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THE ROYAL MINT LIMITED

ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2011

The Royal Mint Limited

Accounts Year Ended 31 March 2011

Contents

Operational Review

Commencement of trading
The net assets of the Royal Mint Trading Fund were transferred to The Royal Mint Limited on 31 December 2009 and the Company commenced trading on 1 January 2010 after having been incorporated on 16 July 2009. These accounts reflect the first full trading year of the Company

Operating and Financial Review
The Royal Mint Limited has produced a profitable performance, despite the challenging business conditions in the UK and across the globe, that have had a significant impact on consumer demand for commemorative products in particular.

The Royal Mint Limited delivered an operating profit adjusted for the impact of hedging ineffectiveness (IAS39- note 5b) of £3 5 m (3 months ended 31 March 2010: £1.6 m). Revenue was £215 1 m (3 months ended 31 March 2010. £37.4 m).

This year has seen a very significant investment in the business that has resulted in an operating cash outflow of £76 7m (2009-10 £11 3m in-flow) The primary driver of the positive cash inflow in 2009-10 was significant customer advances on large contracts received before the end of the period. By comparison this year the primary drivers are threefold Firstly the use of precious metal overdraft facilities to build stock of bullion and Royal Wedding products to maximise sales opportunities, secondly the timing of customer advances and finally capital investment. During the year, we also paid a £4 0m dividend to our shareholder, HM Treasury, for the financial year 2009-10

Capital expenditure was £17 3m in keeping with our plans of investing to support our growth strategy

Summary financial results

	Year ended 31 March 2011 £m	3 months 31 March 2010 £m
Revenue:		
Circulating Coin		
UK	31 1	5.4
Overseas	62.5	16 5
Total Circulating Coin	93 6	21.9
Commemorative Coin	121.5	15.5
Total	215.1	37.4
Operating profit		
Circulating Coin	12 0	6.5
Commemorative Coin	3.7	1 2
Central overheads	(13.7)	(4 6)
Total operating profit	2.0	3 1
Adjusted for impact of hedging ineffectiveness (IAS 39- see note 5b)	1.5	(1 5)
Adjusted Operating profit	3.5	1.6

Circulating Coin

Circulating coin business delivered another profitable result generating a contribution to central costs of £12 0m (3 months 2009-10 £6 5m). Operating profit was principally impacted by the rise in commodity prices, internal plating capacity constraints and political instability in overseas markets

The key long term strategy of encouraging central banks to change their coinage from non ferrous metals to aRMour™ plated steel coins and blanks continued; the benefits of which will be seen in future years The investment in our new aRMour™ nickel plating steel production capacity at Llantrisant was completed with the plant officially opened by the Rt Hon George Osborne MP on 5 March 2011

aRMour™ is available in nickel plate, copper plate and brass plate The process involves a full plate mono layer that is electroplated directly on to a steel core This results in a very strong bond between the plated material and the steel core resulting in coins having expected lifetimes in excess of 20 years in circulation. In comparison to other plated products there are many other key benefits of aRMour™ for circulating coins and coin blanks. These include the ability to incorporate edge lettering and latent image security features, superior wear and corrosion resistance coupled with lower acquisition costs. Last year, HM Treasury gave their approval for the 5p and 10p to move to aRMour™ nickel plated steel from January 2011 but have since decided to delay implementation until January 2012

Commemorative Coin

In testing economic conditions, 2010-11 proved a difficult year for the Commemorative Coin business. Contribution to central overheads was £3 7 m (3 months 2009-10. £1.2 m) The increase in revenue was again driven largely by higher precious metal prices coupled with a further increase in higher value, lower margin gold bullion products, as wholesale customers and investors sought alternative investment opportunities

The latter part of the year saw accelerating sales of Olympic products as the build up to 2012 continues. Demand for Royal Engagement and Wedding products has stimulated public interest and had a beneficial impact on contribution

Effects of commodity hedging

The impact of hedging ineffectiveness (IAS39- Note 5b) on the Income Statement was a loss of £1 5m (3 months 2009-10 gain of £1.5m). The business has taken the view that this area should be separately reported on the face of the Income Statement to aid the reading of the accounts

Outlook

The Royal Mint views the future positively The year ahead provides us with the opportunity to reinforce the merits of our aRMour™ platform within our Circulating business; and to celebrate the unique position of our company's heritage in providing official UK Commemorative coins for the Royal Wedding, HM The Queen's Diamond Jubilee and 2012 Olympics.

Circulating Coin is expected to continue its success in persuading customers to convert from traditional alloy composition to aRMour™ plated coins and blanks, leading to anticipated growth of our overseas regions Further investment in capacity for our plated technologies is planned for the coming year. The main element of this relates to an expansion and upgrade of our brass plating production facilities firmly placing our aRMour™ plated coins and blanks at the forefront of the global coin market

The Royal Mint will continue to take a proactive approach to the development of new technology Building on our successes with aRMour™ this will enable us to differentiate our offering, in an increasingly competitive market, and develop our intellectual property portfolio Innovation is one of our values and will be critical to our future

The Royal Mint is one of the most technologically advanced mints in the world We plan to continue our capital investment program to consolidate this position and deliver our long-term strategic vision.

Commemorative Coin will continue to delight our existing customers, through initiatives such as the launch of the Mint Marque club, and aims to establish a new generation of coin collectors by capitalising on the opportunities presented as a legacy of 2012

Working capital remains a key area of focus We will proactively seek to improve our efficiency with each opportunity that arises, particularly in light of the ramp up of activities as we approach 2012.

The plan for 2011-12 is to deliver sustainable retained profits and a positive return on capital employed in excess of the Ministerial target of 10% (2010-11: 10%) We are confident this can be achieved, however, our business remains sensitive to UK macro economic conditions and political instability in overseas markets

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.

Adam Lawrence
Chief Executive

Directors' Report
For the year ended 31 March 2011

Activities and structure
HM Treasury owns 100% of the shares of the Company through an Executive Agency, the Royal Mint Trading Fund

The Royal Mint Limited's activities consist of

Circulating Coin

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

Commemorative Coin.

