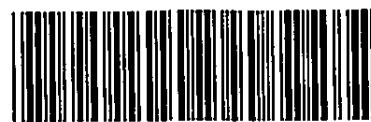


THE ROYAL MINT LIMITED

**ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2013**

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The Royal Mint Limited

Accounts Year Ended 31 March 2013

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Operating and Financial Review

The Royal Mint Limited generated a modest underlying operating profit, despite the challenging business and economic conditions in the UK and across the globe that have had a significant impact on sales of Circulating Coin products in particular.

The Royal Mint returned an operating profit, before adjusting for the impact of IAS 39 related items and exceptionals of £0.8m (2011-12 £10.7m).

Revenue decreased by 19% to £254.1m (2011-12 £313.9m)

Commemorative Coin sales reduced by 18% to £177.5m (2011-12 £216.0m), largely due to a contraction in the global bullion market which directly impacted our sales of bullion products. Encouragingly this is a step change over 2010-11 sales of £121.5m and double the £89.0m of 2009-10.

Circulating Coin sales fell by 22% to £76.6m (2011-12 £97.9m), mainly as a result of competitive pressures in overseas markets.

This year has seen cash inflows from operating activities of £10.5m (2011-12 £17.5m).

Capital expenditure of £6.1m (2011-12 £4.5m) was mainly in the following areas:

- acquisition of a new annealing furnace,
- upgrade to finishing mill, and
- capital expenditure associated with the continued development of our aRMour® strategy.

Summary financial results

| | 2012-13 £m | 2011-12 £m |
|---|---------------|---------------|
| Revenue: | | |
| Circulating Coin | | |
| UK | 37.5 | 39.5 |
| Overseas | 39.1 | 58.4 |
| Total Circulating Coin | 76.6 | 97.9 |
| Commemorative Coin | 177.5 | 216.0 |
| Total | 254.1 | 313.9 |
| Operating profit | | |
| Circulating Coin | 2.4 | 8.4 |
| Commemorative Coin | 10.9 | 16.3 |
| Central overheads | (12.5) | (14.0) |
| Operating profit before IAS related adjustments and exceptional costs | 0.8 | 10.7 |
| IAS related adjustments (note 5) | (0.7) | (1.7) |
| Exceptional costs | (1.2) | - |
| Operating (loss)/profit | (1.1) | 9.0 |
| Net finance cost | (1.1) | (0.9) |
| (Loss)/profit before tax | (2.2) | 8.1 |

Circulating Coin

Throughout 2012 our Circulating Coin business felt the effects of the continued financial pressures on governments around the world. We experienced 12 months of delayed tenders and orders, as well as imbalances in market supply and demand. Our financial results for the year reflect these challenges. The Circulating Coin business generated a contribution to central costs of £2.4m (2011-12 £8.4m).

Nevertheless, we exited 2012-13 having made considerable progress in key strategic areas, such as the development of iSIS high security coins. iSIS was successfully launched at the Currency Conference in Athens and demonstrated to more than 20 Central Banks over the three days of the conference. For the first time iSIS coins bring sophisticated banknote strength security to coins allowing them to be 100% authenticated at very high speed for their 20 year life time in circulation. Also this year we received approval from HM Treasury to begin the recovery of cupro-nickel 5ps and 10ps from circulation and replace them with aRMour® plated coins. This programme of work will deliver significant benefits to the taxpayer. Despite our poor overall financial results this year we have been able to make an

important financial contribution to the public purse in excess of £10m. This sum has been generated by providing value from our alloy recovery program and the payment of dividends and royalties to HM Treasury together with the value of our support for the London 2012 Olympic and Paralympic Games

The Royal Mint issued 1,398 million coins (2011-12: 1,163 million) to UK cash centres. Working closely with the UK Payments Council against a ministerial delivery target of 99% being available for shipment to banks and post offices within 11 days, the Royal Mint achieved 100%.

Commemorative Coin

Contribution to central overheads was £10.9m (2011-12: £16.3m).

The early part of the year saw strong demand generated by the programmes developed for the London 2012 Olympic and Paralympic Games and the Queen's Diamond Jubilee, resulting in the second best year ever for this segment. This was, however, down on the exceptional performance of 2011-12 when significant sales were made to distributors, notably in the Far East, in advance of the Games.

After a boost in demand for bullion products sparked by marked increases in precious metal prices in 2011-12, global demand subsided and whilst our market share grew our turnover and profitability from this segment fell back.

Effects of commodity hedging

Under International Accounting Standards (IAS) 39, hedge accounting rules have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IAS 39) is recorded 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 reflected 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 combined impact of this together with open forward currency exchange contracts has been highlighted separately in the Income Statement. In 2012-13 the year-end impact was a loss of £0.7m (2011-12: £1.7m loss).

Outlook

The outlook for Circulating Coin remains volatile, however, we hope to persuade our customers of the benefits of converting from traditional alloy compositions to aRMour® plated coins and blanks, leading to growth in our overseas business. In the UK, the alloy recovery program will generate significant sales of 5p and 10p aRMour® plated coins. The launch of the ground breaking high security feature embedded within our coins represents a step change for the industry and presents us with a significant opportunity moving forward.

We aim to build on the legacy of 2012 in developing our core Commemorative Coin business. Our bullion segment will aim to grow by increasing its share of the global market and developing its partnership with MMTC-Pamp selling sovereigns into the Indian market. We also expect growth from our Vault storage business.

The plan for 2013-14 is to deliver sustainable retained profits, though we recognise 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 2013

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, and
- the provision of technical services and advice related to the manufacture of coins and blanks

Commemorative Coin:

- the manufacture, marketing and distribution of UK and overseas commemorative coins, bullion and medals;
- the manufacture and supply of official medals, seals and dies,
- the licence of design rights for the manufacture and supply of gold sovereign coins, and
- the secure storage of precious metals.

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

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,
- to grow our global market share utilising aRMour® plating technology,
- to increase operational flexibility to be able to react quickly to variations in demand,
- to continue to enhance the Royal Mint's competitive position by improving productivity and reducing costs;
- to create differentiation through the quality of the Royal Mint's products and services, and
- to increase operating efficiency and reduce customer lead-times

The Commemorative Coin business strategic objectives are

- to achieve consistent growth in sales and profitability by developing the Royal Mint brand, innovative product development and growth of our customer database,
- to grow share of the global bullion market,
- to reduce our dependence on the UK market through international development,
- to expand our precious metal storage business,
- to maintain a high level of customer service, and
- to 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 2013

Dividends

Dividends amounting to £8 om were paid during the year

Principal risks and uncertainties

The Royal Mint Limited's risk priorities in 2012-13 were in the following areas

- key engineering failure;
- political and economic instability of overseas customers, 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 continue to arise from movements in commodity metal prices and exchange rates

Metal prices

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

Circulating Coin

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

Ferrous metals With the 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 two different strategies within the Commemorative Coin business.

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

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

Foreign exchange

Metal purchases

The Royal Mint minimises its exposure to exchange rate movements by buying the majority of commodities via sterling denominated contracts. Where this is not the case the Royal Mint 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 81% (2011-12: 86%) 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 our people and their development was recognised in early 2013 when we were proud and delighted to be accredited as a Gold standard Investors in People organisation. The award is a fantastic achievement for everyone in the Royal Mint and is another step on our journey to achieve our vision *to be proud to be recognised as the world's best mint*.

