The Royal Mint

Royal Mint Trading Fund

Annual Report & Accounts | 2012-13

Making Money for Everyone

The Royal Mint

Royal Mint Trading Fund

Annual Report and Accounts 2012-13

Presented to Parliament pursuant to section 4(6) of the Government Trading Funds Act 1973
as amended by the Government Trading Act 1990

Ordered by the House of Commons to be printed on 16 July 2013

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LONDON 2012

Annual Report and Accounts 2012-13
Royal Mint Trading Fund

Royal Mint Trading Fund Accounting Officer is Jeremy Pocklington

The Royal Mint Limited Directors

Peter Warry*
Chairman (appointed 10 December 2012)

Mike Davies*
Chairman (resigned 31 December 2012)

Adam Lawrence
Chief Executive

Vin Wijeratne
Director of Finance

Colin Balmer CB*

Mary Chapman*
Chair of the Remuneration Committee

David Harding*
Chair of the Audit Committee

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

*Non-Executive Directors

Company Secretary
Anne Jessopp

Executive Management Team

Adam Lawrence
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Vin Wijeratne
Director of Finance

Anne Jessopp
Director of Business Services

Phil Carpenter
Director of Operations

Andrew Mills
Director of Circulating Coin

Shane Bissett
Director of Commemorative Coin

The Royal Mint Museum and The Royal Mint Museum Services Limited Directors

Sarah Tebbutt
Chair

Sir Christopher Frayling

Rear Admiral John Lippiett CB, MBE

Adam Lawrence

The Royal Mint, Llantrisant, CF72 8YT
Email: informationoffice@royalmint.com
Website: www.royalmint.com
Website: www.royalmintmuseum.org.uk

External auditor to the Royal Mint Trading Fund
Comptroller and Auditor General

External auditors to The Royal Mint Limited and The Royal Mint Museum Group
PricewaterhouseCoopers LLP

Internal auditor to The Royal Mint Limited
KPMG LLP, Charted Accountants

The Accounts of the Royal Mint Trading Fund at 31 March 2013, together with the Certificate and Report of the Comptroller and Auditor General thereon, are prepared pursuant to section 4 (6) of the Government Trading Funds Act 1973. (In continuation of House of Commons Paper No 117 of 2009-10). Presented pursuant to Act 1973, c.63, s.4 (6).

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Accounting officer's statement

This report covers both the operations of The Royal Mint Limited and The Royal Mint Museum.

With an underlying operating profit of £1.3m (2011-12: £10.9m) 2012-13 has been a challenging year for the Royal Mint. This is also reflected in the return on average capital employed of 0.5% (2011-12: 12.6%).

The Chief Executive of The Royal Mint Limited has highlighted in his report the opportunities presented to the business by the momentous events of 2012, notably the celebrations of the Queen's Diamond Jubilee and the London 2012 Olympic and Paralympic Games where employees had the privilege of seeing the Victory Medals they had manufactured being presented to the successful athletes. These events which were at the heart of the Commemorative Coin business, generated significant sales and expanded the customer base helping to promote and enhance the global reputation of the Royal Mint.

However, the Circulating Coin business felt the effects of the continued financial pressure on governments around the world which were reflected in the financial results for the year. Continued work on strategic projects and approval from HM Treasury to begin the cupro-nickel recovery programme meant that, despite the challenges of the year, the Circulating Coin business has made progress in key areas for the future.

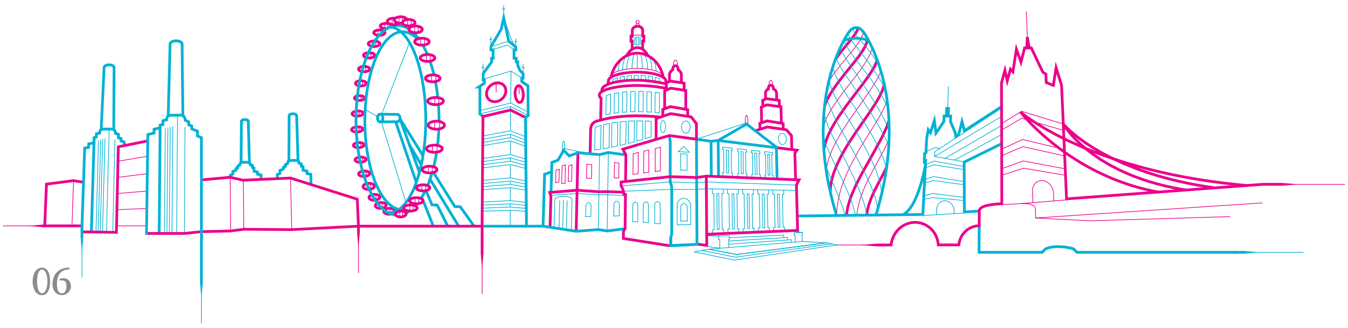
Although 2012-13 has been a difficult year for the Royal Mint in terms of financial performance, the organisation is taking steps to plan for the future. Seizing upon the positives, particularly from the events of summer 2012, it is important that the Royal Mint develops the capability to manage what may continue to be a challenging trading environment as we move into 2013-14.

I know that the Board of The Royal Mint Limited would like me to record their appreciation for the contribution made by everyone involved in making 2012-13 a historic year. I would also personally like to thank Mike Davies, who retired as Chairman of The Royal Mint Limited, for his leadership and dedication during his six years in the role.

Jeremy Pocklington
Accounting Officer

"On the first day of these Games I said we were determined to do it right. I said that these Games would see the best of us. On this last day I can conclude with these words: When our time came – Britain we did right. Thank you!"

Lord Sebastian Coe speaking at the Olympics closing ceremony.

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Paralympic Games


TEAM

Great Britain medallists pose during a Team GB Press Conference during Day 16 of the London 2012 Olympic Games at Team GB house on 12 August 2012 in London, England.

Chief Executive's Report of The Royal Mint Limited

For the Royal Mint 2012-13 was both an exciting and challenging year as we embraced our vision of being recognised as the world's best mint.

The historic events of the Queen's Diamond Jubilee and the London 2012 Olympic and Paralympic Games were at the heart of our Commemorative Coin business. We marked the Jubilee and the Games with extremely popular commemorative coin programmes and produced 4,700 Olympic and Paralympic victory medals. The year saw the culmination of years of dedication and hard work, not only for the sports men and women involved, but also for our employees who proudly watched the medals that we had manufactured being awarded. The commitment shown by all those involved in our 2012 programmes was invaluable and allowed us to show our skills and craftsmanship to the world.

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. Nevertheless, we exited 2012-13 having made considerable progress in key strategic areas, particularly the development of coins with 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 brings sophisticated banknote strength security to coins allowing them to be 100% authenticated at very high speed for their 20 year lifetime 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.

Looking to the future, in December we launched our new specification Britannia Gold and Silver 1oz coins, along with a new Vault storage facility, both of which were received favourably. Another important achievement was the partnership we forged with MMTC-Pamp to produce gold sovereigns in India for the first time since 1918.

We have continued our focus on making the Royal Mint a good place to work and we were delighted in February 2013 to be accredited an Investors in People Gold status organisation. Our people are key to our performance and we shall continue to invest in their development at all levels throughout the organisation. Likewise our commitment to safety, health and the environment has continued during the year, resulting in a further 58% reduction in accidents compared to last year. We are also making further progress on reducing our energy consumption and the amount of waste we produce as a business.

I should like to thank all our people for their contribution and hard work. Some of the challenges we have faced over the year are likely to continue but our vision to be proud to be recognised as the world's best mint remains unchanged.

Adam Lawrence
Chief Executive

The Gold, Silver and Bronze Victory Medals of the London 2012 Olympic Games. The medals are almost double the size of those handed out at the last Olympics in Beijing in 2008 and are the biggest ever designed.

All 4,700 medals for London 2012 were struck by a hydraulic press with a pressure of 900 tonnes (equivalent to the weight of a small battleship) applied five times. Each medal was struck a total of 15 times.

Britain's Queen Elizabeth II is greeted by flag-waving well-wishers during her diamond jubilee tour. For only the second time in its history the UK celebrates the Diamond Jubilee of a monarch.

Huge crowds cheering with Britain's Union flags crowd the Mall towards Buckingham Palace to celebrate the Queen's Diamond Jubilee in London on 5 June 2012. Britain's Queen Elizabeth II wraps up four days of jubilee celebrations.

Management Commentary

For the year ended 31 March 2013

Activities

The Royal Mint Trading Fund activities consist of:

The Royal Mint Limited

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 Royal Mint Museum:

- the advancement of education of the public in the history of coinage and related artefacts and of the activities of the Royal Mint.

Royal Mint Trading Fund:

- represent HM Treasury interests in the management of the Fund and to oversee financing interactions with central government.

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

Structure

The Chancellor of the Exchequer is the Master of the Royal Mint. The Royal Mint Trading Fund was established on 1 April 1975, in accordance with the Royal Mint Trading Fund Order 1975 (S.I. 1975 No. 501) and from 1 April 2002, the Royal Mint Trading Fund (Extension and Variation) Order 2002, both made under the Government Trading Funds Act 1973. As a Trading Fund, the Royal Mint operates on commercial lines and is required under Section 4(i) of the Government Trading Funds Act 1973 to 'manage the funded operations so that the turnover of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to turnover'. In practice this statutory requirement is generally taken to mean that whilst the Royal Mint is permitted to record an operating loss in any one financial year, this loss should be made good in subsequent years so that financial break-even is achieved.

On 1 April 1990 the Royal Mint became an Executive Agency under the initiative announced by the then Prime Minister in February 1988. On 31 December 2009, the trading assets and liabilities of the Royal Mint Trading Fund were vested into a subsidiary company called The Royal Mint Limited. HM Treasury remains 100% owner of the shares of the company through the Trading Fund. All assets of a historical nature were vested into a separate company, The Royal Mint Museum, limited by guarantee. The objective of The Royal Mint Museum, of which HM Treasury is the sole member, is to preserve, protect and enhance the heritage assets for future generations.

Objectives and strategy

The Royal Mint is also required under the 1973 Act to 'achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with HM Treasury concurrence) to be desirable of achievement'.

The Royal Mint Limited's target for Return on Average Capital Employed (ROACE), for 2012-13, was 10% (2011-12: 10%). The return in 2012-13 was 0.5% (2011-12: 12.6%). Financial performance for the year was significantly impacted by the volatility in the global circulating coin market. While we expect this to remain the case we have plans in place to meet our target of 10% over the medium term. The Rate of Return on Average Capital Employed excludes the impact of The Royal Mint Museum and is calculated by expressing The Royal Mint Limited's adjusted Operating Profit as a percentage of its average monthly capital employed. Last year the Operating Profit was derived directly from the companies statutory accounts. This has been modified to exclude IAS 19 Employee Benefits and IAS 39 Financial Instruments related adjustments and exceptional items. The performance against other key ministerial targets is set out on page 33.

