The Royal Mint®

Established *for* Tomorrow™

The Royal Mint Limited
Annual Report 2015-16

The Royal Mint® | Established *for* Tomorrow™

The Royal Mint Limited

Annual Report 2015-16

Company registration number: 6964873

The Royal Mint Limited
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Directors

Peter Warry*
Chairman

Adam Lawrence
Chief Executive

Vin Wijeratne
Chief Financial Officer

Anne Jessopp
Director of Commemorative Coin and Business Services

Andrew Mills
Director of Circulating Coin

David Morgan*

Xenia Carr-Griffiths*

Amanda Rendle*

Michael Clayforth-Carr*

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

*Non-Executive Directors

Company Secretary
Anne Jessopp

Executive Management Team

Adam Lawrence
Chief Executive

Vin Wijeratne
Chief Financial Officer

Anne Jessopp
Director of Commemorative Coin and Business Services

Andrew Mills
Director of Circulating Coin

Chris Howard
Director of Bullion

Leighton John
Director of Operations

Martin McDade
Director of Finance

Sarah Bradley
Director of HR and SHE

External auditors
PricewaterhouseCoopers LLP

Internal auditor
KPMG LLP

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

Accreditations

Investors in People – Gold
Investors in People sets the standards for people management in the UK and retaining the gold award puts us in the top 3% of organisations that have been awarded with the standard.

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 organizations 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

I am delighted to report that The Royal Mint has achieved the highest profit since the company was vested on 1 January 2010 and delivered on all its Ministerial Targets. Our sustained productivity drive has meant that last year we delivered 5.6 million coins per employee compared to 4.2 million at vesting – a 33% improvement.

However, whilst we will continue to improve on our 'business as usual', the main focus of the Board and Executive Team has been on positioning The Royal Mint for the future. The major investment we have made in developing our High Security Feature for circulating coins is beginning to bear fruit with the United Kingdom order for 1.5 billion new £1 coins. We expect that the High Security Feature will give The Royal Mint a major competitive advantage in international sales and enable us to tackle new markets, including replacing low-value banknotes with coins, through enhanced security and better lifetime value. In fact we already have our first overseas order utilising the High Security Feature which will enter circulation in the coming months.

We have continued to develop our Bullion business with new product offerings, improvements to our online sales systems and new business initiatives. Likewise we have continued to develop the Commemorative Coin business, not just with new and very successful products, but with new approaches to markets and customer acquisition and retention. Part of this initiative is The Royal Mint Experience which opened in May 2016 and is already proving to be a great attraction for Wales and will hopefully be a commercial success for The Royal Mint. Building our Bullion and Commemorative Coin businesses is crucial to ensuring that The Royal Mint has a sustainable business model as payment methods evolve.

Three years ago we launched a project to replace the vast majority of our different IT packages with a single integrated system (christened 'One Business System'). After considerable work throughout the business we were able to run the proving trials of the system over the last couple of months and the system will go live during 2016.

None of this would have been possible without our highly committed workforce and great executive leadership and our thanks go to all concerned. This year two members of the Executive Management Team, Phil Carpenter and Shane Bissett, have left after making significant contributions and our thanks also go to them. We have been delighted to add Leighton John, Chris Howard, Martin McDade and Sarah Bradley to the Executive Management Team. I am also pleased to report that Amanda Rendle and Michael Clayforth-Carr (with backgrounds in international marketing and financial product sales respectively) have been appointed as Non-Executive Directors and also that Anne Jessopp and Andrew Mills have been promoted to the Board following the year-end. With increased Board strength we look forward to delivering against the challenges ahead.

Peter Warry
Chairman

The major investment we have made in developing our High Security Feature for circulating coins is beginning to bear fruit with the UK order for 1.5 billion new £1 coins.

We expect that the High Security Feature will give The Royal Mint a major competitive advantage in international sales.

The first of the 1.5 billion new £1 coins being struck in readiness for circulation in March 2017.

Chief Executive's Report

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

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

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

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

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

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

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

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

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

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

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

Royal Mint staff were given exclusive access to The Royal Mint Experience before the public opening. They were able to try out the interactive zones, experience a 270° cinema and get up close to the London 2012 Olympic and Paralympic medals.

51% Operating Profit

87% Operating Profit

Commemorative Coin grew strongly with a 51% increase in Contribution to operating profit over the previous year.

Commemorative Coin enjoyed another solid year with strong royal themes such as Queen Elizabeth II becoming the longest reigning monarch in British history.

Bullion experienced an 87% increase in Contribution to operating profit over the previous year.

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

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

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

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

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

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

Adam Lawrence
Chief Executive

The Circulating Coin business saw strong demand both domestically and overseas last year making and despatching some 4.4 billion coins and blanks to 40 countries.

Strategic Report

Activities and structure

HM Treasury owns 100% of the shares of The Royal Mint Limited through an Executive Agency, the Royal Mint Trading Fund.

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

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

Financial performance

Overall revenue increased by 39% to £360.6m (2014-15: £259.6m) with revenue growth of at least 17% delivered by all three businesses.

Operating profit before adjusting for the impact of IAS 39 related items and exceptional items (note 5) increased by 19% to £13.1m (2014-15: £11.0m). The increase was lower than overall revenue due to the majority of the revenue growth being in Bullion where metal accounts for a higher proportion of the sales price than in the other segments.

The business uses sales less metal as a key indicator of activity. This grew by 10% to £104.8m (2014-15: £95.6m). Operating profit as a percentage of sales less metal increased to 12.5% (2014-15: 11.5%).

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

This year has seen cash outflows from operating activities of £5.0m (2014-15: £25.1m inflow). This included a repayment to the company of value added tax paid in prior years following agreement of our Partial Exemption Special Method by HMRC.

Capital expenditure of £24.4m (2014-15: £12.0m) reflected our significant investment in the future of the business mainly across the following areas:

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

Net assets increased by £7.6m to £62.9m. The increase in net assets has resulted from generating a profit after tax of £9.6m, a gain in the hedging reserve (£0.5m), a reduction in the pension deficit arising from actuarial assumptions net of deferred tax (£1.5m) offset by payment of a dividend (£4.0m) relating to 2014-15 performance.

Summary financial results

	2015-16 £m	Restated* 2014-15 £m
REVENUE		
Circulating Coin		
UK	49.2	59.4
Overseas	74.8	46.6
Total Circulating Coin	124.0	106.0
Commemorative Coin	51.0	40.1
Bullion	185.6	113.5
Total	360.6	259.6
OPERATING PROFIT		
Circulating Coin	11.2	16.8
Commemorative Coin	11.0	7.3
Bullion	2.8	1.5
Central overheads**	(11.9)	(14.6)
Operating profit before IAS 39 related adjustments and exceptional items	13.1	11.0
IAS 39 related adjustments (note 5)	(0.6)	(0.3)
Exceptional items (note 5)	(0.2)	0.7
Operating profit	12.3	11.4
Net finance cost	(0.4)	(0.2)
Profit before tax	11.9	11.2

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

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

Key Indicators

£360.6m
(2014-15:£259.6m)
Revenue

£13.1m
(2014-15:£11.0m)
Operating Profit

£11.9m
(2014-15:£11.2m)
Profit before Tax

40
Countries supplied in 2015-16

2.4 billion pieces
(2014-15: 2.2 billion pieces)
International coins and blanks issued

2,007 million
(2014-15: 2,384 million)
UK coins issued

Countries Supplied (Circulating Coin 2015-16)