The Royal Mint has introduced a 'charity of the year' initiative whereby we sponsor a local charity. This year's charity is Cancer Research Wales. As part of this initiative, Royal Mint employees have the opportunity to 'give a day' of their work time to volunteer in Cancer Research Wales shops which are located in Cardiff, Caerphilly, Pontypridd and Talbot Green. We have seen an encouraging start and will further develop the initiative during the coming year.

The number of people employed (permanent and casual staff) at 31 March 2013 was 791 (2011-12: 941).

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 2012-13 was 2.9% (2011-12: 3.5%).

Directors

Mike Davies resigned as a director on 31 December 2012. Peter Warry was appointed as a director on 10 December 2012. There were no other changes to the directors who served during the year. None of the Directors has interests that conflict with their 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 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;
- by further raising employee understanding and involvement in safety, health and environment issues over the past year there has been a 58% decrease in the total number of accidents reported, 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 and ensure there is a comprehensive SHE framework in place, and
- implement a strategy to manage and recycle waste products, conserve natural resources and to minimise the impact on the environment of ourselves and our suppliers

The Royal Mint 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 June 2013. 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

14 June 2013

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. To this end the company has embarked on a project called **Zero Harm**.

The **Zero Harm** project, based over five years, is intended to develop the Royal Mint's commitment to a consistently healthy and safe environment with zero accident performance, which is at the forefront of employing sustainable business practices to minimise our environmental footprint. The health and safety of people who work at, for and with the Royal Mint is central to all business plans and operations

The ZERO HARM VISION:

We are proud to take ownership for the environment, the health and the wellbeing of ourselves and each other by naturally looking out for colleagues, friends and family

'This is who we are .'

As part of the year one (2012-13) objectives of **Zero Harm** the Royal Mint set the following targets

- Waste to landfill less than 500 tonnes.

The Royal Mint sent to landfill a total of 497 tonnes (2011-12 940 tonnes) during the year and going forward there is commitment to finding alternative, practical, cost effective solutions for the Royal Mint waste streams

- Discharge to natural water courses less than 500,000 m³

During the year 271,000 m³ (2011-12. 728,000 m³) was discharged to the nearby river

In 2012 the Royal Mint began full operation of its water treatment plant, which diverts effluent discharges, which previously went to river, to sewer. The operation of this plant, in addition to diverting effluent from direct discharge to the river had the effect of changing the nature of the filter cake waste produced. The filter cake had been classified as hazardous due to the metal content, particularly nickel. The new treatment process produces a non-hazardous filter cake, which has been used in soil recovery and cement production

A further benefit has been to reduce the amount of abstracted water from the nearby river, as this water is no longer used to dilute the effluent being discharged to river.

- 5% reduction in primary energy use measured in kilowatt hours per tonne of throughput.

There was an increase in the amount of primary energy used per tonne of throughput, The Royal Mint's primary energy per tonne of throughput was 11.1% above the previous year. This increase has occurred due to the reduced volumes of production through the plants and the significant base loading that the equipment requires.

The Royal Mint continues to maintain the following International Organization for Standardization standards, ISO14001 Environmental Management System and ISO50001 Energy Management System. These accreditations run alongside the Social Accountability 8000 (SA8000) Standard, which is the first global ethical standard

Greenhouse gas emissions and energy consumption

The use of energy is a significant aspect of the organisation's environmental impact. The Royal Mint as an energy intensive industry 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 of the Climate Change Agreements (CCAs) agreed (subject to signature approval) with the Non Ferrous Alliance (NFA) have been agreed as 5.34%

The target periods, which are compared against the base period of 1 December 2007 – 30 November 2008, when primary energy use was 6,952 KWh/t are

1 January 2013 to 31 December 2014 – target 6,767 KWh/t

1 January 2015 to 31 December 2016 – target 6,705 KWh/t

1 January 2017 to 31 December 2018 – target 6,643 KWh/t

1 January 2019 to 31 December 2020 – target 6,581 KWh/t

| | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---|---------|---------|---------|---------|---------|
| Non-financial indicators | Total emissions (tonnes of CO ₂ eq) | 26,300 | 24,700 | 25,600 | 25,300 | 23,600 |
| | Normalised tonnes of CO ₂ eq per tonne of circulating coin | 1.48 | 1.35 | 1.46 | 1.38 | 1.51 |
| Related energy consumption | Electricity consumption (giga-watt hours) | 38.1 | 39.0 | 37.6 | 39.2 | 36.7 |
| | Gas consumption (giga-watt hours) | 23.6 | 21.4 | 21.3 | 18.8 | 19.1 |
| | Energy costs (£'000) | 4,189 | 3,877 | 2,987* | 3,746 | 3,409 |

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

Water consumption

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

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

| | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---------------------------------|---|-----------|-----------|-----------|---------|---------|
| Non-financial indicators | Supplied (m ³) | 183,000 | 170,000 | 146,000 | 150,000 | 131,000 |
| | Abstracted (m ³) | 1,210,000 | 1,070,000 | 1,070,000 | 840,000 | 422,000 |
| | m ³ use of water per tonne of circulating coin | 72.2 | 66.5 | 69.4 | 53.7 | 40.9 |
| | Water supply costs (£'000) | 280 | 261 | 224 | 238 | 223 |

Waste

| Non-financial indicators | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--------------------------|------------------------------|---------|---------|---------|---------|---------|
| | Hazardous waste (tonnes) | 1,024 | 2,021* | 2,666* | 2,212* | 1,187 |
| | Non-hazardous waste (tonnes) | 3,162 | 1,342 | 714 | 777 | 2753*# |
| | Reused/Recycled (tonnes) | 223 | 144 | 278 | 991# | 2660 |
| | Waste costs (£'000) | 543 | 514 | 482 | 481 | 640 |

* In July 2009 the filter cake waste from the Royal Mint's effluent treatment plant was reclassified as hazardous waste. Process changes in May 2012 resulted in the filter cake returning to a non-hazardous waste stream.

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

*# Changes in effluent treatment resulted in filter cake returning to a non-hazardous waste stream.

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.

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 monitored along with data supplied by taxi companies and the carbon from air travel is supplied by the Royal Mint's travel operator. The Royal Mint gathers data on water use and transport in calculating the scope 3 emissions.

Scope analysis

| Tonnes of CO ₂ eq | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|------------------------------|--|---------|---------|---------|---------|---------|
| Scope 1 (primary) | Natural gas usage (heating and furnaces) | 5,030 | 4,370 | 4,390 | 3,850 | 3,920 |
| | Use of Royal Mint owned vehicles | 12 | 12 | 12 | 12 | 13 |
| | Process emissions from the furnace stack | 0 | 0 | 1 | 1 | 2 |
| | Fugitive emissions (e.g. air conditioning and refrigeration leaks) | 2 | 14 | 2 | 2 | 2 |
| Scope 2 (secondary) | Electricity usage | 20,700 | 19,600 | 20,500 | 20,600 | 19,100 |
| Scope 3 | Business travel | 323 | 528 | 612 | 704 | 220 |
| | Water Supply | 50 | 47 | 41 | 51 | 41 |
| | Water Treatment (off site) | 53 | 53 | 88 | 88 | 51 |
| | Waste disposal | 114 | 66 | 30 | 30 | 30 |

Finite resources

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

Protecting and enhancing the natural environment

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

Working with the supply chain

The Royal Mint is in the process of introducing an ethical and sustainable purchasing policy with key suppliers. The policy encourages key suppliers to have an ethical sourcing policy or be members of a recognised responsible sourcing organisation or equivalent body.