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.

An employee of the Royal Mint embracing the Diamond Jubilee festivities in true British spirit wearing the red, white and blue of the Union flag.

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.

Issues of UK circulating coins 2012-13

Denomination	Number of Pieces Millions	Face Value £m
£2	29.2	58.4
£1	63.9	63.9
50 pence	62.2	31.1
20 pence	129.3	25.9
10 pence	135.8	13.6
5 pence	438.9	21.9
2 pence	115.2	2.3
1 penny	423.4	4.2
Total	1,397.9	221.3

Estimated value and number of coins in circulation at 31 March 2013

Denomination	Number of Pieces Millions	Face Value £m
£2	394	788
£1	1,526	1,526
50 pence	920	460
20 pence	2,704	541
10 pence	1,598	160
5 pence	3,813	191
2 pence	6,600	132
1 penny	11,293	113
Total	28,848	3,911

Operating and Financial Review

The Royal Mint has 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 (Note 5), of £1.3m (2011-12: £10.9m).

Revenue decreased by 19% to £254.6m (2011-12: £313.9m).

Commemorative Coin sales reduced by 18% to £178.0m (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 above 2010-11 sales of £121.5m and double the £89.0m of 2009-10 levels.

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 £10.8m (2011-12: £17.7m inflow).

Capital expenditure of £6.3m (2011-12: £4.7m) was mainly in the following areas:

— acquisition of a new annealing furnace;
— upgrade to the finishing mill;
— capital expenditure associated with the continued development of our aRMour® strategy; and
— development of The Royal Mint Museum exhibition at the Tower of London.

Net assets reduced by £2.7m to £72.8m as a result of the proposed dividend.

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	178.0	216.0
Total	254.6	313.9
Operating profit		
Circulating Coin	2.4	8.4
Commemorative Coin	11.4	16.5
Central overheads	(12.5)	(14.0)
Operating profit before IAS 39 related items and exceptionals	1.3	10.9
IAS 39 related items (Note 5)	(0.7)	(1.7)
Exceptionals	(1.2)	–
Operating (loss) / profit	(0.6)	9.2
Net finance cost	(1.1)	(0.9)
(Loss) / Profit before tax	(1.7)	8.3

The first responsibility of The Royal Mint is to make and distribute the UK's coins. We estimate the current number of all coins in circulation in the UK to be around 28 billion pieces.

Circulating Coin

The Circulating Coin business was adversely impacted by global economic conditions, but nevertheless generated a contribution to central costs of £2.4m (2011-12: £8.4m). Overseas deliveries of coins and blanks amounted to 1.5 billion pieces (2011-12: 2.2 billion pieces) which were still more than the combined deliveries of our two largest competitors.

The key long-term strategy of encouraging central banks to change their coinage from non-ferrous metals to aRMour® plated steel coins and blanks continued. Currently aRMour® is available in nickel-plate, copper-plate and brass-plate. The process involves a full plate mono layer that is electroplated directly onto a steel core. This results in a strong bond between the plated material and the steel core producing coins that have expected lifetimes in excess of 20 years in circulation. In comparison to other plated products there are many other benefits of aRMour® for circulating coins and coin blanks. These include the ability to incorporate edge lettering and latent image security features, superior wear and corrosion resistance, coupled with lower acquisition costs. In the year a further three countries introduced aRMour® plated coins bringing the total number of issuing authorities worldwide to more than 50.

Following on from the initial deliveries in January 2012, significant volumes of 5p and 10p aRMour® nickel-plated steel products were introduced into circulation in the UK. This was supported by an alloy recovery programme whereby cupro-nickel 5p and 10p coins were withdrawn from circulation and replaced with the aRMour® plated equivalents. The initiative commenced in January 2013 and will continue over the coming years.

The Royal Mint issued 1,398million 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%.

Counterfeit coins

During the financial year, two surveys were conducted to monitor the level of £1 counterfeit coins. The survey conducted in July 2012 indicated a counterfeit rate of around 2.9% (May 2011: 3.0%) and November 2012 a counterfeit rate of around 2.7% (November 2011: 3.1%). It is now over 30 years since the £1 coin was first issued. In our experience as the world's largest export Mint older coins especially of high value become increasingly vulnerable to attack from counterfeiters as they do not incorporate the latest security features.

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

Commemorative Coin

Contribution to central overheads was £11.4m (2011-12: £16.5m).

The early part of the year saw strong demand generated by the programme 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.

The Commemorative Coin ministerial targets (shown on page 33) were not achieved. The delivery target to UK customers (Target 3) was adversely affected by a significant unanticipated demand for the Diamond Jubilee £5 BU where we sold c. 650,000 compared to Royal Wedding of 250,000. Steps have been taken to ensure that performance will improve in 2013-14. The delivery of medals (Target 4) was impacted by problems with the delivery of components in the early part of the year. These have been resolved resulting in the target being met consistently for the final seven months of the year.

The Royal Mint Museum

The Royal Mint Museum has continued to mature in its status as a separate charitable company. Specialist staff have been recruited to enable the Museum to achieve its charitable objectives and during the year it has applied for accredited museum status. An exhibition on the history of the Royal Mint at the Tower of London will open to the public in May 2013, a project that has taken several years to realise and is the result of close collaboration with Historic Royal Palaces. Revenue continues to be derived largely from the supply of services to, or donations from, The Royal Mint Limited. The major part of the costs has been payable to The Royal Mint Limited for employees seconded to the Museum. The collection forms a remarkable record of one of the oldest continuously operating organisations in the world. Many of the items are unique, standing as an insight into the evolution and ongoing activities of the Royal Mint. Further information is outlined in Note 9. Included within Commemorative Coin is £0.5m contribution from the Museum.

Dividends

The Board has declared a dividend for 2012-13 of £4m. In 2011-12 a dividend of £4.0m was provided for and was paid on 1 September 2012.

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.

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 Consolidated 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 foreign currency exchange contracts has been highlighted separately in the Consolidated Income Statement. In 2012-13 the year-end impact was a loss of £0.7m (2011-12: £1.7m loss).

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.

Assay

In accordance with the Royal Mint's responsibilities, as detailed in the Hallmarking Act 1973, a quality assessment was carried out by the Royal Mint of the Assay Offices in London, Birmingham, Sheffield and Edinburgh. As a result of this year's assessment, it was established that the metal analysis methods (assaying) and procedures of the four offices met relevant criteria.

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%).

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.

Directors

Details of the Directors of The Royal Mint Limited are set out on page 5. None of the Directors has interests that conflict with their responsibilities. The senior manager of The Royal Mint Museum is seconded from The Royal Mint Limited.

Auditor

The Royal Mint Trading Fund's statutory auditor is the Comptroller and Auditor General. The external audit costs are set out in Note 3 to the Accounts.

Every effort has been made to ensure that there is no relevant audit information of which the Royal Mint Trading Fund auditors are unaware. All the steps that ought to have been taken to make the auditors aware of any relevant audit information have been made.

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.

Going concern

After making enquiries, including seeking assurances from the Directors of The Royal Mint Limited, the Accounting Officer has concluded that there is a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. The Fund therefore continues to adopt the going-concern basis in preparing its consolidated financial statements.

As part of the 5p and 10p alloy recovery program, the new coin crusher machine destroys the images on each coin as the rate of one tonne per hour, turning them into non-security items ready to sell as scrap metal.

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 (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 m^3.

During the year 271,000 m^3 (2011-12: 728,000 m^3) 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 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.

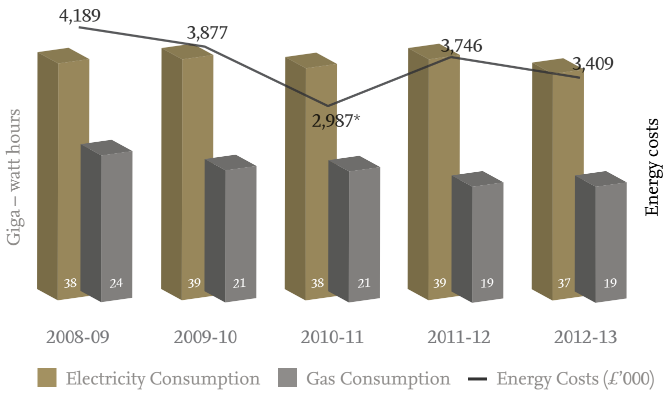
There was an increase in the amount of primary energy used per tonne of throughput, the Royal Mint's primary energy per tonne of throughput was 11.1% above the previous year. This increase has occurred due to the reduced volumes of production through the plants and the significant base loading that the 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 (SA 8000) Standard, which is the first global ethical standard.

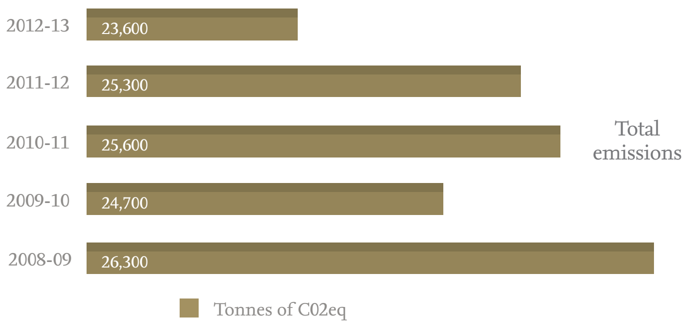
Greenhouse gas emissions and energy consumption

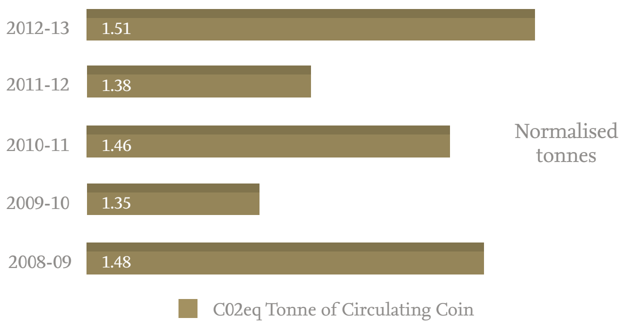
The use of energy is a significant aspect of the organisation's environmental impact. The Royal Mint as an energy intensive industry can obtain a discount of up to 65% from the Climate Change Levy provided that challenging targets for improving energy efficiency and reducing carbon emissions are met. 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 6952 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



