



The
Royal
Mint®

Established
for Tomorrow®

Royal Mint Trading Fund

Annual Report and Accounts 2016–17



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for Tomorrow®

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Annual Report and Accounts 2016–17

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

Ordered by the House of Commons to be printed on 19 July 2017

HC 105



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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 2016–17

The Royal Mint Trading Fund Accounting Officer is Philip Duffy who was appointed on 24 April 2017. The previous Accounting Officer was Susan Acland-Hood.

The Royal Mint Limited Directors

Peter Warry*
Chairman

Adam Lawrence
Chief Executive

Vin Wijeratne
Chief Financial Officer

Anne Jessopp
Director of Consumer Business

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 Consumer Business

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 2017, 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 449 of 2015–16. 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 have been appointed as 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, The Royal Mint Museum and their subsidiaries. This report covers the operations of those two groups and these accounts consolidate their financial statements with the Trading Fund account.

The Royal Mint Trading Fund reported a consolidated net profit for the financial year of £11.5 million (2015-16: £10.0 million).

The Royal Mint Limited reported a return on average capital employed of 15.8% (2015-16: 17.9%), exceeding the Ministerial target of 10%. The Royal Mint also exceeded its other Ministerial targets on UK circulating coins, on commemorative coins and on medals.

The Chief Executive of The Royal Mint Limited highlights in his report the successful launch of the new UK £1 coin. Success in its core business has been replicated in its consumer business, with popular commemorative coin themes including its ongoing Beatrix Potter Collection, Her Majesty The Queen's 90th Birthday and The Queen's Sapphire Jubilee. An increase of 64% in contribution to operating profit marks another successful year for the newer bullion unit. Further business development continues with The Royal Mint Limited's investment in its forthcoming digitally traded Royal Mint Gold product.

The Royal Mint Experience visitor centre, which launched in May 2016, has proved a popular attraction. The Royal Mint Museum has worked with The Royal Mint Limited to deliver an informative and educational local attraction that has received almost 100,000 visitors.

I know the Board of The Royal Mint Limited and the Trustees of The Royal Mint Museum would like me to record the contributions made by everyone involved in the successes of 2016-17.

Report of the Chief Executive of The Royal Mint Limited

2016–17 has been another stellar year for The Royal Mint. For the fourth year in a row, we have exceeded all of our Ministerial targets. Financially, we report the highest revenues in The Royal Mint Limited's history and a 22% increase to £16 million in our underlying operating profit (before exceptional items, IAS 39 adjustments and the pre-launch costs relating to RMG, our new gold product). Our Group operating profit before exceptional items and IAS 39 adjustments and after the pre-launch costs of RMG was £14.4 million and our return on capital employed also remained well above our 10% Ministerial target at 15.8% despite the significant strategic investments the Group has made.

To facilitate RMG's launch we have utilised a separate subsidiary called RM Assets Limited which will ultimately run this operation. This Annual Report therefore comprises the activities of The Royal Mint Limited and RM Assets Limited, together The Royal Mint Group.

Within The Royal Mint Limited all three of our operating units saw increased profitability, despite in many circumstances a challenging market environment. The year culminated in the launch of the new UK £1 coin on 28 March 2017 but our operations were dominated by this product for the entire period. We manufactured nearly 800 million coins ahead of the launch and expect to manufacture around 700 million more over the next 12 months as all the old £1 coins are extracted from circulation. By 15 October 2017, when the old £1 coins will cease to be legal tender, we are expecting to have recovered approximately 1.5 billion of them from circulation.

Scaling up our operation to manufacture 800 million of the 'most secure coin in the world' has been a real challenge, and one our business has thrived on. Via operational improvements, we were able to double our casting and scalping output, more than double our piercing output and scale up the incorporation of our High Security Feature to its full capability.

I must also commend our team on the huge effort put into ensuring industry-readiness for the launch of the new £1 coin which exceeded our original targets in both the level of readiness and also public awareness, both of which were crucial to a successful launch.

Our Consumer business (previously known as Commemorative Coin) has also had a sensational year. Our Beatrix Potter collection proved extremely popular and sold out in days, as did many products in our ranges celebrating Her Majesty The Queen's Sapphire Jubilee and the 200th anniversary of the 'modern' Sovereign. The coins have proved a big hit both in the UK and overseas, with the combination of very high-quality, great designs and low mintage numbers meaning these coins are in high demand. In my mind the highlight of the year for our consumer-facing business was the opening of The Royal Mint Experience on 18 May 2016. Since then we have had nearly 100,000 visitors come through our world-class Royal Mint Experience visitor attraction in Llantrisant, many of whom have struck their own coin to take home as a permanent memento. Within the Experience itself we have also sold a huge number of collector folders, demonstrating that we are hitting our target market and building the collectors of the future.

Our Bullion business has yet again achieved record results and grown its contribution to the business by 64% this year, on top of 87% growth in the prior year. The business is a shining example of how a 1,100 year-old business can be nimble, innovative and high growth. Last year our Bullion website registered almost 1,000,000 site visits and we approved over 32,000 new accounts. This increasing diversification of the business allowed us to continue to grow despite substantial headwinds in the global silver market. Our market share of the global bullion market grew to 5.4% for gold (2015–16: 4.2%) and 4.2% for silver (2015–16: 3.4%).

Looking to the future, The Royal Mint, in collaboration with CME Group, is scheduled and on target to launch a new product called RMG, a new digital gold standard that is an easier, more cost-effective and secure alternative to buying, holding and trading spot gold. The RMG product is the first of its kind, and uses a digital asset and a blockchain-based trading platform to bring greater accessibility to the gold market coupled with instant physical settlement. RMG will transform the way that market participants (traders and investors) can trade, execute and settle gold.

RMG will be issued by The Royal Mint as a digital record of ownership for gold stored at its highly secure on-site bullion vault storage facility. CME Group will develop, implement and operate the blockchain-based trading platform for RMG. These new investments, the growth in our Bullion business and our continued vision to look for new opportunities and exploit them leave us confident of a bright and successful future despite what people may believe when reading about the death of cash in the media. While the balance of our business will inevitably change in the coming years, The Royal Mint is now truly 'Established for Tomorrow'.

Performance Report

For the year ended 31 March 2017

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

Activities

Royal Mint Trading Fund

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

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

As described below, the Royal Mint Trading Fund's activities are primarily delivered through two subsidiary companies, The Royal Mint Limited and The Royal Mint Museum. As set out in these accounts there is some inter-company trading between The Royal Mint Museum and The Royal Mint Limited. Otherwise, all trading is undertaken by The Royal Mint Limited. The Royal Mint Limited also has a wholly-owned subsidiary named RM Assets Limited ('RM Assets'). RM Assets began to incur pre-trading costs during the year and plans to launch a new "FinTech" gold product called RMG during 2017.

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

The Royal Mint Limited

The Royal Mint Limited's operations are divided into three lines of business: Circulating Coin, Consumer (previously known as Commemorative Coin) and Bullion. Details of these operations are set out on the following pages. When trading commences, RM Assets will form a fourth segment.

The Royal Mint Museum

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

Structure

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

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

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

Operating and Financial Review

The Royal Mint Trading Fund returned an operating profit, before adjusting for the impact of IAS 39 related items and exceptional items (note 5), of £14.5 million (2015–16: £13.5 million).

Revenue increased by 40% to £506.5 million (2015–16: £360.7 million) with revenue growth delivered by all three businesses.

Operating profit before adjusting for the impact of IAS 39-related items and exceptional items (note 5) increased by 7% to £14.5 million (2015–16: £13.5 million). This increase was lower than that in 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 Royal Mint Limited uses sales less metal as a key indicator of activity. This grew by 15% to £121.0 million (2015–16: £104.8 million).

Capital expenditure of £8.9 million after receiving a grant of £2.3 million in relation to The Royal Mint Experience (2015–16: £24.7 million) reflected our significant investment in the future of the business mainly across the following areas:

- completion of The Royal Mint Experience;
- developments to enable commercial production of coins featuring 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 £3.0 million to £90.9 million. The increase in net assets has resulted from generating a profit after tax of £11.5 million, a gain in the hedging reserve (£0.3 million) offset by an increase in the pension deficit net of deferred tax of £4.8 million and accrual of a dividend (£4.0 million) relating to 2016–17 performance.

Financial results summary

	2016–17 £m	2015–16 £m
REVENUE		
Circulating Coin		
UK	81.8	49.2
Overseas	42.6	74.8
Total Circulating Coin	124.4	124.0
Consumer	64.7	51.1
Bullion	317.4	185.6
Total	506.5	360.7
OPERATING PROFIT		
Circulating Coin	14.0	11.2
Consumer	12.7	11.4
Bullion	4.6	2.8
Central overheads*	(15.2)	(11.9)
RM Assets	(1.6)	–
Operating profit before IAS 39-related adjustments and exceptional items	14.5	13.5
IAS 39-related adjustments (note 5)	0.8	(0.6)
Exceptional items (note 5)	(0.2)	(0.2)
Operating profit	15.1	12.7
Net finance cost	(0.6)	(0.4)
Profit before tax	14.5	12.3

* 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 successfully leverage our High Security Feature technology into the global market, helping us to challenge the coin/banknote boundary and increase the size of the high-value coin market;
- to become the global voice and authority on coin security;
- to grow our global market share utilising aRMour® plating technology;
- to increase operational flexibility and efficiency to be able to reduce customer lead-times; and
- to continue to enhance The Royal Mint's competitive position through the development of market-led products and services.

Performance

Circulating Coin sales increased to £124.4 million (2015–16: £124.0 million) and the business delivered a contribution to operating profit of £14.0 million (2015–16: £11.2 million).

2016–17 has seen considerable progress in achieving and delivering our key long-term strategies for Circulating Coin. The most significant achievement was the launch of the new £1 coin featuring our High Security Feature, which became legal tender on 28 March 2017. This successful launch has been the result of several years' planning, working closely with our customer, HM Treasury, and industry stakeholders to ensure a seamless transition from the 'round pound' to the new 12-sided coin.

The whole organisation continues to work together to ensure we will meet our target production of 1.5 billion coins over an 18-month period (by December 2017) and we also worked closely with the industry to help their preparations. Following the coin's introduction, we are now in a six-month period where the round £1 coin and the new 12-sided £1 coin are in circulation at the same time. The round £1 coin will lose its legal tender status at midnight on 15 October 2017. After 15 October 2017, the round £1 coin can continue to be deposited into customers' accounts at most high street banks in the UK.

Overseas demand was strong throughout the year and we completed an overseas coin order including the High Security Feature. We also continued to secure contracts with a number of overseas countries to transition denominations from banknotes into coins, as well as winning some significant new business and re-enforcing our position as supplier with more than 20 regular customers.

During the year overseas deliveries of coins and blanks amounted to 2.4 billion pieces in 34 countries (2015–16: 2.4 billion pieces in 39 countries). Whilst the total pieces were consistent, sales revenue reduced due to a change in sales mix of circulating currency and lower sales of precious metal coins to circulating coin customers.

We continued to share our knowledge and experience through hosting our sixth Coin Management Training Programme. 16 delegates from 12 different countries attended, including some potential future customers. The delegates spent a whole week learning about all aspects of coin management which will help them to shape their future currency requirements, whilst members of the sales team delivered smaller scaled versions of this event in Africa and South East Asia.

The Royal Mint issued 1,345 million coins (2015–16: 2,007 million) to UK cash centres. The reduction largely related to the end of the alloy-recovery programme whereby cupro-nickel 5p and 10p coins were replaced with the mono-ply nickel-plated steel equivalent. 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% (2015–16: 100%).

