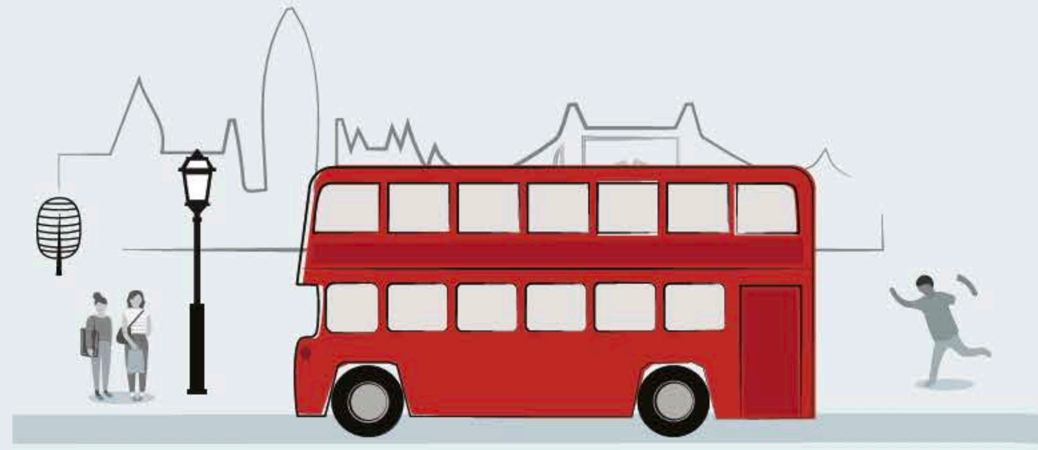
The Royal Mint | Established *for* Tomorrow®



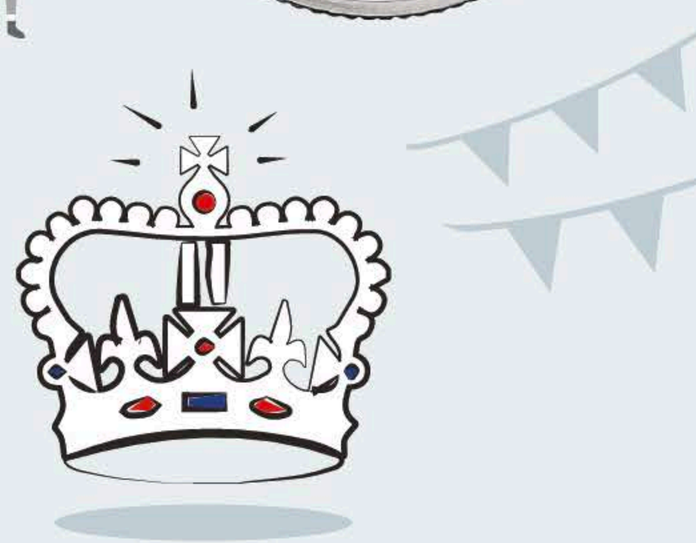
To the *Houses of Parliament* to join the debate,
London is at the heart of what makes Britain so great!

H

I

The next stop on our journey is a day by the coast,
With *Ice Cream* for everyone and sunshine for most.

J



A *Jubilee* party brings the nation together,
There'll be dancing in the street, whatever the weather.

The Royal Mint Limited

Consolidated Annual Report 2017–18

The Royal Mint

Established *for* Tomorrow®

The Royal Mint Limited

Consolidated Annual Report for the year ended 31 March 2018

Company registration number: 6964873

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of Mosaic Print Management

The Royal Mint Limited
Annual Report 2017–18

Directors

Peter Warry*
Chairman

Anne Jessopp
Chief Executive

Andrew Mills
Director of Circulating Coin

David Morgan*

Amanda Rendle*

Michael Clayforth-Carr*

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

*Non-Executive Directors

Company Secretary
Christopher Inson

Executive Management Team

Anne Jessopp
Chief Executive

Andrew Mills
Director of Circulating Coin

Chris Howard
Director of Bullion

Nicola Howell
Director of Consumer Business

Leighton John
Director of Operations

Martin McDade
Director of Finance

Sarah Bradley
Director of HR and SHE

External auditors
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Internal auditor
KPMG LLP

Company registration number: 6964873
Registered office: The Royal Mint Limited, Llantrisant CF72 8YT
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Website: royalmint.com

Accreditations

ISO 9001 – Quality Management
ISO 9001 is a certified Quality Management System (QMS) for organisations who have proven their ability to consistently provide products and services that meet the needs of their customers and other relevant stakeholders.

ISO 14001 – Environmental Management
The principal management system standard which specifies the requirements for the formulation and maintenance of an Environmental Management System.

ISO 15001 – Energy Management
The standard specifies the requirements for establishing, implementing, maintaining and improving an energy management system.

SA 8000
SA 8000 is an auditable certification standard that encourages organisations to develop, maintain, and apply socially acceptable practices in the workplace.

Memberships

LBMA
The London Bullion Metals Association is an international trade association, representing the London market for gold and silver bullion.

LPPM
The London Platinum and Palladium Market is a trade association that acts as the co-ordinator for activities conducted on behalf of its members and other participants in the London market.

Contents

Chairman's Statement

It has been a mixed year for The Royal Mint with many successes but also some setbacks. This is reflected in the overall results for the year which show a Group operating profit before exceptional items and IAS 39 adjustments of £6.5 million (2016–17: £14.4 million).

In the Circulating Coin part of our business, we successfully struck and delivered 1.0 billion new £1 coins, meeting our target of 1.5 billion over 18 months, and recovered over 1.3 billion old £1 coins (12,000 tonnes) for recycling. However, over the reporting period it became clear there was a significant surplus of coins in the cash centres. This was partly due to the public emptying their money jars of all coins when the new £1 coin was launched, and partly due to the adoption of contactless payment methods, a trend that most developed countries are experiencing. The combination of these factors meant that unfortunately there was little requirement for The Royal Mint to strike any new UK coins in the second half of the reporting year. This had an impact on our financial performance and forecasts indicate there will also be limited demand for new UK coins in the next financial year too.

What further impact the growing adoption of contactless payment will have on The Royal Mint is difficult to predict. The demand for coins has previously fluctuated with economic growth but with the adoption of new technologies and contactless payment taking an increasing share of any growth, it is unlikely the long-term demand for coins will be anywhere near the level of previous years.

It is pleasing to announce that our Consumer Division has had another extremely successful year. Driven by a number of new product launches, the Division is now responsible for 69% of our Contribution before Central Costs.

The Consumer Division has continued to diversify and this year launched a product offering in the historic coin market. However, there are challenges ahead. The reduced demand for circulating coins will inevitably curtail the opportunity to develop new products. However, that said, expectations are still high that the Division will continue to innovate and offset the reductions in Circulating Coin. In the face of a global reduction in demand, our Bullion Division has experienced some challenges in meeting their growth targets. Nevertheless, I was pleased that the team continued to develop new sales platforms and products which I am confident will form the basis for future growth.

The Bullion Division was a wholly new operation created by The Royal Mint as part of our strategy to extend our portfolio of businesses. Over the last few years, the Division has also been working on the development of a digital gold product, RMG®, which was due to launch this spring. Sadly, due to market conditions this did not prove possible at this time, but we will revisit this if and when market conditions are right.

Last autumn, Adam Lawrence who had been Chief Executive of The Royal Mint since 2011, decided to take up a new opportunity and we were sorry to lose him. After an open recruitment process, we were delighted to appoint Anne Jessopp, who had previously led our Consumer Division, as our first female Chief Executive and Deputy Master.

In this light, it is pleasing to report that The Royal Mint has a positive 22.9% average pay gap in favour of women. This is primarily due to the gender mix in the different parts of our business and we will always strive to pay both male and female staff equally for similar work. However, it is worth noting that we have broadly an equal balance of men and women on the Board and Executive Team and wider Senior Management Team which augers well for the sustainability of gender diversity into the future.

Finally, as this will be my last Chairman's Report before I stand down at the end of the calendar year, I would like to thank everyone at The Royal Mint for their contribution and support over the last five years. I wish the business well for the next five years which are clearly going to be harder, but I leave knowing the business will adapt to the changes ahead.

Peter Warry
Chairman

We successfully struck and delivered 1.0 billion new £1 coins, meeting our target of 1.5 billion over 18 months, and recovered over 1.3 billion old £1 coins for recycling (12,000 tonnes).

Chief Executive's Report

This is my first report since taking up the role of Chief Executive and I feel privileged to have been appointed to lead such a world-renowned, unique British organisation. The Royal Mint has an impressive history of over 1,100 years and its longevity is due to its ability to adapt as society changes. This was never truer than today, as we reinterpret The Royal Mint for the twenty-first century, building on our capabilities and the values of trust and authenticity that have been at the heart of the organisation throughout our history.

For the fifth year in a row we have exceeded all of our Ministerial targets. Whilst overall revenue has decreased driven by the changes in the Circulating and Bullion markets, we report a Company operating profit of £11.5 million (before exceptional items, IAS 39 adjustments and the pre-launch costs relating to RMG) (2016–17: £16.0 million). Our Group consolidated operating profit before exceptional items and IAS 39 adjustments and after the pre-launch costs of RMG was £6.5 million (2016–17: £14.4 million) and our return on capital employed also remained well above our 10% Ministerial target at 13.5%, measured on a three-year rolling average basis, despite the challenging markets.

It has been widely reported in the media about changes in the way we use money, the adoption of contactless technology and increase in digital transactions. This is not unique to the UK and it has resulted in challenges for our Circulating Coin business who are reporting a contribution to operating profit of £5.7m (before exceptional items and IAS 39 adjustments) which is a reduction of 59% on the previous year.

There is no doubt that the launch of the new £1 coin was a highlight of the year and a resounding success. Our staff deserve credit not only for the launch itself but also for the way we reclaimed over 12,000 tonnes of the old £1 coinage from circulation. We received plaudits from across the business spectrum for the design of the new coin, cutting-edge security features and the communications surrounding the launch.

The impact of the call for the public to return their old pounds resulted in people emptying their coin stores of all denominations and this caused an excess supply of coins in the cash centres. This has had a significant impact on company performance as UK coin sales fell in the second half having a £9 million adverse impact on the result which was the main reason for the decrease in contribution. In addition, the overseas circulating market is extremely challenging as competitors have excess capacity which is resulting in extremely competitive pricing. These changes have meant restructuring our Circulating Coin Division and we report exceptional costs of £5.4 million relating to the impairment of certain assets no longer required and the costs of staff leaving under our release scheme.

Whilst the Circulating Coin Division has been at the heart of The Royal Mint through its history, I am pleased to report that we are successfully developing a portfolio of complementary businesses. I am delighted to report that our Bullion and Consumer divisions have grown from a joint contribution of £9 million three years ago to in excess of £20 million for the year ended 31 March 2018.

The Consumer Division had an outstanding year, breaking all performance records and increasing their contribution to operating profit by 42% to £17.9 million (before exceptional items and IAS 39 adjustments). Creative innovation using iconic British imagery has continued this year, with the Great British Coin Hunt, Beatrix Potter range and RAF Centenary coins to name but a few. This year has seen a number of royal milestones for the United Kingdom, and our commemorative coins have been a key part of telling the story.

the Great British

COIN HUNT

Quintessentially British

 to 

Company operating profit of £11.5 million

Reclaimed over 12,000 tonnes of the old £1 coin

Whilst overall revenue has decreased driven by the changes in the Circulating and Bullion markets, we report a Company operating profit of £11.5million.

Creative innovation using iconic British imagery has continued this year, with the Great British Coin Hunt, Beatrix Potter range and RAF Centenary.

There is no doubt that the launch of the new £1 coin was a highlight of the year and a resounding success. We reclaimed over 12,000 tonnes of the old £1 coinage from circulation.

Our new business area of Collector Services continues to exceed expectations. This area of business will no doubt have more prominence in future reports as we increase the profile of our authentication, valuation and secure storage services.

The Royal Mint Experience goes from strength to strength. This year, I was pleased to host His Royal Highness The Prince of Wales at the Experience as well as a host of other dignitaries, all of whom have been keen to see this exciting addition to our portfolio.

As noted above Bullion is an important business within our portfolio and the business delivered a contribution to operating profit of £2.4 million (before exceptional items and IAS 39 adjustments). Whilst this was a reduction on the prior year we were faced with a worldwide slump in Bullion markets and despite this we actually increased our market share. Whilst it is regrettable that we have had to delay the launch of Royal Mint Gold (RMG), The Royal Mint name is synonymous with precious metals and digital precious metals remain a key aspect of our strategy going forward.

We have now completed the upgrade of our IT systems replacing multiple systems with one new ERP system. As is normal with any systems changes there have been challenges however we are now moving forward with an improved platform for future operations.

I would like to thank our staff, shareholder, suppliers, the local community and our customers for their support this year. It is through the goodwill, hard work and passion of everyone that The Royal Mint continues to be successful and tackles any challenge.

My final thanks go to our Chairman Peter Warry, for the support he has offered to me personally and The Royal Mint during his tenure. Peter is due to leave us later in the year and on behalf of The Royal Mint and its staff, I would like to wish him the very best for the future.

The past year has seen market changes on a number of fronts. It has been a challenging year in some aspects of the business, but as we end this financial year, I am extremely optimistic about the future ahead.

Anne Jessopp
Chief Executive

On 11 July 2017, local schoolchildren and Royal Mint employees welcomed His Royal Highness The Prince of Wales to The Royal Mint Experience.

Strategic Report

Activities and structure

Her Majesty's Treasury ('HM Treasury') owns 100% of the shares of The Royal Mint Limited through an Executive Agency, the Royal Mint Trading Fund. The Royal Mint Limited owns 100% of RM Assets Limited, RM Experience Limited and RM Wynt Limited and has a 23.7% interest in Sovereign Rarities Limited. The Annual Report and accounts are therefore presented as the consolidated group of The Royal Mint Limited. Throughout the report The Royal Mint refers to the individual company activities of The Royal Mint Limited and The Royal Mint Group refers to the combined results and activities of The Royal Mint Limited and its subsidiary companies and share of associate.

The manufacture, marketing and distribution activities of The Royal Mint Limited are predominantly based at one site in Llantrisant, South Wales.

Financial performance

The Royal Mint Group generated an operating profit before exceptional items and IAS 39 adjustments of £6.5 million (2016–17: £14.4 million). The Group ROACE (Return on Average Capital Employed) was 6.8% (2016–17: 15.8%) for the year ended 31 March 2018. From 2016–17, the Ministerial target in relation to ROACE has been measured on a three-year, rolling average basis. This resulted in a ROACE of 13.5% for the three-year period ended on 31 March 2018 (three-year period ended 31 March 2017: 16.9%) which is in excess of the 10% target.

The Royal Mint Limited

The Royal Mint Limited remains organised along three main channels of business: Circulating Coin, Consumer and Bullion.

Overall revenue decreased by 18% to £415.9 million (2016–17: £506.4m) as a result of reductions in revenue in Circulating Coin and Bullion. However, this was partly offset by increased Consumer revenue.

Operating profit before adjusting for the impact of IAS 39-related items and exceptional items (note 5) decreased by 28% to £11.5 million (2016–17: £16.0 million).

The performance of the individual businesses is discussed in more detail on the following pages.

This year there have been cash inflows from operating activities totalling £9.2 million (2016–17: inflow of £26.2 million).

Capital expenditure of £5.3 million (2016–17: £8.9 million) reflected our continued investment in the future, mainly across the following areas:

- the refurbishment and replacement of critical pieces of Circulating Coin and Consumer equipment; and
- continued development in One Business System to replace current IT systems.

RM Experience Limited

On 8 September 2017, RM Experience Limited ('RME') was formed as a wholly-owned subsidiary of The Royal Mint Limited. Its purpose is to operate The Royal Mint Experience visitor attraction which was previously outsourced to an external party. RME began trading in November 2017 and made a small profit in the period to 31 March 2018. This profit represents an operator charge to The Royal Mint Limited and is eliminated on consolidation.

RM Wynt Limited

On 4 July 2017, The Royal Mint Limited formed a wholly-owned subsidiary as the vehicle to construct a wind turbine which will provide energy to The Royal Mint. The wind turbine was being constructed during the year and therefore the entity only incurred construction costs and interest on funding during the period. The turbine is expected to be operational during summer 2018.

