



The
**Royal
Mint**®

Established
for Tomorrow™

Royal Mint Trading Fund

Annual Report and Accounts 2015-16

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

Ordered by the House of Commons to be printed on 19 July 2016

HC 449



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

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Royal Mint Trading Fund

Annual Report and Accounts 2015-16

Royal Mint Trading Fund Accounting Officer is Susan Acland-Hood

The Royal Mint Limited Directors

Peter Warry*
Chairman

Adam Lawrence
Chief Executive

Vin Wijeratne
Chief Financial Officer

Anne Jessopp
Director of Commemorative Coin and Business Services

Andrew Mills
Director of Circulating Coin

David Morgan*

Xenia Carr-Griffiths*

Amanda Rendle*

Michael Clayforth-Carr*

Tim Martin*
Representative of the Royal Mint Trading Fund and HM Treasury as shareholder

*Non-Executive Directors

Company Secretary
Anne Jessopp

Executive Management Team

Adam Lawrence
Chief Executive

Vin Wijeratne
Chief Financial Officer

Anne Jessopp
Director of Commemorative Coin and Business Services

Andrew Mills
Director of Circulating Coin

Chris Howard
Director of Bullion

Leighton John
Director of Operations

Martin McDade
Director of Finance

Sarah Bradley
Director of HR and SHE

The Royal Mint Museum and Royal Mint Museum Services Limited Directors

Dr Andrew Burnett
Chair

Sir Christopher Frayling

Rear Admiral John Lippiett CB, MBE

Sir Nick Macpherson

Crispin Wright

Adam Lawrence

The Royal Mint, Llantrisant, CF72 8YT
Email: Informationoffice@royalmint.com
Website: royalmint.com
Website: royalmintmuseum.org.uk

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

External auditors to The Royal Mint Limited and The Royal Mint Museum Group

PricewaterhouseCoopers LLP

Internal auditor to The Royal Mint Limited
KPMG LLP

The Accounts of the Royal Mint Trading Fund at 31 March 2016, 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 161 of 2014-15. 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 am the Accounting Officer for the Royal Mint Trading Fund. The Trading Fund has no Board or Directors, but exists as a holding company for The Royal Mint Limited and the Royal Mint Museum. This report covers the operations of those two subsidiaries, and these accounts consolidate their financial statements with the Trading Fund account.

The Royal Mint Trading Fund reported a consolidated net profit for the financial year of £10.0m (2014-15: £9.2m).

The Chief Executive of The Royal Mint Limited reported a return on average capital employed of 17.9% (2014-15: 17.0%), exceeding the Ministerial target of 10%. The Royal Mint also exceeded its other Ministerial targets on UK circulating coins and commemorative coins, and on medals.

Circulating Coin sales increased by 17% to £124.0m (2014-15: £106.0m), while Commemorative Coin revenue, which includes the Royal Mint Museum, increased by 27% to £51.1m (2014-15: £40.2m).

The Chief Executive of The Royal Mint Limited has highlighted in his report the growth of the Bullion business, with revenue increasing by 64%, as well as the successful operationalisation of the new High Security Feature for circulating coins that will feature in the new £1 coin to be introduced by Her Majesty's Treasury in 2017. Successful Commemorative Coin themes for this year include the ongoing World War I series, the reign of Queen Elizabeth II, and the Beatrix Potter collection.

Reaching its 200th anniversary in the year, the Royal Mint Museum continued to make significant progress in achieving its charitable objectives during the year. A key part of this was supporting The Royal Mint Limited in developing plans for The Royal Mint Experience, which opened on 18 May 2016. The Royal Mint Museum has created and will support in the implementation of the education programme that will be offered at The Royal Mint Experience, through taught classes, guided and un-guided tours and a programme of events.

I would like to thank the Board and executive team of The Royal Mint Limited, the Trustees of the Royal Mint Museum, and all staff for the contribution made by everyone involved in the successes of 2015-16.

Susan Acland-Hood
Accounting Officer

Report of the Chief Executive of The Royal Mint Limited

2015-16 saw continued progression for The Royal Mint financially, operationally and strategically.

Financially, we delivered the highest revenue in the 1,100 year history of The Royal Mint and increased operating profit before exceptional items 19% to £13.1m (2014-15 £11.0m). This generated a 5% increase in Return on Average Capital Employed (ROACE) to 17.9% (2014-15 17.0%), which significantly exceeds our 10% Ministerial target.

Operationally, we exceeded all four of our Ministerial Targets for the third year in a row which demonstrates the sustained improvement and consistency of our performance.

Strategically, 2015-16 has been a watershed. Our Bullion business once again grew with revenue increasing by 64%. We have fully commercialised and operationalised our new High Security Feature for circulating coins that will feature in the new £1 coin to be introduced by Her Majesty's Treasury in March 2017, making it the most secure circulating coin in the world.

The Royal Mint Experience opened to the public on 18 May 2016 providing an exciting new opportunity for the public to get behind the scenes and see for themselves where money is actually made and experience the people and processes that put the pounds and pennies in their pockets.

The Royal Mint Experience includes a guided factory experience, and six interactive exhibition zones revealing 1,000 years of stories and craftsmanship.

Through The Royal Mint Experience, we hope to encourage the public and especially young people to become interested in the enduring appeal of coins and maybe even start collecting coins themselves – an entertaining new hobby which helps them to appreciate art, learn more about history and improve their numeracy skills at the same time. We believe that after a visit to The Royal Mint Experience people won't look at coins in the same way again.

The continued progression of The Royal Mint is a testament to our fantastic staff who have grown through lots of change over the past five years. We have a positive 'can do' workforce and I'm pleased to report that they benefited again from our profit share programme for the third straight year.

The Circulating Coin business saw strong demand both domestically and overseas last year making and despatching some 4.4 billion coins and blanks to 40 countries. Contribution to operating profit decreased as a result of a lower margin mix in the year. However, domestic demand remained extremely strong; despite the emergence of more alternative payment methods and reports of cash in decline, we have not experienced any drop off in demand in the UK.

The year also saw the commercialisation of our new High Security Feature which brings new banknote levels of security to coins for the first time in the world. This technology was developed by The Royal Mint and The Royal Mint owns global Intellectual Property rights to commercialise the technology within currency but also beyond currency. We have a fully operational commercial process and we have already secured our first overseas order which will be despatched in 2016.

A major piece of work for this coming year will be ensuring industry readiness for the introduction of the new £1 coin in March 2017. Alongside our partners, HM Treasury, industry bodies, equipment manufacturers and many other areas of the economy work is being undertaken to ensure the measures required are all effected by the time of the introduction of the new coin. We have also established an industry communications programme which will ramp up over the coming months to provide help and assistance to all. The email address is newonepoundcoin@royalmint.com.

Our Commemorative Coin business enjoyed another solid year with strong royal themes such as Queen Elizabeth II becoming the longest reigning monarch in British history and also an exceptional Beatrix Potter collection. We also experienced good growth internationally both for our core range of products but also increasingly on a range of bespoke products designed in conjunction with our international partners and sold exclusively in international markets. The Royal Mint brand has great international appeal and combined with our progressive attitude, great designers and fantastic quality is standing us in good stead to win more overseas contracts.

In January 2015 we took the decision to separate our Bullion business from the Commemorative Coin business to allow both areas to have more focus on what are distinctly different markets. The results have been extremely positive with Commemorative Coin growing strongly with a 51% increase in Contribution to operating profit over the previous year and Bullion experiencing an 87% increase in Contribution to operating profit.

The growth in our Bullion business has been built across many activities but our increased competitiveness in the US silver market has been at the centre of our growth. In addition our online precious metal platform royalmintbullion.com has the ability to manage small and large investors alike at very competitive rates and has experienced strong growth with nearly 20,000 accounts opened for trading. Our Royal Mint Refinery brand continues to expand and we expect this to be a source of further growth in the future.

To help facilitate the modernisation and growth of The Royal Mint, we will be implementing our new IT system in 2016, replacing more than ten legacy systems with one business-wide system. This will help improve our information flows, enhance the quality of our data and will provide significant long-term benefits for the business.

This year we have continued to invest for the future, over £24m this year, on long-term investments such as The Royal Mint Experience, our new IT business system, capital equipment for our Circulating and Commemorative businesses and of course our new High Security Feature, all of which demonstrate the confidence we have in the long-term future of this business and how we are 'Established for Tomorrow'.

The outlook for The Royal Mint remains positive. While some irrational competitive behaviours still exist in the Circulating Coin market, we are seeing strong demand for coinage continue and in our other markets of Commemorative Coin and Bullion we have invested in our future and are poised for further growth.

Performance Report

For the year ended 31 March 2016

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 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

Following the growth of the Bullion business in recent years, The Royal Mint Limited's operations are now divided into three lines of business: Circulating Coin, Commemorative Coin and Bullion. Details of these operations are set out on the following pages.

Structure

The Chancellor of the Exchequer is the Master of the Mint. The Royal Mint Trading Fund was established on 1 April 1975, in accordance with the Royal Mint Trading Fund Order 1975 (S.I. 1975 No. 501) and from 1 April 2002, the Royal Mint Trading Fund (Extension and Variation) Order 2002, both made under the Government Trading Funds Act 1973. As a Trading Fund, the Royal Mint operates on commercial lines and is required under Section 4(i) of the Government Trading Funds Act 1973 to 'manage the funded operations so that the turnover of the

fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to turnover'. In practice this statutory requirement is generally taken to mean that whilst the Royal Mint Trading Fund is permitted to record an operating loss in any one financial year, this loss should be made good in subsequent years so that financial break-even is achieved.

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

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

Operating and Financial Review

The Royal Mint Trading Fund returned an operating profit, before adjusting for the impact of IAS 39 related items and exceptional items (note 5), of £13.5m (2014-15: £11.4m).

Revenue increased by 39% to £360.7m (2014-15: £259.7m) with revenue growth of at least 17% delivered by all three businesses.

The increase in operating profit was lower than overall revenue due to the majority of the revenue growth being in Bullion where metal accounts for a higher proportion of the sales price than in the other segments.

The business uses sales less metal as a key indicator of activity. This grew by 10% to £104.9m (2014-15: £95.7m). Operating profit as a percentage of sales less metal increased to 12.5% (2014-15: 11.5%).

This year has seen cash outflows from operating activities of £4.7m (2014-15: £25.3m inflow). This included a repayment to the company of value added tax paid in prior years following agreement of our Partial Exemption Special Method by HMRC.

Capital expenditure of £24.7m (2014-15: £12.3m) reflected our significant investment in the future of the business mainly across the following areas:

- construction of The Royal Mint Experience;
- developments to enable commercial production of coins including the High Security Feature;
- refurbishment and replacement of critical pieces of Circulating Coin equipment; and
- continued development in One Business System to replace current IT systems.

Net assets increased by £14.0m to £87.9m. The increase in net assets has resulted from generating a profit after tax of £10.0m, a gain in the hedging reserve (£0.5m), a reduction in the pension deficit arising from actuarial assumptions net of deferred tax (£1.6m), revaluations of property, plant and equipment and heritage assets of £5.9m offset by payment of a dividend (£4.0m) relating to 2014-15 performance.

Summary financial results

	2015-16 £m	Restated* 2014-15 £m
REVENUE		
Circulating Coin		
UK	49.2	59.4
Overseas	74.8	46.6
Total Circulating Coin	124.0	106.0
Commemorative Coin	51.1	40.2
Bullion	185.6	113.5
Total	360.7	259.7
OPERATING PROFIT		
Circulating Coin	11.2	17.2
Commemorative Coin	11.4	7.7
Bullion	2.8	1.1
Central overheads**	(11.9)	(14.6)
Operating profit before IAS 39 related adjustments and exceptional items	13.5	11.4
IAS 39 related adjustments (note 5)	(0.6)	(0.3)
Exceptional items (note 5)	(0.2)	0.7
Operating profit	12.7	11.8
Net finance cost	(0.4)	(0.2)
Profit before tax	12.3	11.6

* The prior year results have been restated to reclassify precious metal consignment arrangement fees – see note 3.

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

Circulating Coin

Principal activities

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

Objectives and strategies

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

In addition to these responsibilities, the Circulating Coin business strategic objectives are:

- to develop our brand and reputation as the world's leading exporting mint;
- to grow our global market share utilising aRMour® plating technology;
- to successfully introduce our High Security Feature technology into the UK and leverage this into the global market;
- to increase operational flexibility to be able to react quickly to variations in demand;
- to continue to enhance The Royal Mint's competitive position by improving productivity and reducing costs;
- to continue to innovate and develop unique and attractive products and services; and
- to increase operating efficiency and reduce customer lead-times.

Performance

Circulating Coin sales increased by 17% to £124.0m (2014-15: £106.0m) and the business delivered a contribution to operating profit of £11.2m (2014-15: £16.8m).

The reduction in operating profit reflects the wide range of margins across the overseas market where, despite the increase in revenue in 2015-16, a lower margin mix of customers and products resulted in a reduction at operating profit level.

2015-16 has seen considerable progress in achieving and delivering our key long-term strategies for Circulating Coin. Firstly, working with HM Treasury, we have announced to the press and industry that the new £1 coin will go into circulation in March 2017 – it's now officially less than one year to go! Secondly, we continued progress in the commercialisation of our patented High Security Feature, which is being included in the new £1 coin. Finally, we also secured a number of contracts with overseas countries which involve transitioning denominations from banknotes into coins.

We continued to share our knowledge and experience through hosting our fifth – and by far our most successful – Coin Management Training Programme. 19 delegates from 14 different countries attended, including some potential future customers, and they spent a week learning about all aspects of coin management. Every delegate rated the course as 'excellent'.

During the year, overseas deliveries of coins and blanks amounted to 2.4 billion pieces in 39 countries (2014-15: 2.2 billion pieces in 29 countries).

UK demand continues to be high and represents a significant part of the business. The alloy-recovery programme, whereby cupro-nickel 5p and 10p coins are withdrawn from circulation and replaced with the aRMour® plated equivalents, continued in the year but volumes reduced compared to 2014-15 as the number of remaining cupro-nickel 5p and 10p coins diminished.

The Royal Mint issued 2,007 million coins (2014-15: 2,384 million) to UK cash centres. Working against a Ministerial delivery target of 99% being available for shipment to banks and post offices within 11 days, The Royal Mint achieved 100% (2014-15: 100%).

The latest survey to monitor the level of £1 counterfeit coins was conducted in May 2015. This survey indicated a counterfeit rate of 2.6% (May 2014: 3.0%). It is anticipated that this rate will begin to fall significantly with the introduction of the new £1 coin in 2017, featuring world-leading anti-counterfeiting technology.

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 Police and the Crown Prosecution Service. The Royal Mint continues to work closely with these agencies to reduce the incidence of counterfeit coins.