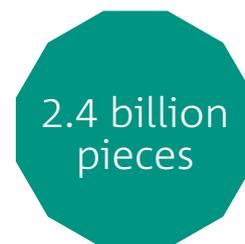
The latest survey to monitor the level of counterfeit £1 coins was conducted in November 2016. This survey indicated a counterfeit rate of 2.3% (May 2015: 2.6%). It is anticipated that this rate will begin to fall significantly following the introduction of the new £1 coin in March 2017, which features 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

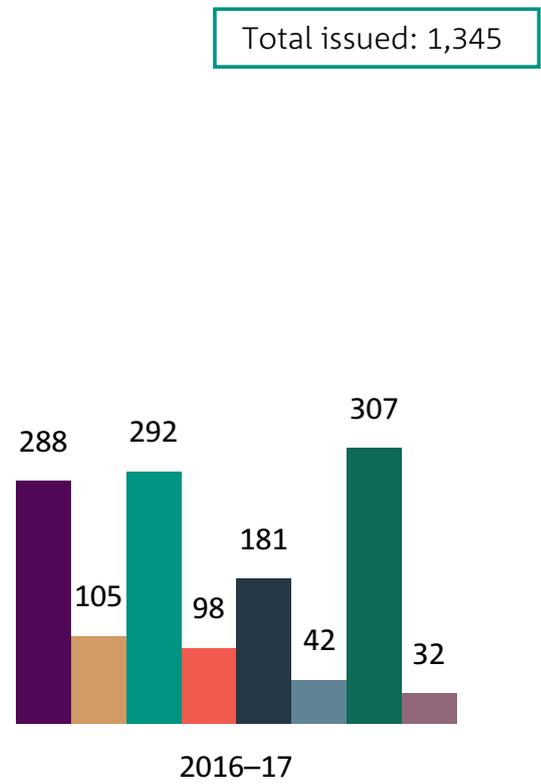
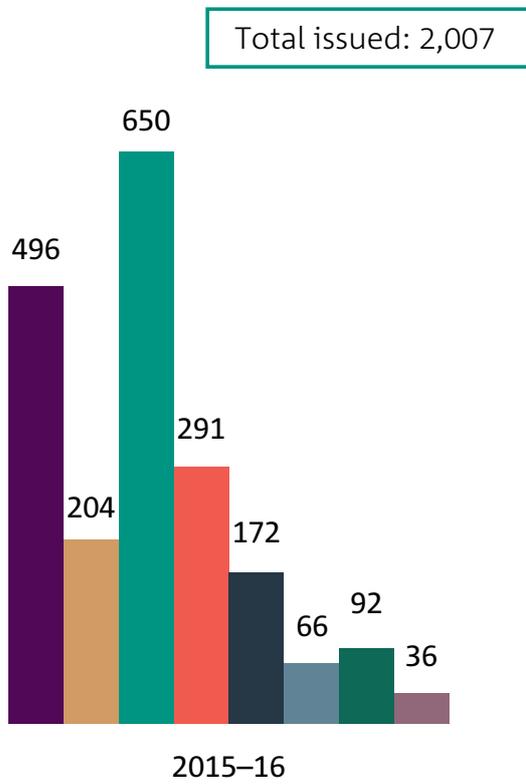
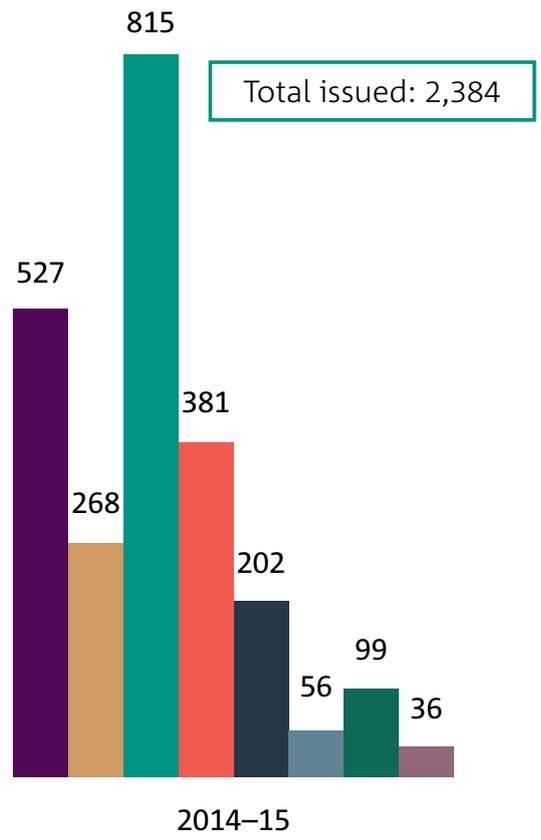
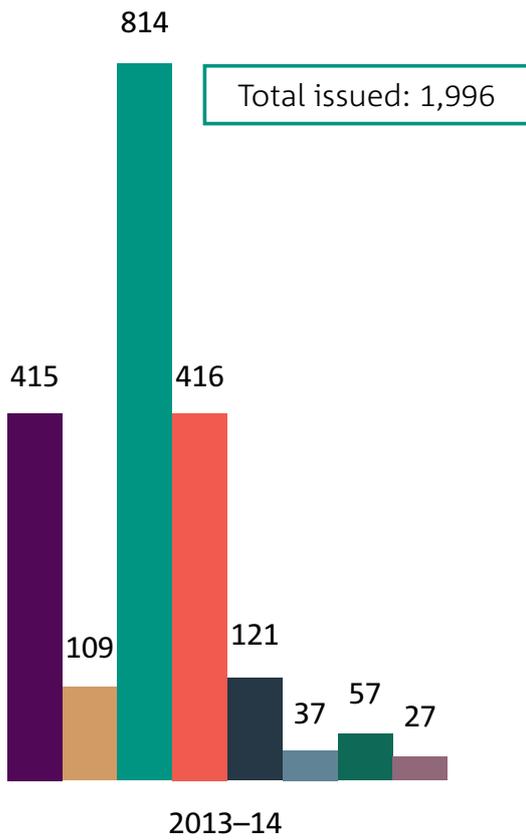


Circulating Coin sales increased marginally to £124.4 million (2015–16: £124.0 million).



Overseas deliveries of coins and blanks amounted to 2.4 billion pieces in 34 countries (2015–16: 2.4 billion pieces).

UK Coins Issued in Year – Pieces in Millions



Consumer

Principal activities

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

Objectives and strategies

The Consumer 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

Consumer revenue increased by 27% to £64.7 million (2015–16: £51.1 million). The contribution to operating profit also increased to £12.7 million (2015–16: £11.4 million).

The figures above demonstrate the continued strong performance of the Consumer business with some of our strongest themes achieving record results. This year's Consumer contribution represents its highest underlying performance on record.

Our successful Beatrix Potter series, which started at the end of the last financial year continued to produce exceptional results with 100% of the silver Proof products reserved through our pre-order option. After the success of the Peter Rabbit coin, the Squirrel Nutkin, Jemima Puddle-Duck and Mrs. Tiggy-Winkle silver Proof editions all sold out during the year.

Royal events continued to receive fantastic response. Her Majesty The Queen's 90th birthday campaign was well received and more recently, the Sapphire Jubilee products exceeded expectations as the whole product range sold out within 10 days.

The introduction of the new £1 coin generated additional interest in our 2017 Annual Sets. Our individual products celebrating the Nations of the Crown £1 coin and commemorating the last 'round pound' proved equally as popular, with the Proof editions in both ranges selling out.

In 2017 The Royal Mint celebrates the 200th anniversary of the 'modern' Sovereign, one of the most iconic coins in the world, by returning to Benedetto Pistrucci's original design created for the new Sovereigns of 1817.

It's the first time since 1820 that this gold coin features the familiar St George and the dragon surrounded by the full garter and inscription, struck with tools carefully remastered from the original nineteenth-century tooling. The 2017-dated Sovereigns proved to be so popular with coin collectors that the Three and Five-Coin Sets sold out within days.

Our continued success has resulted in us having in excess of 200,000 active, contactable customers in our database. 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 opened on 18 May 2016. The Experience allows visitors to see how and where all of coins for the UK and over 60 other countries from around the world's coins are designed and struck, many of which are also on display. Visitors can learn about The Royal Mint's history spanning over 1,100 years, from its first official home in the Tower of London to its current home for over 40 years in Llantrisant.

We have been delighted with the Experience and have attracted visitor numbers in line with our expectations. We also have a significant number of visitors already booked for the next financial year. Feedback has been fantastic with over 90% of visitors rating the Experience as 'Very Good' or 'Excellent' via TripAdvisor. Holding seasonal events for Halloween and Christmas increased visitor numbers and the ability to strike your own new £1 coin since the beginning of 2017 has also proved popular. We are well positioned to increase our visitor numbers and have attracted two major international tourist operatives to add to our UK partners.

Key highlights



Consumer revenue increased by 27% to £64.7 million (2015–16: £51.1 million).



We have in excess of 200,000 active, contactable customers in our database.

Bullion

Principal activities

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

Objectives and strategies

The Bullion strategies are:

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

Performance

Our Bullion business has grown significantly in 2016–17 with sales increasing 71% to £317.4 million (2015–16: £185.6 million) and the contribution to operating profit growing by 64% to £4.6 million (2015–16: £2.8 million).

This growth reflects our increased focus on this area of the business and demonstrates the effectiveness of having a separate strategy from our Consumer business. However, the two businesses continue to work closely together to ensure they meet the overall needs of our customers. The Bullion business will also work closely with RMG up to and following their launch to ensure that overlap between the products is managed in the best interests of The Royal Mint Group and its customers.

Our wholesale business continues to perform very well with strong demand for core gold products. During the year we have increased our holdings of stock internationally. There are now seven locations around the world stocking Royal Mint Bullion products in addition to our main facility in Llantrisant; this has improved our responsiveness to our worldwide distributors, retailers and consumers. This was a major contributor to growing our share of the global bullion coin market for both gold to 5.4% (2015–16: 4.2%) and silver to 4.2% (2015–16: 3.4%).

Our online platform, royalmintbullion.com, has now attracted over 30,000 customers and is a key part of our future strategy. Signature Gold®, launched in 2015–16 continued to be popular as 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 400 oz gold bars that are held securely in The Vault. Throughout the financial year further products have been added to the platform including The Queen's Beasts product range. The ability to fund accounts with a debit card also generated a significant increase in customers funding their accounts. In partnership with the World Platinum Investment Council, we also announced that we will be bringing to market a range of platinum bullion products, the first of which began retailing on the website in May 2017.

In June 2016 it was announced that, Signature Gold and certain gold bars can now be used in Self-Invested Personal Pension schemes (SIPPs) and Small Self-Administered Schemes (SSASs). All major SIPP providers have onboarded and pension holders are depositing increasing amounts of gold to store in The Vault. During the year a decision was made to create a team developing additional financial products based on our bullion coins and bars to be launched in the future.

Our increasing profile in the investment space can be seen in the high level of coverage received by our bullion business in both mainstream and specialist media across the UK and internationally.

Key highlights



Our Bullion business has grown significantly in 2016–17 with sales increasing 71% to £317.4 million (2015–16: £185.6 million).



Our online platform, royalmintbullion.com, has now attracted over 30,000 customers and is a key part of our future strategy.

Royal Mint Gold

In November 2016 The Royal Mint announced it would be bringing to market a new way to invest in and digitally trade physical gold bullion. For investment providers looking to offer gold to their clients, RMG provides a cost-effective, convenient and secure alternative to holding and trading spot gold. It offers the investment performance of the London Gold Market with the price transparency, real-time price discovery and trade execution of an exchange-traded security. Counterparty risk will be negated by having direct ownership of physical gold bullion. 1 RMG represents ownership and full title to 1g of physical gold bullion held in the form of fully allocated, LBMA Good Delivery Bars within The Royal Mint's highly secure, on-site bullion storage facilities.

We believe these features, coupled with the guarantee of zero ongoing annual management fees and free storage, represent one of the best and most cost-effective ways to invest in physical gold today. We will be working with trusted partners to change the course of gold trading.

It is expected that RMG will be launched during 2017. This will be launched through RM Assets Limited, a wholly-owned subsidiary of The Royal Mint Limited. The pre-launch costs are included in the consolidated results.

Dividends

Post year-end, the Board of The Royal Mint Limited declared a dividend for 2016–17 of £4.0m. Dividends relating to 2015–16 performance of £4.0m were paid during the year.

Financial risk management

Principal risks and uncertainties

The Royal Mint Limited's risk priorities in 2016–17 were in the following areas:

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

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

The management of cyber security risk has continued to be a key focus during the year. The Royal Mint Limited earned 'Cyber Essentials' accreditation in February 2016. Cyber Essentials is a government-backed, industry supported scheme to help organisations protect themselves against common cyber attacks.

Derivative financial instruments

The Group 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 Group are metals. Prices can be subject to significant volatility. The Royal Mint seeks to limit its commercial exposure to these risks.

Circulating Coin

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

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

Consumer

Proof products: coins are manufactured for sale through The Royal Mint's 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. They are specifically purchased to satisfy each order thereby avoiding exposure to risk on metal cost by the use of consignment arrangements.

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

Foreign exchange

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

Effects of commodity hedging

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

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

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Consolidated Income Statement. In 2016–17, the year-end impact was a gain of £0.8m (2015–16: £0.6m 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 10.

Creditor payment policy

The Royal Mint Limited always seeks to comply with agreed terms. A total of 91% (2015–16: 91%) 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. We are continuing with our 'Joining the Dots' philosophy, highlighting the importance of not just 'what' we have to do' but just as importantly, 'how' we will do it. The 'what' includes our annual objectives - the projects and action plans that will deliver them and the KPIs and metrics that will tell us whether or not we are 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 organisations; the benefits of this are seen every day through our employee-generated ideas, improvements and problem-solving activities. Many of these

have driven both instant and incremental improvements in our day-to-day operational effectiveness and efficiency.