Sovereign Rarities Limited

On 1 June 2017, The Royal Mint purchased a 23.7% share in Sovereign Rarities Limited, a historic coin dealership based in London, in order to grow its historic coin business. Since acquisition, Sovereign Rarities has made a profit of £0.3 million of which The Royal Mint has included a 23.7% share in its Income Statement.

RM Assets Limited

RM Assets Limited has not traded during the year ended 31 March 2018 but has incurred costs of £5.0 million (2016–17: £1.6 million) which are included in the consolidated results.

Consolidated financial position

Net assets decreased by £3.2 million to £62.6 million. The decrease in net assets has resulted from generating a profit after tax of £0.6 million, a loss in the hedging reserve (£(0.2) million), a reduction in the pension deficit net of deferred tax of £0.4 million, and payment of a dividend (£4.0 million) relating to 2016–17 performance.

The Royal Mint Group financial results summary

	2017–18 £m	2016–17 £m
REVENUE		
Circulating Coin		
UK	61.2	81.8
Overseas	53.9	42.6
Total Circulating Coin	115.1	124.4
Consumer	73.8	64.6
Bullion	227.0	317.4
Total	415.9	506.4
OPERATING PROFIT		
Circulating Coin	5.7	14.0
Consumer	17.9	12.6
Bullion	2.4	4.6
Central overheads	(14.5)	(15.2)
Total Royal Mint Limited	11.5	16.0
RM Assets Limited	(5.0)	(1.6)
Operating profit before IAS 39-related adjustments and exceptional items	6.5	14.4
IAS 39 related adjustments (note 5)	2.2	0.8
Exceptional items (note 5)	(5.7)	(0.2)
Operating profit	3.0	15.0
Sovereign Rarities Limited	0.1	–
Net finance cost	(0.6)	(0.6)
Profit before tax	2.5	14.4

Circulating Coin

Principal activities

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

Objectives and strategies

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

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

- create a sustainable, profitable business in a rapidly changing market;
- successfully leverage our High Security Feature technology into the global market, helping us to challenge the coin/banknote boundary and increase the size of the high-value coin market;
- be the global voice and authority on coin security;
- develop our brand and reputation as the world's leading exporting mint;
- continue to innovate and develop unique and attractive products and services;
- increase operational flexibility and efficiency to be able to reduce customer lead times;
- increase operating efficiency to deliver on time in full; and
- continue to enhance The Royal Mint's competitive position through the development of market-led products and services.

Performance

Sales in Circulating Coin decreased to £115.1 million (2016–17: £124.4 million) and the business delivered a contribution to operating profit of £5.7 million (before exceptional items and IAS 39 adjustments) (2016–17: £14.0 million).

Over the reporting period, The Royal Mint issued 1,118 million coins (2016–17: 1,345 million, 2015–16: 2,007 million) to UK cash centres. Overseas deliveries of coins and blanks amounted to 2.2 billion pieces in 31 countries across all five continents (2016–17: 2.4 billion pieces in 34 countries).

In the past year, significant events in both the UK and overseas markets have had a material effect on our business and will frame our strategy going forward. Globally, demand for circulating coin remains volatile with some countries in northern Europe having very little new coin demand as their economies embrace cashless alternatives. However, by contrast, demand in some Southeast Asian countries has been very high. As more mints experience low domestic demand, the competition for overseas contracts has intensified. There has been considerable price pressure as competitors strive to fill their order books resulting in pressure on margins of overseas contracts. The combination of low UK demand and an evolving overseas market is making us examine all facets of the Circulating Coin business, to ensure that it remains sustainable into the future.

The roll-out of the new UK £1 coin has continued successfully with plaudits for its security and design being received from far and wide. We have now despatched over 1 billion. We were extremely pleased to win 'Best New Circulating Coin' at the International Association of Currency Affairs (IACA) Awards. In addition, our communications campaign 'New Quid on the Block', won Best Public Sector Campaign at the 2017 PR Week Awards. These two high-profile awards illustrate the excellent industry recognition we have received since the launch of the coin.

An important survey was also conducted in April 2017 to test the public's reaction to the new coin. Results were very positive with 97% of the people surveyed aware of its launch and 94% approving the design.

On Sunday 15 October 2017, we finally said goodbye to the round £1 coin whose legal tender status was removed. Over 2,000 pieces of national and regional coverage were recorded demonstrating the public's interest in the change. More than 1.3 billion of the estimated 1.7 billion coins in circulation have been returned by the public. HM Treasury and The Royal Mint also joined in a high-profile partnership with BBC Children in Need to donate any remaining round £1 coins to the charity.

The High Security Feature has now been incorporated into two overseas coin denominations and we are in advanced discussions for this feature to be included in a number of other coins in the year ahead. Amongst the many successes, there are a few contracts worthy of mention. We secured the largest contract in recent history from the Treasury Department of Thailand to produce 2.1 billion one baht coins. We also secured a contract with Armenia to produce their 10 and 100 dram coins, the first time we have ever supplied the country. We continue to delight our customers and were pleased to receive recognition from the Central Bank of Mauritius for our commemorative coin to recognise the 50th Anniversary of Independence. The Governor of the Central Bank credited us as having played a major role in the country's celebrations.

In May 2017, The Currency Conference was held in Kuala Lumpur. The Currency Conference brings together key officials in central banks and monetary authorities, printing works, and leading industry suppliers to the industry from around the world. With over 70 central banks attending, it was an excellent opportunity to showcase the new UK £1 coin. Our pre-event Coin Management Workshop was attended by 30 delegates and provided us with a platform to position The Royal Mint as the voice of coin security. Our display area at the Conference won the award for 'Best Booth' as voted by attendees.

Our annual Coin Management Training Programme took place in July 2017, the seventh time we have hosted this event. The programme offers delegates the chance to immerse themselves in all aspects of coin production and feedback continues to be positive. In addition to offering an excellent opportunity for us to share our knowledge and experience, the networking opportunities with potential and future customers should not be underestimated. 19 delegates from 10 different countries attended this year's programme, providing us with a host of new contacts within their respective countries.

We receive many overseas visits and this year was no exception. In September, the Egyptian Mint Authority spent two weeks on site auditing our quality and production processes. We passed all aspects of the audit which was a first-class achievement.

In March 2018, Her Majesty's Treasury launched 'Cash and Digital Payments in the New Economy: Call for Evidence'. The document cited the fact that cash has fallen from being 62% of all payments by volume in 2006 to 40% in 2016, and is predicted by industry to fall to 21% by 2026. However, 2.7 million people in the UK are solely reliant on cash and there is a desire by the government to explore how cash remains accessible and secure for the future. We await the findings with interest.

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

UK Coins Issued in Year – Pieces in Millions

In 2017 more characters were added to our Beatrix Potter range, including Benjamin Bunny, Tom Kitten and Mr. Jeremy Fisher.

Consumer

Principal activities

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

Objectives and strategies

The Consumer strategies are to:

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

Performance

During the year, Consumer revenue increased by 14% to £73.8 million (2016–17: £64.6 million). The contribution to operating profit also increased to £17.9 million (before exceptional items and IAS 39 adjustments) (2016–17: £12.6 million).

The above figures demonstrate the strong contribution that Consumer makes to our business. We have seen record-breaking performance in this area and Consumer revenue has grown by more than 100% in the last three years.

The Great British Coin Hunt is an example of this success. Launched in March 2018 to much acclaim, the range comprises a new collection of 10p coins that map out the A-Z of what makes Britain great – 26 coins from the Angel of the North to a Zebra Crossing. Other collections have proved similarly popular. The Beatrix Potter range, launched in 2016, was further extended due to demand.

We released new coins in our popular Queen's Beasts Collection, initially launched in 2016 to celebrate the British Monarchy and centuries of fascinating heraldry. The new releases included coins featuring the Red Dragon of Wales and the Black Bull of Clarence. These coins have proved popular in both gold and silver due to investors valuing and trusting the connection with The Royal Mint brand.

The Royal Mint Experience has gone from strength to strength. The annual bookings totalled 96,895 exceeding the target by 13,612, with performance reaching 16% ahead of the planned budget. Figures were buoyed by eye-catching visitor campaigns linked to the Great British Coin Hunt and Beatrix Potter collections. The 'Strike Your Own Coin' feature has proved particularly popular for visitors. The opportunity to strike a Sir Isaac Newton 50p coin and a Britannia £2 coin has attracted a great deal of attention and generated national press coverage.

High-profile visitors during the year included His Royal Highness The Prince of Wales and the Indian High Commissioner. We were also pleased to welcome The Queen's Baton Relay and representatives from BBC Children in Need. Visitor improvements included a 'Worth Your Weight in Gold' feature and new UK £1 coin display to celebrate the high-profile launch in 2017. Our TripAdvisor ratings continued to be largely rated 'excellent' with very few negative comments. In February, we were delighted to receive an award from Visit Wales for 'Best Told Story' as part of the Visitor Attraction Quality Scheme.

We have continued to grow our presence in the collector market. The Royal Mint holds one of the finest collections of coins, medals, artwork and minting equipment in the world and is now respected for authenticating, valuing and selling rare and unique pre-decimal British coins. Employees from The Royal Mint Museum were pleased to attend Antiques Roadshow at Cardiff Castle in September to discuss some of our rare pieces. A customer event was also arranged at Goldsmiths' Hall to promote historic coins and secure storage facilities as part of our strategy to attract more customers to our collector coin business.

We have further enhanced our secure storage offering designed to protect customer's most valued possessions. Located within the secure Llantrisant site, our purpose-built high-security facility is guarded 24 hours a day, 7 days a week, 365 days a year. Labelled as 'the most secure in the industry' by the Chairman of the British Safe Manufacturers Association, entry to our premises and this storage facility is strictly controlled using biometric access measures.

The Leadership Team has identified that improving the customer experience is the primary objective to delivering growth in the business. This focus will continue as we move into the next financial year.

During the year, two new coins were added to The Queen's Beasts Collection – the Red Dragon of Wales and the Black Bull of Clarence.

Bullion

Principal activities

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

Objectives and strategies

The Bullion strategies are to:

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

Performance

Our Bullion business has had a difficult year with challenging global market conditions for precious metals resulting in a reduction in sales of 28% to £227.0 million (2016–17: £317.4 million). The contribution to operating profit also reduced to £2.4 million (2016–17: £4.6 million). A steadily declining precious metals coin market has seen a decline over the last 12 months of 44% in silver and 34% in gold. Despite adverse market conditions, The Royal Mint has maintained a strong position; silver market share over the last 12 months has maintained a steady growth and The Royal Mint is now experiencing its longest period of continuous growth in gold market share on record.

We are conducting a full strategic review of our precious metal business and its market positioning. This review will examine how we can best fulfil our growth potential and will include an in-depth analysis of our e-commerce strategy and overall sales approach. It will make recommendations as to how we can increase awareness of our products in both UK and international markets. The intention is to improve the end-to-end product offering across both physical and non-physical metals across our customer base.

During the past year, our precious metals offerings were enhanced by the launch of a range of platinum products, including platinum bars and the first Queen's Beasts platinum coin.

We also relaunched Signature Gold® as part of the extended Signature® range. This included a successful product launch of Signature Silver and Platinum which has resulted in a diversification of investments by existing customers as well as attracting new business. Signature offers the opportunity to invest in gold, silver or platinum on a digital basis through the purchase of fractional elements of bars which are held in The Royal Mint's vault.

Over the last few years, the Division have also been working on the development of a digital gold product, RMG, which was due to launch this spring. Sadly, due to market conditions this did not prove possible at this time, but we will revisit this if and when market conditions are right.

The Digital team has been hard at work updating the Bullion website, royalmintbullion.com, which now has over 50,000 customers. The emphasis has been on improving design and user functionality, making consumer navigation easier. We were pleased to receive three UK Search Awards for our digital marketing. In particular, we were commended for our work to align 'real-time' market prices to the search functionality in order to maximise customer demand.

As part of our aim to grow our international retail customer base, bullion accounts can now be opened in Euros and USD and we continue to look at improving the payments process for both international and UK customers.

Work on a new Bullion trading app is progressing at pace and we expect to launch this new app in July 2018; this will be an exciting addition to our digital portfolio. Bullion continues to receive increased levels of media coverage in both financial and general business publications. We have used our reputation as a trusted and authentic global brand to maximise coverage in specialist and mainstream media.


ONE POUND
ELIZABETH·II
1983
ONE POUND
ONE POUND
ONE POUND
ELIZABETH·II

The round £1 coin ceased to be legal tender on 15 October 2017 after being replaced by the new 12-sided £1 coin in March 2017.

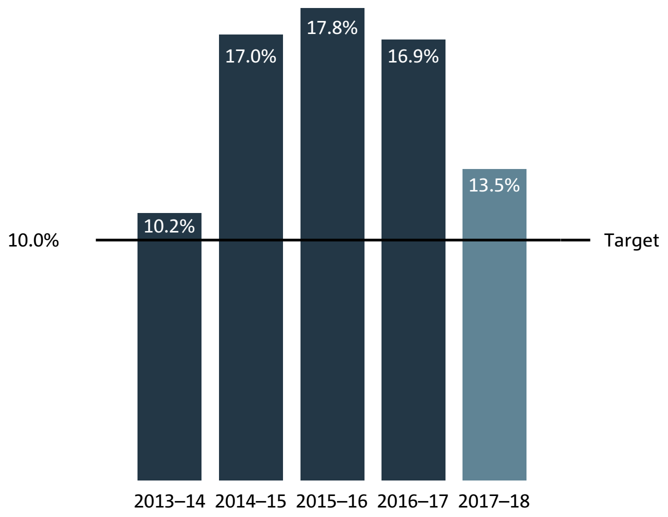
Key Performance Indicators (KPIs)

The Royal Mint Limited's performance indicators are the key Ministerial targets, details of which can be found below. Non-financial performance indicators relating to sustainability are set out on pages 30 to 33.

Target 1

Return on Average Capital Employed (ROACE)

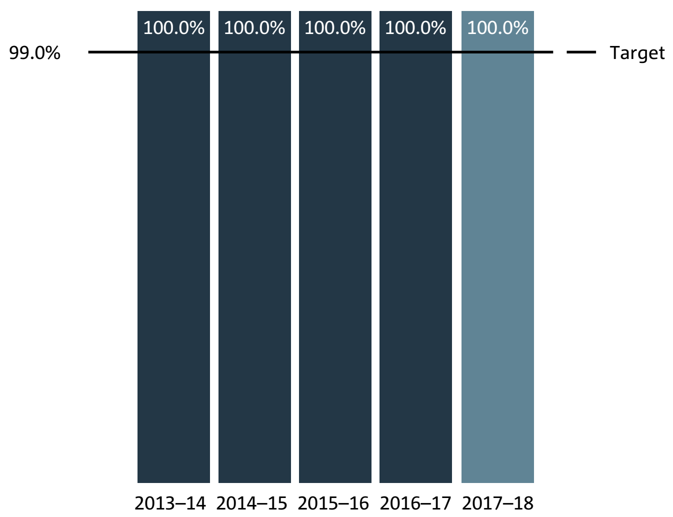
ROACE for The Royal Mint Group is calculated by expressing operating profit as a percentage of its average monthly capital employed. Operating profit has been modified to exclude IAS 19 Employee Benefits and IAS 39 Financial Instruments related adjustments as well as Exceptional Items. From 2016–17 the Ministerial target is measured on a three-year rolling, average basis and was 13.5%.