This promotes suppliers to obtain materials from sustainable sources, minimise their impact on the environment and encourage the achievement of standards such as ISO14001 the Environmental Management Standard, ISO 50001 the Energy Management Standard and SA 8000 Ethical Standard.

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

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 three times a year and reports to the Audit Committee which briefs the Board as appropriate and at least annually.

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

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

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

The Royal Mint Limited's risk priorities in 2012-13 were in the following areas:

- key engineering failure,
- political and economic instability of overseas customers, and
- loss of market share to competitor technologies

Internal Audit

The Royal Mint Limited operates internal audit arrangements to standards defined in the Government Internal Audit Standards. During 2012-13 this function was undertaken by KPMG LLP. Their annual audit plan and the results of their audit, including recommendations for improvement, are reported to the Director of Finance and presented to the Audit Committee. They also provide an independent opinion on the adequacy of The Royal Mint Limited's system of internal control.

KPMG did not report any issues concerning the internal controls of The Royal Mint Limited that require inclusion in this Statement.

Board and its committees

The Board of Directors comprises of the Chairman, four Non-Executive Directors and two Executive Directors (the Chief Executive and Director of Finance). The Director of Business Services attends the meeting in the capacity of Company Secretary. The Board met 10 times in 2012-13 (2011-12: 9 times). Attendance by members at the Board and Committee meetings are set below.

| | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|--------------------|-------|-----------------|------------------------|-----------------------|
| Adam Lawrence | 10 | n/a | n/a | n/a |
| Vin Wijeratne | 10 | n/a | n/a | n/a |
| Mike Davies | 7 | n/a | 3 | 2 |
| Peter Warry | 3 | n/a | 2 | 1 |
| Colin Balmer | 10 | 6 | 5 | 3 |
| Mary Chapman | 10 | 6 | 5 | 3 |
| David Harding | 10 | 6 | 5 | 3 |
| Tim Martin | 10 | n/a | n/a | 3 |
| Number of meetings | 10 | 6 | 5 | 3 |

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.

Mike Davies resigned as Chairman following the December Board Meeting and was succeeded by Peter Warry.

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:

- to set the company's strategic aims,
- approval of the annual corporate plan and five-year plans,
- oversight of corporate risk register and internal control systems,
- oversight of business performance,
- approval of major capital expenditure,

- development of remuneration systems for Executive Directors, including performance related pay,
- approval of Senior Executive appointments or, where appropriate, recommendation of appointments to the Shareholder Executive/ HM Treasury Minister,
- performance appraisal of Executive Management plus succession planning,
- scrutiny of financial accounts through the Audit Committee of the Board,
- compliance with statutory requirements and UK Corporate Governance Code guidelines; and
- annual evaluation of its performance and that of its committees.

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

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

The Board reviews its effectiveness in a number of ways, including the Company Secretary undertaking one-to-one meetings with each Director. A report is prepared for the Board which considers the collective findings. This year's review has been deferred until later in the year to allow sufficient time for reflection following the appointment of a new Chairman in January.

Audit Committee

The Audit Committee comprises of 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 the Shareholder Executive, in consultation with the Chief Executive and the Nominations Committee,
- the Chief Executive appointment is approved by the HM Treasury Minister, on advice of the 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.

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

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 10 times a year.

The roles and responsibilities of the Executive are:

- implementation of the plan and efficient operation of the business,
- development and subsequent implementation of a long-term strategy in conjunction with the Board,
- development of an annual corporate plan, for approval by the Board,
- approval of all capital expenditure and major contracts not requiring Board approval,
- preparation of a risk register and subsequent reviews and mitigating actions,
- development and implementation of performance improvement programmes
- establishment, maintenance and development of operating procedures, and
- working with the Remuneration Committee to develop remuneration systems for staff, including performance related pay

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the 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
14 June 2013

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 2013 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 16, 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 2013 and of its loss 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 Pamment (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

20 June 2013

Income Statement
For the year ended 31 March 2013

| | Notes | Before IAS 39 related items and exceptionals 2012-13 £'000 | IAS 39 related items (Note 5) 2012-13 £'000 | Exceptionals (Note 5) 2012-13 £'000 | Total 2012-13 £'000 | Before IAS 39 related items 2011-12 £'000 | IAS 39 related items (Note 5) 2011-12 £'000 | Total 2011-12 £'000 |
|--|-------|--|--|--|---------------------------|--|--|---------------------------|
| Revenue - Continuing | 2 | 254,123 | - | - | 254,123 | 313,878 | - | 313,878 |
| Cost of sales | 3 | (216,235) | 701 | (857) | (216,391) | (265,905) | (953) | (266,858) |
| Gross profit | | 37,888 | 701 | (857) | 37,732 | 47,973 | (953) | 47,020 |
| Administrative expenses | 3 | (12,532) | - | (142) | (12,674) | (13,965) | - | (13,965) |
| Selling and distribution costs | 3 | (24,045) | - | (230) | (24,275) | (23,082) | - | (23,082) |
| Other (losses)/gains-net | 22 | (549) | (1,375) | - | (1,924) | (242) | (701) | (943) |
| Operating profit / (loss) | | 762 | (674) | (1,229) | (1,141) | 10,684 | (1,654) | 9,030 |
| Finance income | 6 | 156 | - | - | 156 | 181 | - | 181 |
| Finance costs | 6 | (1,258) | - | - | (1,258) | (1,147) | - | (1,147) |
| (Loss) / profit before tax | | (340) | (674) | (1,229) | (2,243) | 9,718 | (1,654) | 8,064 |
| Tax credit for the year | 7 | | | | 300 | | | 1,251 |
| (Loss) / profit for the financial year | | | | | (1,943) | | | 9,315 |
| (Loss) / profit attributable to: Owners of the parent | | | | | (1,943) | | | 9,315 |

The Notes on pages 24 to 50 form part of the Accounts

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

Statement of Comprehensive Income
For the year ended 31 March 2013

| | 2012-13 £'000 | 2011-12 £'000 |
|--|------------------|------------------|
| (Loss) / Profit for the financial year | (1,943) | 9,315 |
| Other comprehensive income | | |
| Cashflow hedges | 374 | (754) |
| Actuarial loss on defined benefit scheme | (1,079) | (638) |
| Deferred tax on actuarial loss on defined benefit scheme | 259 | 153 |
| Gain/(deficit) on plant and machinery revaluation | 413 | (153) |
| Total comprehensive income for the period | (1,976) | 7,923 |
| Total comprehensive income attributable to Owners of the parent | (1,976) | 7,923 |

Statement of Changes in Equity
For the year ended 31 March 2013

| | Share Capital £'000 | Share Premium £'000 | Revaluation Reserve £'000 | Profit and Loss Account £'000 | Hedging Reserve £'000 | Total £'000 |
|--|------------------------|------------------------|------------------------------|----------------------------------|--------------------------|----------------|
| At 1 April 2012 | 6,000 | 39,319 | 25 | 21,769 | (795) | 66,318 |
| Movements in the year | | | | | | |
| Loss for the financial year | - | - | - | (1,943) | - | (1,943) |
| Cashflow hedges | - | - | - | - | 374 | 374 |
| Actuarial loss on defined benefit scheme | - | - | - | (1,079) | - | (1,079) |
| Deferred tax on actuarial loss of defined benefit scheme | - | - | - | 259 | - | 259 |
| Gain on plant and machinery revaluation | - | - | 413 | - | - | 413 |
| Total Comprehensive Income for the year | - | - | 413 | (2,763) | 374 | (1,976) |
| Transactions with owners - dividend | - | - | - | (8,000) | - | (8,000) |
| At 31 March 2013 | 6,000 | 39,319 | 438 | 11,006 | (421) | 56,342 |