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

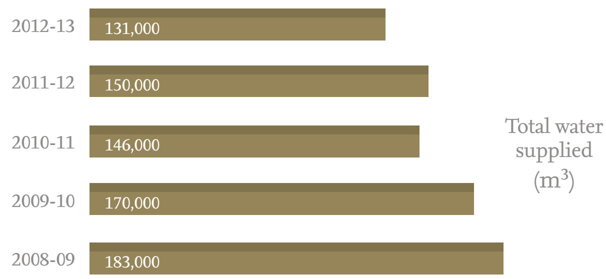


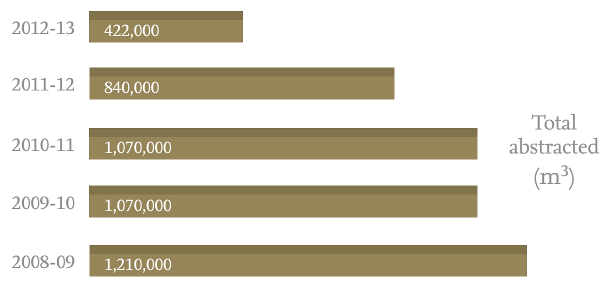


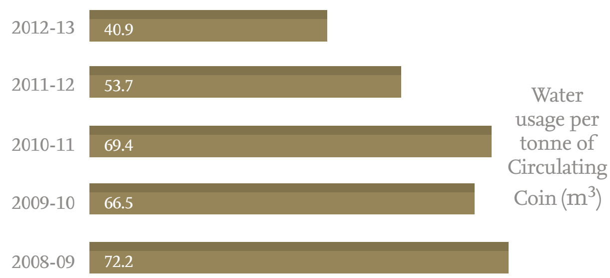
Water consumption

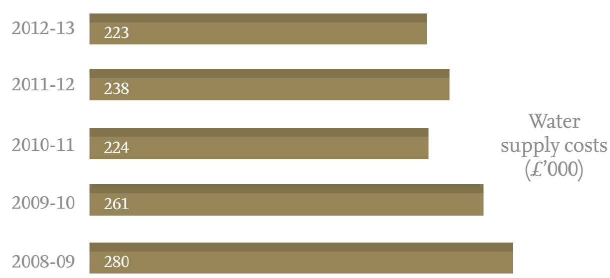
A large volume of water is consumed within the coin manufacturing process. In recognition of this the Royal Mint has invested in a water treatment plant which became operational in 2012.

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.

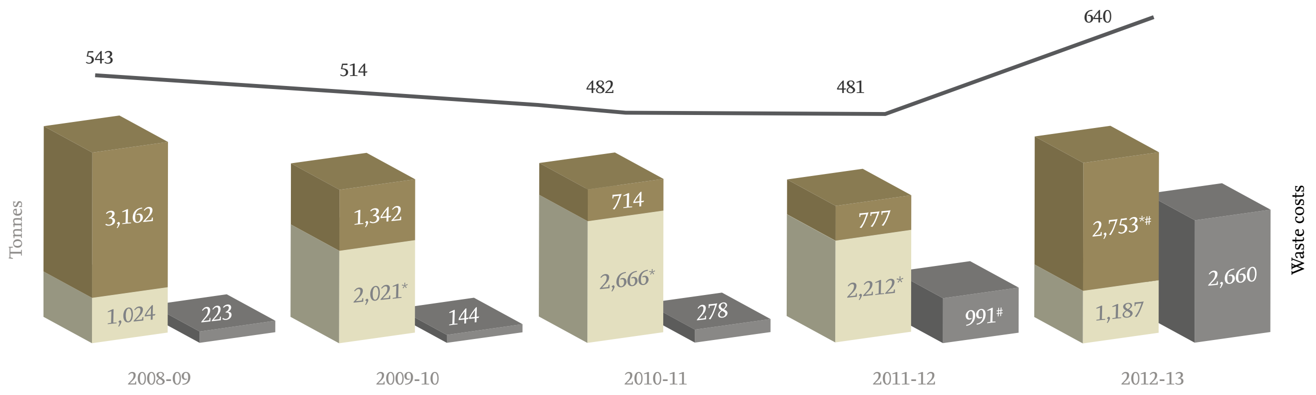








Waste



* 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.

Scope Analysis

Tonnes of CO2eq		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	52	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 the use of land fill for waste disposal. Suppliers are urged to assess their carbon footprint and have in place action plans to reduce and monitor omissions.

Reporting and data

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

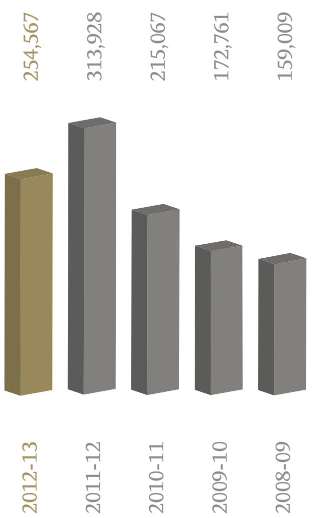
For transport, the mileages of Royal Mint vehicles are monitored along with data supplied by taxi companies and the carbon from air travel is supplied by the Royal Mint's travel operator. The Royal Mint gathers data on water use and transport in calculating the scope 3 emissions.

Financial Summary

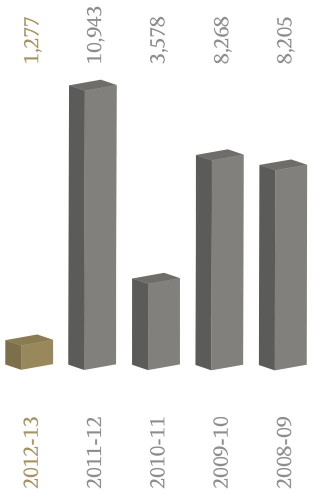
	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000
Accounting standards	Prepared under International Financial Reporting Standards (IFRS)				Prepared under UKGAAP
UK sales	112,860	113,795	72,569	62,715	76,787
Overseas sales	141,707	200,133	142,498	110,046	82,222
Total Sales	254,567	313,928	215,067	172,761	159,009
Operating profit before IAS 39 related items and exceptionals	1,277	10,943	3,578	8,268	8,205
IAS 39 related items	(674)	(1,654)	77	2,263	(1,413)
Exceptional items	(1,229)	–	–	(5,273)	(2,204)
Operating (loss) / profit	(626)	9,289	3,655	5,258	4,588
Net interest	(1,102)	(966)	(522)	(1,062)	(322)
(Loss) / Profit before tax	(1,728)	8,323	3,133	4,196	4,266
Tax	300	1,251	(590)	(443)	–
(Loss) / Profit after tax	(1,428)	9,574	2,543	3,753	4,266
Net assets	72,761	75,449	55,267	59,116	55,920
Operating (loss) / profit before IAS 39 related items and exceptionals / sales	0.5%	3.5%	1.7%	4.8%	5.2%
Operating (loss) / profit /sales	(0.2)%	3.0%	1.7%	3.0%	2.9%

The total impact of the loss on open forward foreign currency exchange contracts and hedging ineffectiveness under IAS 39 at the year end has been highlighted separately, after the introduction of the 'Financial Instruments' Standards (International Accounting Standard (IAS) 32: Presentation, (IAS) 39 (note 5): Recognition and Measurement and International Financial Reporting Standard (IFRS) 7: Disclosures). In accordance with the Government Financial Reporting Manual comparatives did not require restatement on adoption in 2008-09.

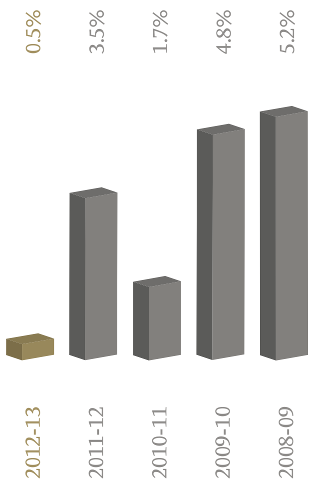
Total sales £'000



Operating profit before IAS 39 related items and exceptionals (see Note 5) £'000



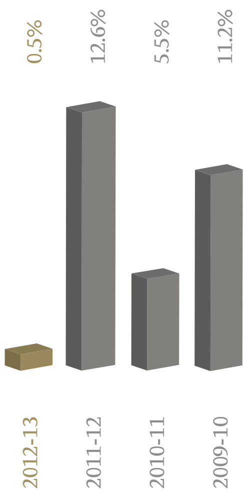
Operating profit before IAS 39 related items and exceptionals (see Note 5) £'000 as a percentage of sales



Key Ministerial Targets

		2012-13	2011-12	2010-11	2009-10
Target 1#† To achieve rate of return on average capital employed	Target Outturn	10.0% 0.5%	10.0% 12.6%	10.0% 5.5%	10.0% 11.2%
Target 2# UK Circulating Coin Delivery of accepted orders from UK banks and post offices within 11 days	Target Outturn	99.0% 100.0%	99.0% 100%	99.0% 99.5%	99.0% 99.9%
Target 3#* UK Commemorative Coin Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date	Target Outturn	80.0% 70.2%	80.0% 75.0%	80.0% 78.0%	80.0% 49.8%
Target 4# Medals Orders delivered by agreed delivery date	Target Outturn	98.0% 95.0%	98.0% 92.0%	98.0% 93.2%	98.0% 97.6%

Financial objective ratio (target 1)



Commentary for Target one is provided on page 18 and on page 23 for Targets 2 to 4.

† The Rate of Return on Average Capital Employed excludes the impact of The Royal Mint Museum and is calculated by expressing The Royal Mint Limited's adjusted Operating Profit as a percentage of its average monthly capital employed. Last year the Operating Profit was derived directly from the companies statutory accounts. This has been modified to exclude IAS 19 Employee Benefits and IAS 39 Financial Instruments related adjustments and exceptional items.

* The measure for Commemorative Coin deliveries has been changed in 2010-11 to provide a more exacting target.

The Royal Mint Advisory Committee

The Committee, which operates independently of the Royal Mint and whose full title is the Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations, was established in 1922 with the personal approval of George V.

Its original purpose was to raise the standard of numismatic art and that remains its primary concern, being charged on behalf of HM Treasury and other government departments with the recommendation of new designs for UK coins, official medals and seals. The Committee is designated a Non-Departmental Public Body and its membership is regulated by the Office for the Commissioner of Public Appointments (OCPA).

