



Royal Mint Trading Fund  
Annual Report & Accounts | 2013-14

Making Money for Everyone



Royal Mint Trading Fund  
Annual Report and Accounts 2013-14

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 10 July 2014

HC 296



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# Annual Report and Accounts 2013-14

Royal Mint Trading Fund

Royal Mint Trading Fund Accounting Officer is Jeremy Pocklington

## The Royal Mint Limited Directors

**Peter Warry\***  
Chairman

**Adam Lawrence**  
Chief Executive

**Vin Wijeratne**  
Director of Finance

**Mary Chapman\***  
Chair of the Remuneration Committee

**David Harding\***  
Chair of the Audit Committee

**David Morgan\***  
(appointed 1 September 2013)

**Xenia Carr-Griffiths\***  
(appointed 1 October 2013)

**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

**Sarah Tebbutt**  
Chair

**Sir Christopher Frayling**

**Rear Admiral John Lippiett CB, MBE**

**Crispin Wright**

**Adam Lawrence**

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Website: [www.royalmint.com](http://www.royalmint.com)  
Website: [www.royalmintmuseum.org.uk](http://www.royalmintmuseum.org.uk)

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, Chartered Accountants**

The Accounts of the Royal Mint Trading Fund at 31 March 2014, 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 117 of 2009-10. Presented pursuant to Act 1973, c.63, s.4 (6).

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## Accounting Officer's Statement

This report covers the operations of both The Royal Mint Limited and The Royal Mint Museum.

The Royal Mint Limited has enjoyed a very successful year. The Ministerial target of a 10% return on average capital employed has been exceeded (2013-14: 10.2%, 2012-13: 0.5%) and all the other Ministerial targets were achieved. A dividend of £4.0m has been declared in relation to 2013-14.

The Chief Executive highlights in his report the recovery of the Circulating Coin business which was helped significantly by overseas contracts. A solid Commemorative Coin business saw the introduction of a number of new coins to reinforce the brand with favourable results. This included a special-edition silver proof £5 crown to celebrate the arrival of His Royal Highness Prince George of Cambridge, the introduction of a first ever £20 coin for £20 offer and the first in an annual series of UK Chinese New Year coins. This was supplemented by significant continued growth in the Bullion business despite varied market conditions – an increase in revenue by 61% and gross profit by 44%.

On top of this, the alloy-recovery programme from the replacement of old 5p and 10p coins returned over £15.7m worth of legacy metal to HM Treasury. The Royal Mint Limited has also made good progress on its strategic priorities. The investment in iSIS and the ownership of the intellectual property means that the new £1 coin announced by the Chancellor of the Exchequer, the Rt Hon. George Osborne MP, on 19 March 2014 is not just an exciting and highly secure coin for the UK but also provides endorsement for international sales which could be significant for this world-leading innovation.

The Royal Mint Limited continues to develop its Bullion and Vault business whilst the planned construction of a new Visitor Centre will offer a new route to gain and retain customers as well as providing an exciting tourist attraction for Wales.

The Royal Mint Limited has also sustained its focus on saving costs through a variety of initiatives including the replacement of its IT systems which will be implemented over the next three years. The Royal Mint Limited is also part way through a plan to replace most of its existing plating lines with new more efficient and more flexible plant.

I know that the Board of The Royal Mint Limited would like me to record its appreciation for the contribution made by everyone involved in making 2013-14 such a successful year. I would also personally like to thank Colin Balmer for his significant contribution over the past six years as a Non-Executive Director and to welcome Xenia Carr-Griffiths and David Morgan to their new roles on the Board.

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 *Coins and Kings* exhibition at the Tower of London is an important accomplishment for the Museum and will enable the public to have greater access to the collection over the next five years. Good progress has also been made in developing the museum's education and learning strategy.

**Jeremy Pocklington**  
Accounting Officer

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# Report of the Chief Executive of The Royal Mint Limited

2013-14 continued to present both challenges and exciting opportunities for The Royal Mint Limited. As a result of holding true to our values and through the hard work of our employees, we were able to turn the business around, successfully achieving all four Ministerial targets.

Our Circulating Coin business has seen a continued strong demand from HM Treasury and significant success with the overseas business. UK coin issues reached a level not seen since 1999-2000 with almost 2 billion coins being issued to the banks and the Post Office. This was driven by the success of the alloy-recovery programme announced in the 2012 Autumn Statement that withdrew cupro-nickel 5p and 10p coins and replaced them with lower cost aRMour® plated 5p and 10p coins. This resulted in returning £15.7m to HM Treasury.

Demand in the overseas circulating coin market rebounded from the disappointingly low levels of the previous year with over 2 billion pieces issued and another three countries converted to the Royal Mint's aRMour® full plate. A significant contract award was the three-year agreement reached with the National Bank of Poland to supply three aRMour® brass plated coins that will significantly improve seignorage of these denominations. This performance underlined the Royal Mint as the world's leading export mint in number of countries supplied and pieces issued.

In May we successfully launched iSIS, our new high-security machine readable coin feature at the Currency Conference in Athens demonstrating it to more than 20 central banks. This covert feature based on a similar high-security feature available in high-denomination banknotes for the past decade can be read at over 4,000 coins a minute. The availability of this technology is timely as a number of overseas high-denomination 'clad' coins previously thought to be out of reach of counterfeiters have now been compromised.

Several years of investment, innovative technological research and development to complete iSIS culminated in winning the Wales Quality Centre Innovation Award 2013 and the Chancellor of the Exchequer, the Rt Hon. George Osborne MP, announcing as part of his Budget Statement the UK Government's intention to introduce a new, secure £1 coin including the high-security iSIS feature. This will provide significant export opportunities for the business in the long run. The focus during 2014-15 will be on consultation with industry stakeholders and the public, with the new coin coming into circulation during 2017.

We also exceeded our target for the supply of commemorative coins to overseas central banks and issuing authorities in the year.

Throughout 2013-14 our Commemorative Coin business has continued to develop in line with the long-term vision for the Royal Mint. Our Bullion business continued to grow as we made distribution gains in the UK and internationally. In 2013-14 bullion gold sales increased from 109,000 oz to 177,000 oz and silver from 560,000 oz to 2,125,000 oz. We have continued to commercialise our precious metals vaulting service utilising existing assets and have partnered with Deutsche Bank and ETF Securities in this market.

With the birth of His Royal Highness Prince George of Cambridge in July the Royal Mint offered a silver penny to each child born on the same day to honour the tradition of 'crossing a baby's palm with silver as a way of wishing it health and prosperity through life'. Favourable media coverage resulted in the special-edition silver proof £5 crown and Sovereign struck on the day of the royal birth selling out within five days of the arrival of Prince George.

We launched the first ever £20 coin in September 2013, featuring the iconic design by Benedetto Pistrucci of St George and the Dragon. This was sold for £20 and the issue limit of 250,000 sold out. Building on the success of the London 2012 Olympic and Diamond Jubilee programmes, where we saw major international distribution gains, and looking to the future, we launched the first ever UK Chinese New Year coin commemorating the Year of the Horse, the first in a 12-year series.

The importance of online customer interaction with the brand has continued to see a positive effect on sales. There has been a continued focus on improving our online presence and in 2013-14 we had over 3 million unique visitors to our website and now have a total of 200,000 Facebook fans and 14,000 Twitter followers.

Our objective of continuing to develop the medals business resulted in winning the tender for the production of 120,000 Arctic Star medals and Bomber Command clasps in 2013.

Our commitment to safety, health and the environment has continued this year where we have made significant improvements in embedding our principles through a project called Zero Harm. Whilst unfortunately, we have seen an increase in the number of accidents this year compared to 2012-13, there is an overall downwards trend in accident frequency and severity since commencing our Zero Harm project.

Looking forward, and building our customer brand experience, we have secured Welsh Government support for the construction of an £8.0m project that will result in the opening of a Visitor Centre in Llantrisant intended for the 2016 tourist season, incorporating a live factory tour and a heritage experience. This, together with the consultation process for the new £1 coin and a strong order book gives us a positive outlook for 2014-15 and beyond.

I should like to thank all our people for their contribution and hard work, and we look forward together to working towards our vision to be recognised as the world's best mint.

**Adam Lawrence**  
Chief Executive

“After thirty years loyal service, the time is right to retire the current £1 coin, and replace it with the most secure coin in the world. I am particularly pleased that the coin will take a giant leap into the future, using cutting edge British technology while at the same time, paying tribute to the past in the 12-sided design of the iconic threepenny bit.”

Chancellor of the Exchequer, the Rt Hon. George Osborne MP



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# Management Commentary

For the year ended 31 March 2014

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

The Royal Mint Trading Fund is also required under the 1973 Act to 'achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with HM Treasury concurrence) to be desirable of achievement'.

Against a backdrop of continuing global macroeconomic uncertainties The Royal Mint Limited was set a challenging Ministerial Target for Return on Average Capital Employed (ROACE) of 10% (2012-13: 10%). It exceeded the target and achieved 10.2% (2012-13: 0.5%). Rate of return on average capital employed excludes the impact of The Royal Mint Museum and is calculated by expressing The Royal Mint Limited's annual adjusted Operating Profit as a percentage of its average monthly capital employed. Operating Profit is derived directly from the company's statutory accounts.

This has been modified to exclude IAS19 Employee Benefits and IAS39 Financial instruments related adjustments and exceptional items. The performance against other key Ministerial Targets is set out on page 20.

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's strategic objectives are:

- to develop the Royal Mint Limited's brand and reputation as the world's leading exporting mint;
- to grow its global market share utilising aRMour® plating technology;
- to successfully introduce iSIS 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 Limited's competitive position by improving productivity and reducing costs;
- to create differentiation through the quality of The Royal Mint Limited's products and services;
- to continue to innovate and develop unique and attractive products; and
- to increase operating efficiency and reduce customer lead-times.

The Commemorative Coin business's strategic objectives are:

- to achieve consistent growth in sales and profitability by developing The Royal Mint Limited brand, innovative product development and growth of its customer database;
- to grow share of the global bullion market;
- to reduce dependence on the UK market through international development;
- to expand its precious-metal storage business;
- 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.

## Issues of UK circulating coins 2013-14

Denomination	Number of Pieces Millions	Face Value £m
£2	27.4	54.8
£1	57.2	57.2
50 pence	36.8	18.4
20 pence	120.9	2.4
10 pence	416.4	41.6
5 pence	814.0	40.7
2 pence	109.0	2.2
1 penny	415.0	4.2
<b>Total</b>	<b>1,996.7</b>	<b>221.5</b>

## Estimated value and number of coins in circulation at 31 March 2014

Denomination	Number of Pieces Millions	Face Value £m
£2	416.7	833.4
£1	1,552.6	1,552.6
50 pence	948.4	474.2
20 pence	2,764.8	553.0
10 pence	1,630.7	163.1
5 pence	3,847.5	192.4
2 pence	6,556.7	131.1
1 penny	11,278.3	112.8
<b>Total</b>	<b>28,995.7</b>	<b>4,012.6</b>

## Operating and Financial Review

The Royal Mint Trading Fund returned an operating profit, before adjusting for the impact of IAS 39 related items and exceptionals (note 5), of £6.9m (2012-13: £1.3m).

Revenue increased by 24% to £314.9m (2012-13: £254.6m).

Commemorative Coin sales increased by 20% to £213.7m (2012-13: £178.0m).

Circulating Coin sales increased by 32% to £101.2m (2012-13: £76.6m).

This year has seen cash inflows from operating activities of £17.5m (2012-13: £10.8m inflow).

Capital expenditure of £3.5m (2012-13: £6.3m) was mainly in the following areas:

- upgrading existing plants; and
- developing One Business System to replace current IT systems.

Net assets increased by £0.6m to £73.4m. The increase in net assets has resulted from generating a profit after tax of £4.5m, hedging reserve movements of £0.3m and heritage assets revaluation of £1.2m offset by movements in the pension deficit of (£1.4m) and paying the 2012-13 dividend of (£4.0m).