Key Highlights

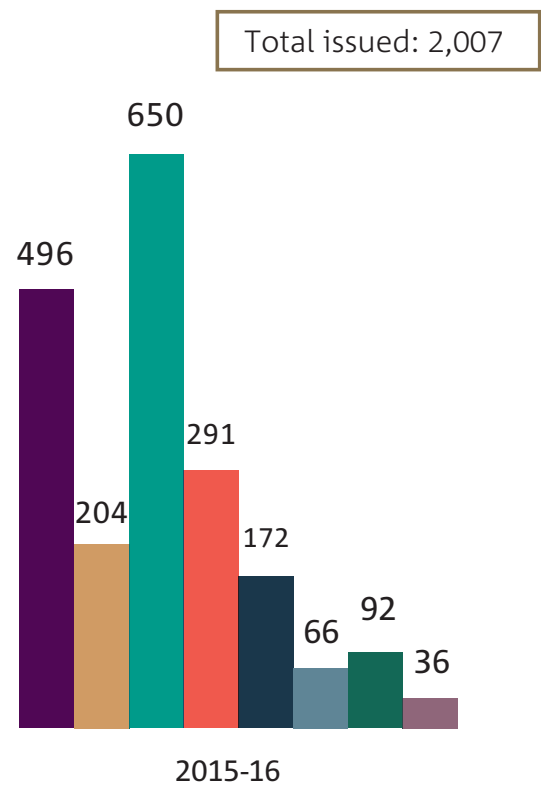
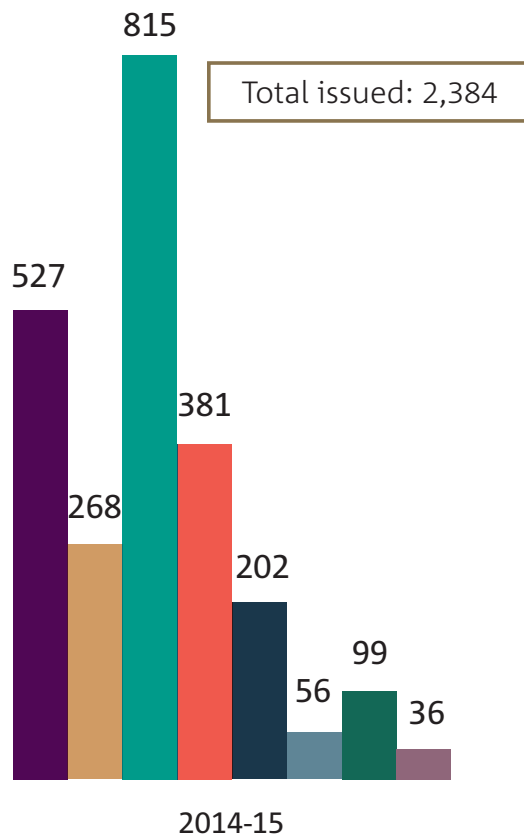
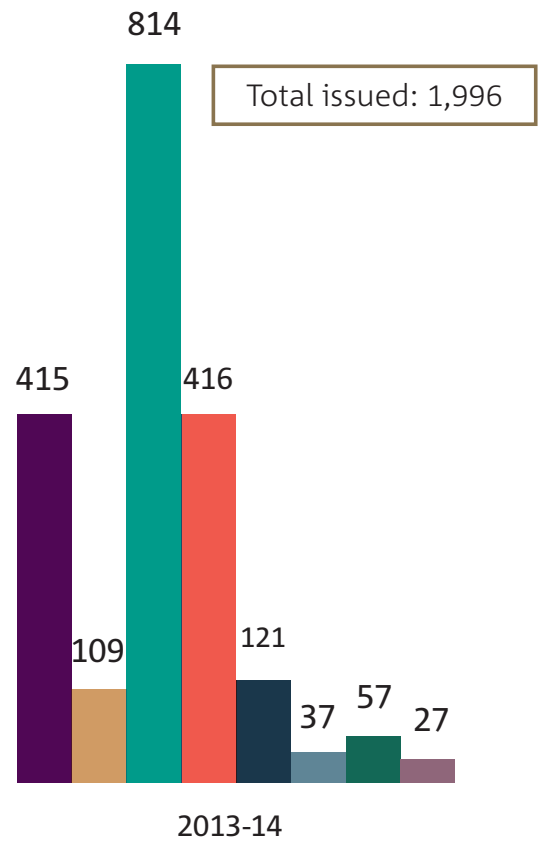
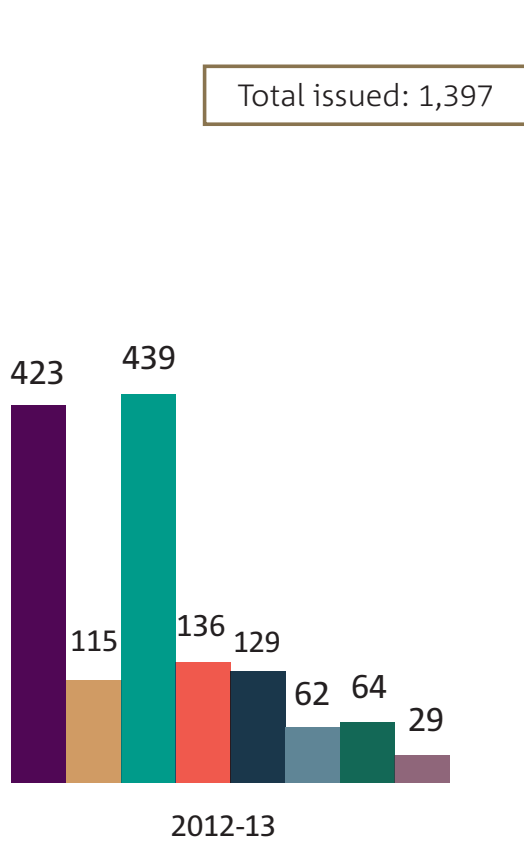
£124.0m

Circulating Coin sales increased by 17% to £124.0m (2014-15: £106.0m).

2.4 billion pieces

Overseas deliveries of coins and blanks amounted to 2.4 billion pieces in 39 countries (2014-15: 2.2 billion pieces).

UK Coin Issued in Year – Pieces in Millions



Commemorative Coin

Principal activities

- the manufacture, marketing and distribution of UK and overseas commemorative coins and medals; and
- the manufacture and supply of official medals, seals and dies.

Objectives and strategies

The Commemorative Coin strategies are:

- to achieve consistent growth in sales and profitability by developing The Royal Mint brand, innovative product development and growth of our customer database;
- to operate a high quality visitor attraction offering a unique experience;
- to continue to innovate and develop unique and attractive products;
- to maintain a high level of customer service;
- to reduce our dependence on the UK market through international development; and
- to improve productivity and reduce costs.

Performance

Commemorative Coin revenue increased by 27% to £51.1m (2014-15: £40.2m). The contribution to operating profit also increased to £11.4m (2014-15: £7.7m).

The above results demonstrate the strong performance of the Commemorative Coin business with some strong themes during the year achieving excellent results.

The birth of Her Royal Highness Princess Charlotte of Cambridge launched our Lucky Silver Penny campaign for all babies born on the same day as Princess Charlotte of Cambridge. The campaign proved once again to be popular and engaging with a significant number of posts about the promotion on social media. This all helped to support the key messaging of the campaign – placing silver coins as the traditional way to mark the arrival of a new baby.

There was an absolutely fantastic response to The Longest Reigning Monarch campaign both in the UK and internationally with every single distributor listing products – that’s over 30 countries across the world! We launched gold kilos, silver kilos, silver 5oz coins and the £20 Commemorative Fine Silver Coin within the campaign all of which sold quicker than our expectations.

Our Commemorative Fine Silver Coin series continued to be popular with the second £100 coin released in the year and our first £50 coin launched in December 2015.

Towards the end of the year, we had another hugely successful campaign with the launch of our Beatrix Potter series. The Peter Rabbit Silver Proof mintage sold out in eight days. His friends, Squirrel Nutkin, Jemima Puddle-Duck and Mrs. Tiggy-Winkle have been fully reserved under a pre-order of the silver Proof.

We also unveiled ‘The Phoenix Ascendant’, a heritage piece we created in line with our new brand – ‘Established for Tomorrow’. Creating this piece allows us to celebrate our history with a product. We have only two pieces for sale worldwide and staying true to our roots we have focused on true craftsmanship skills and beautiful design.

Her Majesty The Queen’s 90th birthday campaign has also started well and is expected to contribute significantly to 2016-17 performance.

The success of the year has resulted in us having in excess of 171,000 active, contactable customers in our database. This means that 92% of our database are in contact with us and are buying from us. This is the highest level of active customers that we have had since we started recording the statistic in February 2011.

The Royal Mint Experience (formerly known as the Visitor Centre) opened on 18 May 2016. We are very proud of the Experience and excited that we can share more of The Royal Mint with all of our customers and other stakeholders. We hope to attract more than 100,000 visitors per year.

Key Highlights



Commemorative Coin revenue increased by 27% to £51.1m (2014-15: £40.2m).



We unveiled ‘The Phoenix Ascendant’, a heritage piece we created in line with our new brand.



The Royal Mint Experience opened on 18 May 2016.



This is the highest level of active customers that we have had since we started recording the statistic in February 2011.

Bullion

Principal activities

- the manufacture, marketing and 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 Bullion strategies are:

- to provide consumers with an easily accessible and diverse range of bullion products through our online bullion platform;
- to expand our precious-metal storage vaulting through The Vault®, our high security storage facility;
- to expand further internationally; and
- to develop licensing opportunities for The Royal Mint and Royal Mint Refinery® brands.

Performance

Our Bullion business has grown significantly in 2015-16 with sales increasing 64% to £185.6m (2014-15: £113.5m) and the contribution to operating profit growing by 87% to £2.8m (2014-15: £1.5m).

This growth reflects our increased focus on this area of the business and demonstrates the effectiveness of having a separate strategy from our Commemorative Coin business, although the two businesses continue to work closely together to ensure they meet the overall needs of our customers.

Our wholesale business continues to reach new heights, with sales volumes of our core products of Gold Britannia 1oz, Silver Britannia 1oz and Gold Sovereign exceeding all previous annual records. In January 2016 we started storing gold products on location in Germany in order to be more responsive to our European distributors. In March 2016 we launched The Queen's Beasts product range with the Lion of England, which included a 2oz silver coin – both our first ever 2oz silver bullion coin, and our first ever 99.99% purity silver bullion coin.

2015-16 was the first full year of our online platform, royalmintbullion.com, which has now attracted nearly 20,000 customers and is a key part of our future strategy. We launched Signature Gold® during the year which is a simple and cost-effective way to own physical gold in quantities to suit all budgets, allowing customers to purchase and own a fractional amount of large 400oz gold bars that are held securely in The Vault®. At the end of the financial year The Queen's Beasts product range was added to the platform and further categories of products are also planned to be added to the platform during 2016-17.

We also launched the ability for Signature Gold® to be used in pension schemes by signing a pension provider for Self-Invested Personal Pension schemes (SIPPs). In addition, our Gold and Silver Britannia coins are now suitable as investment coins within USA Individual Retirement and Health Saving Account schemes.

The provision of secure storage in our Vault® continues to be a key part of the Bullion strategy and a new Royal Mint Refinery® cast gold kilo bar became available in October 2015 for customers wishing to invest significant sums in gold and store them with us.

Key Highlights



Our Bullion business has grown significantly in 2015-16 with sales increasing 64% to £185.6m (2014-15: £113.5m).



At the end of the financial year The Queen's Beasts product range was added to the platform.



Signature Gold® was launched during the year.



Almost 20,000 accounts open for trading on royalmintbullion.com.

Dividends

Post year-end, the Board of The Royal Mint Limited declared a dividend for 2015-16 of £4.0m. Dividends relating to 2014-15 performance of £4.0m were paid during the year.

Financial risk management

Principal risks and uncertainties

The Royal Mint Limited's risk priorities in 2015-16 were in the following areas:

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

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made but the Company will closely monitor developments and consider the impact on the business over the coming months.

The management of cyber risk has been a key focus during the year resulting in the Company earning 'Cyber Essentials' accreditation in February 2016. Cyber Essentials is a government-backed, industry supported scheme to help organisations protect themselves against common cyber attacks.

The company's overall risk management approach is highlighted on page 31.

Derivative financial instruments

The Royal Mint operates a prudent hedging policy and uses various types of financial instrument 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 Royal Mint are metals. Prices can be subject to significant volatility. The Royal Mint seeks to limit its commercial exposure to these risks.

Circulating Coin

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

Ferrous metals: With the growing demand for aRMour® coins and blanks, the volume of steel used by the business is increasing. Steel is procured using 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.

Commemorative Coin

Proof products: Coins are manufactured for sale through The Royal Mint's marketing and promotional activities. 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 market fluctuations in metal prices.

Bullion

Precious metals: Selling prices are quoted based on the prevailing market rates of the precious metals, which are purchased specifically 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. We have put in place gold swaps to reduce the exposure of our 2016-17 profitability to such movements in the gold price.

Foreign exchange

The Royal Mint 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 Royal Mint reduces exposure by using forward exchange contracts.

Effects of commodity hedging

Under International Accounting Standards (IAS) 39, hedge accounting rules have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IAS 39) is recorded as other gains/(losses) in the Income Statement.

The objective of the company's hedging policy is to mitigate the impact of movements in the price of metal commodities where appropriate over time, the impact of which for accounting purposes will be reflected in different accounting periods depending on the relevant ineffectiveness assessment under IAS 39 rules. The accounting treatment in this area is therefore not necessarily a reflection of the economic impact of the company's hedging policy but represents the respective accounting impact of hedging ineffectiveness under IAS 39.

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2015-16, the year-end impact was a loss of £0.6m (2014-15: £0.3m loss). 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. During the year, we have seen positive advancements in developing our High Security Feature, which has been a culmination of many years of research and development. Our next phase will be focused on technologies that can support our business and reduce the environmental footprint of our operations. Development costs which have been capitalised are disclosed in note 9.

Creditor payment policy

The Royal Mint Limited always seeks to comply with agreed terms. A total of 91% (2014-15: 90%) of invoices were paid within the agreed period. We will continue to work with our suppliers and develop our internal processes and systems over the forthcoming year in order to deliver further improvement in this measure.

Assay

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

People

Our people remain a key part of our business and everyone has a part to play in delivering the overall business strategy. The Royal Mint's values continue to guide the way in which we all do our jobs and shape what it means to work as part of The Royal Mint team. We have continued to build on our guiding principles as the foundation of this approach.

We have continued to embed our strategy deployment processes so that everyone, at all levels of the organisation, understands the company vision as well as what part they play in delivering the overall corporate objectives. During the year we kicked-off 'Joining the Dots' sessions with our employees that focused on 'what' we have to do and 'how' we will do it. The 'what' includes our annual objectives; the projects and action plans that will deliver them and the KPIs and metrics that will tell us whether or not we are on-track. The 'how' includes our corporate values as well as the core skills and behaviours that we expect all employees to demonstrate in their jobs.

We have continued to drive a culture of continuous improvement at all levels of the organisation and have implemented over 2,000 'small improvement opportunities' that were generated from our employees. These individual incremental improvements have combined to drive a significant step forward in our day to day operational effectiveness and efficiency.

We retained our 'Investors in People' Gold Award during the year. Investors in People sets the standards for people management in the UK and retaining the gold award puts us in the top 3% of organisations that have been awarded the standard.