Target 2

UK Circulating Coin

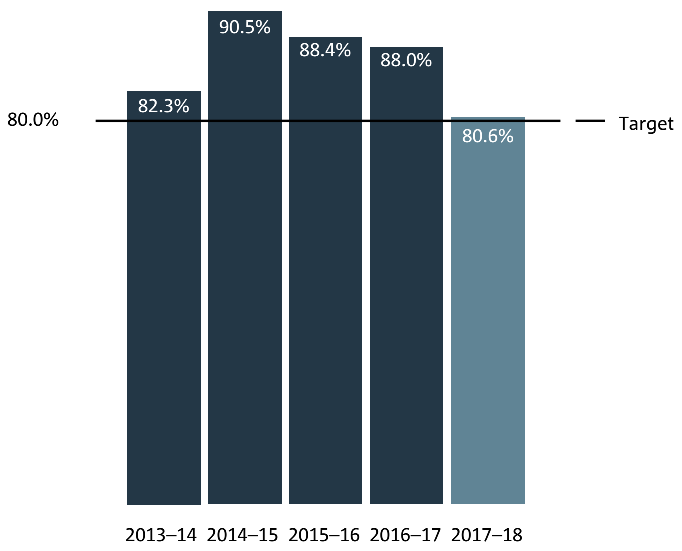
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

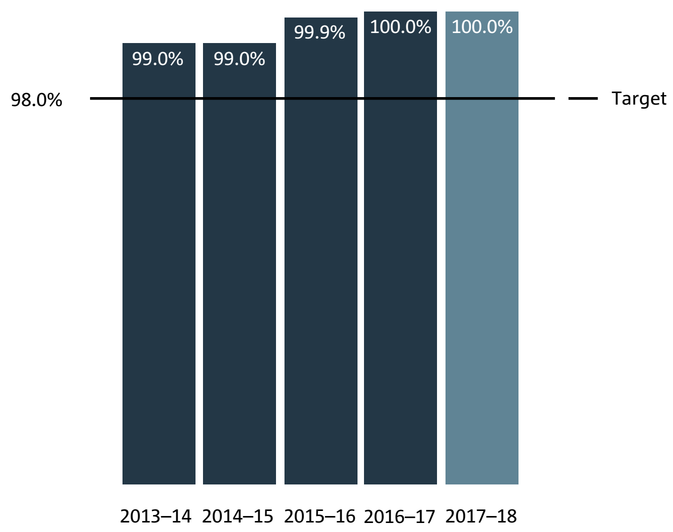
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals

Orders delivered by agreed delivery date.



Principal risks and uncertainties

The Royal Mint Group's risk priorities in 2017–18 were in the following areas:

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

The Group's overall risk management approach is highlighted on page 36.

The above risks are all managed by members of the Executive Management Team with actions in place to reduce to inherent risk associated to the risk appetite that has been assessed by the Board. They are discussed at Risk Management Committee meetings and an update is also provided to the Audit Committee at their meetings.

Financial risk management

Derivative financial instruments

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

Metal prices

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

Circulating Coin

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

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

Consumer

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

Bullion

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

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

Foreign exchange

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

Effects of commodity hedging

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

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

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2017–18, the year-end impact was a gain of £2.2 million (2016–17: £0.8 million gain). Financial risk management disclosures are set out in note 24 to the financial statements.

Safety, Health and Environment (SHE)

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

"To guide and support The Royal Mint on a journey towards almost error-free performance, by supporting our people to cope with everyday situations where they need to adapt their performance to suit the conditions, however hazardous, and whether these conditions are as expected or not."

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

The vision is implemented through the following strategies:

- Learning from successful work (as well as failures), by understanding how our complex systems operate without incident so often, instead of merely examining the process when it fails, we can learn to replicate the successes more frequently;
- Developing a fair and just culture to support learning from unsafe acts without fear of punishment, empowering staff to abandon work on safety grounds, and fostering a sense of personal accountability for safety;
- Successful containment of unexpected events by having in place back-up systems in the event of failures and cross-checking of important decisions, and allowing people with expertise, to make important safety-related decisions in emergencies;
- Effective anticipation of potential failures through engagement with front-line staff in order to obtain 'the bigger picture' of operations (sensitivity to operations);
- Mindful leadership characterised through audits to identify problems in the system (often in response to incidents that occur in other similar industries), 'bottom-up' communication of 'bad news', and engagement with front-line staff through site visits, and investment of resources in safety management and the ability to balance profits with safety; and
- Learning orientation characterised by continuous technical training, systematic analysis of incidents to identify their root causes and accident types or trends within the organisation, open communication of accident investigation outcomes, and updating procedures in line with the organisational knowledge base.

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

Outlook

The Royal Mint is changing. 2017–18 has been a challenging year with pressures on the Circulating and Bullion divisions and it demonstrated the importance of the decision we took to invest in our Consumer Division.

Events in the circulating coin market and also the precious metals markets mean we need to focus on our strategies in those divisions to ensure that we are well positioned to continue to grow our market share.

The Consumer Division will continue to review product and service offerings to meet the needs of its growing customer base. We will be building on the products launched during 2017–18 and will continue to offer the opportunity for visitors to get behind the scenes at The Royal Mint Experience.

We will be looking to the future and exploring new business initiatives that will ensure that The Royal Mint Group continues the growth to succeed and return significant dividends to its shareholder, HM Treasury.

Anne Jessopp
Chief Executive
20 June 2018

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2018.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Consolidated Annual Report and the financial statements in accordance with applicable law and regulations. Company Law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS regulation.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors

The Directors of the Company who were in office during the year and up to the date of signing of the financial statements unless as noted below are shown on page 3.

Tim Martin resigned as a Non-Executive Director on 25 September 2017 and Jamie Carter was appointed on the same date. Adam Lawrence resigned as a Director on 31 October 2017. Vin Wijeratne resigned as a Director on 27 April 2018. Martin McDade was appointed as a Director on 23 May 2018.

Dividends

Post year-end, the Board declared a dividend for 2017–18 of £4.0 million. Dividends relating to 2016–17 earnings of £4.0 million were paid during the year.

Research and development

At The Royal Mint, we have continued to develop our technological capabilities. In an increasingly competitive market, this is critical for us to stand apart from our competitors. We will continue to focus on technologies that can support our business and reduce the environmental footprint of our operations.

Creditor payment policy

The Royal Mint always seeks to comply with agreed terms. A total of 85% (2016–17: 91.0%) of invoices were paid within the agreed period. Whilst this is a reduction on the prior year and below our internal targets, we have now identified and dealt with the causes of the deterioration. 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.

People

Our people remain a key part of our business and everyone has a part to play in delivering the overall business strategy. The Royal Mint's values continue to guide the way in which we all do our jobs and shape what it means to work as part of The Royal Mint team. We have continued to build on our guiding principles as the foundation of this approach. We have continued to embed our strategy deployment processes so that everyone, at all levels of the organisation, understands the Company vision as well as what part they play in delivering the overall corporate objectives. We are continuing with our 'Joining the Dots' philosophy, highlighting the importance of not just 'what' we have to do but just as importantly 'how' we will do it. The 'what' includes our annual objectives, the projects and action plans that will deliver them and the KPIs and metrics that will tell us whether or not we are performing to those objectives and standards. The 'how' includes our corporate values as well as the core skills and behaviours that we expect all employees to demonstrate in their jobs.

We have continued to drive a culture of continuous improvement at all levels of the organisation; the benefits of this are seen every day through our employee-generated ideas, improvements and problem-solving activities. Many of these have driven both instant and incremental improvements in our day-to-day operational effectiveness, efficiency and commercial successes. During the year, a significant amount of time and effort has been invested in driving improvements to our safety management system. Process safety remained a high priority and we are looking forward to making even greater strides in our quest towards employee safety.

We are now into the third cycle of The Royal Mint chosen charity initiative. Every two years, we ask employees to nominate a new charity and for 2016–18, the chosen charity was Velindre Cancer Centre. Over the two-year period, we were able to raise over £30,000 for Velindre which has helped the charity to continue to provide care, support and treatment to cancer patients and their families in Wales. In March 2018, our employees voted again and 2WishUponAStar was chosen for 2018–20. 2WishUponAStar raise funds to improve bereavement services in Wales, especially supporting parents after child bereavement in sudden and traumatic circumstances. 2WishUponAStar is a local charity to The Royal Mint but supports A&E departments across Wales to ensure they have suitable bereavement suites. They also provide bereavement boxes to parents, offer immediate bereavement support for parents and siblings as well ensuring counselling services and staff are available and trained to a high standard. We are delighted to be able to support this charity over the next two years.

Our apprenticeship scheme is accredited by the Institute of Engineering & Technology (IET) and is still an important part of our future development plans within the Company and our standards remain very high. Following a successful scheme, three of our apprentices will be graduating in August 2018.

Consultation with employees or their representatives has continued at all levels. Our aim is to ensure that individuals' views are taken into account when making decisions that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole.

Diversity

The Royal Mint is committed to having a diverse workforce with a culture that values the benefits that diversity brings. This includes but is not limited to disability and The Royal Mint gives full and fair consideration to applications for employment that disabled people make to the Group. The Royal Mint provides training, career development and promotion of disabled people and for the continuing employment and training of employees who have become disabled whilst in employment in the Group.

The Royal Mint was pleased to publish its first Gender Pay Gap reporting in March 2018 and to report a positive 22.9% average pay gap in favour of women. While we are confident that men and women are paid equally for doing equivalent jobs across the organisation, the data showed us that the overall pay gap is in favour of women at The Royal Mint but the median pay gap is in favour of men. The Royal Mint understands that part of its continued success will be as a result of our continued efforts to work with our employees to create a diverse and engaging work environment

Sickness absence

The annual sickness absence rate for 2017–18 was 4.3% (2016–17: 4.9%).

Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution to confirm its appointment will be proposed at the Annual General Meeting.

Future developments and financial risk management

These areas are dealt with in the Strategic Report.

Authority of issue of financial statements

The Directors gave authority for the financial statements to be issued on 20 June 2018. Neither the entity's owner nor others have the power to amend the financial statements after issue.

Approved by the Board of Directors and signed on its behalf,

Martin McDade
Director of Finance
20 June 2018

Group Financial Summary

	2017–18 £m	2016–17 £m	2015–16 £m	2014–15 £m	2013–14 £m
UK revenue	197.1	241.8	118.1	115.2	126.3
Overseas revenue	218.8	264.6	242.5	144.4	188.6
Total revenue	415.9	506.4	360.6	259.6	314.9
Operating profit before IAS 39-related items and exceptionals	6.5	14.4	13.1	11.0	6.2
IAS 39-related items (note 5b)	2.2	0.8	(0.6)	(0.3)	(0.1)
Exceptional items (note 5a)	(5.7)	(0.2)	(0.2)	0.7	–
Operating profit	3.0	15.0	12.3	11.4	6.1
Net finance cost	(0.6)	(0.6)	(0.4)	(0.2)	(0.4)
Share of profit of associate	0.1	–	–	–	–
Profit before tax	2.5	14.4	11.9	11.2	5.7
Tax	(1.9)	(3.0)	(2.3)	(2.3)	(1.4)
Profit after tax	0.6	11.4	9.6	8.9	4.3
Net assets	62.6	65.8	62.9	55.3	55.1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Sustainability Report

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

The Royal Mint's environmental commitment includes a review of its significant environmental aspects and the setting of targets accordingly.

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

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

Accreditations

The Royal Mint during the year has migrated from the International Organization for Standardization standard ISO 14001 (2004) to the revised ISO 14001 (2015) version and continues to maintain the ISO 50001 (2011) Energy Management System.

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

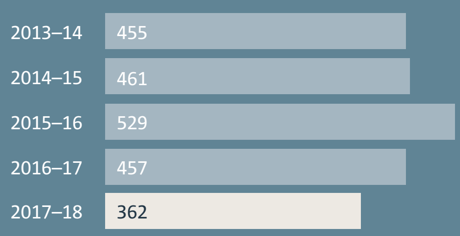
Water consumption

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

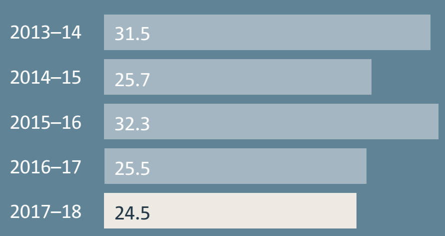
Through the review of processes and with investment in new technology, The Royal Mint has been able to reduce the normalised amount of water required to produce coins, in particular abstracted river water. The changes brought about in previous years resulted in The Royal Mint being able to voluntarily reduce the maximum amount of water it can abstract, when the application was made for a new abstraction licence in 2017. The Royal Mint now has in place an abstraction licence to abstract a maximum of 657,000 m3 per annum up to 31 March 2029. This is a 42% reduction on the previous abstraction licence quantity

Total water supplied (M^3)

Total water abstracted (M^3)



Water usage per tonne of circulating coin (M^3)

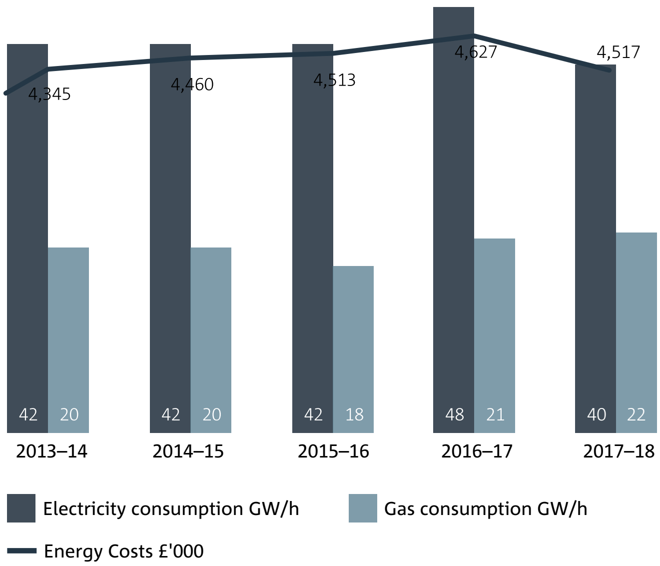


Water supply costs (£'000)

Greenhouse gas emissions and energy consumption

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

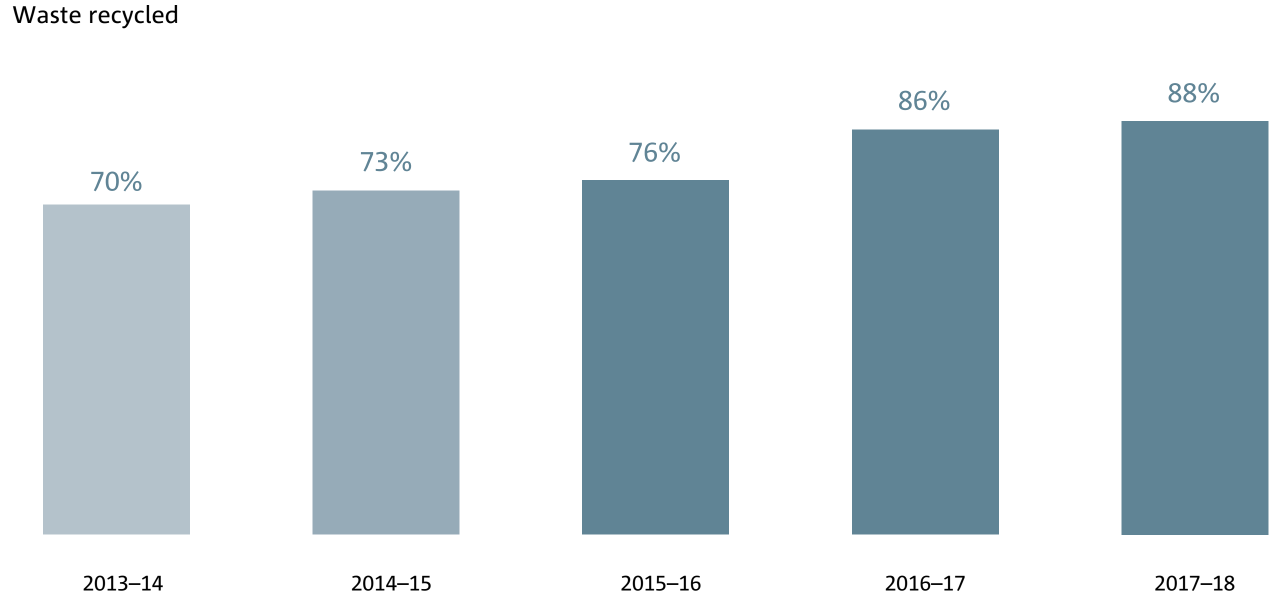
Energy consumption and costs



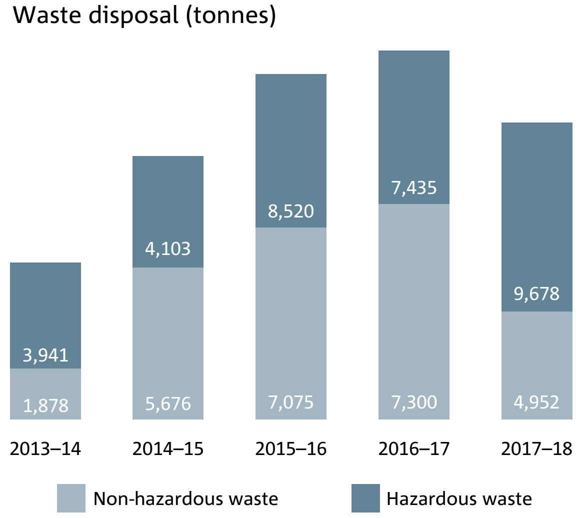
Total emissions for 2017–18 were 19,800 tonnes of CO_2 equivalent (2016–17: 22,700).