The Notes on pages 24 to 50 form part of the Accounts

Statement of changes in equity (continued)

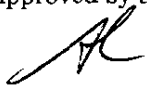
For the year ended 31 March 2012

| | Share Capital £'000 | Share Premium £'000 | Revaluation Reserve £'000 | Profit and Loss Account £'000 | Hedging Reserve £'000 | Total £'000 |
|--|------------------------|---------------------------|---------------------------------|-------------------------------------|-----------------------------|----------------|
| At 1 April 2011 | 6,000 | 39,319 | 178 | 12,939 | (41) | 58,395 |
| Movements in the year: | | | | | | |
| 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 |

Statement of Financial Position
At 31 March 2013

| | | 2013 | 2012 |
|---------------------------------------|-------|-----------------|-----------------|
| | Notes | £'000 | £'000 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 47,785 | 47,455 |
| Intangible assets | 9 | 1,681 | 1,846 |
| Deferred tax asset | 15 | - | 885 |
| TOTAL NON-CURRENT ASSETS | | 49,466 | 50,186 |
| CURRENT ASSETS | | | |
| Inventories | 10 | 35,496 | 34,293 |
| Derivative financial instruments | 23 | 83 | 229 |
| Retirement benefit asset | 16 | - | 229 |
| Deferred tax asset | 15 | 1,635 | - |
| Current tax receivable | 7 | 1,080 | - |
| Trade and other receivables | 11 | 19,567 | 29,164 |
| Cash and cash equivalents | | 1,079 | 1,688 |
| TOTAL CURRENT ASSETS | | 58,940 | 65,603 |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | 12 | (18,000) | (15,000) |
| Trade and other payables | 13 | (30,496) | (31,150) |
| Retirement benefit liability | 16 | (352) | - |
| Deferred tax liability | 15 | (716) | - |
| Current tax liability | 7 | - | (457) |
| Derivative financial instruments | 23 | (1,367) | (1,493) |
| TOTAL CURRENT LIABILITIES | | (50,931) | (48,100) |
| NET CURRENT ASSETS | | 8,009 | 17,503 |
| NON-CURRENT LIABILITIES | | | |
| Provision for liabilities and charges | 14 | (1,133) | (1,371) |
| NET ASSETS | | 56,342 | 66,318 |
| EQUITY | | | |
| Share capital | | 6,000 | 6,000 |
| Share premium | | 39,319 | 39,319 |
| Revaluation reserve | | 438 | 25 |
| Retained earnings | | 11,006 | 21,769 |
| Hedging reserve | | (421) | (795) |
| TOTAL EQUITY | | 56,342 | 66,318 |

Approved by the Board of Directors and signed on its behalf



Adam Lawrence
Chief Executive
14 June 2013

The Notes on pages 24 to 50 form part of the Accounts

Statement of Cashflow

For the year ended 31 March 2013

| | Notes | 2012-13 £'000 | 2011-12 £'000 |
|---|-------|------------------|------------------|
| CASHFLOW FROM OPERATING ACTIVITIES | | | |
| Operating (loss)/profit | | (1,141) | 9,030 |
| Depreciation and amortisation on non-current assets | | 4,835 | 3,829 |
| Loss on disposal of assets | | 330 | 52 |
| Cashflow hedges | | 394 | 1,318 |
| Movements in working capital | | | |
| Inventory | | (1,203) | 114 |
| Retirement benefit asset | | (354) | (141) |
| Trade and other receivables | | 9,596 | 2,942 |
| Trade and other payables | | 523 | 2,617 |
| Provisions | | (262) | (1,123) |
| Cashflow from operations | | 12,718 | 18,638 |
| Interest paid | | (1,252) | (1,113) |
| Tax paid | | (1,012) | (67) |
| Net cashflow from operating activities | | 10,454 | 17,458 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant & equipment | | (5,585) | (3,712) |
| Acquisition of intangible assets | | (490) | (830) |
| Interest received | | 12 | 18 |
| Net cash used in investing activities | | (6,063) | (4,524) |
| CASHFLOW FROM FINANCING ACTIVITIES | | | |
| Movement in short-term loans | | 3,000 | (12,000) |
| Dividends paid | | (8,000) | - |
| Net cash used in financing activities | | (5,000) | (12,000) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | (609) | 934 |
| Cashflow from movement in borrowings | | (3,000) | 12,000 |
| Movement in net funds | | (3,609) | 12,934 |
| Net debt at start of year | | (13,312) | (26,246) |
| Net debt at end of year | 21 | (16,921) | (13,312) |

The Notes on pages 24 to 50 form part of the Accounts.

Notes to the Accounts

Note 1

PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006. Where IFRS permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Royal Mint Limited for the purpose of giving a true and fair view has been selected. There has been a change in accounting policy in relation to land and buildings and disclosed in paragraph 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 2012 but not currently relevant to the company

| | |
|--------------------|---|
| IFRS 1 (amendment) | First time adoption, on fixed dates and hyper inflation |
| IFRS 7 (amendment) | Financial instruments Disclosure on transfer of assets |

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

| | |
|---------------------|---|
| 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 32 (amendment) | Financial instruments presentation on offsetting financial assets and liabilities |
| IFRS 1 ¹ | First time adoption on government loans on IFRS transition |

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

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

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

| | Years |
|---|---------|
| Buildings | 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.

Land and buildings within the Royal Mint Trading Fund are stated at least by way of a triennial valuation by external independent valuers.

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

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 (liability)/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. A pension asset is recognised to the extent that it is recoverable.

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

Past service costs are recognised immediately in income, 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 year 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 Change in accounting policy

The company has reviewed its policy for the carrying value of land and buildings and determined that this should be based on cost rather than valuation. There has been no impact on the financial statements in the prior year as a result of this change.

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.

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 2012-13

| | Circulating £'000 | Commemorative £'000 | Total Segments £'000 | Unallocated £'000 | Total £'000 |
|--------------------------------|----------------------|------------------------|----------------------------|----------------------|----------------|
| Segment revenue | 76,589 | 177,534 | 254,123 | - | 254,123 |
| Depreciation and amortisation | (3,288) | (440) | (3,728) | (1,107) | (4,835) |
| Operating profit/(loss) | 478 | 11,052 | 11,530 | (12,671) | (1,141) |
| Segment assets and liabilities | | | | | |
| Non-current assets | 34,891 | 5,411 | 40,302 | 9,164 | 49,466 |
| Current assets | 31,867 | 19,436 | 51,303 | 7,637 | 58,940 |
| Current liabilities | (8,518) | (16,137) | (24,655) | (26,276) | (50,931) |
| Non-current liabilities | (665) | - | (665) | (468) | (1,133) |
| Net assets | 57,575 | 8,710 | 66,285 | (9,943) | 56,342 |

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 |

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:

| | 2012-13 £'000 | 2011-12 £'000 |
|-------------------|------------------|------------------|
| UK | 112,768 | 113,745 |
| Greece | 14,444 | 48,708 |
| Rest of Europe | 54,528 | 67,565 |
| Asia | 30,359 | 37,155 |
| Americas | 23,977 | 22,759 |
| Africa | 13,568 | 18,239 |
| Rest of the World | 4,479 | 5,707 |
| | 254,123 | 313,878 |

During 2012-13 revenue from one customer amounted to £37.3m (2011-12: £47.6m and £39.5m) which represented in excess of 10% of revenue.