In 2012 The Royal Mint introduced a new initiative to sponsor a particular charity for a two-year period. Tŷ Hafan was the charity chosen by employees for 2014-16. Over the two-year period we were able to raise £40,000 for the charity which has helped them to continue to offer comfort, care and support for life-limited children and young people. During 2015-16 we asked employees to nominate a new charity to take us from 2016-18. A variety of both local and national charities were nominated and after an employee vote Velindre Cancer Centre was selected as our chosen charity. Velindre Cancer Centre is the largest non-surgical cancer hospital in Wales providing Radiotherapy, Chemotherapy and other specialised anti-cancer treatments for over half the people of Wales. Velindre have been providing support and care to cancer patients in South Wales for almost 60 years and every year Velindre Cancer Centre provides care, treatment and support for over 130,000 outpatients and day cases. We are delighted to be able to support this charity over the next two years.

Our apprenticeship scheme has recently been accredited by the Institute of Engineering & Technology (IET). The IET is one of the world's largest engineering institutions with over 167,000 members in 127 countries. During the year our apprentices have run a number of community outreach initiatives with local schools working with local students to get them involved with engineering at an early age in a fun and inspiring way.

We have supported a number of local careers events over the year and have continued to provide opportunities on our graduate programme. The graduate programme started in 2014 and our graduates have continued to move around the organisation gaining exposure to a variety of different environments. This has culminated with several graduates from the initial intake having been moved into key roles within the business during the year.

Consultation with employees or their representatives has continued at all levels. Our aim is to ensure that individuals' views are taken into account when making decisions that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through in-house newsletters, briefing groups and the distribution of the Annual Report.

Safety, Health and Environment (SHE)

The Royal Mint's vision is to be proud to be recognised as the world's best mint and part of this vision includes providing a safe and good place to work for our people.

To deliver this vision The Royal Mint understands that SHE is an integral part of the business strategy, with the aim to achieve high standards of business ethics and a commitment to meeting SHE responsibilities beyond legal compliance.

The Royal Mint is committed to ensuring that it is at the forefront of employing sustainable business practices in order to minimise the environmental impact of its activities and to protect the health, safety and welfare of its employees.

During the year a significant amount of time and effort has been invested in driving improvements to our safety management system. We have focused on delivering a visual management system which engages all manufacturing based employees in order to drive sustainable improvements in developing and adhering to safe standards of work.

The vision is implemented through the following strategies:

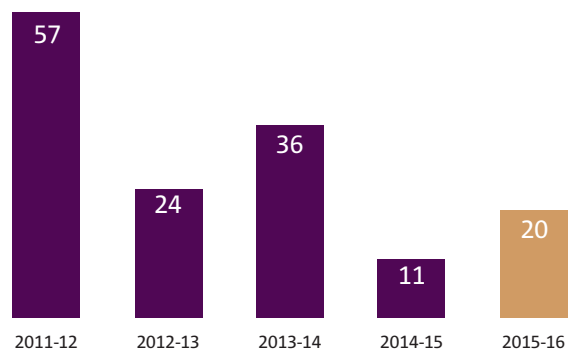
- reduction in the number of total site accidents;
- continuation with the development of a positive SHE culture which is supported by continuous improvement of the SHE management systems; and
- to manage and recycle waste products, conserve natural resources and to minimise the impact on the environment of ourselves and our suppliers.

This strategy is part of a five-year company strategy.

Progress against these goals is as follows:

- our SHE systems are externally verified and part of the attainment is to demonstrate continuous improvement;
- in 2015-16 The Royal Mint achieved a 65% decrease in the total number of accidents compared with 2011-12; and
- The Royal Mint continues to operate within the requirements of its Environmental Permit, which is regulated by the Natural Resources Wales (NRW) and the Control of Major Accident Hazards (COMAH) regulations, overseen by both the NRW and the Health and Safety Executive (HSE).

Accident Profile



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 create and implement the education programme that will be offered at The Royal Mint Experience, through taught classes, guided and un-guided tours and a programme of events.

Education and learning

Two lessons have been developed which will be taught in the dedicated education space in The Royal Mint Experience. Trails for children to be used in the exhibition space have been created and a quarterly lecture programme for adults is being developed.

Outreach sessions have been conducted at local schools, offering The Royal Mint and Pennywise Going Decimal courses and we have delivered 45 lectures to adult groups locally and nationally.

Enhance access to the collection

In collaboration with the design agency Mather & Co, the exhibition on the history of The Royal Mint in The Royal Mint Experience was installed by the opening date.

The Museum has provided exhibitions for three events arranged by The Royal Mint.

A weekly blog is now being written for the Museum website and new content has been added throughout the year. More fundamental improvements have been deferred pending the development of a new website platform.

Collections management

The inventory project has been completed and an assessment of future cataloguing projects has been made.

Work on photographing the collection has continued throughout the year with 20,000 coins now having been put on the system.

Plans and costings have been drawn up for moving the collection to a new location on site.

Monitoring of the environmental conditions in which the collection is housed has continued throughout the year and as a result of actions taken there has been an improvement in the conditions.

Research and publications

The Chief Coin of the World: A History of the Sovereign was published in the summer of 2015.

The Coinage of Britannia was published in May 2016. A new edition of *The Royal Mint: An Illustrated History* is scheduled to be published in June 2016.

The Guidebook for The Royal Mint Experience was published in May 2016.

A monthly article has continued to be written for Coin News throughout the year.

In addition, articles by other authors have been reviewed for academic journals.

The Museum has supported the work of scholars throughout the year, in particular, curators from the British Museum, the Ashmolean Museum and the Fitzwilliam Museum.

200th anniversary of The Royal Mint Museum, 2016

A one-day conference was held at the Tower of London to mark the 200th anniversary of the Museum.

Revenue continues to be derived largely from the supply of services to, or donations from, The Royal Mint Limited. The major part of the costs have been payable to The Royal Mint Limited for employees seconded to the Museum.

Directors

A list of current Directors of The Royal Mint Limited is shown on page 9. Amanda Rendle and Michael Clayforth-Carr were appointed as Non-Executive Directors on 1 January 2016. Andrew Mills and Anne Jessopp were appointed as Executive Directors on 1 April 2016.

A list of current Directors of The Royal Mint Museum is also shown on page 9. Sir Nick Macpherson and Dr Andrew Burnett were appointed on 1 May 2015 and 24 March 2016 respectively. 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.

Outlook

The outlook for 2016-17 remains positive. We plan to build on the successes of the past three years to deliver a sustainable profit.

Within Circulating Coin, we continue to aim to persuade our overseas customers of the benefits of converting to aRMour® plated coins and blanks and to secure further orders incorporating our patented High Security Feature. For the UK, our focus will be on the production of the new £1 coin.

We will continue to strengthen our Commemorative Coin business through increased brand engagement and maximise the benefits of the newly opened Royal Mint Experience.

We will continue to grow our Bullion business and our share of the global market. We plan to invest in our online platform and promote our offering to high net worth individuals with an overall aim to be the complete bullion solution.

Sustainability Report

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

The Royal Mint, as part of its commitment to maintaining its ISO 14001 environmental management standard accreditation, reviews its significant environmental aspects and sets targets accordingly.

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

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

Water consumption

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

The long-term aim of The Royal Mint is to reduce the amount of water abstracted from the nearby river Ely. At present

Accreditations

The Royal Mint continues to maintain the following International Organization for Standardization standards, ISO 14001 Environmental Management System and ISO 50001 Energy Management System. These accreditations run alongside the Social Accountability 8000 (or SA 8000) Standard, which is the first global ethical standard.

For the first time this annual report has been printed on FSC accredited paper, using Waterless presses and machinery powered by 100% natural renewable energy sources. The print production systems are registered to ISO 14001, ISO 9001 and EMAS standards.

up to 70% of the abstracted water is returned to the river, approximately 300 metres from the abstraction point.

During 2015-16 The Royal Mint invested in technology, not yet operational, that is expected to introduce reductions in abstracted water in the 2016-17 financial year.

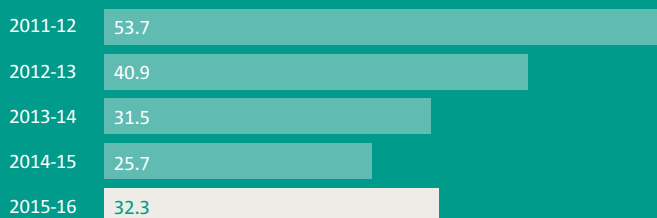
Total water supplied (M³)



Total water abstracted (M³)



Water usage per tonne of circulating coin (M³)



Water supply costs (£'000)



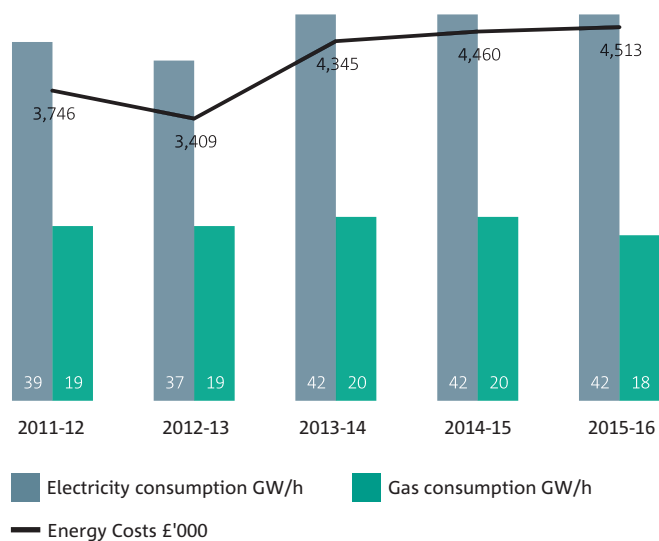
Greenhouse gas emissions and energy consumption

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

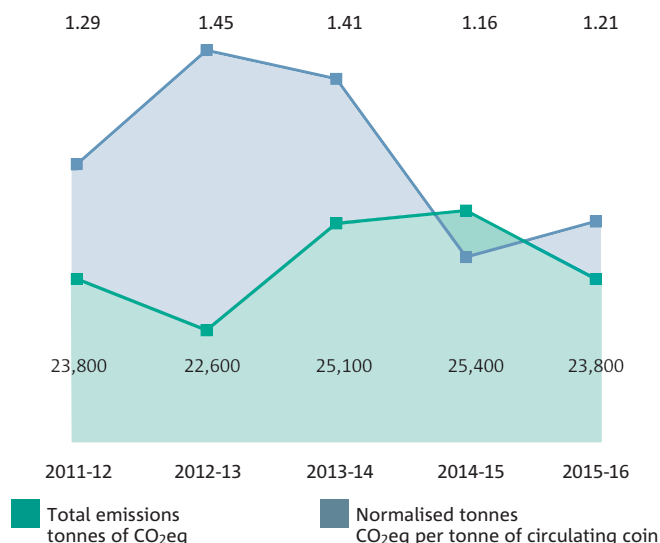
During the year The Royal Mint invested in small-scale renewable energy. A solar array of photovoltaic panels was fitted on the roof of one of the site's buildings. The technology since installation has generated 7,500 kW/h.

Energy consumption per tonne of circulating coin increased during the 2015-16 financial year partly due to lower output during the year and an increase in casting for production of the new £1 coin.

Energy consumption and costs



CO₂eq emissions



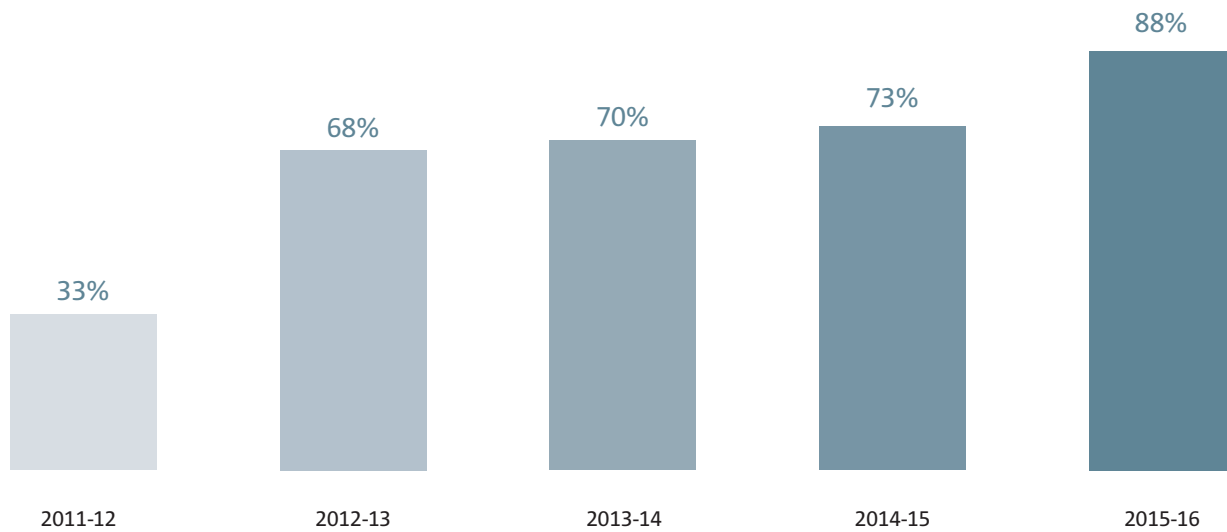
With regard to energy legislation The Royal Mint meets the qualification criteria for the Energy Savings Opportunity Scheme (ESOS). The UK Government established ESOS to implement Article 8 (4 to 6) of the EU Energy Efficiency Directive (2012/27/EU). The Royal Mint notified the Environment Agency in September 2015 on its arrangements for compliance with the ESOS obligations. As The Royal Mint's site is fully covered by ISO 50001, there was no requirement to carry out an ESOS assessment.

Total emissions for 2015-16 were 23,800 tonnes of CO₂ equivalent. In 2015, the Department for Environment, Food and Rural Affairs Greenhouse Gas Conversion factor decreased, versus 2014, by 6.5% which was due to a decrease in coal powered electricity generation in 2013. Based on the 2014 figures the total Royal Mint emissions for 2015-16 would equate to 25,100 tonnes of CO₂ equivalent.

The Royal Mint measures 'normalised tonnes' (calculated as tonnes of CO₂ equivalent per tonne of circulating coins manufactured) as a key indicator of energy efficiency. For 2015-16 normalised tonnage was 1.21 (2014-15: 1.16).

