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**THE ROYAL MINT LIMITED**

**ACCOUNTS FOR THE YEAR ENDED  
31 MARCH 2012**

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## **The Royal Mint Limited**

### **Accounts Year Ended 31 March 2012**

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## Operational Review

### Operating and Financial Review

The Royal Mint Limited has produced a sustainable profitable performance, despite the challenging business and economic conditions in the UK and across the globe that have had a significant impact on Circulating Coin products in particular.

The Royal Mint returned an operating profit, before adjusting for the impact of hedging ineffectiveness (see page 4), of £10.7m (2010-11: £3.5m)

This year has seen cash inflows from operating activities of £17.5m (2010-11: £27.3m outflow) The cash inflow was from trading activities and efficient working capital management

Capital expenditure of £4.5m (2010-11: £15.5m) was mainly in the following areas:

- improvements in site facilities which included an award-winning water treatment plant (details can be found in the Sustainability Report);
- capital expenditure associated with continued development of aRMour® strategy; and
- purchase of software licenses including a new externally hosted website.

### Summary financial results

	2011-12 £m	2010-11 £m
<b>Revenue:</b>		
Circulating Coin		
UK	39.5	31.1
Overseas	58.4	62.5
Total Circulating Coin	97.9	93.6
Commemorative Coin	216.0	121.5
Total	313.9	215.1
<b>Operating profit</b>		
Circulating Coin	8.4	12.0
Commemorative Coin	16.3	3.6
Central overheads	(14.0)	(12.1)
Operating profit before hedging ineffectiveness	10.7	3.5
Hedging ineffectiveness (see page 4)	(1.7)	(1.5)
Operating profit	9.0	2.0
Net finance cost	(0.9)	(0.6)
Profit before tax	8.1	1.4

### Circulating Coin

The Circulating Coin business delivered another profitable year, generating a contribution to central costs of £8.4m (2010-11: £12.0m). Operating profit was impacted by global economic conditions and the continued political instability in North Africa and the Middle East.

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.

aRMour® is available in nickel-plate, copper-plate and brass-plate. The process involves a full plate mono layer that is electroplated directly onto a steel core. This results in a very strong bond between the plated material and the steel core resulting in coins that have expected lifetimes in excess of 20 years in circulation. In comparison to other plated products there are many other 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. In January 2012 5p and 10p aRMour® nickel plated steel products were introduced into circulation in the UK.

### **Commemorative Coin**

Contribution to central overheads was £16.3m (2010-11: £3.6m) driven largely by demand for Olympic coins, particularly in the Far East, together with improved performance of our bullion products, as wholesale customers and investors sought to purchase our sovereign and Britannia range. The sovereign is the oldest traded bullion coin in the world.

The early part of the year saw strong demand generated by the Royal Wedding reflecting widespread public interest. Through the year sales of Olympic products grew as the build-up to the London 2012 Olympic and Paralympic Games continued. During the latter part of the year sales relating to the Diamond Jubilee rose as celebration of the anniversary of Her Majesty's accession to the throne approached.

### **Effects of commodity hedging**

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 IAS 39 rules.

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

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

In 2011-12 the year-end impact of commodity hedging on the Income Statement was a loss of £1.7m (2010-11: £1.5m loss).

### **Outlook**

The Royal Mint views the future positively. The year ahead provides us with the opportunity to celebrate the unique position of our company's heritage in providing official UK commemorative coins for the Queen's Diamond Jubilee and the London 2012 Olympic and Paralympic Games; and to reinforce the merits of our aRMour® platform within our Circulating Coin business.

Circulating Coin is expected to continue its success in persuading customers to convert from traditional alloy compositions to aRMour® plated coins and blanks, leading to anticipated growth in our overseas business.


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 its existing customers by providing a more engaging experience with the Royal Mint brand, whilst also aiming to establish a new generation of coin collectors by capitalising on the opportunities presented as a legacy of 2012.

The Royal Mint intends to continue to grow its bullion business and increase its share of the worldwide market.

The plan for 2012-13 is to deliver sustainable retained profits and a positive return on capital employed in excess of our cost of capital. We are confident this can be achieved even though our business remains sensitive to underlying worldwide macro-economic conditions and political instability in overseas markets.



Adam Lawrence  
Chief Executive

## **Directors' Report**

### **For the year ended 31 March 2012**

#### **Activities and structure**

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

#### **Circulating Coin:**

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

#### **Commemorative Coin:**

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

The manufacture, marketing and distribution activities of the Royal Mint 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, and
- 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 and Paralympic Games and 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,
- grow share of the bullion market;
- reduce our dependence on the UK market through international development,
- maintain a high level of customer service, and
- 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 2012

## **Dividends**

The Directors recommend a dividend of £4m (2010-11: £4m). This represents a payment of 66 67p per ordinary share (2010-11: 66 67p).

## **Principal risks and uncertainties**

The company is subject to the following principal risks

- key engineering failure,
- political and economic instability of overseas customers,
- the execution of the 2012 strategy targeted at the Queen's Diamond Jubilee and the Olympics; and
- loss of market share to competitor technologies

## **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. Metal prices have been extremely volatile during the year.

**Ferrous metals.** With the introduction of the aRMour® plating the volume of steel used by the business is increasing. Steel is procured using six-month contracts to try to avoid volatility over the short term. The Royal Mint is currently looking at alternative strategies to protect its longer-term position for this increasingly important commodity used in our business.

### ***Commemorative Coin***

The Royal Mint has employed the following two 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 products.** Selling prices are quoted based on the prevailing market rates of the precious metals, which are purchased specifically to satisfy each order thereby avoiding exposure to risk by the use of consignment stock arrangements.

Overall gold prices increased a further 16% in 2011-12 (2010-11: 20%), whilst silver decreased by over 10% (2010-11: increased by more than 100%).

## **Foreign exchange**

### ***Metal purchases***

The Royal Mint minimises its exposure to exchange rate movements by buying the 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 purchases in foreign currency by selling/buying forward exchange contracts as appropriate.

### **Research and development**

The Royal Mint 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 86% (2010-11: 83%) of invoices were paid within the agreed period

### **People**

Our people are key to our business and everyone has a part to play in delivering our strategy. The Royal Mint's values continue to guide the way in which we all do our jobs and shape what it means to work as part of the Royal Mint team. Our continued investment in the development of our people has been recognised and we were delighted to be announced as the winner of the Annual Training and Development Award at the Western Mail's Business Awards. We have continued to build our programmes of reward and recognition through our monthly peer-to-peer Leading Lights' scheme and Long Service Award dinner.