EXPENSES BY NATURE

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to £701,000 gain (2011-12 £953,000 loss)

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

| | £'000 | 2012-13 £'000 | £'000 | 2011-12 £'000 |
|---------------------------------|--------|------------------|--------|------------------|
| Wages and salaries | | | | |
| Staff with a permanent contract | 25,733 | | 27,026 | |
| Other staff | 1,645 | | 1,712 | |
| | | 27,378 | | 28,738 |
| Social Security costs | | | | |
| Staff with a permanent contract | 1,950 | | 2,029 | |
| Other staff | 148 | | 163 | |
| | | 2,098 | | 2,192 |
| Other pension costs | | | | |
| Staff with a permanent contract | 6,505 | | 6,442 | |
| Other staff | 72 | | 42 | |
| | | 6,577 | | 6,484 |
| | | 36,053 | | 37,414 |

AVERAGE NUMBER EMPLOYED

| | | | | |
|---------------------------------|-----|-----|-----|-----|
| Production | | | | |
| Staff with a permanent contract | 560 | | 583 | |
| Other staff | 40 | | 66 | |
| | | 600 | | 649 |
| Sales and Marketing | | | | |
| Staff with a permanent contract | 121 | | 121 | |
| Other staff | 14 | | 12 | |
| | | 135 | | 133 |
| Administration | | | | |
| Staff with a permanent contract | 116 | | 129 | |
| Other staff | 10 | | 4 | |
| | | 126 | | 133 |
| | | 861 | | 915 |

Directors Emoluments

| | 2012-13 £'000 | 2011-12 £'000 |
|---|------------------|------------------|
| Aggregate emoluments excluding long term incentive scheme | 494 | 437 |
| Aggregate amounts received under long term incentive scheme | - | 53 |
| Contributions under defined contribution pension scheme | 14 | 13 |
| Highest paid director (excluding termination payments) | | |
| Total amounts of emoluments and amounts received under long term incentive scheme | 236 | 254 |
| Accrued defined benefit pension at year end | 12 | 8 |

Retirement benefits are accruing to one executive director under a defined benefit scheme (2011-12: 1)

Note 5**A) EXCEPTIONAL ITEMS**

| | 2012-13 £'000 | 2011-12 £'000 |
|----------------|------------------|------------------|
| Release Scheme | 1,229 | - |

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

B) IMPACT OF IAS 39 HEDGING INEFFECTIVENESS AND OPEN FOREIGN EXCHANGE CONTRACTS

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

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

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

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

Note 6**FINANCE COSTS**

| | 2012-13 £'000 | 2011-12 £'000 |
|---|------------------|------------------|
| On loans repayable within five years | 435 | 421 |
| Precious metal consignment arrangement fees | 799 | 703 |
| Unwinding of discount on provision for early retirement (Note 14) | 24 | 23 |
| | 1,258 | 1,147 |

FINANCE INCOME

| | 2012-13 £'000 | 2011-12 £'000 |
|-------------------------------------|------------------|------------------|
| Bank interest received | 12 | 17 |
| Net return on pension scheme assets | 144 | 164 |
| | 156 | 181 |

Note 7
TAXATION

Analysis of tax charge in year

| | 2012-13 £'000 | 2011-12 £'000 |
|------------------------|------------------|------------------|
| UK corporation tax | | |
| - Current year | - | 525 |
| - Prior year | (525) | - |
| Deferred tax: | | |
| - Current year | (259) | 1,766 |
| - Prior year | 484 | (3,542) |
| Taxation credit | (300) | (1,251) |

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (24%)

| | 2012-13 £'000 | 2011-12 £'000 |
|---|------------------|------------------|
| (Loss)/profit before tax | (2,243) | 8,064 |
| Profit multiplied by the standard rate of corporation tax of 24% (26% for 2011-12) | (538) | 2,097 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 271 | 133 |
| Adjustments re prior years | (41) | (3,542) |
| Reduction in tax rate for deferred tax provision | 8 | 61 |
| Tax credit for year | (300) | (1,251) |

On 21 March 2013 the Chancellor announced the reduction in the main rate of UK corporation tax to 23% with effect from 1 April 2013. This change became substantively enacted on 3 July 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 in the 2013 March budget that the main rate of UK corporation tax would fall to 20% by 2015. It has not yet been possible to quantify the full anticipated effect of the announced further 3% 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 12% (2011-12 28%) 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 23%.

The prior year current tax credit is mainly comprised of additional capital allowance which arose in relation to a detailed capital allowances claim which was completed in the period.

In addition to the amount charged to the Income Statement, a deferred tax credit relating to actuarial losses on defined benefit pension schemes of £259,000 (2011-12 £153,000 gain) has been credited directly to the Statement of Comprehensive Income.

Current tax (receivable)/liability

| | 2013 £'000 | 2012 £'000 |
|--------------------|---------------|---------------|
| UK corporation tax | (1,080) | 457 |

Note 8**PROPERTY, PLANT & EQUIPMENT**

| | Freehold land and buildings | Payments on account and assets in the course of construction | Plant and machinery | Total |
|---------------------------------|--------------------------------|---|------------------------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At 1 April 2012 | 19,297 | 7,462 | 88,807 | 115,566 |
| Additions | - | 4,576 | - | 4,576 |
| Transfers | 531 | (8,487) | 7,956 | - |
| Disposals | - | - | (7,618) | (7,618) |
| Revaluation | - | - | 909 | 909 |
| At 31 March 2013 | 19,828 | 3,551 | 90,054 | 113,433 |
| Depreciation | | | | |
| At 1 April 2012 | 2,033 | - | 66,078 | 68,111 |
| Charge for year | 565 | - | 3,770 | 4,335 |
| Disposals | - | - | (7,291) | (7,291) |
| Revaluation | - | - | 493 | 493 |
| At 31 March 2013 | 2,598 | - | 63,050 | 65,648 |
| Net book value at 31 March 2013 | 17,230 | 3,551 | 27,004 | 47,785 |

| | Freehold land and buildings | Payments on account and assets in the course of construction | Plant and machinery | Total |
|---------------------------------|--------------------------------|---|------------------------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| 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 |

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 2012 | 846 | 3,644 | 4,490 |
| Additions | 347 | - | 347 |
| Transfers | (770) | 770 | - |
| Disposals | - | (966) | (966) |
| At 31 March 2013 | 423 | 3,448 | 3,871 |
| Amortisation | | | |
| At 1 April 2012 | - | 2,644 | 2,644 |
| Amortisation for year | - | 500 | 500 |
| Disposals | - | (954) | (954) |
| At 31 March 2013 | - | 2,190 | 2,190 |
| Net book value at 31 March 2013 | 423 | 1,258 | 1,681 |
| Net book value at 31 March 2012 | 846 | 1,000 | 1,846 |

Note 10**INVENTORIES**

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Metal inventory | 22,912 | 18,229 |
| Work in progress (excluding metal) | 4,188 | 3,433 |
| Stores and packing materials | 2,809 | 3,965 |
| Finished goods | 5,587 | 8,666 |
| | 35,496 | 34,293 |

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 £100.5 million at 31 March 2013 (2012 £104.9 million). Consignment fees under these arrangements are set out in note 6.