## Summary financial results

	2013-14 £m	2012-13 £m
<b>Revenue:</b>		
Circulating Coin		
UK	37.8	37.5
Overseas	63.4	39.1
<b>Total Circulating Coin</b>	<b>101.2</b>	<b>76.6</b>
Commemorative Coin	213.7	178.0
<b>Total</b>	<b>314.9</b>	<b>254.6</b>
<b>Operating profit</b>		
Circulating Coin	14.0	2.4
Commemorative Coin	9.2	11.4
Central overheads*	(16.3)	(12.5)
Operating profit before IAS 39 related items and exceptionals	6.9	1.3
IAS 39 related items (Note 5)	(0.2)	(0.7)
Exceptionals (Note 5)	–	(1.2)
<b>Operating profit / (loss)</b>	<b>6.7</b>	<b>(0.6)</b>
Net finance cost	(0.9)	(1.2)
<b>Profit / (Loss) before tax</b>	<b>5.8</b>	<b>(1.8)</b>

\*Central overheads include the impact of performance related pay for all employees throughout the whole business.

## Circulating Coin

The Circulating Coin business continued to be impacted by volatility within the market, although encouraging signs of recovery have been seen which are reflected in a contribution to central costs of £14.0m (2012-13: £2.4m). During the year, overseas deliveries of coins and blanks amounted to 2.0 billion pieces (2012-13: 1.5 billion pieces) in 28 countries.

2013-14 has seen considerable progress in achieving key long-term strategies. Firstly, encouraging central banks to change their coinage from non-ferrous metals to aRMour® plated steel coins and blanks. In the year a further three countries introduced aRMour® plated coins bringing the total number of issuing authorities worldwide to more than 50. The most prominent contract signed in the year was a three-year contract to produce brass-plate aRMour® coins for the National Bank of Poland. Second, further investment in developing iSIS technology resulted in the Chancellor of the Exchequer, the Rt Hon. George Osborne MP, announcing on 19 March 2014 that a new UK £1 coin will incorporate iSIS technology.

A strong financial performance was also seen within the UK which saw a 43% increase in issues during the year. This mainly resulted from the first full year 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 Limited issued 1,997 million coins (2012-13: 1,397 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 Limited achieved 100%.

## Counterfeit coins

The latest survey to monitor the level of £1 counterfeit coins was conducted in November 2013. The survey indicated a slight increase with a counterfeit rate of around 3.0% compared to November 2012 which showed a rate of around 2.7%. It is anticipated that this rate will decrease 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 Limited 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 (2012-13: £11.4m).

Within core commemorative business the success was driven by four key ranges. The early part of the year saw demand for the Queen's Coronation Anniversary range. This was followed by the christening range to celebrate the birth of His Royal Highness Prince George of Cambridge, the silver £5 crown becoming the fastest selling silver coin in The Royal Mint Limited's history, whilst the gold christening kilo sold out. In the middle part of the year The Royal Mint Limited launched the first UK £20 silver coin which superceded the christening silver crown in becoming its fastest selling silver coin and in early April 2014 sales reached the issue limit. Lastly, November saw the launch under the impressive dome of the Victoria and Albert Museum of the 2014 Lunar Year of the Horse coin series.

The Royal Mint Limited continued to grow its Bullion business which saw a 70% increase in coins sold. This was predominately driven by significant demand for the silver Britannia range.

Last year, the Commemorative Coin Ministerial targets (shown on page 20) were not achieved. Throughout this year The Royal Mint Limited has undertaken a review to address the issues and improve performance; these actions have enabled the Ministerial targets for 2013-14 to be met.

## Dividends

The Royal Mint Limited Board has declared a dividend for 2013-14 of £4.0m. In 2012-13 a dividend of £4.0m was provided for and was paid on 27 September 2013.

## Derivative financial instruments

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

## Effects of commodity hedging

Under International Accounting Standard (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 Consolidated 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 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 Consolidated Income Statement within Other Gains / (Losses). In 2013-14 the year-end impact was a loss of £0.2m (2012-13: £0.7m loss). Financial risk management disclosures are set out in note 23 to the financial statements.

### 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 introduction of aRMour® plating, 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 Limited 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 cashflows. 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 by buying the majority of commodities via sterling-denominated contracts. Where this is not the case The Royal Mint Limited reduces exposure by using forward exchange contracts.

### Research and development

The Royal Mint Limited continues to invest in research and development; the cost of which is disclosed in Note 3.

### Creditor payment policy

The Royal Mint Limited always seeks to comply with agreed terms. A total of 87% (2012-13: 81%) 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

The Royal Mints Limited's people are key to its business and all of its employees have a part to play in delivering its strategy. The Royal Mint Limited's values continue to guide the way in which its employees do their jobs and shape what it means to work as part of The Royal Mint Limited team.

One of The Royal Mint's Limited's key objectives over the forthcoming year is to involve as many employees as possible in continuous improvement activities, in particular in the standardisation of processes to achieve business excellence. A number of initiatives are being developed in order to achieve this objective.

The Royal Mint Limited continues to develop initiatives to make it a 'great place to work'. In recognition and celebration of the significant number of loyal long-term serving employees, and, as a result of 'involving our people' and acting upon feedback suggestions from our annual employee survey, it has introduced a scheme to recognise long service. This will provide specific recognition of those serving 10, 25 and 40 years and at retirement.



In 2012, The Royal Mint Limited introduced a new initiative to sponsor a particular charity for a two-year period. Cancer Research Wales was the charity voted for by employees with £24,463 being raised during this period through a variety of fundraising activities.

The new Royal Mint charity for 2014-16 has been voted on and confirmed as TŷHafan. TŷHafan 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. The Royal Mint Limited will work with this charity to maximise fundraising and volunteering opportunities for its employees.

During summer 2013 The Royal Mint Limited took part in 'Gromit Unleashed', a public art exhibition on the streets of Bristol. Led by Aardman Animations, 80 giant fibreglass sculptures of Gromit were individually designed and created by artists and celebrities. The Royal Mint Limited worked with artist Stephanie Roberts to create the sponsored Gromit 'National Treasure', which was decorated with around 10,000 pennies along with a unique medallion featuring Gromit himself. After the exhibition, the sculptures were auctioned to raise funds for Wallace & Gromit's Grand Appeal, the Bristol Children's Hospital Charity, raising £2.4m in total.

The Royal Mint Limited made a donation to this appeal in order to bring 'its' Gromit back to The Royal Mint. The sculpture was a popular attraction for families attending The Royal Mint Limited's staff Christmas pantomime and will be incorporated into the new Visitor Centre.

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

The number of people employed (permanent and casual staff) at 31 March 2014 was 786 (2013: 791). Of these employees, 600 are male and 186 female (2013: 615 male, 176 female). The Board of Directors of The Royal Mint Limited at 31 March 2014 comprised 7 male directors and 2 female (2013: 7 male, 1 female).

The Royal Mint Limited operates a defined contribution scheme and a funded defined benefit pension scheme. Please see note 17 of the accounts for more details.

## Disabled employees

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 has been successful in employing people with a disability and making the required changes to the working environment.

## Sickness absence

The Royal Mint Limited's annual sickness absence rate for 2013-14 was 3.7% (2012-13: 2.9%).

## 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. These are being delivered through a project called Zero Harm (details can be found within the Sustainability Report on page 15).

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 on the environment of ourselves and our suppliers.

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 continuous improvement is being achieved in all aspects of performance;
- despite further raising employee involvement in safety, health and environment issues over the past year there has been a 33% increase in the total number of accidents reported compared to 2012-13. However, the total number of accidents reported in 2013-14 was 37% below the number reported in 2011-12 before the commencement of the Zero Harm project; and
- the Royal Mint continues to work to the stringent controls 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. 2013-14 was the first year the full Museum team has been in place, which resulted in significant progress being made in achieving its charitable objectives. These achievements include the opening of the *Coins and Kings* exhibition at the Tower of London in May 2013, a project that involved several years of collaboration with Historical Royal Palaces. The exhibition is an important accomplishment for the Museum as it will enable the public to have greater access to the collection over at least the next five years. Progress has been made in developing an education and learning strategy which delivered 24 lectures to adult groups and several sessions were held both on site and off site with local schools. The sessions have been supported by the publication of the Museums lessons plans *Coins In The Classroom*. Further development has continued in cataloguing the Museum collection and a collection management system has been implemented. The long-term goal of the Museum is to publish a catalogue of the collection online. As probably the most important coins of the modern series, it seems appropriate to start with the pattern coinage Edward VIII. These coins can now be viewed online via the Museum website.

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 has 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 04. Colin Balmer resigned as a Director

on 1 July 2013. David Morgan and Xenia Carr-Griffiths were appointed as Directors on 1 September 2013 and 1 October 2013 respectively. A list of current Directors of The Royal Mint Museum is shown on page 04. 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 2014-15 remains positive. The Royal Mint Limited plans to build on this year's successes to deliver a sustainable profit.

Within Circulating Coin The Royal Mint Limited continues to aim to persuade our overseas customers of the benefits of converting to aRMour® plated coins and blanks and introducing them to its high-security iSIS coin. For the UK, its focus will be on the public consultation process for introducing the new £1 coin and continuing with the alloy-recovery programme. Over the longer term it intends to build on its success with iSIS and continue to innovate and develop novel products and solutions.

The Royal Mint Limited will continue to strengthen its core Commemorative Coin business through increased brand engagement and, following the announcement on 24 April 2014 by the Minister for Economy, Science and Transport, Edwina Hart AM, by investing in the development of a Visitor Centre which is expected to be opened in 2016. The Royal Mint Limited's bullion business will aim to grow by increasing its share of the global market and developing an online trading platform. The Royal Mint Limited is committed to diversifying its customer base and product range through developing and exploring the feasibility of new ventures and new markets.

### 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 Trading Fund has adequate resources to continue in operational existence for the foreseeable future. The Trading Fund therefore continues to adopt the going-concern basis in preparing its consolidated financial statements.

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# Sustainability Report

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. To this end The Royal Mint Limited has embarked on a project called Zero Harm.

The Zero Harm project, which is in the second year of the five-year plan, is intended to develop The Royal Mint Limited's commitment to a consistently healthy, safe 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 Zero Harm Vision:

The Royal Mint Limited is proud to take ownership for the environment, the health and the wellbeing of it's employees by naturally looking out for colleagues, friends and family.

'This is who we are...'

As part of the year two (2013-14) objectives of **Zero Harm** The Royal Mint Limited set the following targets:

- Waste to Landfill less than 100 tonnes (2012-13 target: 500 tonnes).

The Royal Mint Limited sent to landfill a total of 265 tonnes during the year; this was down on the previous year's amount of 497 tonnes. However, the target of 100 tonnes was exceeded due to changes in the classification of filter cake produced by the site's effluent treatment process.

Excluding filter cake, 76 tonnes of general waste was sent to landfill.

- Discharge to Natural Water courses less than 150,000 m3 (2012 -13 target: 500,000 m3)..

During the year 118,000 m3 (2012-13: 271,000 m3) was discharged to the nearby river.

This water is one pass cooling water, used to cool the onsite furnaces. The longer term aim of The Royal Mint Limited is to invest in new technology that will reduce / eliminate the need to use this type of cooling water.

- 10% reduction in primary energy use measured in kilowatt hours per tonne of circulating coin throughput (2012-13 target: 5% reduction).

There was a small decrease in the amount of primary energy used for the year. The Royal Mint Limited's primary energy per tonne of throughput was 0.8% below the previous year. However, compared with 2011-12 energy use was 10.2% higher, primarily driven by a change in product mix towards more energy intense manufacturing processes.

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.