During the year a significant amount of time and effort has been invested in driving improvements to our safety management system. Building on our progress last year, we are looking to implement an even more comprehensive yet efficient way to keep our employees safe. Process safety is high on the agenda for 2017-18 and we are looking forward to making even greater strides in our quest towards employee safety.

In 2012 The Royal Mint introduced a new initiative to sponsor a particular charity for a two-year period. During 2016 we asked employees to nominate a new charity to take us from 2016-2018 and the chosen charity was Velindre Cancer Centre. 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 Cancer Centre have been providing support and care to cancer patients in South Wales for almost 60 years and on average, they provide care, treatment and support for over 130,000 outpatient and day cases every year. We are delighted to be able to support this charity over the next two years.

Our apprenticeship scheme is still as popular and effective as ever, with more and more applicants every year; the standard is very high. Our apprenticeship scheme is accredited by the Institute of Engineering & Technology (IET) and is an excellent framework for apprentices to follow. As a business we are delighted to be securing the young talent and helping them develop in their chosen careers.

We are also coming into the third year of our very successful graduate programme. The graduate programme started in 2014 and all our graduates continue to move around the organisation gaining exposure to a variety of different environments and roles. This has culminated with several graduates from the initial intake being moved into key roles within the business during the past 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 group 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. It strives 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.

The vision is implemented through the following strategies:

- a reduction in the number of total site accidents;
- continuation of 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.

The Royal Mint continues to include SHE at the forefront of its group strategy and has reviewed and updated its five-year plan for SHE.

Progress against these goals is as follows:

- The Royal Mint continues to demonstrate its commitment and continuous improvement to SHE through externally verified SHE systems;
- 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).

The Royal Mint Museum

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

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

Education and learning

Details of the educational workshops provided in The Royal Mint Experience (RME) were circulated to schools in South Wales on a number of occasions during the year and evening sessions for groups of teachers were arranged to inform them of the workshops. In addition, an arrangement was made with a local coach company to reduce the costs of transport to the RME for schools. The number of bookings has seen a steady increase during the year since the RME opened in May 2016 and currently stands at 43 which amounts to 1,717 children, with an additional 1,384 children having been booked on the tour only without the workshop.

The Museum has contributed to the events programme for the RME, particularly during school holidays, through the following: medal-making workshops; ask the curator sessions; talks to larger groups; temporary displays on the history of the gold Sovereign and the new £1 coin.

They have also delivered 55 lectures to adult groups locally and nationally (2015–16: 45).

Exhibitions on the new one pound have been installed in the Bank of England Museum and the British Museum. A thorough review of the exhibition at the Tower of London, Coins and Kings, has been undertaken with a view to updating sections of it in the coming years.

Collections management

During the late summer of 2016 the coin and medal collection, together with the library and the Museum office, were safely moved to a different building on The Royal Mint site.

Plans to redevelop part of the Museum's new location to improve access to the collection have been discussed.

Work on photographing the collection has continued throughout the year with 26,000 coins now having been put on the cataloguing system.

Research and publications

The Museum published two books, *Britannia: Icon on the Coin* written by Katharine Eustace and *The Royal Mint: An Illustrated History* (Second edition) written by Kevin Clancy.

Sales of the Guidebook for the RME have been very strong throughout the year and a new print run of *A History of the Sovereign: Chief Coin of the World* was ordered. A monthly article has continued to be written for *Coin News* throughout the year and other articles were written for the BBC History Magazine and the Goldsmiths' Review.

Directors

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

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

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

Independent Auditors

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

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

Going concern

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

Outlook

Following another successful year, we are well placed to move forward to further growth. The Board recently approved our five-year plan which includes significant growth and new products and services across all of our segments.

Within Circulating Coin, we will build on the success of the production of the new £1 coin and our patented High Security Feature by taking this unique offering to the overseas markets. We will also be working with the overseas market to improve the security of their coins and move notes to coin denominations.

The Consumer business will continue to review product and service offerings to meet the needs of its growing customer base. We will be launching new products and continuing to offer the opportunity for visitors to get behind the scenes at The Royal Mint Experience.

Continued investment in our online bullion platform and the addition of new products for consumers and the financial services market will allow the Bullion business to grow and RMG will be launched by the end of the year.

All of these initiatives will contribute to the Royal Mint Trading Fund continuing the growth and success it has achieved over the past few years.

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.

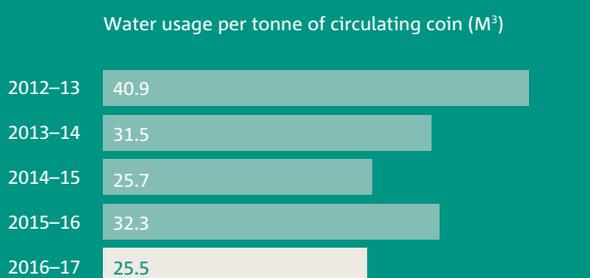
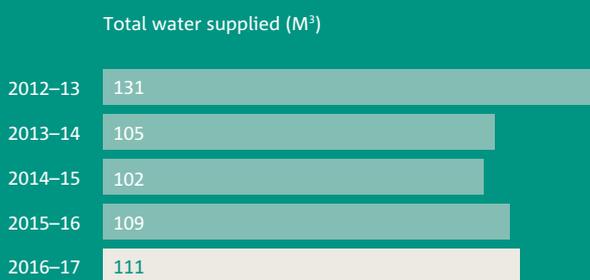
The Royal Mint, as part of its commitment to maintaining its ISO 14001 (2004) environmental management standard and the migration to ISO 14001 (2015) standard accreditation, reviews its significant environmental aspects and sets targets accordingly.

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 and as such The Royal Mint uses both potable (mains) and abstracted water in its processes.



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.

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

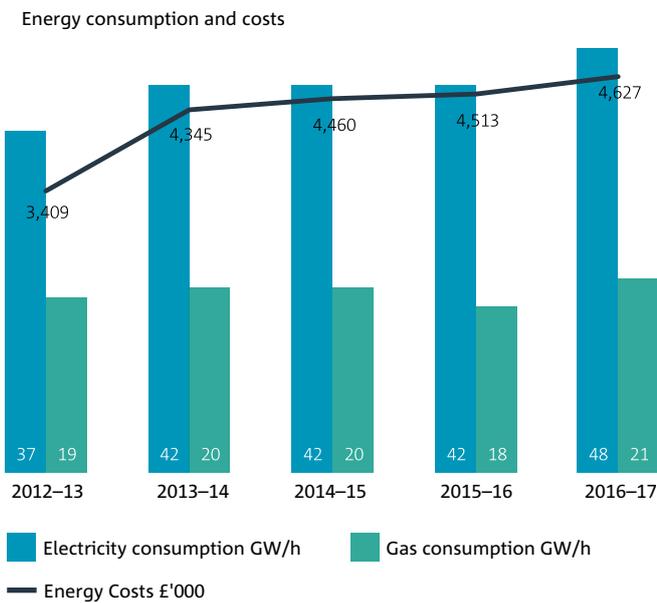
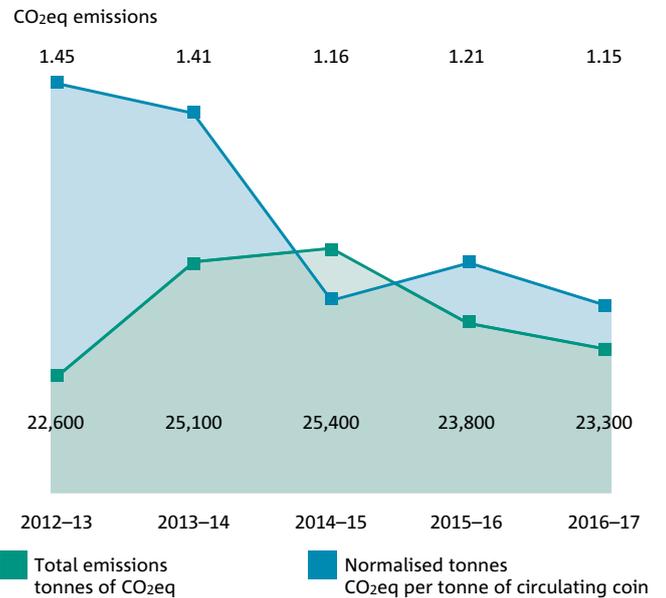
Through the review of processes and with investment in new technology, The Royal Mint has been able to reduce the normalised amount of water required to produce coins, in particular abstracted river water.



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.

Maintaining energy consumption per tonne of circulating coin, in line with the 2015–16 financial year figures, was a target set at the beginning of the year. This challenge was set, as the new £1 coin is considered a more energy intensive product to produce.

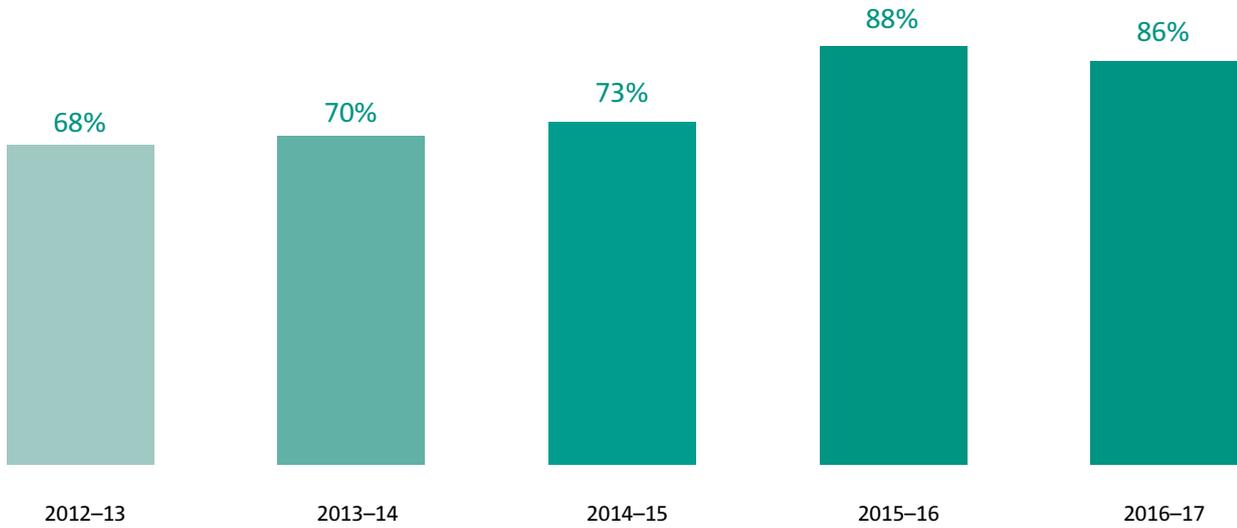


Total emissions for 2016–17 were 22,300 tonnes of CO₂ equivalent. In the UK Government's 2015 Greenhouse gas reporting - Conversion factors 2015, there was a 6.5% decrease in the UK electricity CO₂ equivalent factor from the previous year because there was a decrease in coal-powered electricity generation in 2013 (the inventory year for which the 2015 GHG Conversion Factor was derived). In the 2016 update, the CO₂ equivalent factor was decreased (compared with the 2015 figures) by 10.8%. This was due to a significant decrease in coal generation, and an increase in gas and renewables generation in 2014 (the inventory year for which the 2016 GHG Conversion Factor was derived).

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 2016–17 normalised tonnage was 1.15 (2015–16: 1.21).

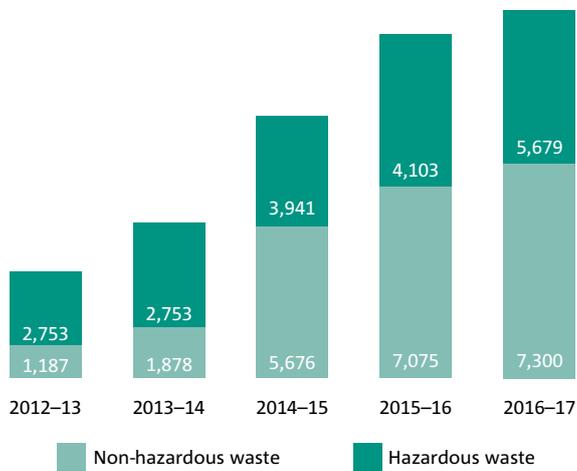
Waste

Waste recycled

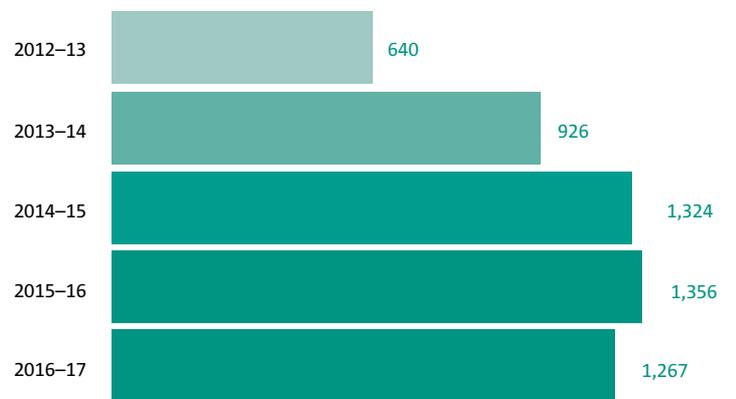


The Royal Mint continually seeks opportunities to recycle as much waste as possible; it has achieved a percentage of waste recycled of 86% in 2016-17 (2015-16: 88%).