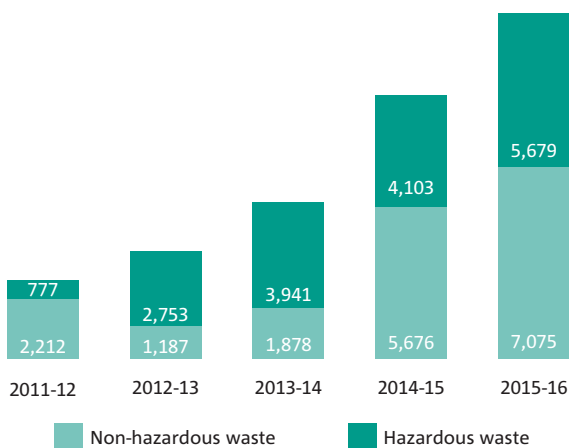
Waste

Waste recycled

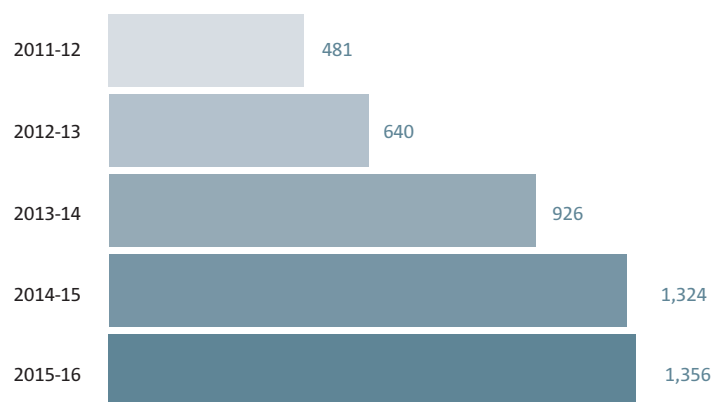


The Royal Mint continually seeks opportunities to recycle as much waste as possible, and has increased the percentage of waste recycled to 88% in 2015-16 (2014-15: 73%).

Waste disposal (tonnes)



Waste costs (£'000)



The data looks at the waste removed by The Royal Mint's principal waste contractors and includes metal removed from site as part of the alloy recovery programme.

The alloy recovery metal accounts for the increased non-hazardous waste total.

Increased filter cake tonnage from the site's effluent treatment process is the main contributor to the hazardous waste increase.

Both these waste streams are processed through a recovery/recycle route.

Scope analysis

Tonnes of CO ₂ eq		2011-12	2012-13	2013-14	2014-15	2015-16
Scope 1	Natural gas usage (heating and furnaces)	3,490	3,530	3,290	3,640	3,290
	Use of Royal Mint owned vehicles	12	13	8	2	2
	Process emissions from the furnace stack	1	2	2	2	2
	Fugitive Emissions (e.g. air conditioning and refrigeration leaks)	2	2	2	2	2
Scope 2	Electricity usage	19,400	18,200	20,800	20,800	19,500
Scope 3	Business travel	704	734	718	713	663
	Water supply	51	41	36	35	38
	Water treatment (off-site)	88	51	84	96	95
	Waste disposal	30	30	169*	75*	133*

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

Finite resources

The Royal Mint recognises that its products are produced from finite metal resources and there is a rising demand for those limited resources. Therefore recycling is an important part of the production cycle. Material cast by The Royal Mint is recycled within the production process and bought in or composite material waste is sent off-site to be recycled. The recycling process has included recovered alloy from withdrawn 5p and 10p denominations.

This encourages suppliers to obtain materials from sustainable sources, minimise their impact on the environment and encourages 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 omissions.

Protecting and enhancing the natural environment

The Royal Mint operates from a single site and the way the site is managed can have an impact on animals and habitats. 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.

Reporting and data

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

Working with the supply chain

The Royal Mint Limited has introduced an ethical and 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.

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

Financial Summary

	2015-16 £'000	2014-15 £'000	2013-14 £'000	2012-13 £'000	2011-12 £'000
UK Revenue	118,168	115,230	126,369	113,212	113,795
Overseas Revenue	242,554	144,438	188,573	141,355	200,133
Total Revenue	360,722	259,668	314,942	254,567	313,928
Operating profit before IAS 39 related items and exceptionals	13,520	11,324	6,364	762	10,240
IAS 39 related items (note 5)	(660)	(317)	(169)	(674)	(1,654)
Exceptional items (note 5)	(152)	722	–	(1,229)	–
Operating profit/(loss)	12,708	11,729	6,195	(1,141)	8,586
Net interest	(368)	(155)	(354)	(689)	(263)
Profit/(loss) before tax	12,340	11,574	5,841	(1,830)	8,323
Taxation	(2,353)	(2,333)	(1,349)	300	1,251
Profit/(loss) after tax	9,987	9,241	4,492	(1,530)	9,574
Net assets	87,883	73,908	73,405	72,761	75,449
Operating profit before IAS 39 related items and exceptionals/sales	3.7%	4.4%	2.0%	0.3%	3.2%
Operating profit/sales	3.5%	4.5%	2.0%	(0.4)%	2.7%

The prior year results have been restated to reclassify precious metal consignment arrangement fees – see note 3.

Key Ministerial Targets

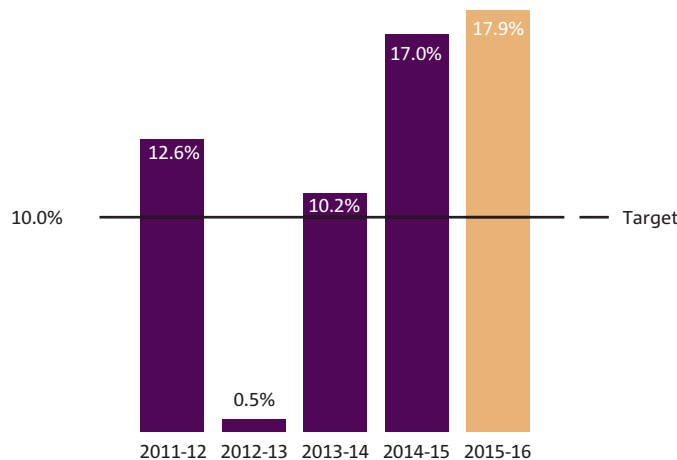
Key Performance Indicators (KPIs)

The Royal Mint's performance indicators are the key Ministerial targets, details of which can be found below.

Target 1

Return on Average Capital Employed (ROACE)

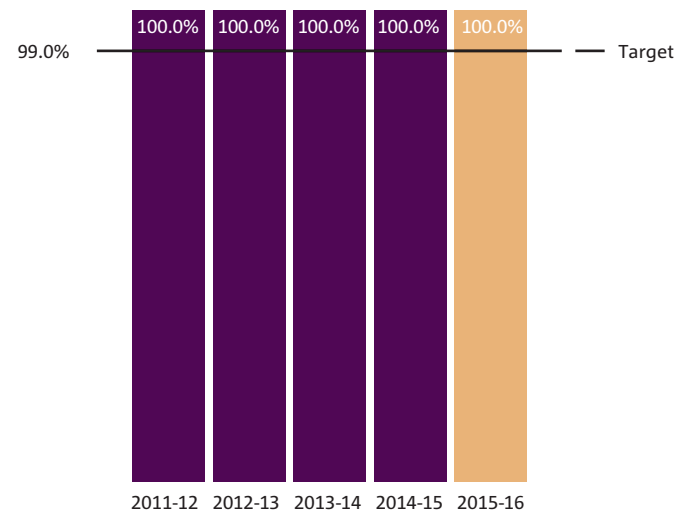
ROACE is calculated by expressing Operating Profit as a percentage of its average monthly capital employed. Operating Profit has been modified to exclude IAS19 Employee Benefits and IAS39 Financial Instruments related adjustments as well as Exceptional Items. It is intended that the Ministerial target will be measured on a three-year rolling average basis starting with the period 2014-15 to 2016-17.



Target 2

UK Circulating Coin

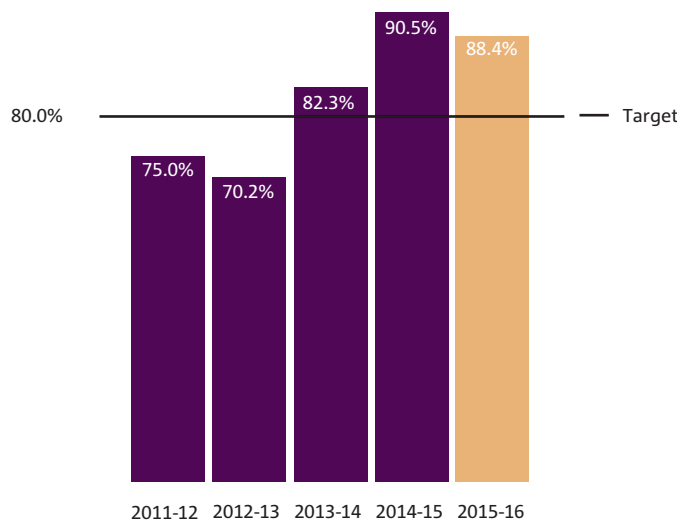
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

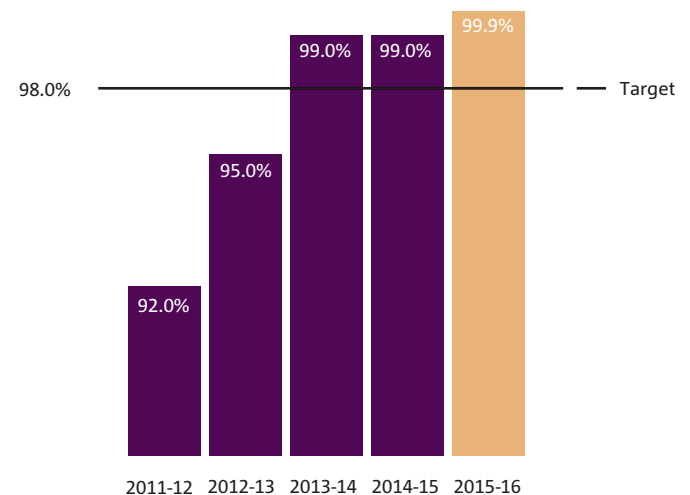
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals

Orders delivered by agreed delivery date.



Susan Acland-Hood
Accounting Officer
11 July 2016

The Royal Mint Advisory Committee

The Committee, which operates independently of The Royal Mint Limited and whose full title is The Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations, was established in 1922 with the personal approval of George V. Its original purpose was to raise the standard of numismatic art and that remains its primary concern, being charged on behalf of HM Treasury and other government departments with the recommendation of new designs for United Kingdom coins, official medals and seals. The Committee is designated a Non-Departmental Public Body (NDPB) and its membership is regulated by the Office for the Commissioner of Public Appointments (OCPA).

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

William Shakespeare

Writers have been commemorated on the British coinage on previous occasions, most notably Samuel Johnson, Robert Burns and Charles Dickens. It seemed wholly appropriate that the 400th anniversary of the death of William Shakespeare, who is widely regarded as the nation's greatest writer, should be honoured with the issue of new United Kingdom coins.

With such a vast spectrum of work, and with the high regard in which he is still held in Britain and throughout the world, it was a challenge to resolve how best to approach the subject let alone choose the designs. After some reflection it was decided to issue three circulating £2 coins which would take as their theme the division of Shakespeare's plays into tragedies, comedies and histories with, in addition, a further coin to commemorate Shakespeare himself. The experienced coin and medal designer John Bergdahl provided the treatment of the subject matter most strongly supported by the Committee,

securing along the way the unusual honour of being responsible for designing the first United Kingdom coin to depict a human skull. At the higher-value end of the spectrum, a design for a five-ounce coin was commissioned from Tom Phillips RA. Shakespeare has provided the inspiration behind the paintings of sculptures of Mr Phillips for many years and in the playful yet highly scholarly manner of his work. In his design he reminds us of the important role money, and particularly coinage, played in the works of Shakespeare by surrounding the famous portrait of the playwright with the quotation from *Othello* 'Put money in thy purse'.

Beatrix Potter

Coins commemorating another celebrated British writer of a very different nature, Beatrix Potter, were recommended by the Committee over the course of a number of meetings. Royal Mint coin designer Emma Noble won a limited competition with her series of designs depicting a range of characters from the famous children's books, which included Peter Rabbit, Mrs. Tiggy-Winkle, Jemima Puddle-Duck and Squirrel Nutkin. There was, in addition, a further 50p piece in the series commissioned to commemorate the author herself. Arriving at likenesses of the characters in the form they have come to be remembered and loved was a challenge; this was aided by incorporating pad printing into precious metal versions of the coins. Since their release the coins have proven to be hugely popular with collectors.

First World War

In 2014 The Royal Mint initiated its programme of coins to mark the centenary of the start of the First World War. The intention was to not only honour the servicemen and women who lost their lives during the conflict but also to acknowledge the wider impact of the war on society, technology and culture. Extending over the five years of commemoration, the programme will run through to the end of 2018 and designs

have continued to be examined by the Committee. Its work has benefited enormously from the help of Professor Sir Hew Strachan, a respected historian of the First World War, who has continued to give of his time generously in advising on the content of the programme and the detail of the designs presented. As well as £2 coins which will enter circulation over the five-year period on the theme of the Armed Forces, and a crown piece series directed at telling the story of the broader impact of the war, a series of five-ounce and kilo coins will also be issued as part of the programme.

The Queen's Beasts

Heraldic beasts have pedigrees stretching back over many centuries but a series of them was brought together in sculptural form at the time of the coronation of Her Majesty The Queen in 1953 and has since come to be known as The Queen's Beasts. It includes the griffin, the unicorn, as well as several others, and in initiating a new series designed with the international bullion market very much in mind, it was decided to start with the lion.

From over 30 designs submitted by several artists Royal Mint coin designer Jody Clark was selected by the Committee in view of the spirited manner in which he had captured the character of the lion. He will now go on to prepare designs for the other creatures in the series over the coming years.

Commemorative coins

Designs for several other commemorative coins to be issued in 2016 and 2017 were presented to the Committee but have yet to enter the public domain. The increased number of projects that have come before the Committee has been handled with the same degree of care and attention to detail as ever.

Medals

The remit of the Committee includes making recommendations to a range of government departments on the design of official medals and seals. Projects arise with less frequency than for the coinage but are nonetheless a fairly regular element of the Committee's work.

Designs for a new medal for those serving in the National Crime Agency came before the Committee during the year and the successful outcome of the design process also led to the creation of a Crown Badge for the organisation. In addition, designs for a new General Service Medal were examined and a recommendation was made to the Ministry of Defence, along with advice being offered on the design of clasps for territories not previously covered by the medal.

Sub-Committee on the Selection of Themes

The Sub-Committee examines proposals for the programme of commemorative coins to be issued in forthcoming years, making recommendations through the main Committee to the Chancellor of the Exchequer. During the year there was one meeting of the Sub-Committee, the focus of attention being the programme for 2018 but consideration was also given to themes stretching out several years from now.

Membership

This year saw the retirement of Tim Knox, Director of the Fitzwilliam Museum, who had served on the Committee since 2008. His broad cultural awareness and knowledge of artists enabled him to make a balanced and perceptive contribution to the deliberations of the Committee. Due to the pressures of his role as Director of the Fitzwilliam it proved difficult for him to continue as a member and a recruitment process was initiated early in 2016 to find a replacement.

The lettering artist Stephen Raw retired last year having served the maximum ten-year term on the Committee. His role of offering specialist advice on lettering has been taken up by Phil Baines, a lettering and graphic designer who teaches at Central Saint Martins College of Art and Design.