9 Europe

10 Americas and the Caribbean

9 Asia and Oceania

12 Africa and the Middle East

Circulating Coin

Principal activities

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

Objectives and strategies

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

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

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

Performance

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

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

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

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

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

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

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

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

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

Key Highlights

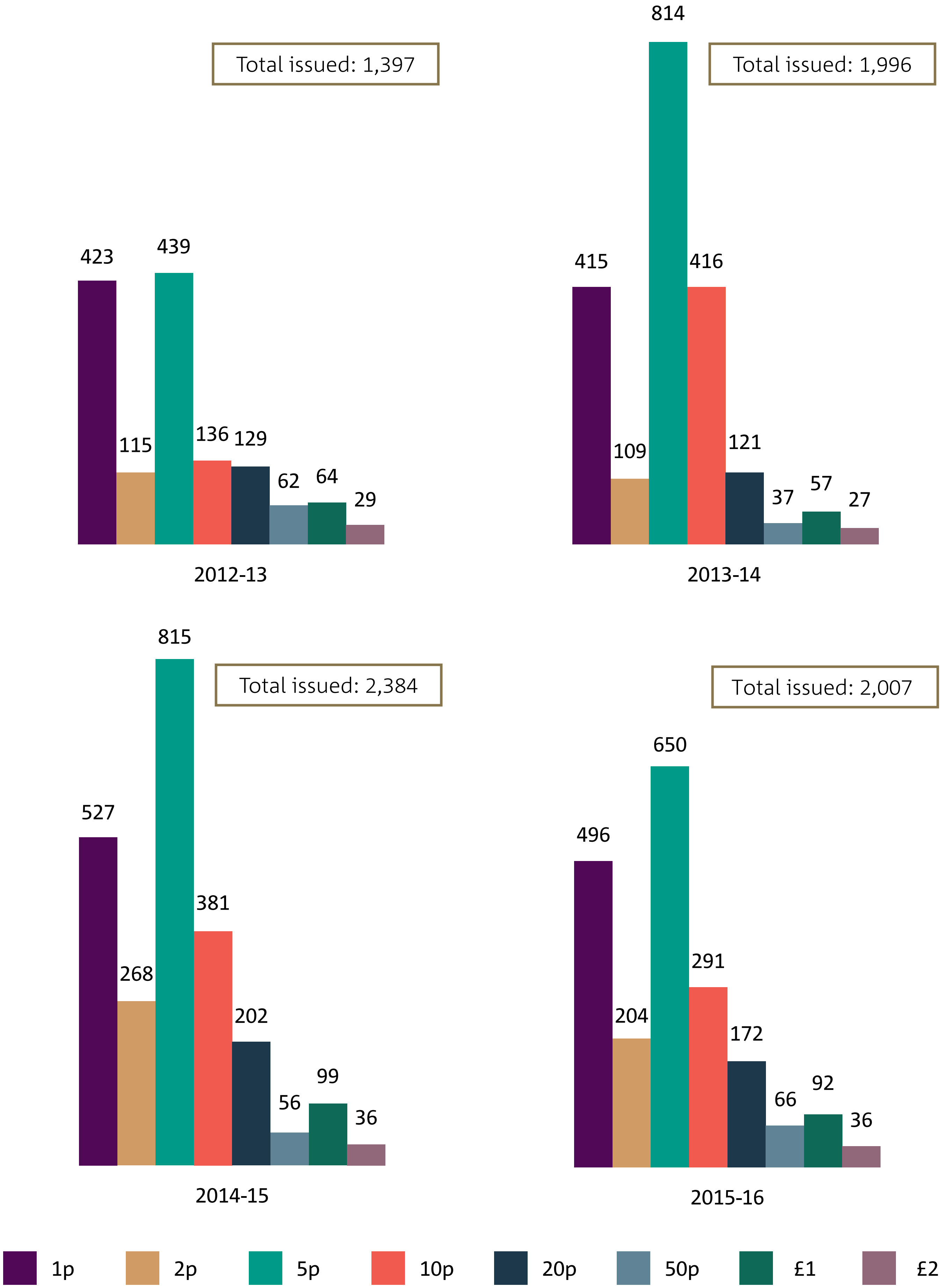
£124.0m

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

2.4 billion pieces

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

UK Coin Issued in Year – Pieces in Millions



Commemorative Coin

Principal activities

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

Objectives and strategies

The Commemorative Coin strategies are:

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

Performance

Commemorative Coin revenue increased by 27% to £51.0m (2014-15: £40.1m). The contribution to operating profit also increased to £11.0m (2014-15: £7.3m).

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

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

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

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

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

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

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

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

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

Key Highlights

Revenue
£51.0m

Commemorative Coin revenue increased by 27% to £51.0m (2014-15: £40.1m).

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

The Royal Mint Experience opened on 18 May 2016.

Active Customers
171,000

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

Bullion

Principal activities

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

Objectives and strategies

The Bullion strategies are:

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

Performance

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

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

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

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

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

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

Key Highlights

Revenue
£185.6m

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

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

Signature GOLD®

Signature Gold® was launched during the year.

Customer Accounts
20,000

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

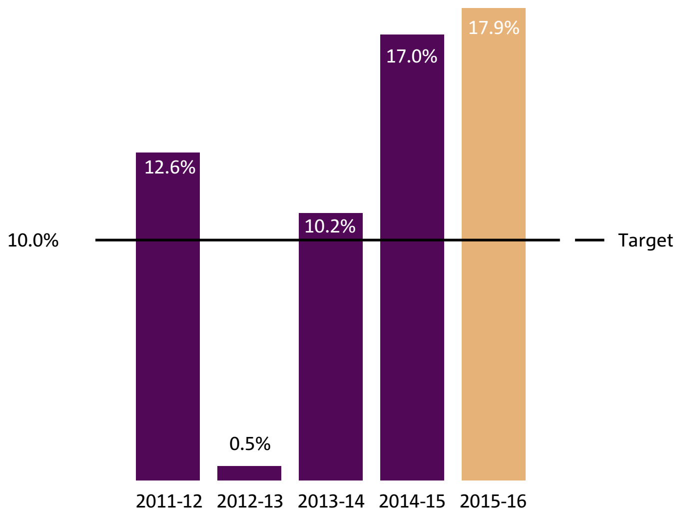
Key Performance Indicators (KPIs)

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

Target 1

Return on Average Capital Employed (ROACE)

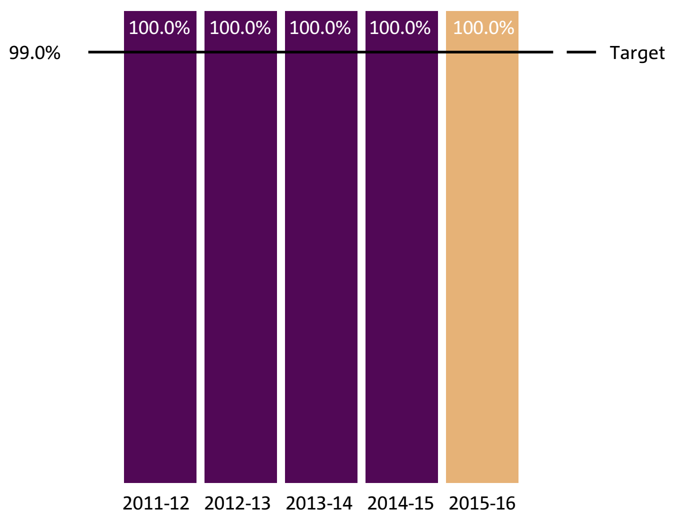
ROACE is calculated by expressing Operating Profit as a percentage of its average monthly capital employed. Operating Profit has been modified to exclude IAS19 Employee Benefits and IAS39 Financial Instruments related adjustments as well as Exceptional Items. It is intended that the Ministerial target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



Target 2

UK Circulating Coin

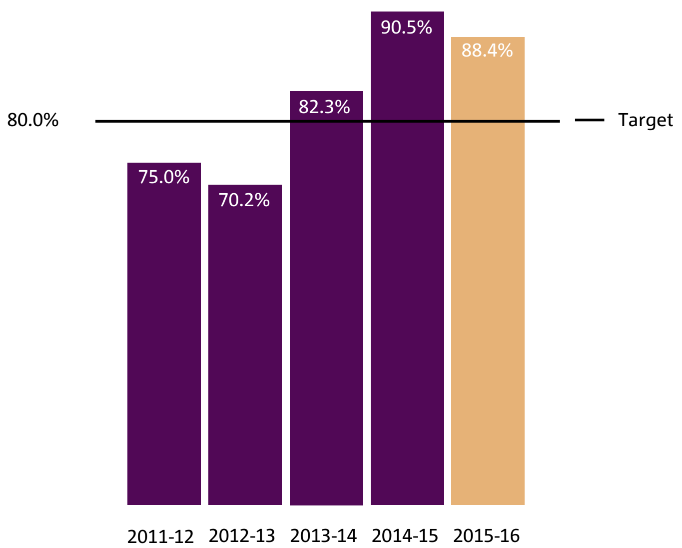
Delivery of accepted orders from UK banks and post offices within 11 days.