The number of people employed (permanent and casual staff) at 31 March 2012 was 941 (2010-11: 911)

### **Disabled employees**

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

### **Sickness absence**

The annual sickness absence for 2011-12 was 3.5% (2010-11: 4.2%).

### **Directors**

There were no changes to the directors who served during the year. 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, (i.e. information needed by the company's auditors in connection with preparing their report), of which the company's auditors are unaware, and the directors have taken all steps that they ought to 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 the highest 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. This involves placing a strong emphasis on working with, and looking after, our workforce.

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,
- over the past three years there has been a 39% decrease in the total number of accidents reported, by further raising employee understanding of safety, health and environment issues through training and regular communication, and
- the Royal Mint continues to work to the stringent controls of its Environmental Permit, which is regulated by the Environment Agency and the Control of Major Accident Hazards (COMAH) regulations, overseen by both the Environment Agency and the Health and Safety Executive.

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

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

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

- 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 and,
- 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 18 June 2012. 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  
18 June 2012



## Sustainability Report

The Royal Mint is committed to ensuring it is at the forefront of employing sustainable business practices in order to minimise its environmental footprint

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

During 2011-12 the Royal Mint set itself targets around the use of energy on site as follows:

- 100% implementation of the BS EN 16001 energy standard. During 2011 the BS EN 16001 standard was replaced by the ISO 50001 - energy management standard, and
- 5% pa reduction in Energy use measured in kilowatt hours per tonne of throughput. The Royal Mint achieved a 6% reduction in energy use in 2011-12

‘The purpose of this International Standard is to enable organizations to establish the systems and processes necessary to improve energy performance, including energy efficiency, use, and consumption. Implementation of this standard is intended to lead to reductions in greenhouse gas emissions, energy cost, and other related environmental impacts, through systematic management of energy.’

The Royal Mint became one of the first companies to gain accreditation to the new International Organization for Standardization standard, on 6 October 2011. The 50001 accreditation runs alongside the Royal Mint’s Environmental Management System, which has been accredited to ISO 14001 since July 2005 and SA 8000 Ethical Standard.

The use of energy is a significant aspect of the organisation’s environmental impact. Energy intensive industries can obtain a discount of up to 65% from the Climate Change Levy provided that challenging targets for improving energy efficiency and reducing carbon emissions are met. The terms are set under Climate Change Agreements (CCAs) agreed with the Non Ferrous Alliance (NFA). The Royal Mint achieved its last milestone in November 2010 and is currently in discussion with the NFA to agree further targets that will be assessed in 2014. The Royal Mint has continued to meet the criteria to qualify for the maximum allowance.

Although it is exempt because the CCA covers over 25% of the Royal Mint’s emissions, the Royal Mint has registered with the CRC Energy Efficiency Scheme.

The Royal Mint will continue to strive to reduce its consumption of energy and natural resources together with its production of waste to ensure that it is as ethically, environmentally and socially responsible as possible.

The Royal Mint’s aim is to recover more waste and reduce the amount of hazardous waste that is generated or disposed of offsite. The introduction of a new water treatment plant is intended to facilitate reduction in quantities of hazardous waste generated. The Royal Mint has invested in a new water treatment plant, which will divert discharges currently going to river to sewer and it has been nominated for the following awards:

Green Apple Awards - Environmental Improvement and Sustainable Development category - Winner

Made in Wales Awards - Manufacturing Innovation category – Winner

The European Supply Chain Excellence Awards - Public Sector, Services and Utilities - Finalist

The European Supply Chain Excellence Awards - Contribution to Environmental Improvement - Finalist

Edie Awards for Environmental Excellence - Waste and Resource Management – Finalist

### Working with the Supply Chain

The Royal Mint continues to work with and align its supply chain to reduce waste via robust forecasting and key contractual agreements around ownership legislation and environmental impact.

It has conducted workshops, as part of its Working Together Programme, with key suppliers and has encouraged its major suppliers to work towards monitoring their Carbon foot print

During the workshops the Royal Mint encourages its suppliers to look at its environmental impact and encourages achievement of standards such as ISO14001 the Environmental Management Standard, ISO 50001 the Energy Management Standard and SA 8000 Ethical Standard.

### Reporting and Data

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

For transport, the mileages of Royal Mint vehicles are recorded monthly along with data supplied by taxi companies and the carbon from air travel is supplied by the Royal Mint's travel operator

### Greenhouse gas emissions and energy consumption

		2008-09	2009-10	2010-11	2011-12
<b>Non-financial indicators</b>	Total emissions (tonnes of CO <sub>2</sub> eq)	26,300	24,700	25,600	25,300
	Normalised tonnes of CO <sub>2</sub> eq per tonne of circulating coin.	1.48	1.35	1.46	1.38
<b>Related energy consumption</b>	Electricity consumption (giga-watt hours)	38.1	39.0	37.6	39.2
	Gas consumption (giga-watt hours)	23.6	21.4	21.3	18.8
	Energy costs (£'000)	4,189	3,877	2,987 *	3,746

\* The cost of electricity per kWh was lower during 2010-11

### Water Consumption

		2008-09	2009-10	2010-11	2011-12
<b>Non-financial indicators</b>	Supplied (m <sup>3</sup> )	183,000	170,000	146,000	150,000
	Abstracted (m <sup>3</sup> )	1,210,000	1,070,000	1,070,000	840,000
	m <sup>3</sup> use of water per tonne of circulating coin.	72.2	66.5	69.4	53.7
	Water supply costs (£'000)	280	261	224	238

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

## Waste

Non-financial indicators		2008-09	2009-10	2010-11	2011-12
	Hazardous waste (tonnes)	1,024	2,021*	2,666*	2,212*
	Non-hazardous waste (tonnes)	3,162	1,342	714	777
	Reused/Recycled (tonnes)	223	144	278	991#
	Waste costs (£'000)	543	514	482	481

\* In July 2009 the filter cake waste from the Royal Mint's effluent treatment plant was reclassified as hazardous waste.