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

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

Business Review
Details of the development and performance of the business during the year can be found within the Operational Review

Objectives and strategy
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,
- increase our market share via aRMour™ plating technology;
- increase operational flexibility to be able to react quickly to variations in demand,
- continue to improve the Royal Mint's competitive position through improved productivity levels and reduction in costs;
- create differentiation through the quality of the Royal Mint's products and services,
- increase operating efficiency and capacity to reduce customer lead-times

The Commemorative Coin business strategic objectives are to

- take advantage of the unique opportunity presented by the Olympic Games and HM The Queen's Diamond Jubilee to generate sales and broaden the customer base,
- achieve consistent growth in sales and profitability through building the Royal Mint brand, product development and growth of the customer database,
- promote our presence in gift market,
- reduce our dependence on the UK market through international development,
- maintain a high level of customer service;
- improve productivity and reduce costs

Key performance indicators (KPIs)
In addition to the information shown above the company considers that the key performance indicators relate to key ministerial targets. These are considered on an annual basis and are set out in the Group financial statements of the Royal Mint Trading Fund for the year ended 31 March 2011

Dividends
The Directors recommend a dividend of £4m (2009-10: £4 m) This represents a payment of 66 67p per ordinary share (2009-10 66 67p)

Principal risks and uncertainties
The company is subject to the following risks
- credit risk (see page 47)
- liquidity risk (see page 49)
- interest rate risk (see page 47)
- treasury risk (see below)

Treasury risk

Derivative financial instruments
The Royal Mint operates a prudent hedging policy, and uses various types of financial instruments to manage its exposure to market risks that arise from its business operations The main risks, as in the past, are 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 introduction of aRMour™ plating the volume of steel used by the business is increasing Steel is procured on six month contracts to try to avoid volatility over the short term The Royal Mint is currently looking at alternative strategies to protect its longer term position on this increasingly important segment of our business

Commemorative Coin

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

Proof product 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 product 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. Precious metal overdrafts are used to build stock for prompt delivery and present low risk to commodity price changes

Overall gold prices increased a further 20% in 2010-11 (2009-10. 20%), whilst silver increased by over 100%.

Foreign exchange

Metal purchases
The Royal Mint minimises its exposure to exchange rate movements by buying the vast majority of commodities via sterling denominated contracts In the small number of cases where this is not the case the Royal Mint reduces exposure by using forward exchange contracts

Sales and non-metal purchases
The Royal Mint hedges its' exposure to exchange rate movements on sales and purchase contracts by selling/buying forward exchange contracts as appropriate.

Research and development
The company continues to invest in research and development the cost of which is disclosed in note 3

Creditor payment policy
The Royal Mint always seeks to comply with agreed terms. A total of 83% (2009-10 91%) of invoices were paid within the agreed period.

People
The Royal Mint believes that all employees have an important contribution to make to the working and development of the organisation The aim is to create an environment in which the abilities of employees are recognised and where all are encouraged to develop and use their talents to the full It is our wish to create a culture which encourages and rewards excellence in performance.

The number of people employed (permanent and casual staff) at 31 March 2011 was 911 (2010 – 868)

Disabled employees
The Royal Mint is committed to having a diverse workforce with a culture that values the benefits that diversity brings. In terms of disability, the Royal Mint has been successful in employing people with a disability and making the required changes to the working environment

Sickness absence
The average sickness absence for the period was 4 2% (2009-10 4.6%).

Directors
Changes to the directors who served during the year were as follows.

Name	
Andrew Stafford	resigned 31 December 2010resigned
Charles Villar	resigned 30 November 2010
Tim Martin	appointed 20 December 2010
Vin Wijeratne	appointed 23 November 2010

Company Secretary

Adam Lawrence	resigned 28 June 2010
Anne Jessopp	appointed 28 June 2010

None of the Directors has interests that conflict with his or her responsibilities

Auditors

So far as the directors are aware, there is no relevant audit information, (ie 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 been taken all steps that they ought to have taken 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.

Safety, Health and Environment (SHE)

The Royal Mint continues to seek to achieve high standards of business ethics and is fully committed to meeting its SHE responsibilities. The Royal Mint's SHE management systems aim for continuous improvement beyond basic legal compliance, which involves placing a strong emphasis on working with, and looking after, our workforce, as well as being responsible in these matters.

The following performance measures indicate our continuing progress towards these goals:

- The results of external SHE audits demonstrate that we are achieving continuous improvement in all aspects of performance;
- There has been a decrease in the total number of accidents reported, by further raising employee understanding of safety, health and environment issues through training and regular communication,
- The Royal Mint continues to work to the stringent controls of its Environmental Permit, which is regulated by the Environment Agency and the Control of Major Accident Hazards (COMAH) regulations, overseen by both the Environment Agency and the HSE.

The Royal Mint is committed to ensuring we are at the forefront of employing sustainable business practices in order to minimise our environmental footprint, and protect the health and safety of our workforce

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

To implement the Royal Mint's vision, key strands of strategy have been developed

- Further reduce the total number of accidents which occur on site;
- Continue to embed a positive SHE culture by providing the necessary tools, training and advice,
- Ensure there is a comprehensive SHE framework that is legally compliant, recognised as best practice and leads to zero safety and environmental incidents;
- Ensure all employees and contractors understand their SHE roles and are fully trained to carry out these roles,
- Ensure that we understand the environmental impact of the suppliers we use, and only select those which use environmentally balanced practices,
- Ensure that we are knowledgeable in the emerging methods and techniques that will minimise our environmental footprint by identifying ways to conserve natural resources,
- Implement a strategy to manage and recycle waste products cost effectively to minimise the impact on the environment,
- Fully understand and manage the environmental concerns and impacts of the local communities

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

Authority of issue of financial statements
The directors gave authority for the financial statements to be issued on 23 May 2011 Neither the entity's owners 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
Director
23 May 2011

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 and Accounts.

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 forecast,
- setting targets and key performance indicators to measure financial and other performance;
- clearly defined capital investment control guidelines,
- formal security arrangements.

Members of the Executive Management Team within The Royal Mint Limited provide the Board with written confirmation in relation to the effectiveness of the system of internal control in their area of responsibility

The Royal Mint Limited's risk priorities in 2010-11 were in the following areas

- safety, health and the environment;
- key engineering failure,
- political and economic instability of overseas customers;
- the impact of the economic downturn upon demand for products;
- the execution of the 2012 growth strategy targeted at HM The Queen's Diamond Jubilee and the Olympics

Key risk and performance indicators are reported, monitored and reviewed on a regular basis and changes in the risk profile of the organisation are addressed by the Executive Management Team

Risk management

Under the guidance of the Board The Royal Mint Limited's risk management process is undertaken by the Executive Management Team The Executive Management Team 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 objectives, and the control strategy for each of the significant risks As part of its oversight process, the Board undertakes a review of risk management at least annually and has input into the broader risk management of The Royal Mint Limited

The Risk Management Committee is responsible, on behalf of the Board of Directors, for overseeing the effective establishment and maintenance in operation of a management framework within which risk is evaluated and managed. The Committee's membership comprises the Chief Executive, the Director of Finance and the Director of Business Services. The Head of Internal Audit also attends all meetings The Risk Management Committee meets at least twice a year and reports to the Board as appropriate and at least annually

The Executive Management Team involves the senior management team in their respective areas in the identification and assessment of risk The risk management and governance processes are included for review in the annual internal audit plan

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

Risk and control framework
Risk management is embedded in the ongoing planning and strategy process and focuses on the identification of the key risks which could impact on the achievement of The Royal Mint Limited's strategic objectives 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.

During 2010-11 the Internal Audit function was undertaken by KPMG LLP Their annual audit plan, the results of their audit, including recommendations for improvement, are reported to the Director of Finance and presented to the Audit Committee They also provide an independent opinion on the adequacy of The Royal Mint Limited's system of internal control.