Target 3

UK Commemorative Coin

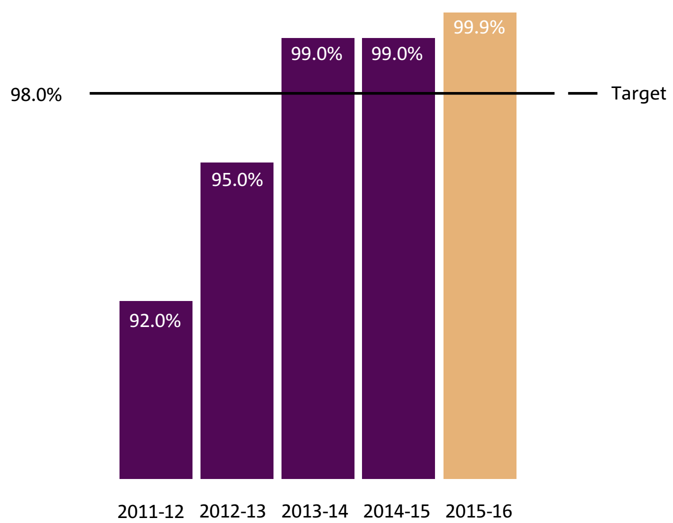
Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals

Orders delivered by agreed delivery date.



Principal risks and uncertainties

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

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

The company's overall risk management approach is highlighted on page 34.

The company is closely monitoring developments following the decision to leave the EU and will consider the impact on the business over the coming months.

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

Financial risk management

Derivative financial instruments

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

Metal prices

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

Circulating Coin

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

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

Commemorative Coin

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

Bullion

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

Premiums: Premiums on many of our gold products are calculated as a percentage of the gold price, and as such are subject to fluctuation. We have put in place gold swaps to reduce the exposure of our 2016-17 profitability to such movements in the gold price.

Foreign exchange

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

Effects of commodity hedging

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

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

The combined impact of this, together with open forward foreign currency exchange contracts, has been highlighted separately in the Income Statement. In 2015-16, the year-end impact was a loss of £0.6m (2014-15: £0.3m loss). Financial risk management disclosures are set out in note 23 to the financial statements.

All of our production processes are constantly enhanced to improve productivity and reduce costs, resulting in increased operational flexibility.

Safety, Health and Environment (SHE)

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

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

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

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

The vision is implemented through the following strategies:

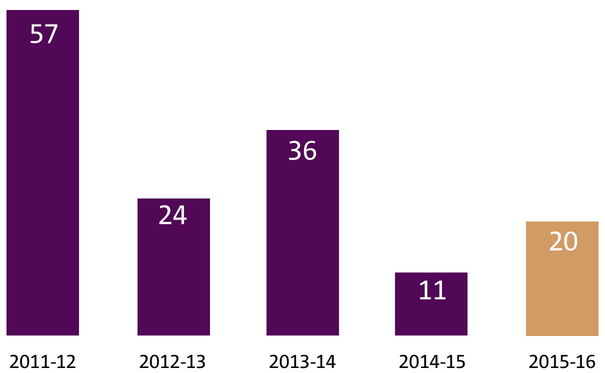
- reduction in the number of total site accidents;
- continuation with the development of a positive SHE culture which is supported by continuous improvement of the SHE management systems; and
- to manage and recycle waste products, conserve natural resources and to minimise the impact on the environment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

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

Progress against these goals is as follows:

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

Accident Profile



Outlook

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

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

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

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

Adam Lawrence
Chief Executive
27 June 2016

Directors' Report

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' 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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

A list of current Directors is shown on page 3.

Amanda Rendle and Michael Clayforth-Carr were appointed as Non-Executive Directors on 1 January 2016.

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

Events occurring after the reporting period

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

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

Research and development

At The Royal Mint, we have continued to develop our technological capabilities. In an increasingly competitive market, this is critical for us to stand apart from our competitors. During the year, we have seen positive advancements in developing our High Security Feature, which has been a culmination of many years of research and development. Our next phase will be focused on technologies that can support our business and reduce the environmental footprint of our operations. Development costs which have been capitalised are disclosed in note 9.

Creditor payment policy

The Royal Mint always seeks to comply with agreed terms. A total of 90.5% (2014-15: 90.2%) of invoices were paid within the agreed period. We will continue to work with our suppliers and develop our internal processes and systems over the forthcoming year in order to deliver further improvement in this measure.

People

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

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

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

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

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

Our apprenticeship scheme has recently been accredited by the Institute of Engineering & Technology (IET). The IET is one of the world's largest engineering institutions with over 167,000 members in 127 countries. During the year our apprentices have run a number of community outreach initiatives with local schools working with local students to get them involved with engineering at an early age in a fun and inspiring way. We have supported a number of local careers events over the year and have continued to provide opportunities on our graduate programme. The graduate programme started in 2014 and our graduates have continued to move around the organisation gaining exposure to a variety of different environments. This has culminated with several graduates from the initial intake having been moved into key roles within the business during the year.

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

Diversity

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

Sickness absence

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

Independent auditors

So far as the Directors are aware, there is no relevant audit information, (i.e. information needed by the Company's auditors in connection with preparing their report), of which the Company's auditors are unaware, and the directors have taken all steps that they ought to in order to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to confirm their 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 27 June 2016. 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

Vin Wijeratne
Chief Financial Officer
27 June 2016

Financial Summary

	2015-16 £m	2014-15 £m	2013-14 £m	2012-13 £m	2011-12 £m
UK revenue	118.1	115.2	126.3	112.8	113.7
Overseas revenue	242.5	144.4	188.6	141.3	200.2
Total revenue	360.6	259.6	314.9	254.1	313.9
Operating profit before IAS 39 related items and exceptionals	13.1	11.0	6.2	0.0	10.0
IAS 39 related items (note 5)	(0.6)	(0.3)	(0.1)	(0.7)	(1.7)
Exceptional items (note 5)	(0.2)	0.7	–	(1.2)	–
Operating profit/(loss)	12.3	11.4	6.1	(1.9)	8.3
Net finance cost	(0.4)	(0.2)	(0.4)	(0.4)	(0.2)
Profit/(loss) before tax	11.9	11.2	5.7	(2.3)	8.1
Tax	(2.3)	(2.3)	(1.4)	0.3	1.2
Profit/(loss) after tax	9.6	8.9	4.3	(2.0)	9.3
Net assets	62.9	55.3	55.1	55.9	66.3

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

The Royal Mint issued over 2 billion UK coins between April 2015 and March 2016.

Sustainability Report

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

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

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

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

Accreditations

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

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

Water consumption

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

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

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

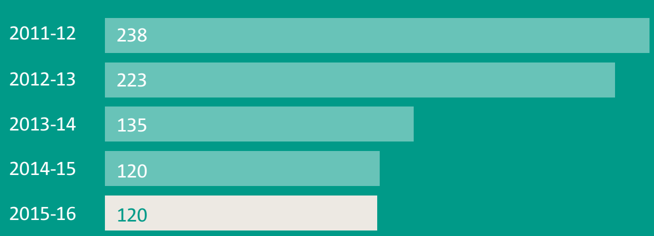
During 2015-16 The Royal Mint invested in technology, not yet operational, that is expected to introduce reductions in abstracted water in the 2016-17 financial year.

Total water supplied (M^3)

Total water abstracted (M^3)

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

Water supply costs (£'000)



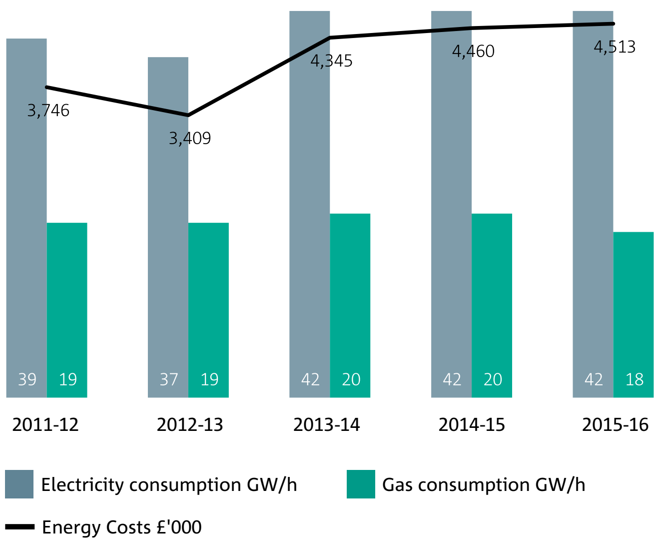
Greenhouse gas emissions and energy consumption

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.