# In 2011-12 an alternative disposal route for filter cake was identified, which allowed for the filter cake to be recycled rather than disposal via landfill

The Royal Mint generates waste from a range of sources. The data looks at the waste removed by the Royal Mint's principal waste contractors but does not currently include waste metals recovered from the Royal Mint's processes

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

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

In particular, it includes:

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

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

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

### Risk management

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

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

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

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

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

The Royal Mint Limited's risk priorities in 2011-12 were in the following areas

- key engineering failure,
- political and economic instability of overseas customers;
- the execution of the 2012 strategy targeted at the Queen's Diamond Jubilee and the Olympics, and
- loss of market share to competitor technologies.

### **Risk and control framework**

Risk management is embedded in the on-going 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 2011-12 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 of Directors are 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 meeting in the capacity of Company Secretary. The Board met 9 times in 2011-12 (2010-11: 9 times). Attendance by members at the board and committee meetings is set out below:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Adam Lawrence	9	n/a	n/a	n/a
Vin Wijeratne	9	n/a	n/a	n/a
Mike Davies	9	n/a	4	2
Colin Balmer	8	6	4	2
Mary Chapman	9	6	4	2
David Harding	9	6	4	2
Tim Martin	8	n/a	n/a	1

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

### **The Role of the Board**

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

The roles and responsibilities of the Board are

- compliance with statutory requirements and UK Corporate Governance Code guidelines,
- scrutiny of financial accounts through the Audit Committee of the Board,
- approval of annual plans,
- to set the company's strategic aims;
- oversight of corporate risk register,
- approval of major capital expenditure,
- oversight of operating performance;
- development of remuneration systems for Executive Directors, including performance related pay,
- annual evaluation of its performance and that of its committees,

- performance appraisal of Executive Management plus succession planning; and
- approval of Senior Executive appointments or, where appropriate, recommendation of appointments to Shareholder Executive/Minister

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

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director. A report is prepared for the Board which considers the collective findings. The Board has reviewed and accepted the feedback of this year's positive report and will be taking steps to improve further its effective performance going forward.

#### **Audit Committee**

The Audit Committee comprises three independent Non-Executive Directors. The Committee invites a representative of the Royal Mint Trading Fund and HM Treasury as shareholder, the Chief Executive Officer, Director of Finance and senior representatives of both the internal and external auditors to attend meetings. The Committee meets at least four 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. It also closely monitors and oversees the work of the internal auditors as well as ensuring the external auditors provide a cost effective service and remain objective and independent.

#### **Remuneration Committee**

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

#### **Nominations Committee**

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

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

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

The roles and responsibilities of the Executive are

- development and subsequent implementation of long term strategy in conjunction with the Board,
- development of annual corporate plan, for approval by the Board;
- approval of all capital expenditure and major contracts not requiring Board approval,

- working with the Remuneration Committee to develop remuneration systems for staff, including performance related pay,
- establishment, maintenance and development of operating procedures,
- preparation of risk register and subsequent reviews and mitigating actions; and
- development and implementation of performance improvement programmes

### **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.

### **Going concern**

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



Vin Wijeratne  
Director  
18 June 2012

## 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 2012 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 15, 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 2012 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

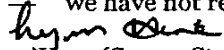
### Opinion on other matter prescribed by the Companies Act 2006

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

20 June 2012



**Income Statement**  
**For the year ended 31 March 2012**

	Notes	Before IAS 39 hedging ineffectiveness 2011-12	IAS 39 hedging ineffectiveness (Note 5) 2011-12	Total 2011-12	Before IAS 39 Hedging ineffectiveness 2010-11	IAS 39 Hedging ineffectiveness (Note 5) 2010-11	Total 2010-11
Revenue - Continuing	2	£'000 313,878	£'000 -	£'000 313,878	£'000 215,146	£'000 -	£'000 215,146
Cost of sales	3	(265,905)	(953)	(266,858)	(180,856)	(2,457)	(183,313)
Gross profit		47,973	(953)	47,020	34,290	(2,457)	31,833
Administrative expenses	3	(13,965)	-	(13,965)	(12,450)	-	(12,450)
Selling and distribution costs	3	(23,082)	-	(23,082)	(18,503)	-	(18,503)
Other (losses)/gains-net	22	(242)	(701)	(943)	139	929	1,068
Operating profit		10,684	(1,654)	9,030	3,476	(1,528)	1,948
Finance income	6	181	-	181	33	-	33
Finance costs	6	(1,147)	-	(1,147)	(555)	-	(555)
Profit before tax		9,718	(1,654)	8,064	2,954	(1,528)	1,426
Tax credit/(charge) for the year	7			1,251			(590)
Profit for the financial year				9,315			836
Profit attributable to:							
Owners of the parent				9,315			836

The Notes on pages 22 to 49 form part of the Accounts

**Company Number 6964873**  
**Registered Office:**  
**The Royal Mint, Llantrisant, CF72 8YT**  
**Email: [informationoffice@royalmint.com](mailto:informationoffice@royalmint.com)**  
**Website: [www.royalmint.com](http://www.royalmint.com)**

**Statement of Comprehensive Income**  
**For the year ended 31 March 2012**

	2012	2011
	£'000	£'000
Profit for the financial period	9,315	836
Other comprehensive income		
Cashflow hedges	(754)	(1,177)
Actuarial (loss)/gain on defined benefit scheme	(638)	92
Deferred tax on actuarial loss on defined benefit scheme	153	(24)
(Deficit)/gains on plant and machinery revaluation	(153)	322
Total comprehensive income for the period	7,923	49
Total comprehensive income attributable to		
Owners of the parent	7,923	49

**Statement of Changes in Equity**  
**For the year ended 31 March 2012**

	Share Capital	Share Premium	Revaluation Reserve	Profit and Loss Account	Hedging Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	6,000	39,319	178	12,939	(41)	58,395
Movements in the period						
Profit for the financial year	-	-	-	9,315	-	9,315
Cashflow hedges	-	-	-	-	(754)	(754)
Actuarial loss on defined benefit scheme	-	-	-	(638)	-	(638)
Deferred tax on actuarial loss of defined benefit scheme	-	-	-	153	-	153
(Deficit) on plant and machinery revaluation	-	-	(153)	-	-	(153)
Total Comprehensive Income for the year	-	-	(153)	8,830	(754)	7,923
Transactions with owners - dividend	-	-	-	-	-	-
At 31 March 2012	6,000	39,319	25	21,769	(795)	66,318