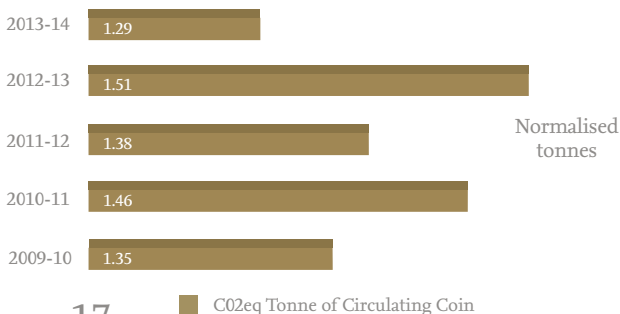
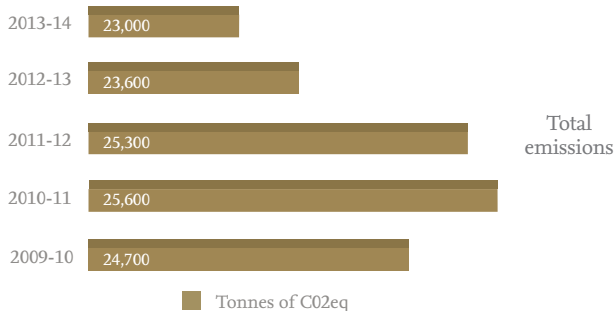
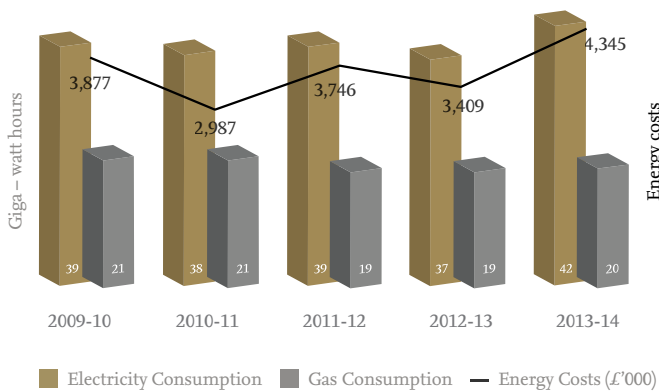


# Greenhouse-gas emissions and energy consumption

The use of energy is 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.

Total emissions for 2013-14 were 23,000 tonnes of CO2 equivalent (2012-13: 23,600 tonnes), as analysed in further detail below.

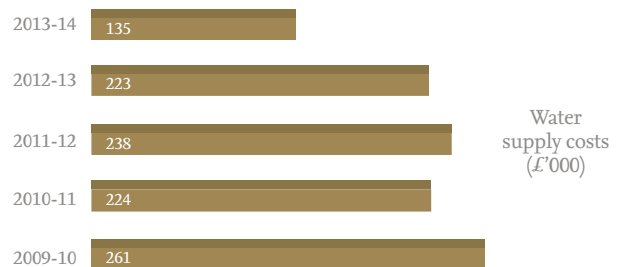
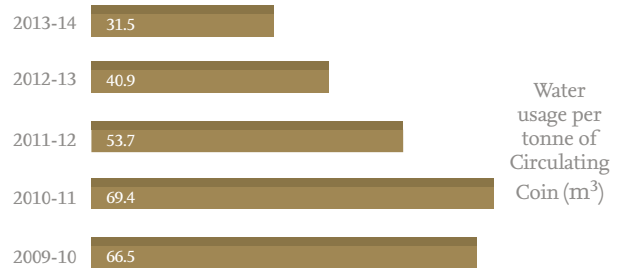
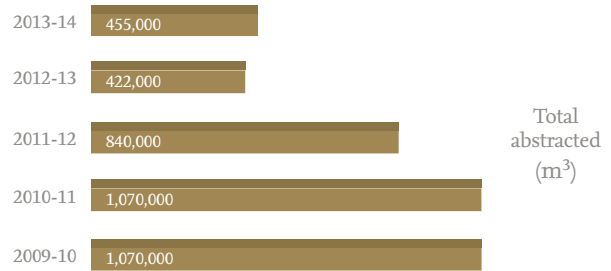
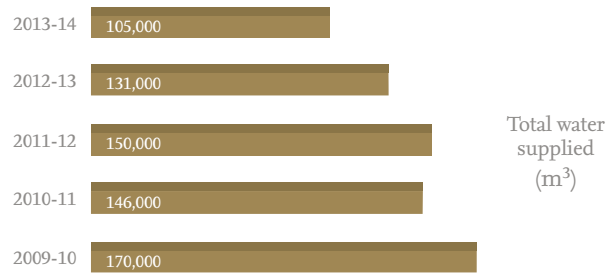
The Royal Mint Limited measures 'normalised tonnes' (calculated as tonnes of CO2 equivalent per tonne of Circulating Coin manufactured) as a key indicator of energy efficiency. For 2013-14 normalised tonnes was 1.29 (2012-13: 1.51), representing a year-on-year reduction of 15%.



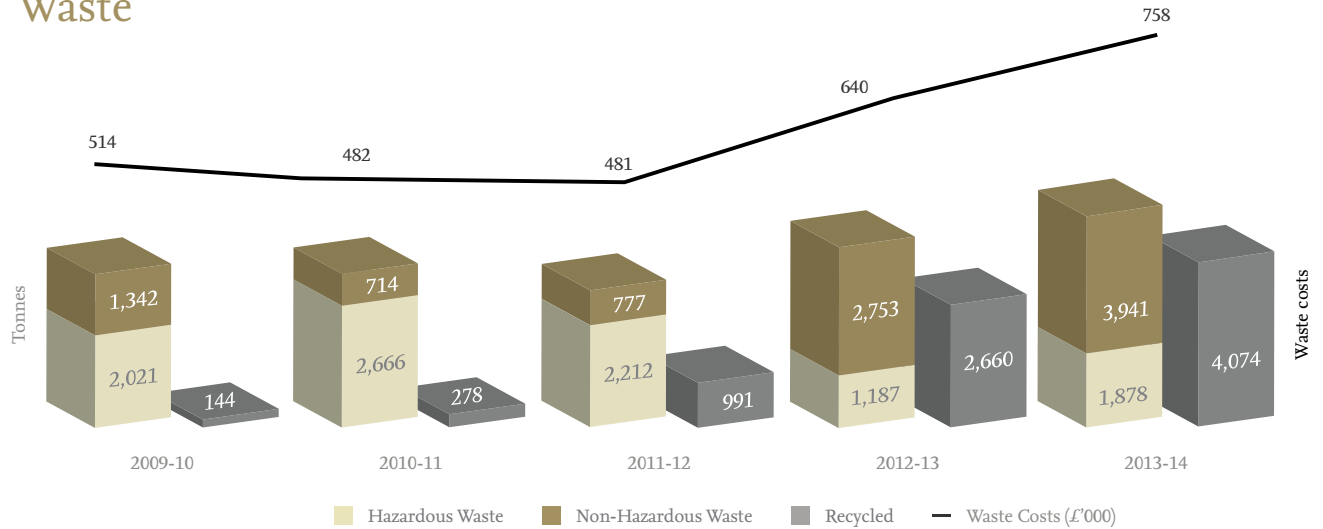
# Water consumption

A large volume of water is consumed within the coin manufacturing process. In recognition of this The Royal Mint Limited invested in a water-treatment plant which became operational in 2012.

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



## Waste



The 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.

During 2013-14 increased amounts of process and effluent solutions were disposed of offsite resulting in increased amounts of waste being generated. Of this waste 70% was recycled (2012-13: 68%).

## Scope Analysis

Tonnes of CO <sub>2</sub> eq		2009-10	2010-11	2011-12	2012-13	2013-14
Scope 1	Natural gas usage (heating and furnaces)	4,370	4,390	3,850	3,920	3,620
	Use of Royal Mint owned vehicles	12	12	12	13	8
	Process emissions from the furnace stack	0	1	1	2	2
	Fugitive Emissions (e.g. air conditioning and refrigeration leaks)	14	2	2	2	2
Scope 2	Electricity usage	19,600	20,500	20,600	19,100	18,800
Scope 3	Business travel	528	612	704	220	220
	Water supply	47	41	51	41	36
	Water treatment (off site)	52	88	88	51	84
	Waste disposal	66	30	30	30	169*

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

## Finite resources

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

## Protecting and enhancing the natural environment

The Royal Mint 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 with respect, care and sensitivity through its values shared with employees.

## 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 the Environmental Management Standard, ISO 50001 the Energy Management Standard and SA 8000 Ethical Standard.

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

## Reporting and data

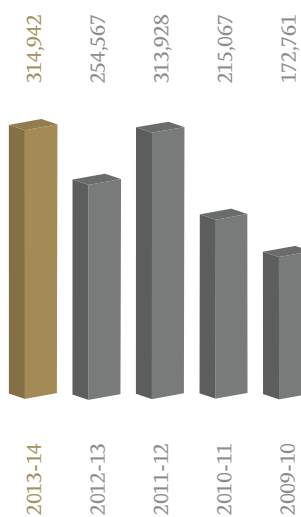
Data collection is taken from records of meter readings for gas, electricity, mains supplied water and abstracted water.

For transport, the mileages of The Royal Mint Limited 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.

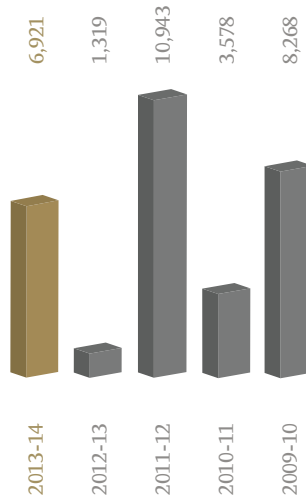
## Financial Summary

	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000
UK Revenue	126,369	113,212	113,795	72,569	62,715
Overseas Revenue	188,573	141,355	200,133	142,498	110,046
<b>Total Revenue</b>	<b>314,942</b>	<b>254,567</b>	<b>313,928</b>	<b>215,067</b>	<b>172,761</b>
Operating profit before IAS 39 related items and exceptionals	6,921	1,319	10,943	3,578	8,268
IAS 39 related items (note 5)	(169)	(674)	(1,654)	77	2,263
Exceptional items (note 5)	–	(1,229)	–	–	(5,273)
<b>Operating profit / (loss)</b>	<b>6,752</b>	<b>(584)</b>	<b>9,289</b>	<b>3,655</b>	<b>5,258</b>
Net interest	(911)	(1,246)	(966)	(522)	(1,062)
<b>Profit / (Loss) before tax</b>	<b>5,841</b>	<b>(1,830)</b>	<b>8,323</b>	<b>3,133</b>	<b>4,196</b>
Tax	(1,349)	300	1,251	(590)	(443)
<b>Profit / (Loss) after tax</b>	<b>4,492</b>	<b>(1,530)</b>	<b>9,574</b>	<b>2,543</b>	<b>3,753</b>
Net assets	73,405	72,761	75,449	55,267	59,116
Operating Profit / (loss) before IAS 39 related items and exceptionals / sales	2.2%	0.5%	3.5%	1.7%	4.8%
Operating profit / (loss) / sales	2.1%	(0.2)%	3.0%	1.7%	3.0%

Total sales £'000



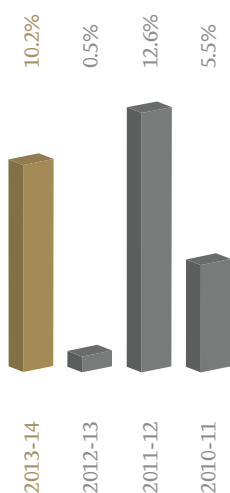
Operating profit before IAS 39 related items and exceptionals £'000



## Key Ministerial Targets

		2013-14	2012-13	2011-12	2010-11
<b>Target 1**</b>					
To achieve rate of return on average capital employed	Target	10.0%	10.0%	10.0%	10.0%
	Outturn	10.2%	0.5%	12.6%	5.5%
<b>Target 2#</b>					
UK Circulating Coin					
Delivery of accepted orders from UK banks and post offices within 11 days	Target	99.0%	99.0%	99.0%	99.0%
	Outturn	100.0%	100.0%	100%	99.5%
<b>Target 3#</b>					
UK Commemorative Coin					
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date	Target	80.0%	80.0%	80.0%	80.0%
	Outturn	82.3%	70.2%	75.0%	78.0%
<b>Target 4#</b>					
Medals					
Orders delivered by agreed delivery date	Target	98.0%	98.0%	98.0%	98.0%
	Outturn	99.0%	95.0%	92.0%	93.2%

Financial objective ratio (target 1)



# Commentary for Target one is provided on page 08 and on page 11 for Targets 2 to 4.

\* The Rate of Return on Average Capital Employed excludes the impact of The Royal Mint Museum and is calculated by expressing The Royal Mint Limited's adjusted Operating Profit as a percentage of its average monthly capital employed. The Operating Profit is derived directly from the companies statutory accounts. This has been modified to exclude IAS 19 Employee Benefits and IAS 39 Financial Instruments related adjustments and exceptional items.