Waste disposal (tonnes)



Waste costs (£'000)



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

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

Around 70% of the hazardous waste produced in 2016-17 was filtercake from the site's effluent treatment process.

Both the metal and filtercake waste streams are processed through recovery/recycling routes.

Scope analysis

Tonnes of CO ₂ eq		2012–13	2013–14	2014–15	2015–16	2016–17
Scope 1	Natural gas usage (heating and furnaces)	3,530	3,290	3,640	3,290	3,830
	Use of Royal Mint owned vehicles	13	8	2	2	1
	Process emissions from the furnace stack	2	2	2	2	2
	Fugitive emissions (e.g. air conditioning and refrigeration leaks)	2	2	2	2	2
Scope 2	Electricity usage	18,200	20,800	20,800	19,500	21,000
Scope 3	Business travel	734	718	713	663	530
	Water supply	41	36	35	38	38
	Water treatment (off-site)	51	84	96	95	94
	Waste disposal	30	169*	75*	133*	176*

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

Finite resources

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

Protecting and enhancing the natural environment

The Royal Mint operates from a single site which is regulated under the Control of Major Accident Hazards Regulations 2015 (COMAH) and Environmental Permitting Regulations 2016.

It is recognised that the way the site operates can have an impact on people, animals and habitats therefore control measures to address identified scenarios are in place.

The Royal Mint strives to treat the natural world around us with respect, care and sensitivity through its values which are shared with their employees.

Working with the supply chain

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

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

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

Reporting and data

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

For transport the 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

	2016-17 £'000	2015-16 £'000	2014-15 £'000	2013-14 £'000	2012-13 £'000
UK Revenue	241,874	118,169	115,230	126,369	113,212
Overseas Revenue	264,615	242,553	144,438	188,573	141,355
Total Revenue	506,489	360,722	259,688	314,942	254,567
Operating profit before IAS 39-related items and exceptionals	14,541	13,520	11,324	6,364	762
IAS 39-related items (note 5)	770	(660)	(317)	(169)	(674)
Exceptional items (note 5)	(166)	(152)	722	–	(1,229)
Operating profit/(loss)	15,145	12,708	11,729	6,195	(1,141)
Net interest	(623)	(368)	(155)	(354)	(689)
Profit/(loss) before tax	14,522	12,340	11,574	5,841	(1,830)
Taxation	(3,040)	(2,353)	(2,333)	(1,349)	300
Profit/(loss) after tax	11,482	9,987	9,241	4,492	(1,530)
Net assets	90,944	87,883	73,908	73,405	72,761
Operating profit before IAS 39-related items and exceptionals/sales	2.9%	3.7%	4.4%	2.0%	0.3%
Operating profit/sales	3.0%	3.5%	4.5%	2.0%	(0.4)%

Key Ministerial Targets

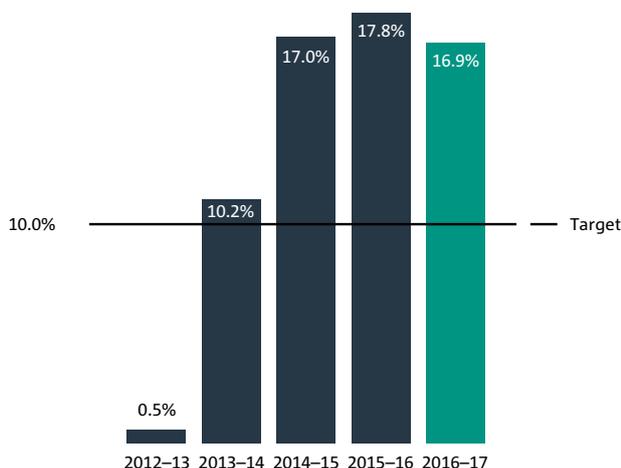
Key Performance Indicators (KPIs)

The Royal Mint Limited's performance indicators are the key Ministerial targets details of which can be found below. Non-financial performance indicators relating to sustainability are set out on pages 18 to 21.

Target 1

Return on Average Capital Employed (ROACE)

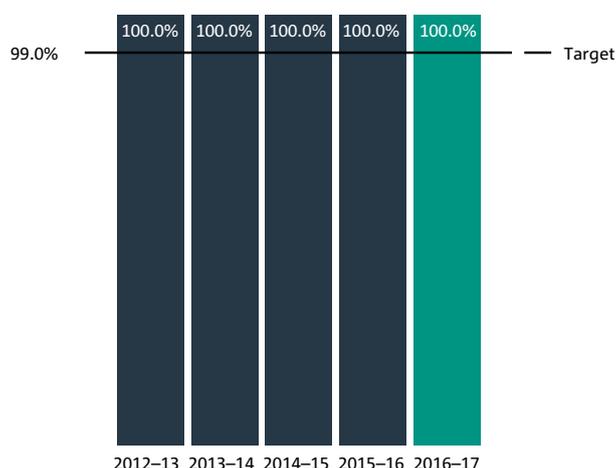
ROACE for The Royal Mint Group is calculated by expressing operating profit as a percentage of its average monthly capital employed. Operating profit has been modified to exclude IAS19 Employee Benefits and IAS39 Financial Instruments related adjustments as well as Exceptional Items. From 2016–17, the Ministerial target is measured on a three-year rolling, average basis and was 16.9%. The Group ROACE for 2016–17 was 15.8%. The Royal Mint Limited Company ROACE for 2016–17 was 17.1%.



Target 2

UK Circulating Coin

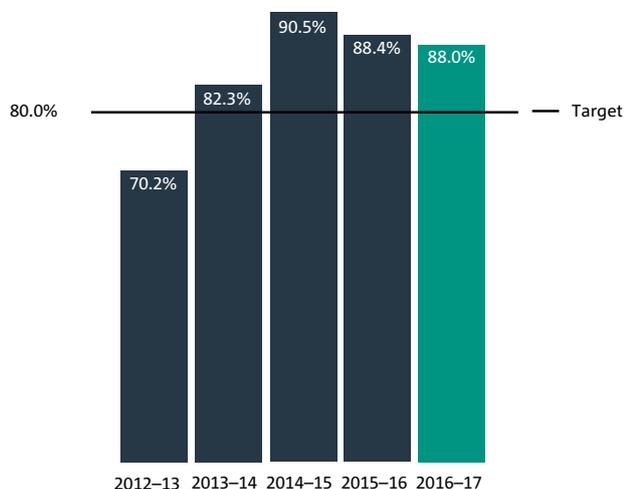
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

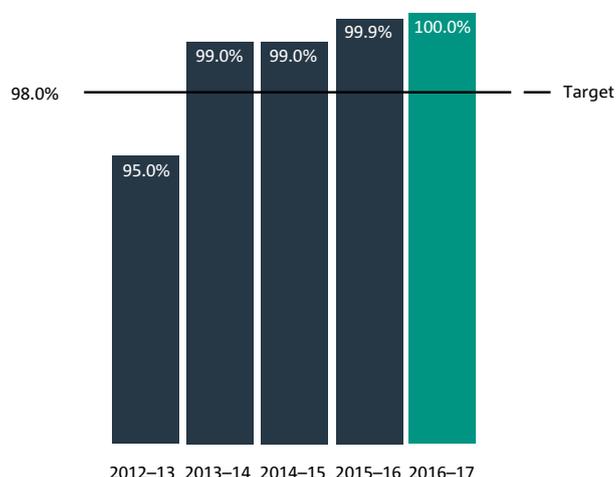
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals

Orders delivered by agreed delivery date.



Philip Duffy
Accounting Officer
14 July 2017

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 King 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 designs for United Kingdom coins, official medals, seals and decorations. The Committee is designated a Non-Departmental Public Body (NDPB) and its membership is regulated by the Office for the Commissioner of Public Appointments (OCA).

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.

First World War

In 2014, The Royal Mint initiated a programme of coins to mark the centenary of the First World War with the intention not only of honouring the servicemen and women who lost their lives during the conflict but also of acknowledging the wider impact the war had 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 benefitted enormously from the help of Professor Sir Hew

Strachan, an eminent 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 have also been issued as part of the programme.

During the year, the Committee continued to examine designs connected with the programme. In reaching the end of the five-year period, it looked at coins to be issued in 2018 to mark the end of the conflict.

Christmas Coin Programme

For the first time, The Royal Mint has issued coins on the theme of Christmas. Designs for the first in the series, taking the nativity as its subject, were reviewed by the Committee. With imagery connected with the theme being very well known, the challenge for the artists was to arrive at a solution that was original and coherent within the narrow confines presented by the silver coin. Of the options presented, one by Gregory Cameron was selected which employed a woodcut style, lending the design a quality that was well received by collectors in the lead-up to Christmas 2016.

Portrait of Britain

The idea behind the Portrait of Britain series is to create an ongoing record of the buildings and landscape of the United Kingdom. For 2017, Downing Street, Westminster Abbey,

Hampton Court Palace and Edinburgh Castle were chosen as the subjects and in keeping with the style of the artwork from previous years, dramatic perspectives were employed to create distinctive views. The addition of colour to the final coins has also been a defining feature and the Committee was pleased to see this sustained in a tasteful way in the latest four coins.

King Canute

One of the more well-known kings of the late Anglo-Saxon period was Canute, and January 2017 marked the 1000th anniversary of his coronation. The designs submitted by the several invited artists represented a variety of approaches, from the inevitable pictorial scene of an inundated monarch sitting on a throne on the seashore, to more schematic ideas based on the coinage of the time. It was this latter approach, devised by Lee Jones of The Royal Mint's Engraving Department that caught the attention of the Committee with a modern treatment of a design style built up with individual curves and pellets as would have been employed 1000 years ago.

Commemorative Coins

Designs for a number of other commemorative coins were examined by the Committee, including those for The Queen's Beasts and Britannia ranges of bullion coins. The increased numbers of projects that have come before the Committee have been handled with the same degree of care and attention to detail as ever.

Medals

The remit of the Committee includes making recommendations to a number 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.

There were no requests from other government departments to commission new designs for official medals during the year.

Sub-Committee on the Selection of Themes

The Sub-Committee examines proposals for the programme of commemorative coins to be issued in forthcoming years, making recommendations through the main Committee to the Chancellor of the Exchequer. During the year there was one meeting of the Sub-Committee, the focus of attention being the programme for 2019 but consideration was also given to themes stretching out several years from now.

Membership

Two new members were recruited during the year, Dame Julia Peyton-Jones, former Director of the Serpentine Gallery, and Dr Nicholas Cullinan, Director of the National Portrait Gallery. Both bring knowledge of art and design and a sensitivity to the subject matter, but more than this, their awareness of artists currently working in Britain and their highly attuned sense of what constitutes good design will be of enormous benefit to the Committee in the years ahead.

The Chairman of the Committee, Lord Waldegrave of North Hill, has continued to devote time and energy to the work of securing the best quality designs for the nation's coins and medals and his commitment is warmly acknowledged by The Royal Mint, HM Treasury and the other government departments for which the Committee provides advice.

Kevin Clancy
Secretary to the Committee

Membership of the Committee at 31 March 2017 (with dates of appointment)

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

Mr Phil Baines
Lettering and graphic designer
(May 2016)

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

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

Mr Hughie O'Donoghue RA
Painter
(January 2015)

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

Dame Julia Peyton-Jones
Former Director, Serpentine Gallery
(June 2016)

Professor Jane Ridley
Historian
(January 2015)

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

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

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

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

Mrs Anne Jessopp
Director of Consumer Business division of The Royal Mint Limited

Dr Kevin Clancy
Secretary to the Committee

Mr Gordon Summers
Technical Adviser to the Committee

Accountability Report

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

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

Governance Statement

Governance framework

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

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

- to the Board of Directors of The Royal Mint Limited, a wholly-owned subsidiary of the Royal Mint Trading Fund, which is the operating entity under which the Royal Mint Trading Fund trades. The remainder of this statement refers to the Internal Control processes within The Royal Mint Limited Group incorporating RM Assets Limited;
- to the Trustees of The Royal Mint Museum, a separate company limited by guarantee of which HM Treasury is the sole member, which is a registered charity that is responsible for the heritage assets transferred at vesting; and
- to UK Government Investments ('UKGI'), which has been delegated shareholding responsibilities to manage HM Treasury's day-to-day shareholding relationship with The Royal Mint Limited on behalf of HM Treasury Ministers.