There were four meetings in the last year, all taking place in London, one at the Art Workers' Guild and three at Cutlers' Hall. In addition, there were two meetings of the Sub-Committee on the selection of themes for new United Kingdom coins.

Commemorative coins

The Coronation of Her Majesty the Queen in 1953 was marked at the time with the issue of a crown piece, the equestrian portrait of which was designed by the respected sculptor Gilbert Ledward RA. In seeking to celebrate the 60th anniversary of that important moment in British history, designs for a crown piece, a five-ounce coin and a kilo were commissioned by the Committee. Although in the end the work of three different artists was selected, the central ceremonial role of the crown jewels ties them together. In designing the crown piece, for Emma Noble the Imperial State Crown defined the occasion with considerable clarity and, embellishing his composition with the level of detail befitting the large canvas of a kilo coin, John Bergdahl placed the Imperial State Crown and sceptre within a celebratory arrangement of foliage and banners.

The setting of the ceremony itself in Westminster Abbey could not go unrecognised and in his design for the five-ounce coin silversmith Jonathan Olliffe captured beautifully the architectural splendour of the Abbey as a frame for the orb and sceptre. In the weeks leading up to the Coronation in June 1953 the first coins of the current reign started to enter circulation, bearing a portrait of the young Queen by the sculptor Mary Gillick.

Since then three other main coinage portraits of the Queen have been commissioned from Arnold Machin RA, Raphael Maklouf and Ian Rank-Broadley FRBS. Bringing together the story of her portrait over the course of her reign seemed wholly appropriate and, to act as an anchor for the series, designs taking the Royal Arms as the principal theme were commissioned by the Committee. The work of the distinguished sculptor James Butler RA was chosen and in his success there is a pleasing link with the Coronation itself since as a young sculptor he worked with Gilbert Ledward.

Each of these four artists had designed United Kingdom coins before but young sculptor Anthony Smith's artwork for the two-pound coin to mark the 350th anniversary of the first issue of the guinea was his first success. The commission for a pair of two-pound coins to commemorate the 150th anniversary of the opening of the London Underground elicited a very strong response from the graphic designers and artists invited to submit ideas. Having designed the bridge series of one pound coins some years ago Edwina Ellis prepared a brilliantly effective treatment of the famous roundel, while Ed Barber and Jay Osgerby, fresh from their success in designing the torch for the London 2012 Olympic Games, focused on the classic image of an underground train emerging from a tunnel.

For the 50 pence piece, the themes with which artists and the Committee had to wrestle were the 50th anniversary of the death of composer Benjamin Britten and the 100th anniversary of the birth of coin designer Christopher Ironside. It was perhaps no surprise that Tom Phillips RA CBE, himself a composer as well as an enormously talented artist, came through with a design for the Benjamin Britten coin centred on the inspirational nature of Britten's music. To honour Christopher Ironside, who gave Britain its first decimal coin designs, it seemed a fitting tribute to make use of an elegant version of the Royal Arms he prepared for the 50 pence in the late 1960s, which at the time did not quite make it through to final approval. The then President of the Committee, Prince Philip, commented that the design was so strong another use ought to be found for it and now, over 40 years later, those wishes have been realised.

The distinguished artist James Butler RA has designed a number of United Kingdom coins and his treatment of the Royal Arms for the reverse of the Portrait Collection, shown here as an unfinished plaster model, demonstrates the vigour and strength of his skill as a sculptor.

Medals and seals

The remit of the Committee includes making recommendations to a range of government departments on the design of official medals and seals. Projects come with less frequency but are nonetheless a reasonably regular element of the Committee's work. The design of a new Second World War Star, or at least agreement of the weight and positioning of the wording taken from existing Stars, was necessary in relation to the Arctic Convoy. The institution of the medal was the result of many years of campaigning and the first of the medals was awarded to surviving veterans before Easter.

Sub-Committee on the Selection of Themes

There were two meetings of the Sub-Committee on the Selection of Themes for United Kingdom Coins. The focus of attention of the Sub-Committee during the summer of 2012 was the forthcoming centenary of the First World War from 2014, an extensive programme which has since been approved by the Chancellor. The Sub-Committee could not have made the progress it did without the advice of the eminent war historian Professor Sir Hew Strachan of All Souls College Oxford. At a meeting in March 2013 the Sub-Committee discussed themes for 2015, as well as a number of other projects which will be publicised in the coming months.

Membership

Having been reviewed, the terms of two members, Jana Khayat and Tim Knox, were extended. The pressure of other commitments has meant that Mrs Khayat's term will not go beyond February 2014, while Mr Knox's time on the Committee will continue for a further three years. In their very different ways they have proven themselves to be influential members, providing not only well informed cultural perspectives but also more detailed insights that have enhanced the quality of designs recommended by the Committee.

The recruitment of a new member to replace MaryAnne Stevens, who retired in April last year, resulted in the appointment of the ceramic artist and writer Edmund de Waal OBE. He will bring to the deliberations of the Committee his own informed perspective as a practising artist and also his considerable knowledge of art history. The Chairman and other members look forward to working with him in the coming years.

Members give of their time freely and, for HM Treasury and other government departments who draw upon the Committee's advice, there is a deep sense of gratitude for the care and expertise they devote to their deliberations. The commitment in time and energy the Chairman, in particular, has been able to give to the work of the Committee has not gone unrecognised.

Members of the Committee
At 31 March 2013
(with dates of appointment)

Lord Waldegrave of North Hill
Chairman
(January 2011)

Professor Sir David Cannadine
Historian
(September 2004, re-appointed September 2011)

Mr John Maine RA
Sculptor
(September 2004, re-appointed September 2011)

Mr Stephen Raw
Lettering artist
(January 2005, re-appointed January 2012)

The Rt Hon. The Earl Peel GCVO DL
Lord Chamberlain
(March 2007)

Mrs Jana Khayat
Businesswoman
(February 2008, re-appointed February 2013)

Mr Tim Knox
Director of the Fitzwilliam Museum
(February 2008, re-appointed February 2013)

Lieutenant Colonel Alexander Matheson
Secretary, Central Chancery of the Orders of Knighthood
(April 2013)

Mr Edmund de Waal OBE
Ceramic artist and writer
(April 2012)

Mr Thomas Woodcock CVO DL
Garter King of Arms
(January 2010)

Professor Nick Mayhew
Numismatic Consultant to the Committee
(January 2010)

Mr Adam Lawrence
Chief Executive of The Royal Mint Limited

Dr Kevin Clancy
Secretary to the Committee

Mr Gordon Summers
Technical Adviser to the Committee

Statement of the Royal Mint Trading Fund and Accounting Officer's Responsibilities

Under section 4(6) of the Government Trading Funds Act 1973 HM Treasury has directed the Royal Mint Trading Fund to prepare a statement of accounts ('the Accounts') for each financial year in the form and on the basis set out in the accounts direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the Royal Mint Trading Fund's state of affairs at the year end and of its Consolidated Income Statement, Consolidated and Trading Fund Statements of Comprehensive Income, Consolidated and Trading Fund Statements of Changes in Equity and Consolidated and Trading Fund Statements of Cashflows for the financial year.

In preparing the Accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Royal Mint will continue in operation.

The relevant responsibilities as Accounting Officer are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money (available on www.gov.uk/government/publications/managing-public-money). These include his responsibility for the propriety and regularity of the public finances for which he is answerable, the keeping of proper records and the safeguarding of the Royal Mint Trading Fund's assets.

Governance Statement

Governance framework

HM Treasury is the owner of the Royal Mint Trading Fund.

The Accounting Officer has responsibility for maintaining a sound system of internal control that supports achievement of the Fund's policies, aims and objectives, whilst safe-guarding public funds and the Fund's assets, in the responsibilities assigned to the Accounting Officer in Managing Public Money. These responsibilities have been carried out via delegated authority:

- to the Board of Directors of The Royal Mint Limited, a wholly owned subsidiary of the Royal Mint Trading Fund, which is the operating entity under which the Royal Mint Trading Fund trades. The remainder of this statement refers to the Internal Control processes within The Royal Mint Limited;
- to the Trustees of The Royal Mint Museum, a separate company limited by guarantee of which HM Treasury is the sole member, which is a registered charity that is responsible for the heritage assets transferred at vesting; and
- to the Shareholder Executive, which has been delegated its shareholding responsibilities to manage HM Treasury's day-to-day shareholding relationship with the company on behalf of HM Treasury Ministers.

Corporate Governance Compliance

The Board of Directors support high standards of governance and, in so far as is practicable given its size and status, has, together with HM Treasury and the Shareholder Executive, continued to develop the governance of the business in accordance with the UK Corporate Governance Code.

The Royal Mint complied with the Corporate Governance in Central Government Departments, Code of Good Practice in so far as it is relevant. In particular, the Royal Mint Limited has maintained an appropriate Board composition, in line with statutory obligations.

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 on page 40.

	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

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

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

The Role of the Board

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

The roles and responsibilities of the Board are:

— 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.

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

The Board of Directors confirms that it considers the Annual Report 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. The Board has reviewed and accepted the feedback of this year's positive report and has taken steps to improve further its effective performance going forward.

During the year, the main focus of the Board was to review existing business. As an output a five-year plan was developed and approved taking the business through to 2018. Key Ministerial Targets were discussed and plans identified to improve performance for future years.

The 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.

Details of the internal controls systems and their effectiveness are described on page 42.

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, and the Remuneration Report is set out on page 44.

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 Chairman 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 Chairman, 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 Boards 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.

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 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.

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.

The Royal Mint Museum

The Museum is governed by a Board of Trustees who met four times during 2012-13 (2011-12: four times). There were no issues that arose from the review of effectiveness of the controls operating within The Royal Mint Museum.

Arms-length bodies

The Royal Mint Advisory Committee is an associated arms-length body. The Committee's activities in the year are summarised on page 34.

Jeremy Pocklington

Accounting Officer
28 June 2013

Remuneration Report

Introduction

The Accounting Officer of the Royal Mint Trading Fund and the Trustees of The Royal Mint Museum receive no remuneration in connection with their respective roles within the Royal Mint Trading Fund.

The Royal Mint Limited Remuneration Committee of The Royal Mint Limited

The Committee's primary role is to determine, within the bounds of the Director's Remuneration Framework agreed with the shareholder, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of the Shareholder Executive and HMT Ministers where appropriate. The Director of Business Services is Secretary to the Committee, and the Chief Executive is invited to attend the Committee.
Neither individual takes part in any decision affecting their own remuneration.

Committee remit

The remit was updated in October 2011.
The amended remit can be accessed on The Royal Mint Limited's website.