The Board
The Board is comprised of the Chairman, four Non-Executive Directors and two Executive Directors (the Chief Executive and Director of Finance). The Director of Business Services attends the meetings as Company Secretary The Board is a board of oversight which met 9 times in 2010-11 (3 months ended 2009-10: 3 times). In the terms of the Combined Code its role is:

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

The roles and responsibilities of the Board are:

- compliance with statutory requirements and combined code guidelines;
- scrutiny of financial accounts through the Audit Committee of the Board,
- approval of annual plans;
- oversight of corporate risk register,
- approval of major capital expenditure,
- oversight of operating performance,
- development of remuneration systems for the executive management team, including performance related pay;
- annual evaluation of its performance and that of its committees;
- performance appraisal of executive management plus succession planning;
- approval of senior executive appointments or, where appropriate, recommendation of appointments to Shareholder Executive

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 number of times the relevant committee members attended during the year was as follows

	Board	Audit Committee	Remuneration Committee	Appointed(A)/ Resigned(R)
Andrew Stafford	3	1	2	R· 31/12/2010
Adam Lawrence	9	5	2	
Vin Wijeratne	3	2	n/a	A 23/11/2010
Mike Davies	9	n/a	5	
Colin Balmer	9	5	5	
Mary Chapman	9	5	5	
David Harding	9	5	5	
Charlie Villar	4	n/a	n/a	
Tim Martin	3	n/a	n/a	

Up to November 2010, Charlie Villar had a seat on the Board of the Company as a representative of the Royal Mint Trading Fund and HM Treasury as shareholder In December 2010 he was replaced by Tim Martin.

The 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 roles and responsibilities of the Executive Management team are·

- development of long term strategy in conjunction with Board;
- development of annual corporate plan, for submission to Board;
- approval of all capital expenditure and major contracts not requiring Board approval;
- development of remuneration systems for staff, including performance related pay;
- compliance with established operating procedures,
- preparation of risk register and subsequent reviews and mitigating actions;
- development of performance improvement programmes

Audit Committee
The Audit Committee comprises three independent Non-Executive Directors. The Audit Committee is chaired by Colin Balmer. The Committee invites the Chief Executive Officer and Director of Finance and senior representatives of both the internal and external auditors to attend meetings The Committee meets at least 5 times each year

The Audit Committee monitors and reviews the effectiveness of the internal control systems, accounting policies and practices, financial reporting process, risk management procedures, as well as the integrity of the financial statements.

The Audit Committee closely monitors and oversees the work of the internal auditors Details of internal controls systems and their effectiveness are described below.

The Committee ensures the external auditors provide a cost effective service and remain objective and independent.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Directors Report, the Remuneration 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Each of the Directors, whose names and functions are listed in the Corporate Governance section, confirms that, to the best of their knowledge and belief

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report contained in the annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face

V. Wijeratne

Vin Wijeratne
Director
23 May 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL MINT LIMITED

We have audited the financial statements of Royal Mint Limited for the year ended 31 March 2011 which comprise the Income Statement, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13-14, 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) 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of· whether the accounting policies are appropriate to the 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 In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements·

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion·

- 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, or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Lynn Hine

Lynn Hine (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

24 June 2011

Income Statement

For the year ended 31 March 2011	Notes	Before IAS 39 hedging ineffectiveness 2010-11 £'000	IAS 39 hedging ineffectiveness (Note 5b) 2010-11 £'000	Total 2010-11 £'000	Before Exceptionals and IAS 39 Hedging ineffectiveness 2009-10 £'000	IAS 39 Hedging ineffectiveness (Note 5b) 2009-10 £'000	Exceptional Items (Note 5a) 2009-10 £'000	Total 2009-10 £'000
Revenue - Continuing	2	215,146	-	215,146	37,391	-	-	37,391
Cost of sales	3	(180,856)	(2,457)	(183,313)	(27,389)	-	-	(27,389)
Gross profit		34,290	(2,457)	31,833	10,002	-	-	10,002
Administrative expenses	3	(12,450)	-	(12,450)	(3,587)	-	(99)	(3,686)
Selling and distribution costs	3	(18,503)	-	(18,503)	(4,784)	-	-	(4,784)
Other (losses)/gains-net	22	139	929	1,068	(70)	1,497	-	1,427
Operating profit		3,476	(1,528)	1,948	1,561	1,497	(99)	2,959
Finance income	6	33	-	33	14	-	-	14
Finance costs	6	(555)	-	(555)	(59)	-	(565)	(624)
Profit before tax		2,954	(1,528)	1,426	1,516	1,497	(664)	2,349
Tax charge for the year	7			(590)				(443)
Profit for the financial year				836				1,906
Profit attributable to:								
Owners of the parent				836				1,906

The Notes on pages 22 to 50 form part of the Accounts

Company Number 6964873
Registered Office:
The Royal Mint, Llantrisant, CF72 8YT
Email: informationoffice@royalmint.com
Website: www.royalmint.com

Statement of Comprehensive Income

For the year ended 31 March 2011

	2011	2010
	£'000	£'000
Profit for the financial period	836	1,906
Other comprehensive income.		
Cashflow hedges	(1,177)	1,136
Actuarial gain / (loss) on defined benefit scheme	92	(49)
Deferred tax on actuarial loss on defined benefit scheme	(24)	14
Gains on plant and machinery revaluation	322	20
Total comprehensive income for the period	49	3,027
Total comprehensive income attributable to:		
Owners of the parent	49	3,027

Statement of Changes in Equity

2010-11

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Total £'000
At 1 April 2010	6,000	39,319	-	15,891	1,136	62,346
Movements in the period:						
Profit for the financial year	-	-	-	836	-	836
Cashflow hedges	-	-	-	-	(1,177)	(1,177)
Actuarial gain on defined benefit scheme	-	-	-	92	-	92
Deferred tax on actuarial loss of defined benefit scheme	-	-	-	(24)	-	(24)
Gains on plant and machinery revaluation	-	-	322	-	-	322
Transfers	-	-	(144)	144	-	-
Total Comprehensive Income for the year	-	-	178	1,048	(1,177)	49
Transactions with owners - dividend	-	-	-	(4,000)	-	(4,000)
At 31 March 2011	6,000	39,319	178	12,939	(41)	58,395

The Notes on pages 22 to 50 form part of the Accounts

Statement of changes in equity (continued)

2009-10

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Total £'000
Movements in the period						
Profit for the financial year	-	-	-	1,906	-	1,906
Cashflow hedges	-	-	-	-	1,136	1,136
Actuarial loss on defined benefit scheme	-	-	-	(49)	-	(49)
Deferred tax on actuarial loss of defined benefit scheme	-	-	-	14	-	14
Gains on plant and machinery revaluation	-	-	20	-	-	20
Transfers	-	-	(20)	20	-	-
Total Comprehensive Income for the period	-	-	-	1,891	1,136	3,027
Issue of shares	6,000	53,319	-	-	-	59,319
Capital reduction	-	(14,000)	-	14,000	-	-
At 31 March 2010	6,000	39,319	-	15,891	1,136	62,346

