



The
Royal
Mint

Established
for Tomorrow™

Royal Mint Trading Fund

Annual Report and Accounts 2014-15



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Annual Report and Accounts 2014-15

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 16 July 2015

HC 161



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Royal Mint Trading Fund

Annual Report and Accounts 2014-15

Royal Mint Trading Fund Accounting Officer is Susan Acland-Hood

The Royal Mint Limited Directors

Peter Warry*
Chairman

Adam Lawrence
Chief Executive

Vin Wijeratne
Director of Finance

David Morgan*

Xenia Carr-Griffiths*

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
Director of Finance

Anne Jessopp
Director of Business Services

Phil Carpenter
Director of Operations

Andrew Mills
Director of Circulating Coin

Shane Bissett
Director of Commemorative Coin

The Royal Mint Museum and Royal Mint Museum Services Limited Directors

Sir Christopher Frayling
Chair

Rear Admiral John Lippiett CB, MBE

Crispin Wright

Adam Lawrence

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

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

Internal auditor to The Royal Mint Limited
KPMG LLP

The Accounts of the Royal Mint Trading Fund at 31 March 2015, 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 296 of 2013-14. Presented pursuant to Act 1973, c.63, s.4 (6).

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Accounting Officer's Statement

The Consolidated Financial Statements include the operations of The Royal Mint Limited and The Royal Mint Museum.

The Royal Mint Limited has enjoyed another very successful year. I'm pleased to report that, for the second successive year, the key Ministerial target of a 10% Return On Average Capital Employed (ROACE) has been exceeded (2014-15: 17.0%, 2013-14: 10.2%) and all other Ministerial targets were achieved.

In his report, the Chief Executive of The Royal Mint Limited highlights that the improved financial result is due to a strong performance across the whole business. Circulating Coin enjoyed a strong order book with increased business from overseas customers along with strong domestic demand. The successful alloy recovery programme from the replacement of the old 5p and 10p coins returned over £16m worth of legacy metal to HM Treasury, bringing the total returned to £35m over the programme. The programme enabled The Royal Mint Limited to recycle over 3,700 tonnes of high quality metals in the year.

Commemorative Coin also delivered a strong performance with several innovative new products. The first ever face value £100 coin featuring Big Ben proved extremely popular, selling out in a matter of days. In September The Royal Mint Limited announced the next development in its bullion business with the launch of an online trading platform www.royalmintbullion.com. This new trading platform enables customers to buy, store and sell fine gold and silver bullion coins and bars quickly, effortlessly and securely, 24 hours a day, 365 days a year.

But of course, the biggest news for The Royal Mint Limited this year was the unveiling of a new coinage portrait of Her Majesty The Queen. This is only the fifth definitive portrait of The Queen to appear on the UK's circulating coins since her accession to the throne in 1952, making it a very rare event indeed. The design was produced by one of The Royal Mint Limited's own engravers and created almost entirely using computer-aided design.

On 19 March 2014, the Rt Hon. George Osborne MP announced the introduction of a new £1 coin in 2017. Following an industry and public consultation, it has been confirmed that The Royal Mint Limited's new High Security Feature will be at the heart of the new £1 coin to challenge the increasing threat of counterfeiting. This innovative new technology takes security to a level never seen before in coins.

Towards the end of this fiscal year, The Royal Mint Limited commenced the preparatory works for the construction of its Visitor Centre which is expected to open during 2016. The Royal Mint Limited's focus on cost also remains unchanged with the introduction of a new IT system still on time and on budget.

Strategically, The Royal Mint Limited has made large steps forward as it continues towards its vision 'To be proud to be recognised as the World's Best Mint'.

I know that the Board of The Royal Mint Limited would like me to put on record their appreciation for the contribution made by everyone involved in making 2014-15 another successful year. I would also personally like to thank David Harding and Mary Chapman for their significant contributions to The Royal Mint Limited over the past six years as Non-Executive Directors.

The Royal Mint Museum has continued to mature in its status as a separate charitable company and significant progress has been made in achieving its charitable objectives. The Royal Mint Museum has supported The Royal Mint Limited in developing plans for the Visitor Centre, in which there will be an exhibition space enabling the public to have greater access to the collection. During the year the Museum also undertook an inventory project to conserve the Collection, excellent progress has been made and the project is expected to be completed by Summer 2015. I would personally like to thank Sarah Tebbutt as Chair of the Trustees for her significant contributions to The Royal Mint Museum since its formation upon vesting in 2010.

Report of the Chief Executive of The Royal Mint Limited

2014-15 saw continued improvement and successful performance for The Royal Mint Limited. We exceeded all four Ministerial targets for the second year in a row, highlighted by a 65% increase in Operating Profit before exceptional items to £11.4m (2013-14: £6.9m) and a 67% increase in our ROACE to 17.0% (2013-14: 10.2%), which significantly exceeds the key Ministerial target of a 10% return.

These great results are not down to one factor, but rather a collection of strong business unit performances and the focus the business has on our vision to be recognised as the World's Best Mint.

From a Circulating Coin perspective, we continued to see strong demand from the UK. In addition, our second full year of the alloy recovery programme, replacing older cupro-nickel 5p and 10p coins with new lower cost aRMour® plated coins, has driven significant volume for the business, while simultaneously generating a cumulative total of over £35m for HM Treasury in recovery of legacy metals. It has also enabled us to recycle over 7,700 tonnes of high quality metals to date. We expect 2015-16 will be the last year of this programme. As we start to get to higher levels of new coin in circulation, recovering older coins becomes less economically viable.

Overseas demand continued to grow this year, with us supplying 2.2 billion coins and blanks to 29 countries around the world (2013-14: 2.0 billion coins and blanks to 28 countries). Whilst volume of demand has returned, pricing in the market place is still very competitive which continues to suppress overall margins.

The Royal Mint Limited's brand is 'Established for Tomorrow'. This reflects the know-how, confidence and integrity we have built up over 1,100 years, along with our vision and ability to be the innovator in the industry for the future too. This blend is demonstrated perfectly with our world leading High Security Feature.

During the coming year, we will commence the manufacture of the new £1 coin, announced by the Rt Hon. George Osborne MP on 19 March 2014. A full public and industry consultation process was completed during March 2015, with the final specification being announced. This specification incorporates the High Security Feature, ensuring the new £1 coin will be the most secure coin in the world. On 15 March 2015, a 15-year-old pupil at Queen Mary's Grammar School in Walsall, David Pearce, beat off fierce competition from over 6,000 entries with his winning design for the new £1 coin, which was chosen following a public competition. Ultimately, David's new design will feature on over one billion new coins to be manufactured at The Royal Mint in advance of, and during, the launch of the new £1 coin in early 2017.

Commemorative Coin experienced another strong year, boosted by a favourable mix of anniversary and product themes, as well as the introduction of some innovative products. The introduction of a face value £100 coin featuring Big Ben sold out in a number of days. Popular themes like Magna Carta and Sir Winston Churchill complemented an extremely strong and successful product offering.

Technical innovation was also an important theme this year when we launched our smallest coin, a fortieth-ounce gold Proof coin depicting Britannia. The stunning design has been perfectly captured on a precious metal canvas that is only 8mm in diameter and weighs less than a gramme.

The highlight for the year was clearly the unveiling of a new coinage portrait of Her Majesty The Queen. Only the fifth definitive portrait of Her Majesty to appear on the UK's circulating coins, this is a rare event. What made this even more exceptional for The Royal Mint Limited is that the portrait chosen was designed by a Royal Mint engraver, Jody Clark. Jody is the first Royal Mint engraver to be chosen to create a definitive royal coinage portrait in over 100 years and, at just 33 years of age, is the youngest of the five designers to have created the portraits of The Queen.

During the year, we also made strong advances in our growing Bullion business. Our Accounting Officer has already commented that we launched a new online trading platform, which enables customers to buy, store and sell fine gold and silver bullion coins and bars quickly, effortlessly and securely, 24 hours a day, 365 days a year. This unique proposition has proved extremely successful, enabling our customers and clients to store new gold bullion coins and bars purchased from www.royalmintbullion.com in The Vault™, our on-site precious metal storage facility, rather than taking physical delivery. The Vault™ is protected by the Ministry of Defence, which offers extra security and peace of mind. We also promise to provide customers with a quotation to buy back any gold purchased and stored this way.

Later in the year, we also revived The Royal Mint Refinery brand, expanding our range to offer gold and silver minted bars. To further support the future growth of the Bullion business, we made the decision towards the end of the financial year to create a new Executive Director role, focussing entirely on the Bullion market. Recruitment is currently in progress.

I must make mention of our ever-improving and world-class Health and Safety Record. We continue to make great strides in this area, not just with physical Health and Safety but also with our environmental responsibilities. This year saw a record low in accidents on site, and the progress we are making on key strategic projects is lowering our risk on site even further. The improvement in this area has been really encouraging.

As we look ahead, The Royal Mint, Britain's oldest manufacturing organisation, and the world's leading export mint, will, for the first time in our 1,100-year history, officially open our doors to the general public. This will be a unique opportunity for visitors to get behind the scenes, to discover for themselves the people and processes that put the pounds and pennies in their pockets. Work has begun building our exciting new Visitor Centre, which we expect to open by

Summer 2016. As well as gaining first-hand knowledge of the journey which coins and medals make from start to finish, visitors will also enjoy a range of engaging and interactive experiences that will bring to life The Royal Mint's rich heritage and reveal many rare and unusual coins and medals from across the world. In an opportunity that is sure to delight young and old alike, guests will have the ability to strike their own coin as a lasting memento of their visit.

Lastly, I should like to thank all our people for their contribution and hard work. We look forward to continue working towards our vision 'To be proud to be recognised as the World's Best Mint'.

Management Commentary

For the year ended 31 March 2015

This section encompasses the required areas for the Strategic Report and 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

The Royal Mint Limited's operations are divided into two segments: Circulating Coin and Commemorative Coin. The principal activities of these segments are as follows:

Circulating Coin:

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

Commemorative Coin:

- the manufacture, marketing and distribution of UK and overseas commemorative coins, bullion and medals;
- the manufacture and supply of official medals, seals and dies;
- the licence of design rights for the manufacture and supply of gold Sovereign coins; and
- the secure storage of precious metals.

The Royal Mint Museum

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

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

Structure

The Chancellor of the Exchequer is the Master of the Royal 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 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 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.

Objectives and strategy

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

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

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

The Commemorative Coin business strategic objectives are:

- to achieve consistent growth in sales and profitability by developing The Royal Mint Limited's brand, innovative product development and growth of our customer database;
- to grow our share of the global bullion market;
- to provide consumers with an easily accessible and diverse range of bullion products through our online bullion platform;
- to reduce our dependence on the UK market through international development;
- to expand our precious-metal storage business;
- to develop licensing opportunities for The Royal Mint Limited's brand;

- to build a high quality visitor attraction offering a unique experience;
- to maintain a high level of customer service;
- to continue to innovate and develop unique and attractive products; and
- to improve productivity and reduce costs.

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 £11.8m (2013-14: £6.9m).

Revenue decreased by 17% to £259.7m (2013-14: £314.9m). This was largely driven by a lower proportion of sales of low margin bullion coins.

Circulating Coin sales increased by 5% to £106.0m (2013-14: £101.2m).

Commemorative Coin sales decreased by 28% to £153.7m (2013-14: £213.7m).

This year has seen net cash inflows from operating activities of £25.2m (2013-14: £17.5m inflow).

Capital expenditure of £12.3m (2013-14: £3.5m) was mainly in the following areas:

- continued development in One Business System to replace current IT systems;
- developments to enable commercial production of coins including the High Security Feature;
- programme to replace and upgrade existing assets coming to the end of their economic lives; and
- Visitor Centre site preparation works.

Net assets increased by £0.5m to £73.9m. The increase in net assets has resulted from generating a profit after tax of £9.2m which is offset by movements in the pension deficit arising from actuarial assumptions net of deferred tax (£4.2m), hedging reserve (£0.5m) and payment of a dividend (£4.0m) relating to 2013-14 performance.

Summary financial results

	2014-15 £m	2013-14 £m
REVENUE:		
Circulating Coin		
UK	59.4	37.8
Overseas	46.6	63.4
Total Circulating Coin	106.0	101.2
Commemorative Coin	153.7	213.7
Total	259.7	314.9
OPERATING PROFIT		
Circulating Coin	17.2	14.0
Commemorative Coin	9.2	9.2
Central overheads*	(14.6)	(16.3)
Operating profit before IAS 39 related adjustments and exceptional items	11.8	6.9
IAS 39 related adjustments (note 5)	(0.3)	(0.2)
Exceptional items (note 5)	0.7	–
Operating profit	12.2	6.7
Net finance cost	(0.6)	(0.9)
Profit before tax	11.6	5.8

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

Circulating Coin

The Circulating Coin business saw UK demand continue to increase in 2014-15 and, although the business continues to be exposed to volatility in the overseas market, we have seen generally robust performance in the last two years reflected in a contribution to central costs in 2014-15 of £17.2m (2013-14: £14.0m).

2014-15 has seen considerable progress in achieving and delivering our key long-term strategies for Circulating Coin. Firstly, in March 2015, the Chancellor of the Exchequer, Rt Hon. George Osborne MP, presented the final design of the new £1 coin which we will start to manufacture in 2015-16 and is intended to start to enter circulation in 2017. Secondly, we continued progress in the commercialisation of our patented High Security Feature, which is being included in the new £1 coin. Finally, we also secured a number of contracts with overseas countries which involve transitioning denominations from banknotes into coins.

During the year, overseas deliveries of coins and blanks amounted to 2.2 billion pieces in 29 countries (2013-14: 2.0 billion pieces in 28 countries).

We have seen very strong financial performance within the UK which saw a 19% increase in issues during the year. This

included the continuation of the alloy-recovery programme, whereby cupro-nickel 5p and 10p coins were withdrawn from circulation and replaced with the aRMour® plated equivalents.

The Royal Mint issued 2,384 million coins (2013-14: 1,996 million) to UK cash centres. Working against a Ministerial delivery target of 99% being available for shipment to banks and post offices within 11 days, The Royal Mint achieved 100% (2013-14: 100%).