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

Corporate governance compliance

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

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

Board and its committees

During the year, the Board of Directors of The Royal Mint Limited comprised the Chairman, five Non-Executive Directors and four Executive Directors (the Chief Executive, Chief Financial Officer, Director of Circulating Coin and Director of Consumer Business). The Board met nine times in 2016–17 (2015–16: 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
Anne Jessopp	9	n/a	n/a	n/a
Andrew Mills	9	n/a	n/a	n/a
Peter Warry	9	n/a	4	2
David Morgan	9	3	4	2
Xenia Carr-Griffiths	9	3	4	2
Amanda Rendle	8	3	3	2
Michael Clayforth-Carr	9	3	4	2
Tim Martin	8	2	n/a	2
Number of meetings	9	3	4	2

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

Adam Lawrence, Vin Wijeratne and Peter Warry attended all Audit Committee meetings during 2016–17 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 and is a member of the Audit Committee and Nominations Committee. Tim also attended all meetings of the Remuneration Committee but is not a member of that committee.

The Role of the Board of The Royal Mint Limited

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

The roles and responsibilities of the Board are to:

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

appropriately manage strategic and significant operational risks;

- regularly review objectives and management performance against annual plan and associated business KPIs;
- ensure the Group operates with appropriate values and standards and ensure that its obligations to its shareholders and others are understood and met;
- review, approve or propose strategic investment in-line with investment authority limits as agreed with the shareholder;
- ensure that the Group operates at all times within applicable laws and regulations and within an appropriate procedural framework; and
- ensure that the Board fulfils its duties specified in the Memorandum and Articles of Association of the Company and functions and complies with 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 Consolidated Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the group's performance, business model and strategy.

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director. The Board commissioned an external review to take place in 2016–17 as a periodic external review in line with corporate good practice. The review reported positively on the effectiveness of the Board. No significant areas of concern were highlighted during the course of the review and it was noted that action had been

taken to address points arising from previous internal reviews. For example specific skills have been sought in non-executive appointments to complement the breadth of activities undertaken by The Royal Mint, and additional focus on strategy is also now undertaken.

During the year the main focus of the Board was to execute against the five-year plan approved in 2012–13. The plan has 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 for 2017–18 to 2021–22 was developed and approved by the Board and UKGI during the year ended 31 March 2017. In addition, the Board has closely reviewed the plans for RMG and will continue to do so as it develops following the launch later this year.

Audit Committee of The Royal Mint Limited

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites the Chairman, Chief Executive, Chief Financial Officer 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 summary Terms of Reference for the Committee are available on The Royal Mint Limited's website.

Remuneration Committee of The Royal Mint Limited

The Committee is made up of no fewer than three Non-Executive Directors and meets at least twice a year. Remuneration decisions are guided by a Directors' Remuneration Framework which was agreed with HM Treasury at the time of the company's vesting. The Committee's primary role is to determine, in the light of this Framework, the remuneration and performance-related incentive schemes of the Directors and Executive Management Team, subject to the consent of UK Government Investments (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 group and meets as and when necessary. The

Committee works with UKGI to appoint Board members, on the following basis:

- the Chairman is appointed by the HM Treasury Minister on advice from HM Treasury and UKGI, in consultation with the Chief Executive and the Nominations Committee;
- the Chief Executive appointment is approved by the HM Treasury Minister, on advice of the Chairman, HM Treasury and UKGI and in consultation with the Nominations Committee; and
- other Board appointments are made by the Nominations Committee in consultation with UKGI, and with UKGI's consent.

The Board values the varied contribution which the diverse nature of the Board members brings and is supportive of the principle of boardroom diversity, of which gender is an important, but not the only, aspect. It is considered that the ratio of men:women should be at least 75:25 and our Board exceeds this at 70:30.

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. He 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 formally meets on a regular basis and no fewer than ten times a year.

The roles and responsibilities of the Executive Management Team are:

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

Risk management

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

The Risk Management Committee is responsible for overseeing the effective establishment and maintenance in operation of a management framework within which risk is evaluated and managed. The Committee's membership comprises the Chief Executive, the Chief Financial Officer and the Director of Consumer Business 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 Group's risk management framework and practice conform to guidance issued by HM Treasury and are included for review in the annual internal audit plan.

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

The Royal Mint Group's risk priorities in 2016–17 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 Group's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the Annual Report. It accords with HM Treasury guidance and the UK Corporate Governance Code where appropriate.

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

In particular, it includes:

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

Executive Directors provide the Board with an annual written confirmation in relation to the effectiveness of the system of internal control in their area of responsibility.

There were no non-trivial lapses of data security in the year.

Internal audit

The Royal Mint Group operates internal audit arrangements to standards defined in the Public Sector Internal Audit Standards. During 2016–17 this function was undertaken by KPMG LLP. Following a tender process during 2015–16, KPMG LLP will continue as internal auditors in 2017–18. 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 Group'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 2016–17 (2015–16: four times).

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

- inadvertent damage to the collection- storage and conservation is a high priority for Trustees;
- breach of security of collection – mitigated by regular review and upgrade of process and facilities;
- inadequate knowledge – mitigated by succession planning and staff training; and
- the Trustees consider the organisation's exposure to price risk, credit risk, liquidity risk and cash flow risk is very low. The Trustees continue to review and manage all financial risks.

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

Arm's-length bodies

The Royal Mint Advisory Committee is an associated arm's-length body. The Committee's activities in the year are summarised on page 30.

Losses and special payments

There have been no losses or special payments during the year which require disclosure in accordance with 'Managing Public Money' (2015–16: £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.

Philip Duffy
Accounting Officer
14 July 2017

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 Consumer Business handed over the role of Secretary to the Committee during the year to the Director of HR and SHE. The Chief Executive is invited to attend the Committee. Directors do not take part in any decision affecting their own remuneration.

Committee remit

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

Remuneration policy

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

Executive Management Team

The team as at 31 March 2017 is made up of eight roles:

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

Executive Management Team's terms, conditions and remuneration

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

i. Basic salary

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

ii. Short-Term Incentive Plan (STIP)

At the start of the year the Remuneration Committee agreed the targets for the STIP for 2016–17. The purpose is to recognise and reward outstanding performance against planned business targets, with a strong focus on Return on Average Capital Employed (ROACE). The maximum award for 2016–17, if the ROACE over-performance targets were achieved, was 33% of basic salary for the CEO and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed and accrued in the year they are earned. The amounts earned in 2016–17 will be paid in 2017-18.

iii. Long-Term Incentive Plan (LTIP)

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

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

There were three LTIP schemes operating during 2016–17. One started in 2014–15 and concluded in 2016–17 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 third started in 2016–17 and amounts earned will be paid in 2019–20.

iv. Pension Scheme

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

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

v. Discretionary benefits allowance

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

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

Remuneration and Incentive Plan Payments (audited)

Executive Management Team of The Royal Mint Limited	Remuneration				Remuneration			
	Total Remuneration 2016–17 £'000	before incentives 2016–17 £'000	STIP amounts earned 2016–17 £'000	LTIP amounts earned 2016–17 £'000	Total Remuneration 2015–16 £'000	before incentives 2015–16 £'000	STIP amounts earned 2015–16 £'000	LTIP amounts earned 2015–16 £'000
Adam Lawrence* Chief Executive	387	279	62	46	331	242	39	50
Vin Wijeratne* Chief Financial Officer	200	145	34	21	184	141	20	23
Anne Jessopp* Director of Consumer Business	213	153	38	22	201	146	31	24
Andrew Mills* Director of Circulating Coin	196	153	21	22	175	149	3	23
Chris Howard** Director of Bullion	159	123	22	14	83	65	15	3
Leighton John ** Director of Operations	148	107	29	12	70	58	10	2
Martin McDade** Director of Finance	114	90	24	–	58	50	8	–
Sarah Bradley ** Director of HR and SHE	114	90	24	–	58	50	8	–
Shane Bissett *** Director of Commemorative Coin	–	–	–	–	105	105	–	–
Phil Carpenter *** Director of Operations	–	–	–	–	96	96	–	–

* 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.

From November 2015, 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 2016–17 the remuneration of the highest-paid Director of The Royal Mint was £387,000 (2015–16: £331,000). This was eleven times (2015–16: ten times) the median remuneration of the workforce, which was £35,000 (2015–16: £34,000).

Pension benefits accrued (audited)

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

	Value of pension benefits 2016–17 in CSPS £'000	Value of pension benefits 2015–16 in CSPS	Employee Contributions paid 2016–17 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as of 31 March 2017 £'000	Transfer Value as of 31 March 2016 £'000	Increase in Transfer Value less employees contributions £'000
Adam Lawrence* Chief Executive	–	85	–	–	–	44	–
Anne Jessopp* Director of Consumer Business	52	50	10	27	130	88	32
Andrew Mills* Director of Circulating Coin	50	49	10	37	96	44	42
Leighton John Director of Operations	42	23	8	14	39	18	13
Martin McDade Director of Finance	314	13	6	280	310	23	281
Sarah Bradley Director of HR and SHE	35	19	7	17	40	20	13
Phil Carpenter Director of Operations	–	36	–	–	–	21	–

* Board member

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.

Adam Lawrence transferred his funds into a private pension scheme during the year. Funds from the Prudential Platinum Scheme were transferred into Martin McDade's fund during the year.

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 (2015–16: £15,000)

Chris Howard £15,000 (2015–16: £8,000)

Shane Bissett £Nil (2015–16: £12,000)

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.

	2016-17 £'000	2015-16 £'000
Peter Warry	48	45
David Morgan	23	23
Xenia Carr-Griffiths	20	20
Amanda Rendle	18	5
Michael Clayforth-Carr	18	5

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 £13,000 (2015-16: £7,000).

Tim Martin received no fees or expenses during either year.

Philip Duffy
Accounting Officer
14 July 2017

Staff Report

Total staff costs

	2016-17 £'000	2016-17 £'000	2015-16 £'000	2015-16 £'000
WAGES AND SALARIES				
Staff with a permanent contract	31,182		28,534	
Other staff	755		1,102	
		31,937		29,636
SOCIAL SECURITY COSTS				
Staff with a permanent contract	3,033		2,262	
Other staff	61		103	
		3,094		2,365
OTHER PENSION COSTS				
Staff with a permanent contract	5,619		5,489	
Other staff	54		81	
		5,673		5,570
		40,704		37,571

Average number employed

	2016-17	2016-17	2014-15	2014-15
PRODUCTION				
Staff with a permanent contract	477		519	
Other staff	14		12	
		491		531
SALES AND MARKETING				
Staff with a permanent contract	129		108	
Other staff	12		19	
		141		127
ADMINISTRATION				
Staff with a permanent contract	204		153	
Other staff	13		10	
		217		163
		849		821

Directors' emoluments

	2016–17 £'000	2015–16 £'000
Aggregate emoluments excluding long-term incentive scheme	1,012	540
Aggregate amounts receivable under long-term incentive scheme	112	73
Contributions under defined contribution pension scheme	15	15
HIGHEST PAID DIRECTOR		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	387	331
Accrued defined benefit pension at year-end	–	85
Accrued lump sum pension at year-end	–	44

In 2016–17, there were four executive directors following the appointment of Anne Jessopp and Andrew Mills on 1 April 2016 (2015–16: 2). Retirement benefits accrued to two executive directors under a defined benefit scheme during the year (2015–16: 1).

Staff composition

The number of people employed at 31 March 2017 was 858 (2016: 814). Of these employees, 651 are male and 207 female (2016: 622 male, 192 female). The Board of Directors of The Royal Mint Limited at 31 March 2017 comprised 7 male directors and 3 female (2016: 6 male, 2 female).

Staff policies

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

Diversity

The Royal Mint 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 2016–17 was 4.9% (2015–16: 4.6%).