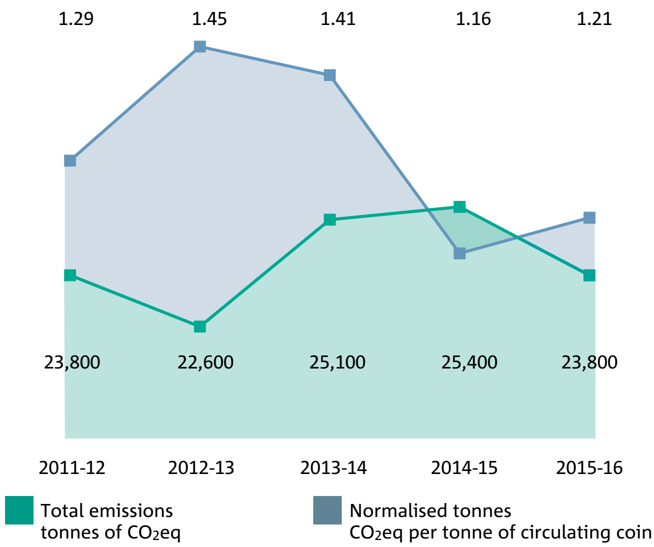
During the year The Royal Mint invested in small-scale renewable energy. A solar array of photovoltaic panels was fitted on the roof of one of the site's buildings. The technology since installation has generated 7,500 kW/h.

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

Energy consumption and costs



CO_2eq emissions

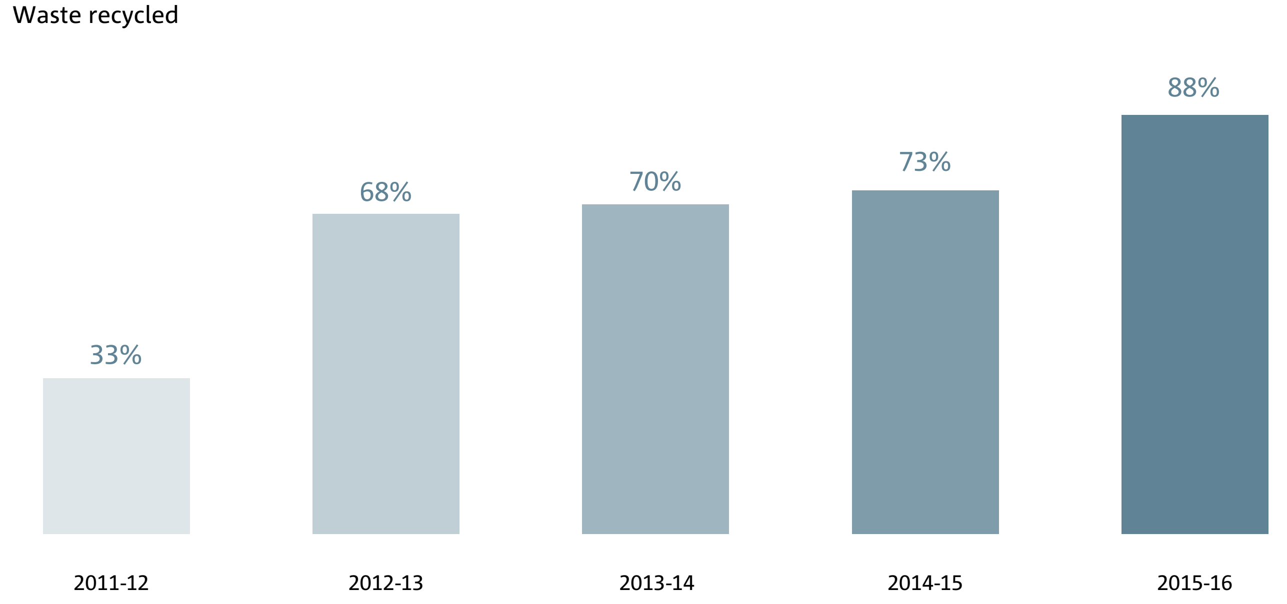


With regard to energy legislation The Royal Mint meets the qualification criteria for the Energy Savings Opportunity Scheme (ESOS). The UK Government established ESOS to implement Article 8 (4 to 6) of the EU Energy Efficiency Directive (2012/27/EU). The Royal Mint notified the Environment Agency in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

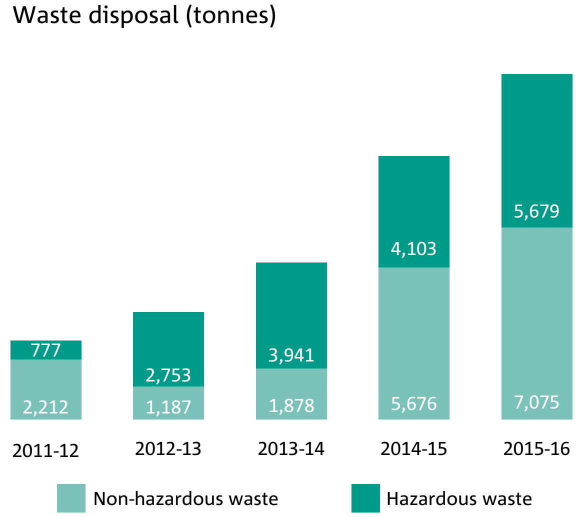
Total emissions for 2015-16 were 23,800 tonnes of CO2 equivalent. In 2015, the Department for Environment, Food and Rural Affairs Greenhouse Gas Conversion factor decreased, versus 2014, by 6.5% which was due to a decrease in coal powered electricity generation in 2013. Based on the 2014 figures the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

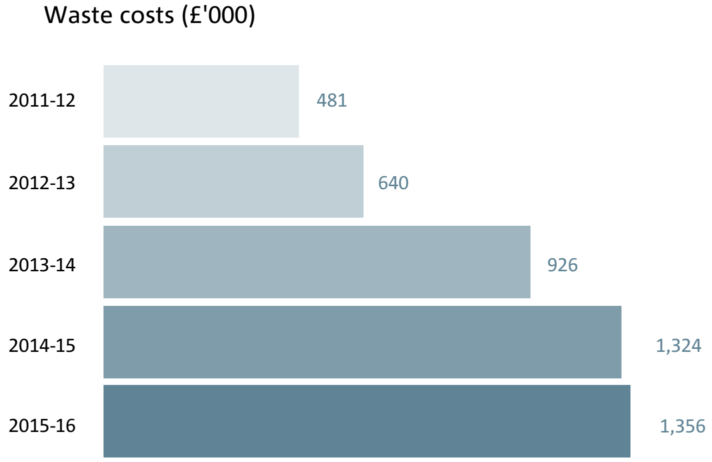
The Royal Mint measures 'normalised tonnes' (calculated as tonnes of CO2 equivalent per tonne of circulating coins manufactured) as a key indicator of energy efficiency.
For 2015-16 normalised tonnage was 1.21 (2014-15: 1.16).