The Notes on pages 22 to 49 form part of the Accounts

# Statement of changes in equity (continued)

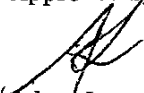
For the year ended 31 March 2011

	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

**Statement of Financial Position**  
**At 31 March 2012**

	Notes	2012 £'000	2011 As restated* £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	47,455	46,237
Intangible assets	9	1,846	1,427
Deferred tax asset	15	885	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>50,186</b>	<b>47,664</b>
<b>CURRENT ASSETS</b>			
Inventories	10	34,293	34,407
Derivative financial instruments	23	229	1,051
Retirement benefit asset	16	229	562
Trade and other receivables	11	29,164	32,106
Cash and cash equivalents		1,688	754
<b>TOTAL CURRENT ASSETS</b>		<b>65,603</b>	<b>68,880</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	12	(15,000)	(27,000)
Trade and other payables	13	(31,150)	(27,392)
Current tax liability	7	(457)	-
Derivative financial instruments	23	(1,493)	(243)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(48,100)</b>	<b>(54,635)</b>
<b>NET CURRENT ASSETS</b>		<b>17,503</b>	<b>14,245</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	15	-	(1,043)
Provision for liabilities and charges	14	(1,371)	(2,471)
<b>NET ASSETS</b>		<b>66,318</b>	<b>58,395</b>
<b>EQUITY</b>			
Share capital		6,000	6,000
Share premium		39,319	39,319
Revaluation reserve		25	178
Retained earnings		21,769	12,939
Hedging reserve		(795)	(41)
<b>TOTAL EQUITY</b>		<b>66,318</b>	<b>58,395</b>

Approved by the Board of Directors and signed on its behalf

  
Adam Lawence  
Chief Executive  
18 June 2012

The Notes on pages 22 to 49 form part of the Accounts

\* Please refer to Accounting Policies section 2.24 for details.

## Statement of Cashflow

For the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 As restated* £'000
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
Operating profit		9,030	1,948
Depreciation and amortisation on non-current assets		3,829	3,347
Loss on disposal of assets		52	-
Cashflow hedges		1,318	(158)
Movements in working capital			
Inventory		114	(8,173)
Retirement benefit asset		(141)	(291)
Trade and other receivables		2,942	(10,625)
Trade and other payables		2,617	(11,567)
Provisions		(1,123)	(1,296)
Cashflow from operations		18,638	(26,815)
Interest paid		(1,113)	(462)
Tax paid		(67)	-
Net cashflow from operating activities		17,458	(27,277)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant & equipment		(3,712)	(14,862)
Acquisition of intangible assets		(830)	(603)
Interest received		18	37
Net cash used in investing activities		(4,524)	(15,428)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Movement in short-term loans		(12,000)	27,000
Dividends paid		-	(4,000)
Net cash (used) / generated in financing activities		(12,000)	23,000
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		934	(19,705)
Cashflow from movement in borrowings		12,000	(27,000)
Movement in net funds		12,934	(46,705)
Net (debt) / funds at start of year		(26,246)	20,459
Net debt at end of year	21	(13,312)	(26,246)

The Notes on pages 22 to 49 form part of the Accounts

\* Please refer to Accounting Policies section 2 24 for details

## 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. A prior year adjustment in relation to precious metal arrangements has been recorded and disclosed in section 2.24. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the Accounts.

##### 2.1 Changes in accounting policy and disclosures

New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 April 2011 but not currently relevant to the company

IAS 1 (amendment).	Presentation to financial statements
IAS 24 (amendment).	Related party disclosure
IAS 27 (amendment)	Consolidated and separate financial statements
IAS 34 (amendment)	Interim financial reporting
IFRS 1 (amendment)	First time adoption
IFRS 3 (amendment)	Business combinations
IFRS 7 (amendment).	Financial instruments
IFRIC 19.	Extinguishing financial liabilities and equity instruments
IFRIC 14 (amendment).	Prepayments of a minimum funding requirement
IFRIC 13 (amendment):	Customer loyalty programmes

New standards, amendments and interpretations issued but not effective financial year beginning 1 April 2012 and not early adopted:

IFRS 7 (amendment):	Financial instruments: Disclosure on transfer of assets
IFRS 1 (amendment):	First time adoption, on fixed dates and hyper inflation
IAS 12 (amendment)	Income taxes on deferred tax
IAS 19 (amendment)	Employee benefits
IAS 1 (amendment).	Financial statement presentation regarding other comprehensive income
IFRS 9 (amendment)	Financial instruments – classification and measurement
IFRS 10 (revision).	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 13.	Fair value measurement
IAS 27 (revised):	Separate financial statements
IAS 28 (revised):	Associates and joint ventures
IAS 32 (amendment)	Financial instruments presentation on offsetting financial assets and liabilities
IFRS 1	First time adoption on government loans

It is not anticipated that the above will have a significant 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 Board.

##### 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 a period of 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 on-going basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

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

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Income Statement. 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 on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

#### **2.14 Trade payables**

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

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

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 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 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.

**2.24 Prior year adjustment**

The company has reviewed its precious metal financing facilities and determined that these represent consignment arrangements. The consignor retains the risks and rewards of the precious metal until such time as the company makes a purchase. The related arrangement is therefore not recognised as an inventory and liability in the Statement of Financial Position. A prior year adjustment has been made to adjust the 2011 comparative as follows:

### Statement of Financial Position

	As previously reported	Prior year adjustment	As restated
	£'000	£'000	£'000
Inventory	96,137	(61,730)	34,407
Short term borrowings	(88,730)	61,730	(27,000)

There has been no adjustment to the Income Statement or net assets as a result of this treatment

The impact on the Statement of Financial Position as at 1 April 2010 would be to reduce inventory and borrowings by £12.3 million.

### Statement of Cashflow

	As previously reported	Prior year adjustment	As restated
	£'000	£'000	£'000
Net cashflow from operating activities	(76,664)	49,387	(27,277)
Cashflow from investing activities	(15,428)	-	(15,428)
Cashflow from financing activities	72,387	(49,387)	23,000
Net movement in cash and cash equivalents	(19,705)	-	(19,705)
Cashflow from movement in borrowings	(76,387)	49,387	(27,000)
Movement in net debt	(96,092)	49,387	(46,705)
Net funds at start of year	8,116	12,343	20,459
Net debt at end of year	(87,976)	61,730	(26,246)

### 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 Board that are used to make strategic decisions. The Board reviews the business from a product perspective as each segment offers products for different purposes and serves different markets.