Remuneration policy

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

Executive Management Team

The team as at 31 March 2013 is made up of six people in the following roles:
Chief Executive, Director of Finance, Director of Business Services, Director of Operations, Director of Commemorative Coin, Director of Circulating Coin.

Members of the Executive Management Team's terms, conditions and remuneration

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

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

ii. **Short-Term Incentive Plan (STIP)**
At the start of the year the Remuneration Committee agreed a STIP for 2012-13. The purpose was to recognise and reward outstanding performance against planned business targets, with a strong focus on return on average capital employed (ROACE). The maximum award for 2012-13, if ROACE in excess of 130% of target were achieved, was 33% of basic salary for Adam Lawrence and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed in the year they are paid. Amounts paid in 2012-13 relate to performance in 2011-12 and are outlined in the table. No amounts will be payable for 2012-13.

iii. **Long-Term Incentive Plan (LTIP)**
The LTIP is in place to reward and recognise achievement of the strategic and sustainable development of the business. Targets are set over a three-year timescale. Incentives earned by achieving these targets are paid in the year following the end of the three-year period. The maximum it is possible to earn each year is 33% of basic salary for Adam Lawrence and 25% for the members of the Executive Management Team. LTIP awards are disclosed in the year they are paid. At the year end £74,000 (2011-12: £109,000) has been provided in the accounts in relation to LTIP. The final amount earned for each year in respect of the LTIP will depend upon targets met.

iv. **Pension Scheme**
All members of the Executive Management Team, who joined prior to 1 January 2010, are members of Prudential Platinum Pension – The Royal Mint Limited Scheme, a defined benefit pension scheme. Those who joined after that date are members of The Royal Mint Group Personal Pension Plan, a defined contribution scheme.

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

The following sections provide details of the salaries, pension entitlements and fees of the Board members and Executive Management Team of The Royal Mint Limited. These disclosures have been subject to external audit.

Remuneration and Incentive Plan Payments (audited)

Executive Management Team of The Royal Mint Limited	Remuneration 2012-13 £'000	STIP payments made in 2012-13 for 2011-12 performance £'000	LTIP Payments made in 2012-13 for 3 years performance £'000	Remuneration 2011-12 £'000	STIP payments made in 2011-12 for 2010-11 performance £'000	LTIP payments made in 2011-12 for 3 years performance £'000
Adam Lawrence* Chief Executive	200-205	34	–	195-200	4	53
Vin Wijeratne* Director of Finance	125-130	18	–	125-130	1	–
Anne Jessopp Director of Business Services	130-135	18	–	130-135	3	–
Phil Carpenter Director of Operations	110-115	17	–	105-110	3	–
Andrew Mills Director of Circulating Coin	135-140	3	–	130-135	3	–
Shane Bissett Director of Commemorative Coin	130-135	25	–	125-130	–	–

*Board member

Shane Bissett's remuneration includes relocation costs.

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

Median Pay

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

Using this basis, in 2012-13 the banded remuneration of the highest-paid Director of the Royal Mint was £235,000-£240,000, (2011-12: £250,000-£255,000). This was eight times (2011-12: nine times) the median remuneration of the workforce, which was £30,000 (2011-12: £29,000).

Pension benefits accrued in Prudential Platinum Pension – The Royal Mint Limited Scheme (audited)

Executive Management Team of The Royal Mint Limited	Accrued Pension at 31 March 2013 £'000	Accrued Pension at 31 March 2012 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as at 31 March 2013 £'000	Transfer Value as at 31 March 2012 £'000	Increase in Transfer Value less employees contributions £'000
Adam Lawrence* Chief Executive	12	8	4	212	116	89
Anne Jessopp Director of Business Services	8	6	3	165	97	63
Phil Carpenter Director of Operations	5	3	1	120	69	49
Andrew Mills Director of Circulating Coin	9	6	3	179	109	67

*Board member

The 'Increase in Transfer Value less Employee Contributions' corresponds to the difference between the value placed on benefits accrued at dates which are one year apart, the start and end of the year less employee contributions. This primarily relates to the value placed on the additional accrual of benefits over the year and the value placed on that, however, is also impacted by changes in assumptions which have increased the figures reported for 2012-13.

Vin Wijeratne and Shane Bissett are members of the Royal Mint Group Personal Pension Plan, a defined contribution scheme. Employer contributions made during the year were as follows:
Vin Wijeratne £14,000 (2011-12: £13,000)
Shane Bissett £14,000 (2011-12: £13,000)

Employment agreements

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

Early termination, other than for misconduct or persistent poor performance, would result in the individual receiving compensation in line with the relevant redundancy scheme.

Non-Executive Directors' terms, conditions and fees (audited)

The Non-Executive Directors are engaged under letters of appointment from HM Treasury. Either party can terminate his or her engagement upon giving three months' notice. During the next 18 months the appointments of the current Non-Executive Directors will come to an end and we have commenced a recruitment process.

The Non-Executive Directors receive an annual fee established by HM Treasury.

	2012-13 £'000	2011-12 £'000
Mike Davies (Resigned 31 December 2012)	34	45
Peter Warry (Appointed 10 December 2012)	15	–
Colin Balmer	23	23
Mary Chapman	20	20
David Harding	19	18

In addition Non-Executive Directors are reimbursed for reasonable travel and subsistence expenses claimed in the performance of their duties and the total amount paid to the Non-Executive Directors was £8,000 (2011-12: £4,000).

Tim Martin received no remuneration from The Royal Mint Limited or the Royal Mint Trading Fund

Jeremy Pocklington
Accounting Officer
28 June 2013

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Royal Mint Trading Fund for the year ended 31 March 2013 under the Government Trading Funds Act 1973. The financial statements comprise: the Consolidated Income Statement, the Consolidated and Trading Fund Statements of Comprehensive Income, Consolidated and Royal Mint Trading Fund Statements of Changes in Equity, Consolidated and Royal Mint Trading Fund Statements of Financial Position, Consolidated and Royal Mint Trading Fund Statements of Cashflow; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Royal Mint Trading Fund's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 Royal Mint Trading Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Royal Mint Trading Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

— the financial statements give a true and fair view of the state of the Royal Mint Trading Fund's affairs as at 31 March 2013 and of its loss for the year then ended; and

— the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued there under.

Opinion on other matters

In my opinion:

— the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and

— the information given in the Management Commentary and Financial Summary and Key Ministerial Targets for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

— adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

— the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— I have not received all of the information an explanations I require for my audit; or

— the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
3 July 2013
National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP

Consolidated Income Statement

For the year ended 31 March 2013

	Notes	Before IAS 39 related items and exceptionals (Note 5) 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 (Note 5) 2011-12 £'000	IAS 39 related items (Note 5) 2011-12 £'000	Total 2011-12 £'000
Revenue – Continuing	2	254,567	–	–	254,567	313,928	–	313,928
Cost of sales	3,5	(216,867)	701	(857)	(217,023)	(265,955)	(953)	(266,908)
Gross profit		37,700	701	(857)	37,544	47,973	(953)	47,020
Administrative expenses	3,5	(12,537)	–	(142)	(12,679)	(13,948)	–	(13,948)
Selling and distribution costs	3,5	(23,337)	–	(230)	(23,567)	(22,840)	–	(22,840)
Other gains / (losses)-net	22	(549)	(1,375)	–	(1,924)	(242)	(701)	(943)
Operating profit / (loss)	2	1,277	(674)	(1,229)	(626)	10,943	(1,654)	9,289
Finance income	6	156	–	–	156	181	–	181
Finance costs	6	(1,258)	–	–	(1,258)	(1,147)	–	(1,147)
Profit / (Loss) before tax		175	(674)	(1,229)	(1,728)	9,977	(1,654)	8,323
Tax credit for the year	7				300			1,251
(Loss) / Profit for the financial year					(1,428)			9,574
(Loss) / Profit attributable to:								
HM Treasury					(1,428)			9,574

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2012-13 £'000	2011-12 £'000
(Loss) / Profit for the financial year		(1,428)	9,574
Other comprehensive income:			
Cash flow hedges		374	(754)
Actuarial loss on defined benefit scheme	17	(1,079)	(638)
Deferred tax on actuarial loss on defined benefit scheme	16	259	153
Loss on land and buildings revaluation		(1,972)	–
Gain on Heritage Assets revaluation	9	4,745	16,000
Gain / (deficit) on plant and machinery revaluation	8	413	(153)
Total comprehensive income for the year		1,312	24,182
Total comprehensive income attributable to:			
HM Treasury		1,312	24,182

Royal Mint Trading Fund Statement of Comprehensive Income

For the year ended 31 March 2013

	2012-13 £'000	2011-12 £'000
Profit for the financial year	8,000	–
Other comprehensive income:		
Cash flow hedges	–	–
Actuarial (loss) / gain on defined benefit scheme	–	–
Deferred tax on actuarial gain / (loss) on defined benefit scheme	–	–
Gain on Heritage Assets revaluation	–	–
(Loss) / gain on plant and machinery revaluation	–	–
Total comprehensive income for the year	8,000	–
Total comprehensive income attributable to:		
HM Treasury	8,000	–

Consolidated Statement of Changes in Equity

	Public Dividend Capital £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total £'000
At 1 April 2012	5,500	2,413	52,122	(778)	16,192	75,449
Movements in the year:						
Loss for the financial year	–	–	(1,428)	–	–	(1,428)
Cash flow hedges	–	–	–	374	–	374
Actuarial loss on defined benefit scheme	–	–	(1,079)	–	–	(1,079)
Deferred tax on actuarial loss of defined benefit scheme	–	–	259	–	–	259
Loss on land and buildings revaluation	–	(1,972)	–	–	–	(1,972)
Gain on plant and machinery revaluation	–	413	–	–	–	413
Gain on Heritage Assets revaluation	–	–	–	–	4,745	4,745
Transfers	–	(293)	202	–	91	–
Total Comprehensive Income for the year	–	(1,852)	(2,046)	374	4,836	1,312
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
At 31 March 2013	5,500	561	46,076	(404)	21,028	72,761

	Public Dividend Capital £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Heritage Assets Reserve £'000	Total £'000
At 1 April 2011	5,500	2,566	47,225	(24)	–	55,267
Movements in the year:						
Profit for the financial year	–	–	9,574	–	–	9,574
Cash flow hedges	–	–	–	(754)	–	(754)
Actuarial loss on defined benefit scheme	–	–	(638)	–	–	(638)
Deferred tax on actuarial loss of defined benefit scheme	–	–	153	–	–	153
Loss on plant and machinery	–	(153)	–	–	–	(153)
Gain on Heritage Assets revaluation	–	–	–	–	16,000	16,000
Transfers	–	–	(192)	–	192	–
Total Comprehensive Income for the year	–	(153)	8,897	(754)	16,192	24,182
Transactions with HM Treasury – dividends	–	–	(4,000)	–	–	(4,000)
At 31 March 2012	5,500	2,413	52,122	(778)	16,192	75,449

The Notes on pages 58 to 93 form part of the Accounts

Royal Mint Trading Fund Statement of Changes in Equity

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2012	5,500	45,819	51,319
Movements in the year:			
Profit for the financial year	–	8,000	8,000
Total Comprehensive Income for the year	–	8,000	8,000
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
At 31 March 2013	5,500	49,819	55,319

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2011	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	–	–	–
Total Comprehensive Income for the year	–	–	–
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
At 31 March 2012	5,500	45,819	51,319

The Notes on pages 58 to 93 form part of the Accounts.