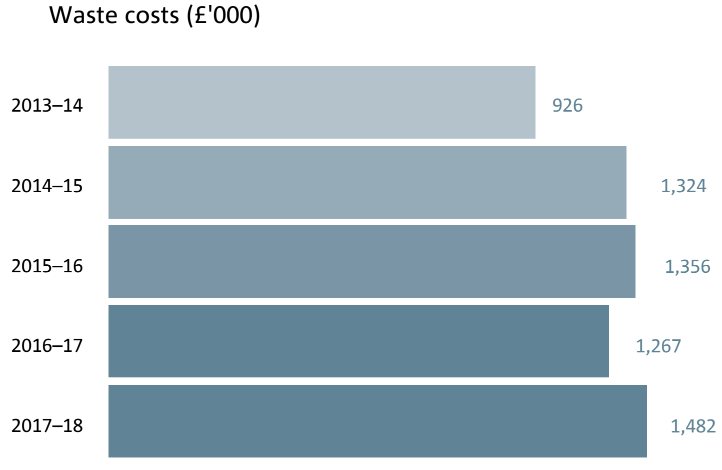
The Royal Mint measures 'normalised tonnes' (calculated as tonnes of CO_2 equivalent per tonne of circulating coins manufactured) as a key indicator of energy efficiency. For 2017–18 normalised tonnage was 1.05 (2016–17: 1.15).

Waste



The Royal Mint continually seeks opportunities to recycle as much waste as possible; it has achieved a percentage of waste recycled of 88% in 2017–18 (2016–17: 86%).





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

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

Around 60% of the hazardous waste produced in 2017–18 was filtercake from the site's effluent treatment process.

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

Scope analysis

Tonnes of CO_2eq		2013–14	2014–15	2015–16	2016–17	2017–18
Scope 1	Natural gas usage (heating and furnaces)	3,600	3,620	3,280	3,830	4,110
	Use of Royal Mint owned vehicles	8	2	2	1	1
	Process emissions from the furnace stack	2	2	2	2	2
	Fugitive emissions (e.g. air conditioning and refrigeration leaks)*	2	2	2	2	16
Scope 2	Electricity usage**	19,800	16,100	16,300	18,000	15,500
Scope 3	Business travel	718	713	663	530	740
	Water supply	36	35	38	38	42
	Water treatment (off-site)	84	96	95	95	72
	Waste disposal***	169*	75*	133*	176*	228*

* The fugitive emissions from air conditioning and refrigeration leaks figure has been calculated from losses identified during the six routine maintenance inspections multiplied by the global warming potential of the gas replaced. During the year all units containing R22 gas have either been removed or replacement gas installed. R22 was the only one of the hydrochlorofluorocarbon gases used on site.

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

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

Finite resources

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

Protecting and enhancing the natural environment

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

Working with the supply chain

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

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

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

Reporting and data

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

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

Internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Royal Mint Group's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the Annual Report. It accords with HM Treasury guidance and the UK Corporate Governance Code where appropriate.

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

In particular, it includes:

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

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

There were no lapses of data security in the year that were reportable to the Information Commissioner's Office.

Risk management

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

The Risk Management Committee is responsible for overseeing the effective establishment and maintenance in operation of a management framework within which risk is evaluated and managed. The Committee's membership comprises the Executive Management Team of The Royal Mint Group and the Financial Controller who is also the Chair of the Committee. The Head of Internal Audit also attends all meetings. The Risk Management Committee meets at least three times a year and reports to the Audit Committee which briefs the Board as appropriate and at least annually. One of the Non-Executive Directors attends every meeting.

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

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

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

The Royal Mint Group's risk priorities in 2017–18 are detailed on page 23.

Internal audit

The Royal Mint Group operates internal audit arrangements to standards defined in the Public Sector Internal Audit Standards. During 2017–18, this function was undertaken by KPMG LLP. Their annual audit plan and the results of their audit, including recommendations for improvement, are reported to the Director of Finance and presented to the Audit Committee. They also provide an independent opinion on the adequacy of The Royal Mint Group's system of internal control.

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

Board and its committees

During the year, the Board of Directors comprised the Chairman, five Non-Executive Directors and four Executive Directors (the Chief Executive, Chief Financial Officer, Director of Consumer Business and Director of Circulating Coin). The Board met nine times in 2017–18 (2016–17: nine times). Attendance by members at the Board and Committee meetings is set out below in relation to how many meetings they attended whilst in office.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Anne Jessopp	8/9	n/a	n/a	n/a
Andrew Mills	7/9	n/a	n/a	n/a
Peter Warry	9/9	n/a	6/6	4/4
David Morgan	9/9	3/3	6/6	4/4
Xenia Carr-Griffiths	8/9	3/3	6/6	4/4
Amanda Rendle	9/9	3/3	6/6	4/4
Michael Clayforth-Carr	9/9	3/3	6/6	4/4
Tim Martin	4/5	2/2	n/a	1/1
Jamie Carter	6/6	2/2	n/a	4/4
Adam Lawrence	5/5	n/a	n/a	n/a
Vin Wijeratne	8/8	n/a	n/a	n/a
Number of meetings	9	3	6	4

Jamie Carter was appointed on 25 September 2017 and Tim Martin resigned on the same date. Adam Lawrence resigned on 31 October 2017 and Vin Wijeratne resigned on 27 April 2018.

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

The Role of the Board

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

The roles and responsibilities of the Board are to:

- develop the future strategy of the business required to realise the strategic objectives;
- review, as appropriate, the strategic objectives and agree them with the shareholder;
- ensure a three to five-year plan is in place in order to realise the strategic objectives;
- ensure that the necessary management structure, financial and human resources are in place in order to achieve the agreed plan;
- determine the risk appetite of the organisation in furtherance of achieving the strategic objectives and ensure there is a robust ongoing process to identify and appropriately manage strategic and significant operational risks;
- regularly review objectives and management performance against annual plan and associated business KPIs;
- ensure the Group operates with appropriate values and standards and ensure that its obligations to its shareholders and others are understood and met;
- review, approve or propose strategic investment in line with investment authority limits as agreed with the shareholder;
- ensure that the Group operates at all times within applicable laws and regulations and within an appropriate procedural framework; and
- ensure that the Board fulfils its duties in the Memorandum and Articles of Association of the Company, functions and any frameworks which may be agreed with the shareholder.

Quality information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. At each Board meeting the Directors receive a report from the Chief Executive covering all areas of the business and a Finance Report detailing performance against forecasts. There is a rolling Board agenda which also ensures the Board receives formal papers, inter alia, on the Annual Budget, Annual Report and the reforecast of the Budget at the half year. All Directors have access to independent professional advice, at The Royal Mint Limited's expense, if required.

The Board of Directors confirms that it considers the Consolidated Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy.

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director.

The Board commissioned an external review to take place in 2016–17 as a periodic external review in line with good corporate practice. The review reported positively on the effectiveness of the Board. No significant areas of concern were highlighted during the course of the review and it was noted that action had been taken to address points arising from previous internal reviews.

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

During the year, the Board has been involved in the recruitment process of the new Chief Executive and reviewed the progress of The Royal Mint in its vision critical projects particularly in relation to the One Business System, the future state of Circulating Coin and RMG. This has included reviews as part of Board meetings and also additional workshops to discuss developments in these projects.

Audit Committee

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites the Chairman, Chief Executive, Chief Financial Officer, Director of Finance and senior representatives of both the internal and external auditors to attend meetings. Tim Martin and Jamie Carter are deemed by the Board to be independent for the purposes of the Audit Committee. The Chair of the Audit Committee has recent and relevant financial experience.

The Audit Committee monitors and reviews the effectiveness of the internal control systems, accounting policies and practices, financial reporting processes, risk management procedures, as well as the integrity of the financial statements. It also closely monitors and oversees the work of the internal auditors as well as ensuring the external auditors provide a cost-effective service and remain objective and independent. It has provided assurance to the Board by giving scrutiny to the Annual Report and Accounts, reviewing the results of work carried out by Internal and External Audit, supporting the development of the risk assurance approach and monitoring key risks and issues significant to the Group.

Remuneration Committee

The Committee is made up of no fewer than three Non-Executive Directors and meets at least twice a year. Remuneration decisions are guided by a Directors' Remuneration Framework which was agreed with HM Treasury at the time of the Company's vesting. The Committee's primary role is to determine, in reference to this Framework, the remuneration and performance-related incentive schemes of the Directors and Executive Management Team, subject to the consent of the UK Government Investments (UKGI) where applicable. The Terms of Reference for the Committee are available on The Royal Mint Limited's website, and the Remuneration Report is set out on page 40.

Nominations Committee

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

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

The Board values the varied contribution which the diverse nature of the Board members brings and is supportive of the principle of boardroom diversity, of which gender is an important, but not the only, aspect. It is considered that the ratio of men:women should be at least 75:25 and our Board exceeds this at 67:33.

The Nominations Committee ensures that all Board recruitment seeks to build on this diversity and all roles are recruited using both advertisements and search.

Executive Management Team

The Chief Executive has primary responsibility for the day-to-day management of the business. She discharges her responsibilities through an Executive Management Team, whose membership is made up from the Executives leading the main functions of the business. The Executive Management Team formally meets on a regular basis and no fewer than ten times a year.

The roles and responsibilities of the Executive Management Team are the:

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

Going concern

After making enquiries, the Directors of The Royal Mint Limited concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Anne Jessopp
Chief Executive
20 June 2018

Remuneration Report

Remuneration Committee

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

Committee Remit

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

Remuneration Policy

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

Executive Management Team

The team as of 31 March 2018 was made up of eight roles:

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

Executive Management Team's Terms, Conditions and Remuneration

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

i. **Basic salary**

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

ii. **Short-Term Incentive Plan (STIP)**

At the start of the year the Remuneration Committee agreed the targets for the STIP for 2017–18. The purpose is to recognise and reward outstanding performance against planned business targets, with a strong focus on Return on Average Capital Employed (ROACE). The maximum award for 2017–18, if the ROACE over-performance targets were achieved, was 33% of basic salary for the CEO and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed and accrued in the year they are earned. The amounts earned in 2017–18 will be paid in 2018–19.

iii. **Long-Term Incentive Plan (LTIP)**

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

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

There were three LTIP schemes operating during 2017–18. One started in 2015–16 and concluded in 2017–18 and amounts earned will be paid in 2018–19, the other started in 2016–17 and amounts earned will be paid in 2019–20. The third started in 2017–18 and amounts earned will be paid in 2020–21.

iv. **Pension Scheme**

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

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

v. **Discretionary benefits allowance**

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

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

Remuneration and Incentive Plans

Executive Management Team of The Royal Mint Limited	Total Remuneration 2017–18 £'000	Remuneration before incentives 2017–18 £'000	STIP amounts earned 2017–18 £'000	LTIP amounts earned 2017–18 £'000	Total Remuneration 2016–17 £'000	Remuneration before incentives 2016–17 £'000	STIP amounts earned 2016–17 £'000	LTIP amounts earned 2016–17 £'000
Anne Jessopp	185	154	22	9	213	153	38	22
Andrew Mills	142	134	–	8	196	153	21	22
Chris Howard	135	127	–	8	159	123	22	14
Leighton John	120	113	–	7	148	107	29	12
Martin McDade	111	109	–	2	114	90	24	–
Sarah Bradley	101	99	–	2	114	90	24	–
Nicola Howell ***	21	19	2	–	–	–	–	–
Adam Lawrence*	124	124	–	–	387	279	62	46
Vin Wijeratne**	137	134	–	3	200	145	34	21

Board members were Adam Lawrence, Vin Wijeratne, Anne Jessopp and Andrew Mills.

* Adam Lawrence resigned on 31 October 2017 and therefore his remuneration is shown for the period to that date. Anne Jessopp was appointed as Chief Executive in February 2018.

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

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

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 2017–18 the remuneration of the highest-paid Director of The Royal Mint was £185,000 (2016–17: £387,000). This was seven times (2016–17: eleven times) the median remuneration of the workforce, which was £28,000 (2016–17: £35,000).

Pension Benefits Accrued

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

	Value of pension benefits 2017–18 in CSPS £'000	Value of pension benefits 2016–17 in CSPS £'000	Employee Contributions paid 2017–18 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as of 31 March 2018 £'000	Transfer Value as of 31 March 2017 £'000	Increase in Transfer Value less employees contributions £'000
Anne Jessopp	59	52	12	4	179	130	20
Andrew Mills	52	50	10	3	148	96	29
Leighton John	44	42	8	3	64	39	8
Martin McDade	88	314	8	5	416	310	72
Sarah Bradley	39	35	7	2	68	40	12

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, Chris Howard and Nicola Howell 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 £11,000 (2016–17: £15,000)
Chris Howard £10,000 (2016–17: £15,000)
Nicola Howell £7,000 (2016–17: £6,000)

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.

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

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

The Non-Executive Directors receive an annual fee agreed by UKGI.

Peter Warry	48	48
David Morgan	23	23
Xenia Carr-Griffiths	20	20
Amanda Rendle	18	18
Michael Clayforth-Carr	18	18

In addition, Non-Executive Directors are reimbursed for reasonable travel and subsistence expenses claimed in the performance of their duties and the total amount paid to the Non-Executive Directors was £11,000 (2016–17: £13,000).

Tim Martin and Jamie Carter received no fees from The Royal Mint Limited.

Anne Jessopp
Chief Executive
20 June 2018

Independent auditors' report to the members of The Royal Mint Limited

Report on the financial statements

Our opinion

In our opinion, The Royal Mint Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's profit, the company's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs ") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated Annual Report (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 March 2018; the consolidated and company income statements and statements of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

Lynn Pamment (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
02 July 2018

Consolidated Income Statement
For the year ended 31 March 2018

	Notes	Before IAS 39-related items and exceptionals 2017–18 £'000	IAS 39-related items (note 5) 2017–18 £'000	Exceptionals (note 5) 2017–18 £'000	Total 2017–18 £'000	Before IAS 39-related items and exceptionals 2016–17 £'000	IAS 39-related items (note 5) 2016–17 £'000	Exceptionals (note 5) 2016–17 £'000	Total 2016–17 £'000
Revenue	2	415,861	–	–	415,861	506,404	–	–	506,404
Cost of sales		(367,931)	(26)	–	(367,957)	(451,518)	526	–	(450,992)
Gross profit/(loss)		47,930	(26)	–	47,904	54,886	526	–	55,412
Administrative expenses		(19,758)	–	(5,699)	(25,457)	(16,970)	–	(166)	(17,136)
Selling and distribution costs		(23,524)	–	–	(23,524)	(23,765)	–	–	(23,765)
Other gains/(losses) – net	23	1,868	2,148	–	4,016	244	244	–	488
Operating profit/(loss)	3	6,516	2,122	(5,699)	2,939	14,395	770	(166)	14,999
Finance income	6	–	–	–	–	4	–	–	4
Finance costs	6	(555)	–	–	(555)	(627)	–	–	(627)
Share of net profit of associate accounted for using the equity method	10	76	–	–	76	–	–	–	–
Profit/(loss) before tax		6,037	2,122	(5,699)	2,460	13,772	770	(166)	14,376
Taxation	7				(1,825)				(3,040)
Profit for the financial year					635				11,336
Profit attributable to: Owners of the parent					635				11,336

The notes on pages 56 to 92 form part of the financial statements.

All results above relate to Continuing Operations.