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

**A) ANALYSIS BY CLASS OF BUSINESS 2011-12**

	Circulating £'000	Commemorative £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	97,923	215,955	313,878	-	313,878
Depreciation and amortisation	(2,715)	(396)	(3,111)	(718)	(3,829)
Operating profit	8,355	14,640	22,995	(13,965)	9,030
Segment assets and liabilities					
Non-current assets	34,663	5,611	40,274	9,912	50,186
Current assets	33,899	28,667	62,566	3,037	65,603
Current liabilities	(9,178)	(8,225)	(17,403)	(30,697)	(48,100)
Non-current liabilities	(709)	-	(709)	(662)	(1,371)
Net assets	58,675	26,053	84,728	(18,410)	66,318

**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	22,780	66,247	2,633	68,880
Current liabilities	(7,473)	(4,671)	(12,144)	(42,491)	(54,635)
Non-current liabilities	-	-	-	(3,514)	(3,514)
Net assets	69,467	24,593	94,060	(35,665)	58,395

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

**B) GEOGRAPHICAL ANALYSIS OF REVENUE**

Revenue by destination is set out below.

	2012 £'000	2011 £'000
UK	113,745	72,648
Greece	48,708	30,492
Rest of Europe	67,565	41,463
Asia	37,155	30,086
Africa	18,239	23,594
Americas	22,759	15,369
Rest of the World	5,707	1,494
	313,878	215,146

During 2011-12 revenue from two customers amounted to £47.6m and £39.5m (2010-11 £31m and £28.6m), respectively, which each represented in excess of 10% of revenue

**Note 3****EXPENSES BY NATURE**

	2011 £'000	2010 £'000
Movement in Work in Progress and Finished Goods Inventory (excluding metal)	739	194
Raw materials and consumables used	22,627	16,830
Metal costs of products sold	215,980	141,356
Hire of plant and machinery	865	206
Employee benefit expenses	37,414	34,632
Agency workers	1,264	1,016
Training	469	192
Travel and subsistence	1,383	914
Transportation expenses	2,480	1,811
Depreciation and amortisation charges	3,829	3,347
Plant and building maintenance	2,459	1,967
Research and development	215	120
Promotional expenses	6,199	5,698
Commission expenses	2,004	1,420
Auditors' remuneration		
Audit of these financial statements	57	57
Non audit fees - taxation	-	9
- other	25	-
Other expenses	5,896	4,497
Total cost of sales, selling and distribution costs and administration expenses	303,905	214,266

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to £953,000 loss  
(2010-11 £2,457,000 loss)

**Note 4****REMUNERATION AND EMPLOYMENT****TOTAL STAFF COSTS**

	£'000	2011-12 £'000	£'000	2010-11 £'000
<b>Wages and salaries</b>				
Staff with a permanent contract	27,026		25,255	
Other staff	1,712		1,316	
		28,738		26,571
<b>Social Security costs</b>				
Staff with a permanent contract	2,029		1,743	
Other staff	163		192	
		2,192		1,935
<b>Other pension costs</b>				
Staff with a permanent contract	6,442		6,122	
Other staff	42		4	
		6,484		6,126
		37,414		34,632

**AVERAGE NUMBER EMPLOYED**

<b>Production</b>				
Staff with a permanent contract	583		586	
Other staff	66		46	
		649		632
<b>Sales and Marketing</b>				
Staff with a permanent contract	121		121	
Other staff	12		3	
		133		124
<b>Administration</b>				
Staff with a permanent contract	129		130	
Other staff	4		6	
		133		136
		915		892

**Directors Emoluments**

	2011-12 £'000	2010-11 £'000
Aggregate emoluments excluding long term incentive scheme	437	623
Aggregate amounts received under long term incentive scheme	53	150
Contributions under defined contribution pension scheme	13	5
Compensation for loss of office	-	207
Highest paid director (excluding termination payments)		
Total amounts of emoluments and amounts received under long term incentive scheme	254	365
Accrued defined benefit pension at period end	8	6

Retirement benefits are accruing to one executive director under a defined benefit scheme (2011: 1).



**Note 5****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 IAS 39 rules.

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

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

**Note 6****FINANCE COSTS**

	2011-12 £'000	2010-11 £'000
On loans repayable within five years	421	199
Precious metal consignment arrangement fees	703	330
Unwinding of discount on provision for early retirement (Note 14)	23	26
	<u>1,147</u>	<u>555</u>

**FINANCE INCOME**

	2011-12 £'000	2010-11 £'000
Bank interest received	17	33
Net return on pension scheme assets	164	-
	<u>181</u>	<u>33</u>

**Note 7**  
**TAXATION**

**Analysis of tax charge in year**

	2011-12 £'000	2010-11 £'000
UK corporation tax		
- Current year	525	(256)
- Prior year	-	124
Deferred tax:		
- Current year	1,766	716
- Prior year	(3,542)	6
<b>Taxation (credit)/charge</b>	<b>(1,251)</b>	<b>590</b>

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (26%):

	2011-12 £'000	2010-11 £'000
Profit before tax	8,064	1,426
Profit multiplied by the standard rate of corporation tax of 26%	2,097	399
Effects of		
Expenses not deductible for tax purposes	133	139
Adjustments re prior years	(3,542)	130
Reduction in tax rate for deferred tax provision	61	(78)
<b>Tax (credit)/charge for year</b>	<b>(1,251)</b>	<b>590</b>

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction creates a reduction in the deferred tax assets of £61,000 which has been included in the figures above.

In addition the Chancellor announced that the main rate of UK corporation tax would fall to 22% from 1 April 2014. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

The effective tax rate for the year was 28% (2011: 38%) 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 24%.

The prior year deferred tax credit is mainly comprised of additional capital allowances which arose in relation to the assets at vesting from the Royal Mint Trading Fund on 1 January 2010, which followed the preparation of a detailed capital allowances claim.

In addition to the amount charged to the Income Statement, a deferred tax credit relating to actuarial losses on defined benefit pension schemes of £153,000 (2011: £24,000 gain) has been credited directly to the Statement of Comprehensive Income.