Statement of Financial Position
At 31 March 2011

	Notes	2011 £'000	2010 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	46,237	32,369
Intangible assets	9	1,427	1,006
TOTAL NON-CURRENT ASSETS		47,664	33,375
CURRENT ASSETS			
Inventories	10	96,137	38,577
Derivative financial instruments	23	1,051	2,089
Retirement benefit asset	16	562	179
Trade and other receivables	11	32,106	21,485
Cash and cash equivalents		754	20,459
TOTAL CURRENT ASSETS		130,610	82,789
CURRENT LIABILITIES			
Short-term borrowings	12	(88,730)	(12,343)
Trade and other payables	13	(27,392)	(37,043)
Current tax liability	7	-	(131)
Derivative financial instruments	23	(243)	(262)
TOTAL CURRENT LIABILITIES		(116,365)	(49,779)
NET CURRENT ASSETS		14,245	33,010
NON-CURRENT LIABILITIES			
Deferred tax liability	15	(1,043)	(298)
Provision for liabilities and charges	14	(2,471)	(3,741)
NET ASSETS		58,395	62,346
EQUITY			
Share capital		6,000	6,000
Share premium		39,319	39,319
Revaluation reserve		178	-
Retained earnings		12,939	15,891
Hedging reserve		(41)	1,136
TOTAL EQUITY		58,395	62,346

Approved by the Board of Directors and signed on its behalf

Adam Lawrence
Chief Executive
23 May 2011

The Notes on pages 22 to 50 form part of the Accounts

Statement of Cashflow
For the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
CASHFLOW FROM OPERATING ACTIVITIES			
Operating profit		1,948	2,959
Depreciation and amortisation on non-current assets		3,347	987
Cashflow hedges		(158)	(12)
Movements in working capital:			
Inventory		(57,560)	3,238
Retirement benefit asset		(291)	(228)
Trade and other receivables		(10,625)	1,412
Trade and other payables		(11,567)	4,379
Provisions		(1,296)	(817)
Cashflow from operations		(76,202)	11,918
Interest paid		(462)	(624)
Net cashflow from operating activities		(76,664)	11,294
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment		(14,862)	(2,899)
Acquisition of intangible assets		(603)	(115)
Interest received		37	14
Cash received from the Royal Mint Trading Fund		-	26,397
Net cash used in investing activities		(15,428)	23,397
CASHFLOW FROM FINANCING ACTIVITIES			
Movement in bullion overdraft		49,387	(7,245)
Movement in short-term loans		27,000	-
Dividends paid		(4,000)	-
Long-term loan principal repaid		-	(6,987)
Net cash generated/(used) in financing activities		72,387	(14,232)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(19,705)	20,459
Cashflow from movement in borrowings		(76,387)	14,233
Movement in net funds		(96,092)	34,692
Net funds at start of year		8,116	-
Debt transferred from The Royal Mint Trading Fund		-	(26,576)
Net (debt)/funds at end of year	21	(87,976)	8,116

The Notes on pages 22 to 50 form part of the Accounts.

Notes to the Accounts

Note 1
PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 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 been selected The particular policies adopted are described below They have been applied consistently in dealing with items that are considered material to the Accounts

2.1 Changes in accounting policy and disclosures

New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 April 2010 but not currently relevant to the company.

IFRIC 18 (interpretation):	Transfer of assets from customers
IFRIC 17 (interpretation):	Distribution of non cash assets to owners
IFRIC 9 (interpretation)	Assessment of embedded derivatives
IFRIC 16 (amendment)	Hedges of a net investment in a foreign operation
IAS 1 (amendment)	Presentation of financial statements
IAS 36 (amendment)	Impairment of assets
IFRS 2 (amendment):	Group cash settled share based transactions
IFRS 5 (amendment):	Non current assets held for sale and discontinued operations
IAS 27 (revised)	Consolidated and separate financial statements
IAS 32 (amendment)·	Financial instruments. presentational classification of rights issues
IAS 24 (revised)	Related party disclosures

New standards, amendments and interpretations issued but not effective financial year beginning 1 April 2011 and not early adopted·

IFRS 9.	Financial instruments
IFRIC 19 (interpretation)	Extinguishing financial liabilities with equity instruments
IFRIC 14 (amendment):	Prepayments of a minimum funding requirement
IFRS 1 (amendment)	First time adoption of IFRS
IFRS 3 (revised).	Business combinations

These Standards are not expected to have a material impact on the company

2.2 Segment reporting

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

2.3 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 (losses)/gains – net'.

2.4 Property, plant and equipment

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

The valuation is based upon the following·

(i) land and buildings are stated at an open market triennial valuation by external independent valuers; and

(ii) plant and machinery are stated at their cost up-rated by indices published by the Office for National Statistics

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

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

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

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

	Years
Buildings	50
Delicate and electrical plant and machinery	10
Robust mechanical plant	15 - 25
IT hardware	3 – 8
Motor vehicles	4

No depreciation is provided in respect of land.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount

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

2.5 Intangible assets

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

Financial assets are recognised when The Royal Mint 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 market place.

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

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

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

2.8 Impairment of financial assets

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

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

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

2.9 Trade receivables

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

2.10 Financial liabilities

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

(b) Financial liabilities at fair value through the 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.

2.11 Derivative financial instruments

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

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

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging exposure to variability in cash flows 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. Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects the Income Statement, 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. 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 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.

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.

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

2.12 Inventories

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

2.13 Cash and cash equivalents

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

2.14 Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 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.

2.16 Employee benefits

(a) *Pension obligations*

The Royal Mint Limited operates defined benefit and defined contribution pension schemes The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations A defined contribution plan is a pension plan under which the 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.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, 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 liability

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

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period) In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, The Royal Mint Limited pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The 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

2.17 Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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.

2.18 Revenue recognition

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

Revenue is recognised on delivery of the goods and services supplied during the year, excluding royalties and other licence payments and value added tax except in the case of 'bill and hold' arrangements, where revenue is recognised when the following requirements are satisfied

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

2.19 Leases

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

2.20 Exceptional items

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

2.21 Dividend distribution

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

2.22 Share Capital

Ordinary shares are classified as equity.

2.23 Acquisition Policy

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

2.24 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

3.1 Critical accounting estimates and 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 assumptions used in determining the net cost (income) for pensions include the discount rate Any changes in these assumptions will impact the carrying amount of pension obligations

The 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

In arriving at the retirement benefit asset for the year an actuarial estimate has been made of the impact of individuals who have determined they wish to transfer into The Royal Mint Limited's pension scheme This is based on latest available information which will require refinement in the financial statements for the year ending 31 March 2012

Key assumptions for pension obligations are disclosed in note 16.

(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 must 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 Net realisable value is based on both historical experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty.