Company Income Statement
For the year ended 31 March 2018

	Notes	Before IAS 39-related items and exceptionals 2017–18 £'000	IAS 39-related items (note 5) 2017–18 £'000	Exceptionals (note 5) 2017–18 £'000	Total 2017–18 £'000	Before IAS 39-related items and exceptionals 2016–17 £'000	IAS 39-related items (note 5) £'000	Exceptionals (note 5) 2016–17 £'000	Total 2016–17 £'000
Revenue	2	415,861	–	–	415,861	506,404	–	–	506,404
Cost of sales		(367,931)	(26)	–	(367,957)	(451,518)	526	–	(450,992)
Gross profit/(loss)		47,930	(26)	–	47,904	54,886	526	–	55,412
Administrative expenses		(14,778)	–	(11,800)	(26,578)	(15,391)	–	(166)	(15,557)
Selling and distribution costs		(23,524)	–	–	(23,524)	(23,765)	–	–	(23,765)
Other gains/(losses) – net	23	1,868	2,148	–	4,016	244	244	–	488
Operating profit	3	11,496	2,122	(11,800)	1,818	15,974	770	(166)	16,578
Finance income	6	–	–	–	–	4	–	–	4
Finance costs	6	(538)	–	–	(538)	(627)	–	–	(627)
Profit/(loss) before tax		10,958	2,122	(11,800)	1,280	15,351	770	(166)	15,955
Taxation	7				(1,552)				(3,308)
(Loss)/Profit for the financial year					(272)				12,647
(Loss)/Profit attributable to: Owners of the parent					(272)				12,647

The notes on pages 56 to 92 form part of the financial statements.

All results above relate to Continuing Operations.

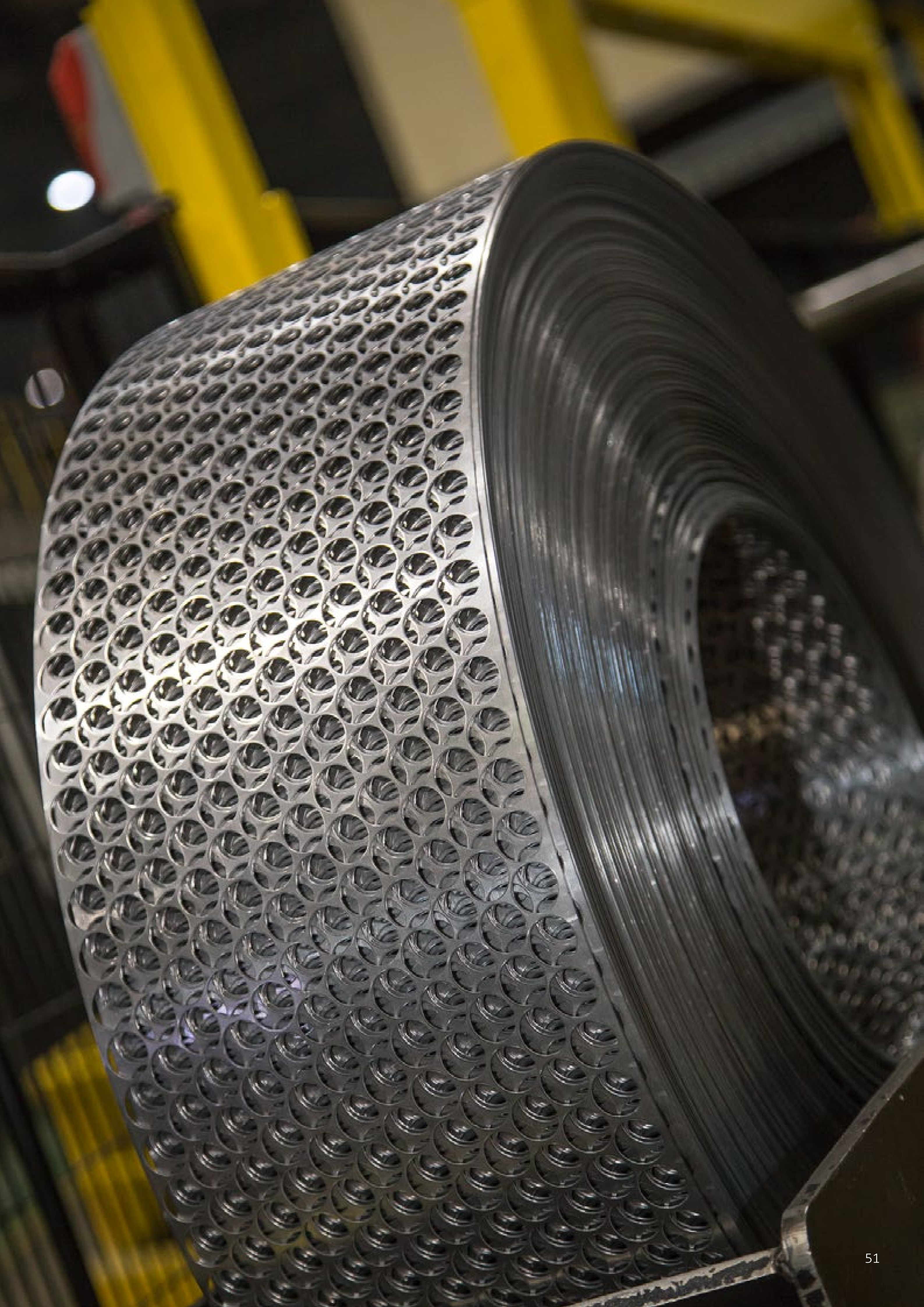
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2017–18 £'000	2016–17 £'000
Profit for the financial year		635	11,336
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges		(217)	358
Items that will not be subsequently reclassified to profit or loss			
Remeasurements for the defined benefit scheme	17	484	(5,758)
Deferred tax on remeasurements for the defined benefit scheme	16	(82)	979
Other comprehensive income/(expense) for the year, net of tax		185	(4,421)
Total comprehensive income for the year		820	6,915
Total comprehensive income attributable to:			
Owners of the parent		820	6,915

Company Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2017–18 £'000	2016–17 £'000
(Loss)/Profit for the financial year		(272)	12,647
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss			
Cash flow hedges		(217)	358
Items that will not be reclassified to profit or loss			
Remeasurements for the defined benefit scheme	17	484	(5,758)
Deferred tax on remeasurements for the defined benefit scheme	16	(82)	979
Other comprehensive income/(expense)for the year, net of tax		185	(4,421)
Total comprehensive (loss)/income for the year		(87)	8,226
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(87)	8,226

The notes on pages 56 to 92 form part of the financial statements.



Consolidated Statement of Changes in Equity
For the year ended 31 March 2018

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
AT 1 APRIL 2017	6,000	39,319	20,294	198	65,811
Movements in the year:					
Profit for the financial year	–	–	635	–	635
Cash flow hedges	–	–	–	(217)	(217)
Remeasurements for defined benefit scheme	–	–	484	–	484
Deferred tax on remeasurements for the defined benefit scheme	–	–	(82)	–	(82)
Other comprehensive income/(expense)	–	–	402	(217)	185
Total Comprehensive Income for the year	–	–	1,037	(217)	820
Transactions with owners – dividend	–	–	(4,000)	–	(4,000)
AT 31 MARCH 2018	6,000	39,319	17,331	(19)	62,631

Consolidated Statement of Changes in Equity
For the year ended 31 March 2017

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
AT 1 APRIL 2016	6,000	39,319	17,737	(160)	62,896
Movements in the year:					
Profit for the financial year	–	–	11,336	–	11,336
Cash flow hedges	–	–	–	358	358
Remeasurements for defined benefit scheme	–	–	(5,758)	–	(5,758)
Deferred tax on remeasurements for the defined benefit scheme	–	–	979	–	979
Other comprehensive income/(expense)	–	–	(4,779)	358	(4,421)
Total Comprehensive Income for the year	–	–	6,557	358	6,915
Transactions with owners – dividend	–	–	(4,000)	–	(4,000)
AT 31 MARCH 2017	6,000	39,319	20,294	198	65,811

The notes on pages 56 to 92 form part of the financial statements.

Company Statement of Changes in Equity
For the year ended 31 March 2018

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
AT 1 APRIL 2017	6,000	39,319	21,605	198	67,122
Movements in the year:					
Profit for the financial year	–	–	(272)	–	(272)
Cash flow hedges	–	–	–	(217)	(217)
Remeasurements for defined benefit scheme	–	–	484	–	484
Deferred tax on remeasurements for the defined benefit scheme	–	–	(82)	–	(82)
Other comprehensive income/(expense)	–	–	402	(217)	185
Total Comprehensive Income for the year	–	–	130	(217)	(87)
Transactions with owners – dividend	–	–	(4,000)	–	(4,000)
AT 31 MARCH 2018	6,000	39,319	17,735	(19)	63,035

Company Statement of Changes in Equity
For the year ended 31 March 2017

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
AT 1 APRIL 2016	6,000	39,319	17,737	(160)	62,896
Movements in the year:					
Profit for the financial year	–	–	12,647	–	12,647
Cash flow hedges	–	–	–	358	358
Remeasurements for the defined benefit scheme	–	–	(5,758)	–	(5,758)
Deferred tax on remeasurements for the defined benefit scheme	–	–	979	–	979
Other comprehensive income/(expense)	–	–	(4,779)	358	(4,421)
Total Comprehensive Income for the year	–	–	7,868	358	8,226
Transactions with owners – dividend	–	–	(4,000)	–	(4,000)
AT 31 MARCH 2017	6,000	39,319	21,605	198	67,122

The notes on pages 56 to 92 form part of the financial statements.

Consolidated and Company Statements of Financial Position

At 31 March 2018

	Notes	Group 2017–18 £'000	Company 2017–18 £'000	Group 2016–17 £'000	Company 2016–17 £'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	62,989	62,226	68,588	68,588
Intangible assets	9	11,791	11,771	11,063	11,043
Deferred tax asset	16	1,419	1,419	1,464	1,464
Investments	10	1,077	1,000	–	–
TOTAL NON-CURRENT ASSETS		77,276	76,416	81,115	81,095
CURRENT ASSETS					
Inventories	11	49,845	49,845	30,330	30,330
Derivative financial instruments	24	2,789	2,789	728	728
Deferred tax asset	16	319	319	500	232
Trade and other receivables	12	33,933	35,445	32,444	33,936
Cash and cash equivalents	22	9,657	8,895	7,100	6,803
TOTAL CURRENT ASSETS		96,543	97,293	71,102	72,029
CURRENT LIABILITIES					
Borrowings	13	(270)	(270)	(28,000)	(28,000)
Trade and other payables	14	(64,006)	(63,761)	(40,992)	(40,588)
Current tax liability	7	(1,006)	(1,001)	(1,310)	(1,310)
Derivative financial instruments	24	(617)	(617)	(2,028)	(2,028)
TOTAL CURRENT LIABILITIES		(65,899)	(65,649)	(72,330)	(71,926)
NET CURRENT ASSETS/(LIABILITIES)		30,644	31,644	(1,228)	103
NON-CURRENT LIABILITIES					
Borrowings	13	(30,879)	(30,879)	–	–
Accruals and deferred income	14	(1,878)	(1,878)	(2,047)	(2,047)
Retirement benefit liability	17	(7,432)	(7,432)	(8,469)	(8,469)
Deferred tax liability	16	(2,081)	(2,081)	(2,636)	(2,636)
Provision for liabilities and charges	15	(3,019)	(2,755)	(924)	(924)
NET ASSETS		62,631	63,035	65,811	67,122
EQUITY					
Share capital	25	6,000	6,000	6,000	6,000
Share premium	25	39,319	39,319	39,319	39,319
Retained earnings at 1 April		20,294	21,605	17,737	17,737
Profit/(Loss) for the year		635	(272)	11,336	12,647
Other		(3,598)	(3,598)	(8,779)	(8,779)
Retained earnings at 31 March		17,331	17,735	20,294	21,605
Hedging reserve		(19)	(19)	198	198
TOTAL EQUITY		62,631	63,035	65,811	67,122

The notes on pages 56 to 92 form part of the financial statements.

The financial statements on pages 48 to 92 were approved by the Board of Directors on 20 June 2018 and signed on its behalf by

Anne Jessopp
Chief Executive
20 June 2018

Consolidated and Company Statements of Cash Flows
For the year ended 31 March 2018

	Notes	Group 2017–18 £'000	Company 2017–18 £'000	Group 2016–17 £'000	Company 2016–17 £'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax		2,460	1,280	14,376	15,955
Depreciation on non-current assets		6,440	6,440	6,137	6,137
Amortisation on non-current assets		1,026	1,026	949	949
Loss on disposal of assets		45	45	122	122
Impairment		3,387	3,387	–	–
Interest		556	538	623	623
Cash flow hedges		(3,689)	(3,689)	182	182
Movements in working capital:					
Inventory		(19,514)	(19,514)	1,727	1,727
Retirement benefit liability		(553)	(553)	(538)	(538)
Trade and other receivables		(1,489)	(1,509)	(7,130)	(8,622)
Trade and other payables		22,709	22,949	11,987	11,583
Provisions		2,096	1,831	620	620
Cash inflow from operations		13,474	12,231	29,055	28,738
Interest paid		(501)	(484)	(649)	(649)
Tax paid		(2,540)	(2,540)	(1,909)	(1,909)
Net cash inflow from operating activities		10,433	9,207	26,497	26,180
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(4,271)	(3,510)	(8,474)	(8,474)
Acquisition of intangible assets		(1,754)	(1,754)	(2,721)	(2,701)
Acquisition of investment		(1,000)	(1,000)	–	–
Government grant received		–	–	2,300	2,300
Interest received		–	–	4	4
Net cash used in investing activities		(7,025)	(6,264)	(8,891)	(8,871)
CASH FLOW FROM FINANCING ACTIVITIES					
Movement in loans		3,149	3,149	(2,000)	(2,000)
Dividends paid		(4,000)	(4,000)	(4,000)	(4,000)
Net cash used in financing activities		(851)	(851)	(6,000)	(6,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		2,557	2,092	11,606	11,309
Cash and cash equivalents at the beginning of the year		7,100	6,803	(4,506)	(4,506)
Cash and cash equivalents at the end of the year	22	9,657	8,895	7,100	6,803

The notes on pages 56 to 92 form part of the financial statements.

Notes to the Financial Statements

Note 1
Principal accounting policies

1.1 General information

The Royal Mint Limited ('the Company') is a private limited company incorporated and domiciled in the UK. The address of its registered office is Llantrisant, Pontyclun, CF72 8YT. The Group which comprises the Company and its subsidiaries ('the Group') is a manufacturer, distributor and retailer of coins, bullion and related products.

1.2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.3 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention, as modified by revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss. Where IFRS permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Royal Mint Limited Group, 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 financial statements.

The financial statements represent the consolidated financial statements of The Royal Mint Limited Group.

1.4 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Associates, which are entities over which the Company has significant influence but not control, are accounted for under the equity method of accounting which presents the share of the result for the period since acquisition within the Consolidated Income Statement and the share of the net assets in the Consolidated Statement of Financial Position.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

1.5 Changes in accounting policy and disclosures

New standards, amendments and interpretations

There were no new or amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2017 that had a material impact on the Group or Company.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements or the Company except the following set out below.

Note 1 continued

IFRS 9, financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The Group considers that the introduction of IFRS 9 will not have a significant impact.

IFRS 15, Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. Based on an initial review the Group is not anticipating any significant impact on profit from the adoption of IFRS 15.

IFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). It replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. The standard was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The Group is currently considering the impact on the financial statements.

There are no other IFRS or IFRSIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

1.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end 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 and Losses.

Note 1 continued

1.8

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of those items.

Subsequent costs are included in the assets 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

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

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

No depreciation is provided in respect of land.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within Other Gains and Losses in the Income Statement.

1.9

Intangible assets

Intangible assets

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

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

Goodwill on associate

Goodwill is recognised in respect of the excess contribution paid for the acquisition of an interest in an associate company over the fair value of the share of net assets acquired.

Computer software

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

Assets under the course of construction

Internal costs capitalised are those direct employee costs involved in the design and testing of IT systems. These costs are currently held within assets in the course of construction within intangible assets. Other costs included in this category relate to capital projects not yet completed.

Research and development costs

Research costs are expensed as incurred.

Note 1 continued

Development costs capitalised are those direct employee and other direct costs involved in the upscaling of the High Security Feature technology for commercial production. Development costs are amortised when commercial production begins over the expected useful life of the technology; prior to then they are held within assets in the course of construction within intangible assets.