**Current tax liability**

	2011 £'000	2010 £'000
UK corporation tax	457	-

**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 2011	14,631	16,772	79,580	110,983
Additions	-	4,994	-	4,994
Transfers	4,666	(14,304)	9,638	-
Disposals	-	-	(246)	(246)
Revaluation	-	-	(165)	(165)
At 31 March 2012	19,297	7,462	88,807	115,566
Depreciation				
At 1 April 2011	1,618	-	63,128	64,746
Charge for year	415	-	3,154	3,569
Disposals	-	-	(192)	(192)
Revaluation	-	-	(12)	(12)
At 31 March 2012	2,033	-	66,078	68,111
Net book value at 31 March 2012	17,264	7,462	22,729	47,455
Net book value at 31 March 2011	13,013	16,772	16,452	46,237

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 2011	421	3,390	3,811
Additions	679	-	679
Transfers	(254)	254	-
Disposals	-	-	-
At 31 March 2012	846	3,644	4,490
Amortisation			
At 1 April 2011	-	2,384	2,384
Amortisation for year	-	260	260
Disposals	-	-	-
At 31 March 2012	-	2,644	2,644
Net book value at 31 March 2012	846	1,000	1,846
Net book value at 31 March 2011	421	1,006	1,427

**Note 10**  
**INVENTORIES**

	2012	2011 As restated
	£'000	£'000
Metal inventory	18,229	22,572
Work in progress (excluding metal)	3,433	4,035
Stores and packing materials	3,965	3,120
Finished goods	8,666	4,680
	<b>34,293</b>	<b>34,407</b>

The company enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the company purchases the metal. The value of the physical metal is not recorded in the Statement of Financial Position.

Inventory held on consignment amounted to £104.9 million at 31 March 2012 (2011 £61.7 million). Details of a prior year adjustment in relation to these consignment arrangements are set out in the Accounting Policies (section 2.24). Consignment fees under these arrangements are set out in note 6.

**Note 11**  
**RECEIVABLES**

	2012	2011
	£'000	£'000
Trade receivables	28,490	29,359
Less Provision for impairment of receivables	(608)	(613)
VAT	-	814
Prepayments and accrued income	1,282	2,546
	<b>29,164</b>	<b>32,106</b>

Included within the receivables are the following:

	2012	2011
	£'000	£'000
Central Government bodies	3,522	3,793
Other Government bodies	7	-
Local Authorities	1	1
NHS Trusts	1	3
Public Corporations and Trading Funds	1,277	2,648
	<b>4,808</b>	<b>6,445</b>

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

	2012	2011
	£'000	£'000
Pounds sterling	25,753	32,058
Euros	344	-
US Dollars	3,067	48
	<b>29,164</b>	<b>32,106</b>

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.

	2012	2011
	£'000	£'000
At 1 April	(613)	(524)
Utilised/(provision) made in period	5	(89)
At 31 March	<b>(608)</b>	<b>(613)</b>

**Note 12**  
**SHORT-TERM BORROWINGS**

	2012	2011
	£'000	As restated £'000
Short-term NLF loans	15,000	27,000

The comparative figures have been restated for a prior year adjustment in relation to precious metal arrangements, as set out in the Accounting Policies section 2.24.

**Note 13**  
**PAYABLES** amounts falling due within one year

	2012	2011
	£'000	£'000
Trade payables	21,636	19,303
Other payables	1,928	267
Payments received on account	3,894	5,823
Taxation and social security	1,849	707
Accruals and deferred income	1,843	1,292
	31,150	27,392

Included within the payables are the following

Balances with other Government bodies not shown separately above:

Other Central Government bodies	3,656	512
Public Corporations and Trading Funds	25	34
	3,681	546

**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	Museum £'000	Environment remediation £'000	Total £'000
At 1 April 2011	929	770	772	2,471
Charge for the year	47	-	-	47
Unwinding of discount on provision	23	-	-	23
Utilised in year	(337)	(20)	(63)	(420)
Transferred to Creditors	-	(750)	-	(750)
At 31 March 2012	662	-	709	1,371

The profile of settlement of provisions is set out on page 48.

**Note 15**  
**DEFERRED TAXATION**

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 24% (2011 26%)

	2012 £'000	2011 £'000
Liability at 1 April	1,043	298
Movements on deferred tax were:		
(Credited)/charged to the Income Statement	(1,775)	721
(Credited)/charges to Statement of Comprehensive Income	(153)	24
(Asset)/liability at 31 March	(885)	1,043

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 2011	(380)	1,117	228	146	(68)	1,043
(Credited)/charged to the Income Statement	380	(1,793)	(337)	62	(87)	(1,775)
(Credited) to Statement of Comprehensive Income	-	-	-	(153)	-	(153)
At 31 March 2012	-	(676)	(109)	55	(155)	(885)

	2012 £'000	2011 £'000
Deferred tax (credited)/charged to Statement of Comprehensive Income during the year was:		
Actuarial (gains)/losses on defined benefits schemes	(153)	24
	(153)	24

	2012 £'000	2011 £'000
Analysis of deferred tax liability		
Deferred tax liability after 12 months	335	1,043
Deferred tax liability within 12 months	550	-
	885	1,043

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 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 announced that the main rate of corporation tax would fall to 22% from 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 24% to 22%, if these applied to the deferred tax balance at 31 March 2012, would be to further reduce the deferred tax assets by approximately £74,000

## 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 £159,000 (2010-11 £59,000) represents contributions payable to the scheme by The Royal Mint Limited at rates specified in the plan rules.

#### Defined benefit scheme

The Royal Mint Limited operates a funded defined benefit pension scheme for existing 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 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 Nuvo**s – 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 2012 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2012 with allowance for future salary increases or future price inflation for members of the Platinum Nuvo's scheme. The principal actuarial assumptions used were:

	2012	2011
Discount rate	4.6%	5.5%
Price inflation	2.65%	3.3%
Pensionable salary increase	3.65%	4.3%
Revaluation of deferred pensions before retirement	2.65%	3.3%
Increase to pensions in payment in line with RPI	2.65%	3.3%
Mortality rates	PNMA00 1% PNFA00 1%	PNMA00 1% PNFA00 1%

The discount rate reflects the yield on the iBoxx 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

	2012	2011
	£'000	£'000
Current service cost	5,945	6,123
Pension scheme expenses	67	90
Interest cost	697	252
Expected return on assets	(861)	(317)
Adjustment for Nuvos Bulk Transfer Value	338	-
Amounts charged to the Income Statement	6,186	6,148

## Amounts recognised in Statement of Comprehensive Income

	2012	2011	2010
	£'000	£'000	£'000
Actual return less expected return on assets	(151)	(361)	35
Experience (losses)/gains arising on the scheme liabilities	(905)	453	(84)
Gain on transfer of Classic/Premium members	418	-	-
Actuarial (losses)/gains recognised in Statement of Comprehensive Income	(638)	92	(49)