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 2017 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 2017 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 Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the 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
17 July 2017

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

Consolidated Income Statement

For the year ended 31 March 2017

	Notes	Before IAS 39-related items and exceptionals 2016-17 £'000	IAS 39-related items (note 5) 2016-17 £'000	Exceptionals (note 5) 2016-17 £'000	Total 2016-17 £'000	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
Revenue	2	506,489	–	–	506,489	360,722	–	–	360,722
Cost of sales		(451,811)	526	–	(451,285)	(312,921)	(430)	–	(313,351)
Gross profit		54,678	526	–	55,204	47,801	(430)	–	47,371
Administrative expenses		(16,974)	–	(166)	(17,140)	(11,803)	–	(152)	(11,955)
Selling and distribution costs		(23,407)	–	–	(23,407)	(21,594)	–	–	(21,594)
Other gains/(losses) – net	22	244	244	–	488	(884)	(230)	–	(1,114)
Operating profit	3	14,541	770	(166)	15,145	13,520	(660)	(152)	12,708
Finance income	6	4	–	–	4	5	–	–	5
Finance costs	6	(627)	–	–	(627)	(373)	–	–	(373)
Profit before tax		13,918	770	(166)	14,522	13,152	(660)	(152)	12,340
Taxation	7				(3,040)				(2,353)
Profit for the financial year					11,482				9,987
Profit attributable to: HM Treasury					11,482				9,987

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	2016–17 £'000	2015–16 £'000
Profit for the financial year		11,482	9,987
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges		358	517
Items that will not be reclassified to profit or loss			
Remeasurements for the defined benefit scheme	17	(5,758)	1,897
Deferred tax on remeasurements for the defined benefit scheme	16	979	(341)
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		(4,421)	7,988
Total comprehensive income for the year		7,061	17,975
Total comprehensive income attributable to: HM Treasury		7,061	17,975

Royal Mint Trading Fund

Statement of Comprehensive Income

For the year ended 31 March 2017

	2016–17 £'000	2015–16 £'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

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

	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 the defined benefit scheme	–	–	1,897	–	–	1,897
Deferred tax on actuarial loss of the 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

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

Royal Mint Trading Fund

Statement of Changes in Equity

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
AT 1 APRIL 2016	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	–	4,000	4,000
Total Comprehensive Income for the year	–	4,000	4,000
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
AT 31 MARCH 2017	5,500	49,819	55,319

	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

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

Consolidated Statement of Financial Position

At 31 March 2017

	Notes	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	70,539	67,580
Heritage assets	9	26,401	26,172
Intangible assets	10	11,063	9,314
Deferred tax asset	16	1,464	691
TOTAL NON-CURRENT ASSETS		109,467	103,757
CURRENT ASSETS			
Inventories	11	30,336	32,070
Derivative financial instruments	23	728	610
Deferred tax asset	16	500	249
Trade and other receivables	12	32,452	25,317
Cash and cash equivalents	21	7,868	767
TOTAL CURRENT ASSETS		71,884	59,013
CURRENT LIABILITIES			
Borrowings	13	(28,000)	(4,506)
Trade and other payables	14	(44,993)	(31,970)
Current tax liability	7	(1,310)	(585)
Derivative financial instruments	23	(2,028)	(2,087)
TOTAL CURRENT LIABILITIES		(76,331)	(39,148)
NET CURRENT (LIABILITIES)/ASSETS		(4,447)	19,865
NON-CURRENT LIABILITIES			
Borrowings	13	–	(30,000)
Accruals and Deferred Income	14	(2,047)	–
Retirement benefit liability	17	(8,469)	(3,249)
Deferred tax liability	16	(2,636)	(2,186)
Provision for liabilities and charges	15	(924)	(304)
NET ASSETS		90,944	87,883
EQUITY			
Public dividend capital		5,500	5,500
Revaluation reserve		3,158	3,158
Retained earnings		55,775	53,294
Hedging reserve		215	(143)
Heritage assets reserve		26,296	26,074
TOTAL EQUITY		90,944	87,883

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

Royal Mint Trading Fund Statement of Financial Position

At 31 March 2017

	Notes	2017 £'000	2016 £'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.

Philip Duffy
Accounting Officer
14 July 2017

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2016-17 £'000	2015-16 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		14,522	12,340
Depreciation and amortisation on non-current assets		7,182	4,843
Loss on disposal		123	118
Interest		623	368
Cash flow hedges		181	1,317
Movements in working capital:			
Inventory		1,734	(1,122)
Retirement benefit asset		(538)	(627)
Trade and other receivables		(7,135)	(1,008)
Trade and other payables		11,975	(20,757)
Provisions		620	(219)
Cash inflow/(outflow) from operations		29,287	(4,747)
Tax paid		(1,910)	(2,235)
Interest paid		(649)	(316)
Net Cash inflow/(outflow) from operating activities		26,728	(7,298)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(8,704)	(21,224)
Acquisition of intangible assets		(2,721)	(3,467)
Interest received		4	5
Government grants received		2,300	–
Net cash used in investing activities		(9,121)	(24,686)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		(2,000)	30,000
Net cash used in financing activities		(6,000)	26,000
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of the year		(3,739)	2,245
Cash and cash equivalents at the end of the year	21	7,868	(3,739)

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

Royal Mint Trading Fund Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2016–17 £'000	2015–16 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		–	–
Net cash inflow from operating activities		–	–
CASH FLOW FROM INVESTING ACTIVITIES			
Dividends received from The Royal Mint Limited		4,000	4,000
Movement in loans		2,000	(30,000)
Net cash (used)/generated from investing activities		6,000	(26,000)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Movement in loans		(2,000)	30,000
Net cash generated/(used) in financing activities		(6,000)	26,000
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 2016–17 Government Financial Reporting Manual (FReM). The accounts have been prepared under a direction issued by HM Treasury under the Government Trading Funds Act 1973. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Royal Mint Trading Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the accounts.

1.2 Changes in accounting policy and disclosures

New 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 2016 that had a material impact on the Royal Mint Trading Fund.

New standards, amendments and interpretations not yet adopted

There were no new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2016 that had a material impact on the Group or Company.

IFRS9, Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments. 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 Company 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 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 Company 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 Company is yet to assess the impact of IFRS 16.

There are no other IFRS's or IFRSIC 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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash-flow hedges.

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

1.5 Property, plant and equipment

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

The valuation is based upon the following:

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

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in 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	10 – 15
IT hardware	3 – 8
Motor vehicles	4

No depreciation is provided in respect of land.

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

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

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

Heritage assets

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

The Fund has introduced a programme of valuation as follows:

Assets donated to The Royal Mint Museum on vesting

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

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

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

Plaster models – professional valuation undertaken during 2015–16.

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

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

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

Assets acquired since vesting

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

Note 1 continued

1.6 Intangible assets

Intangible assets

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

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

Licences for computer software

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

Research and development costs

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

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

Software

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

Patents, trademarks and licences

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

1.7 Impairment of non-financial assets

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

1.8 Financial assets

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

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

Note 1 continued

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

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

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

(ii) Loans and receivables

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

1.9 Impairment of financial assets

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

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

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

1.10 Trade receivables

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

1.11 Financial liabilities

(a) Interest-bearing loans and borrowings

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

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

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

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

Note 1 continued

1.12 Derivative financial instruments

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

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

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

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

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

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Consolidated Income Statement in Other Gains and Losses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the Consolidated Income Statement in Cost of Sales or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the Consolidated Income Statement in Other Gains or Losses.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the Consolidated Statement of Comprehensive Income in Other Gains or Losses.

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

1.13 Inventories

Inventories are stated at the lower of cost and estimated net realisable value, after due allowance for obsolete or slow moving items. Cost includes all direct expenditure and attributable overhead expenditure incurred in bringing goods to their current state under normal operating conditions. The first-in, first-out or an average method of valuation is used. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.14 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash-in-hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Note 1 continued

1.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the original invoice amount (fair value) and subsequently measured at amortised cost using the effective interest method.

1.16 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the year-end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.17 Employee benefits

(a) Pension obligations

The Royal Mint Limited operates defined benefit and defined contribution pension schemes which cover the Royal Mint Trading Fund. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which The Royal Mint Limited pays fixed contributions into a separate entity. The Royal Mint Limited has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The (liability)/asset recognised in the Statement of Financial Position in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liabilities. A pension asset is recognised to the extent that it is recoverable.

Note 1 continued

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs, and gains/(losses) on curtailment or settlement are recognised in income on occurrence.

For defined contribution plans, The Royal Mint Limited pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Royal Mint Limited has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

As explained in note 17, employees who were members of The Royal Mint Limited's defined benefit scheme were given the opportunity to join the Civil Service Pension Scheme at 31 March 2015. This 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 Grants

Government capital grants are treated as deferred income and released to the Income Statement in accordance with the expected useful life of the related assets.

1.22 Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of performance.

1.23 Dividend distribution

Dividends in relation to Public Dividend Capital are recognised as a liability in the financial statements in the year to which they relate.

1.24 Consolidation accounting policy

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

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

1.25 Going concern

After making enquiries the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements. Whilst there are net current liabilities at 31 March 2017, this is solely due to the timing of the renewal of the Group's long term borrowing facility which is less than 12 months from the balance sheet date. Confirmation has been received that the facility will be renewed subject to a review of interest rates.

Note 1 continued

1.26 Critical accounting estimates, assumptions and judgements in applying the accounting policies

The Royal Mint Trading Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

Key assumptions for pension obligations are disclosed in note 17.

(b) Impairment of non-financial assets

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

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

(c) Trade receivables

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

(d) Inventory

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

(e) Property, plant and equipment

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

(f) Development costs

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

Note 2

Segmental reporting

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

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

A) Analysis by class of business 2016–17

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

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

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. RM Assets is also included in unallocated due to immateriality.

* Includes transactions, assets and liabilities of The Royal Mint Museum, notably heritage assets of £26.2 million (2016: £26.2 million).

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

	2016–17 £'000	2015–16 £'000
UK	241,878	118,169
Germany	59,842	34,981
Rest of Europe	37,050	69,088
United States of America	121,380	67,460
Rest of Americas	5,840	7,504
Asia	26,972	45,289
Africa	9,208	10,102
Rest of the World	4,319	8,129
	506,489	360,722

During 2016–17 revenue from two customers amounted to £98.0 million and £82.0 million (2015–16 three customers: £49.4 million, £49.2 million and £38.7 million) which represented in excess of 10% of revenue.

Note 3

Operating profit

Operating profit is stated after charging/(crediting):

	2016–17 £'000	2015–16 £'000
Depreciation and amortisation charges	7,181	4,843
Loss on disposal	122	119
Research and development	1,579	31
Commodity hedges	(526)	430
Precious metal consignment fees	291	422
Exceptional items (note 5)	166	152
Auditors' remuneration:		
Audit of these financial statements	20	20
Audit of subsidiaries	76	63
Non-audit fees – tax services	–	12
Non-audit fees – other	2	8

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 40 to 43.

Total staff costs

	2016-17 £'000	2016-17 £'000	2015-16 £'000	2015-16 £'000
WAGES AND SALARIES				
Staff with a permanent contract	31,182		28,534	
Other staff	755		1,102	
		31,937		29,636
SOCIAL SECURITY COSTS				
Staff with a permanent contract	3,033		2,262	
Other staff	61		103	
		3,094		2,365
OTHER PENSION COSTS				
Staff with a permanent contract	5,619		5,489	
Other staff	54		81	
		5,673		5,570
		40,704		37,571

Average number employed

	2016-17 Number	2016-17 Number	2015-16 Number	2015-16 Number
PRODUCTION				
Staff with a permanent contract	477		519	
Other staff	14		12	
		491		531
SALES AND MARKETING				
Staff with a permanent contract	129		108	
Other staff	12		19	
		141		127
ADMINISTRATION				
Staff with a permanent contract	204		153	
Other staff	13		10	
		217		163
		849		821

Directors' emoluments

	2016-17 £'000	2015-16 £'000
Aggregate emoluments excluding long-term incentive scheme	1,011	540
Aggregate amounts receivable under long-term incentive scheme	112	73
Contributions under defined contribution pension scheme	15	15
HIGHEST PAID DIRECTOR		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	387	331
Accrued defined benefit pension at year-end	–	85
Accrued lump sum at year-end	–	44

In 2016-17, there were four Executive Directors following the appointment of Anne Jessopp and Andrew Mills on 1 April 2016 (2015-16: 2). Retirement benefits accrued to two executive directors under a defined benefit scheme during the year (2015-16: 1).

Note 5 Exceptional items

A) Exceptional items

	2016–17 £'000	2015–16 £'000
Settlement gain from transfer out of liabilities and assets	–	172
Professional fees associated with change in pension scheme	(166)	(324)
Exceptional charge	(166)	(152)

As set out in further detail in note 17, 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 final gain of £172,000 in 2015–16 due to the assets transferred out when the scheme closed being lower than the liabilities extinguished. This was offset by the remaining professional fees arising. Further professional fees of £166,000 were incurred in 2016–17.