1.10 Impairment of non-financial assets

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

1.11 Financial assets

Financial assets are recognised when the Group 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 in the case of financial assets not at fair value through the Income Statement, 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 timeframe 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 Income Statement

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

(ii) Loans and receivables

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

1.12 Impairment of financial assets

An assessment is carried out at each balance sheet date as to whether a financial asset or group of financial assets is impaired.

Assets carried at an 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 amount. 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 de-recognised when their outcome is certain.

Note 1 continued

1.13 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 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 de-recognised when their outcome is certain.

1.14 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 income and finance costs. Borrowing costs are recognised in the Income Statement in the period in which they are incurred.

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

Financial liabilities at fair value through the Income Statement includes 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 Income Statement.

1.15 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 that 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 Income Statement within Other Gains and Losses. Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects the 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 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 Income Statement in Cost of Sales or to the initial

Note 1 continued

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 Income Statement in Other Gains and 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 Income Statement in Other Gains and Losses. Contracts are reviewed at initiation to assess if they contain an embedded derivative and then accounted for where relevant.

1.16 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 any attributable overhead expenditure incurred in bringing goods to their current state under normal operating conditions. The first in, first out or an average method of valuation is used. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.17 Cash and cash equivalents

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

1.18 Trade payables

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

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

1.19 Current and deferred tax

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

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date. 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 Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

1.20 Employee benefits

(a) Pension obligations

The Group 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 Group pays fixed contributions into a separate entity. The Group 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.

(i) Platinum Prudential Pension – The Royal Mint Limited Scheme

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liabilities. A pension asset is recognised to the extent that it is recoverable. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

(ii) Principal Civil Service Pension Scheme (PCSPS) and Civil Servant and Other Pension Scheme (CSOPS)

Whilst the PCSPS and CSOPS are defined benefit schemes, they are accounted for by the Group as defined contribution schemes as the Group cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes.

(iii) Defined Contribution Scheme – The Royal Mint Limited Group Personal Pension Plan (GPP)

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

(b) Profit sharing and incentive schemes

The Group recognises a liability and an expense for profit sharing and incentive schemes; these are based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

1.22 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 Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer which is generally on delivery of the goods and services supplied during the year and dependant on the terms of trade within the contract. For 'bill and hold' arrangements, revenue is recognised when the following requirements are satisfied:

- the buyer must have taken title to the goods and accepted billing;
- it is probable delivery will take place;
- the goods must be on hand, identified and be ready for delivery to the buyer at the time the sale is recognised;
- the buyer must specifically acknowledge the deferred delivery instructions; and
- the usual payment terms apply.

For licence and storage fees charged, revenue is recognised on delivery of the service.

1.23 Leases

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

1.24 Exceptional items

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

1.25 Dividend distribution

Dividends are recognised in the Financial Statements in the year in which the dividends are approved by the Company's shareholders.

1.26 Share capital

Ordinary shares are classified as equity.

1.27 Grants

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

1.28 Investment

The investments in subsidiary undertakings and associates are carried at cost.

1.29 Related parties

The Group has taken advantage of the exemption from disclosing related party transactions with subsidiaries included within the Consolidated Financial Statements.

1.30 Going concern

After making enquiries the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements.

Note 1 continued

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

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

(a) Pension benefits

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

The Group 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 Company 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 including sensitivities on page 83.

(b) Impairment of non-financial assets

The Group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable.

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

The Directors consider that changes in the circulating coin market represent such an impairment indicator as explained in note 5.

(c) Trade receivables

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

(d) Inventory

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

(e) Property, plant and equipment

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

Note 2
Segmental reporting

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

The following table presents revenue, operating profit and certain asset and liability information regarding the Group's business segments for the years ended 31 March. The activities of RM Assets and RM Wynt are currently unallocated due to immateriality.

A) Analysis by class of business 2017–18

	Circulating Coin £'000	Consumer £'000	Bullion £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	115,077	73,825	226,959	415,861	–	415,861
Depreciation and amortisation	5,910	1,506	50	7,466	–	7,466
Operating profit before IAS 39 and exceptional items and allocation of central costs	5,683	17,911	2,452	26,046	(19,530)	6,516
IAS 39 and exceptional items	(3,263)	–	–	(3,263)	(314)	(3,577)
Allocation of central costs	(6,743)	(7,173)	(430)	(14,346)	14,346	–
Total operating (loss)/profit	(4,323)	10,738	2,022	8,437	(5,498)	2,939
Segment assets and liabilities:						
Non-current assets	50,118	23,667	1,290	75,075	2,201	77,276
Current assets	40,046	24,333	–	64,379	32,164	96,543
Current liabilities	(21,537)	(30,914)	(8,122)	(60,573)	(5,326)	(65,899)
Non-current liabilities	(1,803)	(2,831)	–	(4,634)	(40,655)	(45,289)
Net assets/(liabilities)	66,824	14,255	(6,832)	74,247	(11,616)	62,631

Analysis by class of business 2016–17

	Circulating Coin £'000	Consumer £'000	Bullion £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	124,389	64,650	317,365	506,404	–	506,404
Depreciation and amortisation	5,468	765	142	6,375	711	7,086
Operating profit before IAS 39 and exceptional items and allocation of central costs	13,944	12,575	4,662	31,181	(16,786)	14,395
IAS 39 and exceptional items	718	–	52	770	(166)	604
Allocation of central costs	(7,050)	(7,500)	(450)	(15,000)	15,000	–
Total operating (loss)/profit	7,612	5,075	4,264	16,951	(1,952)	14,999
Segment assets and liabilities:						
Non-current assets	56,185	22,393	1,073	79,651	1,464	81,115
Current assets	45,056	9,169	1,553	55,778	15,324	71,102
Current liabilities	(18,981)	(15,471)	(1,981)	(36,433)	(35,897)	(72,330)
Non-current liabilities	(254)	(2,707)	–	(2,961)	(11,115)	(14,076)
Net assets	82,006	13,384	645	96,035	(30,224)	65,811

Central costs are allocated to the business units on a percentage basis determined by the support provided to the business unit by the central cost centres. The unallocated net liabilities comprise cash at bank and in hand, overdraft, borrowings, receivables and payables balances which are not specifically attributed to a segment.

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

	2017–18 £'000	2016–17 £'000
UK	197,065	241,793
Germany	45,622	59,842
Rest of Europe	34,809	37,050
United States of America	95,212	121,380
Rest of Americas	4,417	5,840
Asia	22,562	26,972
Africa	12,210	9,208
Rest of the World	3,964	4,319
	415,861	506,404

During 2017–18 revenue from two customers amounted to £61.7 million and £60.0 million (2016–17 two customers: £98.0 million and £82.0 million) which represented in excess of 10% of revenue.

Note 3
Group and Company operating profit

Group and Company operating profit is stated after charging/(crediting):

	Group 2017–18 £'000	Company 2017–18 £'000	Group and Company 2016–17 £'000
Depreciation	6,440	6,440	6,137
Amortisation	1,026	1,026	949
Loss on disposal	45	45	122
Research and development	2,846	350	1,579
Exceptional items (note 5)	5,699	11,800	166
Commodity hedges	(2,122)	(2,122)	(770)
Operating leases	969	772	990
Foreign exchange	(1,715)	(1,715)	(129)
Precious metal consignment arrangement fees	464	464	291
Auditors' remuneration			
Audit of the Company and Group financial statements	78	72	68
Audit of subsidiary financial statements	6	–	5
Non audit fees – other	–	–	2

Note 4
Remuneration and employment

Total Group staff costs

Due to the low level of RM Assets and RM Experience employees, there is no significant difference between this note on a Company and Group basis. RM Wynt has no employees.

	2017–18 £'000	2017–18 £'000	2016–17 £'000	2016–17 £'000
WAGES AND SALARIES				
Staff with a permanent contract	31,844		31,182	
Other staff	1,009		755	
		32,853		31,937
SOCIAL SECURITY COSTS				
Staff with a permanent contract	3,223		3,033	
Other staff	80		61	
		3,303		3,094
OTHER PENSION COSTS				
Staff with a permanent contract	5,443		5,619	
Other staff	57		54	
		5,500		5,673
		41,656		40,704

Average number employed

	2017–18 Number	2017–18 Number	2016–17 Number	2016–17 Number
PRODUCTION				
Staff with a permanent contract	558		477	
Other staff	20		14	
		578		491
SALES AND MARKETING				
Staff with a permanent contract	140		129	
Other staff	13		12	
		153		141
ADMINISTRATION				
Staff with a permanent contract	139		204	
Other staff	13		13	
		152		217
		883		849

Directors' emoluments

	2017–18 £'000	2016–17 £'000
Aggregate emoluments excluding long-term incentive scheme	695	1,012
Compensation for loss of office	122	–
Aggregate amounts receivable under long-term incentive scheme	20	112
Contributions under the defined contribution pension scheme	11	15
HIGHEST PAID DIRECTOR		
Total amounts of emoluments and amounts receivable under long-term incentive scheme	185	387
Accrued defined benefit pension at year-end	59	–
Accrued lump sum at year-end	179	–

Retirement benefits accrued to two Executive Directors under a defined benefit scheme during the year (2016–17: 2).

Note 5
Exceptional items

A) Exceptional items

	Group 2017–18 £'000	Company 2017–18 £'000	Group and Company 2016–17 £'000
Impairment	3,387	3,387	–
Restructuring costs	2,047	1,997	–
Onerous lease provision	265	–	
Provision against Intercompany loan	–	6,416	–
Professional fees associated with change in pension scheme	–	–	166
Exceptional charge	5,699	11,800	166

The Group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. The Directors consider that changes in the circulating coin market represent such an impairment trigger. As part of this review assets of £3.4 million with no prospective use have been impaired and charged to the income statement. Further details are shown in note 8. The restructuring costs relate to the exit of staff predominantly from Circulating Coin and through a release scheme which enabled staff to request to leave and receive a one-off payment. The remaining restructuring costs relate to the decision to defer the launch of the RMG product. An onerous lease provision has also been recognised in relation to the closure of the London office that was leased to support the RM Assets business. The company has also made a provision of £6.4 million against the recoverability of the intercompany receivable from funding the RM Assets business.

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

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

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

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

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

Note 6
Finance costs

	Group 2017–18 £'000	Company 2017–18 £'000	Group and Company 2016–17 £'000
On loans repayable within five years	555	538	627

Finance income – Group and Company

	2017–18 £'000	2016–17 £'000
Bank interest received	–	4

Note 7
Taxation

Analysis of tax charge in year

	Group 2017–18 £'000	Company 2017–18 £'000	Group 2016–17 £'000	Company 2016–17 £'000
UK corporation tax:				
Current year	2,032	2,028	2,635	2,635
Prior year	203	203	–	–
Deferred tax:				
Current year	(83)	(352)	405	673
Prior year	(327)	(327)	–	–
Taxation charge	1,825	1,552	3,040	3,308

The tax charge for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (2017–18: 19%, 2016–17: 20%):

	Group 2017–18 £'000	Company 2017–18 £'000	Group 2016–17 £'000	Company 2016–17 £'000
Profit before tax	2,460	1,280	14,376	15,955
Profit multiplied by the standard rate of corporation tax of 19% (20% for 2016–17)	467	243	2,875	3,191
Effects of:				
Expenses not deductible for tax purposes	1,342	1,391	317	317
Adjustments re: prior years	(124)	(124)	–	–
Reduction in tax rate for deferred tax provision	140	42	(152)	(200)
Taxation charge for year	1,825	1,552	3,040	3,308

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

The effective tax rate for the year was significantly higher than in the prior year due to pre-trading losses in relation to RM Assets.

In addition to the amount debited to the Income Statement, a deferred tax charge relating to actuarial losses on defined benefit pension schemes of £82,000 (2017: £979,000 credit) has been charged directly to the Consolidated and Company Statements of Comprehensive Income.

Current tax liability – Group and Company

	2018 £'000	2017 £'000
UK corporation tax	1,006	1,310

Note 8
Property, plant and equipment – Group

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 April 2017	28,515	6,813	100,206	135,534
Additions	–	4,273	–	4,273
Transfers	2,389	(7,734)	5,345	–
Disposals	–	(45)	–	(45)
Impairment	–	–	(5,912)	(5,912)
At 31 March 2018	30,904	3,307	99,639	133,850
ACCUMULATED DEPRECIATION				
At 1 April 2017	5,713	–	61,233	66,946
Charge for year	1,110	–	5,330	6,440
Disposals	–	–	–	–
Impairment	–	–	(2,525)	(2,525)
At 31 March 2018	6,823	–	64,038	70,861
Net book value at 31 March 2018	24,081	3,307	35,601	62,989

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
COST				
At 1 April 2016	20,685	21,953	88,877	131,515
Additions	–	9,311	–	9,311
Transfers	7,830	(24,451)	16,621	–
Disposals	–	–	(5,292)	(5,292)
At 31 March 2017	28,515	6,813	100,206	135,534
ACCUMULATED DEPRECIATION				
At 1 April 2016	4,712	–	61,265	65,977
Charge for year	1,001	–	5,136	6,137
Disposals	–	–	(5,168)	(5,168)
At 31 March 2017	5,713	–	61,233	66,946
Net book value at 31 March 2017	22,802	6,813	38,973	68,588

The Group assesses whether there have been any impairment indicators at the end of each reporting period whenever events or circumstances indicate that the carrying amount may not be recoverable. The Directors consider that changes in the circulating coin market represent such an impairment trigger. As part of this review assets of £3.4 million with no prospective use have been impaired and charged to the Income Statement. The Group used the value in use method to estimate the recoverable amount of the related cash generating unit ('CGU') and compared this to the remaining related tangible and intangible fixed assets of £65.9 million. Management has identified that the CGU is represented by those cash flows generated which link to the UK Circulating coin contract.

The value in use of the CGU has been determined using cash inflows for the related CGU projected over the estimated useful lives of the related assets. Cash inflows are based on the latest five-year plan which have then been extended to the end of the projected useful life with nil growth rate as regards cash flows from year five. The discount rate used of 8% has been determined by using a weighted average cost of capital. The recoverable amount is 34% greater than the net book value of assets related to the CGU and no additional impairment charge has been made.

Note 8 Continued
Property, Plant and Equipment – Company

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
COST				
At 1 April 2017	28,515	6,813	100,206	135,534
Additions	–	3,510	–	3,510
Transfers	2,389	(7,734)	5,345	–
Disposals	–	(45)	–	(45)
Impairment	–	–	(5,912)	(5,912)
At 31 March 2018	30,904	2,544	99,639	133,087
ACCUMULATED DEPRECIATION				
At 1 April 2017	5,713	–	61,233	66,946
Charge for year	1,110	–	5,330	6,440
Disposals	–	–	–	–
Impairment	–	–	(2,525)	(2,525)
At 31 March 2018	6,823	–	64,038	70,861
Net book value at 31 March 2018	24,081	2,544	35,601	62,226

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
COST				
At 1 April 2016	20,685	21,953	88,877	131,515
Additions	-	9,311	–	9,311
Transfers	7,830	(24,451)	16,621	–
Disposals	–	–	(5,292)	(5,292)
At 31 March 2017	28,515	6,813	100,206	135,534
ACCUMULATED DEPRECIATION				
At 1 April 2016	4,712	–	61,265	65,977
Charge for year	1,001	–	5,136	6,137
Disposals	–	–	(5,168)	(5,168)
At 31 March 2017	5,713	–	61,233	66,946
Net book value at 31 March 2017	22,802	6,813	38,973	68,588

Note 9
Intangible Assets – Group

	Payments on account and assets in the course of construction £'000	Software licences £'000	Patents £'000	Development costs £'000	Total £'000
COST					
At 1 April 2017	8,222	4,046	1,868	952	15,088
Additions	1,754	–	–	–	1,754
Transfers	(9,049)	9,007	42	–	–
At 31 March 2018	927	13,053	1,910	952	16,842
ACCUMULATED AMORTISATION					
At 1 April 2017	–	3,372	65	588	4,025
Amortisation for year	–	545	117	364	1,026
At 31 March 2018	–	3,917	182	952	5,051
Net book value at 31 March 2018	927	9,136	1,728	–	11,791

Amortisation charges of £662,000 (2016–17: £397,000) and £364,000 (2016–17: £552,000) are included within administration expenses and cost of sales respectively.