Jeremy Pocklington

Accounting Officer  
12 June 2014

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# The Royal Mint Advisory Committee

The Committee, which operates independently of The Royal Mint Limited and whose full title is the Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations, was established in 1922 with the personal approval of George V.

Its original purpose was to raise the standard of numismatic art and that remains its primary concern, being charged on behalf of HM Treasury and other government departments with the recommendation of new designs for UK coins, official medals and seals. The Committee is designated a Non-Departmental Public Body and its membership is regulated by the Office for the Commissioner of Public Appointments (OCPA).

There were four meetings in the last year, all taking place in London, one at the Art Workers' Guild and three at Cutlers' Hall. In addition, there were two meetings of the Sub-Committee on the selection of themes for new United Kingdom coins.

## Triennial Review of the Committee

In March the findings of a Triennial Review of the Committee, which had been conducted in accordance with Government guidance for reviewing NDPBs, were published. The review concluded that there continued to be a government demand for the heraldic, typographic, technical and design advice provided by the Committee. It recognised that the services delivered by the Committee remained necessary for the conduct of government business and that it ensured the quality of the themes and designs for United Kingdom coins and official medals. Whilst considering the governance of the Committee the review recommended that the Committee should make minor adjustments to its current control and governance practices to improve its transparency.

## Commemorative coins

The centenary of the start of the First World War will be commemorated in Britain and in many other countries. It will be marked through the coinage with the issue of two-pound coins for circulation as well as a significant programme of commemorative coins. At the heart of the programme will be the intention to honour the service men and women who lost their lives during the conflict but it is hoped that the wider impact of the war on society, technology and culture can be conveyed.

The first to be issued was a two-pound coin focusing on the beginning of the war which sought to capture the mood of the time in the summer of 1914 when thousands of young men responded to the government's propaganda to join the armed forces. The experienced coin and medal designer John Bergdahl had the idea of using the famous recruitment poster of Lord Kitchener accompanied by the words **YOUR COUNTRY NEEDS YOU** and it seemed to the Committee to be the most arresting way in which to symbolise the start of the conflict. The design has attracted a great deal of publicity and it has been one of the most popular coins of recent times. In the summer of 2014 the first in a five-year series of crown pieces will start to be issued, to be followed by five-ounce and kilo coins.

The 300th anniversary of the death of Queen Anne falls in 2014 and The Royal Mint Limited will be issuing a crown piece. In looking at which of the designs submitted as a result of the limited competition should be taken forward, the Committee was made aware of the coinage of Queen Anne's time and the design eventually selected, by talented sculptor Mark Richards FRBS, makes use of a profile portrait inspired by the beautiful effigy of the queen on her coins.

A further circulating two-pound looked at by the Committee relates to the 500th anniversary of Trinity House. A briefing session for the artists was held at Trinity House, an elegant building that overlooks the Tower of London, and they were able to absorb at least a little of the rich history of the organisation. Its role in keeping the waters of Britain safe through the system of lighthouses and navigational aids is something we all take for granted, and in their winning design Joe Whitlock-Blundell and David Eccles sought to capture the identity of the organisation through the powerful image of a lighthouse lens.

Two years ago Britain was ablaze with excitement about the coming of the Olympic Games to London. In the summer of 2014 another major world sporting festival will come to Britain in the shape of the Glasgow Commonwealth Games. The coinage has honoured the Games on two previous occasions and in this instance graphic designers Alex Loudon and Dan Flashman, from the design agency Tangerine, have captured beautifully the Scottish character of this year's Games as well as the energy of athletic achievement. It was a far from straightforward selection process for the Committee but the result is a dynamic design which uses the fifty pence shape with real flair.

For many years a number of countries have been issuing coins on the theme of the Chinese Lunar Calendar and last year approval was granted by the Chancellor of the Exchequer for the release of the first United Kingdom coins celebrating this ancient tradition. One of the challenges for the artists involved in preparing designs was to incorporate, if possible, a British element and, as it transpired, the British-born Chinese artist Wuon-Gean Ho has succeeded extremely well in doing just that. The year in question is the Year of the Horse and the Committee was very taken with the subtle reference in the design to the Uffington Horse carved into the chalk hills of Oxford. She is a wood engraver of some distinction and she will bring to the remaining coins in the series an intelligence and admirable attention to detail.

The designers of some of the coins for this year have never designed a United Kingdom coin before, a pattern which continued with the commemorative Britannia design for 2014. Jody Clarke is a member of The Royal Mint Design Department and the Committee felt he had met the brief extremely well in bringing up to date an age-old symbol of Britain, setting her in an elegant pose and preparing a model with clarity and style.

Alongside the Lunar Calendar coins stands the Portraits of Britain series in looking out primarily to an international market. The intention with the series from the start was to capture the popular character of aspects of Britain while retaining the dignity and quality expected of the United Kingdom coinage. After re-briefing the series, Royal Mint designers Laura Clancy and Glyn Davies arrived at the innovative solution of applying a subtle watercolour treatment to the surface of the coins, deliberately atmospheric in character, to convey a sense of an autumnal London.

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, and what has emerged are designs at times innovative, at times classic and at times moving. In particular, the coins for the First World War show every prospect of becoming a monument to a profound moment in British life.

## Medals

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

The design of a new medal for the Honorary Police of Jersey came before the Committee in September and a design, showing a map of the island and three ceremonial truncheons, by distinguished silversmith Christopher Lawrence was recommended by the Committee and approved by the island's authorities.

## 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 to the Chancellor of the Exchequer. During the year there was one meeting of the Sub-Committee, the focus of attention being the programme for 2015 as well as a number of projects that have subsequently already received considerable publicity. One of the most important of its recommendations was in relation to the introduction of coins to celebrate the Chinese Lunar Calendar, the first time that such coins have been approved for issue in the United Kingdom. Other matters under consideration have included ideas for coins in 2016 in particular but also themes stretching out several years from now, further details of which will be released in due course.

## Membership

Due to the pressure of other commitments Jana Khayat's term on the Committee came to an end in February 2014. Mrs Khayat served on the Committee for six years and over that time her insightful and well-judged interventions at meetings earned her the deep respect of her fellow members. She also gave up her time to be a member of the Theme Selection Sub-Committee for several years, ample evidence of her commitment to public service.

A recruitment process was initiated in the autumn of 2013 to find a replacement for Mrs Khayat which generated a very strong short-list of candidates. The interview panel unanimously recommended for appointment Mrs Blondel Cluff, a lawyer by training who has just taken up the post of Chair of Heritage Lottery Fund London. The Chairman and other members look forward to working with her in the coming years.

Members give of 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 the Chairman, in particular, has been able to give to the work of the Committee has not gone unrecognised.

Members of the Committee  
At 31 March 2014  
(with dates of appointment)

Lord Waldegrave of North Hill  
Chairman  
(January 2011)

Professor Sir David Cannadine  
Historian  
(September 2004, re-appointed September 2011)

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

Mr John Maine RA  
Sculptor  
(September 2004, re-appointed September 2011)

Mr Stephen Raw  
Lettering artist  
(January 2005, re-appointed January 2012)

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

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

Lieutenant Colonel Alexander Matheson LVO  
Secretary, Central Chancery of the Orders of Knighthood  
(April 2013)

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



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# Statement of the Royal Mint Trading Fund and 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 Cashflows for the financial year.

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

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

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 [www.gov.uk/government/publications/managing-public-money](http://www.gov.uk/government/publications/managing-public-money)). These include his responsibility for the propriety and regularity of the public finances for which he is answerable, the keeping of proper records and the safeguarding of the Royal Mint Trading Fund's assets.

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# 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 Board of Directors support high standards of governance and, in so far as is practicable 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.

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 of the Chairman, four 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 Company Secretary. The Board met 10 times in 2013-14 (2012-13: 10 times). Attendance by members at the Board and Committee meetings are set on page 26.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Adam Lawrence	10	n/a	n/a	n/a
Vin Wijeratne	10	n/a	n/a	n/a
Peter Warry	10	n/a	3	1
Colin Balmer	3	1	1	1
Mary Chapman	10	4	3	1
David Harding	10	4	3	1
David Morgan	6	2	2	–
Xenia Carr-Griffiths	5	n/a	2	–
Tim Martin	10	n/a	n/a	1
Number of meetings	10	4	3	1

Colin Balmer's appointment as a Non-Executive Director concluded on 1 July 2013.

David Morgan and Xenia Carr-Griffiths were appointed to the Board as Non-Executive Directors on 1 September 2013 and 1 October 2013 respectively. This includes a handover period before the appointments of David Harding and Mary Chapman conclude in 2014. 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

To provide entrepreneurial leadership of the company, within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the company's strategic aims, and ensures the financial and human resources are in place for the company to meet its objectives and review management performance. The Board sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The roles and responsibilities of the Board are:

- to set the company's strategic aims;
- approval of the annual corporate plan and five-year plans;
- oversight of corporate risk register and internal control systems;
- oversight of business performance;
- approval of major capital expenditure;
- scrutiny of financial accounts through the Audit Committee of the Board;
- development of remuneration systems for Executive Directors, including performance related pay;
- approval of Senior Executive appointments or, where appropriate, recommendation of appointments to the Shareholder Executive/ HM Treasury Minister;
- performance appraisal of Executive Management plus succession planning;
- development of remuneration systems for Executive Directors, including performance related pay;
- compliance with statutory requirements and HM Treasury guidance as regards corporate governance; and
- annual evaluation of its performance and that of its committees.

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's Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary to assess the company's performance, business model and strategy.

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director. A report is prepared for the Board which considers the collective findings. The Board has reviewed and accepted the feedback of this year's positive report and has taken steps to improve 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. As set out in the Management Commentary, Year One of the Plan has been delivered, both in terms of financial performance for 2013-14, and the progression of projects designed to deliver improved performance in future years.

## The Audit Committee of The Royal Mint Limited

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites a representative of the Royal Mint Trading Fund and HM Treasury as shareholder, the Chief Executive Officer, Director of Finance and senior representatives of both the internal and external auditors to attend meetings.

The Audit Committee monitors and reviews the effectiveness of the internal control systems, accounting policies and practices, financial reporting process, 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 28.

## 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 30.

## 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. This is as a result of Board diversity in terms of age, gender, race, skills and experience. The Nominations Committee ensures that all Board recruitment seeks to build on this diversity and all roles are recruited using both advertisements and search. Prior to undertaking the recruitment of a new Chairman and in preparation for a programme of Non-Executive refresh, an assessment of the current Boards skills, the future skills requirements and diversity was undertaken.

## 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, whose membership is made up from the Executives leading the main functions of the business. The Executive meet formally on a regular basis and not fewer than 10 times a year.

The roles and responsibilities of the Executive 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 corporate plan, for approval by the Board;
- approval of capital expenditure over £20,000 and major contracts not requiring Board approval;
- 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 2013-14 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 and Accounts. It accords with HM Treasury guidance.

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;
- clearly defined capital investment control guidelines; and
- formal security arrangements.

Executive Directors within The Royal Mint Limited provide the Board with 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 Government Internal Audit Standards. During 2013-14 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 did not report any issues concerning the internal controls of The Royal Mint Limited that require inclusion in this Statement.

In addition, HM Treasury Internal Audit 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 2013-14 (2012-13: four times). 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 21.

### 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 Cross Government Internal Audit; 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.

**Jeremy Pocklington**

Accounting Officer  
12 June 2014

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# 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 Director's 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 HMT 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. The amended remit 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 2014 is made up of six people in the following roles:

Chief Executive, Director of Finance, Director of Business Services, Director of Operations, Director of Commemorative Coin, Director of Circulating Coin.

## Executive Management Team – terms, conditions and remuneration

The remuneration package for 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 a STIP for 2013-14. The purpose was to recognise and reward outstanding performance against planned annual business targets, with a strong focus on return on average capital employed (ROACE). The maximum award for 2013-14, if ROACE of 130% of the corporate annual target was achieved, is 33% of basic salary for Adam Lawrence and 30% of basic salary for the other members of the Executive Management Team. At the year-end £215,000 (2012-13: £nil) has been provided in the accounts in relation to STIP.