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

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

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

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

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

Note 6 Finance costs

	2016–17 £'000	2015–16 £'000
On loans repayable within five years	627	373

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

Finance income

	2016–17 £'000	2015–16 £'000
Bank interest received	4	5

Note 7 Taxation

Analysis of tax charge in year

	2016–17 £'000	2015–16 £'000
UK corporation tax:		
Current year	2,635	1,697
Prior year	–	(84)
Deferred tax:		
Current year	405	725
Prior year	–	15
Taxation charge	3,040	2,353

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2016–17: 20%, 2015–16: 20%):

	2016–17 £'000	2015–16 £'000
Profit before tax	14,522	12,340
Profit multiplied by the standard rate of corporation tax of 20% (2015–16: 20%)	2,904	2,468
Effects of:		
Museum profit not being taxable	(29)	(33)
Intercompany adjustments not taxable	–	(52)
Expenses not deductible for tax purposes	317	139
Reduction in tax rate for deferred tax provision	(152)	(100)
Adjustments in respect of prior years	–	(69)
Taxation charge for year	3,040	2,353

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The effective tax rate for the year was 20.9% (2016: 20.5%) ignoring adjustments relating to prior years. In addition to the amount charged to the Income Statement, a deferred tax credit relating to actuarial losses on defined benefit pension schemes of £979,000 (2016: £341,000 charge) has been credited directly to the Statement of Comprehensive Income.

Current tax liability

	2016–17 £'000	2015–16 £'000
UK corporation tax	1,310	585

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 2016	4,052	13,119	21,954	100,837	139,962
Additions	–	–	9,310	–	9,310
Transfers	–	7,830	(24,451)	16,621	–
Disposals	–	(1)	–	(5,290)	(5,291)
At 31 March 2017	4,052	20,948	6,813	112,168	143,981
Depreciation					
At 1 April 2016	–	–	–	72,382	72,382
Charge for year	–	1,002	–	5,226	6,228
Disposals	–	–	–	(5,168)	(5,168)
At 31 March 2017	–	1,002	–	72,440	73,442
Net book value at 31 March 2017	4,052	19,946	6,813	39,728	70,539

	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

Land and buildings are stated at either open market current use valuation or depreciated replacement cost where this is more appropriate for specialised buildings. The last valuation took place at 29 February 2016 and was provided by 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

	2016–17 £'000	2015–16 £'000	2014–15 £'000	2013–14 £'000	2012–13 £'000
COST					
At 1 April	26,172	22,382	22,170	21,060	16,211
Additions:					
At valuation	222	247	189	62	156
At purchase cost	7	33	23	10	13
Disposals	–	–	–	–	(65)
Revaluation	–	3,510	–	1,038	4,745
At 31 March	26,401	26,172	22,382	22,170	21,060
Net book value at 31 March	26,401	26,172	22,382	22,170	21,060
Net book value at 1 April	26,172	22,382	22,170	21,060	16,211

The collection

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

The Trustees' intention is to obtain valuations for those parts of the collection which are readily accessible and for which there is an established market. They agreed a plan extending over five years which was concluded in 2015–16. Work in connection with the valuation has been carried out by the auctioneers Morton & Eden and numismatic book specialist Douglas Saville. Valuations have been sought for coins and medals, the library, seal counterparts, trial plates, drawings and artwork and plaster models. The total collection has been valued at £26.4 million. The collection will now be valued every five years or if there is an indication of impairment.

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 Britain to the same scale and diversity.
- Material relating to coins, medals and seals produced by The Royal Mint. The collection of coins and medals reflects the practice of items coming into the collection direct from the factory and consequently contains large numbers of trial and experimental pieces that are not represented in any other museum either in the United Kingdom or elsewhere.

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

Note 10

Intangible assets

Consolidated

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Development costs £'000	Total £'000
COST				
At 1 April 2016	7,932	4,318	952	13,202
Additions	2,703	–	–	2,703
Transfers	(2,413)	2,413	–	–
Disposals	–	(765)	–	(765)
At 31 March 2017	8,222	5,966	952	15,140
ACCUMULATED AMORTISATION				
At 1 April 2016	–	3,852	36	3,888
Amortisation for year	–	402	552	954
Disposals	–	(765)	–	(765)
At 31 March 2017	–	3,489	588	4,077
Net book value at 31 March 2017	8,222	2,477	364	11,063

Current year additions include £Nil (2015–16: £1,387,000) for development costs in the course of construction. Amortisation charges of £402,000 (2015–16: £432,000) and £552,000 (2015–16: £36,000) are within administration expenses and cost of sales respectively.

	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

Note 11

Inventories

Consolidated

	2017 £'000	2016 £'000
Metal inventory	15,570	14,722
Work in progress (excluding metal)	4,621	4,380
Stores and packing materials	4,484	4,243
Finished goods	5,661	8,725
	30,336	32,070

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 £3.1 million (2016: £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 £176.4 million at 31 March 2016 (2016: £106.3 million). Consignment fees under these arrangements are set out in note 3.

Note 12

Trade and other receivables

Consolidated

	2017 £'000	2016 £'000
Trade receivables	23,730	17,952
Less provision for impairment of receivables	(215)	(240)
VAT	7,146	5,915
Prepayments and accrued income	1,791	1,690
	32,452	25,317

Included within the receivables are the following:

	2017 £'000	2016 £'000
Central Government bodies	10,805	4,385
Other Government bodies	4	2
NHS Trusts	4	3
	10,813	4,390

Note 12 continued

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

	2017 £'000	2016 £'000
British Pound Sterling	24,649	25,003
US Dollars	7,600	59
Euros	203	198
Polish Zloty	–	57
	32,452	25,317

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

Movement in provision for impairment in receivables:

	2017 £'000	2016 £'000
At 1 April	(240)	(502)
Utilised/(provided) in the year	25	262
At 31 March	(215)	(240)

Note 13 Borrowings Consolidated

	2017 £'000	2016 £'000
Bank overdraft	–	4,506
Loans	28,000	30,000
	28,000	34,506

The Company has a revolving credit facility from the National Loans Fund of £36,000,000 until 28 February 2018, of which £28,000,000 was drawn down at 31 March 2017. At 31 March 2017, this is classed as a current liability solely due to the timing of the renewal of the facility which is less than 12 months from the balance sheet date. Confirmation has been received that the facility will be renewed subject to a review of interest rates.

Note 14

Trade and other payables: amounts falling due within one year

	2017 £'000	Consolidated 2016 £'000	2017 £'000	Trading Fund 2016 £'000
Trade payables	17,656	14,030	–	–
Other payables	15,766	2,014	–	–
Payments received on account	3,412	7,826	–	–
Taxation and social security	896	771	–	–
Proposed dividend	4,000	4,000	4,000	4,000
Accruals and deferred income	3,263	3,329	–	–
	44,993	31,970	4,000	4,000

Included within the payables are the following.

Balances with other Government bodies not shown separately above

	2017 £'000	2016 £'000
Other Central Government bodies	3,126	2,277
Public Corporations and Trading Funds	421	166
	3,547	2,443

Accruals and deferred income within non-current liabilities of £2.0m relates to a grant received from the Welsh Assembly Government in relation to the construction of The Royal Mint Experience.

Note 15

Provision for liabilities and charges

Consolidated

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

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

	Returns Provision £'000	Early Retirement £'000	Environment Remediation £'000	Total £'000
At 1 April 2016	–	50	254	304
Provided in year	667	–	–	667
Transferred from trade receivables	334	–	–	334
Utilised in year	(341)	(40)	–	(381)
At 31 March 2017	660	10	254	924

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

Note 16

Deferred tax assets and liabilities

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 17% (2016: 18%).

	2017 £'000	2016 £'000
Liability at 1 April	1,246	165
Movements on deferred tax were:		
Charged/(credited) to the Income Statement	405	740
Charged/(credited) to Statement of Comprehensive Income	(979)	341
Liability at 31 March	672	1,246

Movements in deferred tax liabilities/(assets) were:

Deferred tax liabilities/(assets)

	Assets £'000	Liabilities £'000	2017 Net £'000	Assets £'000	Liabilities £'000	2016 Net £'000
Accelerated tax depreciation	–	2,636	2,636	–	2,186	2,186
Derivative instruments	(232)	–	(232)	(249)	–	(249)
Retirement benefit obligation	(1,440)	–	(1,440)	(585)	–	(585)
Tax losses	(268)	–	(268)	–	–	–
Other	(24)	–	(24)	(106)	–	(106)
Deferred tax liability/(asset)	(1,964)	2,636	672	(940)	2,186	1,246

	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Tax losses £'000	Other £'000	Total £'000
At 1 April 2016	2,186	(249)	(585)	–	(106)	1,246
Charged/(credited) to the Income Statement	450	17	124	(268)	82	405
Charged/(credited) to Statement of Comprehensive Income	–	–	(979)	–	–	(979)
At 31 March 2017	2,636	(232)	(1,440)	(268)	(24)	672

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

	2017 £'000	2016 £'000
Actuarial gains on defined benefits schemes	(979)	341

Analysis of deferred tax liability/(asset)

	2017 £'000	2016 £'000
Deferred tax liability after 12 months	(500)	(249)
Deferred tax (asset) after 12 months	(1,464)	(691)
Deferred tax (asset) within 12 months	2,636	2,186
	672	1,246

The deferred tax at 31 March 2017 has been calculated based on the rate of 17% which was substantively enacted at the balance sheet date. The deferred tax asset has been recognised as the Company are confident that future profits will arise against which the asset will be utilised.

Note 17

Retirement benefit schemes

Defined contribution scheme

The 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 £706,000 (2015–16: £516,000) 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> <ol style="list-style-type: none"> i. Remain in RMLS ii. Transfer into PCSPS or CSOPS iii. Transfer into a defined contribution scheme (at Cash Equivalent Transfer Value). <p>The majority of staff opted to transfer into a defined contribution scheme and only 1% opted to transfer into PCSPS or CSOPS.</p>

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

The Principal Civil Service Pension Scheme (PCSPS) continues for those employees who were within ten years of their normal pension age on 1 April 2012 and has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for the Executive Management Team in the Remuneration Report show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and

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.

Employer contributions expected to be paid for the year ended 31 March 2018 are £4,829,000.

Whilst the PCSPS and alpha are defined benefit schemes, they are accounted for by the Company as defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes. The total cost charged to income of £4,967,000 (2015–16: £4,872,000) represents contributions payable to the scheme by the Company. As noted above RMLS was closed for additional contributions on 31 March 2015. The disclosures below relate to the residual RMLS in relation to deferred pensioners who left their benefits in the scheme and current pensioners.

Risks

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

Actuarial valuation

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

Details of valuation assumptions

An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2016 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:

	2017	2016
Discount rate	2.45%	3.65%
Price inflation RPI	3.10%	3.15%
Price inflation CPI	2.30%	2.15%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	3.10%	3.15%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.30%	2.15%
Increase to pensions in payment: benefits accrued before 01/02/2014	3.10%	3.15%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.30%	2.15%
Mortality assumption – pre-retirement	SAPS S2PxA CMI 2015(1%)	SAPS S2PxA CMI 2015(1%)
Mortality assumption – male post-retirement	SAPS S2PMA CMI 2015_M(1%)	SAPS S2PMA CMI 2015_M(1%)
Mortality assumption – female post-retirement	SAPSS2PFACMI2015_F(1%)	SAPSS2PFACMI2015_F(1%)
Future expected lifetime of current pensioner at age 65 at year-end		
Male aged 65 at year-end	87.0	86.9
Female aged 65 at year-end	89.0	88.9
Future expected lifetime of future pensioner at age 65 at year-end		
Male aged 45 at year-end	88.3	88.2
Female aged 45 at year-end	90.5	90.4

Note 17 continued

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

Amounts recognised in the Statement of Financial Position:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Fair value of plan assets	15,027	14,738	49,308	37,134	29,228
Present value of plan liabilities	(23,496)	(17,987)	(55,081)	(39,619)	(29,580)
Net defined benefit (liability)/asset	(8,469)	(3,249)	(5,773)	(2,485)	(352)

Amounts recognised in Statement of Comprehensive Income:

	2017 £'000	2016 £'000
Service Cost:		
Administration expenses	131	178
Net interest expense	105	176
Past service cost and gain on settlement	107	(172)
Amounts charged to the Income Statement	343	182
Remeasurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	(1,131)	(166)
(Gain)/Loss arising from changes in financial assumptions	7,377	(2,143)
Gain arising from changes in demographic assumptions	–	(377)
Experience loss/(gain)	(488)	789
(Credit)/charge recorded in other comprehensive income	5,758	(1,897)
Total defined benefit (Credit)/charge	6,101	(1,715)

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

	2017 £'000	2016 £'000
Fair value of net liability at beginning of year	(3,249)	(5,773)
Movements in year:		
Employer contributions	881	868
Administration expenses	(131)	(178)
Current service cost	(107)	–
Interest cost	(105)	(235)
Gain on settlement and curtailment	–	172
Remeasurement gains/(losses):		
Actuarial gains and losses arising from changes in financial assumptions	(7,377)	2,143
Actuarial gains and losses arising from changes in demographic assumptions	–	377
Return on scheme assets (excluding amounts included in interest expense)	1,131	166
Other experience items	488	(789)
Net Scheme liabilities at end of year	(8,469)	(3,249)

Note 17 continued

Changes in the present value of assets over the year:

	2017 £'000	2016 £'000
Fair value of assets at beginning of year	14,738	49,308
Movements in year:		
Return on scheme assets (excluding amounts included in interest expense)	1,131	166
Interest income	513	1,021
Employee contributions	881	868
Benefits paid	(2,105)	(304)
Administration expenses	(131)	(178)
Assets distributed on settlement	–	(36,143)
Scheme assets at end of year	15,027	14,738

Actual return on assets over the year was £1,644,000 (2015–16: £1,187,000).