The latest survey to monitor the level of £1 counterfeit coins was conducted in May 2014. This survey indicated a counterfeit rate of 3.0% (November 2013: 3.0%). It is anticipated that this rate will begin to fall significantly with the introduction of the new £1 coin in 2017, which will feature 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.

Commemorative Coin

The Commemorative Coin business had another successful year with a contribution to central costs of £9.2m (2013-14: £9.2m).

The core commemorative business launched the first £100 face value coin in December 2014 which sold out within days. Products released in March 2015, incorporating the new effigy of Her Majesty The Queen designed by The Royal Mint's Jody Clark, also generated strong demand. Other successful product ranges included our £20 face value coins commemorating the outbreak of the First World War and the death of Sir Winston Churchill. We remain committed to continuous improvement of customer experience, and have raised our 3-day delivery performance for UK commemorative coin to 90.5% (2013-14: 82.3%; Ministerial Target: 80.0%).

From 1672 through to 2008 Britannia has been a constant on British coinage, her image telling the story of our island nation and her role as both warrior and protector of our shores. We are very proud that in 2015 Britannia returned to the coinage in a new definitive £2 coin designed by Anthony Dufort. His striking interpretation of Britannia is respectful of times past, but recasts her for a brand new era, timeless, symbolic, stirring and inspirational. We see Britannia, standing tall, proud and looking to the future.

Our Bullion business faced difficult market conditions during 2014-15. This area continues to have high growth potential and we made a number of important strategic steps during the year. In September 2014 we successfully launched our online bullion platform www.royalmintbullion.com and have

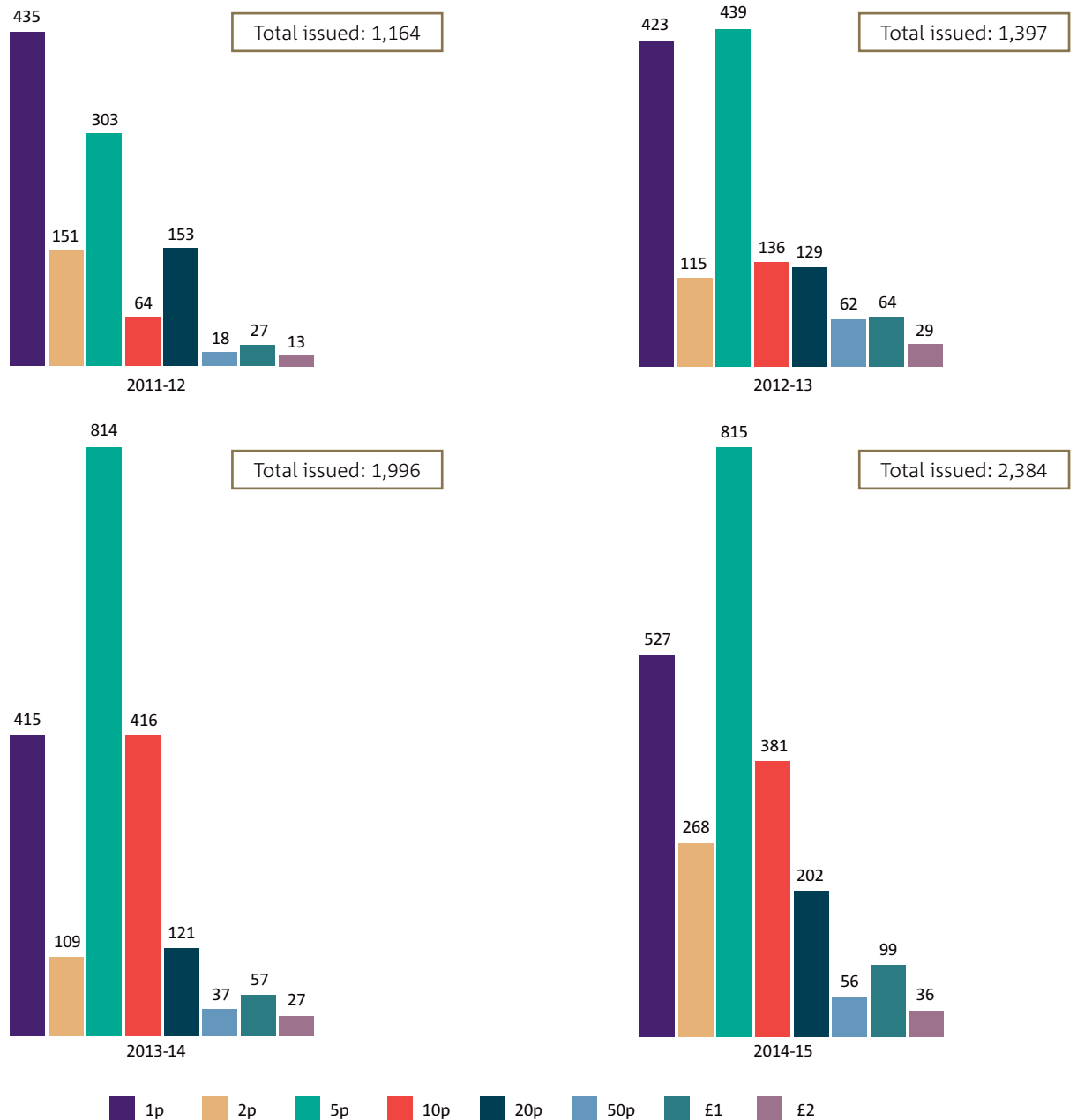
since expanded the range on offer to consumers for delivery or storage in The Vault™. This includes our smallest ever gold coin, the fortieth-ounce Britannia, as well as reviving the historic Royal Mint Refinery name with gold and silver minted bars.

As part of our continued effort to move our business online and with the launch of www.royalmintbullion.com our digital business grew by 112% in 2014-15 over the previous year.

Dividends

Post year-end, the Board of The Royal Mint Limited declared a dividend for 2014-15 of £4.0m. Dividends relating to 2013-14 performance of £4.0m were paid during the year.

UK Coin Issues in Year – Pieces Millions



Financial risk management

Derivative financial instruments

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

Metal prices

The majority of the raw materials purchased by The Royal Mint Limited are metals. Prices can be subject to significant volatility. The Royal Mint Limited 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 Limited seeks to hedge its exposure to subsequent movements in metal prices by securing forward contracts to acquire the metal at this time.

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

Commemorative Coin

The Royal Mint has employed two different strategies within the Commemorative Coin business.

Proof products: Coins are manufactured for sale through The Royal Mint Limited'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 Limited's objective that its financial performance is not exposed to market fluctuations in metal prices.

Bullion products: Selling prices are quoted based on the prevailing market rates of the precious metals, which are purchased specifically to satisfy each order thereby avoiding exposure to risk by the use of consignment arrangements.

Foreign exchange

The Royal Mint Limited minimises its exposure to exchange rate movements on sales and purchases by making sales and purchases via sterling-denominated contracts wherever possible. Where this is not the case, The Royal Mint Limited 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 Royal Mint Limited's hedging policy is to mitigate the impact of movements in the price of metal commodities where appropriate over time, the impact of which for accounting purposes will be reflected in different accounting periods depending on the relevant ineffectiveness assessment under IAS 39 rules.

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

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2014-15, the year-end impact was a loss of £0.3m (2013-14: £0.2m loss). Financial risk management disclosures are set out in note 23 to the financial statements.

Defined benefit pension scheme

An opportunity arose during the year for The Royal Mint Limited to close its defined benefit scheme to future accrual whilst ensuring employee benefits remain broadly unchanged. All staff who started prior to 1 January 2010 were members of Prudential Platinum Pension - The Royal Mint Limited Scheme (RMLS), a defined benefit pension scheme. RMLS was closed for additional contributions on 31 March 2015 and members were given the option to either join the Civil Service Pension Scheme (CSPS), a defined benefit pension scheme, or to join The Royal Mint Group Personal Pension Plan, a defined contribution pension scheme both in respect of the benefits built up in the RMLS and future accrual.

The Royal Mint Limited has taken this opportunity to help manage fluctuations in future obligations whilst broadly maintaining the benefits for members. In future the liability of RMLS will be limited to deferred and pensioner members in the RMLS. Ongoing employer contributions will in future be paid to CSPS or to The Royal Mint Limited Group Personal Pension Plan.

Impact in 2014-15

The changes implemented have the following pre-tax effect in the 2014-15 financial statements:

	£m
Income Statement – Exceptional items:	
Curtailment gain due to ceasing accrual*	1.6
Professional fees associated with change in pension scheme	(0.9)
Net exceptional gain	0.7
Statement of Comprehensive Income:	
Remeasurement due to expected member transfers#	2.8
Other remeasurements (principally changes in assumptions)†	(8.1)
Net effect of movements	(5.3)

* Curtailment gain due to ceasing accrual

Future pension benefits payable will now increase in line with inflation (2014-15: RPI 3.1% and CPI 2.4%) rather than pensionable salary growth (2014-15: 3.5%).

Remeasurement due to expected member transfers

Members have a choice regarding what to do with their accrued benefits held within RMLS:

- Leave in RMLS (assumed 25% of members take this option).
- Transfer to CSPA (assumed 25% of members take this option) see opposite for 2015-16 impact.
- Transfer to a defined contribution scheme based on a Cash Equivalent Transfer Value (CETV) (assumed 50% of members take this option).

CETVs are significantly lower than the current accounting value of pension liabilities, primarily due to the fact that they are calculated based on a higher discount rate. Therefore, for any members choosing option (iii) the scheme will be able to settle the liabilities for a value less than their current accounting value within RMLS. Based on staff surveys it is estimated that 50% of staff will take this option to take advantage of the increased flexibility offered by a CETV, an assumption significantly higher than assumed prior to the changes being implemented. This results in a remeasurement item which reduces the pension deficit by £2.8m.

† Other remeasurements (principally changes in assumptions)

The increase in the deficit of £8.1m is impacted in particular by the decrease in the discount rate applied to pension liabilities from 4.44% at 31 March 2014 to 3.25% at 31 March 2015 reflecting bond market conditions.

Impact in 2015-16

Where staff choose option (ii) there will be a loss, accounted for in 2015-16, for two reasons:

- 1) the accounting liability is expected to be lower than the funding liability to be transferred to the CSPA; and
- 2) the life expectancy rate used by CSPA is more prudent than the one used by the Prudential Platinum scheme actuaries.

In line with the accounting standards this loss should be recognised on occurrence (i.e. in 2015-16). Based on an estimate that 25% of staff transfer to the CSPA, the estimated loss in 2015-16 would be £1.3m and recognised in the Income Statement as an exceptional item, if all other assumptions remain the same.

Research and development

At The Royal Mint Limited, we have continued to develop our technological capabilities. In an increasingly competitive market, this is critical for us to stand apart from our competitors. For this reason, we have appointed a Head of Strategic Development and established an Intellectual Property Committee. 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 focussed 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 90% (2013-14: 87%) 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 are key to our business and everyone has a part to play in delivering our strategy. The Royal Mint Limited'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 Limited team.

One of our key objectives last year was to engage as many employees as possible in continuous improvement activities. We have implemented a number of processes that encourage all staff to view continuous improvement as an everyday activity including Small Improvement Opportunities (SIOs), problem solving and process improvement. Our employees are committed to doing things better every day and over the last year alone, we have had hundreds of SIOs raised of which over 430 have been successfully implemented.

Investing time and resources into the development of our employees will always be important at The Royal Mint Limited. This year, we focussed on the coaching and development culture that we hope to harvest throughout the organisation, helping to support our dedication to continuous improvement. Over 50 of our managers and leaders completed the coaching programme in 2014-15. As part of our lean and continuous improvement strategy, we also developed our own lean competency training programme that was accredited by Cardiff University. So far, 83 of our employees have been through this training.

The Royal Mint Limited continues to develop initiatives to make this a great place to work. In recognition of the contribution our employees make to The Royal Mint Limited, we held a Celebration Day in December 2014 for all staff and their families to enjoy. This highly successful day was well attended and feedback has been extremely positive.

We know that people make a difference and in order to really make this a great place to work, we need to ensure that we always know what our employees think of The Royal Mint Limited, how they feel about working here and what engages them. In acknowledgement of this we moved away from an annual survey and launched Our Voice. Our Voice is an employee feedback strategy that includes a short quarterly survey and focus groups that provide us with consistent and timely data and proposed actions, allowing us to act quickly to implement suggested improvements. Although in its infancy, Our Voice is already proving a more effective way of engaging our employees and driving change.

In 2012, The Royal Mint Limited introduced a new initiative to sponsor a particular charity for a two year period. Tŷ Hafan is the charity chosen by employees for 2014 - 2016. Tŷ Hafan offers comfort, care and support for life-limited children and young people and is dedicated to improving the quality of life of their whole family. We will be working with this charity to maximise fundraising and volunteering opportunities for our employees until April 2016. To date our employees have raised over £15,000.

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 Royal Mint Limited as a whole. A great example of this has been the significant communication with, and involvement of our staff throughout the recent pension changes, details of which are set out on page 12. Communication with all employees continues through in-house newsletters, briefing groups and the distribution of the Annual Report.

The number of people employed at 31 March 2015 was 823 (2014: 786). Of these employees, 621 are male and 202 female (2014: 600 male, 186 female). The Board of Directors of The Royal Mint Limited at 31 March 2015 comprised 5 male directors and 1 female (2014: 7 male, 2 female).

Disabled employees

The Royal Mint Limited gives full and fair consideration to applications for employment that disabled people make to the company. The Royal Mint Limited is committed to having a diverse workforce with a culture that values the benefits that diversity brings. The Royal Mint Limited 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 2014-15 was 3.7% (2013-14: 3.7%).

Safety, Health and Environment (SHE)

The Royal Mint Limited continues to seek to achieve the highest standards of business ethics and is fully committed to meeting its SHE responsibilities. The SHE management systems aim for continuous improvement beyond basic legal compliance. This involves placing a strong emphasis on working with, and looking after, our workforce.