## Amounts recognised in the Statement of Financial Position

	2012	2011	2010
	£'000	£'000	£'000
Fair value of plan assets	19,560	11,468	4,613
Present value of plan liabilities	(19,331)	(10,906)	(4,434)
Net Defined Benefit Asset	229	562	179

## History of experienced gains and losses

	2012	2011	2010
	£'000	£'000	£'000
Experience adjustments in relation to plan assets	(151)	(361)	35
Experience adjustments in relation to plan liabilities	(905)	453	(84)

## Reconciliation of movements in the Statement of Financial Position

	2012	2011
	£'000	£'000
Surplus at 1 April	562	179
Current service cost	(5,945)	(6,123)
Pension scheme expenses	(67)	(90)
Interest cost	(697)	(252)
Expected return on assets	861	317
Adjustment for Nuvos Bulk Transfer Value	(338)	-
Actuarial (loss)/gain	(638)	92
Contributions	6,491	6,439
Net Defined Benefit Asset	229	562

## Reconciliation of movements in liabilities during the year

	2012	2011
	£'000	£'000
Scheme liabilities at beginning of year	10,906	4,434
Movement in year:		
Current service cost	5,945	6,123
Transfer value from Civil Service Scheme	867	385
Pension scheme expenses	67	90
Interest cost	697	252
Employee contributions	522	484
Benefits paid	(578)	(409)
Actuarial loss/(gain)	905	(453)
Scheme liabilities at end of year	19,331	10,906



# Reconciliation of movements in assets during the year

	2012 £'000	2011 £'000
Scheme assets at beginning of year	11,468	4,613
Movements in year:		
Expected return on scheme assets	861	317
Employer contributions	6,491	6,439
Employee contributions	522	484
Transfer value from Civil Service Scheme	947	385
Benefits paid	(578)	(409)
Actuarial (loss)	(151)	(361)
Scheme assets at end of year	19,560	11,468

# Reconciliation of amount recognised in Statement of Comprehensive Income

	2012 £'000	2011 £'000
Actual return less expected return on assets	(151)	(361)
Experienced (loss)/gain arising on scheme liabilities	(905)	453
Gain on transfer of Classic/Premium members	418	-
Actuarial (loss)/gain recognised in Statement of Comprehensive Income	(638)	92
Cumulative actuarial (loss)/gain recognised in Statement of Comprehensive Income	(595)	43

# 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 5.15% derived as follows:

Asset class	As at 31 March 2012		As at 31 March 2011	
	% of fund	Expected return	% of fund	Expected return
Index-linked gilts	13.6%	2.7%	12.1%	4.2%
Equities	49.8%	5.7%	62.2%	6.7%
Alternative assets	23.8%	5.7%	13.8%	6.7%
Corporate bonds	12.8%	4.6%	11.9%	5.5%
Total	100%	5.15%	100%	6.25%

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 2012-13 are £6.6m.

# Note 17

## DIVIDENDS

	2012 £'000	2011 £'000
Final dividend paid for the year ended 31 March	-	4,000
	-	4,000

# Note 18

## CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Commitments in respect of contracts – Tangible Assets	2,827	779
Commitments in respect of contracts – Intangible Assets	321	406
	3,148	1,185

# Note 19

## OPERATING LEASE COMMITMENTS

	2012 £'000	2011 £'000
Operating lease rentals due on leases expiring:		
Less than one year	148	160
Between one and five years	38	-

**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 owned by HM Treasury, the companies operate under a Service Level Agreement whereby:

- 1) The Royal Mint Limited provides employees, establishment and support services. The revenue for the period was £215,000 (2011: £264,000)
- 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 £300,000 (2011: £329,000).
- 3) The Royal Mint Limited pays a quarterly donation to the Royal Mint Museum Limited calculated in accordance with the agreement at vesting. The donation payable for this period is £49,000 (2011: £nil)
- 4) 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:

	2012 £'000	2011 £'000
Salaries and other short-term employee benefits	890	1,246
Compensation for loss of office	-	289
Post-employment benefits	174	206
	<u>1,064</u>	<u>1,741</u>

**Note 21****ANALYSIS OF NET FUNDS/(DEBT)**

	At 1 April 2011 £'000	Cashflow £'000	At 31 March 2012 £'000
Cash at bank and in hand	754	934	1,688
Long-term loan due within one year	(27,000)	12,000	(15,000)
	<u>(26,246)</u>	<u>12,934</u>	<u>(13,312)</u>

**Note 22****OTHER GAINS/(LOSSES) - NET**

	2012 £'000	2011 £'000
Foreign exchange (loss) / gain	(242)	139
Ineffectiveness of commodity hedges (IAS 39)	(701)	929
	<u>(943)</u>	<u>1,068</u>

**Note 23**  
**FINANCIAL INSTRUMENTS**

	2012 £'000	2011 £'000
Derivative asset		
Foreign currency fair value	37	13
Commodity fair value	177	111
Precious metal fair value	15	927
	<b>229</b>	<b>1,051</b>
Derivative liability		
Foreign currency fair value	31	35
Commodity fair value	846	183
Precious metal fair value	616	25
	<b>1,493</b>	<b>243</b>

**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 2012 £'000	Average forward rate 2012	Fair value 2012 £'000	Contract amount 2011 £'000	Average forward rate 2011	Fair value 2011 £'000
Forward contract – sell £/buy EUR						
Maturing in less than 1 year	1,487	1.1912	(10)	958	1.1329	3
	1,487	1.1912	(10)	958	1.1329	3
Forward contract – sell £/buy USD						
Maturing in less than 1 year	910	1.5915	(3)	-	-	-
	910	1.5915	(3)	-	-	-
Forward contract – sell £/buy CAD						
Maturing in less than 1 year	210	1.5765	(3)	-	-	-
	210	1.5765	(3)	-	-	-
Forward contract – buy £/sell USD						
Maturing in less than 1 year	(4,548)	1.5852	34	4,205	1.6048	(20)
	(4,548)	1.5852	34	4,205	1.6048	(20)
Forward contract – buy £/sell EUR						
Maturing in less than 1 year	1,937	1.2050	(12)	248	1.1531	(5)
	1,937	1.2050	(12)	248	1.1531	(5)