STIP awards are disclosed in the year they are paid. Amounts paid in 2013-14 relate to performance in 2012-13 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. 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. At the year end £284,000 (2012-13: £74,000) has been provided in the accounts in relation to LTIP. The final amount earned for each year in respect of the LTIP will depend upon targets met.

iv. **Pension Scheme**

All members of the Executive Management Team, who joined prior to 1 January 2010, are members of Prudential Platinum Pension – The Royal Mint Limited Scheme, a defined benefit pension scheme. Those who joined after that date are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme.

v. **Discretionary benefits allowance**

Any allowance paid is non-consolidated, non-pensionable and is not used for the basis of Incentive Plan calculations. Payments are included within remuneration on page 32.

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	Remuneration 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	Remuneration 2012-13 £'000	STIP payments made in 2012-13 for 2011-12 performance £'000	LTIP payments made in 2012-13 for 3 years performance £'000
<b>Adam Lawrence*</b> Chief Executive	205-210	–	–	200-205	34	–
<b>Vin Wijeratne*</b> Director of Finance	130-135	–	–	125-130	18	–
<b>Anne Jessopp</b> Director of Business Services	135-140	–	–	130-135	18	–
<b>Phil Carpenter</b> Director of Operations	115-120	–	–	110-115	17	–
<b>Andrew Mills</b> Director of Circulating Coin	140-145	–	–	135-140	3	–
<b>Shane Bissett</b> Director of Commemorative Coin	130-135	–	–	130-135	25	–

\*Board member

Shane Bissett's remuneration includes relocation costs.  
No non-cash benefits-in-kind were provided during the year.

### 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 2013-14 the banded remuneration of the highest-paid Director of The Royal Mint was £205,000-£210,000 (2012-13: £235,000-£240,000). This was seven times (2012-13: eight times) the median remuneration of the workforce, which was £30,000 (2012-13: £30,000).

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

Executive Management Team	Accrued Pension at 31 March 2014 £'000	Accrued Pension at 31 March 2013 £'000	Employee Contributions paid 2013-14 £'000	Value of Pension accrued 2013-14 £'000	Value of Pension accrued 2012-13 £'000
<b>Adam Lawrence*</b> Chief Executive	17	12	6	80-85	70-75
<b>Anne Jessopp</b> Director of Business Services	11	8	4	50-55	40-45
<b>Phil Carpenter</b> Director of Operations	6	5	2	30-35	30-35
<b>Andrew Mills</b> Director of Circulating Coin	12	9	4	50-55	40-45

Executive Management Team	Accrued Pension Commencement Lump Sum at 31 March 2014 £'000	Accrued Pension Commencement Lump Sum at 31 March 2013 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as at 31 March 2014 £'000	Transfer Value as at 31 March 2013 £'000	Increase in Transfer Value less employees contributions £'000
<b>Adam Lawrence*</b> Chief Executive	–	–	4	277	212	59
<b>Anne Jessopp</b> Director of Business Services	–	–	3	215	165	46
<b>Phil Carpenter</b> Director of Operations	18	14	1	155	120	33
<b>Andrew Mills</b> Director of Circulating Coin	–	–	3	236	179	53

\*Board member

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

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:

Vin Wijeratne £14,000 (2012-13: £14,000)

Shane Bissett £15,000 (2012-13: £14,000)

### 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 Non-Executive Directors are engaged under letters of appointment from HM Treasury. Either party can terminate his or her engagement upon giving three-months' notice. During the year the appointment of Colin Balmer concluded and two new Non-Executive Directors, Xenia Carr-Griffiths and David Morgan, were appointed. Over the next 12 months the appointments of Mary Chapman and David Harding, will also conclude.

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

	2013-14 £'000	2012-13 £'000
<b>Peter Warry</b> (Appointed 10 December 2012)	45	15
<b>Mary Chapman</b>	20	20
<b>David Morgan</b> (Appointed 1 September 2013)	11	–
<b>Xenia Carr-Griffiths</b> (Appointed 1 October 2013)	11	–
<b>David Harding</b>	23	19
<b>Colin Balmer</b> (Resigned 1 July 2013)	6	23
<b>Mike Davies</b> (Resigned 31 December 2012)	–	34

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 (2012-13: £8,000).

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

## Jeremy Pocklington

Accounting Officer  
12 June 2014

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# 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 2014 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 2014 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, and 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.

## Amyas C E Morse

Comptroller and Auditor General  
13 June 2014

National Audit Office  
Comptroller and Auditor General  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP

# Consolidated Income Statement

For the year ended 31 March 2014

	Notes	Before IAS 39 related items (note 5) 2013-14 £'000	IAS 39 related items (note 5) 2013-14 £'000	Total 2013-14 £'000	Before IAS 39 related items and exceptionals As restated* 2012-13 £'000	IAS 39 related items (note 5) 2012-13 £'000	Exceptionals (Note 5) 2012-13 £'000	Total As restated* 2012-13 £'000
Revenue – Continuing	2	314,942	–	314,942	254,567	–	–	254,567
Cost of sales	3,5	(273,206)	225	(272,981)	(216,867)	701	(857)	(217,023)
Gross profit		41,736	225	41,961	37,700	701	(857)	37,544
Administrative expenses	3,5	(16,303)	–	(16,303)	(12,495)	–	(142)	(12,637)
Selling and distribution costs	3,5	(18,397)	–	(18,397)	(23,337)	–	(230)	(23,567)
Other gains / (losses)-net	22	(115)	(394)	(509)	(549)	(1,375)	–	(1,924)
Operating profit / (loss)	2	6,921	(169)	6,752	1,319	(674)	(1,229)	(584)
Finance income	6	10	–	10	12	–	–	12
Finance costs	6	(921)	–	(921)	(1,258)	–	–	(1,258)
Profit / (Loss) before tax		6,010	(169)	5,841	73	(674)	(1,229)	(1,830)
Tax (charge) / credit for the year	7			(1,349)				300
Profit / (Loss) for the financial year				4,492				(1,530)
Profit / (Loss) attributable to:				4,492				(1,530)
HM Treasury								

\*Please refer to Note 1: accounting policy 2.24.

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Notes	2013-14 £'000	2012-13 As restated* £'000
Profit / (loss) for the financial year		4,492	(1,530)
Other comprehensive income:			
Cash flow hedges		247	374
Remeasurements for defined benefit scheme	17	(1,669)	(977)
Deferred tax on remeasurements for defined benefit scheme	16	266	259
Loss on land and buildings revaluation		–	(1,972)
Gain on Heritage Assets revaluation	9	1,038	4,745
Gain / (deficit) on plant and machinery revaluation	8	270	413
<b>Total comprehensive income for the year</b>		<b>4,644</b>	<b>1,312</b>
Total comprehensive income attributable to: HM Treasury		4,644	1,312

\*Please refer to Note 1: accounting policy 2.24.

## Royal Mint Trading Fund Statement of Comprehensive Income

For the year ended 31 March 2014

	2013-14 £'000	2012-13 £'000
Profit for the financial year	4,000	8,000
Other comprehensive income:	–	–
<b>Total comprehensive income for the year</b>	<b>4,000</b>	<b>8,000</b>
Total comprehensive income attributable to: HM Treasury	4,000	8,000

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
<b>At 1 April 2013</b>	5,500	561	46,076	(404)	21,028	72,761
Movements in the year:						
Profit for the financial year	–	–	4,492	–	–	4,492
Cash flow hedges	–	–	–	247	–	247
Remeasurements for defined benefit scheme	–	–	(1,669)	–	–	(1,669)
Deferred tax on remeasurements for defined benefit scheme	–	–	266	–	–	266
Loss on land and buildings revaluation	–	–	–	–	–	–
Gain on plant and machinery revaluation	–	270	–	–	–	270
Gain on Heritage Assets revaluation	–	–	–	–	1,038	1,038
Transfers	–	(78)	16	–	62	–
<b>Total Comprehensive Income for the year</b>	–	192	3,105	247	1,100	4,644
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
<b>At 31 March 2014</b>	5,500	753	45,181	(157)	22,128	73,405

## Royal Mint Trading Fund Statement of Changes in Equity

For the year ended 31 March 2014

	Public Dividend Capital £'000	Retained Earnings £'000	Total £'000
<b>At 1 April 2013</b>	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	–	4,000	4,000
<b>Total Comprehensive Income for the year</b>	–	4,000	4,000
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
<b>At 31 March 2014</b>	5,500	49,819	55,319

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Public Dividend Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total Equity £'000
<b>At 1 April 2012</b>	5,500	2,413	52,122	(778)	16,192	75,449
Movements in the year:						
Loss for the financial year (as adjusted*)	–	–	(1,530)	–	–	(1,530)
Cash flow hedges	–	–	–	374	–	374
Remeasurement for defined benefit scheme (as adjusted*)	–	–	(977)	–	–	(977)
Deferred tax on remeasurement for defined benefit scheme	–	–	259	–	–	259
Loss on land and buildings revaluation	–	(1,972)	–	–	–	(1,972)
Gain on plant and machinery revaluation	–	413	–	–	–	413
Gain on Heritage Assets revaluation	–	–	–	–	4,745	4,745
Transfers	–	(293)	202	–	91	–
Total Comprehensive Income for the year	–	(1,852)	(2,046)	374	4,836	1,312
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
<b>At 31 March 2013</b>	5,500	561	46,076	(404)	21,028	72,761

\*Please refer to Note 1: accounting policy 2.24.

## Royal Mint Trading Fund Statement of Changes in Equity

For the year ended 31 March 2013

	Public Dividend Capital £'000	Retained Earnings £'000	Total £'000
<b>At 1 April 2012</b>	5,500	45,819	51,319
Movements in the year:			
Profit for the financial year	–	8,000	8,000
Total Comprehensive Income for the year	–	8,000	8,000
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
<b>At 31 March 2013</b>	5,500	49,819	55,319

The Notes on pages 44 to 83 form part of the Accounts.



# Consolidated Statement of Financial Position

At 31 March 2014

	Notes	2014 £'000	2013 £'000
<b>Non-Current Assets</b>			
Property, plant and equipment	8	44,733	45,998
Heritage assets	9	22,170	21,060
Intangible assets	10	1,761	1,715
Deferred tax asset	16	982	–
<b>Total Non-Current Assets</b>		<b>69,646</b>	<b>68,773</b>
<b>Current Assets</b>			
Inventories	11	24,387	35,496
Derivative financial instruments	23	762	83
Deferred tax asset	16	–	1,635
Current tax receivable	7	–	1,080
Trade and other receivables	12	20,347	19,926
Cash and cash equivalents		840	1,327
<b>Total Current Assets</b>		<b>46,336</b>	<b>59,547</b>
<b>Current Liabilities</b>			
Short-term borrowings	13	(7,480)	(18,000)
Trade and other payables	14	(30,119)	(33,991)
Retirement benefit liability	17	(2,485)	(352)
Deferred tax liability	16	–	(716)
Derivative financial instruments	23	(424)	(1,367)
<b>Total Current Liabilities</b>		<b>(40,508)</b>	<b>(54,426)</b>
<b>Net Current Assets</b>		<b>5,828</b>	<b>5,121</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	16	(1,146)	–
Provision for liabilities and charges	15	(923)	(1,133)
<b>Net Assets</b>		<b>73,405</b>	<b>72,761</b>
<b>Equity</b>			
Public dividend capital		5,500	5,500
Revaluation reserve		753	561
Retained earnings		45,181	46,076
Hedging reserve		(157)	(404)
Heritage Assets reserve		22,128	21,028
<b>Total Equity</b>		<b>73,405</b>	<b>72,761</b>

The Notes on pages 44 to 83 form part of the Accounts.

**Jeremy Pocklington**

Accounting Officer  
12 June 2014

## Royal Mint Trading Fund Statement of Financial Position

At 31 March 2014

	Notes	2014 £'000	2013 £'000
<b>Non-Current Assets</b>			
Investments	24	59,319	59,319
<b>Total Non-Current Assets</b>		59,319	59,319
<b>Current Liabilities</b>			
Trade and other payables	14	(4,000)	(4,000)
<b>Total Current Liabilities</b>		(4,000)	(4,000)
<b>Net Assets</b>		55,319	55,319
<b>Equity</b>			
Public dividend capital		5,500	5,500
Retained earnings		49,819	49,819
<b>Total Equity</b>		55,319	55,319

The Notes on pages 44 to 83 form part of the Accounts.