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 £'000	2012 £'000
Non-Current Assets			
Property, plant and equipment	8	45,998	47,459
Heritage assets	9	21,060	16,211
Intangible assets	10	1,715	1,846
Deferred tax asset	16	–	885
Total Non-Current Assets		68,773	66,401
Current Assets			
Inventories	11	35,496	34,293
Derivative financial instruments	23	83	229
Retirement benefit asset	17	–	229
Deferred tax asset	16	1,635	–
Current tax receivable	7	1,080	–
Trade and other receivables	12	19,926	29,164
Cash and cash equivalents		1,327	1,853
Total Current Assets		59,547	65,768
Current Liabilities			
Short-term borrowings	13	(18,000)	(15,000)
Trade and other payables	14	(33,991)	(38,399)
Retirement benefit liability	17	(352)	–
Deferred tax liability	16	(716)	–
Current tax liability	7	–	(457)
Derivative financial instruments	23	(1,367)	(1,493)
Total Current Liabilities		(54,426)	(55,349)
Net Current Assets		5,121	10,419
Non-Current Liabilities			
Provision for liabilities and charges	15	(1,133)	(1,371)
Net Assets		72,761	75,449
Equity			
Public dividend capital		5,500	5,500
Revaluation reserve		561	2,413
Retained earnings		46,076	52,122
Hedging reserve		(404)	(778)
Heritage Assets reserve		21,028	16,192
Total Equity		72,761	75,449

The Notes on pages 58 to 93 form part of the Accounts.

Jeremy Pocklington
Accounting Officer
28 June 2013

Royal Mint Trading Fund Statement of Financial Position

At 31 March 2013

	Notes	2013 £'000	2012 £'000
Non-Current Assets			
Investments	24	59,319	59,319
Total Non-Current Assets		59,319	59,319
Current Liabilities			
Trade and other payables	14	(4,000)	(8,000)
Total Current Liabilities		(4,000)	(8,000)
Net Assets		55,319	51,319
Equity			
Public dividend capital		5,500	5,500
Retained earnings		49,819	45,819
Total Equity		55,319	51,319

The Notes on pages 58 to 93 form part of the Accounts.

Jeremy Pocklington

Accounting Officer

28 June 2013

Consolidated Statement of Cashflow

For the year end 31 March 2013

	Notes	2012-13 £'000	2011-12 £'000
Cashflow from operating activities			
Operating (loss) / profit		(626)	9,289
Depreciation and amortisation on non-current assets		4,836	3,829
Loss on disposal		330	52
Cashflow hedges		394	1,318
Movements in working capital:			
Inventory		(1,203)	114
Retirement benefit asset		(354)	(141)
Trade and other receivables		9,237	2,942
Trade and other payables		707	1,849
Provisions		(262)	(353)
Cashflow from operations:		13,059	18,899
Tax paid		(1,012)	(67)
Interest paid		(1,252)	(1,113)
Net Cashflow from operating activities		10,795	17,719
Cashflow from investing activities			
Acquisition of property, plant and equipment		(5,809)	(3,922)
Acquisition of intangible assets		(524)	(830)
Interest received		12	18
Net cash used in investing activities		(6,321)	(4,734)
Cashflow from financing activities			
Dividend paid		(8,000)	–
Short-term loans		3,000	(12,000)
Net cash used in financing activities		(5,000)	(12,000)
Net movement in cash and cash equivalents		(526)	985
Cashflow from movement in borrowings		(3,000)	12,000
Movement in net debt		(3,526)	12,985
Net debt at start of year		(13,147)	(26,132)
Net debt at end of year	21	(16,673)	(13,147)

The Notes on pages 58 to 93 form part of the Accounts.

Royal Mint Trading Fund Statement of Cashflow

For the year end 31 March 2013

	Notes	2012-13 £'000	2011-12 £'000
Cashflow from operating activities			
Operating profit		–	–
Net Cashflow from operating activities		–	–
Cashflow from investing activities			
Dividends received from The Royal Mint Limited		8,000	–
Short-term loans		(3,000)	12,000
Net cash used in investing activities		5,000	12,000
Cashflow from financing activities			
Dividends paid		(8,000)	–
Short-term loans		3,000	(12,000)
Net cash used in financing activities		(5,000)	(12,000)
Net movement in cash and cash equivalents		–	–
Cashflow from movement in borrowings		–	–
Movement in net funds		–	–
Net debt at start of year		–	–
Net debt at end of year	21	–	–

The Notes on pages 58 to 93 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 the 2012-13 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Royal Mint Trading Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the 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 Fund:

IAS 1 (amendment):	First time adoption, on fixed dated 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:	First time adoption on government loans on IFRS transition

It is not anticipated that the above will have a significant impact on the Group.

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 of The Royal Mint Limited.

Note 1 continued

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 of exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash-flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'other gains / (losses) – net'.

2.4 Property, plant and equipment

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

The valuation is based upon the following:

(i) land and buildings are stated at least by way of triennial valuation by external independent valuers; and

(ii) plant and machinery are stated at their cost uprated by indices published by the Office for National Statistics.

The land and buildings valuation is also renewed with sufficient regularity to ensure that the fair value does not differ materially from the carrying amount. Fair value is assessed on the basis of open market value except in the case of specialised buildings which are based on depreciated replacement cost.

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

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

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

Note 1 continued

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 gains / (losses) – net in the Income Statement.

Land and buildings within The Royal Mint Limited accounts are valued at cost to The Royal Mint Limited less accumulated depreciation.

Heritage assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental and historic associations.

The Fund has introduced a programme of valuation as follows:

Assets donated to The Royal Mint Museum on vesting

Coins and medals – professional valuation undertaken during 2011-12.

Library, seal counterparts and trial plates – professional valuation undertaken during 2012-13.

Other assets including bank notes, postage stamps,weights, balances, plaster models, drawings, paintings and sculptures will be valued in the period from 1 April 2013 to 31 March 2017. Valuations for each class of Heritage asset will be undertaken every five years.

No meaningful valuation is possible with respect to master tools and dies for which cost information is unavailable. No valuation with respect to architectual plans, film reels, tapes and glass negatives is to be undertaken as their significance in relation to valuation is not judged sufficiently high to warrant expenditure on obtaining a valuation.

Assets acquired since vesting

Heritage assets acquired since the formation of the Museum company have been capitalised to the Statement of Financial Position at initial cost. Donated heritage assets are recorded at estimated valuation at the date of donation unless this is not practicable in which case the appropriate disclosures are made of the nature and the extent of these donations.

2.5 Intangible assets

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.

Note 1 continued

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 Trading Fund 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 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 time frame 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 consolidated 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 derecognised 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 Consolidated 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 derecognised when their outcome is certain.

Note 1 continued

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 statement of comprehensive income

Financial liabilities at fair value through the Consolidated Income Statement include 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 Statement of Comprehensive Income.

2.11 Derivative financial instruments

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

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

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

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

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

Note 1 continued

2.12 Inventories

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

2.13 Cash and cash equivalents

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

2.14 Trade payables

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

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

2.15 Current and deferred tax

The tax expense for the period comprises of 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 year end. 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 the Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Note 1 continued

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 assets less the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past service costs. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension 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 Fund has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Pre-paid 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 Trading Fund 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.

Note 1 continued

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 Fund'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; and
- 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 in relation to Public Dividend Capital are recognised as a liability in the financial statements in the year to which they relate.

2.22 Consolidation accounting policy

Subsidiaries are all entities over which the Fund has the power to govern the financial and operating financial policies generally accompanying a shareholding of more than one half of the voting rights.

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

2.23 Going concern

After making enquiries, including seeking assurances from the Directors of The Royal Mint Limited, the Accounting Officer has concluded that there is a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. The Fund therefore continues to adopt the going-concern basis in preparing its Consolidated Financial Statements.

Note 1 continued

3 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 Fund determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Key assumptions for pension obligations are disclosed in Note 17.

(b) Impairment of non-financial assets

The Royal Mint Trading Fund 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 Trading Fund'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 Trading Fund has determined business segments based on reports reviewed by the Board of The Royal Mint Limited 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 present revenue, operating profit and certain asset and liability information regarding the Royal Mint Trading Fund business segments for the years ending 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	177,978	254,567	–	254,567
Depreciation and amortisation	(3,288)	(441)	(3,729)	(1,107)	(4,836)
Operating profit / (loss)	478	11,567	12,045	(12,671)	(626)
Segment assets and liabilities:					
Non-current assets	33,622	29,943	63,565	5,208	68,773
Current assets	31,867	20,043	51,910	7,637	59,547
Current liabilities	(8,518)	(15,632)	(24,150)	(30,276)	(54,426)
Non-current liabilities	(665)	–	(665)	(468)	(1,133)
Net assets	56,306	34,354	90,660	(17,899)	72,761

Analysis by class of business 2011-12

	Circulating £'000	Commemorative* £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	97,923	216,005	313,928	–	313,928
Depreciation and amortisation	(2,715)	(396)	(3,111)	(718)	(3,829)
Operating profit	8,355	14,899	23,254	(13,965)	9,289
Segment assets and liabilities:					
Non-current assets	34,663	21,826	56,489	9,912	66,401
Current assets	33,899	28,823	62,722	3,046	65,768
Current liabilities	(9,178)	(7,466)	(16,644)	(38,705)	(55,349)
Non-current liabilities	(709)	–	(709)	(662)	(1,371)
Net assets	58,675	43,183	101,858	(26,409)	75,449

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

*Includes transactions, assets and liabilities of The Royal Mint Museum, notably heritage assets of £21.1m (2012: £16.2m).