Waste



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





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

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

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

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

Scope analysis

Tonnes of CO_2eq		2011-12	2012-13	2013-14	2014-15	2015-16
Scope 1	Natural gas usage (heating and furnaces)	3,490	3,530	3,290	3,640	3,290
	Use of Royal Mint owned vehicles	12	13	8	2	2
	Process emissions from the furnace stack	1	2	2	2	2
	Fugitive Emissions (e.g. air conditioning and refrigeration leaks)	2	2	2	2	2
Scope 2	Electricity usage	19,400	18,200	20,800	20,800	19,500
Scope 3	Business travel	704	734	718	713	663
	Water supply	51	41	36	35	38
	Water treatment (off-site)	88	51	84	96	95
	Waste disposal	30	30	169*	75*	133*

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

Finite resources

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

Protecting and enhancing the natural environment

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

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

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

Reporting and data

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

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

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

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

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

In particular, it includes:

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

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

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

Risk management

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

The Risk Management Committee is responsible for overseeing the effective establishment and maintenance in operation of a management framework within which risk is evaluated and managed. The Committee's membership comprises the Chief Executive, the Chief Financial Officer and the Director of Commemorative Coin and Business Services of The Royal Mint Limited. All other members of the Executive Management Team are invited to all meetings. The Head of Internal Audit also attends all meetings. The Risk Management Committee meets at least three times a year and reports to the Audit Committee which briefs the Board as appropriate and at least annually.

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

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

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

The Royal Mint Limited's risk priorities in 2015-16 are detailed on page 21.

Internal audit

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

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

Board and its committees

During the year, the Board of Directors comprised the Chairman, five Non-Executive Directors and two Executive Directors (the Chief Executive and Chief Financial Officer). The Director of Commemorative Coin and Business Services attended the Board meetings in the capacity of the Company Secretary. The Board met nine times in 2015-16 (2014-15: nine times). Attendance by members at the Board and Committee meetings is set out below:

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

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

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

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

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

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

The Role of the Board

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

The roles and responsibilities of the Board are to:

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

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

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

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

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

Audit Committee

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites the Chairman, Chief Executive Officer, Chief Financial Officer and senior representatives of both the internal and external auditors to attend meetings. Tim Martin is deemed by the Board to be independent for the purposes of the Audit Committee.

The Audit Committee monitors and reviews the effectiveness of the internal control systems, accounting policies and practices, financial reporting processes, risk management procedures, as well as the integrity of the financial statements. It also closely monitors and oversees the work of the internal auditors as well as ensuring the external auditors provide a cost-effective service and remain objective and independent. The Terms of Reference for the Committee are available on The Royal Mint Limited's website.

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

Remuneration Committee

The Committee is made up of no fewer than three Non-Executive Directors and meets at least twice a year. Remuneration decisions are guided by a Directors' Remuneration Framework which was agreed with HM Treasury at the time of the company's vesting. The Committee's primary role is to determine, in the light of this Framework, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of the Shareholder Executive (now known as UK Government Investments (UKGI)). The Terms of Reference for the Committee are available on The Royal Mint Limited's website, and the Remuneration Report is set out on page 38.

Nominations Committee

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

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

The Board values the varied contribution which the diverse nature of the Board members brings and is supportive of the principle of boardroom diversity, of which gender is an important, but not the only, aspect. As women constitute 30% of our Board following the appointments post year-end, we have exceeded the target of 25% set by Lord Davies in his report: Women on Boards.

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

Executive Management Team

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

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

The roles and responsibilities of the Executive Management Team are:

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

Going concern

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

Vin Wijeratne
Chief Financial Officer
27 June 2016

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 Director of Commemorative Coin and Business Services is Secretary to the Committee, and the Chief Executive is invited to attend the Committee. Neither individual takes part in any decision affecting their own remuneration.

Committee remit

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

Remuneration policy

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

Executive Management Team

The team as at 31 March 2016 is made up of eight roles:

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

Executive Management Team's terms, conditions and remuneration

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

i. **Basic salary**

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

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

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

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

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

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

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

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

iv. **Pension Scheme**

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

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

v. **Discretionary benefits allowance**

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

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

Remuneration and Incentive Plans

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

* Board member
**Leighton John, Sarah Bradley and Martin McDade were appointed to the Executive Management Team on 1 September 2015. Chris Howard was appointed on 14 September 2015. Therefore their remunerations are only shown from these dates.
*** Shane Bissett left The Royal Mint on 16 October 2015 and Phil Carpenter left on 3 January 2016.

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

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

Median pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce. For the purpose of this disclosure, the remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include pension contributions or the cash-equivalent transfer value of pensions.

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

Employment agreements

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

Early termination, other than for misconduct or persistent poor performance, would result in the individual receiving compensation in line with the relevant redundancy scheme. Shane Bissett's remuneration disclosed above includes £30,000 as compensation for loss of office under these terms.

Pension benefits accrued

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

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

* Board member

As explained on page 39, the Prudential Platinum Scheme was closed for additional contributions on 31 March 2015. Therefore the table above shows the accrued pension in this scheme at 31 March 2015 and the value accrued into the Civil Service Pension Scheme for 2015-16.

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

The transfer values at 31 March 2016 have decreased for those Executive Management Team members who were members of the Prudential Platinum scheme because they have transferred funds into personal private pension schemes. Anne Jessopp retained benefits in the Civil Service Pension Scheme pre vesting and therefore benefits accrued in 2015-16 were added to this.

Leighton John, Martin McDade and Sarah Bradley joined the Executive Management Team during the year and therefore their details are only shown for 2015-16.

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

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

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 Tim Martin are appointed by the company with approval of UKGI. Either party can terminate his or her engagement upon giving three months' notice.

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

	2015-16 £'000	2014-15 £'000
Peter Warry	45	45
David Morgan	23	22
Xenia Carr-Griffiths	20	20
Amanda Rendle (Appointed 1 January 2016)	5	–
Michael Clayforth-Carr (Appointed 1 January 2016)	5	–
David Harding (Resigned 31 July 2014)	–	8
Mary Chapman (Resigned 31 July 2014)	–	7

In addition, Non-Executive Directors are reimbursed for reasonable travel and subsistence expenses claimed in the performance of their duties and the total amount paid to the Non-Executive Directors was £7,000 (2014-15: £7,000).

Tim Martin received no remuneration from The Royal Mint Limited.

Anne Jessopp
Company Secretary
27 June 2016

The Royal Mint presented 'cutting-edge security solutions' to over 200 delegates at The Coin Conference in October 2015.

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 financial statements (the "financial statements")

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit and 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.

What we have audited

The Royal Mint Limited's financial statements comprise:

- Statement of financial position as at 31 March 2016;
- Income statement and statement of comprehensive income for the year then ended;
- Statement of cash flows for the year then ended;
- Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Lynn Pamment (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
1 July 2016

Income Statement
For the year ended 31 March 2016

	Notes	Before IAS 39 related items and exceptionals 2015-16 £'000	IAS 39 related items (note 5) 2015-16 £'000	Exceptionals (note 5) 2015-16 £'000	Total 2015-16 £'000	Restated* Before IAS 39 related items and exceptionals 2014-15 £'000	IAS 39 related items (note 5) 2014-15 £'000	Exceptionals (note 5) 2014-15 £'000	Restated* Total 2014-15 £'000
Revenue	2	360,620	–	–	360,620	259,598	–	–	259,598
Cost of sales		(312,910)	(430)	–	(313,340)	(216,980)	593	–	(216,387)
Gross profit		47,710	(430)	–	47,280	42,618	593	–	43,211
Administrative expenses		(11,858)	–	(152)	(12,010)	(14,625)	–	722	(13,903)
Selling and distribution costs		(21,874)	–	–	(21,874)	(17,242)	–	–	(17,242)
Other gains/(losses) - net	22	(884)	(231)	–	(1,115)	230	(910)	–	(680)
Operating profit	3	13,094	(661)	(152)	12,281	10,981	(317)	722	11,386
Finance income	6	5	–	–	5	10	–	–	10
Finance costs	6	(372)	–	–	(372)	(165)	–	–	(165)
Profit before tax		12,727	(661)	(152)	11,914	10,826	(317)	722	11,231
Taxation	7				(2,353)				(2,333)
Profit for the financial year					9,561				8,898
Profit attributable to: Owners of the parent					9,561				8,898

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

The notes on pages 52 to 86 form part of the financial statements.

All results above relate to Continuing Operations.

Company Number 6964873

Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	2015-16 £'000	2014-15 £'000
Profit for the financial year		9,561	8,898
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges		517	(503)
Items that will not be reclassified to profit or loss			
Remeasurements for defined benefit scheme	16	1,897	(5,361)
Deferred tax on remeasurements for defined benefit scheme	15	(341)	1,126
Other comprehensive income for the year, net of tax		2,073	(4,738)
Total comprehensive income for the year		11,634	4,160
Total comprehensive income attributable to:			
Owners of the parent		11,634	4,160

The notes on pages 52 to 86 form part of the financial statements.