The Royal Mint Limited is committed to ensuring it is at the forefront of employing sustainable business practices in order to minimise its environmental footprint, and protect the health and safety of its workforce.

In order to achieve this vision, it has a robust strategic improvement plan in place with clear, specific objectives and achievable targets which are measurable, realistic and time based.

To implement The Royal Mint Limited's vision, key strands of strategy have been developed to:

- reduce the total number of accidents which occur on-site;
- continue to embed a positive SHE culture and ensure there is a comprehensive SHE framework in place; and
- implement a strategy to manage and recycle waste products, conserve natural resources and to minimise the impact of ourselves and our suppliers on the environment.

The Royal Mint Limited is committed to delivering the key strands of the strategy over a five-year period.

The following performance measures indicate our progress towards these goals:

- the results of external SHE audits demonstrate that we are achieving continuous improvement in all aspects of performance;
- increasing employee involvement in safety, health and environmental issues over the past year has resulted in a 69% decrease in the total number of accidents reported compared to 2013-14; and
- The Royal Mint continues to work within the stringent conditions of its Environmental Permit, which is regulated by the Environment Agency and the Control of Major Accident Hazards (COMAH) regulations, overseen by both the Environment Agency and the Health and Safety Executive.

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.

Education and learning

The Museum has continued to build on the foundations laid in 2013-14 to progress its education and learning strategy. During 2014-15 87 sessions were delivered in local schools, 13 on-site visits for learning groups were held and 14 lectures were delivered to adult groups. The Museum has prepared a proposal to develop a digital resource based on a First World War theme to support the education and learning strategy which is currently being considered by Heritage Lottery Funding. In addition to this, substantial progress has been made towards the completion of the book - *The Chief Coin of the World: A History of the Sovereign*. The expected publication date is Summer 2015.

Enhance access to the collection

The Museum has continued to support The Royal Mint Limited in developing plans to open a Visitor Centre. Detailed work has been undertaken with the design agency, Mather & Co, on realising the exhibition space. During the year, an exhibition on The Royal Mint and the First World War was developed and installed in Cardiff Castle. The exhibition was opened by the First Minister in the Summer of 2014 and ran until the Spring of 2015.

Collections management

During the Summer of 2014 an Inventory Project was initiated to conserve the Museum collection, excellent progress has been made towards completion of the project by the Summer of 2015. Further development has continued in cataloguing the Museum collection through a collection management system. The long-term goal of the Museum is to publish a catalogue of the collection online.

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

Directors

A list of current Directors of The Royal Mint Limited is shown on page 4. David Harding and Mary Chapman resigned as Directors on 31 July 2014, in accordance with best practice under the UK Corporate Governance Code, having served six years as Non-Executive Directors.

A list of current Directors of The Royal Mint Museum is shown on page 4. Sarah Tebbutt resigned as Chair and Trustee on 31 March 2015. The senior manager of The Royal Mint Museum is seconded from The Royal Mint Limited.

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

Independent Auditors

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

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

Outlook

The outlook for 2015-16 remains positive. We plan to build on the successes of the past two years to deliver a sustainable profit.

Within Circulating Coin, we continue to aim to persuade our overseas customers of the benefits of converting to aRMour® plated coins and blanks and to secure further orders incorporating our patented High Security Feature. For the UK, our focus will be on commencing production of the new £1 coin. Over the longer term, we have appointed a Head of Strategic Development with a remit to build on our success with the High Security Feature and continue to innovate and develop novel products and solutions.

We will continue to strengthen our core Commemorative Coin business through increased brand engagement, including the development of our Visitor Centre, which is expected to be opened by Summer 2016.

From 2015-16, we will report our Bullion business as a separate segment and aim to continue to grow our share of the global market. Recruitment is currently in progress for an Executive Director for the Bullion segment. We will continue to develop and expand the range of products on offer on our online trading platform, as well as diversifying our international revenue channels.

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.

Sustainability Report

The Royal Mint Limited remains committed to having a healthy and safe work environment with zero accident performance. The health and safety of people who work at, for and with The Royal Mint Limited is central to all business plans and operations.

The Royal Mint Limited is also committed to being at the forefront of employing sustainable business practices to minimise our environmental footprint. We review our significant environmental impacts and set targets accordingly.

Environmental targets set for 2014-15 included:

- Waste to Landfill to total less than 70 tonnes.

The Royal Mint Limited sent to landfill a total of 58 tonnes during the year; a reduction of 78% compared to the previous year's amount of 265 tonnes. The reduction has been achieved by both improvements in segregation of waste across site, which removes recyclable material from the general waste stream. In addition, The Royal Mint Limited's waste contractor identified an alternative disposal route away from landfill in November 2014. Now, The Royal Mint Limited's general waste, which is not suitable for recycling, is disposed of via a waste to energy facility.

- Reduce energy consumption for the site and in doing so reduce energy costs.

Energy savings achieved in the financial year totalled £126,000, driven by reduced energy consumption per unit of production.

The Royal Mint Limited continues to maintain the following International Organization for Standardization standards, ISO14001 Environmental Management System and ISO50001 Energy Management System. These accreditations run alongside the Social Accountability 8000 (or SA 8000) Standard, which is the first global ethical standard.

Water consumption

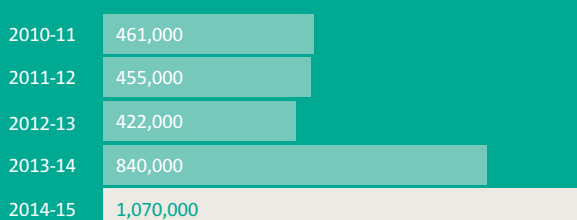
A large volume of water is consumed within the coin manufacturing process.

The long-term aim of The Royal Mint Limited is to reduce the amount of water abstracted from the nearby river Ely. At present up to 70% of the abstracted water is returned to the river, approximately 300 metres from the abstraction point.

Total water supplied (M³)



Total water abstracted (M³)



Water usage per tonne of circulating coin (M³)



Water supply costs (£'000)

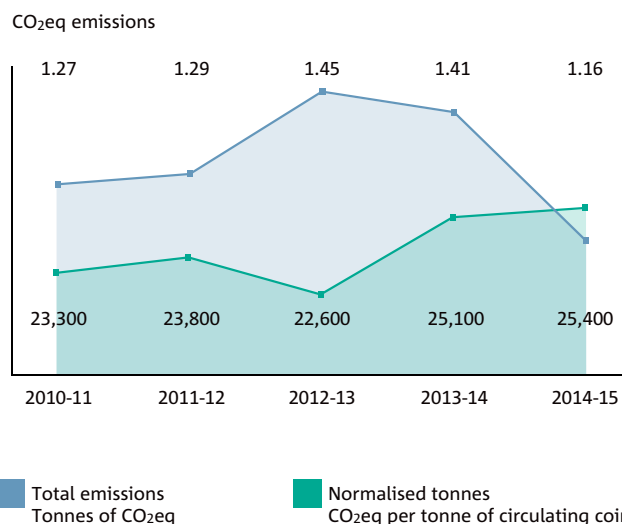
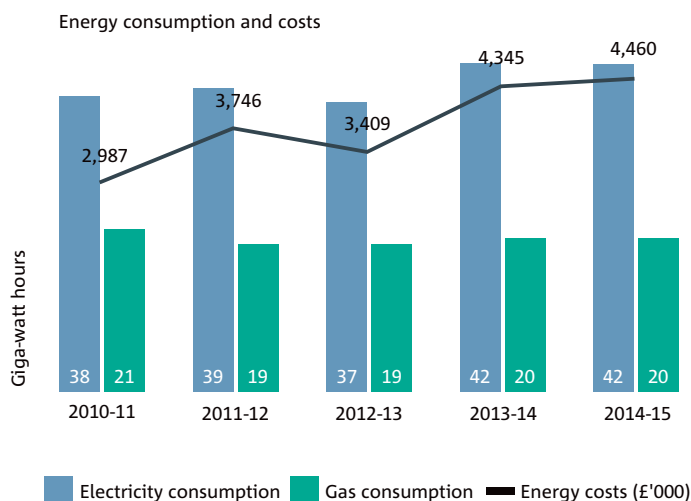


Greenhouse-gas emissions and energy consumption

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

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

As a high energy user, for a number of years The Royal Mint Limited has been part of a Climate Change Agreement scheme, which entitled the company to qualify for the Climate Change Levy discount, most recently under Part IV of Schedule 6 to the Finance Act 2000 (as amended).



In this financial period, The Royal Mint Limited took advantage of provisions in the Finance Act 2014, Schedule 20, namely Climate Change Levy Exemptions for Mineralogical and Metallurgical processes.

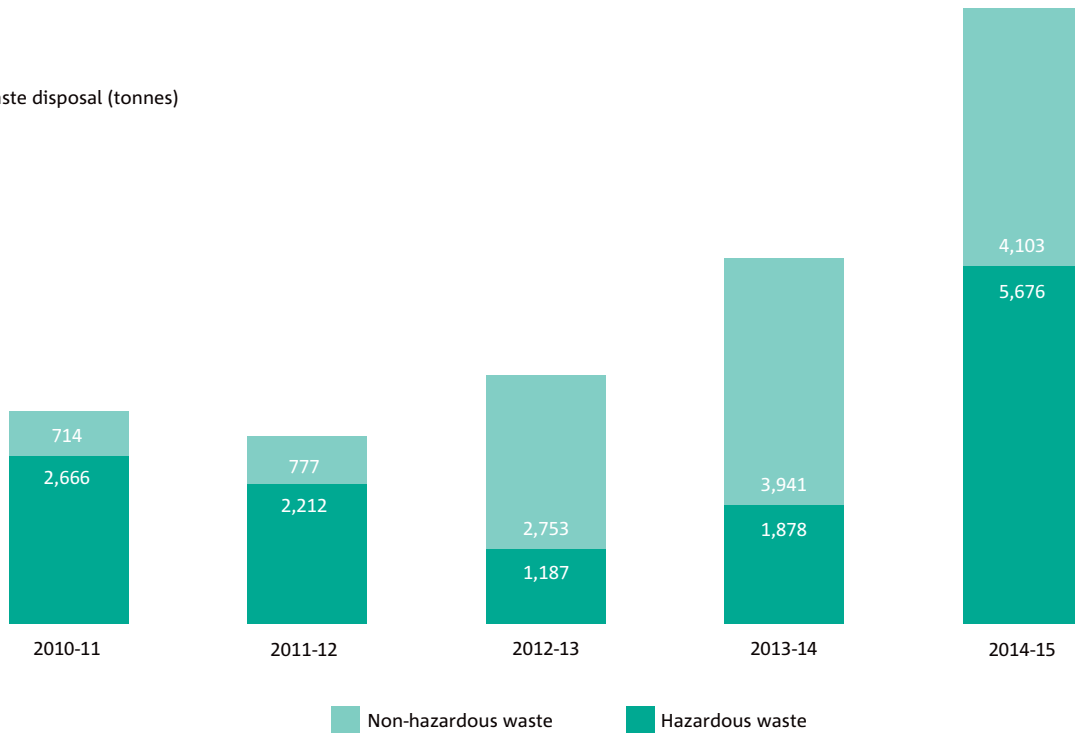
The exemption does not require The Royal Mint Limited to achieve energy reduction targets as with the Climate Change Levy Agreement but, if The Royal Mint Limited had remained in the Agreement, it would have achieved its energy targets.

Total emissions for 2014-15 were 25,400 tonnes of CO₂ equivalent (2013-14: 25,100 tonnes), as analysed in further detail above.

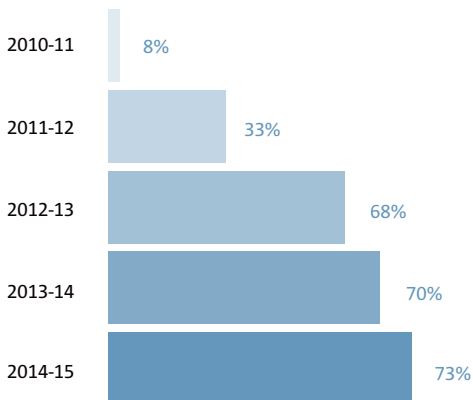
The Royal Mint Limited measures 'normalised tonnes' (calculated as tonnes of CO₂ equivalent per tonne of Circulating Coin manufactured) as a key indicator of energy efficiency. For 2014-15 normalised tonnes was 1.16 (2013-14: 1.41), representing a year-on-year reduction of 18%.

Waste

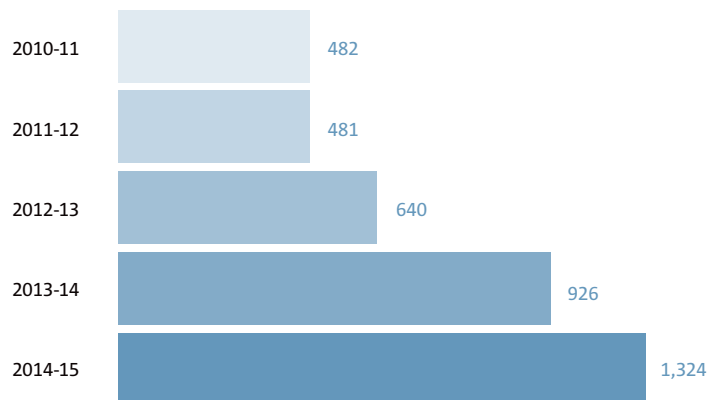
Waste disposal (tonnes)



Percentage of waste recycled



Waste costs (£'000)



This data looks at the waste removed by The Royal Mint Limited's principal waste contractors but does not currently include waste metals recovered from The Royal Mint Limited's processes.

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

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

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

Scope analysis

Tonnes of CO ₂ eq		2010-11	2011-12	2012-13	2013-14	2014-15
Scope 1	Natural gas usage (heating and furnaces)	3,950	3,490	3,530	3,290	3,640
	Use of Royal Mint owned vehicles	12	12	13	8	2
	Process emissions from the furnace stack	1	1	2	2	2
	Fugitive Emissions (e.g. air conditioning and refrigeration leaks)	2	2	2	2	2
Scope 2	Electricity usage	18,600	19,400	18,200	20,800	20,800
Scope 3	Business travel	612	704	734	718	713
	Water supply	41	51	41	36	35
	Water treatment (off site)	88	88	51	84	96
	Waste disposal	30	30	30	169*	75*

* The increased figure due to first year of reporting of metal waste disposal.