Note 2
SEGMENTAL REPORTING
The Royal Mint Limited has determined business segments based on reports reviewed by the Executive Management Team that are used to make strategic decisions. The Executive Management Team reviews the business from a product perspective as each segment offers products for different purposes and serves different markets

The following table presents revenue, operating profit and certain asset and liability information regarding The Royal Mint Limited's business segments for the periods ended 31 March

A) ANALYSIS BY CLASS OF BUSINESS 2010-11

	Circulating £'000	Commemorative £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	93,610	121,536	215,146	-	215,146
Depreciation and amortisation	2,515	354	2,869	478	3,347
Operating profit	12,016	3,695	15,711	(13,763)	1,948
Segment assets and liabilities:					
Non-current assets	33,473	6,484	39,957	7,707	47,664
Current assets	43,467	84,510	127,977	5,100	133,077
Current liabilities	(7,473)	(66,401)	(73,874)	(42,491)	(116,365)
Non-current liabilities	-	-	-	(2,471)	(2,471)
Net assets	69,467	24,593	94,060	(32,155)	61,905

ANALYSIS BY CLASS OF BUSINESS 2009-10

	Circulating £'000	Commemorative £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	21,924	15,467	37,391	-	37,391
Depreciation and amortisation	657	67	724	263	987
Operating profit	6,500	1,141	7,641	(4,682)	2,959
Segment assets and liabilities					
Non-current assets	24,936	4,557	29,493	3,882	33,375
Current assets	31,039	29,838	60,877	21,912	82,789
Current liabilities	(24,271)	(14,700)	(38,971)	(10,808)	(49,779)
Non-current liabilities	-	-	-	(4,039)	(4,039)
Net assets	31,704	19,695	51,399	10,947	62,346

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

B) ANALYSIS OF REVENUE BY DESTINATION	2011	For the three months since commencement of trading on 1 January 2010
	£'000	£'000
UK	72,648	15,140
Greece	30,492	26
Rest of Europe	41,463	9,461
Asia	30,086	6,776
Africa	23,594	2,666
Americas	15,369	2,954
Rest of the World	1,494	368
	215,146	37,391

During 2010-11 revenue from two customers amounted to £31m and £28 6m, respectively, which each represented in excess of 10% of revenue

Note 3

EXPENSES BY NATURE

	2011	For the three months since commencement of trading on 1 January 2010
	£'000	£'000
Movement in Work in Progress and Finished Goods Inventory (excluding metal)	194	964
Raw materials and consumables used	16,830	3,667
Metal costs of products sold	141,356	17,212
Hire of plant and machinery	206	28
Employee benefit expenses	34,632	9,196
Travel and subsistence	914	210
Transportation expenses	1,811	717
Depreciation and amortisation charges	3,347	987
Plant and building maintenance	1,967	474
Research and development	120	23
Market Research	420	17
Promotional expenses	5,698	1,306
Commission expenses	1,420	388
Exceptional expenses (see note 5)	-	99
Auditors' remuneration		
Audit of these financial statements	57	49
Non audit fees - taxation	9	-
Other expenses	5,285	522
Total cost of sales, selling and distribution costs and administration expenses	214,266	35,859

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to £2,457,000 loss (2009-10: £nil)

Note 4
REMUNERATION AND EMPLOYMENT

TOTAL STAFF COSTS

		2010-11		For the three months since commencement of trading on 1 January 2010
	£'000	£'000	£'000	£'000
Wages and salaries				
Staff with a permanent contract	25,255		7,050	
Other staff	1,316		319	
		26,571		7,369
Social Security costs				
Staff with a permanent contract	1,743		437	
Other staff	192		26	
		1,935		463
Other pension costs				
Staff with a permanent contract	6,122		1,349	
Other staff	4		15	
		6,126		1,364
		34,632		9,196

AVERAGE NUMBER EMPLOYED

Production				
Staff with a permanent contract	586		587	
Other staff	46		38	
		632		625
Sales and Marketing				
Staff with a permanent contract	121		113	
Other staff	3		6	
		124		119
Administration				
Staff with a permanent contract	130		120	
Other staff	6		1	
		136		121
		892		865

Directors Emoluments

	2010-11	For the three months since commencement of trading on 1 January 2010
	£'000	£'000
Aggregate emoluments excluding long term incentive scheme	623	232
Aggregate amounts receivable under long term incentive scheme	84	23
Compensation for loss of office	207	-
Highest paid director (excluding termination payments)		
Total amounts of emoluments and amounts receivable under long term incentive scheme	365	67
Accrued defined benefit pension at period end	6	1
Contributions under defined contribution pension scheme	5	-

Retirement benefits are accruing to one executive director under a defined benefit scheme (2010 2).

Note 5

A) EXCEPTIONAL ITEMS

	2010-11 £'000	For the three months since commencement of trading on 1 January 2010 £'000
Administration		
Costs associated with vesting	-	99
	-	99
Finance costs		
Costs associated with repayment of loans	-	565
	-	664

B) IMPACT OF HEDGING INEFFECTIVENESS UNDER IAS 39

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

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 IAS39 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 IAS39.

The impact of this has also been highlighted separately on the Income Statement

Note 6

FINANCE COSTS

	2010-11 £'000	For the three months since commencement of trading on 1 January 2010 £'000
On loans repayable within five years	529	38
On loans payable by instalments over more than five years	-	8
Unwinding of discount on provision for early retirement (Note 14)	26	13
	555	59
Exceptional costs associated with repayment of loans	-	565
	555	624

FINANCE INCOME

	2010-11 £'000	For the three months since commencement of trading on 1 January 2010 £'000
Bank interest received	33	14
	33	14

Note 7
TAXATION

Analysis of tax charge in year	2010-11 £'000	For the three months since commencement of trading on 1 January 2010 £'000
UK corporation tax		
- Current year	(256)	131
- Prior year	124	-
Deferred tax.		
- Current year	716	312
- Prior year	6	-
Taxation charge	590	443

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (28%)

	2010-11 £'000	2010 £'000
Profit before tax	1,426	2,349
Profit multiplied by the standard rate of corporation tax of 28%	399	658
Effects of		
Expenses not deductible for tax purposes	139	(215)
Adjustments re prior years	130	-
Reduction in tax rate for deferred tax provision	(78)	-
Tax charge for year	590	443

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates an increase in the deferred tax liability of £78,000 which has been included in the figures above

The effective tax rate for the year was 38% (2010 19%) ignoring adjustments relating to prior years and the tax charge arising from the reduction in the rate at which deferred tax has been provided to 26%.