Statement of Changes in Equity
For the year ended 31 March 2016

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
AT 1 APRIL 2015	6,000	39,319	10,620	(677)	55,262
Movements in the year:					
Profit for the financial year	–	–	9,561	–	9,561
Cash flow hedges	–	–	–	517	517
Remeasurements for defined benefit scheme	–	–	1,897	–	1,897
Deferred tax on remeasurements for defined benefit scheme	–	–	(341)	–	(341)
Total Comprehensive Income for the year	–	–	11,117	517	11,634
Transactions with owners – dividend	–	–	(4,000)	–	(4,000)
AT 31 MARCH 2016	6,000	39,319	17,737	(160)	62,896

The notes on pages 52 to 86 form part of the financial statements.

Statement of Changes in Equity (Continued)
For the year ended 31 March 2015

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
AT 1 APRIL 2014	6,000	39,319	9,957	(174)	55,102
Movements in the year:					
Profit for the financial year	–	–	8,898	–	8,898
Cash flow hedges	–	–	–	(503)	(503)
Remeasurements for defined benefit scheme	–	–	(5,361)	–	(5,361)
Deferred tax on remeasurements for defined benefit scheme	–	–	1,126	–	1,126
Total Comprehensive Income for the year	–	–	4,663	(503)	4,160
Transactions with owners – dividend	–	–	(4,000)	–	(4,000)
AT 31 MARCH 2015	6,000	39,319	10,620	(677)	55,262

The notes on pages 52 to 86 form part of the financial statements.

Statement of Financial Position
At 31 March 2016

	Notes	2016 £'000	Restated* 2015 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	65,538	49,143
Intangible assets	9	9,311	5,342
Deferred tax asset	15	691	1,278
TOTAL NON-CURRENT ASSETS		75,540	55,763
CURRENT ASSETS			
Inventories	10	32,057	30,948
Derivative financial instruments	23	610	1,383
Deferred tax asset	15	249	23
Trade and other receivables	11	25,316	24,310
Cash and cash equivalents	21	–	1,465
TOTAL CURRENT ASSETS		58,232	58,129
CURRENT LIABILITIES			
Borrowings	12	(4,506)	–
Trade and other payables	13	(27,960)	(47,601)
Current tax liability	7	(584)	(1,207)
Derivative financial instruments	23	(2,087)	(2,060)
TOTAL CURRENT LIABILITIES		(35,137)	(50,868)
NET CURRENT ASSETS		23,095	7,261
NON-CURRENT LIABILITIES			
Borrowings	12	(30,000)	–
Retirement benefit liability	16	(3,249)	(5,773)
Deferred tax liability	15	(2,186)	(1,466)
Provision for liabilities and charges	14	(304)	(523)
NET ASSETS		62,896	55,262
EQUITY			
Share capital	24	6,000	6,000
Share premium	24	39,319	39,319
Retained earnings		17,737	10,620
Hedging reserve		(160)	(677)
TOTAL EQUITY		62,896	55,262

*The prior year results have been restated to reclassify the retirement benefit liability from Current Liabilities to Non-Current Liabilities – see note 16.

The notes on pages 52 to 86 form part of the financial statements.

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

Adam Lawrence
Chief Executive
27 June 2016

Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2015-16 £'000	Restated* 2014-15 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		11,914	11,231
Depreciation and amortisation on non-current assets		4,992	4,960
Loss on disposal of assets		119	12
Interest		367	155
Cash flow hedges		1,316	512
Movements in working capital:			
Inventory		(1,109)	(6,561)
Retirement benefit liability		(627)	(2,073)
Trade and other receivables		(1,005)	(3,965)
Trade and other payables		(20,767)	21,283
Provisions		(219)	(409)
Cash (outflow)/inflow from operations		(5,019)	25,145
Interest paid		(316)	(196)
Tax paid		(2,235)	–
Net cash (outflow)/inflow from operating activities		(7,570)	24,949
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(20,939)	(7,783)
Acquisition of intangible assets		(3,467)	(4,231)
Interest received		5	10
Net cash used in investing activities		(24,401)	(12,004)
CASH FLOW FROM FINANCING ACTIVITIES			
Movement in loans		30,000	(7,000)
Dividends paid		(4,000)	(4,000)
Net cash used in financing activities		26,000	(11,000)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(5,971)	1,945
Cash and cash equivalents at the beginning of the year		1,465	(480)
Cash and cash equivalents at the end of the year	21	(4,506)	1,465

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

The notes on pages 52 to 86 form part of the financial statements.

Notes to the financial statements

Note 1
Principal accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) 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 for the purpose of giving a true and fair view has 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.

1.2 Changes in accounting policy and disclosures

New and amended statements adopted by the company

There were no new and amended standards and interpretations mandatory for the first time for the financial year commencing on 1 April 2015 that had a material impact on the 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 of the Company except the following set out below.

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

IFRS15, Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The standard replaces IAS18, Revenue and IAS11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. The Company is not anticipating any significant impact 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, ie the customer ('lessee') and the supplier ('lessor'). It replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. The standard was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The Company is yet to assess the impact of IFRS 16.

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

Note 1 continued

1.3 Segmental reporting

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

1.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.5 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 Company 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	15 – 25
IT hardware	3 – 8
Motor vehicles	4

No depreciation is provided in respect of land.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within Other Gains and Losses in the Income Statement.

Note 1 continued

1.6 Intangible assets

Intangible assets

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

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

Licences for computer software

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

Research and development costs

Research costs are expensed as incurred. Development costs capitalised are those direct employee and other direct costs involved in the upscaling of the High Security Feature technology for commercial production. Development costs are amortised when commercial production begins and prior to then are held within assets in the course of construction within intangible assets.

Software

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

Patents, trademarks and licences

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

1.7 Impairment of non-financial assets

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

1.8 Financial assets

Financial assets are recognised when The Royal Mint Limited 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 marketplace.

Note 1 continued

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

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

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

(ii) Loans and receivables

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

1.9 Impairment of financial assets

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

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

1.10 Trade receivables

Trade receivables are recognised at the original invoice amount and carried at amortised cost less an allowance for any identified impairment. The impairment allowance is established when there is objective evidence that amounts due under the original terms of the transaction will not be collected. The impairment is charged to the 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.

Note 1 continued

1.11 Financial liabilities

(a) Interest bearing loans and borrowings

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

1.12 Derivative financial instruments

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

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

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

Note 1 continued

1.13 Inventories

Inventories are stated at the lower of cost and estimated net realisable value, after due allowance for obsolete or slow moving items. Cost includes all direct expenditure and 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.

1.14 Cash and cash equivalents

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

1.15 Trade payables

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

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

1.16 Current and deferred tax

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

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

Note 1 continued

1.17 Employee benefits

(a) Pension obligations

The Company 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 Company pays fixed contributions into a separate entity. The Company 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 Company as defined contribution schemes as the Company cannot determine its share of the underlying assets and liabilities due to them being multi-employer defined benefit pension schemes.

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

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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 Royal Mint Limited recognises a liability and an expense for profit sharing and incentive schemes, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Note 1 continued

1.18 Provisions

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

1.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

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

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

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

1.20 Leases

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

1.21 Exceptional items

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

1.22 Dividend distribution

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

1.23 Share capital

Ordinary shares are classified as equity.

1.24 Going concern

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Note 1 continued

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

The 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 Company 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 16 including sensitivities on page 76.

(b) Impairment of non-financial assets

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

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

(c) Trade receivables

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

(d) Inventory

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

(e) Property, plant and equipment

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

(f) Development costs

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

Note 2
Segmental reporting

The Company 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 Company's business segments for the years ended 31 March. For the first time in 2015-16, the Bullion operation has been separately identified as a segment.