Finite resources

The Royal Mint Limited recognises that its products are produced from finite metal resources and that 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 Limited is recycled within the production process and bought in or composite material waste is sent off site to be recycled. The recycling process has included recovered alloy from withdrawn 5p and 10p denominations.

Protecting and enhancing the natural environment

The Royal Mint Limited operates from a single site and the way the site is managed can have an impact on animals and habitats. The Royal Mint Limited strives to treat the natural world around us with respect, care and sensitivity through its values shared with employees.

During the year, The Royal Mint Limited has commissioned ecology studies in areas of the site that will be affected by planned developments. These have been undertaken to minimise the effect of the development work on the fauna.

Working with the supply chain

The Royal Mint Limited 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 Environmental Management Standard, ISO 50001 Energy Management Standard and SA 8000 Ethical Standard.

The policy also promotes waste reduction and the use of recycled materials to minimise the use of secondary materials and landfill for waste disposal. Suppliers are urged to assess their carbon footprint and have in place action plans to reduce and monitor emissions.

The Royal Mint Limited encourages suppliers to attend The Royal Mint Limited 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 The Royal Mint Limited's vehicles are monitored along with data supplied by taxi companies and the carbon from air travel is supplied by The Royal Mint Limited's travel operator. The Royal Mint Limited gathers data on water use and transport in calculating the scope 3 emissions.

Financial Summary

	2014-15 £'000	2013-14 £'000	2013-12 £'000	2012-11 £'000	2011-10 £'000
UK Revenue	115,230	126,369	113,212	113,795	72,569
Overseas Revenue	144,438	188,573	141,355	200,133	142,498
Total Revenue	259,668	314,942	254,567	313,928	215,067
Operating profit before IAS 39 related items and exceptionals	11,762	6,921	1,319	10,943	3,578
IAS 39 related items (note 5)	(317)	(169)	(674)	(1,654)	77
Exceptional items (note 5)	722	–	(1,229)	–	–
Operating profit/(loss)	12,167	6,752	(584)	9,289	3,655
Net interest	(593)	(911)	(1,246)	(966)	(522)
Profit/(loss) before tax	11,574	5,841	(1,830)	8,323	3,133
Taxation	(2,333)	(1,349)	300	1,251	(590)
Profit/(loss) after tax	9,241	4,492	(1,530)	9,574	2,543
Net assets	73,908	73,405	72,761	75,449	55,267
Operating profit before IAS 39 related items and exceptionals / sales	4.5%	2.2%	0.5%	3.5%	1.7%
Operating profit / sales	4.7%	2.1%	(0.2)%	3.0%	1.7%

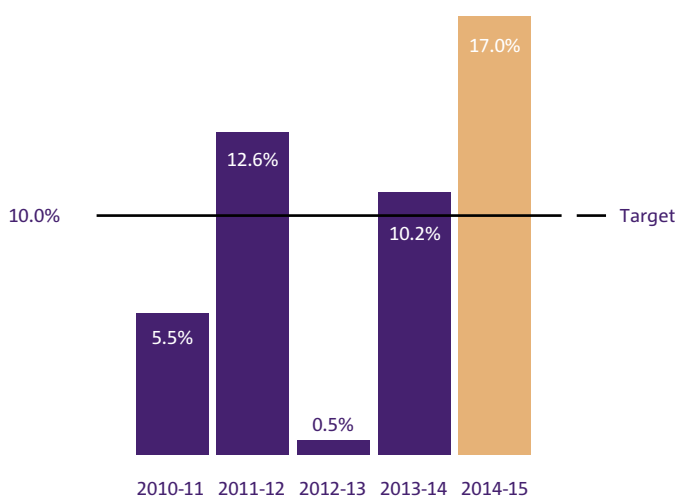
Key Ministerial Targets

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

Target 1

Return on Average Capital Employed (ROACE)

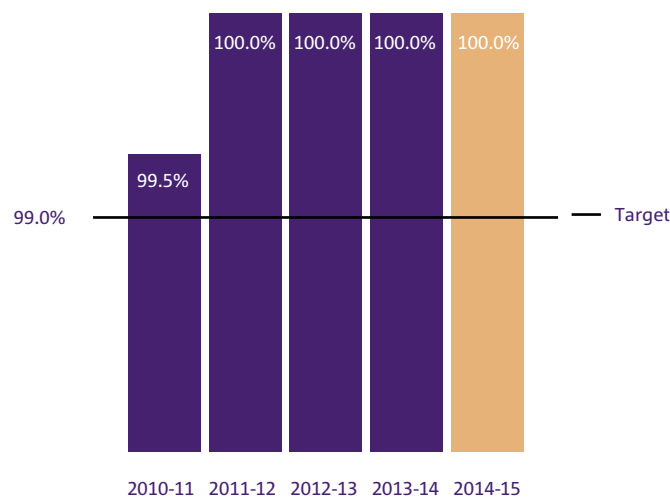
ROACE is calculated by expressing Operating Profit as a percentage of its average monthly capital employed. Operating Profit has been modified to exclude IAS19 Employee Benefits and IAS39 Financial Instruments related adjustments as well as Exceptional Items. This excludes the impact of The Royal Mint Museum.



Target 2

UK Circulating Coin

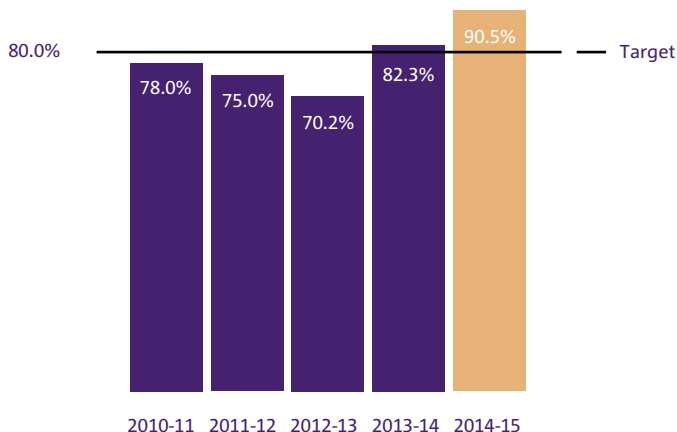
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

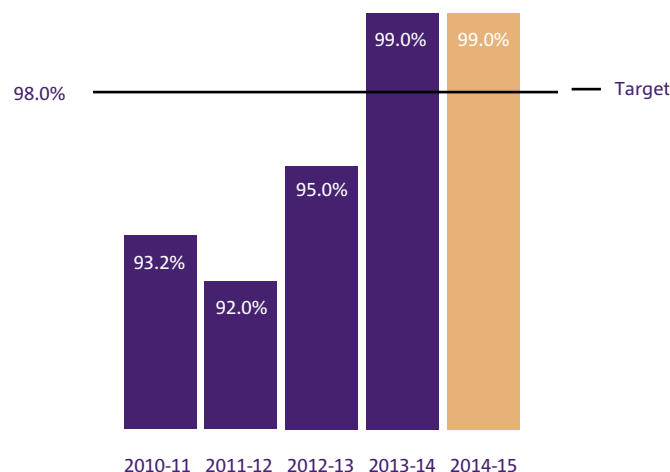
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals

Orders delivered by agreed delivery date.



Susan Acland-Hood
Accounting Officer
15 June 2015

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

There were four meetings during the year, all taking place in London, one at Buckingham Palace, one at the Apothecaries' Hall, one at Cutlers' Hall and one at Coutts. In addition, there were two meetings of the Sub-Committee on the selection of themes for new United Kingdom coins.

New One Pound Coin

The most high-profile subject discussed by the Committee during the year was the design of the new one pound coin. Its planned issue date is not until 2017 but, as a replacement for the existing coin and being produced to a much higher specification, a reasonable lead-time is required. As has been the case on several occasions in the past with other major changes to the coinage, a public design competition was organised, the very real challenge for those taking part being to find a solution within the frame of a twelve-sided shape and a bi-colour composition. The Chancellor launched the competition in September and it ran through until the end of October. Just over 6,000 designs were submitted, every one of which was examined by members of the Committee, and over the course of three meetings held during the autumn a winning design was selected allowing a recommendation to be made to the Chancellor in January 2015.

What emerged was a design by schoolboy David Pearce, which was adapted by professional illustrator David Lawrence, based on the floral emblems of the United Kingdom woven together and rising through the centre of a crown. It has a resonance with the thrift on the twelve-sided three pence of pre-decimal times and, in symbolising unity through the joining of national emblems, also calls to mind pattern coins of Queen Anne from the early eighteenth century, the union between England and Scotland then being represented by a rose and thistle growing

from the same stem. The Chancellor announced the winning design as part of his Budget speech in March, a clear indication of the importance he attaches to the role and appearance of the nation's currency.

Portrait of The Queen

The length of The Queen's reign, as with Queen Victoria and King George III, has required questions to be asked about how the image of the monarch ought, from time to time, to be updated. On the coinage the portrait of The Queen has tended to be changed every 15 years or so and it was determined that the time had now come to commission a new effigy. During the summer and autumn the Committee examined submissions from several of the country's most talented portrait sculptors and through its usual anonymous judging process a portrait by young engraver Jody Clark, realised digitally, rather than through the traditional media of clay or plaster modelling, was selected. Digital design technology has made significant advances in recent years and while Mr Clark's achievement is important for him personally it also indicates the direction in which three-dimensional modelling will be heading in the years ahead.

Britannia

When new designs for the circulating coinage were introduced in 2008 they did not readily admit of a place for Britannia and so for the first time in over 300 years she was to be absent from the range of coins struck for everyday use. Production of bullion and commemorative coins in the Britannia range meant she was very much still part of the numismatic landscape of Britain but, with the definitive reverse design of the two-pound coin by Bruce Rushin having been in use since the late 1990s, its replacement was judged to be an opportunity to restore Britannia to new coins struck for circulation. The design finally recommended was by sculptor Antony Dufort, who has created a powerfully realised figure of Britannia, traditional in form but modern in treatment.

First World War

A number of prominent national events during the summer and autumn of 2014 were organised to mark the centenary of the First World War. The Royal Mint Limited initiated its own programme of coins with the intention of honouring the service men and women who lost their lives during the conflict but also to acknowledge the wider impact of the war on society, technology and culture. It was with reference to this latter aspect of the programme that the Committee's attention was occupied during the year. A crown piece series has been

devised which will create a narrative of the war through the themes of People, Armed Forces and Support Services, Social and Cultural Impact, Battles and Technology. Extending over the five years of commemoration, the series will run through to the end of 2018 and work was examined by the Committee in connection with coins to be issued towards the end of the programme.

An aspect that has occupied a considerable amount of the Committee's attention in previous years has been the wish to acknowledge the language and poetry of the war. Making use of the inscriptions that will appear on edge of coins in the crown piece series was determined as one of the chief ways in which this could be achieved and the assistance of respected poet Christopher Reid has been invaluable in arriving at a balance across time, politics and poets.

One five-ounce coin will be issued each year over the course of the five-year centenary programme. Through a direct commission which recognised his intimacy with the subject matter, the distinguished sculptor James Butler RA provided a haunting design for the 2015 coin. Professor Sir Hew Strachan has continued to give of his time generously in advising on the content of the programme and also the detail of the designs presented.

Commemorative coins

Designs for several of the main commemorative coins for 2015 had already been determined prior to the Committee's first meeting of the year in June but there were yet one or two projects relating to 2015, not the least being a design for the existing specification of one pound coins. Herald painter Timothy Noad has designed several United Kingdom coins and officials medals and through a limited competition his work was again selected. Achievements of the Royal Arms are the very stuff of the British coinage but in this design Mr Noad has shown the lion and unicorn supporters in a manner not unlike the traditional masthead of The Times, a particular treatment very seldom encountered on the coinage.

The announcement that the Duke and Duchess of Cambridge were to have a second child led to work being initiated on a coin to celebrate the birth. A small number of experienced artists were commissioned and a design by prolific numismatic artist John Bergdahl was regarded as the most dignified and celebratory in tone.

Much of the rest of the attention of the Committee was taken up with deliberations connected with the programme of coins to be issued in 2016, further details of which will be in the public domain towards the end of 2015. The increased number of projects that have come before the Committee have been handled with the same degree of care and attention to detail as ever.

Medals

The remit of the Committee includes making recommendations to a range of government departments on the design of official medals and seals. Projects arise with less frequency than for the coinage but are nonetheless a fairly regular element of the Committee's work. Designs for a new medal for those serving in West Africa to fight the Ebola epidemic came before the Committee in March, as did ideas for a new General Service Medal, details of which will be released in due course.

Sub-Committee on the Selection of Themes

The Sub-Committee examines proposals for the programme of commemorative coins to be issued in forthcoming years, making recommendations through the main Committee to the Chancellor of the Exchequer. During the year there were two meetings of the Sub-Committee, the focus of attention being the programme for 2017 but consideration was also given to themes stretching out several years from now.

Membership

This year saw the retirement of three members, who had each reached the maximum ten years' service permitted, and had become influential voices in matters relating to the design of the nation's coins and medals. Having access to a knowledgeable historian is invaluable and Professor Sir David Cannadine has fulfilled that role above and beyond the call of duty. Quite apart from his regular attendance at meetings, fitted into his teaching commitments at Princeton, he served on the Sub-Committee for the selection of themes and played a central role in advising on the programme of coins for the First World War. His presence will be missed, not least for his ability to suggest just the right form of words when an edge inscription was required. As a result of a recruitment process he has been replaced by Professor Jane Ridley, of the University of Buckingham, who comes with her own impressive reputation.