Members give their time freely and, for HM Treasury and other government departments who draw upon the Committee's advice, there is a deep sense of gratitude for the care and expertise they devote to their deliberations. The commitment in time and energy that the Chairman, in particular, has been able to give to the work of the Committee has not gone unrecognised.

Membership of the Committee at 31 March 2016 (with dates of appointment)

Lord Waldegrave of North Hill
Chairman
(January 2011; renewed January 2016)

Mr Phil Baines
Lettering and graphic designer
(May 2016)

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

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)

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 Nick Mayhew
Numismatic Consultant to the Committee
(January 2010)

Mr Adam Lawrence
Chief Executive of The Royal Mint Limited

Dr Kevin Clancy
Secretary to the Committee

Mr Gordon Summers
Technical Advisor 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 Susan Acland-Hood 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 she has taken all the steps that she ought to have taken to make herself 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 she can confirm.

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;
- 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 the Shareholder Executive (now known as UK Government Investments (UKGI)), which has been delegated its 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 two Executive Directors (the Chief Executive and Chief Financial Officer). The Director of Commemorative Coin and Business Services attended the Board meetings in the capacity of the Company Secretary. The Board met nine times in 2015-16 (2014-15: nine times). Attendance by members at the Board and Committee meetings is set out opposite:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Adam Lawrence	9	n/a	n/a	n/a
Vin Wijeratne	9	n/a	n/a	n/a
Peter Warry	9	n/a	3	2
David Morgan	9	3	3	2
Xenia Carr-Griffiths	9	3	3	2
Amanda Rendle	3	1	1	–
Michael Clayforth-Carr	3	1	1	–
Tim Martin	9	3	n/a	1
Number of meetings	9	3	3	2

Amanda Rendle was appointed as a Non-Executive Director on 1 January 2016. Prior to her appointment during the year and in 2014-15, Amanda Rendle attended the Board and Committee meetings as an invitee through the Women on Boards initiative.

Michael Clayforth-Carr was appointed as a Non-Executive Director on 1 January 2016.

Adam Lawrence, Vin Wijeratne and Peter Warry attended all Audit Committee meetings during 2015-16 but are not members of the Committee. Adam Lawrence also attended all meetings of the Remuneration and Nomination Committees.

Tim Martin has a seat on the Board as a representative of the Royal Mint Trading Fund and HM Treasury as shareholder.

Andrew Mills and Anne Jessopp were appointed as Executive Directors on 1 April 2016.

The Role of the Board of The Royal Mint Limited

The Board's role is to provide entrepreneurial leadership of the Company 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 Company 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 Company 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. 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 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the company's performance, business model and strategy.

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director. A report is prepared for the Board which considers the collective findings and reviews the actions taken in the previous year. The Board has reviewed and accepted the feedback of this year's positive report and has noted beneficial outcomes arising from the previous year's actions. The Board has commissioned an external review to take place in 2016-17 as a periodic external review in line with corporate good practice.

During the year, the main focus of the Board was to execute against the five-year plan approved in 2012-13. Years one, two and three of the plan have been delivered, both in terms of financial performance and the progression of projects designed to deliver improved performance in future years. An updated five-year plan will be developed and approved by the Board during 2016-17.

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 Officer, Chief Financial Officer and senior representatives of both the internal and external auditors to attend meetings. Tim Martin is deemed by the Board to be independent for the purposes of the Audit Committee.

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. The Terms of Reference for the Committee are available on The Royal Mint Limited's website.

During 2015-16 a competitive tender process was carried out for the internal audit role which resulted in KPMG LLP being reappointed for the three-year period starting in 2016-17.

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 the light of this Framework, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of UKGI. 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 33.

Nominations Committee of The Royal Mint Limited

The Nominations Committee comprises all Non-Executive Directors of the company 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, 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. As women constitute 30% of our Board following the appointments post year-end, we have met the target of 25% set by Lord Davies in his report: Women on Boards.

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, and discharges his 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 meet formally on a regular basis and not fewer than ten times a year.

The Executive Management Team was extended in the year to include a Director of Bullion, Director of HR and SHE and a Director of Finance.

The roles and responsibilities of the Executive Management Team are:

- implementation of the plan and efficient operation of the business;
- development and subsequent implementation of a long-term strategy in conjunction with the Board;

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

Risk management

Under the guidance of the Board and Audit Committee, The Royal Mint Limited'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 Limited'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 Chief Executive, the Chief Financial Officer and the Director of Commemorative Coin and Business Services of The Royal Mint Limited. All other members of the Executive Management Team are invited to all meetings. The Head of Internal Audit also attends all meetings. The Risk Management Committee meets at least three times a year and reports to the Audit Committee which briefs the Board as appropriate and at least annually.

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

The Royal Mint Limited'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 Limited's risk priorities in 2015-16 are detailed on page 14.

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 Limited's policies, aims and objectives, 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 non-trivial lapses of data security in the year.

Internal Audit

The Royal Mint Limited operates internal audit arrangements to standards defined in the Public Sector Internal Audit Standards. During 2015-16 this function was undertaken by KPMG LLP. Following a tender process during 2015-16, KPMG LLP will continue as internal auditors in 2016-17. Their annual audit plan and the results of their audit, including recommendations for improvement, are reported to the Chief Financial Officer and presented to the Audit Committee. They also provide an independent opinion on the adequacy of The Royal Mint Limited's system of internal control.

KPMG LLP did not report any issues concerning the internal controls that require inclusion in this Statement.

The Royal Mint Museum

The Museum is governed by a Board of Trustees who met four times during 2015-16 (2014-15: 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;
- breach of security of collection – mitigated by regular review and upgrade of process and facilities;
- inadequate knowledge – mitigated by succession planning and staff training; and
- the Trustees consider the organisation's exposure to price risk, credit risk, liquidity risk and cash flow risk is very low. The Trustees continue to review and manage all financial risks.

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

Arm's-length bodies

The Royal Mint Advisory Committee is an associated arm's-length body. The Committee's activities in the year are summarised on page 24.

Losses and special payments

There have been no losses or special payments during the year which require disclosure in accordance with Managing Public Money (2014-15: £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 and Chief Financial Officer 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.

Susan Acland-Hood
Accounting Officer
11 July 2016

Remuneration Report

Introduction

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

The Royal Mint Limited

Remuneration Committee of The Royal Mint Limited

The Committee's primary role is to determine, within the bounds of the Directors' Remuneration Framework agreed with the shareholder, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of UKGI and HM Treasury Ministers, where required. The Director of Commemorative Coin and Business Services is Secretary to the Committee, and the Chief Executive is invited to attend the Committee. Neither individual takes 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 Limited'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 2016 is made up of eight roles:

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

Executive Management Team's terms, conditions and remuneration

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

i. Basic salary

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

ii. Short-Term Incentive Plan (STIP)

At the start of the year the Remuneration Committee agreed the targets for the STIP for 2015-16. The purpose was to recognise and reward outstanding performance against planned business targets, with a strong focus on Return on Average Capital Employed (ROACE). The targets for 2015-16 exceeded the Ministerial targets. The maximum award for 2015-16, if the ROACE over-performance targets were achieved, was 33% of basic salary for Adam Lawrence and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed in the year they are earned. The amounts earned in 2015-16 will be paid in 2016-17.

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 it is possible to earn under each LTIP scheme is 33% of basic salary for Adam Lawrence and 25% for the other members of the Executive Management Team (excluding the Director of Finance and Director of HR and SHE). LTIP awards are disclosed in the year they are earned and accrued accordingly.

There were two LTIP schemes operating during 2015-16. One started in 2014-15 and amounts earned will be paid in 2017-18, the other started in 2015-16 and amounts earned will be paid in 2018-19.

The LTIP arrangements were reviewed by the Remuneration Committee and changed to the current arrangements with effect from the start of 2014-15. Until there are three LTIP schemes running in each year (as will be the case from 2016-17 onwards) it was agreed that a Transitional LTIP scheme would also operate. Amounts earned are based on in-year achievement of EBITDA targets up to a maximum of 33% for the CEO and 25% for the other members of the Executive Management Team who were in the previous scheme. Amounts are disclosed in the period in which they are earned, and paid in the next financial year (i.e. amounts earned in 2015-16 will be paid in 2016-17).

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 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.

The following sections provide details of the salaries, pension entitlements and fees of the Board members and Executive Management Team of The Royal Mint Limited. These disclosures have been subject to external audit.

Remuneration and Incentive Plan Payments (audited)

Executive Management Team of The Royal Mint Limited	Remuneration				Remuneration			
	Total Remuneration 2015-16 £'000	before incentives 2015-16 £'000	STIP amounts earned 2015-16 £'000	LTIP amounts earned 2015-16 £'000	Total Remuneration 2014-15 £'000	before incentives 2014-15 £'000	STIP amounts earned 2014-15 £'000	LTIP amounts earned 2014-15 £'000
Adam Lawrence*	331	242	39	50	354	209	64	81
Chief Executive								
Vin Wijeratne*	184	141	20	23	209	137	35	37
Chief Financial Officer								
Anne Jessopp	201	146	31	24	208	135	36	37
Director of Commemorative Coin and Business Services								
Andrew Mills	175	149	3	23	218	143	37	38
Director of Circulating Coin								
Chris Howard**	83	65	15	3	–	–	–	–
Director of Bullion								
Leighton John **	70	58	10	2	–	–	–	–
Director of Operations								
Martin McDade**	58	50	8	–	–	–	–	–
Director of Finance								
Sarah Bradley **	58	50	8	–	–	–	–	–
Director of HR and SHE								
Shane Bissett ***	105	105	–	–	192	121	31	40
Director of Commemorative Coin								
Phil Carpenter ***	96	96	–	–	187	115	35	37
Director of Operations								

* Board member

**Leighton John, Sarah Bradley and Martin McDade were appointed to the Executive Management Team on 1 September 2015. Chris Howard was appointed on 14 September 2015. Therefore their remunerations are only shown from these dates.

*** Shane Bissett left The Royal Mint on 16 October 2015 and Phil Carpenter left on 3 January 2016.

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

During the year the Remuneration Committee agreed to stop Adam Lawrence's pension contributions and instead pay him an additional allowance equivalent to the cost of contributions.

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 2015-16 the remuneration of the highest-paid Director of The Royal Mint was £331,000 (2014-15: £354,000). This was ten times (2014-15: eleven times) the median remuneration of the workforce, which was £34,000 (2014-15: £32,000).

Pension benefits accrued (audited)

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

	Value of pension benefits 2015-16 in CSPS £'000	Accrued pension in Prudential Platinum Scheme at 31 March 2015 £'000	Employee Contributions paid 2015-16 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer value as at 31 March 2016 £'000	Transfer value as at 31 March 2015 £'000	Increase in transfer value less employee contributions £'000
Adam Lawrence* Chief Executive	85	23	8	5	44	459	36
Anne Jessopp Director of Commemorative Coin and Business Services	50	15	9	3	88	330	26
Phil Carpenter Director of Operations	36	7	7	2	21	224	14
Andrew Mills Director of Circulating Coin	49	15	9	3	44	356	35
Leighton John Director of Operations	23	–	4	1	18	–	8
Martin McDade Director of Finance	13	–	4	1	23	–	11
Sarah Bradley Director of HR and SHE	19	–	4	1	20	–	9

* Board member

As explained on page 34, the Prudential Platinum Scheme was closed for additional contributions on 31 March 2015. Therefore the table above shows the accrued pension in this scheme at 31 March 2015 and the value accrued into the Civil Service Pension Scheme for 2015-16.

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.

The transfer values at 31 March 2016 have decreased for those Executive Management Team members who were members of the Prudential Platinum scheme because they have transferred funds into personal private pension schemes. Anne Jessopp retained benefits in the Civil Service Pension Scheme pre vesting and therefore benefits accrued in 2015-16 were added to this. Leighton John, Martin McDade and Sarah Bradley joined the Executive Management Team during the year and therefore their details are only shown for 2015-16.

Vin Wijeratne and Chris Howard are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme. Shane Bissett was also a member of The Royal Mint Group Personal Pension Plan prior to leaving the business. Employer contributions made during the year were as follows, including the impact of the salary sacrifice scheme as mentioned above:

Vin Wijeratne £15,000 (2014-15: £14,000)
Chris Howard £8,000 (2014-15: £Nil)
Shane Bissett £12,000 (2014-15: £15,000).

Employment agreements

All permanent members of the Executive Management Team covered by this Annual Report hold appointments which are open-ended until they reach retirement age. Their notice periods are six months except Adam Lawrence for whom it is one year.

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 Tim Martin 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.

Peter Warry	45	45
David Morgan	23	22
Xenia Carr-Griffiths	20	20
Amanda Rendle (Appointed 1 January 2016)	5	–
Michael Clayforth-Carr (Appointed 1 January 2016)	5	–
David Harding (Resigned 31 July 2014)	–	8
Mary Chapman (Resigned 31 July 2014)	–	7

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 £7,000 (2014-15: £7,000).

Tim Martin received no remuneration from The Royal Mint Limited.

Susan Acland-Hood
Accounting Officer
11 July 2016

Staff Report

Total staff costs

	2015-16 £'000	2015-16 £'000	2014-15 £'000	2014-15 £'000
WAGES AND SALARIES				
Staff with a permanent contract	28,534		27,663	
Other staff	1,102		661	
		29,636		28,324
SOCIAL SECURITY COSTS				
Staff with a permanent contract	2,262		1,986	
Other staff	103		63	
		2,365		2,049
OTHER PENSION COSTS				
Staff with a permanent contract	5,489		6,552	
Other staff	81		42	
		5,570		6,594
		37,571		36,967

Average number employed

	2015-16	2015-16	2014-15	2014-15
PRODUCTION				
Staff with a permanent contract	519		517	
Other staff	12		6	
		531		523
SALES AND MARKETING				
Staff with a permanent contract	108		111	
Other staff	19		15	
		127		126
ADMINISTRATION				
Staff with a permanent contract	153		148	
Other staff	10		9	
		163		157
		821		806

Directors' emoluments

	2015-16 £'000	2014-15 £'000
Aggregate emoluments excluding long-term incentive scheme	540	547
Aggregate amounts receivable under long-term incentive scheme	73	118
Contributions under defined contribution pension scheme	15	14
HIGHEST PAID DIRECTOR		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	331	354
Accrued defined benefit pension at year-end	85	23

Retirement benefits accrued to one executive director under a defined benefit scheme during the year (2014-15: 1).

Staff composition

The number of people employed at 31 March 2016 was 814 (2015: 823). Of these employees, 622 are male and 192 female (2015: 621 male, 202 female). The Board of Directors of The Royal Mint Limited at 31 March 2016 comprised six male directors and two female (2015: five male, one female). Following the year-end, the appointment of a further two directors increased this to seven male directors and three female directors.

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 company. 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 while employed by the company.

Sickness absence

The annual sickness absence rate for 2015-16 was 4.6% (2014-15: 3.7%).

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

I certify that I have audited the financial statements of the Royal Mint Trading Fund for the year ended 31 March 2016 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Royal Mint Trading Fund's and 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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Royal Mint Trading Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Royal Mint Trading Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Royal Mint Trading Fund's affairs as at 31 March 2016 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Management Commentary, Sustainability Report, Financial Summary and Key Ministerial Targets sections of the 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 part of the 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.