A) Analysis by class of business 2015-16

	Circulating £'000	Commemorative £'000	Bullion £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	124,013	51,013	185,594	360,620	–	360,620
Depreciation and amortisation	3,569	502	147	4,218	774	4,992
Operating profit/(loss)	11,092	10,350	2,852	24,294	(12,013)	12,281
Segment assets and liabilities:						
Non-current assets	46,354	12,795	594	59,743	15,797	75,540
Current assets	38,127	11,380	5,222	54,729	3,503	58,232
Current liabilities	(17,839)	(4,828)	(1,422)	(24,089)	(11,048)	(35,137)
Non-current liabilities	(254)	–	–	(254)	(35,485)	(35,739)
Net assets	66,388	19,347	4,394	90,129	(27,233)	62,896

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

	Circulating £'000	Commemorative £'000	Bullion £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	106,010	40,088	113,500	259,598	–	259,598
Depreciation and amortisation	3,452	485	82	4,019	941	4,960
Operating profit/(loss)	15,838	8,006	1,446	25,290	(13,904)	11,386
Segment assets and liabilities:						
Non-current assets	37,085	5,445	590	43,120	12,643	55,763
Current assets	41,660	11,164	2,390	55,214	2,915	58,129
Current liabilities	(37,769)	(4,550)	(142)	(42,461)	(8,407)	(50,868)
Non-current liabilities	(323)	–	–	(323)	(7,439)	(7,762)
Net assets	40,653	12,059	2,838	55,550	(288)	55,262

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.

* The prior year results have been restated to reclassify precious metal consignment fees within cost of sales (see note 3), reclassify the retirement benefit liability as a non-current liability (see note 16), and show the Bullion segment separately for comparative purposes.

Note 2 continued

B) Geographical analysis of revenue

Revenue by destination is set out below:

	2015-16 £'000	2014-15 £'000
UK	118,067	115,160
Germany	34,981	15,637
Rest of Europe	69,088	18,220
United States of America	67,460	42,425
Rest of Americas	7,504	10,164
Asia	45,289	43,444
Africa	10,102	12,378
Rest of the World	8,129	2,170
	360,620	259,598

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

Note 3
Operating profit

Operating profit is stated after charging/(crediting):

	2015-16 £'000	2014-15 £'000
Depreciation and amortisation charges	4,992	4,960
Loss on disposal	119	12
Research and development	31	12
Exceptional items (note 5)	152	(722)
Commodity hedges	430	(593)
Precious metal consignment arrangement fees	422	438
Auditors' remuneration:		
Audit of these financial statements	61	60
Non audit fees – tax services	12	23
Non audit fees – other	8	31

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

Note 4
Remuneration and employment

Total staff costs

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

Average number employed

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

Directors' emoluments

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

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

Note 5
Exceptional items

A) Exceptional item

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

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

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

The Company 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 Company'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 Company'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 Company's hedging policy but represents the respective accounting impact of hedging ineffectiveness under IAS 39.

Note 6
Finance costs

	2015-16 £'000	Restated* 2014-15 £'000
On loans repayable within five years	372	156
Unwinding of discount on provision for early retirement (note 14)	–	9
	372	165

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

Finance income

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

Note 7
Taxation

Analysis of tax charge in year

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

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

	2015-16 £'000	2014-15 £'000
Profit before tax	11,914	11,231
Profit multiplied by the standard rate of corporation tax of 20% (21% for 2014-15)	2,383	2,359
Effects of:		
Expenses not deductible for tax purposes	139	154
Adjustments re: prior years	(69)	(180)
Reduction in tax rate for deferred tax provision	(100)	–
Taxation charge for year	2,353	2,333

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

The effective tax rate for the year was 20.5% (2015: 22%) ignoring adjustments relating to prior years.

In addition to the amount charged to the Income Statement, a deferred tax charge relating to actuarial losses on defined benefit pension schemes of £341,000 (2015: £1,126,000 credit) has been charged directly to the Statement of Comprehensive Income.

Current tax liability

	2016 £'000	2015 £'000
UK corporation tax	584	1,207

Note 8
Property, plant and equipment

	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 2015	20,630	7,612	83,918	112,160
Additions	–	21,053	–	21,053
Transfers	272	(6,712)	6,440	–
Disposals	(217)	–	(1,481)	(1,698)
At 31 March 2016	20,685	21,953	88,877	131,515
DEPRECIATION				
At 1 April 2015	4,056	–	58,961	63,017
Charge for year	762	–	3,778	4,540
Disposals	(106)	–	(1,474)	(1,580)
At 31 March 2016	4,712	–	61,265	65,977
Net book value at 31 March 2016	15,973	21,953	27,612	65,538

	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 2014	20,437	1,322	82,452	104,211
Additions	–	8,128	–	8,128
Transfers	193	(1,838)	1,645	–
Disposals	–	–	(179)	(179)
At 31 March 2015	20,630	7,612	83,918	112,160
DEPRECIATION				
At 1 April 2014	3,316	–	55,425	58,741
Charge for year	740	–	3,698	4,438
Disposals	–	–	(162)	(162)
At 31 March 2015	4,056	–	58,961	63,017
Net book value at 31 March 2015	16,574	7,612	24,957	49,143

Note 9
Intangible assets

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Development costs	Total £'000
COST				
At 1 April 2015	4,838	3,893	–	8,731
Additions	4,421	–	–	4,421
Transfers	(1,325)	373	952	–
At 31 March 2016	7,934	4,266	952	13,152
AMORTISATION				
At 1 April 2015	–	3,389	–	3,389
Amortisation for year	–	416	36	452
At 31 March 2016	–	3,805	36	3,841
Net book value at 31 March 2016	7,934	461	916	9,311

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

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
COST			
At 1 April 2014	934	3,661	4,595
Additions	4,141	–	4,141
Transfers	(237)	237	–
Disposals	–	(5)	(5)
At 31 March 2015	4,838	3,893	8,731
AMORTISATION			
At 1 April 2014	–	2,872	2,872
Amortisation for year	–	522	522
Disposals	–	(5)	(5)
At 31 March 2015	–	3,389	3,389
Net book value at 31 March 2015	4,838	504	5,342

Note 10
Inventories

	2016 £'000	2015 £'000
Metal inventory	14,722	19,490
Work in progress (excluding metal)	4,380	3,238
Stores and packing materials	4,243	4,030
Finished goods	8,712	4,190
	32,057	30,948

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

The Company 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 £106.3 million at 31 March 2016 (2015: £56.9 million). Consignment fees under these arrangements are recognised within cost of sales.

Note 11
Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	17,952	20,780
Less provision for impairment of receivables	(240)	(502)
VAT	5,915	1,938
Prepayments and accrued income	1,689	2,094
	25,316	24,310

Included within the receivables are the following:

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

Note 11 continued

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

	2016 £'000	2015 £'000
Pounds sterling	25,002	21,005
US Dollars	59	2,477
Euros	198	274
Polish Zloty	57	554
	25,316	24,310

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

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

Note 12
Borrowings

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

The Company has a revolving credit facility from the Royal Mint Trading Fund of £36,000,000 until 28 February 2018, of which £30,000,000 was drawn down at 31 March 2016.

Note 13
Trade and other payables: amounts falling due within one year

	2016 £'000	2015 £'000
Trade payables	14,030	13,432
Other payables	2,014	2,269
Payments received on account	7,826	28,802
Taxation and social security	771	730
Accruals and deferred income	3,319	2,368
	27,960	47,601

Included within the receivables are the following:

Balances with other Government bodies not shown separately above

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

Note 14
Provision for liabilities and charges

The early retirement provision has been assessed at current prices at the date of the Statement of Financial Position, and in accordance with International Accounting Standard 19, has been discounted at a real rate of 1.5%, with the unwinding of the discount treated as an interest charge.

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

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

The profile of settlement of provisions is set out below.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2016	304	–	–	–
At 31 March 2015	257	124	42	100

Note 15
Deferred tax assets and liabilities

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 18% (2015: 20%).

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

Movements in deferred tax (assets)/liabilities were:

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

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

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

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

Analysis of deferred tax (asset) / liability

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

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

Note 16
Retirement benefit schemes

Defined contribution scheme

The Company operates a defined contribution scheme for employees who have joined the organisation since 1 January 2010 via The Royal Mint Limited Personal Pension Plan (GPP). The related pension assets are held in trustee-administered funds separate from the Company. The total cost charged to income of £516,000 (2014-15: £356,000) represents contributions payable to the scheme by the Company at rates specified in the plan rules.