In addition to the amount charged to the Income Statement, a deferred tax charge relating to actuarial gains on defined benefit pension schemes of £24,000 (2010 £14,000 credit) has been charged directly to the Statement of Comprehensive Income

Current tax liability

	2011 £'000	2010 £'000
UK corporation tax	-	131

Note 8
PROPERTY, PLANT & EQUIPMENT

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
Valuation				
At 1 April 2010	13,994	2,438	78,485	94,917
Additions	-	16,711	-	16,711
Transfers	637	(2,377)	1,740	-
Disposals	-	-	(1,629)	(1,629)
Revaluation	-	-	984	984
At 31 March 2011	14,631	16,772	79,580	110,983
Depreciation				
At 1 April 2010	1,202	-	61,346	62,548
Charge for year	416	-	2,749	3,165
Disposals	-	-	(1,629)	(1,629)
Revaluation	-	-	662	662
At 31 March 2011	1,618	-	63,128	64,746
Net book value at 31 March 2011	13,013	16,772	16,452	46,237
Net book value at 31 March 2010	12,792	2,438	17,139	32,369

Land and buildings are stated at open market current use valuation at 5 October 2009 This valuation which totalled £12 44m was provided by BNP Paribas Ltd in accordance with the guidelines set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors Land and buildings are re-valued every three years

Note 9
INTANGIBLE ASSETS (Software Licences)

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
Cost			
At 1 April 2010	102	3,169	3,271
Additions	603	-	603
Transfers	(284)	284	-
Disposals	-	(63)	(63)
At 31 March 2011	421	3,390	3,811
Amortisation			
At 1 April 2010	-	2,265	2,265
Amortisation for year	-	182	182
Disposals	-	(63)	(63)
At 31 March 2011	-	2,384	2,384
Net book value at 31 March 2011	421	1,006	1,427
Net book value at 31 March 2010	102	904	1,006

Note 10
INVENTORIES

	2011 £'000	2010 £'000
Metal inventory	67,850	28,014
Work in progress (excluding metal)	4,035	3,331
Stores and packing materials	3,120	2,988
Finished goods	21,132	4,244
	96,137	38,577

Note 11
RECEIVABLES

	2011 £'000	2010 £'000
Trade receivables	29,359	19,348
Less Provision for impairment of receivables	(613)	(524)
VAT	814	268
Prepayments and accrued income	2,546	2,393
	32,106	21,485

Included within the receivables are the following	2011 £'000	2010 £'000
Balances with other Government bodies		
Other Central Government bodies	3,793	2,014
Local Authorities	1	5
NHS Trusts	3	-
Public Corporations and Trading Funds	2,648	2,345
	6,445	4,364

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

	2011 £'000	2010 £'000
Pounds sterling	32,058	21,028
Euros	-	151
US Dollars	48	306
	32,106	21,485

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·

	2011 £'000	2010 £'000
At 1 April	(524)	-
Transferred from the Royal Mint Trading Fund	-	(457)
Provision made in period	(89)	(67)
At 31 March	(613)	(524)

Note 12
SHORT-TERM BORROWINGS

	2011 £'000	2010 £'000
Short-term NLF loans	27,000	-
Bullion overdraft	61,730	12,343
	88,730	12,343

Note 13
PAYABLES: amounts falling due within one year

	2011 £'000	2010 £'000
Trade payables	19,303	12,247
Other payables	267	1,788
Payments received on account	5,823	20,833
Taxation and social security	707	626
Accruals and deferred income	1,292	1,549
	27,392	37,043

Included within the payables are the following:

Balances with other Government bodies not shown separately above:		
Other Central Government bodies	512	782
Public Corporations and Trading Funds	34	-
NHS Trusts	-	1
	546	783

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 2.9%, with the unwinding of the discount treated as an interest charge.

	Early retirement £'000	Nickel-plating plant fire £'000	Museum funding £'000	Environment remediation £'000	Total £'000
At 1 April 2010	1,253	826	770	892	3,741
Charge for the year	56	-	-	-	56
Unwinding of discount on provision	26	-	-	-	26
Utilised in year	(406)	(826)	-	(120)	(1,352)
At 31 March 2011	929	-	770	772	2,471

The profile of settlement of provisions is set out on page 49

Note 15
DEFERRED TAXATION

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 26% (2010: 28%)

	2011 £'000	2010 £'000
Liability at 1 April 2010	298	-
Movements on deferred tax were		
Charged to the Income Statement	721	312
Charged/(Credited) to Statement of Comprehensive Income	24	(14)
	1,043	298

Movements in deferred tax liabilities were

	Tax losses £'000	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2010	-	148	99	51	-	298
(Credited)/charged to the Income Statement	(380)	969	129	71	(68)	721
Charged to Statement of Comprehensive Income	-	-	-	24	-	24
At 31 March 2011	(380)	1,117	228	146	(68)	1,043

	2011 £'000	2010 £'000
Deferred tax charged/(credited) to Statement of Comprehensive Income during the year was		
Actuarial (gains)/losses on defined benefits schemes	24	(14)
	24	(14)

Analysis of deferred tax liability	2011 £'000	2010 £'000
Deferred tax liability after 12 months	1,043	99
Deferred tax liability within 12 months	-	199
	1,043	298

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 26 per cent to 23 per cent, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the deferred tax liability by approximately £120,000

Note 16
RETIREMENT BENEFIT SCHEMES

Defined contribution scheme

The Royal Mint Limited operates a defined contribution scheme for new employees via The Royal Mint Limited Group Personal Pension Plan. The related pension assets are held in trustee-administered funds separate from the Company The total cost charged to income of £58,739 (2009-10. 2,675) represents contributions payable to the scheme by The Royal Mint Limited at rates specified in the plan rules

Defined benefit scheme

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

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

Platinum Premium – Participants are entitled to pension retirement benefits of 1 67% of final salary per year of service on attainment of a retirement age of 60 years. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004

Platinum Nuvos - Participants build up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2 3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004

Details of valuation assumptions

An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2011 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2011 with allowance for future salary increases or future price inflation for members of the Platinum Nuvos scheme. The principal actuarial assumptions used were·

		2011	2010
Discount rate		5 5%	5 5%
Price inflation		3 3%	3 5%
Pensionable salary increase		4 3%	4 5%
Revaluation of deferred pensions before retirement		3 3%	3 5%
Increase to pensions in payment in line with RPI		3.3%	3.5%
Mortality rates	- males	PNMA00 1%	PNMA00 1%
	- females	PNFA00 1%	PNFA00 1%

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

Amounts included in the Income Statement

	2011 £'000	2010 £'000
Current service cost	6,123	1,358
Pension scheme expenses	90	-
Interest cost	252	10
Expected return on assets	(317)	(8)
Amounts charged to the Income Statement	6,148	1,360

Amounts recognised in Statement of Comprehensive Income

	2011 £'000	2010 £'000
Actual return less expected return on assets	(361)	35
Experience gains / (losses) arising on the scheme liabilities	453	(84)
Actuarial gains / (losses) recognised in Statement of Comprehensive Income	92	(49)

Amounts recognised in the Statement of Financial Position

	2011 £'000	2010 £'000
Fair value of plan assets	11,468	4,613
Present value of plan liabilities	(10,906)	(4,434)
Net Defined Benefit Asset	562	179

Reconciliation of movements in the Statement of Financial Position

	2011 £'000	2010 £'000
Surplus at 1 April	179	-
Current service cost	(6,123)	(1,358)
Pension scheme expenses	(90)	-
Interest cost	(252)	(10)
Expected return on assets	317	8
Actuarial gain/(loss)	92	(49)
Contributions	6,439	1,588
Net Defined Benefit Asset	562	179