**Jeremy Pocklington**

Accounting Officer  
12 June 2014

# Consolidated Statement of Cashflow

For the year end 31 March 2014

	Notes	2014 £'000	2013 As restated* £'000
<b>Cashflow from operating activities</b>			
Profit / (loss) before tax		5,841	(1,830)
Depreciation and amortisation on non-current assets		4,694	4,836
Loss on disposal of assets		67	330
Interest		911	1,246
Cashflow hedges		(1,375)	394
Movements in working capital:			
Inventory		11,109	(1,203)
Retirement benefit asset		464	(252)
Trade and other receivables		(421)	9,237
Trade and other payables		(3,676)	707
Provisions		(221)	(262)
Cashflow from operations		17,393	13,203
Tax received / (paid)		1,080	(1,012)
Interest paid		(927)	(1,396)
Net Cashflow from operating activities		17,546	10,795
<b>Cashflow from investing activities</b>			
Acquisition of property, plant and equipment		(2,781)	(5,809)
Acquisition of intangible assets		(742)	(524)
Interest received		10	12
Net cash used in investing activities		(3,513)	(6,321)
<b>Cashflow from financing activities</b>			
Dividends paid		(4,000)	(8,000)
Movement in short-term loans		(11,000)	3,000
Net cash used in financing activities		(15,000)	(5,000)
<b>Net movement in cash and cash equivalents</b>			
Cashflow from movement in borrowings		11,000	(3,000)
Movement in net funds		10,033	(3,526)
Net debt at start of year		(16,673)	(13,147)
Net debt at end of year	21	(6,640)	(16,673)

\*Please refer to Note 1: accounting policy 2.24.

The Notes on pages 44 to 83 form part of the Financial Statements.

## Royal Mint Trading Fund Statement of Cashflow

For the year end 31 March 2014

	Notes	2013-14 £'000	2012-13 £'000
<b>Cashflow from operating activities</b>			
Operating profit		–	–
Net Cashflow from operating activities		–	–
<b>Cashflow from investing activities</b>			
Dividends received from The Royal Mint Limited		4,000	8,000
Short-term loans		11,000	(3,000)
Net cash used in investing activities		15,000	5,000
<b>Cashflow from financing activities</b>			
Dividends paid		(4,000)	(8,000)
Short-term loans		(11,000)	3,000
Net cash used in financing activities		(15,000)	(5,000)
<b>Net movement in cash and cash equivalents</b>			
Cashflow from movement in borrowings		–	–
Movement in net funds		–	–
Net debt at start of year		–	–
Net debt at end of year	21	–	–

The Notes on pages 44 to 83 form part of the Accounts.

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# Notes to the Accounts

## Note 1

### PRINCIPAL ACCOUNTING POLICIES

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with the 2013-14 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 Trading Fund IAS19 “Employee Benefits” amended, was adopted in the year. The change in the Trading Fund’s accounting policy has principally been to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. See note 2.24 for the impact on the financial statements.

Other new and amended statements mandatory for the first time for the financial year beginning 1 April 2013 have had no material impact.

New statements, amendment and interpretations issued but not effective financial year beginning 1 April 2013.

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 financial statements. None of these is expected to have a significant effect on the financial statements of the Trading Fund except the following set out below:

##### IFRS9 “Financial Instruments”

This is a new accounting standard that introduces a new classification approach for financial assets and liabilities. The previous four categories for financial assets will be reduced to three, being fair value through profit and loss, fair value through other comprehensive income and amortised cost or fair value through profit and loss. This may result in additional gains or losses being recognised in the Income Statement or OCI.

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

The land and buildings valuation is also renewed 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	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 during 2013-14.

Other assets including bank notes, postage stamps, weights, balances and 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.

## 2.5 Intangible assets

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

## Note 1 continued

### 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.

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

- (i) financial assets at fair value through the consolidated 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.



## Note 1 continued

### 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.

### 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.

## Note 1 continued

### 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 cashflows, 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.

### 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.

## Note 1 continued

### 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 Trading Fund 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 asset. A pension asset is recognised to the extent that it is recoverable.

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 are recognised immediately in income.

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 Fund has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Pre-paid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (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 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.

## Note 1 continued

### 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 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.

### 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 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 Trading Fund has adequate resources to continue in operational existence for the foreseeable future. The Fund therefore continues to adopt the going-concern basis in preparing its Consolidated Financial Statements.

### 2.24 Prior year adjustment IAS 19 Revised Employee Benefits

The above revision to IAS19 is effective for organisations with a year end after 1 January 2014. IAS 19R requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset and the discount rate is determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on plan assets. The revised standard also enhances the disclosure requirements of such plans and the risks to which entities are exposed through participation in those plans, as set out in Note 17.

## Note 1 continued

A prior year adjustment has been made to adjust the 2013 comparatives as follows:

### Income Statement

	As previously reported £'000	Prior year adjustment £'000	As restated £'000
Revenue - Continuing	254,567	–	254,567
Cost of sales	(217,023)	–	(217,023)
Gross profit	37,544	–	37,544
Administrative expenses	(12,679)	42	(12,637)
Selling and distribution costs	(23,567)	–	(23,567)
Other (losses)-net	(1,924)	–	(1,924)
Operating (loss)	(626)	42	(584)
Finance income	156	(144)	12
Finance costs	(1,258)	–	(1,258)
Loss before tax	(1,728)	(102)	(1,830)
Tax credit for the year	300	–	300
Loss for the financial year	(1,428)	(102)	(1,530)
Loss attributable to: HM Treasury	(1,428)	(102)	(1,530)

### Consolidated Statement of Comprehensive Income

	As previously reported £'000	Prior year adjustment £'000	As restated £'000
Loss for the financial year	(1,428)	(102)	(1,530)
Other comprehensive income:			
Cash flow hedges	374	–	374
Remeasurement for defined benefit scheme net of tax	(1,079)	102	(977)
Deferred tax on actuarial loss on defined benefit scheme	259	–	259
Loss on land and buildings revaluation	(1,972)	–	(1,972)
Gain on Heritage Assets revaluation	4,745	–	4,745
Gain on plant and machinery revaluation	413	–	413
Total comprehensive income for the year	1,312	–	1,312

There has been no adjustment to the Statement of Financial Position.

## Note 1 continued

### Critical accounting estimates and assumptions and judgements in applying the accounting policies

The 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 assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Fund 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 Trading Fund 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.

## 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 present 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 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)	(1,107)	(4,694)
Operating profit / (loss)	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

#### Analysis by class of business 2012-13 (As restated\*\*)

	Circulating £'000	Commemorative* £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	76,589	177,978	254,567	–	254,567
Depreciation and amortisation	(3,288)	(441)	(3,729)	(1,107)	(4,836)
Operating profit / (loss)	478	11,567	12,045	(12,629)	(584)
Segment assets and liabilities:					
Non-current assets	33,622	29,943	63,565	5,208	68,773
Current assets	31,867	20,043	51,910	7,637	59,547
Current liabilities	(8,518)	(15,632)	(24,150)	(30,276)	(54,426)
Non-current liabilities	(665)	–	(665)	(468)	(1,133)
Net assets	56,306	34,354	90,660	(17,899)	72,761

The unallocated net liabilities comprise cash at bank and in hand, receivable and payable balances which are not specifically attributed to either segment. The allocation of non-current assets for 2013-14 has been refined to reflect a more accurate basis than was available in 2012-13.

\* Includes transactions, assets and liabilities of The Royal Mint Museum, notably heritage assets of £22.2m (2013: £21.1m).

\*\*Please refer to Note 1: accounting policy 2.24.

## Note 2 continued

### B. Geographical analysis of revenue

Revenue by destination is set out below:

	2013-14 £'000	2012-13 As restated* £'000
UK	126,369	113,212
Germany	37,241	21,278
Rest of Europe	38,061	47,694
United States of America	58,753	19,465
Rest of Americas	5,550	4,512
Asia	30,341	34,382
Africa	17,276	13,568
Rest of the World	1,351	456
	<b>314,942</b>	<b>254,567</b>

During 2013-14 revenue from two customers amounted to £44.9m and £37.7m (2012-13 one customer: £37.3m) which represented in excess of 10% of revenue.

\*The geographical analysis has been refined to provide additional country information. Consequently the 2012-13 comparative has been restated.

## Note 3

### EXPENSES BY NATURE

	2013-14 £'000	2012-13 £'000
Movement in Work in progress and Finished Goods Inventory (excluding metal)	9	4,039
Raw materials and consumables used	20,004	19,364
Metal costs of products sold	227,601	167,836
Hire of plant and machinery	356	341
Employee benefit expenses	36,951	36,053
Agency workers	2,804	1,258
Training	290	217
Travel and subsistence	1,090	1,234
Transportation expenses	2,038	2,078
Depreciation and amortisation charges	4,694	4,836
Loss on disposal	67	330
Professional fees and Consultancy	1,137	1,380
Plant and building maintenance	2,584	2,159
Research and development	59	128
Postage	896	823
Promotional expenses	2,980	5,656
Commission expenses	1,346	825
Auditors' remuneration		
Audit of these financial statements	20	20
Audit of subsidiaries	59	59
Non-audit fees – Tax services	25	–
Non-audit fees – Other	10	–
Other expenses	2,661	4,633
Total cost of sales, selling and distribution costs and administration expenses	<b>307,681</b>	<b>253,269</b>

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to a £225,000 gain (2012-13: £701,000 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 30 to 34.

#### Total staff costs

	£'000	2013-14 £'000	£'000	2012-13 £'000
<b>Wages and salaries</b>				
Staff with a permanent contract	27,465		25,733	
Other staff	554		1,645	
		28,019		27,378
<b>Social Security costs</b>				
Staff with a permanent contract	1,964		1,950	
Other staff	57		148	
		2,021		2,098
<b>Other pension costs</b>				
Staff with a permanent contract	6,880		6,505	
Other staff	31		72	
		6,911		6,577
		36,951		36,053

#### Average number employed

		2013-14		2012-13
<b>Production</b>				
Staff with a permanent contract	507		560	
Other staff	14		40	
		521		600
<b>Sales and Marketing</b>				
Staff with a permanent contract	128		121	
Other staff	7		14	
		135		135
<b>Administration</b>				
Staff with a permanent contract	134		116	
Other staff	11		10	
		145		126
		801		861

Staff costs above include a charge of £2,600,000 (2012-13: £nil) in relation to the employee profit share scheme and the management Short-Term Incentive Plan. Excluding these costs, as well as benefits in kind and pensions, the mean pay for the year was £32,000 (2012-13: £31,000) and the median was £30,000 (2012-13: £30,000).

## Note 5

### A) EXCEPTIONAL ITEMS

During 2012-13 60 employees left the Royal Mint through a voluntary release scheme.

### 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

	2013-14 £'000	2012-13 £'000
On loans repayable within five years	353	435
Precious metal consignment arrangement fees	557	799
Unwinding of discount on provision for early retirement (Note 15)	11	24
	921	1,258

### FINANCE INCOME

	2013-14 £'000	2012-13 (As restated*) £'000
Bank interest received	10	12
	10	12

\*Please refer to Note1: Accounting Policy 2.24.

## Note 7

### TAXATION

#### Analysis of tax charge in year

	2013-14 £'000	2012-13 £'000
UK corporation tax		
– Current year	–	–
– Prior year	–	(525)
Deferred tax:		
– Current year	1,414	(259)
– Prior year	(65)	484
Taxation charge / (credit)	1,349	(300)

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (23%) from:

	2013-14 £'000	2012-13 £'000
Profit / (Loss) before tax	5,841	(1,728)
Profit multiplied by the standard rate of corporation tax of 23% (2012-13: 24%)	1,343	(415)
Effects of:		
Trading Fund profit not being taxable	(93)	(123)
Expenses not deductible for tax purposes	189	271
Adjustments re: prior years	(66)	(41)
Reduction in tax rate for deferred tax provision	(24)	8
Tax charge / (credit) for year	1,349	(300)

A reduction in the rate from 26% to 24% (effective from April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further 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 Trading Fund's future current tax charge accordingly.

