £'000	2018 £'000
Bank overdraft	4,538	–
Loans less than one year	270	270
Loans greater than one year	30,770	30,879
	35,578	31,149

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 2019. In addition the Company has a fixed term loan of which £1,040,000 was outstanding at 31 March 2019 - £270,000 is due in less than one year and the remaining balance of £770,000 is due in more than 1 year. The Company also has an overdraft facility of £20 million.

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

	2019 £'000	Consolidated 2018 £'000	2019 £'000	Trading Fund 2018 £'000
Trade payables	22,167	15,241	–	–
Other payables	28,757	27,424	–	–
Payments received on account	8,646	13,487	–	–
Taxation and social security	908	966	–	–
Proposed dividend	4,000	4,000	4,000	4,000
Accruals and deferred income	8,196	6,718	–	–
	72,674	67,836	4,000	4,000

Included within the payables are the following.

Balances with other Government bodies not shown separately above

	2019 £'000	2018 £'000
Other Central Government bodies	1,253	7,491
Public Corporations and Trading Funds	33	17
	1,286	7,508

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	Environment Remediation £'000	Restructuring £'000	Onerous lease £'000	Total £'000
At 1 April 2018	792	160	1,802	265	3,019
Provided in year	–	–	883	–	883
Utilised in year	(451)	(26)	(2,685)	(265)	(3,427)
At 31 March 2019	341	134	–	–	475

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%).

	2019 £'000	2018 £'000
Liability at 1 April	343	672
Movements on deferred tax were:		
Charged/(Credited) to the Income Statement	55	(411)
Charged to Statement of Comprehensive Income	6	82
Liability at 31 March	404	343

Movements in deferred tax liabilities/(assets) were:

Deferred tax liabilities/(assets)

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

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

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

	2019 £'000	2018 £'000
Actuarial gains on defined benefits schemes	6	82

Analysis of deferred tax liability/(asset)

	2019 £'000	2018 £'000
Deferred tax (asset) within 12 months	–	(319)
Deferred tax (asset) after 12 months	(1,553)	(1,419)
Deferred tax liability after 12 months	1,957	2,081
	404	343

The deferred tax at 31 March 2019 has been calculated based on the rate of 17% which was substantively enacted at the balance sheet date. The deferred tax asset has been recognised as the Company is 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)	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. As part of the vesting process employees were given the option to transfer deferred benefits from the Civil Service Pension Scheme into RMLS.
31 March 2015	RMLS was closed for additional contributions on 31 March 2015 and members were given the option to join the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS), unfunded, defined benefit pension schemes, or to join GPP, a defined contribution scheme for future accrual. 21 members opted to join GPP, with the remainder opting to join PCSPS or CSOPS.
From 1 April 2015	Members of RMLS had until August 2015 to decide what to do with their deferred benefits held within RMLS from the following options: <ul style="list-style-type: none"> 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) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Risks

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

Details of valuation assumptions

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

	2019	2018
Discount rate	2.30%	2.40%
Price inflation RPI	2.90%	2.90%
Price inflation CPI	2.10%	2.10%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	2.90%	2.90%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.10%	2.10%
Increase to pensions in payment: benefits accrued before 01/02/2014	2.90%	2.90%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.10%	2.10%
Mortality assumption – pre-retirement	SAPS S2Px A CMI 2017(1.5%)	SAPS S2Px A CMI 2017(1.5%)
Mortality assumption – male post-retirement	SAPS S2PMA CMI 2017_M(1.5%)	SAPS S2PMA CMI 2017_M(1.5%)
Mortality assumption – female post-retirement	SAPSS2PFACMI2017_F(1.5%)	SAPSS2PFACMI2017_F(1.5%)
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year-end		
Female aged 65 at year-end	87.2	87.3
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year-end	89.1	89.2
Female aged 45 at year-end	88.9	89.1
	91.0	91.0

Note 17 continued

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

Amounts recognised in the Statement of Financial Position:

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

Amounts recognised in the Statement of Comprehensive Income

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

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

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

Note 17 continued

Changes in the present value of assets over the year:

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

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

Changes in the present value of liabilities over the year:

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

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

	2019 £'000	2018 £'000
Deferred pensioners	19,959	19,162
Pensions in payment	2,465	2,469
	22,424	21,631
Average duration of the scheme's liabilities at the end of the period (years)	32	33

Note 17 continued

The major categories of scheme assets are as follows:

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

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

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

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

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

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

Note 18 Capital commitments

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

Note 19 Operating lease commitments Consolidated

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

As detailed in note 15, a provision was recognised for an onerous lease in respect of the London office closure in the prior year. This is therefore not included in the commitments above

Note 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 (Sovereign Rarities Limited) with which it has transactions to buy and sell historic coins.