Reconciliation of movements in liabilities during the year

	2011 £'000	2010 £'000
Scheme liabilities at beginning of year	4,434	-
Movement in year:		
Current service cost	6,123	1,358
Transfer value from Civil Service Scheme	385	2,914
Pension scheme expenses	90	-
Interest cost	252	10
Employee contributions	484	121
Benefits paid	(409)	(53)
Actuarial (gain) / loss	(453)	84
Scheme liabilities at end of year	10,906	4,434

Reconciliation of movements in assets during the year

	2011 £'000	2010 £'000
Scheme assets at beginning of year	4,613	-
Movements in year.		
Expected return on scheme assets	317	8
Employer contributions	6,439	1,588
Employee contributions	484	121
Transfer value from Civil Service Scheme	385	2,914
Benefits paid	(409)	(53)
Actuarial (loss) / gain	(361)	35
Scheme assets at end of year	11,468	4,613

Reconciliation of amount recognised in Statement of Comprehensive Income

	2011 £'000	2010 £'000
Actual return less expected return on assets	(361)	35
Experienced gain/(loss) arising on scheme liabilities	453	(84)
Actuarial gain/(loss) recognised in Statement of Comprehensive Income	92	(49)
Cumulative actuarial gain/(loss) recognised in Statement of Comprehensive Income	43	(49)

Further analysis of RMLS assets

Assets are made up of Prudential M&G Pooled Funds distributed as shown below with an expected long-term rate of return of 6 25% derived as follows:

	As at 31 March 2011		As at 31 December 2009	
Asset class	% of fund	Expected return	% of fund	Expected return
UK index-linked gilts	12 1%	4 2%	12.0%	4 4%
Equities	62 2%	6 7%	61 0%	6 9%
Alternative assets	13 8%	6.7%	15 0%	6.9%
Corporate bonds	11 9%	5 5%	12.0%	5 4%
Total	100%	6.25%	100%	6.4%

The overall expected return on RMLS assets has been assessed with reference to the distribution of assets underlying the policy. Each asset class return is based on the long-term expected rate of return on that class The overall expected return is a weighted average of the returns for all asset classes Contributions expected to be paid in 2011-12 are £6.144m.

Note 17

DIVIDENDS

	2011 £'000	2010 £'000
Final dividend paid for the year ended 31 March 2010	4,000	-
	4,000	-

Note 18

CAPITAL COMMITMENTS

	2011 £'000	2010 £'000
Commitments in respect of contracts – Tangible Assets	779	1,436
Commitments in respect of contracts – Intangible Assets	406	237
	1,185	1,673

Note 19
OPERATING LEASE COMMITMENTS

	2011 £'000	2010 £'000
Operating lease rentals due on leases expiring:		
Less than one year	160	181
Between one and five years	-	-
After five years	-	-

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 the Shareholder Executive, which is responsible for oversight of The Royal Mint Limited's objective of delivering a commercial return on capital employed and provision of relevant advice to the Financial Secretary to the Treasury reporting to Parliament HM Treasury also contracts with The Royal Mint Limited as a customer, under a Service Level Agreement, for the manufacture and distribution of UK circulating coin

The Royal Mint Limited also contracts with The Royal Mint Museum Services Limited a subsidiary of the Royal Mint Museum The Royal Mint Museum is wholly owed 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 period was £263,750
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 period was £328,750.
3) Heritage assets are donated by The Royal Mint Limited to the museum collection

In addition The Royal Mint Limited has had a number of material transactions with other Government bodies Most of these transactions have been with the Ministry of Defence and LOCOG 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 Royal Mint Limited. 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 Royal Mint Limited's Executive Management Team. Remuneration of key management staff is set out in the table below

	2011 £'000	2010 £'000
Salaries and other short-term employee benefits	1,471	229
Post employment benefits	206	53
	1,677	282

Note 21
ANALYSIS OF NET FUNDS/(DEBT)

	At 1 April 2010	Cashflow	At 31 March 2011
	£'000	£'000	£'000
Cash at bank and in hand	20,459	(19,705)	754
Bullion overdraft	(12,343)	(49,387)	(61,730)
Long-term loan due within one year	-	(27,000)	(27,000)
Long-term loan due after more than one year	-	-	-
	8,116	(96,092)	(87,976)

Note 22
OTHER GAINS/(LOSSES) - NET

	2011	2010
	£'000	£'000
Foreign exchange gain / (loss)	139	(70)
Ineffectiveness of commodity hedges (IAS39)	929	1,497
	1,068	1,427

Note 23
FINANCIAL INSTRUMENTS

	2011	2010
	£'000	£'000
Derivative asset		
Foreign currency fair value	13	19
Commodity fair value	111	2,070
Precious metal fair value	927	-
	1,051	2,089
Derivative liability		
Foreign currency fair value	35	80
Commodity fair value	183	182
Precious metal fair value	25	-
	243	262

Risk management
The main risk exposures arising from The Royal Mint Limited'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.

Currency risk
The Royal Mint Limited publishes its financial statements in sterling and conducts business internationally resulting in exposure to foreign currency risk, primarily with respect to the Euro and US Dollar

The Royal Mint Limited'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 2011 £'000	Average forward rate 2011	Fair value 2011 £'000	Contract amount 2010 £'000	Average forward rate 2010	Fair value 2010 £'000
Forward contract – sell £/buy EUR						
Maturing in less than 1 year	958	1.1329	3	-	-	-
	958	1 1329	3	-	-	-
Forward contract – buy £/sell US$						
Maturing in less than 1 year	4,205	1.6048	(20)	2,500	1.5631	(78)
	4,205	1.6048	(20)	2,500	1 5631	(78)
Forward contract – buy £/sell EUR						
Maturing in less than 1 year	248	1.1531	(5)	770	1.093	19
	248	1 1531	(5)	770	1.093	19
Forward contract – buy £/sell DKK						
Maturing in less than 1 year	-	-	-	121	8.4897	(2)
	-	-	-	121	8 4897	(2)

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 2011	Effect on net earnings of a 10% decrease 2011 £'000	Closing exchange rate 2010	Effect on net earnings of a 10% decrease 2010 £'000
Euros	1.1296	(3)	1.1211	13
US Dollars	-	-	1 5169	31
New Zealand Dollars	-	-	2.1379	(1)
		(3)		43

	Closing exchange rate 2011	Effect on net earnings of a 10% increase 2011 £'000	Closing exchange rate 2010	Effect on net earnings of a 10% increase 2010 £'000
Euros	1.1296	24	1.1211	(26)
US Dollars	1 6030	(3)	1.5169	(10)
New Zealand Dollars	-	-	2.1379	1
Australian Dollars	8 4221	-	-	-
Swiss Franc	1 55	(1)	-	-
		20		(35)

Commodity price risk

The Royal Mint Limited by the nature of its business is exposed to movements in the prices of the following commodities – nickel, copper, zinc, gold, silver and platinum