Note 2 continued

B. Geographical analysis of revenue

Revenue by destination is set out below:

	2012-13 £'000	2011-12 £'000
UK	112,860	113,795
Greece	14,444	48,708
Rest of Europe	54,528	67,565
Asia	30,359	37,155
Americas	24,329	18,239
Africa	13,568	22,759
Rest of the World	4,479	5,707
	254,567	313,928

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.

Note 3

EXPENSES BY NATURE

	2012-13 £'000	2011-12 £'000
Movement in Work in progress and Finished Goods Inventory (excluding metal)	4,039	739
Raw materials and consumables used	19,364	22,627
Metal costs of products sold	167,836	215,980
Hire of plant and machinery	341	865
Employee benefit expenses	36,053	37,414
Agency workers	1,258	1,264
Training	217	469
Travel and subsistence	1,234	1,383
Transportation expenses	2,078	2,480
Depreciation and amortisation charges	4,836	3,829
Loss on disposal	330	52
Professional fees and Consultancy	1,380	1,061
Plant and building maintenance	2,159	2,459
Research and development	128	215
Postage	823	545
Promotional expenses	5,656	6,199
Commission expenses	825	2,004
Auditors' remuneration		
Audit of these financial statements	20	18
Non-audit fees	–	–
Audit of subsidiaries	59	59
Non-audit fees	–	25
Other expenses	4,633	4,009
Total cost of sales, selling and distribution costs and administration expenses	253,269	303,696

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

Note 4

REMUNERATION AND EMPLOYMENT

Details of the salary and pension entitlements of members of the Executive Management Team are included in the Remuneration Report on pages 44 to 48.

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

		2012-13		2011-12
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

Staff costs above include a charge of £nil (2011-12: £1,136,000) in relation to the employee profit share scheme and the management Short-Term Incentive Plan. Excluding these costs, as well as benefits in kind and pensions, the mean pay for the year was £31,000 (2011-12: £30,000) and the median was £30,000 (2011-12: £29,000).

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.

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

The group has highlighted separately on the face of the Consolidated 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 Fund 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 Consolidated 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	2010-12 £'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 15)	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%) from:

	2012-13 £'000	2011-12 £'000
(Loss) / Profit before tax	(1,728)	8,323
Profit multiplied by the standard rate of corporation tax of 24%	(415)	2,163
Effects of:		
Trading Fund profit not being taxable	(123)	(66)
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 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 assets of £8,000 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 15% (2012: 27%) 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 deferred tax credit is mainly compromised of additional capital allowances which arose in relation to a detailed capital allowances claim which was completed in the period.

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

Current tax (receivable) / liability

	2012-13 £'000	2011-12 £'000
UK corporation tax	(1,080)	457

The Royal Mint Limited has been liable to taxation from 1 January 2010. The Royal Mint Trading Fund is not subject to taxation.

Note 8

PROPERTY, PLANT AND EQUIPMENT

Consolidated

	Freehold land £'000	Buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
Valuation					
At 1 April 2012	–	19,297	7,462	88,811	115,570
Additions	–	–	4,758	–	4,758
Transfers	–	531	(8,495)	7,964	–
Disposals	–	–	–	(7,618)	(7,618)
Revaluation	–	(1,972)	–	909	(1,063)
Reclassification of assets	3,862	(3,862)	–	–	–
At 31 March 2013	3,862	13,994	3,725	90,066	111,647
Depreciation					
At 1 April 2012	–	2,033	–	66,078	68,111
Charge for year	–	565	–	3,771	4,336
Disposals	–	–	–	(7,291)	(7,291)
Revaluation	–	–	–	493	493
At 31 March 2013	–	2,598	–	63,051	65,649
Net book value at 31 March 2013	3,862	11,396	3,725	27,015	45,998

Valuation					
At 1 April 2011	–	14,631	16,772	79,580	110,983
Additions	–	–	4,994	4	4,998
Transfers	–	4,666	(14,304)	9,638	–
Disposals	–	–	–	(246)	(246)
Revaluation	–	–	–	(165)	(165)
At 31 March 2012	–	19,297	7,462	88,811	115,570
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	22,733	47,459

Land and buildings are stated at either open market current use valuation or depreciated replacement cost where this is more appropriate for specialised buildings. The valuation at 31 March 2013 was provided by DTZ in accordance with the guidelines set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Note 9

HERITAGE ASSETS

	Heritage Assets £'000
Cost	
At 1 April 2012	16,211
Additions:	
At valuation	156
At purchase cost	13
Disposals*	(65)
Revaluation	4,745
At 31 March 2013	21,060
Net book value at 31 March 2013	21,060
Net book value at 1 April 2012	16,211

*Proceeds from the sale of heritage assets were £351,000.

The collection

Heritage assets are accounted for in accordance with the accounting policy set out in Note 1. On vesting the Museum inherited a significant collection of different types of heritage assets including coins, medals, seals, banknotes, minting and scientific equipment, drawings, paintings, sculptures, books, photographs and films.

The Trustees intention is to obtain valuations for those parts of the collection which are readily accessible and for which there is an established market. They have agreed a plan extending over five years and work in connection with the valuation has been carried out by the auctioneers Morton & Eden and numismatic book specialist Douglas Saville. So far, valuations have been sought for coins and medals, library, seal counterparts and trial plates, these items have been valued at £20.7m. For the year 2013-14 valuations will be sought for the banknotes, postage stamps and drawings.

It has been decided by the Trustees that no valuation will be sought for the extensive collection of master tools and dies held by the Museum. For legal and security reasons there has never been a meaningful market for coinage tools and to seek to establish a valuation could therefore be regarded as a specious exercise. With respect to architectural plans, films, reels, tapes, photographs and glass negatives their significance is not judged sufficiently high to warrant expenditure of obtaining valuations from external consultants.

Note 9 continued

The collection forms a remarkable record of one of the oldest continuously operating organisations in the world. Many of the items are unique, standing as an insight into the evolution and ongoing activities of the Royal Mint. The collection can be seen as forming two broad categories.

— Material relating to the working of the Royal Mint as an institution and a manufacturer. The equipment, including coinage tools dating back to the medieval period, is not represented in any other collection in Britain to the same scale and diversity.

— Material relating to coins, medals and seals produced by the Royal Mint. The collection of coins and medals reflects the practice of items coming into the collection direct from the factory and consequently contains large numbers of trial and experimental pieces that are not represented in any other museum either in Britain or elsewhere.

The Museum aims to maintain the condition of the collection by housing it within air-conditioned premises and specially designed cabinets. Items from the collection are on public display in various temporary and permanent exhibitions whilst the remaining collection is held at the Museum premises on the Royal Mint site. The collection is managed by the Museum's Director in accordance with policies approved by the Trustees. With respect to acquisition, authorisation levels have been set for the Museum Director and the Trustees of the Museum, and the circumstances in which the acquisition of an item will be referred to HM Treasury are noted. Provisions dealing with proof of ownership of acquired items also form part of the policy. The authorisation levels at which items might be disposed of mirrors that specified for acquisition. The policy, moreover, details the precise criteria that would need to be met if an item were to be disposed. The Museum is currently in the process of cataloguing the collection.

During 2012-13 11 American coins, which the Museum held duplicates of, were auctioned on 6th March 2013. The proceeds received will be held to fund future acquisitions for the Museum collection.

Note 10

INTANGIBLE ASSETS (software licences)

Consolidated

	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	381	–	381
Transfers	(770)	770	–
Disposals	–	(966)	(966)
At 31 March 2013	457	3,448	3,905
Amortisation			
At 1 April 2012	–	2,644	2,644
Amortisation for year	–	500	500
Disposal	–	(954)	(954)
At 31 March 2013	–	2,190	2,190
Net book value at 31 March 2013	457	1,258	1,715
Net book value at 1 April 2012	846	1,000	1,846

Note 11

INVENTORIES

Consolidated

	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 Royal Mint Limited enters into precious metal consignment arrangements whereby the consignor retains the risks and rewards of the metal until such time as the Royal Mint 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 12

RECEIVABLES

Consolidated

	2013 £'000	2012 £'000
Trade receivables	17,933	28,490
Less provision for impairment of receivables	(706)	(608)
VAT	1,930	–
Prepayments and accrued income	1,769	1,282
	19,926	29,164

Note 12 continued

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 Trading Fund's trade and other receivables are denominated in the following currencies:

	2013 £'000	2012 £'000
Pounds sterling	17,363	25,753
Euro	286	344
US Dollar	2,277	3,067
	19,926	29,164

Provision is made for Commemorative Coin direct to consumer receivables that become overdue for payment.

Movement in provision for impairment in receivables:

	2013 £'000	2012 £'000
At 1 April	(608)	(613)
(Provision) / Utilised in year	(98)	5
At 31 March	(706)	(608)

Note 13

SHORT-TERM BORROWINGS

Consolidated

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

Note 14

PAYABLES: amounts falling due within one year

		Consolidated		Trading Fund
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	10,379	21,626	–	–
Other payables	1,341	1,178	–	–
Payments received on account	16,173	3,894	–	–
Taxation and social security	723	1,858	–	–
Proposed dividend	4,000	8,000	4,000	8,000
Accruals and deferred income	1,375	1,843	–	–
	33,991	38,399	4,000	8,000

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	11,656
Public Corporations and Trading Funds	93	25
	1,088	11,681

Note 15

PROVISION FOR LIABILITIES AND CHARGES

Consolidated

HM Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised on the Accounts when early departure decisions are made. The Consolidated Income Statement is charged with the full liability of new decisions taken and a provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2013 and 2021. The provision has been assessed at current prices at the Balance Sheet date, 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.

During the vesting process, our due diligence uncovered some low level historical contamination on site. We undertook detailed investigation of the causes and effects of the contamination and, based on advice from our environmental consultants, have provided in full for the expected remediation costs to meet legal obligations.

	Early Retirement £'000	Environment remediation £'000	Total £'000
At 1 April 2012	662	709	1,371
Charge made in year	36	–	36
Unwinding of discount on provision	24	–	24
Utilised in year	(254)	(44)	(298)
At 31 March 2013	468	665	1,133

Provisions are expected to be utilised within the next five years.

Note 16

DEFERRED TAXATION

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 23% (2011: 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 (assets) / liabilities were:

Deferred tax (assets) / liabilities

	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)	1,392	(189)	93	(95)	225
Credit 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 Comprehensive Income during the year was:		
Actuarial losses on defined benefits schemes	(259)	(153)
	(259)	(153)

Analysis of deferred tax asset

	2013 £'000	2012 £'000
Deferred tax asset over 12 months	–	(335)
Deferred tax asset within 12 months	(919)	(550)
	(919)	(885)

Note 16 continued

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 Chancellor also announced that the main rate of corporation tax would fall 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 further 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 Royal Mint Limited has been liable to taxation from 1 January 2010. The Royal Mint Trading Fund is not subject to taxation.