Defined benefit scheme

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

Prior to 1 January 2010	Employees were members of the Civil Service Pension Scheme, an unfunded defined benefit scheme.
1 January 2010 (Vesting)	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, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

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

Note 16 continued

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

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

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

Risks

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

Actuarial valuation

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

Details of valuation assumptions

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

	2016	2015
Discount rate	3.65%	3.25%
Price inflation RPI	3.15%	3.10%
Price inflation CPI	2.15%	2.40%
Pensionable salary increase	3.65%	3.50%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	3.15%	3.10%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.15%	2.40%
Increase to pensions in payment: benefits accrued before 01/02/2014	3.15%	3.10%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.15%	2.40%
Mortality assumption – pre-retirement	SAPS S2PxA CMI 2015(1%)	SAPS S2PxA CMI 2012(1%)
Mortality assumption – male post-retirement	SAPS S2PMA CMI 2015_M(1%)	SAPS S2PMA CMI 2012_M(1%)
Mortality assumption – female post-retirement	SAPSS2PFACMI2015_F(1%)	SAPS S2PFA CMI 2012_F(1%)
Future expected lifetime of current pensioner at age 65 at year-end		
Male aged 65 at year-end	86.9	87.3
Female aged 65 at year-end	88.9	89.4
Future expected lifetime of future pensioner at age 65 at year-end		
Male aged 45 at year-end	88.2	88.7
Female aged 45 at year-end	90.4	90.9

Note 16 continued

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

Amounts recognised in the Statement of Financial Position:

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

Amounts recognised in Statement of Comprehensive Income:

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

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

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

Note 16 continued

Changes in the present value of assets over the year:

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

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

Changes in the present value of assets over the year:

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

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

	2016 £'000	2015 £'000
Deferred pensioners	16,149	53,099
Pensions in payment	1,838	1,982
	17,987	55,081
Average duration of the scheme's liabilities at the end of the period (years)	25	25

Note 16 continued

The major categories of scheme assets are as follows:

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

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

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

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

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

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £592,000 (decrease by £570,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

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

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by £703,000 (decrease by £689,000) if all the other assumptions remained unchanged.

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

Note 17
Dividends

	2016 £'000	2015 £'000
Dividends paid (66.67p per share)	4,000	4,000

Note 18
Capital commitments

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

Note 19
Operating lease commitments

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

Note 20
Related party transactions

The Royal Mint 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, which is 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 the 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 Company 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 £292,380 (2014-15: £255,148).
2) The Royal Mint Museum Services Limited 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 £324,624 (2014-15: £300,000).
3) The Royal Mint Limited pays a quarterly donation to the Royal Mint Museum calculated in accordance with the agreement at vesting. The donation payable for this year is £92,703 (2014-15: £69,897).
4) Heritage assets are donated by The Royal Mint Limited to the museum collection at a cost of £247,511 (2014-15: £189,359).

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 11 and 13.

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:

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

Note 21
Analysis of net funds/(debt)

	At 1 April 2015 £'000	Cash Flow £'000	At 31 March 2016 £'000
Cash at bank and in hand/(overdraft)	1,465	(5,971)	(4,506)
Loan	–	(30,000)	(30,000)
	1,465	(35,971)	(34,506)

Note 22
Other gains/(losses) – net

	2016 £'000	2015 £'000
Foreign exchange loss	(884)	230
Foreign exchange forward contracts	298	(1,339)
Ineffectiveness of commodity hedges	(529)	429
	(1,115)	(680)

Note 23
Financial instruments

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

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

Note 23 continued

Financial risk management

The main risk exposures arising from the Company's activities are currency risk, commodity price risk, interest price risk, credit risk and liquidity risk. These risks arise in the normal course of business and are managed by the finance 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 Company 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 Company'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 2016 £'000	Average forward rate 2016	Fair value 2016 £'000	Contract amount 2015 £'000	Average forward rate 2015	Fair value 2015 £'000
Forward contract – sell £/buy EUR						
Maturing in less than 1 year	1,759	1.2757	20	3,033	1.3119	(121)
Maturing in more than 1 year	–	–	–	191	1.3591	(1)
	1,759	1.2757	20	3,224	1.3147	(122)
Forward contract – sell £/buy USD						
Maturing in less than 1 year	1,876	1.4374	–	1,282	1.5004	17
Forward contract – sell £/buy PLN						
Maturing in less than 1 year	1,999	5.6822	20	1,223	5.6605	7
Forward contract – sell £/buy CHF						
Maturing in less than 1 year	316	1.3945	4	–	–	–
Maturing in more than 1 year	1,118	1.3795	3	–	–	–
	1,434	1.3828	7	–	–	–
Forward contract – buy £/sell USD						
Maturing in less than 1 year	13,883	1.5267	(862)	12,690	1.5587	(672)
Maturing in more than 1 year	3,682	1.5220	(215)	8,132	1.5571	(422)
	17,565	1.5257	(1,077)	20,822	1.5581	(1,094)
Forward contract – buy £/sell PLN						
Maturing in less than 1 year	3,500	5.2751	219	3,723	5.1809	295
Maturing in more than 1 year	–	–	–	3,500	5.2751	219
	3,500	5.2751	219	7,223	5.2265	514
Forward contract – buy £/sell EUR						
Maturing in less than 1 year	2,485	1.2711	(20)	1,131	1.2988	56

Note 23 continued

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

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

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

Commodity price risk

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

Note 23 continued

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

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

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

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

Note 23 continued

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

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

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

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

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

Note 23 continued

Interest rate risk

The Company 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:

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

Credit risk

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

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

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

Circulating Coin receivables

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

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

Note 23 continued

Commemorative Coin wholesale

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

	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Wholesale trade receivables:				
2016	1,246	9	–	10
2015	369	84	81	100

Commemorative Coin Business to Consumer

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

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

Bullion

The bullion is purchased specifically for the customer's order and is payable within 48 hours. Coins are only despatched when payment is received. There were no overdue balances at 31 March 2016 or 2015.

Counter-party risk

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

The maximum exposure to credit risk is limited to the carrying value of financial assets on the Statement of Financial Position as at the reporting date. For 2016 the amount is £25,300,000 (2015: £24,300,000). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

Hierarchy disclosure under IFRS 7

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

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

Note 23 continued

Liquidity risk

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

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

At 31 March 2016

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	4,506	30,000	–	–
Derivative financial instruments	2,087	–	–	–
Trade and other payables	27,189	–	–	–

At 31 March 2015

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	–	–	–	–
Derivative financial instruments	2,060	–	–	–
Trade and other payables	46,871	–	–	–

Capital risk

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

Fair values

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

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

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

Note 23 continued

Categories of financial instruments

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

	Carrying value 2016 £'000	Fair value 2016 £'000	Carrying value 2015 £'000	Fair value 2015 £'000
Financial assets:				
Cash and cash equivalents	–	–	1,465	1,465
Loans and receivables	25,316	25,316	24,310	24,310
Derivatives used for hedging	200	200	92	92
Derivatives at fair value through profit and loss	410	410	1,291	1,291
Financial liabilities:				
Loans and payables	(57,189)	(57,189)	(46,871)	(46,871)
Derivatives used for hedging	(864)	(864)	(759)	(759)
Derivatives at fair value through profit and loss	(1,223)	(1,223)	(1,301)	(1,301)

Note 24
Share capital and share premium

Allotted, Called Up and fully paid (£1 each)

	Number of shares	Ordinary shares £'000
At 1 April 2015 and 31 March 2016	6,000,001	6,000

	2016 £'000	2015 £'000
Share premium account	39,319	39,319

Note 25
Ultimate controlling party

The ultimate controlling party of The Royal Mint Limited is HM Treasury. 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 26
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 27
Events occurring after the reporting period

On 23 May 2016, the Board approved the payment of a dividend of £4.0m.

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

The Royal Mint has 30 presses that can strike around 750,000 circulating coins per hour.

Proof standard is our highest striking standard for Royal Mint coins. The coins are cleaned regularly during striking, resulting in the highest quality finish.


2016
ZABETH II · D · G · REG · F · D · 5 POUNDS

The Royal Mint®

Established *for* Tomorrow™