In regard to base metals (nickel, copper and zinc) The Royal Mint Limited 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 2011	Value at average price 2011 £'000	Fair value 2011 £'000	Tonnes 2010	Value at average price 2010 £'000	Fair value 2010 £'000
Cashflow hedges						
Copper futures –						
GBP denominated contracts						
Maturing in less than 1 year	100	614	(29)	775	3,484	521
	100	614	(29)	775	3,484	521
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	246	4,012	(43)	288	3,378	1,360
	246	4,012	(43)	288	3,378	1,360
Zinc futures –						
GBP denominated contracts						
Maturing in less than 1 year	-	-	-	100	150	8
	-	-	-	100	150	8

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 2011 £	Effect on net earnings of a 10% decrease 2011 £'000	Effect on equity of a 10% decrease 2011 £'000	Closing price/tonne 2010 £	Effect on net earnings of a 10% decrease 2010 £'000	Effect on equity of a 10% decrease 2010 £'000
Copper	5,842	(64)	(24)	5,162	(84)	(317)
Nickel	16,210	(142)	(298)	16,448	(73)	(401)
Zinc	1,441	-	-	1,556	(6)	(10)
		(206)	(322)		(163)	(728)

	Closing price/tonne 2011 £	Effect on net earnings of a 10% increase 2011 £'000	Effect on equity of a 10% increase 2011 £'000	Closing price/tonne 2010 £	Effect on net earnings of a 10% increase 2010 £'000	Effect on equity of a 10% increase 2010 £'000
Copper	5,842	1	28	5,162	90	311
Nickel	16,210	188	167	16,448	79	395
Zinc	1,441	-	-	1,556	6	10
		189	195		175	716

In regard to precious metals (gold, silver and platinum) The Royal Mint Limited has an overdraft agreement with two banks, referred to as bullion overdrafts The overdraft facility allows The Royal Mint Limited to borrow bullion when transferring precious metal to suppliers The Royal Mint Limited does not pay for the bullion until a purchase is made Purchases are made in two ways:

1) For a specific order,
2) Based on forecast sales demand over a specified period.

The purchases can either be made on a spot basis or through forward contracts, hedge accounting is not followed for precious metal forward contracts The open forward contracts as at 31 March are as follows:

	ozs 2011	Value at average price 2011 £'000	Fair value 2011 £'000	ozs 2010	Value at average price 2010 £'000	Fair value 2010 £'000
Gold forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	11,815 391	10,137	455	-	-	-
	11,815.391	10,137	455	-	-	-
Silver forwards –						
GBP denominated contracts.						
Maturing in less than 1 year	115,785 865	2,265	467	-	-	-
	115,785 865	2,265	467	-	-	-
Platinum forwards –						
GBP denominated contracts.						
Maturing in less than 1 year	726 852	826	(20)	-	-	-
	726 852	826	(20)	-	-	-

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/oz 2011 £	Effect on net earnings of a 10% decrease 2011 £'000	Closing price/oz 2010 £	Effect on net earnings of a 10% decrease 2010 £'000
Gold	897	(604)	736	-
Silver	24	194	12	-
Platinum	1,106	(101)	1,084	-
		(511)		-

	Closing price/oz 2011 £	Effect on net earnings of a 10% increase 2011 £'000	Closing price/oz 2010 £	Effect on net earnings of a 10% increase 2010 £'000
Gold	897	1,514	736	-
Silver	24	740	12	-
Platinum	1,106	61	1,084	-
		2,315		-

The table below shows the effect a 10% change in market prices would have on bullion overdraft interest payable

	Closing price/oz 2011 £	Effect on net earnings of a 10% change 2011 £'000	Closing price/oz 2010 £	Effect on net earnings of a 10% change 2010 £'000
Gold	897	38	736.40	9
Silver	24	14	11.56	2
Platinum	1,106	1	1084.00	0
		53		11

Interest rate risk

The Royal Mint Limited has exposure to interest rate risk, arising principally in relation to short-term NLF loans, cash held at bank and bullion overdrafts.

Cash held at bank is subject to interest rate risk where the risk is primarily in relation to movements in interest rates set by the Bank of England.

Bullion overdrafts, as referred to above, are subject to interest payments on the outstanding overdraft balance. The bullion overdraft facilities 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% if would have had the following effect on interest payable

	2011 £'000	Effect on net earnings of a 10% change 2011 £'000	2010 £'000	Effect on net earnings of a 10% change 2010 £'000
Short-term NLF loans	27,000	76	-	-
		76		-

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
2) Counter parties·
    a) Cash and cash equivalents
    b) Bullion overdraft
    c) 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
Circulating receivables			
2011	169	-	32
2010	3,093	164	252

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
Wholesale trade receivables			
2011	609	41	123
2010	366	164	110

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			
2011	141	-	436
2010	235	58	316

Counter-party risk

The Royal Mint Limited purchases and sells derivative financial instruments from/to Aa-rated banks. Bullion overdrafts are held with Aa-rated banks

The maximum exposure to credit risk is limited to the carrying value of financial assets on the Statement of Financial Position as at the reporting date For 2011 the amount is £32m (2010 £21 5m)

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.

Liquidity risk

Liquidity risk is the risk that The Royal Mint Limited may not be able to settle or meet its obligations on time or at a reasonable price The Royal Mint Limited's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies The Royal Mint Limited manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition The Royal Mint Limited has negotiated a revolving credit facility of £36m, of which £27m was drawn down at 31 March 2011. It is anticipated that this will be sufficient to meet future requirements.

The table below analyses The Royal Mint Limited's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at 31 March to the contractual maturity date

At 31 March 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	27,000	-	-	-
Derivative financial instruments	243	-	-	-
Bullion overdraft	61,730	-	-	-
Trade and other payables	27,392	-	-	-
Provision for Liabilities & Charges	1,884	370	211	6

At 31 March 2010	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	262	-	-	-
Bullion overdraft	12,343	-	-	-
Trade and other payables	37,043	-	-	-
Provision for Liabilities & Charges	2,333	882	444	82

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 below is a comparison by category of fair values of The Royal Mint Limited's financial instruments recognised in the financial statements at 31 March.

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

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

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 2011 £'000	Fair value 2011 £'000	Carrying value 2010 £'000	Fair value 2010 £'000
Financial assets:				
Loans and receivables	32,106	32,106	21,485	21,485
Derivatives used for hedging	1,051	1,051	2,089	2,089
Financial liabilities.				
Loans & Payables	116,122	116,122	49,386	49,386
Derivatives used for hedging	243	243	262	262

Note 24
SHARE CAPITAL AND PREMIUM

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

	Number of shares	Ordinary shares £'000
At 1 April 2010 and 31 March 2011	6,000,001	6,000

	2011 £'000	2010 £'000
Share premium account	39,319	39,319
	39,319	39,319

Note 25
HOLDING COMPANY
The ultimate controlling party of The Royal Mint Limited is HM Treasury.