Sir Amyas C E Morse
Comptroller and Auditor General
13 July 2016

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

Consolidated Income Statement

For the year ended 31 March 2016

	Notes	Before IAS 39 related items and exceptionals 2015-16 £'000	IAS 39 related items (note 5) 2015-16 £'000	Exceptionals (note 5) 2015-16 £'000	Total 2015-16 £'000	Restated* Before IAS 39 related items and exceptionals 2014-15 £'000	IAS 39 related items (note 5) 2014-15 £'000	Exceptionals (note 5) 2014-15 £'000	Restated* Total 2014-15 £'000
Revenue	2	360,722	–	–	360,722	259,668	–	–	259,668
Cost of sales		(312,921)	(430)	–	(313,351)	(217,003)	593	–	(216,410)
Gross profit		47,801	(430)	–	47,371	42,665	593	–	43,258
Administrative expenses		(11,803)	–	(152)	(11,955)	(14,570)	–	722	(13,848)
Selling and distribution costs		(21,594)	–	–	(21,594)	(17,001)	–	–	(17,001)
Other gains/(losses) – net	22	(884)	(230)	–	(1,114)	230	(910)	–	(680)
Operating profit	3	13,520	(660)	(152)	12,708	11,324	(317)	722	11,729
Finance income	6	5	–	–	5	10	–	–	10
Finance costs	6	(373)	–	–	(373)	(165)	–	–	(165)
Profit before tax		13,152	(660)	(152)	12,340	11,169	(317)	722	11,574
Taxation	7				(2,353)				(2,333)
Profit for the financial year					9,987				9,241
Profit attributable to: HM Treasury					9,987				9,241

*The prior year results have been restated to reclassify precious metal consignment arrangement fees – see note 3.

The notes on pages 50 to 87 form part of the financial statements.

Consolidated Statement of Comprehensive Income For the year ended 31 March 2016

	Notes	2015-16 £'000	2014-15 £'000
Profit for the financial year		9,987	9,241
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges		517	(503)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements for defined benefit scheme	17	1,897	(5,361)
Deferred tax on remeasurements for defined benefit scheme	16	(341)	1,126
Gain on Heritage Assets revaluation	9	3,510	–
Gain on land and buildings revaluation	8	2,405	–
Other comprehensive income for the period, net of tax		7,988	(4,738)
Total comprehensive income for the year		17,975	4,503
Total comprehensive income attributable to: HM Treasury		17,975	4,503

Royal Mint Trading Fund Statement of Comprehensive Income For the year ended 31 March 2016

	2015-16 £'000	2014-15 £'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 50 to 87 form part of the Accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
AT 1 APRIL 2015	5,500	753	45,998	(660)	22,317	73,908
Movements in the year:						
Profit for the financial year	–	–	9,987	–	–	9,987
Cash flow hedges	–	–	–	517	–	517
Remeasurements for defined benefit scheme	–	–	1,897	–	–	1,897
Deferred tax on actuarial loss of defined benefit scheme	–	–	(341)	–	–	(341)
Gain on land and buildings revaluation	–	2,405	–	–	–	2,405
Gain on Heritage Assets revaluation	–	–	–	–	3,510	3,510
Transfers	–	–	(247)	–	247	–
Total Comprehensive Income for the year	–	2,405	11,296	517	3,757	17,975
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
AT 31 MARCH 2016	5,500	3,158	53,294	(143)	26,074	87,883

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
AT 1 APRIL 2014	5,500	753	45,181	(157)	22,128	73,405
Movements in the year:						
Profit for the financial year	–	–	9,241	–	–	9,241
Cash flow hedges	–	–	–	(503)	–	(503)
Actuarial loss on defined benefit scheme	–	–	(5,361)	–	–	(5,361)
Deferred tax on actuarial loss of defined benefit scheme	–	–	1,126	–	–	1,126
Transfers	–	–	(189)	–	189	–
Total Comprehensive Income for the year	–	–	4,817	(503)	189	4,503
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
AT 31 MARCH 2015	5,500	753	45,998	(660)	22,317	73,908

The notes on pages 50 to 87 form part of the Accounts.

Royal Mint Trading Fund Statement of Changes in Equity

For the year ended 31 March 2016

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
AT 1 APRIL 2015	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 2016	5,500	49,819	55,319

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
AT 1 APRIL 2014	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 2015	5,500	49,819	55,319

The notes on pages 50 to 87 form part of the Accounts.

Consolidated Statement of Financial Position

At 31 March 2016

	Notes	2016 £'000	2015 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	67,580	48,609
Heritage assets	9	26,172	22,382
Intangible assets	10	9,314	5,363
Deferred tax asset	16	691	1,278
TOTAL NON-CURRENT ASSETS		103,757	77,632
CURRENT ASSETS			
Inventories	11	32,070	30,948
Derivative financial instruments	23	610	1,383
Deferred tax asset	16	249	23
Trade and other receivables	12	25,317	24,309
Cash and cash equivalents	21	767	2,245
TOTAL CURRENT ASSETS		59,013	58,908
CURRENT LIABILITIES			
Borrowings	13	(4,506)	–
Trade and other payables	14	(31,970)	(51,603)
Current tax liability	7	(585)	(1,207)
Derivative financial instruments	23	(2,087)	(2,060)
TOTAL CURRENT LIABILITIES		(39,148)	(54,870)
NET CURRENT ASSETS		19,865	4,038
NON-CURRENT LIABILITIES			
Borrowings	13	(30,000)	–
Retirement benefit liability	17	(3,249)	(5,773)
Deferred tax liability	16	(2,186)	(1,466)
Provision for liabilities and charges	15	(304)	(523)
NET ASSETS		87,883	73,908
EQUITY			
Public dividend capital		5,500	5,500
Revaluation reserve		3,158	753
Retained earnings		53,294	45,998
Hedging reserve		(143)	(660)
Heritage assets reserve		26,074	22,317
TOTAL EQUITY		87,883	73,908

*The prior year results have been restated to reclassify the retirement benefit liability from current liabilities to non-current liabilities – see note 17.

The notes on pages 50 to 87 form part of the Accounts.

Susan Acland-Hood
Accounting Officer
11 July 2016

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Royal Mint Trading Fund Statement of Financial Position

At 31 March 2016

	Notes	2016 £'000	2015 £'000
NON-CURRENT ASSETS			
Investments	24	59,319	59,319
TOTAL NON-CURRENT ASSETS		59,319	59,319
CURRENT LIABILITIES			
Trade and other payables	14	(4,000)	(4,000)
TOTAL CURRENT LIABILITIES		(4,000)	(4,000)
NET ASSETS		55,319	55,319
EQUITY			
Public dividend capital		5,500	5,500
Retained earnings		49,819	49,819
TOTAL EQUITY		55,319	55,319

The notes on pages 50 to 87 form part of the Accounts.

Susan Acland-Hood
Accounting Officer
11 July 2016

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2015-16 £'000	Restated* 2014-15 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		12,340	11,574
Depreciation and amortisation on non-current assets		4,843	4,811
Loss on disposal		118	12
Interest		368	155
Cash flow hedges		1,317	512
Movements in working capital:			
Inventory		(1,122)	(6,561)
Retirement benefit asset		(627)	(2,073)
Trade and other receivables		(1,008)	(3,962)
Trade and other payables		(20,757)	21,258
Provisions		(219)	(411)
Cash (outflow)/inflow from operations		(4,747)	25,315
Tax received/(paid)		(2,235)	–
Interest paid		(316)	(154)
Net Cash (outflow)/inflow from operating activities		(7,298)	25,161
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(21,224)	(8,055)
Acquisition of intangible assets		(3,467)	(4,231)
Interest received		5	10
Net cash used in investing activities		(24,686)	(12,276)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		30,000	(7,000)
Net cash used in financing activities		26,000	(11,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the end of the year		2,245	360
Cash and cash equivalents at the end of the year	21	(3,739)	2,245

The notes on pages 50 to 87 form part of the Accounts.

*The prior year results have been restated to reclassify precious metal consignment arrangement fees – see note 3.

Royal Mint Trading Fund Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2015-16 £'000	2014-15 £'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		(30,000)	7,000
Net cash (used)/generated from investing activities		(26,000)	11,000
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		30,000	(7,000)
Net cash generated/(used) in financing activities		26,000	(11,000)
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 50 to 87 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 2015-16 Government Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Royal Mint Trading Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the accounts.

1.2 Changes in accounting policy and disclosures

New and amended statements adopted by the Royal Mint Trading Fund

There were no new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2015 that had a material impact on the Royal Mint Trading Fund.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015 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 of the Royal Mint Trading Fund except the following set out below.

IFRS9, Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS9 was issued in July 2014. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments. In particular, IFRS9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. The Royal Mint Trading Fund considers that the introduction of IFRS9 will lead to reduction in the incidence of hedging ineffectiveness recorded in the Income Statement.

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 of and obtain the benefits from the good or service. The standard replaces IAS18, Revenue and IAS11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. The Royal Mint Trading Fund is not anticipating any significant impact from the adoption of IFRS15.

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

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Royal Mint Trading Fund.

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.

Note 1 continued

1.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'other gains/(losses) – net'.

1.5 Property, plant and equipment

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

The valuation is based upon the following:

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

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

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

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

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

Note 1 continued

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

	Years
Buildings (including integral features)	up to 50
Delicate and electrical plant and machinery	10
Robust mechanical plant	15 – 25
IT hardware	3 – 8
Motor vehicles	4

No depreciation is provided in respect of land.

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

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

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

Heritage assets

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

The Fund has introduced a programme of valuation as follows:

Assets donated to The Royal Mint Museum on vesting

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

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

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

Plaster models – professional valuation undertaken during 2015-16.

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

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

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

Assets acquired since vesting

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

Note 1 continued

1.6 Intangible assets

Intangible assets

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

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

Licences for computer software

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

Research and development costs

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

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

Software

Internal costs capitalised are those direct employee costs involved in the design and testing of the One Business System. These costs are currently held within assets in the course of construction within intangible assets.

Patents, trademarks and licences

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

1.7 Impairment of non-financial assets

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

1.8 Financial assets

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

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

Note 1 continued

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

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

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

(ii) Loans and receivables

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

1.9 Impairment of financial assets

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

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

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

1.10 Trade receivables

Trade receivables are recognised at the original invoice amount and carried at amortised cost less an allowance for any identified impairment. The impairment allowance is established when there is objective evidence that amounts due under the original terms of the transaction will not be collected. The impairment is charged to the Consolidated Income Statement and represents the difference between the carrying amount and the recoverable amount. Balances are written off when the probability of recovery is assessed as remote. Impaired debts are derecognised when their outcome is certain.

1.11 Financial liabilities

(a) Interest-bearing loans and borrowings

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

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

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

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

Note 1 continued

1.12 Derivative financial instruments

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

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

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging exposure to variability in cash flows is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Consolidated Income Statement within Other Gains and Losses. Amounts taken to equity are transferred to the Consolidated Income Statement when the hedged transaction affects the Consolidated Income Statement in Cost of Sales, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Consolidated Income Statement in Other Gains and Losses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the 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. 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 scheme is now made up of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Other Pension Scheme (CSOPS). These are multi-employer plans and are accounted for as if they were 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 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.

1.22 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.

1.23 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.

1.24 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.

Note 1 continued

1.25 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. Due to the changes in the defined benefit pension arrangements set out in note 17, the expected choices of members regarding their deferred benefits is also a key assumption in determining the net liability.

The Royal Mint Limited determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, The Royal Mint Limited considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Key assumptions for pension obligations are disclosed in note 17.

(b) Impairment of non-financial assets

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

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

(c) Trade receivables

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

(d) Inventory

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

(e) Property, plant and equipment

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

(f) Development costs

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

Note 2

Segmental reporting

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

The following table presents revenue, operating profit and certain asset and liability information regarding the Royal Mint Trading Fund business segments for the years ending 31 March. For the first time in 2015-16 Bullion has been separated from Commemorative Coin as a separate segment.

A) Analysis by class of business 2015-16

	Circulating £'000	Commemorative* £'000	Bullion £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	124,013	51,114	185,595	360,722	–	360,722
Depreciation and amortisation	(3,297)	(682)	(147)	(4,126)	(717)	(4,843)
Operating profit/(loss)	11,364	10,445	2,851	24,660	(11,952)	12,708
Segment assets and liabilities:						
Non-current assets	46,354	40,653	594	87,601	16,156	103,757
Current assets	38,127	12,162	5,222	55,511	3,502	59,013
Current liabilities	(17,839)	(4,838)	(1,422)	(24,099)	(15,049)	(39,148)
Non-current liabilities	(254)	–	–	(254)	(35,485)	(35,739)
Net assets	66,388	47,977	4,394	118,759	(30,876)	87,883

Analysis by class of business 2014-15 (Restated**)

	Circulating £'000	Commemorative* £'000	Bullion £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	106,010	40,158	113,500	259,668	–	259,668
Depreciation and amortisation	(3,180)	(666)	(82)	(3,928)	(883)	(4,811)
Operating profit/(loss)	16,110	8,019	1,444	25,573	(13,844)	11,729
Segment assets and liabilities:						
Non-current assets	37,085	27,315	590	64,990	12,642	77,632
Current assets	41,660	11,943	2,390	55,993	2,915	58,908
Current liabilities	(37,769)	(4,550)	(142)	(42,461)	(12,409)	(54,870)
Non-current liabilities	(323)	–	–	(323)	(7,439)	(7,762)
Net assets	40,653	34,708	2,838	78,199	(4,291)	73,908

The unallocated net liabilities comprise cash at bank and in hand, overdraft, borrowings, receivables and payables balances which are not specifically attributed to either segment.

* Includes transactions, assets and liabilities of The Royal Mint Museum, notably heritage assets of £26.2m (2014: £22.4m).

** The prior year results have been restated to reclassify precious metal consignment fees within cost of sales (see note 3) and to present the retirement benefit liability as a non-current liability (see note 17), and show the Bullion segment separately for comparative purposes.

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

	2015-16 £'000	2014-15 £'000
UK	118,169	115,230
Germany	34,981	15,637
Rest of Europe	69,088	18,220
United States of America	67,460	42,425
Rest of Americas	7,504	10,164
Asia	45,289	43,444
Africa	10,102	12,378
Rest of the World	8,129	2,170
	360,722	259,668

During 2015-16 revenue from three customers amounted to £49.4m, £49.2m and £38.7m (2014-15: two customers: £59.2m and £27.3m) which represented in excess of 10% of revenue.

Note 3

Operating profit

Operating profit is stated after charging/(crediting):

	2015-16 £'000	Restated* 2014-15 £'000
Depreciation and amortisation charges	4,843	4,811
Loss on disposal	119	12
Research and development	31	12
Commodity hedges	430	(593)
Precious metal consignment fees	422	438
Exceptional items (note 5)	152	(722)
Auditors' remuneration:		
Audit of these financial statements	20	20
Audit of subsidiaries	63	62
Non-audit fees – tax services	12	23
Non-audit fees – other	8	31

*Precious metal consignment arrangement fees of £422,000 (2014-15: £438,000) have been recognised within cost of sales rather than finance costs in 2015-16 as the Company considers this a more appropriate presentation. The prior period has been restated accordingly. This restatement is a reclassification of costs only and does not impact on overall profit or net assets.