Artist members of the Committee provide an important aesthetic input and, on occasion, remind all concerned of the designer's perspective. John Maine RA has been a champion of stretching the bounds of the possible within numismatic art. Learned and erudite, he brought to bear a penetrating eye for the right balance within a composition and was an endlessly useful source of advice for new artists. His seat on the Committee has gone to the painter Hughie O'Donoghue RA who has an abiding interest in the subject matter of coinage design and direct experience of the challenges artists face in responding to themes of national commemoration.

The lettering artist Stephen Raw has also retired from the Committee. His contributions at meetings have revealed time and time again how a design can be transformed with the intelligent application of the right font at the right size or, crucially, how letters can be made to work in the circular form of a traditional coinage inscription. Between meetings Mr Raw was always ready to offer help with layouts and several coinage designers over the last decade owe a debt of gratitude to him for the subtle way in which he has nudged a design to a higher standard. He always expressed pride in standing in a succession of lettering artists who have served the Committee, including Milner Gray and Michael Harvey, and the dynasty of like contributions will continue once the recruitment process for his successor is resolved.

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

Membership of the Committee at 31 March 2015 (with dates of appointment)

Lord Waldegrave of North Hill
Chairman
(January 2011)

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

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

Mr Tim Knox
Director of the Fitzwilliam Museum
(February 2008, re-appointed February 2013)

Mr Hughie O'Donoghue RA
Painter
(September 2014)

Professor Jane Ridley
Historian
(September 2014)

Mr Edmund de Waal OBE
Ceramic artist and writer
(April 2012)

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

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

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

Mr Adam Lawrence
Chief Executive of The Royal Mint Limited

Dr Kevin Clancy
Secretary to the Committee

Mr Gordon Summers
Technical Adviser to the Committee

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, Consolidated and Trading Fund Statements of Comprehensive Income, Consolidated and Trading Fund Statements of Changes in Equity and Consolidated and Trading Fund Statements of 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 Limited will continue in operation.

The relevant responsibilities as Accounting Officer are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money (available on <https://www.gov.uk/government/publications/managing-public-money>). These include her responsibility for the propriety and regularity of the public finances for which she is answerable, the keeping of proper records and the safeguarding of the Royal Mint Trading Fund's assets.

Governance Statement

Governance framework

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

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

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

Semi-annual shareholder meetings take place between the Accounting Officer, the Shareholder Executive, 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 the Shareholder Executive, 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

The Board of Directors comprises the Chairman, three Non-Executive Directors and two Executive Directors (the Chief Executive and Director of Finance). The Director of Business Services attends the meeting in the capacity of the Company Secretary. The Board met 9 times in 2014-15 (2013-14: 10 times). Attendance by members at the Board and Committee meetings is set opposite:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Adam Lawrence	9	n/a	n/a	n/a
Vin Wijeratne	9	n/a	n/a	n/a
Peter Warry	9	n/a	3	1
Mary Chapman	3	2	2	–
David Harding	3	2	2	–
David Morgan	9	4	3	1
Xenia Carr-Griffiths	9	2	3	1
Tim Martin	8	2	n/a	1
Number of meetings	9	4	3	1

David Harding and Mary Chapman resigned as Non-Executive Directors on 31 July 2014.

Adam Lawrence, Vin Wijeratne and Peter Warry attended all Audit Committee meetings during 2014-15 but are not members of the Committee. Xenia Carr-Griffiths and Tim Martin attended the two meetings of the audit committee which took place before they were appointed as members of the Committee. Tim Martin has a seat on the Board as a representative of the Royal Mint Trading Fund and HM Treasury as shareholder.

The Role of the Board of The Royal Mint Limited

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

The roles and responsibilities of the Board are to:

- develop the future strategy of the business required to realise the strategic objectives;
- review, as appropriate, the strategic objectives and agree them with the Shareholder;
- ensure a 3-5 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 on-going process to identify and appropriately manage strategic and significant operational risks;

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

Quality information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All Directors have access to independent professional advice, at The Royal Mint Limited's expense, if required.

The Board of Directors confirms that it considers The Royal Mint Limited Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the company's performance and strategy.

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director. A report is prepared for the Board which considers the collective findings and reviews the actions taken in the previous year. The Board has reviewed and accepted the feedback of this year's positive report and has noted beneficial outcomes arising from the previous year's actions. This year, the Board has agreed to a small number of incremental improvements to further its effective performance going forward.

During the year, the main focus of the Board was to execute against the Five-Year Plan approved in 2012-13. Years one and two of the plan have been delivered, both in terms of financial performance and the progression of projects designed to deliver improved performance in future years.

Audit Committee of The Royal Mint Limited

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites the Chief Executive Officer, Director of Finance 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.

Details of the internal controls systems and their effectiveness are described on page 31.

Remuneration Committee of The Royal Mint Limited

The Committee is made up of no fewer than three Non-Executive Directors and meets at least twice a year. Remuneration decisions are guided by a Directors' Remuneration Framework which was agreed with HM Treasury at the time of the company's vesting. The Committee's primary role is to determine, in the light of this Framework, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of the Shareholder Executive. The Terms of Reference for the Committee are available on The Royal Mint Limited's website, and the Remuneration Report is set out on page 33.

Nominations Committee of The Royal Mint Limited

The Nominations Committee comprises all Non-Executive Directors of the company and meets as and when necessary. The Committee works with the Shareholder Executive to appoint Board members, on the following basis:

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

The Board values the varied contribution which the diverse nature of the Board members brings. The Nominations Committee ensures that all Board recruitment seeks to build on this diversity and all roles are recruited using both advertisements and search.

During the year the Board has welcomed Amanda Rendle, Global Head of Marketing at HSBC, as an invitee through the Women Onboard initiative.

Executive Management Team of The Royal Mint Limited

The Chief Executive has primary responsibility for the day-to-day management of the business, and discharges his responsibilities through an Executive Management Team, whose membership is made up from the Executives leading the main functions of the business. The Executive Management Team meet formally on a regular basis and not fewer than 10 times a year.

The roles and responsibilities of the Executive Management Team are:

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

Risk management

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

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 Director of Finance and the Director of Business Services of The Royal Mint Limited. 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.

The Executive Management Team involves the Senior Management Team in their respective areas in the identification and assessment of risk. Guidance in relation to risk awareness and risk management is provided to staff as part of their on-going development and training, and appropriate risk management requirements are embedded in staff objectives and responsibilities.

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

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

The Royal Mint Limited's risk priorities in 2014-15 were in the following areas:

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

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 on-going process designed to identify and prioritise the risks to the achievement of The Royal Mint Limited's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the Annual Report. It accords with HM Treasury guidance and the UK Corporate Governance Code where appropriate.

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

In particular, it includes:

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

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

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

Internal Audit

The Royal Mint Limited operates internal audit arrangements to standards defined in the Public Sector Internal Audit Standards. During 2014-15 this function was undertaken by KPMG LLP. Their annual audit plan and the results of their audit, including recommendations for improvement, are reported to the Director of Finance and presented to the Audit Committee. They also provide an independent opinion on the adequacy of The Royal Mint Limited's system of internal control.

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

In addition, the Government Internal Audit Agency has performed a review of the process underpinning the preparation of the consolidated accounts of the Royal Mint Trading Fund. This did not raise any issues concerning the controls and procedures in place.

The Royal Mint Museum

The Museum is governed by a Board of Trustees who met four times during 2014-15 (2013-14: four times).

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

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

Arms-length bodies

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

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; the review of the consolidation process performed by Government Internal Audit Agency; 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 Director of Finance for The Royal Mint Limited and the Chair of the Trustees of The Royal Mint Museum confirming both The Royal Mint Limited and The Royal Mint Museum have effective governance, risk management and assurance arrangements in place as described in this statement.

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

Susan Acland-Hood
Accounting Officer
15 June 2015

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 the Shareholder Executive and HM Treasury Ministers, where appropriate. The Director of Business Services is Secretary to the Committee, and the Chief Executive is invited to attend the Committee. Neither individual takes part in any decision affecting their own remuneration.

Committee remit

The remit was updated in March 2014 and can be accessed on The Royal Mint Limited's website.

Remuneration policy

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

Executive Management Team

The team as at 31 March 2015 is made up of seven roles: Chief Executive, Director of Finance, Director of Business Services, Director of Operations, Director of Commemorative Coin, Director of Bullion, Director of Circulating Coin. The role of Director of Bullion was created during the year and recruitment is currently underway.

Executive Management Team - 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.

ii. Short-Term Incentive Plan (STIP)

At the start of the year the Remuneration Committee agreed the targets for the STIP for 2014-15. The purpose was to recognise and reward outstanding performance against planned business targets, with a strong focus on Return on Average Capital Employed (ROACE). The maximum award for 2014-15, if the ROACE over-performance targets were achieved, was 33% of basic salary for Adam Lawrence and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed in the year they are paid. Amounts paid in 2014-15 relate to performance in 2013-14 and are outlined in the table.

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 are set over a three-year timescale. Incentives earned by achieving these targets are paid in the year following the end of the three-year period, with an additional payment made if all three years' targets have been achieved. The maximum it is possible to earn each year is 33% of basic salary for Adam Lawrence and 25% for the members of the Executive Management Team. LTIP awards are disclosed in the year they are paid. The LTIP scheme running during 2013-14 started in different years for different members of the Executive Management Team. During 2013-14 the scheme was reviewed and it was decided to move all executives on to the same LTIP timing. This meant that all LTIP scheme accruals earned against the scheme targets up to the end of 2013-14 were paid out in 2014-15. In the case of Adam Lawrence, Vin Wijeratne, Anne Jessopp and Andrew Mills payments spanning a three year period were paid and in the case of Phil Carpenter and Shane Bissett a two year period. At the year-end £269,000 (2013-14: £283,000) has been provided in the accounts in relation to LTIP that accrued in 2014-15, including a transitional element.

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.

During the year, 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 members were given the option to join the Civil Service Pension Scheme, a defined benefit pension scheme or to join The Royal Mint Group Personal Pension Plan. All members of the Executive Management Team in this position opted to join the Civil Service Pension Scheme for future accrual. This has no effect on the 2014-15 remuneration.

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.

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

Remuneration and Incentive Plan Payments (audited)

Executive Management Team of The Royal Mint Limited	Total Remuneration 2014-15 £'000	Remuneration before incentives 2014-15 £'000	STIP payments made in 2014-15 for 2013-14 performance £'000	LTIP Payments made in 2014-15 of previously accrued amounts £'000	Total Remuneration 2013-14 £'000	Remuneration before incentives 2013-14 £'000	STIP payments made in 2013-14 for 2012-13 performance £'000	LTIP Payments made in 2013-14 for 3 years performance £'000
Adam Lawrence* Chief Executive	362	209	61	92	206	206	–	–
Vin Wijeratne* Director of Finance	204	129	32	43	134	134	–	–
Anne Jessopp Director of Business Services	213	135	35	43	136	136	–	–
Phil Carpenter Director of Operations	178	115	32	31	115	115	–	–
Andrew Mills Director of Circulating Coin	221	143	35	43	141	141	–	–
Shane Bissett Director of Commemorative Coin	172	121	22	29	124	124	–	–

*Board member.

Shane Bissett's remuneration in 2013-14 includes relocation costs.

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

A salary sacrifice scheme was introduced during 2014-15 in regard to pension contributions. This reduced the basic salary paid, offset by an equal increase in employer pension contributions as set out on page 36.

	Accrual for 2014-15 performance £'000	Total LTIP paid in 2014-15 for prior years performance £'000	Breakdown of LTIP paid by year it was earned		
			2013-14 £'000	2012-13 £'000	2011-12 £'000
Adam Lawrence	80	92	62	–	30
Vin Wijeratne	37	43	29	–	14
Anne Jessopp	37	43	28	–	15
Phil Carpenter	37	31	31	–	–
Andrew Mills	38	43	28	–	15
Shane Bissett	40	29	29	–	–

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 2014-15 the remuneration of the highest-paid Director of The Royal Mint Limited was £362,000 (2013-14: £206,000). This includes STIP and LTIP payments totalling £153,000 made in 2014-15 relating to previous years' performance as detailed in the table above. This was eleven times (2013-14: seven times) the median remuneration of the workforce, which was £32,000 (2013-14: £30,000). The median remuneration pay of the workforce includes profit share payments made in 2014-15 relating to performance in 2013-14.

Pension benefits accrued in Prudential Platinum Pension The Royal Mint Limited Scheme (audited)

	Accrued Pension at 31 March 2015 £'000	Accrued Pension at 31 March 2014 £'000	Employee Contributions paid 2014-15# £'000	Value of Pension benefits accrued 2014-15† £'000	Value of Pension benefits accrued 2013-14 £'000
Adam Lawrence* Chief Executive	23	17	1	105-110	80-85
Anne Jessopp Director of Business Services	15	11	1	65-70	50-55
Phil Carpenter Director of Operations	7	6	–	30-35	30-35
Andrew Mills Director of Circulating Coin	15	12	1	65-70	50-55

	Accrued Pension Commencement Lump Sum at 31 March 2015 £'000	Accrued Pension Commencement Lump Sum at 31 March 2014 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as at 31 March 2015 £'000	Transfer Value as at 31 March 2014 £'000	Increase in Transfer Value less employees contributions† £'000
Adam Lawrence* Chief Executive	–	–	6	459	277	181
Anne Jessopp Director of Business Services	–	–	4	330	215	114
Phil Carpenter Director of Operations	23	18	1	224	155	69
Andrew Mills Director of Circulating Coin	–	–	4	356	236	119

*Board member.

The introduction of a salary sacrifice scheme during the year has reduced basic salary and employee contributions, and increased employer contributions, by the following amounts:

Adam Lawrence £5,000 Anne Jessopp £3,000
Phil Carpenter £2,000 Andrew Mills £3,000

† These figures relate entirely to the benefit earned in 2014-15. The Prudential Platinum Scheme is now closed to future accrual and no further benefits will arise going forward.

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

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

Vin Wijeratne £22,000 (2013-14: £14,000)
Shane Bissett £24,000 (2013-14: £15,000)

Employment agreements

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

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

Non-Executive Directors' Terms, conditions and fees (audited)

The Chairman is engaged under a letter of appointment from Shareholder Executive under delegated authority from HM Treasury. The other Non-Executive Directors apart from Tim Martin are appointed by the company with approval of the Shareholder Executive. Either party can terminate his or her engagement upon giving three months' notice.