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 2012	Effect on net earnings of a 10% decrease 2012 £'000	Closing exchange rate 2011	Effect on net earnings of a 10% decrease 2011 £'000
Euros	1 1998	(3)	1.1296	(3)
US Dollars	1.5978	30	1 6030	-
Australian Dollars	1.5423	1	n/a	-
Swiss Franc	1.4442	-	1.55	-
		28		(3)

	Closing exchange rate 2012	Effect on net earnings of a 10% increase 2012 £'000	Closing exchange rate 2011	Effect on net earnings of a 10% increase 2011 £'000
Euros	1 1998	27	1 1296	24
US Dollars	1.5978	(266)	1.6030	(3)
Australian Dollars	1.5423	(12)	n/a	-
Swiss Franc	1.4442	-	1.55	(1)
		(251)		20

### 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 2012	Value at average price 2012 £'000	Fair value 2012 £'000	Tonnes 2011	Value at average price 2011 £'000	Fair value 2011 £'000
Cashflow hedges						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	50	248	15	100	614	(29)
	50	248	15	100	614	(29)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	185	2,720	(684)	246	4,012	(43)
	185	2,720	(684)	246	4,012	(43)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	-	-	-	-	-	-
	-	-	-	-	-	-

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 2012 £	Effect on net earnings of a 10% decrease 2012 £'000	Effect on equity of a 10% decrease 2012 £'000	Closing price/tonne 2011 £	Effect on net earnings of a 10% decrease 2011 £'000	Effect on equity of a 10% decrease 2011 £'000
Copper	5,292	-	(26)	5,842	(64)	(24)
Nickel	10,876	(1)	(203)	16,210	(142)	(298)
Zinc	1,250	-	-	1,441	-	-
		(1)	(229)		(206)	(322)

	Closing price/tonne 2012 £	Effect on net earnings of a 10% increase 2012 £'000	Effect on equity of a 10% increase 2012 £'000	Closing price/tonne 2011 £	Effect on net earnings of a 10% increase 2011 £'000	Effect on equity of a 10% increase 2011 £'000
Copper	5,292	-	26	5,842	1	28
Nickel	10,876	2	202	16,210	188	167
Zinc	1,250	-	-	1,441	-	-
		2	228		189	195

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

Purchases are made in two ways:

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

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

	ozs 2012	Value at average price 2012 £'000	Fair value 2012 £'000	ozs 2011	Value at average price 2011 £'000	Fair value 2011 £'000
Gold forwards –						
GBP denominated contracts						
Maturing in less than 1 year	9,786	10,626	(391)	11,815	10,137	455
	9,786	10,626	(391)	11,815	10,137	455
Silver forwards –						
GBP denominated contracts						
Maturing in less than 1 year	151,619	3,281	(196)	115,786	2,265	467
	151,619	3,281	(196)	115,786	2,265	467
Platinum forwards –						
GBP denominated contracts						
Maturing in less than 1 year	270	291	(14)	727	826	(20)
	270	291	(14)	727	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	Effect on net earnings of a 10% decrease	Closing price/oz	Effect on net earnings of a 10% decrease
	2012	2012	2011	2011
	£	£'000	£	£'000
Gold	1,039	(1,023)	897	(1,059)
Silver	20	(308)	24	(273)
Platinum	1,025	(28)	1,106	(81)
		(1,359)		(1,413)

	Closing price/oz	Effect on net earnings of a 10% increase	Closing price/oz	Effect on net earnings of a 10% increase
	2012	2012	2011	2011
	£	£'000	£	£'000
Gold	1,039	1,023	897	1,059
Silver	20	308	24	273
Platinum	1,025	28	1,106	81
		1,359		1,413

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

	Closing price/oz	Effect on net earnings of a 10% change	Closing price/oz	Effect on net earnings of a 10% change
	2012	2012	2011	2011
	£	£'000	£	£'000
Gold	1,039	73	897	38
Silver	20	11	24	14
Platinum	1,025	-	1,106	1
		84		53

### 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 precious metal consignment arrangements

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

Precious metal consignment arrangements are subject to consignment fee payments. The consignment arrangements have floating rates of interest which gives exposure to interest rate risk.

The interest rate risk which arises from the above is deemed not to have a significant effect on income and operating cash flows, so no financial instruments are utilised to manage this risk

If interest rates had increased/decreased by 10% it would have had the following effect on interest payable

	2012	Effect on net earnings of a 10% change	2011	Effect on net earnings of a 10% change
	£'000	£'000	£'000	£'000
Short-term NLF loans	15,000	38	27,000	76
		38		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) 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			
2012	629	-	53
2011	169	-	32

### 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:			
2012	862	267	395
2011	609	41	123

### 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			
2012	128	74	378
2011	141	-	436

### Counter-party risk

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

The maximum exposure to credit risk is limited to the carrying value of financial assets on the Statement of Financial Position as at the reporting date. For 2012 the amount is £29.0m (2011 £32.0m)

### Hierarchy disclosure under IFRS 7

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

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

### 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 £15m was drawn down at 31 March 2012. 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

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 3 and 5 years £'000	Over 5 years £'000
At 31 March 2012				
Borrowings	15,000	-	-	-
Derivative financial instruments	1,493	-	-	-
Trade and other payables	31,150	-	-	-
Current tax liability	457	-	-	-
Provision for Liabilities & Charges	943	317	111	-
	Less than 1 year £'000	Between 1 and 2 years £'000	Between 3 and 5 years £'000	Over 5 years £'000
At 31 March 2011				
Borrowings	27,000	-	-	-
Derivative financial instruments	243	-	-	-
Trade and other payables	27,392	-	-	-
Provision for Liabilities & Charges	1,884	370	211	6

### 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 2012 £'000	Fair value 2012 £'000	Carrying value 2011 £'000	Fair value 2011 £'000
<b>Financial assets:</b>				
Loans and receivables	29,164	29,164	32,106	32,106
Derivatives used for hedging	229	229	1,051	1,051
<b>Financial liabilities</b>				
Loans & Payables	46,607	46,607	54,392	54,392
Derivatives used for hedging	1,493	1,493	243	243

**Note 24****SHARE CAPITAL AND PREMIUM**

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

	Number of shares	Ordinary shares £'000
At 1 April 2011 and 31 March 2012	6,000,001	6,000
	2012 £'000	2011 £'000
Share premium account	39,319	39,319
	39,319	39,319

**Note 25****ULTIMATE CONTROLLING PARTY**

The ultimate controlling party of The Royal Mint Limited is HM Treasury