Changes in the present value of liabilities over the year:

	2017 £'000	2016 £'000
Scheme liabilities at beginning of year	17,987	55,081
Movement in year:		
Interest cost	620	1,256
Past service cost	105	
Remeasurement losses/(gains):		
Actuarial gains and losses arising from changes in financial assumptions	7,377	(2,143)
Actuarial gains and losses arising from changes in demographic assumptions	–	(377)
Other experience items	(488)	789
Benefits paid	(2,105)	(304)
Liabilities extinguished on settlement	–	(36,315)
Scheme liabilities at end of year	23,496	17,987

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

	2017 £'000	2016 £'000
Deferred pensioners	21,360	16,149
Pensions in payment	2,136	1,838
	23,496	17,987
Average duration of the scheme's liabilities at the end of the period (years)	30	25

Note 17 continued

The major categories of scheme assets are as follows:

	2017 £'000	2016 £'000
RETURN SEEKING		
UK Equities	–	–
Overseas Equities	–	–
Diversified Growth Fund	–	–
	–	–
DEBT INSTRUMENTS		
Corporates	–	–
Index Linked	15,027	14,349
	15,027	14,349
Cash	–	389
Total market value of assets	15,027	14,738

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 £754,000 (increase by £784,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £802,000 (decrease by £774,000). 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 by one year, the scheme liabilities would increase by £879,000 if all the other assumptions remained unchanged.

Note 18 Capital commitments

	2017 £'000	2016 £'000
Commitments in respect of contracts – Tangible Assets	716	7,028
Commitments in respect of contracts – Intangible Assets	244	566
	960	7,594

Note 19

Operating lease commitments

Consolidated

	2017 £'000	2016 £'000
Operating lease rentals due on leases expiring:		
Less than one year	889	990
Between one and five years	1,355	1,565
	2,244	2,555

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:

	2017 £'000	2016 £'000
Salaries and other short-term employee benefits	1,531	1,361
Post-employment benefits	164	186
	1,695	1,547

Note 21

Analysis of net funds/(debt)

Consolidated

	At 1 April 2016 £'000	Cash Flow £'000	At 31 March 2017 £'000
The Royal Mint Museum: Cash at bank and in hand	767	1	768
The Royal Mint Limited: Cash at bank and in hand/(bank overdraft)	(4,506)	11,606	7,100
Loan	(30,000)	2,000	(28,000)
	(33,739)	13,607	(20,132)

Analysis of net funds/(debt)

Trading Fund

	At 1 April 2016 £'000	Cash Flow £'000	At 31 March 2017 £'000
Cash at bank and in hand	–	–	–
	–	–	–

Note 22

Other gains/(losses) – net

	2017 £'000	2016 £'000
Foreign exchange loss	129	(884)
Foreign exchange forward contracts	290	298
Ineffectiveness of commodity hedges	(46)	(528)
Grant income released to the Income Statement	115	–
	488	(1,114)

Note 23

Financial instruments

	2017 £'000	2016 £'000
Derivative asset		
Foreign currency fair value	218	361
Commodity fair value	282	200
Precious metal fair value	228	49
	728	610

	2017 £'000	2016 £'000
Derivative liability		
Foreign currency fair value	1,478	1,193
Commodity fair value	395	864
Precious metal fair value	155	30
	2,028	2,087

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 2017 £'000	Average forward rate 2016	Fair value 2017 £'000	Contract amount 2016 £'000	Average forward rate 2015	Fair value 2016 £'000
Forward contract – sell £/buy EUR Maturing in less than 1 year	5,002	1.1521	(50)	1,759	1.2757	20
Forward contract – sell £/buy USD Maturing in less than 1 year	4,972	1.2524	9	1,876	1.4374	–
Forward contract – sell £/buy PLN Maturing in less than 1 year	–	–	–	1,999	5.6822	20
Forward contract – sell £/buy CHF Maturing in less than 1 year	1,118	1.3795	121	316	1.3945	4
Maturing in more than 1 year	–	–	–	1,118	1.3795	3
	1,118	1.3795	121	1,434	1.3828	7
Forward contract – buy £/sell USD Maturing in less than 1 year	32,987	1.3011	(1,357)	13,883	1.5267	(862)
Maturing in more than 1 year	–	–	–	3,682	1.5220	(215)
	32,987	1.3011	(1,357)	17,565	1.5257	(1,077)
Forward contract – buy £/sell PLN Maturing in less than 1 year	–	–	–	3,500	5.2751	219
Forward contract – buy £/sell EUR Maturing in less than 1 year	2,559	1.1559	16	2,485	1.2711	(20)

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 2017	Effect on net earnings of a 10% decrease 2017 £'000	Closing exchange rate 2016	Effect on net earnings of a 10% decrease 2016 £'000
Euros	1.1637	(248)	1.2613	18
US Dollars	1.2483	825	1.4373	7
Polish Zloty	4.9016	–	5.6271	6
		577		31

	Closing exchange rate 2017	Effect on net earnings of a 10% increase 2017 £'000	Closing exchange rate 2016	Effect on net earnings of a 10% increase 2016 £'000
Euros	1.1637	201	1.2613	(15)
US Dollars	1.2483	(637)	1.4373	(5)
Polish Zloty	4.9016	–	5.6271	(5)
		(436)		(25)

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 2017	Value at average price 2017 £'000	Fair value 2017 £'000	Tonnes 2016	Value at average price 2016 £'000	Fair value 2016 £'000
Cash flow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	650	2,861	190	100	387	(52)
Maturing in more than 1 year	–	–	–	25	86	(3)
	650	2,861	190	125	473	(55)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	168	1,660	(270)	54	779	(467)
Maturing in more than 1 year	12	133	(33)	–	133	(133)
	180	1,793	(303)	54	912	(600)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	–	–	–	25	39	(8)

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 2017 £	Effect on net earnings of a 10% decrease 2017 £'000	Effect on equity of a 10% decrease 2017 £'000	Closing price/tonne 2016 £	Effect on net earnings of a 10% decrease 2016 £'000	Effect on equity of a 10% decrease 2016 £'000
Copper	4,659	(167)	(132)	3,374	(3)	(39)
Nickel	7,866	(219)	68	5,753	(4)	(27)
Zinc	2,216	–	–	1,240	(1)	(2)
		(386)	(64)		(8)	(68)

	Closing price/tonne 2017 £	Effect on net earnings of a 10% increase 2017 £'000	Effect on equity of a 10% increase 2017 £'000	Closing price/tonne 2016 £	Effect on net earnings of a 10% increase 2016 £'000	Effect on equity of a 10% increase 2016 £'000
Copper	4,659	167	132	3,374	3	39
Nickel	7,866	219	(68)	5,753	4	27
Zinc	2,216	–	–	1,240	1	2
		386	64		8	68

The Royal Mint Trading Fund 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 Trading Fund 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 2017	Value at average price 2017 £'000	Fair value 2017 £'000	Ozs 2016	Value at average price 2016 £'000	Fair value 2016 £'000
Gold forwards – GBP denominated contracts: Maturing in less than 1 year	13,746	13,562	168	1,129	999	(28)
Silver forwards – GBP denominated contracts: Maturing in less than 1 year	157,961	2,243	60	5,270	56	(2)
Gold swaps in place at the year-end – GBP denominated contract: Maturing in less than 1 year	(2,257)	(1,976)	(155)	(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 2017 £/oz	Effect on net earnings of a 10% decrease 2017 £'000	Closing price 2016 £/oz	Effect on net earnings of a 10% decrease 2016 £'000
Gold	996	1,130	861	240
Silver	15	230	11	(6)
Platinum	760	–	679	–
		1,360		234

	Closing price 2017 £/oz	Effect on net earnings of a 10% increase 2017 £'000	Closing price 2016 £/oz	Effect on net earnings of a 10% increase 2016 £'000
Gold	996	(1,130)	861	(240)
Silver	15	(230)	11	6
Platinum	760	–	679	–
		(1,360)		(234)

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

	Closing price 2017 £/oz	Effect on net earnings of a 10% change 2017 £'000	Closing price 2016 £/oz	Effect on net earnings of a 10% change 2016 £'000
Gold	996	164	861	32
Silver	15	14	11	4
Platinum	760	2	679	1
		180		37

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:

	2017 £'000	Effect on net earnings of a 10% change 2017 £'000	2016 £'000	Effect on net earnings of a 10% change 2016 £'000
Loans	28,000	56	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:				
2017	124	43	88	210
2016	30	–	–	21

Note 23 continued

Consumer Wholesale

Wholesale customers purchasing non-bullion products are set credit limits based on available financial information. If no information is available a zero credit limit is set and goods must be paid for in advance of despatch. Credit limits are regularly monitored and reviewed. If the wholesale customer purchases bullion products the bullion is purchased specifically for the customer's order and is payable within 48 hours. Coins are only despatched when payment is received. The table below shows overdue outstanding balances as at 31 March.

	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Wholesale trade receivables:				
2017	443	46	–	–
2016	1,246	9	–	10

Consumer Business to Consumer

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

	Balance overdue statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to Consumer receivables:			
2017	88	2	90
2016	63	4	84

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 2017 or 2016.

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 2017 the amount is £32,400,000 (2016: £25,300,000). 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 13

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

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

Note 23 continued

Liquidity risk

Liquidity risk is the risk that the Royal Mint Trading Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Royal Mint Limited's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Royal Mint Trading Fund manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition, the Royal Mint Trading Fund has negotiated a revolving credit facility of £36,000,000 until 28 February 2018, of which £28,000,000 was drawn down at 31 March 2017. 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 2017

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	28,000	–	–	–
Derivative financial instruments	2,028	–	–	–
Trade and other payables	44,097	–	–	–
Provisions for liabilities and charges	924	–	–	–

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	31,199	–	–	–
Provisions for liabilities and charges	304	–	–	–

Capital risk

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

Fair values

Set out in the following table is a comparison by category of fair values of financial instruments recognised in the financial statements at 31 March.

Fair value of cash and cash equivalents, trade receivables and payables are deemed to be approximately their book value due to their short-term maturity.

Fair value of commodity hedges is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange rates at the date of the Statement of Financial Position.

Note 23 continued

Categories of financial instruments

The table below identifies the carrying values and fair values at 31 March for each category of financial assets and liabilities:

	Carrying value 2017 £'000	Fair value 2017 £'000	Carrying value 2016 £'000	Fair value 2016 £'000
Assets as per the Statement of Financial Position:				
Derivatives used for hedging	282	282	200	200
Trade and other receivables	32,452	32,452	25,317	25,317
Derivatives at fair value through profit and loss	446	446	410	410
Cash and cash equivalents	7,868	7,868	767	767
Liabilities as per the Statement of Financial Position:				
Bank overdraft	–	–	(4,506)	(4,506)
Borrowings	(28,000)	(28,000)	(30,000)	(30,000)
Derivatives used for hedging	(395)	(395)	(864)	(864)
Derivatives at fair value through profit and loss	(1,633)	(1,633)	(1,223)	(1,223)
Trade and other payables	(44,097)	(44,097)	(31,199)	(31,199)

Note 24 Investments in subsidiaries

	2017 £'000	2016 £'000
Cost at 31 March	59,319	59,319
Ownership		
Subsidiaries		
The Royal Mint Limited and its subsidiary RM Assets Limited		100%
The Royal Mint Museum		100%
Capital and reserves:		
The Royal Mint Limited Group	65,814	62,896
The Royal Mint Museum Group	2,094	1,949
Profit for the year:		
The Royal Mint Limited Group	7,336	5,561
The Royal Mint Museum	145	164

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 £4 million to the Royal Mint Trading Fund.

Note 26

Authorisation for issue

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



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