Note 17

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 employees 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. 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 up-rated 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.

Detail of valuation assumptions
An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2012 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2013 with allowance for future salary increases or future price inflation for members of the Platinum Nuvos scheme. The principal actuarial assumptions used were:

Note 17 continued

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

Amounts included in the Consolidated Income Statement

	2012-13 £'000	2011-12 £'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 the Consolidated Statement of Comprehensive Income

	2012-13 £'000	2011-12 £'000	2010-11 £'000
Actual return less expected return on assets	2,276	(151)	(361)
Experienced (losses) / gains arising on the scheme liabilities	(3,355)	(905)	453
Experienced gain arising on past service transfer	–	418	–
Actuarial (losses) / gains recognised in Statement of Comprehensive Income	(1,079)	(638)	92

Amounts recognised in the Statement of Financial Position

	2012-13 £'000	2011-12 £'000	2010-11 £'000
Fair value of plan assets	29,228	19,560	11,468
Present value of plan liabilities	(29,580)	(19,331)	(10,906)
Net Defined-Benefit (liablility) / asset	(352)	229	562

History of experienced gains and losses

	2012-13 £'000	2011-12 £'000	2010-11 £'000
Experience adjustments in relation to plan assets	2,276	(151)	(361)
Experience adjustments in relation to plan liabilities	(3,355)	(905)	453

Note 17 continued

Reconciliation of movements in the Statement of Financial Position

	2012-13 £'000	2011-12 £'000
Surplus at 1 April	229	562
Current service cost	(5,900)	(5,945)
Pension scheme expenses	(55)	(67)
Interest cost	(1,024)	(697)
Expected return on assets	1,168	861
Adjustment for Nuvos Bulk Transfer Value	(151)	(338)
Actuarial loss	(1,079)	(638)
Contributions	6,460	6,491
Net Defined-Benefit (liability) / asset	(352)	229

Reconciliation of movements in liabilities during the year

	2012-13 £'000	2011-12 £'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

	2012-13 £'000	2011-12 £'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 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

Note 17 continued

Reconciliation of amount recognised in the Consolidated Statement of Comprehensive Income

	2012-13 £'000	2011-12 £'000
Actual return less expected return on assets	2,276	(151)
Experience loss arising on the scheme liabilities	(3,355)	(905)
Experienced gain arising on past service transfer	–	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 with an expected long-term rate of return of 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	51.8%	13.6%
Equities	24.3%	49.8%
Alternative assets	–	23.8%
Corporate bonds	23.9%	12.8%
Total	100.0%	100.0%

The overall expected return on RMLS assets has been assessed with reference to the distribution of assets underlying the policy. Each asset class return is based on the long-term expected rate of return on that class. The overall expected return is a weighted average of the returns for all asset classes. Contributions expected to be paid in 2013-14 are £6.5m.

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 Trading Fund is an Executive Agency and Trading Fund. Since vesting, The Royal Mint Limited, as a subsidiary of the Royal Mint Trading Fund, is a company wholly owned by HM Treasury.

HM Treasury is regarded as a related party. It has both an ownership and a customer role. The Royal Mint Trading Fund is effectively owned by the Crown, with the Chancellor of the Exchequer holding the title of Master of the Mint. In practice, the Economic Secretary to the Treasury, reporting to Parliament, acts as owner on a day-to-day basis. The operation of the shareholding interest has been delegated to the Shareholder Executive, which is responsible for oversight of the Royal Mint Trading Fund's objective of delivering a commercial return on capital employed and provision of relevant advice to the Economic Secretary. HM Treasury also contracts the Royal Mint Trading Fund as a customer, under a contract, for the manufacture and distribution of UK circulating coin.

In addition the Royal Mint Trading Fund has had a number of material transactions with other Government Departments. 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 has undertaken any material transactions with the Royal Mint Trading Fund, balances with other Government bodies are set out in Notes 12 and 14.

Key management are considered to be members of the Executive Management Team of The Royal Mint Limited. Remuneration of key management staff is set out in the table below:

Remuneration of key management staff

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

Note 21

ANALYSIS OF NET DEBT

Consolidated

	At 1 April 2012 £'000	Cashflow £'000	At 31 March 2013 £'000
Cash at bank and in hand	1,853	(526)	1,327
Short term loan due within one year	(15,000)	(3,000)	(18,000)
	(13,147)	(3,526)	(16,673)

ANALYSIS OF NET DEBT

Trading Fund

	At 1 April 2012 £'000	Cashflow £'000	At 31 March 2013 £'000
Cash at bank and in hand	–	–	–
	–	–	–

Note 22

OTHER GAINS / (LOSSES) – NET

	2013 £'000	2012 £'000
Foreign exchange loss	(549)	(242)
Open foreign exchange contracts held for trading	(666)	–
Ineffectiveness of commodity hedges	(709)	(701)
	(1,924)	(943)

Note 23

FINANCIAL INSTRUMENTS

Derivative asset

	2013 £'000	2012 £'000
Foreign currency fair value	51	37
Commodity fair value	27	177
Precious metal fair value	5	15
	83	229

Derivative liability

	2013 £'000	2012 £'000
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 Trading Fund'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 section through a combination of derivative and other financial instruments.

Currency risk

The Royal Mint Trading Fund 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 Trading Fund's risk management policy is to enter into forward contracts for all of the 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)

Note 23 continued

Sensitivity analysis

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 on profit 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
Euro	1.1825	29	1.1998	(3)
US Dollar	1.5114	248	1.5978	30
Australian Dollar	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
Euro	1.1825	(24)	1.1998	27
US Dollar	1.5114	(203)	1.5978	(266)
Australian Dollar	1.4484	–	1.5423	(12)
Swiss Franc	1.4411	(30)	1.4442	–
		(257)		(251)

Commodity price risk

The Royal Mint Trading Fund 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 Trading Fund 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)	–	–	–

Note 23 continued

Sensitivity analysis

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)

Note 23 continued

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

	Closing price 2013 £ / oz	Effect on net earnings of a 10% decrease 2013 £'000	Closing price 2012 £ / oz	Effect on net earnings of a 10% decrease 2012 £'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 2013 £ / oz	Effect on net earnings of a 10% increase 2013 £'000	Closing price 2012 £ / oz	Effect on net earnings of a 10% increase 2012 £'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 payable:

	Closing price 2013 £ / oz	Effect on net earnings of a 10% change 2013 £'000	Closing price 2012 £ / oz	Effect on net earnings of a 10% change 2012 £'000
Gold	1,054	62	1,039	73
Silver	19	18	20	11
Platinum	1,040	–	1,025	–
		80		84

Note 23 continued

Interest rate risk

The Royal Mint Trading Fund has exposure to interest rate risk, arising principally in relation to 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 to not 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 £'000	Effect on net earnings of a 10% change 2013 £'000	2012 £'000	Effect on net earnings of a 10% change 2012 £'000
Short-term NLF loans	18,000	38	15,000	38

Credit risk

Exposures to credit risks are as a result of transactions in the Royal Mint Trading Fund'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	–

Note 23 continued

Commemorative Coin wholesale
Wholesale customers purchasing non-bullion products are set credit limits based on available financial information. If no information is available a zero credit limit is set and goods must be paid for in advance of despatch. Credit limits are regularly monitored and reviewed. If the wholesale customer purchases bullion products the bullion is purchased specifically for the customers' 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 direct 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 Trading Fund 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 £19.9m (2012: £30.0m).

Hierarchy disclosure under IFRS7
The fair value of financial instruments is based on mark to market information and considered to be at level 2 (see table below) in terms of the hierarchy measurement requirements of IFRS 7:

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

Note 23 continued

Liquidity risk

Liquidity risk is the risk that the Royal Mint Trading Fund 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 Trading Fund manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast cash flow. In addition, the Royal Mint Trading Fund 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 Trading Fund's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at 31 March to the contractual maturity date.

At 31 March 2013

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	18,000	–	–	–
Derivative financial instruments	1,367	–	–	–
Trade and other payables	33,991	–	–	–
Current tax liability	–	–	–	–
Provision for liabilities and charges	884	210	39	–

At 31 March 2012

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	15,000	–	–	–
Derivative financial instruments	1,493	–	–	–
Trade and other payables	38,399	–	–	–
Current tax liability	457	–	–	–
Provision for liabilities and charges	943	317	111	–

Capital risk

The management of the Royal Mint Trading Fund 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 Trading Fund'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 cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange rates at the balance sheet date.

Note 23 continued

Categories of financial instruments

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

	Carrying value 2013 £'000	Fair value 2013 £'000	Carrying value 2012 £'000	Fair value 2012 £'000
Financial assets:				
Loans and receivables	19,926	19,926	29,164	29,164
Derivatives used for hedging	83	83	229	229
Financial liabilities:				
Loans and payables	51,991	51,991	53,856	53,856
Derivatives used for hedging	1,367	1,367	1,493	1,493

Note 24

INVESTMENTS IN SUBSIDIARIES

	2013 £'000	2012 £'000
Cost at 31 March	59,319	59,319

	Ownership
Subsidiaries	
The Royal Mint Limited	100%
The Royal Mint Museum	100%

	2013 £'000	2012 £'000
Capital and reserves:		
The Royal Mint Limited	56,342	66,318
The Royal Mint Museum	1,710	1,131

	2012-13 £'000	2011-12 £'000
(Loss) / Profit after tax for the year:		
The Royal Mint Limited	(1,943)	9,315
The Royal Mint Museum	578	238

The Royal Mint Services Limited has been excluded on the grounds of immateriality.

Note 25

LOSSES AND SPECIAL PAYMENTS

There have been no losses or special payments during the year (2011-12: £nil).

Note 26

EVENTS AFTER THE REPORTING PERIOD

The Royal Mint Limited declared a dividend of £4m to the Royal Mint Trading Fund.

There have been no material events requiring adjustment or disclosure subsequent to the year end.

Note 27

AUTHORISATION FOR ISSUE

There have been no changes to the Accounts between the date when the Accounting Officer signed the Accounts and the date the Accounts were authorised to be issued on 3 July 2013.

The reduction punch for the Diamond Jubilee Crown being cut on the Kuhlmann engraving machine; this machine cuts to a tolerance of around a 50th of the thickness of a human hair.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