	Payments on account and assets in the course of construction £'000	Software licences £'000	Patents £'000	Development costs £'000	Total £'000
COST					
At 1 April 2016	7,934	4,204	62	952	13,152
Additions	2,701	–	–	–	2,701
Transfers	(2,413)	607	1,806	–	–
Disposals	–	(765)	–	–	(765)
At 31 March 2017	8,222	4,046	1,868	952	15,088
ACCUMULATED AMORTISATION					
At 1 April 2016	–	3,799	6	36	3,841
Amortisation for year	–	338	59	552	949
Disposals	–	(765)	–	–	(765)
At 31 March 2017	–	3,372	65	588	4,025
Net book value at 31 March 2017	8,222	674	1,803	364	11,063

Note 9 Continued
Intangible Assets – Company

	Payments on account and assets in the course of construction £'000	Software licences £'000	Patents £'000	Development costs £'000	Total £'000
COST					
At 1 April 2017	8,202	4,046	1,868	952	15,068
Additions	1,754	–	–	–	1,754
Transfers	(9,049)	9,007	42	–	–
At 31 March 2018	907	13,053	1,910	952	16,822
ACCUMULATED AMORTISATION					
At 1 April 2017	–	3,372	65	588	4,025
Amortisation for year	–	545	117	364	1,026
At 31 March 2018	–	3,917	182	952	5,051
Net book value at 31 March 2018	907	9,136	1,728	–	11,771

Amortisation charges of £662,000 (2016–17: £397,000) and £364,000 (2016–17: £552,000) are included within administration expenses and cost of sales respectively. Patents have been separated due to their materiality and were previously included in software licences.

	Payments on account and assets in the course of construction £'000	Software licences £'000	Patents £'000	Development costs £'000	Total £'000
COST					
At 1 April 2016	7,934	4,204	62	952	13,152
Additions	2,681	–	–	–	2,681
Transfers	(2,413)	607	1,806	–	–
Disposals	–	(765)	–	–	(765)
At 31 March 2017	8,202	4,046	1,868	952	15,068
ACCUMULATED AMORTISATION					
At 1 April 2016	–	3,799	6	36	3,841
Amortisation for year	–	338	59	552	949
Disposals	–	(765)	–	–	(765)
At 31 March 2017	–	3,372	65	588	4,025
Net book value at 31 March 2017	8,202	674	1,803	364	11,043

Note 10
Investments

	Company £'000
Investments at 1 April 2017	–
Additions in the year	1,000
Investment at 31 March 2018	1,000

The Group had the following subsidiaries at 31 March 2018. All are incorporated and domiciled in the UK and the address of the registered office for all is Llantrisant, Pontyclun, CF72 8YT. RM Wynt and RM Experience were incorporated during the year.

Subsidiary	% holding	Principal activity
RM Assets Limited	100	Precious metals
RM Experience Limited	100	Tourism operator
RM Wynt Limited	100	Energy provider

On 1 June 2017, the Group acquired a 23.7% interest in an associate company, Sovereign Rarities Limited, during the year. Sovereign Rarities is also incorporated and domiciled in the UK and its principal activity is acting as a historic coin dealership. Its address is 32 St George Street, Mayfair, London, W1S 2EA.

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

At the 31 March 2018 Sovereign Rarities had £61,000 of fixed assets, £3,087,000 of current assets comprising £1,976,000 of stock, £405,000 of debtors and £706,000 of cash less liabilities of £522,000 resulting in total assets of £2,626,000. The Royal Mint share was therefore £623,000 with a share in profits of £76,000 meaning the total value of the investment included in the Group was £1,077,000.

Note 11
Inventories – Group and Company

	2018 £'000	2017 £'000
Metal inventory	29,779	15,570
Work in progress (excluding metal)	2,678	4,621
Stores and packing materials	5,134	4,484
Finished goods	12,254	5,655
	49,845	30,330

Inventories recognised as an expense in the year equated to cost of sales other than the movement in the inventory provision which was an increase of £2.0 million (2017: £3.1 million).

The Group enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the Company purchases the metal. The value of the physical metal is not recorded in the Statement of Financial Position. Inventory held on consignment amounted to £294.7 million at 31 March 2018 (2017: £176.4 million). Consignment fees under these arrangements are recognised within cost of sales.

Note 12
Trade and other receivables

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Trade receivables	21,267	21,267	23,730	23,730
Less provision for impairment of receivables	(322)	(322)	(215)	(215)
VAT	11,141	11,141	7,146	7,004
Prepayments and accrued income	1,847	1,804	1,783	1,782
Amounts owed by subsidiary undertaking	–	1,555	–	1,635
	33,933	35,445	32,444	33,936

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Included within the receivables are the following:				
Central Government bodies	11,327	11,327	10,805	10,805
Other Government bodies	9	9	4	4
NHS Trusts	2	2	4	4
Amounts owed by subsidiary undertaking	–	1,555	–	1,635
	11,338	12,893	10,813	12,448

The carrying value of the Group's trade and other receivables are denominated in the following currencies:

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
British Pound Sterling	24,508	26,020	24,641	26,133
US Dollars	7,939	7,939	7,600	7,600
Euros	1,486	1,486	203	203
	33,933	35,445	32,444	33,936

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

	2018 £'000	2017 £'000
At 1 April	(215)	(240)
(Provided) / Utilised in the year	(107)	25
At 31 March	(322)	(215)

Note 13
Borrowings – Group and Company

	2018 £'000	2017 £'000
Loans	31,150	28,000

The Company has a revolving credit facility from the Royal Mint Trading Fund of £36 million until 28 February 2023, of which £30 million was drawn down at 31 March 2018. In addition the Company has a fixed term loan of which £1,150,000 was outstanding at 31 March 2018 – £270,000 is due in less than one year and the remaining balance of £880,000 is due in more than 1 year.

Note 14
Trade and other payables

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Trade payables	15,544	15,544	17,655	17,251
Other payables	27,424	27,424	15,766	15,766
Payments received on account	13,487	13,487	3,412	3,412
Taxation and social security	966	966	896	896
Accruals and deferred income	6,585	6,177	3,263	3,263
Amounts owed to subsidiary companies	–	163	–	–
	64,006	63,761	40,992	40,588

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Included within the payables are the following:				
Balances with other Government bodies not shown separately above:				
Other Central Government bodies	7,491	7,522	3,126	3,126
Public Corporations and Trading Funds	17	17	421	421
	7,508	7,539	3,547	3,547

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

Note 15
Provision for liabilities and charges
Group

	Returns provision £'000	Early retirement £'000	Environment remediation £'000	Restructuring £'000	Onerous lease £'000	Total £'000
At 1 April 2017						
Provided in year	660	10	254	–	–	924
Transferred from trade receivables	132	–	–	2,047	265	2,444
Utilised in year	–	(10)	(94)	(245)	–	(349)
At 31 March 2017	792	–	160	1,802	265	3,019

Company

	Returns provision £'000	Early retirement £'000	Environment remediation £'000	Restructuring £'000	Total £'000
At 1 April 2017					
Provided in year	660	10	254	–	924
Transferred from trade receivables	132	–	–	1,997	2,129
Utilised in year	–	(10)	(94)	(195)	(298)
At 31 March 2018	792	–	160	1,802	2,755

Note 15 Continued
Group and Company

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

The profile of settlement of provisions is set out below.

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	Over five years £'000
At 31 March 2018 – Group	3,019	–	–	–
At 31 March 2018 – Company	2,755	–	–	–
At 31 March 2017 – Group and Company	924	–	–	–

Note 16
Deferred tax assets and liabilities

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%).

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Liability at 1 April	672	940	1,246	1,246
Movements on deferred tax were:				
(Credited)/Charged to the Income Statement	(411)	(679)	405	673
Charged /(Credited) to Statement of Comprehensive Income	82	82	(979)	(979)
Liability at 31 March	343	343	672	940

Movements in deferred tax (assets)/liabilities were:

Group

	Assets £'000	Liabilities £'000	2018 Net £'000	Assets £'000	Liabilities £'000	2017 Net £'000
Accelerated tax depreciation	–	2,081	2,081	–	2,636	2,636
Derivative instruments	(319)	–	(319)	(232)	–	(232)
Retirement benefit obligation	(1,263)	–	(1,263)	(1,440)	–	(1,440)
Tax losses	–	–	–	(268)	–	(268)
Other	(156)	–	(156)	(24)	–	(24)
Deferred tax (asset)/liability	(1,738)	2,081	343	(1,964)	2,636	672

Note 16 continued

	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Tax losses £'000	Other £'000	Total £'000
At 1 April 2017	2,636	(232)	(1,440)	(268)	(24)	672
Charged/(credited) to the Income Statement	(555)	(87)	95	268	(132)	(411)
Credited to Statement of Comprehensive Income	–	–	82	–	–	82
At 31 March 2018	2,081	(319)	(1,263)	–	(156)	343

Company

	Assets £'000	Liabilities £'000	2018 net £'000	Assets £'000	Liabilities £'000	2017 net £'000
Accelerated tax depreciation	–	2,081	2,081	–	2,636	2,636
Derivative instruments	(319)	–	(319)	(232)	–	(232)
Retirement benefit obligation	(1,263)	–	(1,263)	(1,440)	–	(1,440)
Other	(156)	–	(156)	(24)	–	(24)
Deferred tax (asset)/liability	(1,738)	2,081	343	(1,696)	2,636	940

	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2017	2,636	(232)	(1,440)	(24)	940
Charged to the Income Statement	(555)	(87)	95	(132)	(679)
Credited to Statement of Comprehensive Income	–	–	82	–	82
At 31 March 2018	2,081	(319)	(1,263)	(156)	343

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

	2018 £'000	2017 £'000
Remeasurements on defined benefits schemes	82	(979)

Analysis of deferred tax (asset)/liability

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Deferred tax (asset) within 12 months	(319)	(319)	(500)	(232)
Deferred tax (asset) after 12 months	(1,419)	(1,419)	(1,464)	(1,464)
Deferred tax liability after 12 months	2,081	2,081	2,636	2,636
	343	343	672	940

The deferred tax at 31 March 2018 has been calculated based on the rate of 17% which was substantively enacted at the balance sheet date. The deferred tax asset has been recognised as the Company are confident that future profits will arise against which the asset will be utilised.

Note 17
Retirement benefit schemes

Defined contribution scheme

The Group and Company operates a defined contribution scheme for employees who have joined the organisation since 1 January 2010 via The Royal Mint Limited Personal Pension Plan (GPP). The related pension assets are held in trustee-administered funds separate from the Group. The total cost charged to income of £1,278,000 (2016–17: £706,000) represents contributions payable to the scheme by the Group at rates specified in the plan rules.

Defined benefit scheme

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

Prior to 1 January 2010	Employees were members of the Civil Service Pension Scheme, an unfunded, defined benefit scheme.
1 January 2010 (vesting)	New contributions to the Civil Service Pension Scheme ceased; Prudential Platinum Pension - The Royal Mint Limited Scheme (RMLS), a funded, defined benefit pension scheme, was created. All existing employees become members of the new RMLS. As part of the vesting process employees were given the option to transfer deferred benefits from the Civil Service Pension Scheme into RMLS.
31 March 2015	RMLS was closed for additional contributions on 31 March 2015 and members were given the option to join the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS), unfunded, defined benefit pension schemes, or to join GPP, a defined contribution scheme for future accrual. 21 members opted to join GPP, with the remainder opting to join PCSPS or CSOPS.
From 1 April 2015	Members of RMLS had until August 2015 to decide what to do with their deferred benefits held within RMLS from the following options: i. Remain in RMLS ii. Transfer into PCSPS or CSOPS iii. Transfer into a defined contribution scheme (at Cash Equivalent Transfer Value). The majority of staff opted to transfer into a defined contribution scheme and only 1% opted to transfer into PCSPS or CSOPS.

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

The Principal Civil Service Pension Scheme (PCSPS) continues for those employees who were within ten years of their normal pension age on 1 April 2012 and has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for the Executive Management Team in the Remuneration Report show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation.

Note 17 continued

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Employer contributions expected to be paid for the year ended 31 March 2019 are £4,829,000.

Whilst the PCSPS and alpha are defined benefit schemes, they are accounted for by the Company as defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities due to them being multi-employer unfunded defined benefit pension schemes. The total cost charged to income of £4,154,000 (2017: £4,967,000) represents contributions payable to the scheme by the Company. As noted above RMLS was closed for additional contributions on 31 March 2015. The disclosures below relate to the residual RMLS in relation to deferred pensioners who left their benefits in the scheme and current pensioners.

Risks

The residual RMLS 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.

Actuarial Valuation

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

Details of valuation assumptions

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

	2018	2017
Discount rate	2.40%	2.45%
Price inflation RPI	2.90%	3.10%
Price inflation CPI	2.10%	2.30%
Revaluation of deferred pensions:		
benefits accrued before 01/02/2014	2.90%	3.10%
Revaluation of deferred pensions:		
benefits accrued after 01/02/2014	2.10%	2.30%
Increase to pensions in payment:		
benefits accrued before 01/02/2014	2.90%	3.10%
Increase to pensions in payment:		
benefits accrued after 01/02/2014	2.10%	2.30%
Mortality assumption – pre-retirement	SAPS S2PxA CMI 2016(1.5%)	SAPS S2PxA CMI 2015(1%)
Mortality assumption – male post-retirement	SAPS S2PMA CMI 2016_M(1.5%)	SAPS S2PMA CMI 2015_M(1%)
Mortality assumption – female post-retirement	SAPSS2PFACMI2016_F(1.5%)	SAPSS2PFACMI2015_F(1%)
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year-end	87.3	87.0
Female aged 65 at year-end	89.2	89.0
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year-end	89.1	88.3
Female aged 45 at year-end	91.0	90.5

Note 17 continued

The discount rate on the previous page reflects the yield on the iBox AA-rated over a 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:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fair value of plan assets	14,199	15,027	14,738	49,308	37,134
Present value of plan liabilities	(21,631)	(23,496)	(17,987)	(55,081)	(39,619)
Net defined benefit liability	(7,432)	(8,469)	(3,249)	(5,773)	(2,485)

Amounts recognised in the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Service Cost:		
Administration expenses	61	131
Net interest expense	198	105
Past service cost and gain on settlement	–	107
Amounts charged to the Income Statement	259	343
Remeasurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	839	(1,131)
(Gain)/Loss arising from changes in financial assumptions	(1,041)	7,377
Loss arising from changes in demographic assumptions	422	–
Experience gain	(704)	(488)
(Credit)/Charge recorded in other comprehensive income	(484)	5,758
Total defined benefit (credit)/charge	(225)	6,101

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

	2018 £'000	2017 £'000
Fair value of net liability at the beginning of the year	(8,469)	(3,249)
Movements in the year:		
Employer contributions	812	881
Administration expenses	(61)	(131)
Net interest cost	(198)	(107)
Past service cost	–	(105)
Remeasurement (losses)/gains:		
Actuarial (losses)/gains arising from changes in financial assumptions	1,041	(7,377)
Actuarial gains arising from changes in demographic assumptions	(422)	–
Return on scheme assets (excluding amounts included in interest expense)	(839)	1,131
Other experience items	704	488
Net Scheme liabilities at end of year	(7,432)	(8,469)

Note 17 continued

Changes in the present value of assets over the year:

	2018 £'000	2017 £'000
Fair value of assets at the beginning of the year	15,027	14,738
Movements in the year:		
Return on scheme assets (excluding amounts included in interest expense)	(839)	1,131
Interest income	364	513
Employer contributions	812	881
Benefits paid	(1,104)	(2,105)
Administration expenses	(61)	(131)
Scheme assets at the end of the year	14,199	15,027

Actual return on assets over the year was £(475,000) (2016–17: £1,644,000).