The Non-Executive Directors receive an annual fee established by HM Treasury.

	2014-15 £'000	2013-14 £'000
Peter Warry	45	45
David Morgan (Appointed 1 September 2013)	22	11
Xenia Carr-Griffiths (Appointed 1 October 2013)	20	11
David Harding (Resigned 31 July 2014)	8	23
Mary Chapman (Resigned 31 July 2014)	7	20
Colin Balmer (Resigned 1 July 2013)	–	6

In addition, Non-Executive Directors are reimbursed for reasonable travel and subsistence expenses claimed in the performance of their duties and the total amount paid to the Non-Executive Directors was £7,000 (2013-14: £7,000).

Tim Martin received no remuneration from The Royal Mint Limited or the Royal Mint Trading Fund.

Susan Acland-Hood
Accounting Officer
15 June 2015

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 2015 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 2015 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
16 June 2015

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

Consolidated Income Statement

For the year ended 31 March 2015

	Notes	Before IAS 39 related items and exceptionals 2014-15 £'000	IAS 39 related items (note 5) 2014-15 £'000	Exceptionals (note 5) 2014-15 £'000	Total 2014-15 £'000	Before IAS 39 related items 2013-14 £'000	IAS 39 related items (note 5) 2013-14 £'000	Total 2013-14 £'000
Revenue – Continuing Operations	2	259,668	–	–	259,668	314,942	–	314,942
Cost of sales	3,5	(216,565)	593	–	(215,972)	(273,206)	225	(272,981)
Gross profit		43,103	593	–	43,696	41,736	225	41,961
Administrative expenses	3,5	(14,570)	–	722	(13,848)	(16,303)	–	(16,303)
Selling and distribution costs	3	(17,001)	–	–	(17,001)	(18,397)	–	(18,397)
Other gains / (losses)	22	230	(910)	–	(680)	(115)	(394)	(509)
Operating profit	2	11,762	(317)	722	12,167	6,921	(169)	6,752
Finance income	6	10	–	–	10	10	–	10
Finance costs	6	(603)	–	–	(603)	(921)	–	(921)
Profit before tax		11,169	(317)	722	11,574	6,010	(169)	5,841
Taxation	7				(2,333)			(1,349)
Profit for the financial year					9,241			4,492
Profit attributable to: HM Treasury					9,241			4,492

The Notes on pages 48 to 85 form part of the Accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Profit for the financial year		9,241	4,492
Other comprehensive income:			
Cash flow hedges		(503)	247
Remeasurements for defined benefit scheme	17	(5,361)	(1,669)
Deferred tax on remeasurements for defined benefit scheme	16	1,126	266
Gain on Heritage Assets revaluation	9	–	1,038
Gain/(deficit) on plant and machinery revaluation	8	–	270
Total comprehensive income for the year		4,503	4,644
Total comprehensive income attributable to:			
HM Treasury		4,503	4,644

Royal Mint Trading Fund

Statement of Comprehensive Income

For the year ended 31 March 2015

	2014-15 £'000	2013-14 £'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	–	–

The Notes on pages 48 to 85 form part of the Accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

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

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
AT 1 APRIL 2013	5,500	561	46,076	(404)	22,128	72,761
Movements in the year:						
Profit for the financial year	–	–	4,492	–	–	4,492
Cash flow hedges	–	–	–	247	–	247
Actuarial loss on defined benefit scheme	–	–	(1,669)	–	–	(1,669)
Deferred tax on actuarial loss of defined benefit scheme	–	–	266	–	–	266
Gain on plant and machinery revaluation	–	270	–	–	–	270
Gain on Heritage Assets revaluation	–	–	–	–	1,038	1,038
Transfers	–	(78)	16	–	62	–
Total Comprehensive Income for the year	–	192	3,105	247	1,100	4,644
Transactions with HM Treasury dividends	–	–	(4,000)	–	–	(4,000)
AT 31 MARCH 2014	5,500	753	45,181	(157)	22,128	73,405

The Notes on pages 48 to 85 form part of the Accounts.

Royal Mint Trading Fund Statement of Changes in Equity For the year ended 31 March 2015

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
AT 1 APRIL 2014	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	–	4,000	4,000
Total Comprehensive Income for the year	–	4,000	4,000
Transactions with HM Treasury - dividends	–	(4,000)	(4,000)
AT 31 MARCH 2015	5,500	49,819	55,319

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
AT 1 APRIL 2013	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 2014	5,500	49,819	55,319

The Notes on pages 48 to 85 form part of the Accounts.

Consolidated Statement of Financial Position

At 31 March 2015

	Notes	2015 £'000	2014 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	48,609	44,733
Heritage assets	9	22,382	22,170
Intangible assets	10	5,363	1,761
Deferred tax asset	16	1,278	982
TOTAL NON-CURRENT ASSETS		77,632	69,646
CURRENT ASSETS			
Inventories	11	30,948	24,387
Derivative financial instruments	23	1,383	762
Deferred tax asset	16	23	–
Trade and other receivables	12	24,309	20,347
Cash and cash equivalents	21	2,245	840
TOTAL CURRENT ASSETS		58,908	46,336
CURRENT LIABILITIES			
Short-term borrowings	13	–	(7,480)
Trade and other payables	14	(51,603)	(30,119)
Retirement benefit liability	17	(5,773)	(2,485)
Current tax liability	7	(1,207)	–
Derivative financial instruments	23	(2,060)	(424)
TOTAL CURRENT LIABILITIES		(60,643)	(40,508)
NET CURRENT ASSETS		(1,735)	5,828
NON-CURRENT LIABILITIES			
Deferred tax liability	16	(1,466)	(1,146)
Provision for liabilities and charges	15	(523)	(923)
NET ASSETS		73,908	73,405
EQUITY			
Public dividend capital		5,500	5,500
Revaluation reserve		753	753
Retained earnings		45,998	45,181
Hedging reserve		(660)	(157)
Heritage assets reserve		22,317	22,128
TOTAL EQUITY		73,908	73,405

The Notes on pages 48 to 85 form part of the Accounts.

Susan Acland-Hood
Accounting Officer
15 June 2015

Royal Mint Trading Fund Statement of Financial Position

At 31 March 2015

	Notes	2015 £'000	2014 £'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 48 to 85 form part of the Accounts.

Susan Acland-Hood
Accounting Officer
15 June 2015

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		11,574	5,841
Depreciation and amortisation on non-current assets		4,811	4,694
Loss on disposal		12	67
Interest		593	911
Cashflow hedges		512	(1,375)
Movements in working capital:			
Inventory		(6,561)	11,109
Retirement benefit asset		(2,073)	464
Trade and other receivables		(3,962)	(421)
Trade and other payables		21,258	(3,676)
Provisions		(411)	(221)
Cash generated from operations		25,753	17,393
Tax received / (paid)		–	1,080
Interest paid		(592)	(927)
Net Cash generated from operating activities		25,161	17,546
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(8,055)	(2,781)
Acquisition of intangible assets		(4,231)	(742)
Interest received		10	10
Net cash used in investing activities		(12,276)	(3,513)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Short-term loans		(7,480)	(11,000)
Net cash used in financing activities		(11,480)	(15,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash flow from movement in borrowings		7,480	11,000
Movement in net debt		8,885	10,033
Net debt at start of year		(6,640)	(16,673)
Net funds at end of year	21	2,245	(6,640)

The Notes on pages 48 to 85 form part of the Accounts.

Royal Mint Trading Fund Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		–	–
Net cash generated from operating activities		–	–
CASH FLOW FROM INVESTING ACTIVITIES			
Dividends received from The Royal Mint Limited		4,000	4,000
Short-term loans		7,000	11,000
Net cash generated from investing activities		11,000	15,000
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4,000)	(4,000)
Short-term loans		(7,000)	(11,000)
Net cash used in financing activities		(11,000)	(15,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash flow from movement in borrowings		–	–
Movement in net debt		–	–
Net debt at start of year		–	–
Net debt at end of year	21	–	–

The Notes on pages 48 to 85 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 2014-15 Government Financial Reporting Manual (FReM). 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.

2.1 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 2014 that had a material impact on the Royal Mint Trading Fund.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Royal Mint Trading Fund except the following set out below.

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

IFRS15, Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use 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 2017 and earlier application is permitted, subject to EU endorsement. The Royal Mint Trading Fund is yet to assess the impact of IFRS15.

2.2 Segment 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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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

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

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

Note 1 continued

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

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

No depreciation is provided in respect of land.

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

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

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

Heritage assets

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

The Fund has introduced a programme of valuation as follows:

Assets donated to The Royal Mint Museum on vesting

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

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

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

Other assets including bank notes, postage stamps, weights, balances, plaster models, will be valued in the period from 1 April 2014 to 31 March 2017.

Valuations for each class of Heritage asset will be undertaken every five years.

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

2.5 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;
- 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 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.

2.6 Impairment of non-financial assets

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

2.7 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 market place.

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.

2.8 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.

2.9 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.

2.10 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

2.11 Derivative financial instruments

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

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

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

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

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

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

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

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

2.12 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.

2.13 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

2.14 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).

2.15 Current and deferred tax

The tax expense for the period comprises of 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.

2.16 Employee benefits

(a) Pension obligations

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

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

Note 1 continued

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

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

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

As explained in note 17, employees who were members of The Royal Mint Limited's defined benefit scheme have been given the opportunity to join the Civil Service Pension Scheme at 31 March 2015. This is a multi-employer plan and will be accounted for as if it were a defined contribution scheme.

(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.

2.17 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.

2.18 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 Royal Mint Trading Fund's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue is recognised on delivery of the goods and services supplied during the year, excluding royalties and other licence payments and value added tax 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.

Note 1 continued

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Going concern

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

Note 1 continued

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

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

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Due to the changes in the defined benefit pension arrangements set out in note 17, the expected choices of members regarding their deferred benefits is also a key assumption in determining the net liability.

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

Key assumptions for pension obligations are disclosed in Note 17.

(b) Impairment of non-financial assets

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

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

(c) Trade receivables

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

(d) Inventory

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. 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.

A) Analysis by class of business 2014-15

	Circulating £'000	Commemorative* £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	106,010	153,658	259,668	–	259,668
Depreciation and amortisation	(3,180)	(748)	(3,928)	(883)	(4,811)
Operating profit	16,109	9,903	26,012	(13,845)	12,167
Segment assets and liabilities:					
Non-current assets	34,091	31,126	65,217	12,415	77,632
Current assets	41,660	11,993	53,653	5,255	58,908
Current liabilities	(37,769)	(4,692)	(42,461)	(18,182)	(60,643)
Non-current liabilities	(323)	–	(323)	(1,666)	(1,989)
Net assets	37,659	38,427	76,086	(2,178)	73,908

Analysis by class of business 2013-14

	Circulating £'000	Commemorative* £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	101,206	213,736	314,942	–	314,942
Depreciation and amortisation	(2,863)	(724)	(3,587)	(1,162)	(4,694)
Operating profit	13,820	9,231	23,051	(16,299)	6,752
Segment assets and liabilities:					
Non-current assets	29,957	30,287	60,244	9,402	69,646
Current assets	35,504	7,202	42,706	3,630	46,336
Current liabilities	(14,571)	(4,369)	(18,940)	(21,568)	(40,508)
Non-current liabilities	(647)	–	(647)	(1,422)	(2,069)
Net assets	50,243	33,120	83,363	(9,958)	73,405

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

* Includes transactions, assets and liabilities of The Royal Mint Museum, notably heritage assets of £22.4m (2014: £22.1m).

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

	2014-15 £'000	2013-14 £'000
UK	115,230	126,369
Germany	15,637	37,241
Rest of Europe	18,220	38,061
United States of America	42,425	58,753
Rest of Americas	10,164	5,550
Asia	43,444	30,341
Africa	12,378	17,276
Rest of the World	2,170	1,351
	259,668	314,942

During 2014-15 revenue from two customers amounted to £59.2m and £27.3m (2013-14 two customers: £44.9m and £37.3m) which represented in excess of 10% of revenue.

Note 3

Expenses by nature

	2014-15 £'000	2013-14 £'000
Movement in Work in Progress and Finished Goods Inventory (excluding metal)	(3,293)	9
Raw materials and consumables used	23,341	20,004
Metal costs of products sold	163,955	227,601
Hire of plant and machinery	418	356
Employee benefit expenses	36,967	36,951
Agency workers	4,621	2,804
Training	448	290
Travel and subsistence	1,289	1,090
Transportation expenses	1,930	2,038
Depreciation and amortisation charges	4,811	4,694
Loss on disposal	12	67
Professional fees and Consultancy	1,140	1,137
Plant and building maintenance	3,248	2,584
Research and development	12	59
Postage	861	896
Promotional expenses	3,505	2,980
Commission expenses	281	1,346
Own work capitalised – development costs	(220)	–
Own work capitalised – other intangible assets	(489)	(155)
Waste disposal costs	1,324	926
Insurance, rent and rates	1,304	1,425
Exceptional items (note 5)	(722)	–
Auditors' remuneration		
Audit of these financial statements	20	20
Audit of subsidiaries	62	59
Non-audit fees – tax services	23	25
Non-audit fees - other	31	10
Other expenses	1,942	465
Total cost of sales, selling and distribution costs and administration expenses	246,821	307,681

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to £593,000 gain (2013-14: £225,000 gain).

Note 4

Remuneration and employment

Details of the salary and pension entitlements of members of the Executive Management Team are included in the Remuneration Report on pages 33 to 37.

Total staff costs

	£'000	2014-15 £'000	£'000	2013-14 £'000
WAGES AND SALARIES				
Staff with a permanent contract	27,663		27,465	
Other staff	661		554	
		28,324		28,019
SOCIAL SECURITY COSTS				
Staff with a permanent contract	1,986		1,964	
Other staff	63		57	
		2,049		2,021
OTHER PENSION COSTS				
Staff with a permanent contract	6,552		6,880	
Other staff	42		31	
		6,594		6,911
		36,967		36,951

Average number employed*

		2014-15		2013-14
PRODUCTION				
Staff with a permanent contract	517		507	
Other staff	6		14	
		523		521
SALES AND MARKETING				
Staff with a permanent contract	111		128	
Other staff	15		7	
		126		135
ADMINISTRATION				
Staff with a permanent contract	148		134	
Other staff	9		11	
		157		145
		806		801

* Staff numbers are collated daily and these figures are an average based on this data.