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 33 to 37.

Total staff costs

	2015-16 £'000	2015-16 £'000	2014-15 £'000	2014-15 £'000
WAGES AND SALARIES				
Staff with a permanent contract	28,534		27,663	
Other staff	1,102		661	
		29,636		28,324
SOCIAL SECURITY COSTS				
Staff with a permanent contract	2,262		1,986	
Other staff	103		63	
		2,365		2,049
OTHER PENSION COSTS				
Staff with a permanent contract	5,489		6,552	
Other staff	81		42	
		5,570		6,594
		37,571		36,967

Average number employed

	2015-16	2015-16	2014-15	2014-15
PRODUCTION				
Staff with a permanent contract	519		517	
Other staff	12		6	
		531		523
SALES AND MARKETING				
Staff with a permanent contract	108		111	
Other staff	19		15	
		127		126
ADMINISTRATION				
Staff with a permanent contract	153		148	
Other staff	10		9	
		163		157
		821		806

Directors' emoluments

	2015-16 £'000	2014-15 £'000
Aggregate emoluments excluding long-term incentive scheme	540	547
Aggregate amounts receivable under long-term incentive scheme	73	118
Contributions under defined contribution pension scheme	15	14
HIGHEST PAID DIRECTOR		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	331	354
Accrued defined benefit pension at year-end	85	23

Retirement benefits accrued to one executive director under a defined benefit scheme during the year (2014-15: 1).

Note 5 Exceptional items

A) Exceptional items

	2015-16 £'000	2014-15 £'000
Curtailment gain due to ceasing accrual	–	1,652
Settlement gain from transfer out of liabilities and assets	172	–
Professional fees associated with change in pension scheme	(324)	(930)
Exceptional (charge)/income	(152)	722

As set out in further detail in note 16, the Prudential Platinum scheme was closed for additional contributions on 31 March 2015 and members were given the option to rejoin the Civil Service Pension Scheme, a defined benefit pension scheme, or to join The Royal Mint Group Personal Pension Plan. This resulted in a credit for curtailment in 2014-15 as set out in the table above, partly offset by professional fees incurred in implementing this change. There was a final gain of £172,000 due to the assets transferred out when the scheme closed being lower than the liabilities extinguished. This is offset by the remaining professional fees arising.

B) Impact of IAS 39 hedging ineffectiveness and open foreign exchange contracts

The total impact of the loss on open foreign exchange contracts and hedging ineffectiveness under IAS 39 at the year-end has been highlighted separately on the face of the Income Statement.

In accordance with the accounting policy the hedge accounting rules under International Accounting Standards (IAS) 39 have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IAS 39) is recorded in the Income Statement within Other Gains and Losses.

The objective of The Royal Mint Limited's hedging policy is to mitigate the cash flow impact of movements in the price of metal commodities where appropriate over time, the ineffectiveness impact of which for accounting purposes will be seen in different accounting periods depending on the relevant assessment under IAS 39 rules.

The accounting treatment in this area is therefore not necessarily a reflection of the economic impact of The Royal Mint Limited's hedging policy but represents the respective accounting impact of hedging ineffectiveness under IAS 39.

Note 6 Finance costs

	2015-16 £'000	Restated* 2014-15 £'000
On loans repayable within five years	373	156
Unwinding of discount on provision for early retirement (Note 15)	–	9
	373	165

The prior year results have been restated to reclassify precious metal consignment arrangement fees – see note 3.

Finance income

	2015-16 £'000	2014-15 £'000
Bank interest received	5	10

Note 7 Taxation

Analysis of tax charge in year

	2015-16 £'000	2014-15 £'000
UK corporation tax:		
Current year	1,697	1,207
Prior year	(84)	–
Deferred tax:		
Current year	725	1,306
Prior year	15	(180)
Taxation charge	2,353	2,333

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2015-16: 20%, 2014-15: 21%):

	2015-16 £'000	2014-15 £'000
Profit before tax	12,340	11,574
Profit multiplied by the standard rate of corporation tax of 20% (2014-15: 21%)	2,468	2,430
Effects of:		
Trading Fund profit not being taxable	(85)	(71)
Expenses not deductible for tax purposes	139	154
Reduction in tax rate for deferred tax provision	(100)	
Adjustments in respect of prior years	(69)	(180)
Taxation charge for year	2,353	2,333

Reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2018) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly.

The effective tax rate for the year was 20.5% (2015: 22%) ignoring adjustments relating to prior years. In addition to the amount charged to the Income Statement, a deferred tax charge relating to actuarial losses on defined benefit pension schemes of £341,000 (2015: £1,126,000 credit) has been charged directly to the Statement of Comprehensive Income.

Current tax liability

	2015-16 £'000	2014-15 £'000
UK corporation tax	584	1,207

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 2015	3,862	14,796	7,612	95,873	122,143
Additions	–	–	21,054	5	21,059
Transfers	–	272	(6,712)	6,440	–
Disposals	–	(217)	–	(1,481)	(1,698)
Revaluation	190	(1,732)	–	–	(1,542)
At 31 March 2016	4,052	13,119	21,954	100,837	139,962
Depreciation					
At 1 April 2015	–	3,553	–	69,981	73,534
Charge for year	–	500	–	3,875	4,375
Disposals	–	(106)	–	(1,474)	(1,580)
Revaluation	–	(3,947)	–	–	(3,947)
At 31 March 2016	–	–	–	72,382	72,382
Net book value at 31 March 2016	4,052	13,119	21,954	28,455	67,580

	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 2014	3,862	14,603	1,322	94,370	114,157
Additions	–	–	8,128	37	8,165
Transfers	–	193	(1,838)	1,645	–
Disposals	–	–	–	(179)	(179)
At 31 March 2015	3,862	14,796	7,612	95,873	122,143
DEPRECIATION					
At 1 April 2014	–	3,074	–	66,350	69,424
Charge for year	–	479	–	3,793	4,272
Disposals	–	–	–	(162)	(162)
At 31 March 2015	–	3,553	–	69,981	73,534
Net book value at 31 March 2015	3,862	11,243	7,612	25,892	48,609

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 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 9 Heritage assets

	2015-16 £'000	2014-15 £'000	2013-14 £'000	2012-13 £'000	2011-12 £'000
COST					
At 1 April	22,382	22,170	21,060	16,211	5
Additions:					
At valuation	247	189	62	156	206
At purchase cost	33	23	10	13	–
Disposals	–	–	–	(65)	–
Revaluation	3,510	–	1,038	4,745	16,000
At 31 March	26,172	22,382	22,170	21,060	16,211
Net book value at 31 March	26,172	22,382	22,170	21,060	16,211
Net book value at 1 April	22,382	22,170	21,060	16,211	5

The collection

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

The Trustees' intention is to obtain valuations for those parts of the collection which are readily accessible and for which there is an established market. They agreed a plan extending over five years which was concluded in 2015-16. Work in connection with the valuation has been carried out by the auctioneers Morton & Eden and numismatic book specialist Douglas Saville. Valuations have been sought for coins and medals, the library, seal counterparts, trial plates, drawings and artwork and plaster models. The total collection has been valued at £26.2m. The collection will now be valued every five years or if there is an indication of impairment. 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.

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 the United Kingdom 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	Development costs £'000	Total £'000
COST				
At 1 April 2015	4,838	3,945	–	8,783
Additions	4,419	–	–	4,419
Transfers	(1,325)	373	952	–
At 31 March 2016	7,932	4,318	952	13,202
AMORTISATION				
At 1 April 2015	–	3,420	–	3,420
Amortisation for year	–	432	36	468
At 31 March 2016	–	3,852	36	3,888
Net book value at 31 March 2016	7,932	466	916	9,314

Current year additions include £1,387,000 (2014-15: £1,173,000) for development costs in the course of construction. Amortisation charges are included of £416,000 (2014-15: £522,000) and £36,000 (2014-15: £Nil) are within administration expenses and cost of sales respectively.

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
COST			
At 1 April 2014	934	3,713	4,647
Additions	4,141	–	4,141
Transfers	(237)	237	–
Disposal	–	(5)	(5)
At 31 March 2015	4,838	3,945	8,783
AMORTISATION			
At 1 April 2014	–	2,886	2,886
Amortisation for year	–	539	539
Disposal	–	(5)	(5)
At 31 March 2015	–	3,420	3,420
Net book value at 31 March 2015	4,838	525	5,363

Note 11

Inventories

Consolidated

	2016 £'000	2015 £'000
Metal inventory	14,722	19,490
Work in progress (excluding metal)	4,380	3,238
Stores and packing materials	4,243	4,030
Finished goods	8,725	4,190
	32,070	30,948

Inventories recognised as an expense in the year equated to cost of sales other than the movement in the inventory provision which was an increase of £1.3 million.

The Royal Mint Limited enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as The Royal Mint purchases the metal. The value of the physical metal is not recorded in the Statement of Financial Position.

Inventory held on consignment amounted to £106.3 million at 31 March 2016 (2014: £56.9 million). Consignment fees under these arrangements are set out in note 3.

Note 12

Trade and other receivables

Consolidated

	2016 £'000	2015 £'000
Trade receivables	17,952	20,776
Less provision for impairment of receivables	(240)	(502)
VAT	5,915	1,938
Prepayments and accrued income	1,690	2,097
	25,317	24,309

Included within the receivables are the following:

	2016 £'000	2015 £'000
Central Government bodies	4,385	7,509
Other Government bodies	2	1
NHS Trusts	3	4
	4,390	7,514

Note 12 continued

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

	2016 £'000	2015 £'000
Pounds sterling	25,003	21,004
US Dollars	59	2,477
Euros	198	274
Polish Zloty	57	554
	25,317	24,309

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

Movement in provision for impairment in receivables:

	2016 £'000	2015 £'000
At 1 April	(502)	(499)
Utilised/(provided) in the year	262	(3)
At 31 March	(240)	(502)

Note 13 Borrowings Consolidated

	2016 £'000	2015 £'000
Bank overdraft	4,506	—
Loans	30,000	—
	34,506	—

Note 14

Trade and other payables: amounts falling due within one year

	2016 £'000	Consolidated 2015 £'000	2016 £'000	Trading Fund 2015 £'000
Trade payables	14,030	13,452	–	–
Other payables	2,014	2,269	–	–
Payments received on account	7,826	28,802	–	–
Taxation and social security	771	730	–	–
Proposed dividend	4,000	4,000	4,000	4,000
Accruals and deferred income	3,329	2,350	–	–
	31,970	51,603	4,000	4,000

Included within the payables are the following:

Balances with other Government bodies not shown separately above

	2016 £'000	2015 £'000
Other Central Government bodies	2,277	2,389
Public Corporations and Trading Funds	166	140
	2,443	2,529

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.

	Early Retirement £'000	Environment Remediation £'000	Total £'000
At 1 April 2015	200	323	523
Utilised in year	(150)	(69)	(219)
At 31 March 2016	50	254	304

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 18% (2015: 20%).

	2016 £'000	2015 £'000
Liability at 1 April	165	164
Movements on deferred tax were:		
Charged/(Credited) to the Income Statement	740	1,127
Charged/(Credited) to Statement of Comprehensive Income	341	(1,126)
Liability at 31 March	1,246	165

Movements in deferred tax liabilities/(assets) were:

Deferred tax liabilities/(assets)

	Assets £'000	Liabilities £'000	2016 Net £'000	Assets £'000	Liabilities £'000	2015 Net £'000
Accelerated tax depreciation	–	2,186	2,186	–	1,466	1,466
Derivative instruments	(249)	–	(249)	(23)	–	(23)
Retirement benefit obligation	(585)	–	(585)	(1,155)	–	(1,155)
Other	(106)	–	(106)	(123)	–	(123)
Deferred tax liability/(asset)	(940)	2,186	1,246	(1,301)	1,466	165

	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2015	1,466	(23)	(1,155)	(123)	165
Charged/(credited) to the Income Statement	720	(226)	229	17	740
Charged/(credited) to Statement of Comprehensive Income	–	–	341	–	341
At 31 March 2016	2,186	(249)	(585)	(106)	1,246

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

	2016 £'000	2015 £'000
Actuarial gains on defined benefits schemes	341	(1,126)
	341	(1,126)

Analysis of deferred tax liability/(asset)

	2016 £'000	2015 £'000
Deferred tax liability after 12 months	(249)	(23)
Deferred tax (asset) after 12 months	(691)	(1,278)
Deferred tax (asset) within 12 months	2,186	1,466
	1,246	165

The deferred tax at 31 March 2016 has been calculated based on the rate of 18% which was substantively enacted at the balance sheet date. The deferred tax asset has been recognised as the Company are confident that future profits will arise against which the asset will be utilised.

Note 17

Retirement benefit schemes

Defined contribution scheme

The 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 Company. The total cost charged to income of £516,000 (2014-15: £356,000) represents contributions payable to the scheme by the Company at rates specified in the plan rules.

Defined benefit scheme

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

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

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

The Principal Civil Service Pension Scheme (PCSPS) continues for those employees who were within ten years of their normal pension age on 1 April 2012 and has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole 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

Note 17 continued

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

Whilst the PCSPS and alpha are defined benefit schemes, they are accounted for by the Company as defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes. The total cost charged to income of £4,872,000 represents contributions payable to the scheme by the Company. Employer contributions expected to be paid for the year ended 31 March 2017 are £4,829,000.

As noted above RMLS was closed for additional contributions on 31 March 2015. The disclosures below relate to the residual RMLS in relation to deferred pensioners who left their benefits in the scheme and current pensioners.