Note 11**RECEIVABLES**

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Trade receivables | 17,941 | 28,490 |
| Less Provision for impairment of receivables | (706) | (608) |
| VAT | 1,915 | - |
| Prepayments and accrued income | 417 | 1,282 |
| | 19,567 | 29,164 |

Included within the receivables are the following

| | 2013 £'000 | 2012 £'000 |
|---------------------------------------|---------------|---------------|
| Central Government bodies | 2,855 | 3,522 |
| Other Government bodies | 3 | 7 |
| Local Authorities | 1 | 1 |
| NHS Trusts | 4 | 1 |
| Public Corporations and Trading Funds | 95 | 1,277 |
| | 2,958 | 4,808 |

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

| | 2013 £'000 | 2012 £'000 |
|-----------------|---------------|---------------|
| Pounds sterling | 17,004 | 25,753 |
| Euros | 286 | 344 |
| US Dollars | 2,277 | 3,067 |
| | <u>19,567</u> | <u>29,164</u> |

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

| | 2013 £'000 | 2012 £'000 |
|---------------------------------|---------------|---------------|
| At 1 April | (608) | (613) |
| (Provided)/utilised in the year | (98) | 5 |
| At 31 March | <u>(706)</u> | <u>(608)</u> |

Note 12

SHORT-TERM BORROWINGS

| | 2013 £'000 | 2012 £'000 |
|----------------------|---------------|---------------|
| Short-term NLF loans | 18,000 | 15,000 |

Note 13

PAYABLES amounts falling due within one year

| | 2013 £'000 | 2012 £'000 |
|------------------------------|---------------|---------------|
| Trade payables | 10,943 | 21,636 |
| Other payables | 1,340 | 1,928 |
| Payments received on account | 16,173 | 3,894 |
| Taxation and social security | 723 | 1,849 |
| Accruals and deferred income | 1,317 | 1,843 |
| | <u>30,496</u> | <u>31,150</u> |

Included within the payables are the following

Balances with other Government bodies not shown separately above

| | 2013 £'000 | 2012 £'000 |
|---------------------------------------|---------------|---------------|
| Other Central Government bodies | 995 | 3,656 |
| Public Corporations and Trading Funds | 93 | 25 |
| | <u>1,088</u> | <u>3,681</u> |

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 | Environment remediation £'000 | Total £'000 |
|------------------------------------|------------------------------|-------------------------------------|----------------|
| At 1 April 2012 | 662 | 709 | 1,371 |
| Charge for the year | 36 | - | 36 |
| Unwinding of discount on provision | 24 | - | 24 |
| Utilised in year | (254) | (44) | (298) |
| At 31 March 2013 | <u>468</u> | <u>665</u> | <u>1,133</u> |

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

Note 15
DEFERRED TAXATION

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 23% (2012 24%)

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| (Asset)/liability at 1 April | (885) | 1,043 |
| Movements on deferred tax were | | |
| Charged/(credited) to the Income Statement | 225 | (1,775) |
| Credited to Statement of Comprehensive Income | (259) | (153) |
| Asset at 31 March | (919) | (885) |

Movements in deferred tax liabilities were

| | Assets £'000 | Liabilities £'000 | 2013 Net £'000 | Assets £'000 | Liabilities £'000 | 2012 Net £'000 |
|--------------------------------|-----------------|----------------------|----------------------|-----------------|----------------------|----------------------|
| Tax losses | (976) | - | (976) | - | - | - |
| Accelerated tax depreciation | - | 716 | 716 | (676) | - | (676) |
| Derivative instruments | (298) | - | (298) | (109) | - | (109) |
| Retirement benefit obligation | (111) | - | (111) | - | 55 | 55 |
| Other | (250) | - | (250) | (155) | - | (155) |
| Deferred tax (asset)/liability | (1,635) | 716 | (919) | (940) | 55 | (885) |

| | Tax losses £'000 | Accelerated tax depreciation £'000 | Derivative instruments £'000 | Retirement benefit obligations £'000 | Other £'000 | Total £'000 |
|--|------------------------|---|------------------------------------|---|----------------|----------------|
| At 1 April 2012 | - | (676) | (109) | 55 | (155) | (885) |
| (Credited)/charged to the Income Statement | (976) | 1392 | (189) | 93 | (95) | 225 |
| Credited to Statement of Comprehensive Income | | | | (259) | | (259) |
| At 31 March 2013 | (976) | 716 | (298) | (111) | (250) | (919) |

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Deferred tax credited to Statement of Comprehensive Income during the year was: | | |
| Actuarial gains on defined benefits schemes | (259) | (153) |
| | (259) | (153) |

| | 2013 £'000 | 2012 £'000 |
|-------------------------------------|---------------|---------------|
| Analysis of deferred tax asset | | |
| Deferred tax asset after 12 months | - | 335 |
| Deferred tax asset within 12 months | 919 | 550 |
| | 919 | 885 |

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 23% with effect from 1 April 2013. This change became substantively enacted on 3 July 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 March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

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 £196,000 (2011-12: £159,000) 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 Nuvos – Participants build up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004.

Details of valuation assumptions

An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2013 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2013 with allowance for future salary increases or future price inflation for members of the Platinum Nuvos scheme. The principal actuarial assumptions used were:

| | 2013 | 2012 |
|--|------------------------|------------------------|
| Discount rate | 4.7% | 4.6% |
| Price inflation | 3.35% | 2.65% |
| Pensionable salary increase | 3.75% | 3.65% |
| Revaluation of deferred pensions before retirement | 3.35% | 2.65% |
| Increase to pensions in payment in line with RPI | 3.35% | 2.65% |
| 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

| | 2013 | 2012 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Current service cost | 5,900 | 5,945 |
| Pension scheme expenses | 56 | 67 |
| Interest cost | 1,024 | 697 |
| Expected return on assets | (1,168) | (861) |
| Adjustment for Nuvos Bulk Transfer Value | 151 | 338 |
| Amounts charged to the Income Statement | 5,963 | 6,186 |

Amounts recognised in Statement of Comprehensive Income

| | 2013 | 2012 | 2011 | 2010 |
|--|---------|-------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| Actual return less expected return on assets | 2,276 | (151) | (361) | 35 |
| Experience (losses)/gains arising on the scheme liabilities | (3,355) | (905) | 453 | (84) |
| Gain on transfer of Classic/Premium members | - | 418 | - | - |
| Actuarial (losses)/gains recognised in Statement of Comprehensive Income | (1,079) | (638) | 92 | (49) |

Amounts recognised in the Statement of Financial Position

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

History of experienced gains and losses

| | 2013 | 2012 | 2011 | 2010 |
|--|---------|-------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| Experience adjustments in relation to plan assets | 2,276 | (151) | (361) | 35 |
| Experience adjustments in relation to plan liabilities | (3,355) | (905) | 453 | (84) |