Directors' emoluments

	2014-15 £'000	2013-14 £'000
Aggregate emoluments excluding long term incentive scheme	575	548
Aggregate amounts receivable under long term incentive scheme	120	91
Contributions under defined contribution pension scheme	22	14
Highest paid director		
Total amounts of emoluments and amounts receivable under long term incentive scheme	375	330
Accrued defined benefit pension at year end	23	17

Note 5

Exceptional items and IAS 39 related items

A) Exceptional items

	2014-15 £'000	2013-14 £'000
Curtailment gain due to ceasing accrual	1,652	–
Professional fees associated with change in pension scheme	(930)	–
Exceptional income	722	–

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 has resulted in a credit for curtailment as set out in the table above, partly offset by professional fees incurred in implementing this change.

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

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

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

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

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

Note 6

Finance costs

	2014-15 £'000	2013-14 £'000
On loans repayable within five years	156	353
Precious metal consignment arrangement fees	438	557
Unwinding of discount on provision for early retirement (note 15)	9	11
	603	921

Finance income

	2014-15 £'000	2013-14 £'000
Bank interest received	10	10
	10	10

Note 7 Taxation

Analysis of tax charge in year

	2014-15 £'000	2013-14 £'000
UK corporation tax		
Current year	1,207	–
Prior year	–	–
Deferred tax:		
Current year	1,306	1,414
Prior year	(180)	(65)
Taxation charge	2,333	1,349

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2014-15: 21%, 2013-14: 23%):

	2014-15 £'000	2013-14 £'000
Profit before tax	11,574	5,841
Profit multiplied by the standard rate of corporation tax of 21% (2013-14: 21%)	2,430	1,343
Effects of:		
Trading Fund profit not being taxable	(71)	(93)
Expenses not deductible for tax purposes	154	189
Adjustments in respect of prior years	(180)	(66)
Reduction in tax rate for deferred tax provision	–	(24)
Taxation charge for year	2,333	1,349

Reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce The Royal Mint Limited's future current tax charge accordingly.

The effective tax rate for the year was 22% (2013-14: 24%) ignoring adjustments relating to prior years.

In addition to the amount credited to the Income Statement, a deferred tax credit relating to actuarial losses on defined benefit pension schemes of £1,126,000 credit (2013-14: £266,000 credit) has been credited directly to the Statement of Comprehensive Income.

Current tax liability

	2014-15 £'000	2013-14 £'000
UK corporation tax	1,207	–

The Royal Mint Limited has been liable to taxation from 1 January 2010. The Royal Mint Trading Fund is not subject to taxation.

Note 8

Property, plant and equipment

Consolidated

	Freehold land £'000	Buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
VALUATION					
At 1 April 2014	3,862	14,603	1,322	94,370	114,157
Additions	–	–	8,128	37	8,165
Transfers	–	193	(1,838)	1,645	–
Disposals	–	–	–	(179)	(179)
At 31 March 2015	3,862	14,796	7,612	95,873	122,143
DEPRECIATION					
At 1 April 2014	–	3,074	–	66,350	69,424
Charge for year	–	479	–	3,793	4,272
Disposals	–	–	–	(162)	(162)
At 31 March 2015	–	3,553	–	69,981	73,534
Net book value at 31 March 2015	3,862	11,243	7,612	25,892	48,609

	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 2013	3,862	13,994	3,725	90,066	111,647
Additions	–	–	2,539	–	2,539
Transfers	–	609	(4,942)	4,333	–
Disposals	–	–	–	(419)	(419)
Revaluation	–	–	–	390	390
At 31 March 2014	3,862	14,603	1,322	94,370	114,157
DEPRECIATION					
At 1 April 2013	–	2,598	–	63,051	65,649
Charge for year	–	476	–	3,522	3,998
Disposals	–	–	–	(352)	(352)
Revaluation	–	–	–	129	129
At 31 March 2014	–	3,074	–	66,350	69,424
Net book value at 31 March 2014	3,862	11,529	1,322	28,020	44,733

Land and buildings are stated at either open market current use valuation or depreciated replacement cost where this is more appropriate for specialised buildings. The valuation at 31 March 2013 was provided by DTZ in accordance with the guidelines set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Note 9

Heritage assets

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

The Collection

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

The Trustees' intention is to obtain valuations for those parts of the collection which are readily accessible and for which there is an established market. They have agreed a plan extending over five years and work in connection with the valuation has been carried out by the auctioneers Morton & Eden and numismatic book specialist Douglas Saville. So far, valuations have been sought for coins and medals, the library, seal counterparts, trial plates, drawings and artwork, these items have been valued at £22.4m. During 2014-15 the valuation commenced for plaster models, banknotes and postage stamps. Because of the nature of these items this valuation is a two year programme which will be completed in 2015-16.

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 Britain 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	Total £'000
COST			
At 1 April 2014	934	3,713	4,647
Additions	4,141	–	4,141
Transfers	(237)	237	–
Disposal	–	(5)	(5)
At 31 March 2015	4,838	3,945	8,783
AMORTISATION			
At 1 April 2014	–	2,886	2,886
Amortisation for year	–	539	539
Disposal	–	(5)	(5)
At 31 March 2015	–	3,420	3,420
Net book value at 31 March 2015	4,838	525	5,363

Current year additions include £1,173,000 (2013-14: £nil) for development costs in the course of construction.

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
COST			
At 1 April 2013	457	3,448	3,905
Additions	742	–	742
Transfers	(265)	265	–
Disposal	–	–	–
At 31 March 2014	934	3,713	4,647
AMORTISATION			
At 1 April 2013	–	2,190	2,190
Amortisation for year	–	696	696
Disposal	–	–	–
At 31 March 2014	–	2,886	2,886
Net book value at 31 March 2014	934	827	1,761

Note 11

Inventories

Consolidated

	2015 £'000	2014 £'000
Metal inventory	19,490	14,668
Work in progress (excluding metal)	3,238	4,672
Stores and packing materials	4,030	2,676
Finished goods	4,190	2,371
	30,948	24,387

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 £56.9 million at 31 March 2015 (2014: £69.5 million). Consignment fees under these arrangements are set out in note 6.

Note 12

Trade and other receivables

Consolidated

	2015 £'000	2014 £'000
Trade receivables	20,776	18,864
Less provision for impairment of receivables	(502)	(499)
VAT	1,938	1,586
Prepayments and accrued income	2,097	396
	24,309	20,347

Included within the receivables are the following:

	2015 £'000	2014 £'000
Central Government bodies	7,509	2,759
Other Government bodies	1	3
Local Authorities	–	6
NHS Trusts	4	2
	7,514	2,770

Note 12 continued

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

	2015 £'000	2014 £'000
Pounds sterling	21,004	16,501
US Dollars	2,477	2,460
Euros	274	819
Polish Zloty	554	567
	24,309	20,347

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

	2015 £'000	2014 £'000
At 1 April	(499)	(706)
(Provided)/Utilised in the year	(3)	207
At 31 March	(502)	(499)

Note 13 Borrowings Consolidated

	2015 £'000	2014 £'000
Short-term loans	–	7,000
Bank overdraft	–	480
	–	7,480

Note 14

Trade and other payables: amounts falling due within one year

	2015 £'000	Consolidated 2014 £'000	2015 £'000	Trading Fund 2014 £'000
Trade payables	13,452	12,004	–	–
Other payables	2,269	5,024	–	–
Payments received on account	28,802	6,970	–	–
Taxation and social security	730	714	–	–
Proposed dividend	4,000	4,000	4,000	4,000
Accruals and deferred income	2,350	1,407	–	–
	51,603	30,119	4,000	4,000

Included within the payables are the following:

Balances with other Government bodies not shown separately above:

	2015 £'000	2014 £'000
Other Central Government bodies	2,389	3,411
Public Corporations and Trading Funds	140	71
	2,529	3,482

Note 15

Provision for liabilities and charges

Consolidated

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

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

	Early Retirement £'000	Environment remediation £'000	Total £'000
At 1 April 2014	276	647	923
Charge made in year	45	–	45
Unwinding of discount on provision	9	–	9
Utilised in year	(130)	(324)	(454)
At 31 March 2015	200	323	523

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 20% (2014: 20%)

	2015 £'000	2014 £'000
Liability / (asset) at 1 April	164	(919)
Movements on deferred tax were:		
Charged / (credited) to the Income Statement	1,127	1,349
Credited to Statement of Comprehensive Income	(1,126)	(266)
Liability / (asset) at 31 March	165	164

Movements in deferred tax liabilities / (assets) were:

Deferred tax liabilities / (assets)

	Assets £'000	Liabilities £'000	2015 Net £'000	Assets £'000	Liabilities £'000	2014 Net £'000
Tax losses	–	–	–	(199)	–	(199)
Accelerated tax depreciation	–	1,466	1,466	–	1,066	1,066
Derivative instruments	(23)	–	(23)	–	80	80
Retirement benefit obligation	(1,155)	–	(1,155)	(497)	–	(497)
Other	(123)	–	(123)	(286)	–	(286)
Deferred tax liability / (asset)	(1,301)	1,466	165	(982)	1,146	164

	Tax losses £'000	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2014	(199)	1,066	80	(497)	(286)	164
Charged / (credited) to the Income Statement	199	400	(103)	468	163	1,127
Credit to Statement of Comprehensive Income	–	–	–	(1,126)	–	(1,126)
At 31 March 2015	–	1,466	(23)	(1,155)	(123)	165

	2015 £'000	2014 £'000
Deferred tax credited to Statement of Comprehensive Income during the year was:		
Remeasurements on defined benefit schemes	(1,126)	(266)
	(1,126)	(266)

Analysis of deferred tax liability / (asset)

	2015 £'000	2014 £'000
Deferred tax liability after 12 months	1,466	1,146
Deferred tax (asset) after 12 months	(1,278)	(982)
Deferred tax (asset) within 12 months	(23)	–
	165	164

The deferred tax at 31 March 2015 has been calculated based on the rate of 20% which was substantively enacted at the balance sheet date.

Note 17

Retirement benefit schemes

Defined contribution scheme

The Royal Mint Limited operates a defined contribution scheme for employees who have joined the organisation since 1 January 2010 via The Royal Mint Limited Group Personal Pension Plan (GPP). The related pension assets are held in trustee-administered funds separate from The Royal Mint Limited. The total cost charged to income of £356,000 (2013-14: £231,000) represents contributions payable to the scheme by The Royal Mint Limited at rates specified in the plan rules. The increase in contributions in the year partly reflects the commencement of a salary sacrifice scheme.

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 Civil Service Pension Scheme (CSPS), an unfunded defined benefit pension scheme, or to join GPP, a defined contribution scheme for future accrual. 21 members opted to join GPP, with the remainder opting to join CSPS.
From 1 April 2015	<p>Members of RMLS have 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 CSPS iii. Transfer into a defined contribution scheme (at Cash Equivalent Transfer Value). <p>Based on surveys of member intentions during financial guidance sessions it is estimated that 25% of members will leave their deferred benefits in RMLS, 25% will transfer into CSPS and 50% will transfer into a defined contribution scheme.</p>

The Royal Mint Limited Scheme (RMLS) operated via Prudential Platinum Pensions where participants could be in one of three schemes that mirrored the civil service pension arrangements in place prior to 1 January 2010:

Platinum Classic – Participants are entitled to pension retirement benefits of 1.25% of final salary per year of service on attainment of a retirement age of 65 years but there is a right to retire at 60 years. A lump sum is also payable based on 3.75% of final pensionable pay for each year of pensionable service.

Platinum Premium – Participants are entitled to pension retirement benefits of 1.67% of final salary per year of service on attainment of a retirement age of 60 years. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004.

Platinum Nuvos - Participants build up a pension based on their 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, immediately after the scheme year end, the accrued pension earned prior to 1 February 2014 is uprated in line with RPI and for pension earned after 1 February 2014 is uprated in line with CPI. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004.

Risks

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

Actuarial Valuation

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

Details of valuation assumptions

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

	2015	2014
Discount rate	3.25%	4.44%
Price inflation RPI	3.10%	3.40%
Price inflation CPI	2.40%	2.70%
Pensionable salary increase	3.50%	3.80%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	3.10%	3.40%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.40%	2.70%
Increase to pensions in payment: benefits accrued before 01/02/2014	3.10%	3.40%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.40%	2.70%
Mortality assumption – pre-retirement	SAPS S2PxA CMI 2012(1%)	SAPS S1PxA CMI 2012(1%)
Mortality assumption – male post retirement	SAPS S2PMA CMI 2012_M(1%)	SAPS S1PMA CMI 2012_M(1%)
Mortality assumption – female post retirement	SAPS S2PFA CMI 2012_F(1%)	SAPS S1PFA CMI 2012_F(1%)
Future expected lifetime of current pensioner at age 65 at year end		
Male aged 65 at year end	87.3	87.5
Female aged 65 at year end	89.4	89.7
Future expected lifetime of future pensioner at age 65 at year end		
Male aged 45 at year end	88.7	89.2
Female aged 45 at year end	90.9	91.5

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

Note 17 continued

Amounts recognised in the Statement of Financial Position:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of plan assets	49,308	37,134	29,228	19,560	11,468
Present value of plan liabilities	(55,081)	(39,619)	(29,580)	(19,331)	(10,906)
Net defined benefit (liability) / asset	(5,773)	(2,485)	(352)	229	562

Amounts recognised in Statement of Comprehensive Income

	2015 £'000	2014 £'000
Service Cost:		
Current service cost (net of employees contributions)	6,196	6,650
Administration expenses	74	78
Net interest expense	97	25
Curtailement gain due to ceasing accrual	(1,652)	–
Amounts charged to the Income Statement	4,715	6,753
Re-measurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	(3,691)	(336)
Loss arising from changes in financial assumptions	9,926	3,221
Gain arising from changes in demographic assumptions	(800)	(1,798)
Experience loss	(74)	582
Charge recorded in other comprehensive income	5,361	1,669
Total defined benefit cost	10,076	8,422

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

	2015 £'000	2014 £'000
Fair value of net liability at beginning of year	(2,485)	(352)
Movements in year:		
Employer contributions	6,788	6,289
Administration expenses	(74)	(78)
Current service cost	(6,196)	(6,650)
Interest cost	(97)	(25)
Gain on curtailment	1,652	–
Re-measurement gains / (losses):		
Actuarial gains and losses arising from changes in financial assumptions	(9,926)	(3,221)
Actuarial gains and losses arising from changes in demographic assumptions	800	1,798
Return on scheme assets (excluding amounts included in interest expense)	3,691	336
Other experience items	74	(582)
Net Scheme liabilities at end of year	(5,773)	(2,485)

Note 17 continued

Changes in the present value of assets over the year:

	2015 £'000	2014 £'000
Fair value of assets at beginning of year	37,134	29,228
Movements in year:		
Return on scheme assets (excluding amounts included in interest expense)	3,691	336
Interest income	1,799	1,518
Employer contributions	6,788	6,289
Employee contributions	487	438
Benefits paid	(517)	(597)
Administration expenses	(74)	(78)
Scheme assets at end of year	49,308	37,134

Actual return on assets over the year was £5,490,000 (2013-14: £1,854,000).