Risks

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

Actuarial valuation

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The last was carried out with an effective date of 31 December 2013. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

Details of valuation assumptions

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

	2016	2015
Discount rate	3.65%	3.25%
Price inflation RPI	3.15%	3.10%
Price inflation CPI	2.15%	2.40%
Pensionable salary increase	3.65%	3.50%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	3.15%	3.10%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.15%	2.40%
Increase to pensions in payment: benefits accrued before 01/02/2014	3.15%	3.10%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.15%	2.40%
Mortality assumption – pre-retirement	SAPS S2Px A CMI 2015(1%)	SAPS S2Px A CMI 2012(1%)
Mortality assumption – male post-retirement	SAPS S2PMA CMI 2015_M(1%)	SAPS S2PMA CMI 2012_M(1%)
Mortality assumption – female post-retirement	SAPSS2PFACMI2015_F(1%)	SAPS S2PFA CMI 2012_F(1%)
Future expected lifetime of current pensioner at age 65 at year-end		
Male aged 65 at year-end	86.9	87.3
Female aged 65 at year-end	88.9	89.4
Future expected lifetime of future pensioner at age 65 at year-end		
Male aged 45 at year-end	88.2	88.7
Female aged 45 at year-end	90.4	90.9

Note 17 continued

The discount rate on the previous page 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:

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Fair value of plan assets	14,738	49,308	37,134	29,228	19,560
Present value of plan liabilities	(17,987)	(55,081)	(39,619)	(29,580)	(19,331)
Net defined benefit (liability)/asset	(3,249)	(5,773)	(2,485)	(352)	229

Amounts recognised in Statement of Comprehensive Income:

	2016 £'000	2015 £'000
Service Cost:		
Current service cost (net of employees contributions)	–	6,196
Administration expenses	178	74
Net interest expense	176	97
Past service cost and gain on settlement	(172)	–
Curtailment gain due to ceasing accrual	–	(1,652)
Amounts charged to the Income Statement	182	4,715
Re-measurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	(166)	(3,691)
(Gain)/Loss arising from changes in financial assumptions	(2,143)	9,926
Gain arising from changes in demographic assumptions	(377)	(800)
Experience loss/(gain)	789	(74)
(Credit)/charge recorded in other comprehensive income	(1,897)	5,361
Total defined benefit (Credit)/charge	(1,715)	10,076

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

	2016 £'000	2015 £'000
Fair value of net liability at beginning of year	(5,773)	(2,485)
Movements in year:		
Employer contributions	868	6,788
Administration expenses	(178)	(74)
Current service cost	–	(6,196)
Interest cost	(235)	(97)
Gain on settlement and curtailment	172	1,652
Re-measurement gains/(losses):		
Actuarial gains and losses arising from changes in financial assumptions	2,143	(9,926)
Actuarial gains and losses arising from changes in demographic assumptions	377	800
Return on scheme assets (excluding amounts included in interest expense)	166	3,691
Other experience items	(789)	74
Net Scheme liabilities at end of year	(3,249)	(5,773)

Note 17 continued

Changes in the present value of assets over the year:

	2016 £'000	2015 £'000
Fair value of assets at beginning of year	49,308	37,134
Movements in year:		
Return on scheme assets (excluding amounts included in interest expense)	166	3,691
Interest income	1,021	1,799
Employer contributions	868	6,788
Employee contributions	–	487
Benefits paid	(304)	(517)
Administration expenses	(178)	(74)
Assets distributed on settlement	(36,143)	–
Scheme assets at end of year	14,738	49,308

Actual return on assets over the year was £1,187,000 (2014-15: £5,490,000).

Changes in the present value of liabilities over the year:

	2016 £'000	2015 £'000
Scheme liabilities at beginning of year	55,081	39,619
Movement in year:		
Current service cost	–	6,196
Interest cost	1,256	1,896
Employee contributions	–	487
Re-measurement losses/(gains):		
Actuarial gains and losses arising from changes in financial assumptions	(2,143)	9,926
Actuarial gains and losses arising from changes in demographic assumptions	(377)	(800)
Other experience items	789	(74)
Gain on curtailment	–	(1,652)
Benefits paid	(304)	(517)
Liabilities extinguished on settlement	(36,315)	–
Scheme liabilities at end of year	17,987	55,081

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

	2016 £'000	2015 £'000
Deferred pensioners	16,149	53,099
Pensions in payment	1,838	1,982
Average duration of the scheme's liabilities at the end of the period (years)	17,987	55,081

Note 17 continued

The major categories of scheme assets are as follows:

	2016 £'000	2015 £'000
RETURN SEEKING		
UK Equities	–	12,650
Overseas Equities	–	12,650
Diversified Growth Fund	–	11,538
	–	36,838
DEBT INSTRUMENTS		
Corporates	–	5,879
Index Linked	14,349	6,023
	14,349	11,902
Cash	389	568
Total market value of assets	14,738	49,308

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

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

Sensitivity of the liability value to changes in the principal assumptions:

If the discount rate was 0.1% higher (lower), the scheme liabilities would decrease by £510,000 (increase by £530,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £592,000 (decrease by £570,000). 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 £703,000 (decrease by £689,000) if all the other assumptions remained unchanged.

The retirement benefit liability has been shown as a non-current liability in 2015-16 and the prior period has been restated accordingly as the Company considers this a more appropriate presentation. This restatement is a reclassification only and does not impact overall profit or net assets.

Note 18 Capital commitments

	2016 £'000	2015 £'000
Commitments in respect of contracts – Tangible Assets	7,028	6,302
Commitments in respect of contracts – Intangible Assets	566	1,215
	7,594	7,517

Note 19

Operating lease commitments

Consolidated

	2016 £'000	2015 £'000
Operating lease rentals due on leases expiring:		
Less than one year	990	482
Between one and five years	1,565	1,737
Over five years	–	310
	2,555	2,529

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.

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:

	2016 £'000	2015 £'000
Salaries and other short-term employee benefits	1,361	1,368
Post-employment benefits	186	197
	1,547	1,565

Note 21

Analysis of net funds/(debt)

Consolidated

	At 1 April 2015 £'000	Cash Flow £'000	At 31 March 2016 £'000
The Royal Mint Museum:			
Cash at bank and in hand	780	(13)	767
The Royal Mint Limited:			
Cash at bank and in hand/(Bank overdraft)	1,465	(5,971)	(4,506)
Loan	–	(30,000)	(30,000)
	2,245	(35,984)	(33,739)

Analysis of net funds/(debt)

Trading Fund

	At 1 April 2015 £'000	Cash Flow £'000	At 31 March 2016 £'000
Cash at bank and in hand	–	–	–
	–	–	–

Note 22

Other gains/(losses) – net

	2016 £'000	2015 £'000
Foreign exchange loss	(884)	230
Foreign exchange forward contracts	298	(1,339)
Ineffectiveness of commodity hedges (IAS 39)	(528)	429
	(1,114)	(680)

Note 23

Financial instruments

	2016 £'000	2015 £'000
Derivative asset		
Foreign currency fair value	361	612
Commodity fair value	200	92
Precious metal fair value	49	679
	610	1,383

	2016 £'000	2015 £'000
Derivative liability		
Foreign currency fair value	1,193	1,233
Commodity fair value	864	759
Precious metal fair value	30	68
	2,087	2,060

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.

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.

	Contract amount 2016 £'000	Average forward rate 2016	Fair value 2016 £'000	Contract amount 2015 £'000	Average forward rate 2015	Fair value 2015 £'000
Forward contract – sell £/buy EUR						
Maturing in less than 1 year	1,759	1.2757	20	3,033	1.3119	(121)
Maturing in more than 1 year	–	–	–	191	1.3591	(1)
	1,759	1.2757	20	3,224	1.3147	(122)
Forward contract – sell £/buy USD						
Maturing in less than 1 year	1,876	1.4374	–	1,282	1.5004	17
Forward contract – sell £/buy PLN						
Maturing in less than 1 year	1,999	5.6822	20	1,223	5.6605	7
Forward contract – sell £/buy CHF						
Maturing in less than 1 year	316	1.3945	4	–	–	–
Maturing in more than 1 year	1,118	1.3795	3	–	–	–
	1,434	1.3828	7	–	–	–
Forward contract – buy £/sell USD						
Maturing in less than 1 year	13,883	1.5267	(862)	12,690	1.5587	(672)
Maturing in more than 1 year	3,682	1.5220	(215)	8,132	1.5571	(422)
	17,565	1.5257	(1,077)	20,822	1.5581	(1,094)
Forward contract – buy £/sell PLN						
Maturing in less than 1 year	3,500	5.2751	219	3,723	5.1809	295
Maturing in more than 1 year	–	–	–	3,500	5.2751	219
	3,500	5.2751	219	7,223	5.2265	514
Forward contract – buy £/sell EUR						
Maturing in less than 1 year	2,485	1.2711	(20)	1,131	1.2988	56

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 2016	Effect on net earnings of a 10% decrease 2016 £'000	Closing exchange rate 2015	Effect on net earnings of a 10% decrease 2015 £'000
Euros	1.2613	18	1.3809	23
US Dollars	1.4373	7	1.4829	278
Polish Zloty	5.6271	6	5.6253	62
		31		363

	Closing exchange rate 2016	Effect on net earnings of a 10% increase 2016 £'000	Closing exchange rate 2015	Effect on net earnings of a 10% increase 2015 £'000
Euros	1.2613	(15)	1.3809	(19)
US Dollars	1.4373	(5)	1.4829	(228)
Polish Zloty	5.6271	(5)	5.6253	(50)
		(25)		(297)

Commodity price risk

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

In regard to base metals (nickel, copper and zinc) the Royal Mint Trading Fund uses commodity futures to hedge against price risk movements. All commodity futures contracts hedge a projected future purchase of raw materials, which are then closed out at the time the raw material is purchased. Commodity hedges are held in the Statement of Financial Position at fair value to the extent they are deemed to be effective under IAS 39, ineffective portions of hedges are recognised in the Income Statement. The open commodity hedges as at 31 March are as follows:

	Tonnes 2016	Value at average price 2016 £'000	Fair value 2016 £'000	Tonnes 2015	Value at average price 2015 £'000	Fair value 2015 £'000
Cash flow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	100	387	(52)	225	923	(8)
Maturing in more than 1 year	25	86	(3)	25	97	4
	125	473	(55)	250	1,020	(4)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	54	779	(467)	216	2,274	(433)
Maturing in more than 1 year	–	133	(133)	150	1,526	(234)
	54	912	(600)	366	3,800	(667)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	25	39	(8)	50	66	5

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 2016 £	Effect on net earnings of a 10% decrease 2016 £'000	Effect on equity of a 10% decrease 2016 £'000	Closing price/tonne 2015 £	Effect on net earnings of a 10% decrease 2015 £'000	Effect on equity of a 10% decrease 2015 £'000
Copper	3,374	(3)	(39)	4,094	(12)	(89)
Nickel	5,753	(4)	(27)	8,431	(12)	(301)
Zinc	1,240	(1)	(2)	1,404	(4)	(3)
		(8)	(68)		(28)	(393)

	Closing price/tonne 2016 £	Effect on net earnings of a 10% increase 2016 £'000	Effect on equity of a 10% increase 2016 £'000	Closing price/tonne 2015 £	Effect on net earnings of a 10% increase 2015 £'000	Effect on equity of a 10% increase 2015 £'000
Copper	3,374	3	39	4,094	8	93
Nickel	5,753	4	27	8,431	28	286
Zinc	1,240	1	2	1,404	4	3
		8	68		40	382

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

Purchases are made in two ways:

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

The purchases 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 2016	Value at average price 2016 £'000	Fair value 2016 £'000	Ozs 2015	Value at average price 2015 £'000	Fair value 2015 £'000
Gold forwards – GBP denominated contracts: Maturing in less than 1 year	1,129	999	(28)	19,195	14,722	576
Silver forwards – GBP denominated contracts: Maturing in less than 1 year	5,270	56	(2)	43,819	465	26
Platinum forwards – GBP denominated contracts: Maturing in less than 1 year	–	–	–	330	247	8
Gold swaps in place at the year-end – GBP denominated contract: Maturing in less than 1 year	(3,900)	(3,416)	49	–	–	–

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 2016 £/oz	Effect on net earnings of a 10% decrease 2016 £'000	Closing price 2015 £/oz	Effect on net earnings of a 10% decrease 2015 £'000
Gold	861	240	803	(1,902)
Silver	11	(6)	11	(49)
Platinum	679	–	764	(25)
		234		(1,976)

	Closing price 2016 £/oz	Effect on net earnings of a 10% increase 2016 £'000	Closing price 2015 £/oz	Effect on net earnings of a 10% increase 2015 £'000
Gold	861	(240)	803	1,902
Silver	11	6	11	49
Platinum	679	–	764	25
		(234)		1,976

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

	Closing price 2016 £/oz	Effect on net earnings of a 10% change 2016 £'000	Closing price 2015 £/oz	Effect on net earnings of a 10% change 2015 £'000
Gold	861	32	803	22
Silver	11	4	11	1
Platinum	679	1	764	1
		37		24

Note 23 continued

Interest rate risk

The Royal Mint Trading Fund has exposure to interest rate risk, arising principally in relation to cash held at bank and precious metal consignment arrangements.

Cash held at bank is subject to interest rate risk where the risk is primarily in relation to movements in interest rates set by the Bank of England.

Precious metal consignment arrangements are subject to consignment fee payments. The consignment arrangements have floating rates of interest which gives exposure to interest rate risk.

The interest rate risk which arises from the above is deemed to not have a significant effect on income and operating cash flows, so no financial instruments are utilised to manage this risk.

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

	2016 £'000	Effect on net earnings of a 10% change 2016 £'000	2015 £'000	Effect on net earnings of a 10% change 2015 £'000
Loans	30,000	68	–	–

Credit risk

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

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

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

Circulating Coin receivables

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

	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Circulating receivables:				
2016	30	–	–	21
2015	44	–	–	35

Note 23 continued

Commemorative Coin 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:				
2016	1,246	9	–	10
2015	369	84	81	100

Commemorative Coin Business to Consumer

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

	Balance overdue statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to Consumer receivables:			
2016	63	4	84
2015	16	15	372

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 2016 or 2015.

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 2016 the amount is £25,300,000 (2015: £24,300,000). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

Hierarchy disclosure under IFRS 7

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

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

Note 23 continued

Liquidity risk

Liquidity risk is the risk that the Royal Mint Trading Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Royal Mint Limited's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Royal Mint Trading Fund manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition, the Royal Mint Trading Fund has negotiated a revolving credit facility of £36,000,000 until 28 February 2018, of which £30,000,000 was drawn down at 31 March 2016. 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 2016

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	4,506	30,000	–	–
Derivative financial instruments	2,087	–	–	–
Trade and other payables	31,189	–	–	–
Provisions for liabilities and charges	304	–	–	–

At 31 March 2015

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	–	–	–	–
Derivative financial instruments	2,060	–	–	–
Trade and other payables	50,871	–	–	–
Provisions for liabilities and charges	257	124	42	100

Capital risk

The management does not have any responsibility with regard to capital risk or 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 2016 £'000	Fair value 2016 £'000	Carrying value 2015 £'000	Fair value 2015 £'000
Financial assets:				
Cash and cash equivalents	767	767	2,245	2,245
Loans and receivables	25,316	25,316	24,309	24,309
Derivatives used for hedging	200	200	92	92
Derivatives at fair value through profit and loss	410	410	1,291	1,291
Financial liabilities:				
Loans and payables	61,189	61,189	51,603	51,603
Derivatives used for hedging	864	864	759	759
Derivatives at fair value through profit and loss	1,223	1,223	1,301	1,301

Note 24 Investments in subsidiaries

	2016 £'000	2015 £'000
Cost at 31 March	59,319	59,319
		Ownership
Subsidiaries		
The Royal Mint Limited		100%
The Royal Mint Museum		100%
	2016 £'000	2015 £'000
Capital and reserves:		
The Royal Mint Limited	62,896	55,262
The Royal Mint Museum	1,949	1,784
	2015-16 £'000	2014-15 £'000
Profit for the year:		
The Royal Mint Limited	5,561	8,898
The Royal Mint Museum	164	82

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

Note 25

Events after the reporting period

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

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made but the Company will closely monitor developments and consider the impact on the business over the coming months.

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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