The effective tax rate for the year was 28% (2012-13: 12%) ignoring adjustments relating to prior years and the tax charge arising from the reduction in the rate at which deferred tax has been provided to 20%.

In addition to the amount credited to the Income Statement, a deferred tax credit relating to actuarial losses on defined benefit pension schemes of £266,000 (2012-13: £259,000 gain) has been credited directly to the Statement of Comprehensive Income.

#### Current tax (receivable) / liability

	2013-14 £'000	2012-13 £'000
UK corporation tax	–	(1,080)

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
<b>Valuation</b>					
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
<b>Depreciation</b>					
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
<b>Valuation</b>					
At 1 April 2012	–	19,297	7,462	88,811	115,570
Additions	–	–	4,758	–	4,758
Transfers	–	531	(8,495)	7,964	–
Disposals	–	–	–	(7,618)	(7,618)
Revaluation	–	(1,972)	–	909	(1,063)
Reclassification of assets	3,862	(3,862)	–	–	–
At 31 March 2013	3,862	13,994	3,725	90,066	111,647
<b>Depreciation</b>					
At 1 April 2012	–	2,033	–	66,078	68,111
Charge for year	–	565	–	3,771	4,336
Disposals	–	–	–	(7,291)	(7,291)
Revaluation	–	–	–	493	493
At 31 March 2013	–	2,598	–	63,051	65,649
Net book value at 31 March 2013	3,862	11,396	3,725	27,015	45,998

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

	2013-14 £'000	2012-13 £'000	2011-12 £'000
Cost			
At 1 April	21,060	16,211	5
Additions:			
At valuation	62	156	206
At purchase cost	10	13	–
Disposals	–	(65)	–
Revaluation	1,038	4,745	16,000
At 31 March	22,170	21,060	16,211
Net book value at 31 March	22,170	21,060	16,211
Net book value at 1 April	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 £22.2m. For the year 2014-15 valuations will be sought for the minting and scientific equipment, weights, balances, plaster models, paintings, engravings and sculptures.

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

## Note 9 continued

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

- Material relating to the working of the Royal Mint as an institution and a manufacturer. The equipment, including coinage tools dating back to the medieval period, is not represented in any other collection in Britain to the same scale and diversity.
- Material relating to coins, medals and seals produced by the Royal Mint. The collection of coins and medals reflects the practice of items coming into the collection direct from the factory and consequently contains large numbers of trial and experimental pieces that are not represented in any other museum either in 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 2013	457	3,448	3,905
Additions	742	–	742
Transfers	(265)	265	–
At 31 March 2014	934	3,713	4,647
Amortisation			
At 1 April 2013	–	2,190	2,190
Amortisation for year	–	696	696
At 31 March 2014	–	2,886	2,886
Net book value at 31 March 2014	934	827	1,761

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
Cost			
At 1 April 2012	846	3,644	4,490
Additions	381	–	381
Transfers	(770)	770	–
Disposals	–	(966)	(966)
At 31 March 2013	457	3,448	3,905
Amortisation			
At 1 April 2012	–	2,644	2,644
Amortisation for year	–	500	500
Disposal	–	(954)	(954)
At 31 March 2013	–	2,190	2,190
Net book value at 31 March 2013	457	1,258	1,715

## Note 11

### INVENTORIES

#### Consolidated

	2014 £'000	2013 £'000
Metal inventory	14,668	22,912
Work in progress (excluding metal)	4,672	4,188
Stores and packing materials	2,676	2,809
Finished goods	2,371	5,587
	24,387	35,496

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 £69.5 million at 31 March 2014 (2013: £100.5 million). Consignment fees under these arrangements are set out in note 6.

## Note 12

### TRADE AND OTHER RECEIVABLES

#### Consolidated

	2014 £'000	2013 £'000
Trade receivables	18,864	17,933
Less provision for impairment of receivables	(499)	(706)
VAT	1,586	1,930
Prepayments and accrued income	396	769
	20,347	19,926



## Note 12 continued

Included within the receivables are the following:

	2014 £'000	2013 £'000
Central Government bodies	2,759	2,855
Other Government bodies	3	3
Local Authorities	6	1
NHS Trusts	2	4
Public Corporations and Trading Funds	–	95
	2,770	2,958

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

	2014 £'000	2013 £'000
Pounds sterling	16,501	17,363
US Dollars	2,460	2,277
Euros	819	286
Polish Zloty	567	–
	20,347	19,926

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

Movement in provision for impairment in receivables:

	2014 £'000	2013 £'000
At 1 April	(706)	(608)
Utilised / (provided) in year	207	(98)
At 31 March	(499)	(706)

## Note 13

### SHORT-TERM BORROWINGS

#### Consolidated

	2014 £'000	2013 £'000
Short-term NLF loans	7,000	18,000
Bank overdraft	480	–
	7,480	18,000

## Note 14

### PAYABLES: amounts falling due within one year

	2014 £'000	Consolidated 2013 £'000	2014 £'000	Trading Fund 2013 £'000
Trade payables	12,004	10,379	–	–
Other payables	5,024	1,341	–	–
Payments received on account	6,970	16,173	–	–
Taxation and social security	714	723	–	–
Proposed dividend	4,000	4,000	4,000	4,000
Accruals and deferred income	1,407	1,375	–	–
	30,119	33,991	4,000	4,000

Included within the payables are the following:

Balances with other Government bodies not shown separately above:

	2014 £'000	2013 £'000
Other Central Government bodies	3,411	995
Public Corporations and Trading Funds	71	93
	3,482	1,088

## 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 2014 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 1.8%, 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 2013	468	665	1,133
Charge made in year	4	–	4
Unwinding of discount on provision	11	–	11
Utilised in year	(207)	(18)	(225)
At 31 March 2014	276	647	923

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

## Note 16

### DEFERRED TAXATION

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 20% (2013: 23%)

	2014 £'000	2013 £'000
Asset at 1 April	(919)	(885)
Movements on deferred tax were:		
Charged / (credited) to the Income Statement	1,349	225
Credited to Statement of Comprehensive Income	(266)	(259)
Asset at 31 March	164	(919)

Movements in deferred tax (assets) / liabilities were:

#### Deferred tax (assets) / liabilities

	Assets £'000	Liabilities £'000	2014 Net £'000	Assets £'000	Liabilities £'000	2013 Net £'000
Tax losses	(199)	–	(199)	(976)	–	(976)
Accelerated tax depreciation	–	1,066	1,066	–	716	716
Derivative instruments	–	80	80	(298)	–	(298)
Retirement benefit obligation	(497)	–	(497)	(111)	–	(111)
Other	(286)	–	(286)	(250)	–	(250)
Deferred tax (asset) / liability	(982)	1,146	164	(1,635)	716	(919)

	Tax losses £'000	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2013	(976)	716	(298)	(111)	(250)	(919)
(Credited) / charged to the Income Statement	777	350	378	(120)	(36)	1,349
Credit to Statement of Comprehensive Income	–	–	–	(266)	–	(266)
At 31 March 2014	(199)	1,066	80	(497)	(286)	164

	2014 £'000	2013 £'000
Deferred tax credited to Statement Comprehensive Income during the year was:		
Remeasurements for defined benefits schemes	(266)	(259)
	(266)	(259)

## Note 16 continued

### Analysis of deferred tax liability / (asset)

	2014 £'000	2013 £'000
Deferred tax liability over 12 months	1,146	–
Deferred tax (asset) after 12 months	(982)	–
Deferred tax (asset) within 12 months	–	(919)
	164	(919)

A reduction in the rate from 26% to 24% (effective from April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further 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 Trading Fund's future current tax charge accordingly.

The deferred tax at 31 March 2014 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 new employees via The Royal Mint Limited Group Personal Pension Plan. The related pension assets are held in trustee-administered funds separate from the company. The total cost charged to income of £231,000 (2012-13: £196,000) represents contributions payable to the scheme by The Royal Mint Limited at rates specified in the plan rules.

#### Defined-benefit scheme

The Royal Mint Limited operates a funded defined-benefit pension scheme for existing employees of the Civil Service Pension Scheme, and as part of the vesting process Royal Mint employees were given the option to transfer deferred benefits from the Civil Service Pension Scheme. The Royal Mint Limited Scheme (RMLS) operates via Prudential Platinum Pensions where participants can be in one of three schemes:

#### 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 company, 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.

## Note 17 continued

### Actuarial Valuation

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is in the process of being 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.

### Detail of valuation assumptions

An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2014 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2014 with allowance for future salary increases or future price inflation for members of the Platinum Nuvos scheme. The principal actuarial assumptions used were:

	2014	2013
Discount rate	4.44%	4.7%
Price inflation RPI	3.40%	3.35%
Price inflation CPI	2.70%	–
Pensionable salary increase	3.80%	3.75%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	3.40%	3.35%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.70%	3.35%
Increase to pensions in payment: benefits accrued before 01/02/2014	3.40%	3.35%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.70%	3.35%
Mortality assumption – pre-retirement	SAPS S1PxA CMI 2012(1%)	PNMA00 1%
Mortality assumption – male post retirement	SAPS S1PMA CMI 2012_M(1%)	PNFA00 1%
Mortality assumption – female post retirement	SAPS S1PFA CMI 2012_F(1%)0.0%	PNFA00 1%
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	87.5	87.7
Female aged 65 at year end	89.7	90.1
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	89.2	89.6
Female aged 45 at year end	91.5	92.0

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

### Amounts recognised in the Statement of Financial Position

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of plan assets	37,134	29,228	19,560	11,468	4,613
Present value of plan liabilities	(39,619)	(29,580)	(19,331)	(10,906)	(4,434)
Net defined benefit (liability) / asset	(2,485)	(352)	229	562	179

## Note 17 continued

### Amounts recognised in the Consolidated Statement of Comprehensive Income

	2014 £'000	2013 As restated* £'000
Service Cost:		
Current service cost (net of employees contributions)	6,650	5,870
Administration expenses	78	85
Net Interest expense / (income)	25	(42)
Adjustment for Nuvos Bulk Transfer Value	–	151
Amounts charged to the Income Statement	6,753	6,064
Re-measurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	(336)	(2,378)
Loss arising from changes in financial assumptions	3,221	3,355
Gain arising from changes in demographic assumptions	(1,798)	–
Experience loss	582	–
Charge recorded in other comprehensive income	1,669	977
Total defined benefit cost	8,422	7,041

\*Please refer to Note 1: accounting policy 2.24

### Changes in the present value of net (liability) / asset over the year:

	2014 £'000	2013 £'000
Fair value of net (liability) / asset at beginning of year	(352)	229
Movements in year:		
Employer contributions	6,289	6,460
Administration expenses	(78)	(85)
Transfer benefits from Civil Service Scheme	–	(65)
Current service cost	(6,650)	(5,870)
Interest cost (2013 restated*)	(25)	–
Interest income	–	42
Transfer value from Civil Service Scheme	–	(86)
Re-measurement (gains) / losses (2013 restated*):		
Actuarial gains and losses arising from changes in financial assumptions	(3,221)	(3,355)
Actuarial gains and losses arising from changes in demographic assumptions	1,798	–
Return on scheme assets (excluding amounts included in interest expense)	336	2,378
Other experience items	(582)	–
Net Scheme liabilities at end of year	(2,485)	(352)

## Note 17 continued

### Changes in the present value of assets over the year:

	2014 £'000	2013 £'000
Fair value of assets at beginning of year	29,228	19,560
Movements in year:		
Return on scheme assets (excluding amounts included in interest expense)	336	2,378
Interest income	1,518	1,066
Employer contributions	6,289	6,460
Employee contributions	438	462
Benefits paid	(597)	(548)
Administration expenses	(78)	(85)
Transfer benefits from Civil Service Scheme	–	(65)
Scheme assets at end of year	37,134	29,228

Actual return on assets over the year £1,854,000 (2012-13: £3,444,000)

### Changes in the present value of liabilities over the year:

	2014 £'000	2013 £'000
Scheme liabilities at beginning of year	29,580	19,331
Movement in year:		
Current service cost	6,650	5,871
Interest cost (2013 restated*)	1,543	1,024
Transfer value from Civil Service Scheme	–	86
Employee contributions	438	462
Re-measurement (gains) / losses (2013 restated*):		
Actuarial gains and losses arising from changes in financial assumptions	3,221	3,355
Actuarial gains and losses arising from changes in demographic assumptions	(1,798)	–
Other experience items	582	–
Benefits paid	(597)	(548)
Scheme liabilities at end of year	39,619	29,580

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

	2014 £'000	2013 £'000
Active members	35,950	28,637
Deferred pensioners	2,446	703
Pensions in payment	1,223	240
	39,619	29,580
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:

	2014 £'000	2013 (As restated*) £'000
<b>Return seeking</b>		
UK Equities	9,840	7,570
Overseas Equities	9,839	7,570
Diversified Growth Fund	9,034	7,088
	28,713	22,228
<b>Debt instruments</b>		
Corporates	4,144	3,338
Gilts	–	–
Index Linked	4,277	3,662
	8,421	7,000
<b>Total market value of assets</b>	37,134	29,228

\*Please refer to Note 1: Accounting Policy 2.24.