Changes in the present value of liabilities over the year:

	2015 £'000	2014 £'000
Scheme liabilities at beginning of year	39,619	29,580
Movement in year:		
Current service cost	6,196	6,650
Interest cost	1,896	1,543
Employee contributions	487	438
Re-measurement losses / (gains):		
Actuarial gains and losses arising from changes in financial assumptions	9,926	3,221
Actuarial gains and losses arising from changes in demographic assumptions	(800)	(1,798)
Other experience items	(74)	582
Gain on curtailment	(1,652)	–
Benefits paid	(517)	(597)
Scheme liabilities at end of year	55,081	39,619

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

	2015 £'000	2014 £'000
Active members	–	35,950
Deferred pensioners	53,099	2,446
Pensions in payment	1,982	1,223
	55,081	39,619
Average duration of the scheme's liabilities at the end of the period (years)	25	25

Note 17 continued

The major categories of scheme assets are as follows:

	2015 £'000	2014 £'000
RETURN SEEKING		
UK Equities	12,650	9,840
Overseas Equities	12,650	9,839
Diversified Growth Fund	11,538	9,034
	36,838	28,713
DEBT INSTRUMENTS		
Corporates	5,879	4,144
Index Linked	6,023	4,277
	11,902	8,421
Cash	568	–
Total market value of assets	49,308	37,134

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 Royal Mint Limited or in property occupied by The Royal Mint Limited.

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 £1,604,000 (increase by £1,664,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £1,633,000 (decrease by £1,681,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

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

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £2,047,000 (decrease by £2,180,000) if all the other assumptions remained unchanged.

If 1% of members transfer their deferred benefits to a defined contribution scheme, the scheme liabilities would decrease by £63,000 if all the other assumptions remained unchanged. For example, if 60% of members transferred their deferred benefits to a defined contribution scheme (assumptions: 50% defined contribution), the scheme liability would decrease by £630,000 and remeasurements reduce by a corresponding amount.

Note 18 Capital commitments

	2015 £'000	2014 £'000
Commitments in respect of contracts – Tangible Assets	6,302	1,002
Commitments in respect of contracts – Intangible Assets	1,215	102
	7,517	1,104

Note 19

Operating lease commitments

Consolidated

	2015 £'000	2014 £'000
Operating lease rentals due on leases expiring:		
Less than one year	482	115
Between one and five years	1,737	1,573
Over five years	310	608
	2,529	2,296

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 Exchequer 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 the Shareholder Executive, 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 material transactions with other Government Departments. Most of these transactions have been with the Ministry of Defence. 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 staff are considered to be The Royal Mint Limited's Executive Management Team. Remuneration of key management staff is set out below:

	2015 £'000	2014 £'000
Salaries and other short-term employee benefits	1,429	1,079
Post-employment benefits	197	193
	1,626	1,272

Note 21

Analysis of net funds / (debt)

Consolidated

	At 1 April 2014 £'000	Cash Flow £'000	At 31 March 2015 £'000
The Royal Mint Museum:			
Cash at bank and in hand	840	(60)	780
The Royal Mint Limited:			
Cash at bank and in hand / Bank overdraft	(480)	1,945	1,465
Short term loan due within one year	(7,000)	7,000	–
	(6,640)	8,885	2,245

Analysis of net funds / (debt)

Trading Fund

	At 1 April 2014 £'000	Cash Flow £'000	At 31 March 2015 £'000
Cash at bank and in hand	–	–	–
	–	–	–

Note 22

Other gains / (losses) – net

	2015 £'000	2014 £'000
Foreign exchange loss	230	(115)
Foreign exchange forward contracts	(1,339)	1,278
Ineffectiveness of commodity hedges (IAS 39)	429	(1,672)
	(680)	(509)

Note 23

Financial instruments

	2015 £'000	2014 £'000
DERIVATIVE ASSET		
Foreign currency fair value	612	695
Commodity fair value	92	67
Precious metal fair value	679	–
	1,383	762
DERIVATIVE LIABILITY		
Foreign currency fair value	1,233	52
Commodity fair value	759	276
Precious metal fair value	68	96
	2,060	424

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 (EUR), US Dollar (USD) and Polish Zloty (PLN).

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 2015 £'000	Average forward rate 2015	Fair value 2015 £'000	Contract amount 2014 £'000	Average forward rate 2014	Fair value 2014 £'000
Forward contract – sell £ / buy EUR						
Maturing in less than 1 year	3,033	1.3119	(121)	360	1.2050	(1)
Maturing in more than 1 year	191	1.3591	(1)	–		–
	3,224		(122)	360		(1)
Forward contract – sell £ / buy USD						
Maturing in less than 1 year	1,282	1.5004	17	1,607	1.6445	(21)
	1,282		17	1,607		(21)
Forward contract – sell £ / buy PLN						
Maturing in less than 1 year	1,223	5.6605	7	–		–
	1,223		7	–		–
Forward contract – buy £ / sell USD						
Maturing in less than 1 year	12,690	1.5587	(672)	15,102	1.5963	628
Maturing in more than 1 year	8,132	1.5571	(422)	665	1.6408	7
	20,822		(1,094)	15,767		635
Forward contract – buy £ / sell PLN						
Maturing in less than 1 year	3,723	5.1809	295	3,184	5.0786	22
Maturing in more than 1 year	3,500	5.2751	219	7,223	5.2265	(19)
	7,233		514	10,407		3
Forward contract – buy £ / sell EUR						
Maturing in less than 1 year	1,131	1.2988	56	1,279	1.1831	27
	1,131		56	1,279		27

Note 23

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 on profit 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 2015	Effect on net earnings of a 10% decrease 2015 £'000	Closing exchange rate 2014	Effect on net earnings of a 10% decrease 2014 £'000
Euros	1.3809	23	1.2096	74
US Dollars	1.4829	278	1.6672	164
Polish Zloty	5.6253	62	5.0372	13
		363		251

	Closing exchange rate 2015	Effect on net earnings of a 10% increase 2015 £'000	Closing exchange rate 2014	Effect on net earnings of a 10% increase 2014 £'000
Euros	1.3809	(19)	1.2096	(61)
US Dollars	1.4829	(228)	1.6672	(134)
Polish Zloty	5.6253	(50)	5.0372	(10)
		(297)		(205)

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 2015	Value at average price 2015 £'000	Fair value 2015 £'000	Tonnes 2014	Value at average price 2014 £'000	Fair value 2014 £'000
Cashflow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	225	923	(8)	250	1,125	(127)
Maturing in more than 1 year	25	97	4	50	227	(27)
	250		(4)	300		(154)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	216	2,274	(433)	72	735	(53)
Maturing in more than 1 year	150	1,526	(234)	–	–	–
	366		(667)	72		(53)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	50	66	5	50	62	(1)
Maturing in more than 1 year	–	–	–	25	32	(1)
	50		5	75		(2)

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 2015 £	Effect on net earnings of a 10% decrease 2015 £'000	Effect on equity of a 10% decrease 2015 £'000	Closing price / tonne 2014 £	Effect on net earnings of a 10% decrease 2014 £'000	Effect on equity of a 10% decrease 2014 £'000
Copper	4,094	(12)	(89)	3,986	(18)	(102)
Nickel	8,431	(12)	(301)	9,449	(5)	(63)
Zinc	1,404	(4)	(3)	1,189	(3)	(6)
		(28)	(393)		(26)	(171)

	Closing price / tonne 2015 £	Effect on net earnings of a 10% increase 2015 £'000	Effect on equity of a 10% increase 2015 £'000	Closing price / tonne 2014 £	Effect on net earnings of a 10% increase 2014 £'000	Effect on equity of a 10% increase 2014 £'000
Copper	4,094	8	93	3,986	18	102
Nickel	8,431	28	286	9,449	5	63
Zinc	1,404	4	3	1,189	3	7
		40	382		26	172

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

Purchases are made in two ways:

- (1) for a specific order;
- (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 as at 31 March are as follows:

	Ozs 2015	Value at average price 2015 £'000	Fair value 2015 £'000	Ozs 2014	Value at average price 2014 £'000	Fair value 2014 £'000
Gold forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	19,195	14,722	576	1,195	993	(72)
	19,195	14,722	576	1,195	993	(72)
Silver forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	43,819	465	26	23,016	297	(24)
	43,819	465	26	23,016	297	(24)
Platinum forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	330	247	8	–	–	–
	330	247	8	–	–	–

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 2015 £ / oz	Effect on net earnings of a 10% decrease 2015 £'000	Closing price 2014 £ / oz	Effect on net earnings of a 10% decrease 2014 £'000
Gold	803	(1,902)	776	(92)
Silver	11	(49)	12	(27)
Platinum	764	(25)	852	–
		(1,976)		(119)

	Closing price 2015 £ / oz	Effect on net earnings of a 10% increase 2015 £'000	Closing price 2014 £ / oz	Effect on net earnings of a 10% increase 2014 £'000
Gold	803	1,902	776	92
Silver	11	49	12	27
Platinum	764	25	852	–
		1,976		119

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

	Closing price 2015 £ / oz	Effect on net earnings of a 10% change 2015 £'000	Closing price 2014 £ / oz	Effect on net earnings of a 10% change 2014 £'000
Gold	803	22	776	40
Silver	11	1	12	19
Platinum	764	1	852	–
		24		59

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:

	2015 £'000	Effect on net earnings of a 10% change 2015 £'000	2014 £'000	Effect on net earnings of a 10% change 2014 £'000
Short-term NLF loans	–	–	7,000	14

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:				
2015	44	–	–	35
2014	886	–	66	110

Note 23 continued

Commemorative Coin Wholesale

Wholesale customers purchasing non-bullion products are set credit limits based on available financial information. If no information is available a zero credit limit is set and goods must be paid for in advance of despatch. Credit limits are regularly monitored and reviewed. If the wholesale customer purchases bullion products the bullion is purchased specifically for the customers' 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:				
2015	369	84	81	100
2014	43	26	48	44

Commemorative Coin Business to Consumer

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

	Balance overdue statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to Consumer receivables:			
2015	16	15	372
2014	54	9	432

Counter-party risk

The Royal Mint Limited 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 2014 the amount is £24.3m (2014: £20.3m). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

Hierarchy disclosure under IFRS 7

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

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

Note 23 continued

Liquidity risk

Liquidity risk is the risk that the Royal Mint Trading Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Royal Mint Limited's Finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Royal Mint Trading Fund manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast cash flow. In addition, the Royal Mint Trading Fund negotiated a revolving credit facility of £36m, of which £nil was drawn down at 31 March 2013. It is anticipated that this will be sufficient to meet future requirements.

The table below analyses the Royal Mint Trading Fund'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 2015

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

At 31 March 2014

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	7,480	–	–	–
Derivative financial instruments	424	–	–	–
Trade and other payables	30,119	–	–	–
Provision for Liabilities & Charges	662	220	41	–

Capital risk

The management of the Royal Mint Trading Fund does not have any responsibility as regards capital risk or with regard to capital structure.

Fair values

Set out below is a comparison by category of fair values of the Royal Mint Trading Fund's 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 balance sheet date.

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 2015 £'000	Fair value 2015 £'000	Carrying value 2014 £'000	Fair value 2014 £'000
Financial assets:				
Cash and cash equivalents	2,245	2,245	–	–
Loans and receivables	24,309	24,309	20,347	20,347
Derivatives used for hedging	92	92	67	67
Derivatives at fair value through profit and loss	1,291	1,291	695	695
Financial liabilities:				
Loans and payables	51,603	51,603	37,599	37,599
Derivatives used for hedging	759	759	276	276
Derivatives at fair value through profit and loss	1,301	1,301	148	148

Note 24 Investments in subsidiaries

	2015 £'000	2014 £'000
Cost at 31 March	59,319	59,319
Ownership		
Subsidiaries		
The Royal Mint Limited		100%
The Royal Mint Museum		100%
Capital and reserves:		
	2014-15 £'000	2013-14 £'000
The Royal Mint Limited	55,262	55,102
The Royal Mint Museum	1,784	1,703
Profit/(Loss) for the year:		
	2014-15 £'000	2013-14 £'000
The Royal Mint Limited	8,898	4,320
The Royal Mint Museum	82	(7)

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

Note 25

Losses and special payments

There have been no losses or special payments during the year which require disclosure in accordance with Managing Public Money (2013-14: nil).

Note 26

Events after the reporting period

The Royal Mint Limited declared a dividend of £4.0m to the Royal Mint Trading Fund.

There have been no material events requiring adjustment or disclosure subsequent to the year end.

Note 27

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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