Changes in the present value of assets over the year:

	2018 £'000	2017 £'000
Scheme liabilities at the beginning of the year	23,496	17,987
Movement in the year:		
Interest cost	562	620
Past service cost	–	105
Remeasurement losses/(gains):		
Actuarial gains and losses arising from changes in financial assumptions	(1,041)	7,377
Actuarial gains and losses arising from changes in demographic assumptions	422	–
Other experience items	(704)	(488)
Benefits paid	(1,104)	(2,105)
Scheme liabilities at the end of the year	21,631	23,496

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

	2018 £'000	2017 £'000
Deferred pensioners	19,162	21,360
Pensions in payment	2,469	2,136
	21,631	23,496
Average duration of the scheme's liabilities at the end of the period (years)	33	30

Note 17 continued

The major categories of scheme assets are as follows:

	2018 £'000	2017 £'000
RETURN SEEKING		
UK Equities	3,433	–
Overseas Equities	3,433	–
Diversified Growth Fund	715	–
	7,581	–
DEBT INSTRUMENTS		
Corporates	3,297	–
Index Linked	3,321	15,027
	6,618	15,027
Cash	–	–
Total market value of assets	14,199	15,027

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 £2,190,000 to the Scheme during year ending 31 March 2019.

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £680,000 (increase by £708,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £687,000 (decrease by £662,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

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

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by £828,000 (decrease by £837,000) if all the other assumptions remained unchanged.

Note 18
Dividends – Group and Company

	2018 £'000	2017 £'000
Dividends paid (66.67p per share)	4,000	4,000

Note 19
Capital commitments – Group and Company

	2018 £'000	2017 £'000
Commitments in respect of contracts – Tangible Assets	2	716
Commitments in respect of contracts – Intangible Assets	53	244
	55	960

Note 20
Operating lease commitments – Group and Company

	2018 £'000	2017 £'000
Operating lease rentals due on leases expiring:		
Less than one year	294	889
Between one and five years	1,444	1,355
	1,738	2,244

As detailed in note 5 a provision has been recognised for an onerous lease in respect of the London office closure. This is therefore not included in the commitments above.

Note 21
Related party transactions

The Royal Mint Limited is a Company wholly-owned by HM Treasury. HM Treasury is regarded as a related party and it has both an ownership and a customer role.

The operation of the shareholding interest has been delegated to UKGI. They are responsible for oversight of the Company's objective of delivering a commercial return on capital employed and provision of relevant advice to the Commercial Secretary to HM Treasury reporting to Parliament. HM Treasury also contracts with the Company as a customer, under a Service Level Agreement, for the manufacture and distribution of UK circulating coin.

The Royal Mint Limited also contracts with The Royal Mint Museum Services Limited a subsidiary of the Royal Mint Museum. The Royal Mint Museum is wholly-owned by HM Treasury. The companies operate under a Service Level Agreement whereby:

1. The Royal Mint Limited provides employees, establishment and support services. The revenue for the year was £306,748 (2016-17: £309,000).
2. The Royal Mint Museum Group provides services to The Royal Mint Limited, in support of its business activities and to HM Treasury in support of its obligations to manage the United Kingdom coinage. The charge for the year was £330,396 (2016-17: £346,017).
3. For the period to 31 December 2017, the Royal Mint Museum received a quarterly donation from The Royal Mint Limited calculated in accordance with the agreement at vesting. Since 1 January 2018 the payment (calculated as previously) is in consideration for a non-exclusive licence to access and have use of the Museum collection within the restrictions set out in the funding agreement signed 31 December 2017. The amount received for the year is £121,396 (2016–17: £111,346).
4. The Royal Mint Limited has donated coins to the Museum collection at a cost of £308,887 (2016-17: £222,065).

In addition, the Company has had a number of transactions with other Government bodies. During the year, none of the Board members, members of the key management staff or other related parties have undertaken any material transactions with the Company. Balances with other Government bodies are set out in notes 12 and 14.

The Royal Mint Limited also has an associate company with which it has transactions to buy and sell historic coins.

1. The Royal Mint Limited's purchases from Sovereign Rarities were £1,246,000 (2016–17: £640,000) and the amount outstanding at 31 March 2018 was £48,000 (2017: £54,000).
2. The Royal Mint Limited's sales to Sovereign Rarities were £69,000 (2016–17: £Nil) and the amount outstanding at 31 March 2018 was £Nil (2017: £Nil)

Remuneration of key management staff

Key management staff are considered to be the Executive Management Team. Remuneration of key management staff is set out below:

	2018 £'000	2017 £'000
Salaries and other short-term employee benefits	1,076	1,531
Post-employment benefits	191	164
	1,267	1,695

Note 22
Analysis of net funds/(debt)

Group

	At 1 April 2017 £'000	Cash Flow £'000	At 31 March 2018 £'000
Cash at bank and cash-in-hand	7,100	2,557	9,657
Loan	(28,000)	(3,150)	(31,150)
	(20,900)	(593)	(21,493)

Company

	At 1 April 2017 £'000	Cash Flow £'000	At 31 March 2018 £'000
Cash at bank and cash-in-hand	6,803	2,092	8,895
Loans	(28,000)	(3,150)	(31,150)
	(21,197)	(1,058)	(22,255)

Note 23
Other gains/(losses) – Group and Company

	2018 £'000	2017 £'000
Foreign exchange gain	1,715	129
Foreign exchange forward contracts	2,023	290
Ineffectiveness of commodity hedges	125	(46)
Release of grant income	153	115
	4,016	488

Note 24
Financial instruments – Group and Company

	2018 £'000	2017 £'000
DERIVATIVE ASSET		
Foreign currency fair value	2,031	218
Commodity fair value	705	282
Precious metal fair value	53	228
	2,789	728

	2018 £'000	2017 £'000
DERIVATIVE LIABILITY		
Foreign currency fair value	9	1,478
Commodity fair value	590	395
Precious metal fair value	18	155
	617	2,028

Note 24 continued

Financial risk management

The main risk exposures arising from the Group's activities are currency risk, commodity price risk, interest rate risk, credit risk and liquidity risk. These risks arise in the normal course of business and are managed by the finance department 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 Group 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 Group's risk management policy is to enter into forward contracts for all 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 2018 £'000	Average forward rate 2018	Fair value 2018 £'000	Contract amount 2017 £'000	Average forward rate 2017	Fair value 2017 £'000
Forward contract – sell £/buy EUR						
Maturing in less than 1 year	1,315	1.1382	(6)	5,002	1.1521	(50)
Forward contract – sell £/buy USD						
Maturing in less than 1 year	–	–	–	4,972	1.2524	9
Forward contract – sell £/buy CHF						
Maturing in less than 1 year	–	–	–	1,118	1.3795	121
Forward contract – buy £/sell USD						
Maturing in less than 1 year	28,036	1.3755	972	32,987	1.3011	(1,357)
Maturing in more than 1 year	14,039	1.3574	1,031	–	–	–
	42,075	1.3664	2,003	32,987	1.3011	(1,357)
Forward contract – buy £/sell EUR						
Maturing in less than 1 year	1,471	1.1184	26	2,559	1.1559	16

The movements shown below largely result from foreign exchange gains/losses on translation of US Dollar/Euro denominated trade payables and receivables. The first table below shows the impact of a 10% decrease in sterling and the second table the impact of a 10% increase in sterling against other currencies on the balances of financial assets and liabilities as at 31 March.

	Closing exchange rate 2018	Effect on net earnings of a 10% decrease 2018 £'000	Closing exchange rate 2017	Effect on net earnings of a 10% decrease 2017 £'000
Euros	1.1406	(5)	1.1637	(248)
US Dollars	1.4028	1,168	1.2483	825
		1,163		577

	Closing exchange rate 2018	Effect on net earnings of a 10% increase 2018 £'000	Closing exchange rate 2017	Effect on net earnings of a 10% increase 2017 £'000
Euros	1.1406	(59)	1.1637	201
US Dollars	1.4028	(1,021)	1.2483	(637)
		(1,080)		(436)

Note 24 continued

Commodity price risk

The Group 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 Company uses commodity futures to hedge against price risk movements. All commodity futures contracts hedge a projected future purchase of raw materials, which are then closed out at the time the raw material is purchased. Commodity hedges are held in the Statement of Financial Position at fair value to the extent they are deemed to be effective under IAS 39, ineffective portions of hedges are recognised in the Income Statement. The open commodity hedges as at 31 March are as follows:

	Tonnes 2018	Value at average price 2018 £'000	Fair value 2018 £'000	Tonnes 2017	Value at average price 2017 £'000	Fair value 2017 £'000
Cash flow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	900	4,491	(260)	650	2,861	190
Maturing in more than 1 year	–	(2)	2	–	–	–
	900	4,489	(258)	650	2,861	190
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	534	4,520	394	168	1,660	(270)
Maturing in more than 1 year	–	11	(11)	12	133	(33)
	534	4,531	383	180	1,793	(303)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	225	527	(10)	–	–	–
	225	527	(10)	–	–	–

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 2018 £	Effect on net earnings of a 10% decrease 2018 £'000	Effect on equity of a 10% decrease 2018 £'000	Closing price/tonne 2017 £	Effect on net earnings of a 10% decrease 2017 £'000	Effect on equity of a 10% decrease 2017 £'000
Copper	5,329	(177)	(283)	4,659	(167)	(132)
Nickel	9,128	(324)	(150)	7,866	(219)	68
Zinc	2,420	(38)	(17)	2,216	–	–
		(539)	(450)		(386)	(64)

	Closing price/tonne 2018 £	Effect on net earnings of a 10% increase 2018 £'000	Effect on equity of a 10% increase 2018 £'000	Closing price/tonne 2017 £	Effect on net earnings of a 10% increase 2017 £'000	Effect on equity of a 10% increase 2017 £'000
Copper	5,329	177	283	4,659	167	132
Nickel	9,128	324	150	7,866	219	(68)
Zinc	2,420	38	17	2,216	–	–
		539	450		386	64

Note 24 continued

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

Purchases are made in two ways:

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

The purchases/(sales) can either be made on a spot basis or through forward contracts; hedge accounting is not followed for precious metal forward contracts. The open forward contracts and swaps as at 31 March are as follows:

	Ozs 2018	Value at average price 2018 £'000	Fair value 2018 £'000	Ozs 2017	Value at average price 2017 £'000	Fair value 2017 £'000
Gold forwards – GBP denominated contracts: Maturing in less than 1 year	6,139	5,853	43	13,746	13,562	168
Silver forwards – GBP denominated contracts: Maturing in less than 1 year	80,310	966	(8)	157,961	2,243	60
Gold swaps in place at the year-end – GBP denominated contract: Maturing in less than 1 year	–	–	–	(2,257)	(1,976)	(155)

The tables below show the impact a 10% decrease/increase in precious metal prices would have on the balances of financial assets and liabilities at 31 March.

	Closing price 2018 £/oz	Effect on net earnings of a 10% decrease 2018 £'000	Closing price 2017 £/oz	Effect on net earnings of a 10% decrease 2017 £'000
Gold	942	590	996	1,130
Silver	12	96	15	230
Platinum	665	–	760	–
		686		1,360

	Closing price 2018 £/oz	Effect on net earnings of a 10% increase 2018 £'000	Closing price 2017 £/oz	Effect on net earnings of a 10% increase 2017 £'000
Gold	942	(590)	996	(1,130)
Silver	12	(96)	15	(230)
Platinum	665	–	760	–
		(686)		(1,360)

Note 24 continued

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

	Closing price 2018 £/oz	Effect on net earnings of a 10% change 2018 £'000	Closing price 2017 £/oz	Effect on net earnings of a 10% change 2017 £'000
Gold	942	199	996	164
Silver	12	14	15	14
Platinum	665	8	760	2
		221		180

Interest rate risk

The Group has exposure to interest rate risk, arising principally in relation to the National Loan Fund (NLF) loans, cash held at bank and precious metal consignment arrangements. Cash held at bank and overdrafts are 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 not to 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:

	2018 £'000	Effect on net earnings of a 10% change 2018 £'000	2017 £'000	Effect on net earnings of a 10% change 2017 £'000
Loans	31,150	68	28,000	56

Credit risk

Exposures to credit risks are as a result of transactions in The Royal Mint Group'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:				
2018	43	544	479	1,013
2017	124	43	88	210

Note 24 continued

Consumer wholesale

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

	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Wholesale trade receivables:				
2018	43	–	75	1
2017	443	46	–	–

Consumer Coin Business to Consumer

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

	Balance overdue statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to Consumer receivables:			
2018	41	66	189
2017	88	2	90

Bullion

The bullion is purchased specifically for the customer's order and is payable within 48 hours. Coins are only despatched when payment is received. There were no overdue balances at 31 March 2018 or 2017.

Counter-party risk

The Group purchases and sells derivative financial instruments from/to A, Aa-, BBB rated banks.

The maximum exposure to credit risk is limited to the carrying value of financial assets on the Statement of Financial Position as at the reporting date. For 2018 the amount is £33,900,000 for the Group and £35,400,000 for the Company (2017: Group £32,400,000 and Company £34,000,000). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

Hierarchy disclosure under IFRS 7

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

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

Note 24 continued

Capital management and liquidity risk

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern and provide returns to its shareholder. This is reviewed on a regular basis in the context of available facilities.

Liquidity risk is the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. The Group's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Group manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition, the Group has negotiated a revolving credit facility of £36,000,000 until 28 February 2023, of which £30,000,000 was drawn down at 31 March 2018. It is anticipated that this will be sufficient to meet future requirements in conjunction with an overdraft facility of £20 million. The Group also has a fixed term loan of which £1,150,000 was outstanding at 31 March 2018.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining year at 31 March to the contractual maturity date.

Group
At 31 March 2018

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	270	30,879	–	–
Derivative financial instruments	617	–	–	–
Trade and other payables	64,006	–	–	–

Company
At 31 March 2018

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	270	30,879	–	–
Derivative financial instruments	617	–	–	–
Trade and other payables	63,761	–	–	–

Group
At 31 March 2017

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	28,000	–	–	–
Derivative financial instruments	2,028	–	–	–
Trade and other payables	40,096	–	–	–

Company
At 31 March 2017

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	28,000	–	–	–
Derivative financial instruments	2,028	–	–	–
Trade and other payables	39,692	–	–	–

Fair values

Set out in the following table is a comparison by category of fair values of financial instruments recognised in the financial statements at 31 March. Fair value of cash and cash equivalents, trade receivables and payables are deemed to be approximately their book value due to their short-term maturity. Fair value of commodity hedges is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange rates at the date of the Statement of Financial Position.

Note 24 continued

Categories of financial instruments

The table below identifies the carrying values at 31 March for each category of financial assets and liabilities. There is no significant difference between the carrying value and fair value in either year.

	Group Carrying value 2018 £'000	Company Carrying value 2018 £'000	Group Carrying value 2017 £'000	Company Carrying value 2017 £'000
Assets as per the Statement of Financial Position:				
Derivatives used for hedging	705	705	282	282
Loans and receivables				
Trade and other receivables	33,933	35,445	32,444	33,936
Cash and cash equivalents	9,657	8,895	7,100	6,803
Derivatives at fair value through profit and loss	2,084	2,084	446	446
Liabilities as per the Statement of Financial Position:				
Borrowings	(31,150)	(31,150)	(28,000)	(28,000)
Derivatives used for hedging	(590)	(590)	(395)	(395)
Derivatives at fair value through profit and loss	(27)	(27)	(1,633)	(1,633)
Trade and other payables	(64,006)	(63,761)	(40,096)	(39,692)

Note 25
Share capital and share premium – Group and Company

Allotted, called up and fully paid (£1 each)

	Number of shares	Ordinary shares £'000
At 1 April 2017 and 31 March 2018	6,000,001	6,000

	2018 £'000	2017 £'000
Share premium account	39,319	39,319

Note 26
Ultimate controlling party

The ultimate controlling party of The Royal Mint Limited is HM Treasury. The parent entity of The Royal Mint Limited is the Royal Mint Trading Fund.

The largest and smallest group for which financial statements are prepared of which The Royal Mint Limited is a subsidiary is the Royal Mint Trading Fund. The financial statements can be obtained by contacting The Royal Mint using the details on page 3 or by visiting royalmint.com.

Note 27
Company's domicile, legal form and country of incorporation

The Company is limited by shares and registered in England and Wales and is domiciled in the United Kingdom.

Note 28
Events occurring after the reporting period

On 25 May 2018, the Board approved the payment of a dividend of £4.0 million.

On 8 March 2018, we celebrated International Women's Day with our CEO Anne Jessopp, The Royal Mint's first female Chief Executive and Deputy Master.

The Royal Mint®

Established *for* Tomorrow®

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A to Z