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

Remuneration of key management staff

Key management 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:

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

Note 21 Analysis of net funds/(debt) Consolidated

	At 1 April 2018 £'000	Cash Flow £'000	At 31 March 2019 £'000
The Royal Mint Museum: Cash at bank and in hand	585	163	748
The Royal Mint Limited: Cash at bank and in hand/(bank overdraft)	9,657	(13,741)	(4,084)
Loan	(31,149)	109	(31,040)
	(20,907)	(13,469)	(34,376)

Analysis of net funds/(debt) Trading Fund

	At 1 April 2018 £'000	Cash Flow £'000	At 31 March 2019 £'000
Cash at bank and in hand	–	–	–
	–	–	–

Note 23 Financial instruments

	2019 £'000	2018 £'000
Derivative asset		
Foreign currency fair value	426	2,031
Commodity fair value	182	705
Precious metal fair value	771	53
	1,379	2,789

	2019 £'000	2018 £'000
Derivative liability		
Foreign currency fair value	1,359	9
Commodity fair value	53	590
Precious metal fair value	310	18
	1,722	617

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

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

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

Commodity price risk

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

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

	Tonnes 2019	Value at average price 2019 £'000	Fair value 2019 £'000	Tonnes 2018	Value at average price 2018 £'000	Fair value 2018 £'000
Cash flow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	125	600	20	900	4,491	(260)
Maturing in more than 1 year	25	111	12	–	(2)	2
	150	711	32	900	4,489	(258)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	258	2,516	72	534	4,520	394
Maturing in more than 1 year	42	416	25	–	11	(11)
	300	2,932	97	534	4,531	383
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 2019 £	Effect on net earnings of a 10% decrease 2019 £'000	Effect on equity of a 10% decrease 2019 £'000	Closing price/tonne 2018 £	Effect on net earnings of a 10% decrease 2018 £'000	Effect on equity of a 10% decrease 2018 £'000
Copper	4,946	(105)	(31)	5,329	(177)	(283)
Nickel	10,008	(388)	(85)	9,128	(324)	(150)
Zinc	–	–	–	2,420	(38)	(17)
		(493)	(116)		(539)	(450)

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

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

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

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

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

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

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:

	2019 £'000	Effect on net earnings of a 10% change 2019 £'000	2018 £'000	Effect on net earnings of a 10% change 2018 £'000
Loans	31,040	76	31,149	68

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.

Currency receivables

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

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

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:				
2019	27	124	186	14
2018	43	–	75	1

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:			
2019	72	8	219
2018	41	66	189

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 2019 or 2018.

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 2019 the amount is £39,770,000 (2018: £33,900,000). 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 £36million until 28 February 2023, of which £30million 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 2019

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	4,808	30,770	–	–
Derivative financial instruments	1,722	–	–	–
Trade and other payables	72,674	–	–	–
Provisions for liabilities and charges	475	–	–	–

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	–	–	–
Provisions for liabilities and charges	3,019	–	–	–

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 2019 £'000	Fair value 2019 £'000	Carrying value 2018 £'000	Fair value 2018 £'000
Assets as per the Statement of Financial Position:				
Derivatives used for hedging	182	182	705	705
Trade and other receivables	39,770	39,770	33,933	33,932
Derivatives at fair value through profit and loss	1,197	1,197	2,084	2,084
Cash and cash equivalents	1,202	1,202	10,242	10,242
Liabilities as per the Statement of Financial Position:				
Bank overdraft				
Borrowings	(35,578)	(35,578)	(31,149)	(31,149)
Derivatives used for hedging	(53)	(53)	(590)	(590)
Derivatives at fair value through profit and loss	(1,669)	(1,669)	(27)	(27)
Trade and other payables	(72,674)	(72,674)	(67,836)	(67,836)

Note 24 Investments in subsidiaries

	2019 £'000	2018 £'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%
	2019 £'000	2018 £'000
Capital and reserves:		
The Royal Mint Limited Group	56,096	62,635
The Royal Mint Museum Group	2,717	2,371
	2018–19 £'000	2017–18 £'000
(Loss)/Profit for the year:		
The Royal Mint Limited Group	(2,718)	636
The Royal Mint Museum	247	277

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. Sovereign Rarities is also incorporated and domiciled in the UK and its principal activity is acting as a historic coin dealership. The address is 32 St George Street, Mayfair, London, W1S 2EA.

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

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

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

Note 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 on the date they were certified by the Comptroller and Auditor General.



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