Reconciliation of movements in the Statement of Financial Position

| | 2013 | 2012 | 2011 |
|--|---------|---------|---------|
| | £'000 | £'000 | £'000 |
| Surplus at 1 April | 229 | 562 | 179 |
| Current service cost | (5,900) | (5,945) | (6,123) |
| Pension scheme expenses | (55) | (67) | (90) |
| Interest cost | (1,024) | (697) | (252) |
| Expected return on assets | 1,168 | 861 | 317 |
| Adjustment for Nuvos Bulk Transfer Value | (151) | (338) | - |
| Actuarial (loss)/gain | (1,079) | (638) | 92 |
| Contributions | 6,460 | 6,491 | 6,439 |
| Net defined benefit (liability)/asset | (352) | 229 | 562 |

Reconciliation of movements in liabilities during the year

| | 2013 | 2012 |
|--|--------|--------|
| | £'000 | £'000 |
| Scheme liabilities at beginning of year | 19,331 | 10,906 |
| Movement in year | | |
| Current service cost | 5,900 | 5,945 |
| Transfer value from Civil Service Scheme | 86 | 867 |
| Pension scheme expenses | 55 | 67 |
| Interest cost | 1,024 | 697 |
| Employee contributions | 462 | 522 |
| Benefits paid | (633) | (578) |
| Actuarial loss | 3,355 | 905 |
| Scheme liabilities at end of year | 29,580 | 19,331 |

Reconciliation of movements in assets during the year

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Scheme assets at beginning of year | 19,560 | 11,468 |
| Movements in year | | |
| Expected return on scheme assets | 1,168 | 861 |
| Employer contributions | 6,460 | 6,491 |
| Employee contributions | 462 | 522 |
| Transfer value/(benefits) from Civil Service Scheme | (65) | 947 |
| Benefits paid | (633) | (578) |
| Actuarial gain/(loss) | 2,276 | (151) |
| Scheme assets at end of year | 29,228 | 19,560 |

Reconciliation of amount recognised in Statement of Comprehensive Income

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Actual return less expected return on assets | 2,276 | (151) |
| Experienced loss arising on scheme liabilities | (3,355) | (905) |
| Gain on transfer of Classic/Premium members | - | 418 |
| Actuarial loss recognised in Statement of Comprehensive Income | (1,079) | (638) |
| Cumulative actuarial loss recognised in Statement of Comprehensive Income | (1,674) | (595) |

Further analysis of RMLS assets

Assets are made up of Prudential M&G Pooled Funds distributed as shown below. The expected long term rate of return for reporting purposes will be equal to the discount rate and for 2013 it is 4.7% (2011-12 5.15%)

| Asset class | As at 31 March 2013 % of fund | As at 31 March 2012 % of fund |
|-------------------------|-------------------------------------|-------------------------------------|
| Index-linked gilts | | 13.6% |
| Equities | 51.8% | 49.8% |
| Diversified Growth Fund | 24.3% | |
| Alternative assets | | 23.8% |
| Corporate bonds | 23.9% | 12.8% |
| Total | 100.0% | 100.0% |

Previously the overall expected return on RMLS assets had 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 was a weighted average of the returns for all asset classes. Contributions expected to be paid in 2013-14 are £6.5m.

Note 17

DIVIDENDS

| | 2012-13 £'000 | 2011-12 £'000 |
|----------------|------------------|------------------|
| Dividends paid | 8,000 | - |
| | 8,000 | - |

Note 18

CAPITAL COMMITMENTS

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Commitments in respect of contracts – Tangible Assets | 350 | 2,827 |
| Commitments in respect of contracts – Intangible Assets | 124 | 321 |
| | 474 | 3,148 |

Note 19**OPERATING LEASE COMMITMENTS**

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Operating lease rentals due on leases expiring | | |
| Less than one year | 100 | 148 |
| Between one and five years | 42 | 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 year was £251,776 (2011-12: £215,000).
- 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 year was £300,000 (2012: £300,000).
- 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 year is £90,394 (2012: £49,000).
- 4) Heritage assets are donated by The Royal Mint Limited to the museum collection at a cost of £156,127 (2011-12: £171,376).

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:

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Salaries and other short-term employee benefits | 962 | 890 |
| Post-employment benefits | 185 | 174 |
| | <u>1,147</u> | <u>1,064</u> |

Note 21**ANALYSIS OF NET DEBT**

| | At 1 April 2012 £'000 | Cashflow £'000 | At 31 March 2013 £'000 |
|------------------------------------|--------------------------|-------------------|---------------------------|
| Cash at bank and in hand | 1,688 | (609) | 1,079 |
| Long-term loan due within one year | (15,000) | (3,000) | (18,000) |
| | <u>(13,312)</u> | <u>(3,609)</u> | <u>(16,921)</u> |

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

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Foreign exchange (loss) / gain | (549) | (242) |
| Open foreign exchange forward contracts held for trading | (666) | - |
| Ineffectiveness of commodity hedges (IAS 39) | (709) | (701) |
| | (1,924) | (943) |

Note 23**FINANCIAL INSTRUMENTS**

| | 2012 £'000 | 2013 £'000 |
|-----------------------------|---------------|---------------|
| Derivative asset | | |
| Foreign currency fair value | 51 | 37 |
| Commodity fair value | 27 | 177 |
| Precious metal fair value | 5 | 15 |
| | 83 | 229 |
| Derivative liability | | |
| Foreign currency fair value | 1,145 | 31 |
| Commodity fair value | 138 | 846 |
| Precious metal fair value | 84 | 616 |
| | 1,367 | 1,493 |

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 2013 £'000 | Average forward rate 2013 | Fair value 2013 £'000 | Contract amount 2012 £'000 | Average forward rate 2012 | Fair value 2012 £'000 |
|--|-------------------------------------|------------------------------------|-----------------------------|-------------------------------------|------------------------------------|-----------------------------|
| Forward contract – sell £/buy EUR | | | | | | |
| Maturing in less than 1 year | 127 | 1.2182 | 4 | 1,487 | 1.1912 | (10) |
| | 127 | 1.2182 | 4 | 1,487 | 1.1912 | (10) |
| Forward contract – sell £/buy USD | | | | | | |
| Maturing in less than 1 year | 3,973 | 1.5077 | (26) | 910 | 1.5915 | (3) |
| | 3,973 | 1.5077 | (26) | 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 | 19,354 | 1.5947 | (987) | 4,548 | 1.5852 | 34 |
| | 19,354 | 1.5947 | (987) | 4,548 | 1.5852 | 34 |
| Forward contract – buy £/sell EUR | | | | | | |
| Maturing in less than 1 year | 1,953 | 1.2314 | (85) | 1,937 | 1.2050 | (12) |
| | 1,953 | 1.2314 | (85) | 1,937 | 1.2050 | (12) |

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 2013 | Effect on net earnings of a 10% decrease 2013 £'000 | Closing exchange rate 2012 | Effect on net earnings of a 10% decrease 2012 £'000 |
|--------------------|----------------------------------|---|----------------------------------|---|
| Euros | 1 1825 | 29 | 1 1998 | (3) |
| US Dollars | 1 5114 | 248 | 1 5978 | 30 |
| Australian Dollars | 1 4484 | - | 1 5423 | 1 |
| Swiss Franc | 1 4411 | 37 | 1 4442 | - |
| | | 314 | | 28 |

| | Closing exchange rate 2013 | Effect on net earnings of a 10% increase 2013 £'000 | Closing exchange rate 2012 | Effect on net earnings of a 10% increase 2012 £'000 |
|--------------------|----------------------------------|---|----------------------------------|---|
| Euros | 1 1825 | (24) | 1 1998 | 27 |
| US Dollars | 1 5114 | (203) | 1 5978 | (266) |
| Australian Dollars | 1 4484 | - | 1 5423 | (12) |
| Swiss Franc | 1 4411 | (30) | 1 4442 | - |
| | | (257) | | (251) |