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

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

The Company expects to contribute £6,497,000 to the scheme during year ending 31 March 2015.

### 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 £1,067,000 (increase by £1,108,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £1,164,000 (decrease by £1,122,000). 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 increase by £345,000 (decrease by £338,000). The other assumptions remain unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £1,306,000 (decrease by £1,264,000) if all the other assumptions remained unchanged.

The overall expected return on RMLS assets has been assessed with reference to the distribution of assets underlying the policy. Each asset class return is based on the long-term expected rate of return on that class. The overall expected return is a weighted average of the returns for all asset classes.



## Note 18

### CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Commitments in respect of contracts – Tangible Assets	1,002	350
Commitments in respect of contracts – Intangible Assets	102	124
	1,104	474

## Note 19

### OPERATING LEASE COMMITMENTS

	2014 £'000	2013 £'000
Operating lease rentals due on leases expiring:		
Less than one year	115	100
Between one and five years	1,573	–
Over five years	608	42
	2,296	142

## 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 Financial 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 Financial 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 are considered to be members of the Executive Management Team of The Royal Mint Limited. Remuneration of key management staff is set out in the table below:

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	1,079	962
Post-employment benefits	193	185
	1,272	1,147

## Note 21

### ANALYSIS OF NET DEBT

#### Consolidated

	At 1 April 2013 £'000	Cashflow £'000	At 31 March 2014 £'000
The Royal Mint Museum: Cash at bank and in hand	248	592	840
The Royal Mint Limited: Cash at bank and in hand / Bank overdraft	1,079	(1,559)	(480)
Short term loan due within one year	(18,000)	11,000	(7,000)
	(16,673)	10,033	(6,640)

### ANALYSIS OF NET DEBT

#### Trading Fund

	At 1 April 2013 £'000	Cashflow £'000	At 31 March 2014 £'000
Cash at bank and in hand	–	–	–
	–	–	–

## Note 22

### OTHER GAINS / (LOSSES) – NET

	2014 £'000	2013 £'000
Foreign exchange loss	(115)	(549)
Foreign exchange forward contracts	1,278	(666)
Ineffectiveness of commodity hedges	(1,672)	(709)
	(509)	(1,924)

## Note 23

### FINANCIAL INSTRUMENTS

#### Derivative asset

	2014 £'000	2013 £'000
Foreign currency fair value	695	51
Commodity fair value	67	27
Precious metal fair value	–	5
	762	83

#### Derivative liability

	2014 £'000	2013 £'000
Foreign currency fair value	52	1,145
Commodity fair value	276	138
Precious metal fair value	96	84
	424	1,367

#### Financial risk management

The main risk exposures arising from the Royal Mint Trading Fund's activities are currency risk, commodity price risk, interest price risk, credit risk and liquidity risk. These risks arise in the normal course of business and are managed by the Finance section through a combination of derivative and other financial instruments. The risk management programme seeks to limit the adverse effects on financial performance.

#### Currency risk

The Royal Mint Trading Fund publishes its financial statements in sterling and conducts business internationally resulting in exposure to foreign currency risk, primarily with respect to the Euro and US Dollar. The Royal Mint Trading Fund's risk management policy is to enter into forward contracts for all of the anticipated foreign currency cash-flows (mainly in relation to sales contracts), where the future settlement date is the forecast payment date. Hedge accounting is not followed for foreign currency forward contracts.

	Contract amount 2014 £'000	Average forward rate	Fair value 2014 £'000	Contract amount 2013 £'000	Average forward rate	Fair value 2013 £'000
Forward contract – sell £ / buy EUR						
Maturing in less than 1 year	360	1.2050	(1)	127	1.2182	4
	360		(1)	127		4
Forward contract – sell £ / buy USD						
Maturing in less than 1 year	1,607	1.6445	(21)	3,973	1.5077	(26)
	1,607		(21)	3,973		(26)
Forward contract – buy £ / sell USD						
Maturing in less than 1 year	15,102	1.5963	628	19,354	1.5947	(987)
Maturing in more than 1 year	665	1.6408	7	–	–	–
	15,767		635	19,354		(987)
Forward contract – buy £ / sell PLN						
Maturing in less than 1 year	3,184	5.0786	22	–	–	–
Maturing in more than 1 year	7,223	5.2265	(19)	–	–	–
	10,407		3	–		–
Forward contract – buy £ / sell EUR						
Maturing in less than 1 year	1,279	1.1831	27	1,953	1.2314	(85)
	1,279		27	1,953		(85)

## Note 23 continued

### Sensitivity analysis

The movements shown below largely result from foreign exchange gains/losses on translation of US Dollar / Euro denominated trade payables and receivables. The first table below shows the impact 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 2014	Effect on net earnings of a 10% decrease 2014 £'000	Closing exchange rate 2013	Effect on net earnings of a 10% decrease 2013 £'000
Euro	1.2096	74	1.1825	29
US Dollar	1.6672	164	1.5114	248
Polish Zloty	5.0372	13	–	–
New Zealand Dollars	–	–	1.4411	37
		251		314

	Closing exchange rate 2014	Effect on net earnings of a 10% increase 2014 £'000	Closing exchange rate 2013	Effect on net earnings of a 10% increase 2013 £'000
Euro	1.2096	(61)	1.1825	(24)
US Dollar	1.6672	(134)	1.5114	(203)
Polish Zloty	5.0372	(10)	–	–
New Zealand Dollars	–	–	1.4411	(30)
		(205)		(257)

### 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:

## Note 23 continued

	Tonnes 2014	Value at average price 2014 £'000	Fair value 2014 £'000	Tonnes 2013	Value at average price 2013 £'000	Fair value 2013 £'000
Cashflow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	250	1,125	(127)	175	950	(55)
Maturing in more than 1 year	50	227	(27)	–	–	–
	300		(154)	175		(55)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	72	735	(53)	294	3,303	(55)
	72		(53)	294		(55)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	50	62	(1)	25	32	(1)
Maturing in more than 1 year	25	32	(1)	–	–	–
	75		(2)	25		(1)

### 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 2014 £	Effect on net earnings of a 10% decrease 2014 £'000	Effect on equity of a 10% decrease 2014 £'000	Closing price / tonne 2013 £	Effect on net earnings of a 10% decrease 2013 £'000	Effect on equity of a 10% decrease 2013 £'000
Copper	3,986	(18)	(102)	5,009	(72)	(18)
Nickel	9,449	(5)	(63)	10,925	(224)	(101)
Zinc	1,189	(3)	(6)	1,236	(3)	–
		(26)	(171)		(299)	(119)

	Closing price / tonne 2014 £	Effect on net earnings of a 10% increase 2014 £'000	Effect on equity of a 10% increase 2014 £'000	Closing price / tonne 2013 £	Effect on net earnings of a 10% increase 2013 £'000	Effect on equity of a 10% increase 2013 £'000
Copper	3,986	18	102	5,009	71	19
Nickel	9,449	5	63	10,925	217	108
Zinc	1,189	3	7	1,236	3	–
		26	172		291	127

\*The comparative per tonne information has been corrected to closing price rather than average price per tonne as previously disclosed.

## Note 23 continued

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 2014	Value at average price 2014 £'000	Fair value 2014 £'000	Ozs 2013	Value at average price 2013 £'000	Fair value 2013 £'000
Gold forwards – GBP denominated contracts: Maturing in less than 1 year	1,195	993	(72)	2,855	3,018	(15)
	1,195	993	(72)	2,855	3,018	(15)
Silver forwards – GBP denominated contracts: Maturing in less than 1 year	23,016	297	(24)	125,910	2,422	(64)
	23,016	297	(24)	125,910	2,422	(64)
Platinum forwards – GBP denominated contracts: Maturing in less than 1 year	–	–	–	11	12	–
	–	–	–	11	12	–

## 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.

	Effect on net earnings of a 10% decrease		Effect on net earnings of a 10% decrease	
	Closing price 2014 £ / oz	2014 £'000	Closing price 2013 £ / oz	2013 £'000
Gold	776	(92)	1,054	(300)
Silver	12	(27)	19	(236)
Platinum	852	–	1,040	(1)
		(119)		(537)

	Effect on net earnings of a 10% increase		Effect on net earnings of a 10% increase	
	Closing price 2014 £ / oz	2014 £'000	Closing price 2013 £ / oz	2013 £'000
Gold	776	92	1,054	300
Silver	12	27	19	236
Platinum	852	–	1,040	1
		119		537

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

	Effect on net earnings of a 10% change		Effect on net earnings of a 10% change	
	Closing price 2014 £ / oz	2014 £'000	Closing price 2013 £ / oz	2013 £'000
Gold	776	40	1,054	62
Silver	12	19	19	18
Platinum	852	–	1,040	–
		59		80

## 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:

	2014 £'000	Effect on net earnings of a 10% change 2014 £'000	2013 £'000	Effect on net earnings of a 10% change 2013 £'000
Short-term NLF loans	7,000	14	18,000	38

### 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:				
2014	886	—	66	110
2013	2	—	36	125



## 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:				
2014	43	26	48	44
2013	69	64	5	141

### Commemorative Coin direct 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:			
2014	54	9	432
2013	101	44	523

### Counter-party risk

The Royal Mint Limited purchases and sells derivative financial instruments from / to Aa 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 £20.3m (2013: £19.9m). 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 IFRS7

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

- 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 £7m was drawn down at 31 March 2014. 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 period at 31 March to the contractual maturity date.

#### 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 and charges	662	220	41	–

#### At 31 March 2013

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	18,000	–	–	–
Derivative financial instruments	1,367	–	–	–
Trade and other payables	33,991	–	–	–
Provision for liabilities and charges	884	210	39	–

### 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 2014 £'000	Fair value 2014 £'000	Carrying value 2013 £'000	Fair value 2013 £'000
<b>Financial assets:</b>				
Loans and receivables	20,347	20,347	19,926	19,926
Derivatives used for hedging	67	67	27	27
Derivatives at fair value through profit and loss	695	695	56	56
<b>Financial liabilities:</b>				
Loans and payables	37,119	37,119	51,991	51,991
Derivatives used for hedging	276	276	138	138
Derivatives at fair value through profit and loss	148	148	1,229	1,229

## Note 24

### INVESTMENTS IN SUBSIDIARIES

	2014 £'000	2013 £'000
Cost at 31 March	59,319	59,319

	Ownership
<b>Subsidiaries</b>	
The Royal Mint Limited	100%
The Royal Mint Museum	100%

	2014 £'000	2013 £'000
<b>Capital and reserves:</b>		
The Royal Mint Limited	55,102	55,938
The Royal Mint Museum	1,703	1,710

	2013-14 £'000	2012-13 £'000
<b>Profit / (Loss) for the year:</b>		
The Royal Mint Limited	4,320	(2,011)
The Royal Mint Museum	(7)	578

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 (2012-13: £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**

There have been no changes to the Accounts between the date when the Accounting Officer signed the Accounts and the date the Accounts were authorised to be issued on 13 June 2014.



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