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 2013 | Value at average price 2013 £'000 | Fair value 2013 £'000 | Tonnes 2012 | Value at average price 2012 £'000 | Fair value 2012 £'000 |
|------------------------------|----------------|---|-----------------------------|----------------|---|-----------------------------|
| Cashflow hedges | | | | | | |
| Copper futures – | | | | | | |
| GBP denominated contracts | | | | | | |
| Maturing in less than 1 year | 175 | 950 | (55) | 50 | 248 | 15 |
| | 175 | 950 | (55) | 50 | 248 | 15 |
| Nickel futures – | | | | | | |
| GBP denominated contracts: | | | | | | |
| Maturing in less than 1 year | 294 | 3,303 | (55) | 185 | 2,720 | (684) |
| | 294 | 3,303 | (55) | 185 | 2,720 | (684) |
| Zinc futures – | | | | | | |
| GBP denominated contracts | | | | | | |
| Maturing in less than 1 year | 25 | 32 | (1) | - | - | - |
| | 25 | 32 | (1) | - | - | - |

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 2013 £ | Effect on net earnings of a 10% decrease 2013 £'000 | Effect on equity of a 10% decrease 2013 £'000 | Closing price/tonne 2012 £ | Effect on net earnings of a 10% decrease 2012 £'000 | Effect on equity of a 10% decrease 2012 £'000 |
|--------|-------------------------------------|---|---|-------------------------------------|---|---|
| Copper | 4,508 | (72) | (18) | 5,292 | - | (26) |
| Nickel | 9,833 | (224) | (101) | 10,876 | (1) | (203) |
| Zinc | 1,112 | (3) | - | 1,250 | - | - |
| | | (299) | (119) | | (1) | (229) |

| | Closing price/tonne 2013 £ | Effect on net earnings of a 10% increase 2013 £'000 | Effect on equity of a 10% increase 2013 £'000 | Closing price/tonne 2012 £ | Effect on net earnings of a 10% increase 2012 £'000 | Effect on equity of a 10% increase 2012 £'000 |
|--------|-------------------------------------|---|---|-------------------------------------|---|---|
| Copper | 5,509 | 71 | 19 | 5,292 | - | 26 |
| Nickel | 12,018 | 217 | 108 | 10,876 | 2 | 202 |
| Zinc | 1,359 | 3 | - | 1,250 | - | - |
| | | 291 | 127 | | 2 | 228 |

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 2013 | Value at average price 2013 £'000 | Fair value 2013 £'000 | ozs 2012 | Value at average price 2012 £'000 | Fair value 2012 £'000 |
|--|-------------|---|-----------------------------|-------------|---|-----------------------------|
| Gold forwards – GBP denominated contracts | | | | | | |
| Maturing in less than 1 year | 2,855 | 3,018 | (15) | 9,786 | 10,626 | (391) |
| | 2,855 | 3,018 | (15) | 9,786 | 10,626 | (391) |
| Silver forwards – GBP denominated contracts | | | | | | |
| Maturing in less than 1 year | 125,910 | 2,422 | (64) | 151,619 | 3,281 | (196) |
| | 125,910 | 2,422 | (64) | 151,619 | 3,281 | (196) |
| Platinum forwards – GBP denominated contracts | | | | | | |
| Maturing in less than 1 year | 11 | 12 | - | 270 | 291 | (14) |
| | 11 | 12 | - | 270 | 291 | (14) |

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 |
|----------|------------------|---|------------------|---|
| | 2013 | 2013 | 2012 | 2012 |
| | £ | £'000 | £ | £'000 |
| Gold | 1,054 | (300) | 1,039 | (1,023) |
| Silver | 19 | (236) | 20 | (308) |
| Platinum | 1,040 | (1) | 1,025 | (28) |
| | | (537) | | (1,359) |

| | Closing price/oz | Effect on net earnings of a 10% increase | Closing price/oz | Effect on net earnings of a 10% increase |
|----------|------------------|---|------------------|---|
| | 2013 | 2013 | 2012 | 2012 |
| | £ | £'000 | £ | £'000 |
| Gold | 1,054 | 300 | 1,039 | 1,023 |
| Silver | 19 | 236 | 20 | 308 |
| Platinum | 1,040 | 1 | 1,025 | 28 |
| | | 537 | | 1,359 |

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 |
|----------|------------------|---|------------------|---|
| | 2013 | 2013 | 2012 | 2012 |
| | £ | £'000 | £ | £'000 |
| Gold | 1,054 | 62 | 1,039 | 73 |
| Silver | 19 | 18 | 20 | 11 |
| Platinum | 1,040 | - | 1,025 | - |
| | | 80 | | 84 |

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

| | 2013 | Effect on net earnings of a 10% change | 2012 | Effect on net earnings of a 10% change |
|----------------------|--------|--|--------|--|
| | £'000 | £'000 | £'000 | £'000 |
| Short-term NLF loans | 18,000 | 38 | 15,000 | 38 |
| | | 38 | | 38 |

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 | Over 120 days £'000 |
|-------------------------|------------------------------------|------------------------------------|-------------------------------------|---------------------------|
| Circulating receivables | | | | |
| 2013 | 2 | - | 36 | 125 |
| 2012 | 629 | - | 53 | - |

Commemorative Coin Wholesale

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

| | Between 31 and 60 days £'000 | Between 61 and 90 days £'000 | Between 91 and 120 days £'000 | Over 120 days £'000 |
|-----------------------------|------------------------------------|------------------------------------|-------------------------------------|---------------------------|
| Wholesale trade receivables | | | | |
| 2013 | 69 | 64 | 5 | 141 |
| 2012 | 862 | 267 | 395 | - |

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 | | | |
| 2013 | 101 | 44 | 523 |
| 2012 | 128 | 74 | 378 |

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 2013 the amount is £19.6m (2012 £29.0m)

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 £18m was drawn down at 31 March 2013. 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 2013 | | | | |
| Borrowings | 18,000 | - | - | - |
| Derivative financial instruments | 1,367 | - | - | - |
| Trade and other payables | 30,496 | - | - | - |
| Provision for Liabilities & Charges | 884 | 210 | 39 | - |
| | | | | |
| | 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 | - |

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 2013 £'000 | Fair value 2013 £'000 | Carrying value 2012 £'000 | Fair value 2012 £'000 |
|------------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Financial assets | | | | |
| Loans and receivables | 19,567 | 19,567 | 29,164 | 29,164 |
| Derivatives used for hedging | 83 | 83 | 229 | 229 |
| Financial liabilities | | | | |
| Loans & Payables | (48,496) | (48,496) | (46,607) | (46,607) |
| Derivatives used for hedging | (1,367) | (1,367) | (1,493) | (1,493) |

Note 24**SHARE CAPITAL AND PREMIUM**

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

| | Number of shares | Ordinary shares £'000 |
|-----------------------------------|------------------|--------------------------|
| At 1 April 2012 and 31 March 2013 | 6,000,001 | 6,000 |
| | 2013 £'000 | 2012 £'000 |
| Share premium account | 39,319 | 39,319 |

Note 25**ULTIMATE CONTROLLING PARTY**

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